# Ferrum Crescent Limited

A.C.N. 097 532 137

## Annual Report

For the year ended

30 June 2015

## Contents

# Ferrum Crescent Limited
A.C.N. 097 532 137

## Corporate Information

**Directors:**
Mr. Ed Nealon
Mr. Tom Revy
Mr. Klaus Borowski
Mr. Grant Button

**Company Secretary:**
Mr. Robert Hair

**Auditor:**
Ernst & Young
Ernst & Young Building
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Perth WA 6000 AUSTRALIA
Telephone (+61 8) 9429 2222
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**Banker:**
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Perth Central Business Banking Centre
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Perth WA 6000 AUSTRALIA
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**Lawyer:**
Allen & Overy
Level 27, Exchange Plaza
2 The Esplanade
Perth WA 6000 AUSTRALIA
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**Share Registry:**
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
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**Registered and Principal Office:**
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South Mill Centre
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South Perth WA 6151
Telephone (+61 8) 9474 2995
Facsimile (+61 8) 9474 2937
Website: www.ferrumcrescent.com
Email: info@ferrumcrescent.com

**Stock Exchange Listings:**
Ferrum Crescent Limited's ordinary shares are listed on the Australian Securities Exchange (ASX:FCR), and the JSE Limited (JSE:FCR), and quoted on the AIM market of the London Stock Exchange plc (AIM:FCR)

The Directors of Ferrum Crescent Limited ("Ferrum" or "the Company") (the "Directors") present their report for the financial year ended 30 June 2015.

## Directors

The names and details of the Directors in office during the financial year and at the date of this report are set out below:

Each Director was in office for the entire reporting period unless otherwise stated.

Mr Ed Nealon *(Age 65) Chairman, Non-Executive Director*

Mr Nealon is a geologist with some 41 years' experience in the mining and exploration industry. After graduating in 1974, he commenced his career in South Africa with Anglo American Corporation, before moving to Australia in 1980 where he spent two years in exploration with the Rio Tinto Group. He founded his own consulting company in 1983 and has practised in most of the world's major mining centres. He holds a Masters degree in Geology and is a member of the Australasian Institute of Mining and Metallurgy. Mr Nealon was the founder of Aquarius Platinum Ltd (ASX: AQP) and is currently Non-executive chairman of both Richland Resources Ltd (AIM: RLD) and Bezant Resources plc (AIM:BZT). Mr Nealon was Non-executive director of Condoto Platinum NL (ASX: CPD) until his resignation on 21 October 2011. He has not been a director of any other listed company in the last three years. He is a member of the Company's Audit Committee, Remuneration Committee and Nominations Committee.

Mr Klaus Borowski *(Age 75) Non-Executive Director*

Mr Borowski is a metallurgical engineer by background, having studied in his home country of Germany. He first arrived in South Africa in 1966, where he was Technical Director of Dunsward Steel until 1979. After a short period in Europe within the steel industry, he returned to South Africa in 1982 and subsequently held several positions in the iron and steel industry in South Africa, including managing director of Krupp South Africa and as executive director of Industrial Metal Supply Co. In 1998, Mr Borowski formed Applied Metallurgical Technologies (Pty) Ltd, and, amongst other things, he was on the steering committee of Saldhana Steel (Pty) Ltd and Duferco Steel Processing. Save for Ferrum, he has not been a director of any other listed company in the last three years. Mr Borowski is chairman of the Company's Remuneration Committee and a member of the Company's Audit Committee and Nominations Committee.

Mr Grant Button *(Age 53) Non-Executive Director*

Mr Button is a qualified accountant and has 23 years' financial and other commercial management and transactional experience, including 21 years' experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, CFO and company secretary of a range of publicly listed companies. He is currently an executive director of Magnum Mining & Exploration Limited (ASX: MGU). Mr Button was non-executive chairman of Alamar Resources Limited (ASX: ALG) until his resignation on 11 April 2011 and non-executive chairman of Realm Resources Limited (ASX: RRP) until his resignation on 20 October 2011, and a director of Sylvania Platinum Limited (AIM:SLP) until his resignation on 30 April 2015. He was also a former director of the Company (then named Washington Resources Limited) until his resignation on 1 December 2008. He has not been a director of any other listed company in the last three years. Mr Button is chairman of the Company's Audit Committee and Nominations Committee and a member of the Company's Remuneration Committee.

Mr Tom Revy *(Age 51) Managing Director*

Mr Revy is a mining professional with over 30 years' experience specialising in operations, project development and corporate management. He has a wealth of experience in project development and planning to assist the Company as it progresses its bankable feasibility study towards construction readiness. As Development Director at Worley Parsons, Mr Revy worked extensively on the Olympic Dam expansion and undertook key studies for companies such as Anglo American and Codelco. Previously Mr Revy worked at design and construction group, GRDMinproc, working on projects such as the Fortescue Metals phase 2 expansions in Western Australia and on the US$1.8bnTenke Fungurume project in the DRC. Mr Revy is Non-executive chairman of ASX-listed Empire Resources Limited (appointed January 2010). He has not been a director of any other listed company in the last three years.

Mr Kofi Morna *(Age 55) Non-Executive Director resigned 31 December 2014*

Mr Morna holds a Master of Business Administration degree from the London Business School and a Bachelor of Science degree from Princeton University. He is a Non-executive director of Aquarius Platinum Limited (ASX: AQP) and an Executive director of Savannah Resources (Pty) Ltd. He has not been a director of any other listed company in the last three years.

Mr Ted Droste *(Age 73) Non-Executive Director resigned 31 December 2014*

Mr Droste is a chemical engineer by background, and after obtaining a BSc in Chemical Engineering in 1962 he worked at African Metals Corporation Limited (now known as Samancor) before joining Sentrachem Limited where he was promoted to the position of Research and Development Manager. Following ten years with Sentrachem, he joined the Industrial Development Corporation of South Africa ("IDC") in 1974 until taking early retirement in 2001 to start his own business. Mr Droste held a number of positions at the IDC, including that of Senior General Manager Projects Division. Mr Droste was chairman of Bay Precision and Mining (Pty) Limited until his resignation in December 2012. He consults to various companies through his investment holding company, TC Droste Investments (Pty) Ltd. He has not been a director of any other listed company in the last three years.

Mr Robert Hair *(Age 62) Company Secretary*

Mr Hair is a barrister by background, who has over 26 years' experience in the resources industries. He was a senior manager in the MIM Holdings Group and General Manager Commercial of ASX-listed Highlands Pacific Limited, before becoming a consultant to various companies, principally in the resources sector. He has extensive corporate, commercial and legal experience from his many years of business in Australia and in many other parts of the world. Mr Hair was formerly Managing Director of the Company and is a non-executive director of ASX-listed Carpentaria Exploration Limited (ASX:CAP).

## Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

| | Number of ordinary Shares | Number of options over ordinary shares |
|---|---|---|
| Ed Nealon | 26,241,557 | - |
| Tom Revy | 2,717,877 | 2,500,000 |
| Grant Button | 5,356,300 | - |
| Klaus Borowski | - | - |

## Dividends

No dividend has been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year (2014: Nil).

## Principal activities

The principal activity of the entities within the consolidated entity during the financial year was the exploration for minerals.

## Review of operations and activities

Information on the operations and activities of the Group is set out in the Company and Project overview section on pages 23 to 37 of this Annual Report. The focus of the Group remains the study and, upon confirmation of economic and technical feasibility, the financing, construction and operation of the Moonlight Iron Ore Project ( the "Moonlight Project" or "Moonlight") in Limpopo Province, South Africa. The Company has concluded a detailed review of the Bankable Feasibility Study ("BFS") requirements for the Moonlight Iron Project. A work pathway has been announced that identifies advanced metallurgy, pilot plant construction and final product analysis as the next key components for the BFS. This work will enable final costings to be produced for the mining plan and key items such as the proposed pellet plant. A project schedule for completion of the Moonlight BFS has also been announced.

In carrying out its operations during the reporting period, the Group has incurred a loss after income tax for the period from 1 July 2014 to 30 June 2015 of $2,345,860 (2014: loss of $2,549,782). The Group had net assets of $525,523 (2014: $952,426) as set out in the Statement of Financial Position.

## Significant changes in the Group's state of affairs

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report that have not otherwise been disclosed elsewhere in the Annual Report.

## Significant events after the balance date

There are subsequent events to report, as follows:

In May 2015, the Company entered into a Memorandum of Understanding ("MOU") with Principle Monarchy Investments (Proprietary) Limited ("PMI"), whereby PMI will pay R142m (US$12m) to acquire up to 39% of Ferrum Iron Ore (Proprietary) Limited ("FIO"). The incoming funds will be used by FIO towards financing of the BFS costs for the Moonlight Project. In return for an investment of US$12m, to be paid across three tranches, PMI will receive a total of 39% of FIO's equity.

As at the date of this report, the first payment due under the terms of the MOU had yet to be received such that the MOU was not legally binding at that point.

Furthermore, the Company is at the date of this report at an advanced stage in relation to an alternative BFS financing arrangement with another group.

## Likely developments and expected results

The Group will continue to carry out its business plans, by:

- Exploring, evaluating and, if technically and economically feasible, developing the Moonlight Project in Limpopo Province, South Africa;
- Seeking strategic acquisition opportunities within the exploration and mining industry to potentially enter into advanced projects that will add value to the Group; and
- Continuing to meet its statutory commitments relating to its exploration tenements and carrying out exploration of its exploration tenements in accordance with its stated strategy, whilst carefully conserving the Group's cash reserves to be able to take advantage of potential value adding opportunities.

There can be no guarantee either that further exploration of the Group's tenements will result in exploration success or that any potential strategic acquisition considered by the Directors to be likely to add value to the Group will become available to the Group.

## Environmental regulation and performance

The Group's activities are subject to South African legislation relating to the protection of the environment. The Group is subject to significant environmental legal regulations in respect to its exploration and evaluation activities. There have been no known breaches of these regulations and principles.

## Indemnification and Insurance of Directors and officers

The Group has entered into deeds of access and indemnity with the officers of the Group, indemnifying them against liability incurred, including costs and expenses in defending any legal proceedings. The indemnity applies to a liability for costs and expenses incurred by the Director or officer acting in their capacity as a director or officer.

Except in the case of a liability for legal costs and expenses, it does not extend to a liability that is:

(a) owed to the Group or a related body corporate of the Group;

(b) for a pecuniary penalty order under section 1317G or a compensation order under section 1317H or section 1317HA of the Corporations Act 2001; or

(c) owed to someone other than the Group or a related body corporate of the Company where the liability did not arise out of conduct in good faith.

Similarly, the indemnity does not extend to liability for legal costs and expenses:

(d) in defending proceedings in which the officer is found to have a liability described in paragraph (a), (b) or (c) above;

(e) in proceedings successfully brought by the Australian Securities and Investments Commission or a liquidator; or

(f) in connection with proceedings for relief under the Corporations Act 2001 in which the court denies the relief.

During or since the financial year end, the Company has paid premiums in respect of a contract insuring all the Directors and officers. The terms of the contract prohibit the disclosure of the details of the insurance contract and premiums paid.

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year end.

### Non-audit services

The Group may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor, Ernst & Young, for audit and non-audit services provided during the financial year are set out below.

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Remuneration of the auditor of the Company for Group and subsidiary statutory reporting: | | |
| -auditing or reviewing the Annual financial report | **54,523** | 63,653 |
| -other assurance related services | - | - |
| | **54,523** | 63,653 |

### Directors' meetings

Meetings of directors held and their attendance during the financial year were as follows:

**Meetings of Board and Committees**

| | Board | Audit | Remuneration | Nomination |
|---|---|---|---|---|
| **Number of Meetings held:** | **5** | **1** | **-** | **-** |
| **Number of Meetings attended:** | | | | |
| Ed Nealon | 5 | - | - | - |
| Tom Revy | 5 | - | - | - |
| Klaus Borowski | 5 | - | - | - |
| Grant Button | 5 | 1 | - | - |
| Kofi Morna | 2 | - | - | - |
| Ted Droste | 2 | - | - | - |

## Remuneration Report (audited)

This Remuneration Report outlines the Director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, and includes Directors of the Company.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The Remuneration Report is presented under the following sections:

1. Individual KMP disclosures
2. Remuneration at a glance
3. Board of Directors (the "Board") oversight of remuneration
4. Non-executive director remuneration arrangements
5. Executive remuneration arrangements
6. Directors and KMP contractual arrangements
7. Equity instruments disclosures
8. Loans to KMP and their related parties
9. Transactions with KMP and their related parties

### 1. Individual key management personnel disclosures

**(i) Directors:**

| | | |
|---|---|---|
| Ed Nealon | Non-Executive Chairman | Appointed 9 March 2010 |
| Tom Revy | Managing Director | Appointed 19 February 2014 |
| Klaus Borowski | Non-Executive Director | Appointed 1 September 2010 |
| Kofi Morna | Non-Executive Director | Appointed 15 October 2010<br>Resigned 31 December 2014 |
| Ted Droste | Non-Executive Director | Appointed 15 October 2010<br>Resigned 31 December 2014 |
| Grant Button | Alternate Director, Non-Executive Director | Appointed 15 June 2010 and 15 October 2010 respectively |

**(ii) Executives:**

| | |
|---|---|
| Ed Aylmer | BFS Study Manager |
| Scott Huntly | Strategic Development Manager |
| Beverley Gardner | Financial Controller |
| Dave Richards | Compliance Manager |
| Robert Hair | Company Secretary |

### 2. Remuneration at a glance

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Provide significant portions of executive remuneration "at risk" through participation in incentive plans.

## Remuneration Report (continued)

### 2. Remuneration at a glance (continued)

Shares and options issued under incentive plans provide an incentive to stay with the Group. At this stage, shares and options issued do not have performance criteria attached. This policy is considered to be appropriate for the Group, having regard to the current state of its development.

The Company has established a directors' and executives' salary sacrifice plan, pursuant to which individuals may elect for a nominated fixed period to sacrifice all or an agreed percentage of their salary or fees to be applied in the subscription for or on-market purchase of shares in the Company. As such shares may not be purchased or subscribed for during periods that are close periods or when individuals are in possession of inside information, the entitlement to subscribe for shares is determined by calculating the number of shares using the market price for the month concerned. The plan was established to allow for the subsequent settlement of salary or fees from 1 April 2012, and two Directors elected to participate in the plan with effect from that date. Shares listed under the plan are not subject to performance conditions. Shareholder approval for the plan and for the issue of shares under the plan was obtained on 8 August 2012.

The Company also recognises that, at this stage in its development, it is most economical to have only a few employees and to draw, as appropriate, upon a pool of consultants selected by the Directors on the basis of their known management, geoscientific, engineering and other professional and technical expertise and experience. The Company will nevertheless seek to apply the principles described above to its Directors and executives, whether they are employees of or consultants to the Company.

### 3. Board oversight of remuneration

<u>Remuneration Committee Responsibilities</u>

A Remuneration Committee was established on 14 January 2010 and reconstituted on 15 October 2010 and again on 9 March 2015.

The Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

<u>Remuneration Structure</u>

In accordance with best practice corporate governance, the structure of non-executive and executive director remuneration is separate and distinct.

### 4. Non-Executive Director remuneration arrangements

*Objective*

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

*Structure*

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors must be determined from time to time by shareholders of the Company in a general meeting. An amount not exceeding the amount determined is then divided between the Non-Executive Directors as agreed. The current aggregate limit of remuneration for non-executive directors is $250,000 as approved at the 2010 Annual General Meeting of Shareholders.

## Remuneration Report (continued)

### 4. Non-Executive Director remuneration arrangements (continued)

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Non-Executive Directors is reviewed annually. The Board may consider advice from external consultants, as well as the fees paid to Non-Executive Directors of comparable companies, when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Company. No additional fee is paid for participating in Board Committees.

Non-Executive Directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure that there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. Non-Executive Directors may also participate in the Company's share and option plans as described in this report.

### 5. Executive remuneration arrangements

*Objective*

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Group, business team and individual performance;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

*Structure*

- At this time, the cash component of remuneration paid to executive Directors, the Company Secretary and other senior managers is not dependent upon the satisfaction of performance conditions.
- It is current policy that some executives be engaged by way of consultancy agreements with the Company, under which they receive a contract rate based upon the number of hours of service supplied to the Company. There is provision for yearly review and adjustment based on consumer price indices. Such remuneration is hence not dependent upon the achievement of specific performance conditions. This policy is considered to be appropriate for the Company, having regard to the current state of its development.
- Executive Directors are encouraged by the Board to hold shares in the Company (purchased on market or in accordance with the Company's salary sacrifice share plan and in accordance with the Company's approved policies to ensure that there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The executive Directors may also participate in the Company's share and option plans as described in this report, including the salary sacrifice share plan. Refer to page 16 for details of options granted during the period.

*Performance table*

The following table details the net profit / (loss) of the Company from continuing operations after income tax, together with the basic earnings / (loss) per share since the incorporation of the parent:

| | 2015 $ | 2014 $ | 2013 $ | 2012 $ | 2011 $ |
|---|---|---|---|---|---|
| Net profit / (loss) from continuing operations after income tax | (2,345,860) | (2,549,782) | (1,901,288) | 4,479,716 | (8,141,794) |
| Basic earnings / (loss) per share in cents | (0.50) | (0.75) | (0.60) | 1.53 | (3.32) |
| Share Price in Cents | 1.0 | 1.6 | 1.4 | 3 | 20 |

## Remuneration Report (continued)

### 6. Directors' and KMP contractual arrangements

Mr Nealon currently provides services as Non-Executive Chairman pursuant to a contract dated 29 April 2014. Under this contract, he receives a salary of $50,000 plus statutory superannuation and reimbursement of expenses. On 1 February 2015 his contract was amended by mutual agreement to a salary of $40,000 plus statutory superannuation and reimbursement of expenses.

Mr Tom Revy was appointed as Managing Director on 19 February 2014, pursuant to an employment contract of the same date. Under the terms of that contract, he is entitled to receive a gross salary of $250,000 per annum, plus superannuation of 12%, together with reimbursement of expenses. He was also granted 2,500,000 options to acquire shares in the Company, with an exercise price of $0.08 and expiring on 19 February 2017. The options are subject to certain performance hurdles, as set out below:

- 500,000 options will vest on completion to the Board's reasonable satisfaction of the formation of the team for the conduct of the BFS on the Moonlight Project;
- 1,000,000 options will vest on completion to the Board's reasonable satisfaction of the BFS; and
- 1,000,000 options will vest once the Moonlight Project has been financed to the Board's reasonable satisfaction.

The contract otherwise contains terms and conditions that are customary in employment contracts for such a position.

Mr. Klaus Borowski was appointed as a Non-Executive Director on 1 September 2010 and receives fees in relation to his services as a Non-Executive Director for the amount of $40,000 per annum. On 3 November 2010 he entered into a consultancy agreement to provide services in relation to the Company's projects. On 1 February 2015 his service contract was amended by mutual agreement to salary of $30,000 per annum.

The consultancy agreement involved the payment to a company associated with Mr. Borowski of an annual fee of $40,000 and reimbursement of expenses. Mr Borowski agreed at a Board meeting held on 23 April 2014 that his consulting fees should be discontinued until detailed feasibility study activities are accelerated following receipt by the Company of significant funding and that consulting fees should be apportioned according to time and activities undertaken by each consultant going forward. No consulting fees were paid during the year ending 30 June 2015.

Mr. Grant Button was appointed as a Non-Executive Director on 15 October 2010 and is entitled to receive fees in relation to his services as a Non-Executive Director for the amount of $40,000 per annum. On 1 February 2015 his fees were amended by mutual agreement to $30,000 per annum.

Mr. Kofi Morna was appointed as a Non-Executive Director on 15 October 2010 and was entitled to receive fees in relation to his services as a Non-Executive Director for the amount of $40,000 per annum until his resignation on 31 December 2014.

Mr. Ted Droste was appointed as a Non-Executive Director on 15 October 2010 and was entitled to receive fees in relation to his services as a Non-Executive Director of $40,000 per annum until his resignation on 31 December 2014. In addition to fees that he received as a Non-Executive Director, the Company and a company associated with Mr. Droste were parties to an agreement containing the terms and conditions pursuant to which he provided technical and commercial consulting services to the Company.

The agreement involved the payment to the Company associated with Mr. Droste of an annual fee of $90,000 and reimbursement of expenses. On 23 April 2014, Mr Droste agreed to forego any accrued but unpaid and all ongoing consulting fees until such time as the Company requires his services for the purposes of progressing the Moonlight Project. He further agreed that any further fees due under that agreement would be based on an hourly rate once feasibility study activities are accelerated. No consulting fees were paid during the year ending 30 June 2015.

## Remuneration Report (continued)

### 6. Directors' and KMP contractual arrangements (continued)

*Agreement with BFS Study Manager*

Mr Ed Aylmer was appointed as BFS Study Manager on 22 October 2014. Mr Aylmer was appointed as a contractor and is responsible to the Managing Director for management of the Moonlight Project, Feasibility Study and any other management work related thereto. His contract contains standard terms and conditions, and he receives a contract fee that is in accordance with his seniority and responsibilities.

*Agreement with Strategic Development Manager*

Mr. Scott Huntly was appointed as strategic development manager, effective from 4 March 2011. His employment is subject to a standard form of employment contract, and he receives an annual salary that is in accordance with his seniority and responsibilities.

*Agreement with Compliance Manager*

Mr Dave Richards was appointed as Compliance Manager, effective 4 April 2011. His employment was until his resignation as a full time employee, effective at the end of October 2014 subject to a standard form employment contract and he received an annual salary that is in accordance with his seniority and responsibilities. On 1 November 2014, Mr Richards signed a consultancy contract with the Company to work on a time related basis.

*Agreement with Financial Controller*

Mrs. Beverley Gardner was appointed as project accountant, effective 1 July 2011 and as financial controller effective from 1 December 2011. Her employment is subject to a standard form employment contract and she receives an annual salary that is in accordance with her seniority and responsibilities.

*Agreement with Company Associated with the Company Secretary*

On 29 April 2014, a company associated with Mr Hair entered into a contract with the Company whereby Mr Hair provides the services of Company Secretary. Under this contract, the company associated with him receives a fee currently set at $5,000 plus GST per month. This contract contains standard terms and conditions for such a position and can be terminated at any time for cause, otherwise by three months' notice.

### Remuneration report (continued)

**Remuneration of key management personnel of the Company and the Consolidated Entity**

Table 1: Remuneration for the years ended 30 June 2014 and 30 June 2015

| | | Short-term benefits | | | | Post-employment | | Long - term benefits | | Share-based payments | | Termination payments | Total | Performance related | Options |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & fees | Cash bonus | Non Monetary Benefits | Other | Superannuation | Retirement benefits | Cash Incentives | Long Service Leave | Options | Share Rights (Salary Sacrifice) | | | | |
| | | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | % | % |
| **Non-executive directors** | | | | | | | | | | | | | | | |
| Klaus Borowski | 2015 | 35,833 | - | - | - | - | - | - | - | - | - | - | 35,833 | - | - |
| | 2014 | 63,625 | - | - | - | - | - | - | - | - | - | - | 63,625 | - | - |
| Grant Button [1] | 2015 | 32,557 | - | - | - | 3,185 | - | - | - | - | 8,181 | - | 43,923 | - | - |
| | 2014 | 17,064 | - | - | - | 3,303 | - | - | - | - | 19,633 | - | 40,000 | - | - |
| Kofi Morna | 2015 | 20,000 | - | - | - | - | - | - | - | - | - | - | 20,000 | - | - |
| | 2014 | 40,000 | - | - | - | - | - | - | - | - | - | - | 40,000 | - | - |
| Ted Droste | 2015 | 20,000 | - | - | - | - | - | - | - | - | - | - | 20,000 | - | - |
| | 2014 | 74,312 | - | - | - | - | - | - | - | - | - | - | 74,312 | - | - |
| Ed Nealon [1] | 2015 | 12,505 | - | - | - | 4,354 | - | - | - | - | 33,333 | - | 50,192 | - | - |
| | 2014 | - | - | - | - | - | - | - | - | - | 80,000 | - | 80,000 | - | - |
| **Executive directors** | | | | | | | | | | | | | | | |
| Tom Revy [2] | 2015 | 250,000 | - | - | - | 30,000 | - | - | - | 41,399 | - | - | 321,399 | - | 12.88% |
| | 2014 | 105,774 | - | - | - | 10,984 | - | - | - | 22,031 | - | - | 138,789 | - | 15.87% |
| **Subtotal** | **2015** | **370,895** | **-** | **-** | **-** | **37,539** | **-** | **-** | **-** | **41,399** | **41,514** | **-** | **491,347** | | |
| **Subtotal** | **2014** | **300,775** | **-** | **-** | **-** | **14,287** | **-** | **-** | **-** | **22,031** | **99,633** | **-** | **436,726** | | |

(1) These directors opted to partake in the Salary Sacrifice share scheme for the 2014 and 2015 financial years.
(2) Joined the company on 19th February 2014.

# Directors' Report (continued)

## Remuneration report (continued)

### Remuneration of key management personnel of the Company and the Consolidated Entity (continued)

Table 1: Remuneration for the years ended 30 June 2014 and 30 June 2015 (continued)

| | | Short-term benefits | | | | Post-employment | | Long - term benefits | | Share-based payments | | Termination payments | Total | Performance related | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & fees | Cash bonus | Non Monetary Benefits | Other | Superannuation | Retirement benefits | Cash Incentives | Long Service Leave | Options | Salary Sacrifice | | | | |
| | | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | % | % |
| **Other key management personnel** | | | | | | | | | | | | | | | |
| Robert Hair(1) | 2015 | 60,000 | - | - | - | - | - | - | - | - | - | - | 60,000 | - | - |
| | 2014 | 151,000 | - | - | - | - | - | - | - | - | - | - | 151,000 | - | - |
| Vernon Harvey (2) | 2015 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 2014 | - | - | - | - | - | - | - | - | - | - | 2,715 | 2,715 | - | - |
| Scott Huntly | 2015 | 156,117 | - | - | 2,004 | - | - | - | - | - | - | - | 158,121 | - | - |
| | 2014 | 187,147 | - | - | - | - | - | - | - | - | 21,449 | - | 208,596 | - | - |
| Dave Richards | 2015 | 43,401 | - | - | 358 | - | - | - | - | 1,381 | - | - | 45,139 | - | 3,06% |
| | 2014 | 79,283 | - | - | - | - | - | - | - | 912 | - | - | 80,195 | - | 1.14% |
| Andrew Nealon | 2015 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 2014 | - | - | - | - | - | - | - | - | - | 50,000 | - | 50,000 | - | - |
| Beverley Gardner | 2015 | 117,952 | - | - | 1,740 | - | - | - | - | 1,381 | - | - | 121,073 | - | 1,14% |
| | 2014 | 120,129 | - | - | - | - | - | - | - | 912 | - | - | 121,041 | - | 0.75% |
| Ed Aylmer | 2015 | 75,796 | - | - | 200 | - | - | - | - | - | - | - | 75,997 | - | - |
| | 2014 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total executive KMP** | **2015** | **824,161** | **-** | **-** | **4,302** | **37,539** | **-** | **-** | **-** | **44,161** | **41,514** | **-** | **951,678** | | |
| **Total executive KMP** | **2014** | **838,334** | **-** | **-** | **-** | **14,287** | **-** | **-** | **-** | **23,855** | **171,082** | **2,715** | **1,050,273** | | |

(1) Resigned as a director in April 2014 and became company secretary. 2013 AUD68,000Salary Sacrifice waived at directors meeting in September 2013

(2) Additional termination fees.

No remuneration is performance related for 2014 or 2015.

## Directors' Report (continued)

### Remuneration report (continued)

#### 7. Equity Instruments disclosures

Table 2: Share options awarded and vested during the year (consolidated)

| 30 June 2015 | Options awarded No. | Terms and Conditions for each Grant during the year: Award date | Fair value per option at award date ($) | Exercise price ($) | Expiry date | First exercise date | Last exercise date | Options vested during the year: No. | % |
|---|---|---|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | | | | |
| Ed Nealon | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Klaus Borowski | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Grant Button | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Kofi Morna | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Ted Droste | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| **Total non-executive directors** | **-** | | | | | | | | |
| **Executive directors** | | | | | | | | | |
| Tom Revy | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| **Other key management personnel** | | | | | | | | | |
| Beverley Gardner | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Dave Richards | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Robert Hair | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| **Totals** | **-** | | | | | | | | |

Incentive options granted to key management personnel will generally only be of benefit if the executives perform to the level whereby the value of the consolidated entity increases sufficiently to warrant the exercising of the incentive options granted. Other than service based vesting conditions, there are no additional performance criteria on the incentive options granted to executives

## Remuneration report (continued)

### 7. Equity Instruments disclosures (continued)

Table 2: Share options awarded and vested during the year (consolidated) (continued)

| 30 June 2014 | Options awarded during the year No. | Terms and Conditions for each Grant during the year: Award date | Fair value per option at award date ($) | Exercise price ($) | Expiry date | First exercise date | Last exercise date | Options vested during the year: No. | % |
|---|---|---|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | | | | |
| Ed Nealon | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Klaus Borowski | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Grant Button | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Kofi Morna | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Ted Droste | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| **Total non-executive directors** | **-** | | | | | | | | |
| **Executive directors** | | | | | | | | | |
| Tom Revy | 2,500,000 | 20 Feb 2014 | $0.04195 | $0.08 | 20 Feb 2017 | 20 Feb 2014 | 20 Feb 2017 | Nil | Nil |
| **Other key management personnel** | | | | | | | | | |
| Robert Hair | - | N/a | N/a | N/a | N/a | N/a | N/a | N/a | N/a |
| Beverley Gardner | 250,000 | 21 Nov 2013 | $0.01659 | $0.03 | 21 Nov 2015 | 21 Nov 2013 | 21 Nov 2015 | Nil | Nil |
| Dave Richards | 250,000 | 21 Nov 2013 | $0.01659 | $0.03 | 21 Nov 2015 | 21 Nov 2013 | 21 Nov 2015 | Nil | Nil |
| **Totals** | **3,000,000** | | | | | | | | |

Incentive options granted to key management personnel will generally only be of benefit if the executives perform to the level whereby the value of the consolidated entity increases sufficiently to warrant the exercising of the incentive options granted. Other than service based vesting conditions, there are no additional performance criteria on the incentive options granted to executives

Refer to Page 12 for performance conditions attached to options issued to Tom Revy.

## Remuneration report (continued)

### 7. Equity Instruments disclosures (continued)

Table 3: Share holdings

| 2015 | Shares | | | | |
|---|---|---|---|---|---|
| | Balance 1-July-2014 | Rights Exercised | On Exercise of Options | Net Change Other (i) | Balance 30-Jun-15 |
| **Directors** | | | | | |
| Ed Nealon | 9,340,607 | - | - | 16,900,950 | 26,241,557 |
| Grant Button | 1,436,000 | - | - | 3,920,300 | 5,356,300 |
| Tom Revy | - | - | - | 2,717,877 | 2,717,877 |
| **Executives** | | | | | |
| Lindsay Cahill | 832,500 | - | - | - | 832,500 |
| Scott Huntly | 6,723,087 | - | - | - | 6,723,087 |
| Robert Hair | 8,176,887 | - | - | - | 8,176,887 |
| Beverley Gardner | 92,378 | - | - | 711,585 | 803,963 |
| | **26,601,459** | **-** | **-** | **24,250,712** | **50,852,171** |

*Issued under the employee share plan
(i) Net change other includes:
- acquisitions and disposals on market
- issued in settlement of fees
- subscribed in share issue
- subscription for options
- sales / transfers
- appointment / resignation as director
- exchange of options for shares
- salary sacrifice share scheme shares issued

## Directors' Report (continued)

### Remuneration report (continued)

### 7. Equity Instruments disclosures (continued)

Table 4: Option holdings

| 2015 | Options | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance 1-July-2014 | Granted | Received as Remuneration | Options Expired | Net Change Other (i) | Balance 30-Jun-15 | Vested & Exercisable 30-Jun-15 | Vested & Not Exercisable 30-Jun-15 |
| **Directors** | | | | | | | | |
| Tom Revy | 2,500,000 | 19 Feb 2014 | - | - | - | 2,000,000 | 500,000 | - |
| **Executives** | | | | | | | | |
| Vernon Harvey | 400,000 | 14 Dec 2012 | - | (400,000) | | - | - | - |
| Dave Richards | 250,000 | 21 Nov 2013 | - | - | - | 250,000 | - | - |
| Beverley Gardner | 250,000 | 21 Nov 2013 | - | - | - | 250,000 | - | - |
| | **3,400,000** | **-** | **-** | **(400,000)** | **-** | **2,500,000** | **500,000** | **-** |

Table 5: Share rights holdings

| 2015 | Share rights | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance 1-July-2014 | Received as Remuneration (i) | Shares Issued | Net Change Other | Balance 30-Jun-15 | Vested 30-Jun-15 | Exercisable 30-Jun-15 |
| **Directors** | | | | | | | |
| Ed Nealon | 3,756,630 | 2,772,812 | (6,529,442) | - | - | - | - |
| Grant Button | 921,933 | 680,490 | (1,602,423) | - | - | - | - |
| | **4,678,563** | **3,453,302** | **(8,131,865)** | **-** | **-** | **-** | **-** |

(i) Received in accordance with Ferrum Crescent Salary Sacrifice Plan refer Table 6 below

## Remuneration report (continued)

### 7. Equity Instruments disclosures (continued)

Table 6: Shares issued under the Salary Sacrifice Scheme

| Rights issued | Value $ | Number of shares issued<br>E Nealon | <br>G Button |
|---|---|---|---|
| **Unexercised rights 1 July 2013** | | **2,648,617** | **552,504** |
| July 2013 | $0.012 | 555,556 | 136,342 |
| August 2013 | $0.013 | 512,821 | 125,854 |
| September 2013 | $0.041 | 161,812 | 39,711 |
| October 2013 | $0.022 | 300,300 | 73,698 |
| November 2013 | $0.035 | 188,324 | 46,218 |
| December 2013 | $0.032 | 208,333 | 51,128 |
| January 2014 | $0.037 | 179,211 | 43,981 |
| February 2014 | $0.042 | 160,256 | 39,329 |
| March 2014 | $0.022 | 303,030 | 74,368 |
| April 2014 | $0.020 | 330,033 | 80,995 |
| May 2014 | $0.016 | 450,450 | 110,547 |
| June 2014 | $0.016 | 406,504 | 99,762 |
| **Total rights issued** | | **6,405,247** | **1,474,437** |
| **Waived by directors in September 2013** | | **(2,648,617)** | **(552,504)** |
| **Exercised** | | **-** | **-** |
| **Unexercised rights at 30 June 2014** | | **3,756,630** | **921,933** |
| July 2014 | $0.038 | 175,439 | 43,055 |
| August 2014 | $0.021 | 317,460 | 77,910 |
| September 2014 | $0.017 | 401,606 | 98,560 |
| October 2014 | $0.007 | 952,381 | 233,729 |
| November 2014 | $0.007 | 925,926 | 227,236 |
| **Total rights issued** | | **6,529,442** | **1,602,423** |
| **Waived by directors** | | **-** | - |
| **Exercised** | | **(6,529,442)** | **(1,602,423)** |

| | 30 June 2015<br>Number of share rights | | | | | 30 June 2014<br>Number of share rights | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Brought forward** | **Issued** | **Waived** | **Exercised** | **Total $** | **Brought forward** | **Issued** | **Waived** | **Exercised** | **Outstanding** | **Total $** |
| **E Nealon** | 3,756,630 | 2,772,812 | - | (6,529,442) | - | 2,648,617 | 3,756,630 | (2,648,617) | - | 3,756,630 | 80,000 |
| **G Button** | 921,933 | 680,490 | | (1,602,423) | - | 552,504 | 921,933 | (552,504) | - | 921,933 | 19,633 |
| **Total** | **4,678,563** | **3,453,302** | **-** | **(8,131,865)** | **-** | **3,201,121** | **4,678,563** | **(3.201.121)** | **-** | **4,678,563** | **99,633** |

### Remuneration report (continued)

#### 8. Equity Instruments disclosures (continued)

Table 7: Number of employee shares (under non-recourse loan schemes) held by directors and executives:

**2015**

| Directors | Balance 1-July-14 | Received as Remuneration | Options Exercised | Net Change Other (i) | Balance 30-Jun-15 |
|---|---|---|---|---|---|
| Ed Nealon | 1,100,000 | - | - | (500,000) | 600,000 |
| Grant Button | 900,000 | - | - | (400,000) | 500,000 |
| **Executives** | | | | | |
| Lindsay Cahill | 450,000 | - | - | (100,000) | 350,000 |
| Robert Hair | 1,000,000 | - | - | (500,000) | 500,000 |
| | 3,450,000 | - | - | (1,500,000) | 1,950,000 |

(i) Share rights (under non-recourse loan schemes) that expired during the year.

#### 9. Loans to Key Management Personnel and their Related Parties

There were no loans to Directors or other key management personnel at any time during the year ended 30 June 2015 (2014: Nil).

#### 10. Transactions with Key Management Personnel and their Related Parties

The following transactions were undertaken between the Company, executive officers and director-related entities during 2015 and 2014

| | 2015 $ | 2014 $ |
|---|---|---|
| Consulting secretarial fees were paid or accrued to Athlone International Consultants Pty Ltd, a company with which Andrew Nealon is associated (1) | **-** | 50,007 |
| Consulting fees were paid or accrued to Camcove Pty Ltd, a company of which Robert Hair is a director and shareholder (1) | **60,000** | 151,000 |
| Consulting fees were paid to T.C. Droste Investments Pty Ltd, a company of which Ted Droste is a director and shareholder(2) | **-** | 34,313 |

The above fees have been disclosed in Remuneration Table 1

None of the above fees were outstanding at 30 June 2015 thus no doubtful allowance has been made.

(1) KMP at the time of receiving the above consulting fees

(2) Director at the time of receiving the above consulting fees

**End of Remuneration Report**

## Directors' Report (continued)

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 97 and forms part of this report.

This report is made in accordance with a resolution of the Directors.

G Button
Non-Executive Director
Perth
30 September 2015

## Ferrum Crescent Limited
A.C.N. 097 532 137

## Company and Project Overview

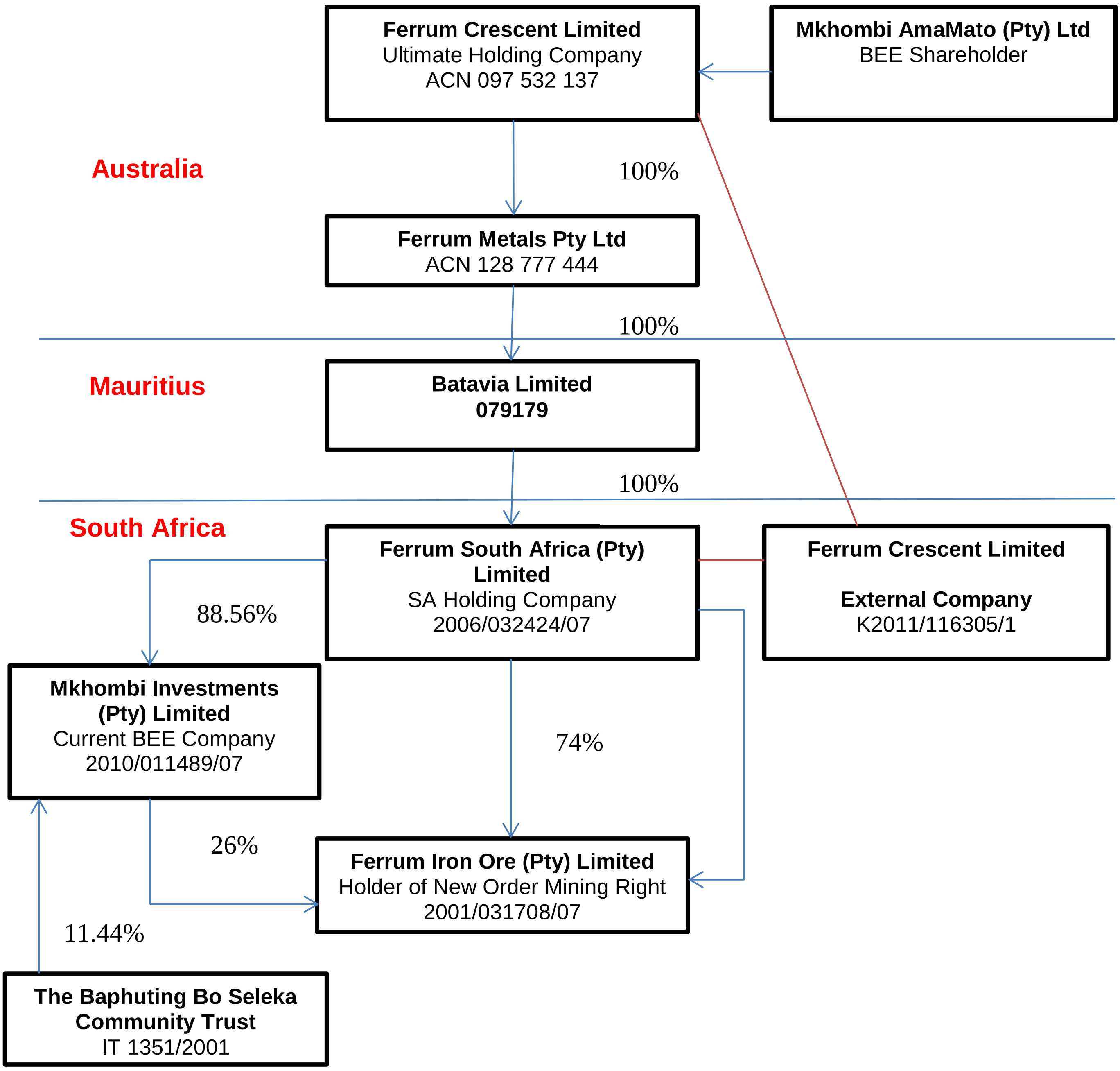
*Introduction to the Group*

Ferrum Crescent Limited ("Ferrum", "FCR" or the "Company") is an Australian company listed on the Australian Securities Exchange (ASX: FCR) and on the JSE Limited (JSE: FCR) and quoted on the AIM market of the London Stock Exchange plc (AIM: FCR).

Ferrum's corporate structure is shown in Figure 1 below.

This reflects the beneficial ownership interests that have been accounted for as at 30 June 2015.

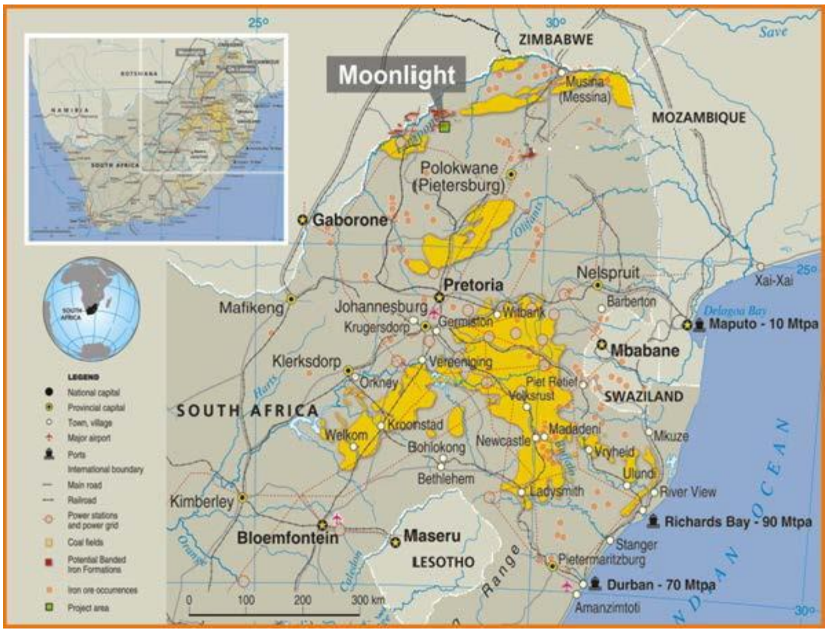
**Figure 1: Ferrum Group Structure**



**Ferrum Crescent Limited**
A.C.N. 097 532 137

## Company and Project Overview

**Figure 2: Project's Location**




Ferrum seeks to capitalise on the future demand for high quality iron products worldwide by producing a premium material that can be used in the manufacture of steel in electric arc furnaces.

The Moonlight Deposit (upon which the Moonlight Project is based) is a magnetite deposit located on the farms Moonlight, Gouda Fontein and Julietta in Limpopo Province in the north of South Africa (see Figure 2) and is the main operational focus for the Company. Iron and Steel Industrial Corporation (South Africa) ("Iscor"), which explored the Project in the 1980s and '90s, reported mineralisation, capable of producing a concentrate grading at 68.7% iron. At that time, Iscor concluded that the deposit, which was described as comparable to the world's best, was easily mineable due to its low waste-to-ore ratio. The beneficiation attributes of Moonlight ore are extremely impressive, with low-intensity magnetic separation considered suitable for optimum concentration.

Metallurgical tests on Moonlight material, undertaken since then by Ferrum, suggest that Iscor's results are conservative, that good metal recoveries can be achieved, and that the resulting concentrates have a high iron content and only negligible impurities, at grind sizes considered to be the industry standard (P80 of 75 microns). Importantly, the Moonlight material should be amenable to the manufacture of direct reduction ("DR") grade iron pellets, which are in high demand by modern steel manufacturers.

Various key components of a BFS have already been concluded on the Project with significant milestones achieved to date including:

- Definition and reporting of an independent JORC Code (2012) compliant Mineral Resource estimate of 307.7Mt at 26.9% Fe of which the Inferred category is estimated to contain 172.1Mt at 25.3% Fe; the Indicated - 83Mt at 27.4% Fe and Measured - 52.6Mt at 31.3% Fe (May 2012)

- 30 year Mining Right granted

- Environmental licence (EIA) in place for the Moonlight Project mining area (approved 4 April 2013)

- Metallurgical test work indicates high quality pellets in excess of 69% iron and low deleterious elements possible

The Company is now seeking to progress with final stage BFS work such as engineering design, connection to local infrastructure and permitting for the pelletising operation.

Moonlight has already had significant amounts of metallurgical process work undertaken on it and determining the optimum process represents a critical path for the whole Project. As a potential producer of a high-grade iron ore product, the final assessment of Moonlight's capability to operate and process ore at an industrial scale is all important.

Metallurgists continue to work closely with geologists to identify key areas for representative sample selection for advanced metallurgical testing including a pilot test work programme. Immediate test work will focus on financially optimising grind size vs iron recovery.

Future work will also focus on optimising the pelletising process including an assessment of temperature profiling and treatment times.

Work to date on mine planning has been based on a contract mining model for site development, overburden removal and general open pit mining activities. A low stripping ratio is expected: 1:1.5 during the early years of operations (relatively shallow dips with occurrence of up to 4 magnetite-bearing zones).

Feasibility requirements that still need to be completed include:

- geotechnical drilling (part complete), mine design, mine reserve estimation based on certain cut-off estimates and economic criteria and a final estimate of mining costs from an adjudicated tender process for contract mining;

- finalising pipeline route for environmental impact study completion;

- optimising pipeline design and costing (finalising rheology / density and particle size distribution);

- finalising negotiations with Eskom (power) for capital costs and tariffs once mining/process demand/schedules are finalised for the anticipated 110-120MW needed; and

- finalising negotiations with Transnet (rail and port) for planning and costing of loading / unloading facilities, wagon and locomotive requirements and port handling and storage costs. Transnet will need to review the Project's infrastructure requirements as part of the feasibility component and finalisation of commercial arrangements and an appropriate area and connection at the port (Richards Bay) will need to be secured by the Company.

### Moonlight Project Concept

Recognising that adding value within the country is a strategic preference for all mining operations within South Africa, Ferrum has consistently planned for beneficiation and other value-adding processes to take place within the country. Project concepts have previously included the production of pig iron at or near the Moonlight site. However, the Company now believes, that the most sustainable development concept for the Project is likely to involve mining at site and the production of an iron ore concentrate for transportation via a slurry pipeline to a manufacturing facility near the Thabazimbi railhead. High quality iron ore pellets (which would be a mixture of DR grade pellets suitable for use in electric arc steel furnaces, and blast furnace pellets) would then be transported by rail to local users and to a suitable port facility for export internationally.

Several pelletiser sites and rail and port combinations have been considered, and the Company has continued to seek confirmation from infrastructure providers (including rail, port and power suppliers) of an allocation of future capacity for the Company. During the 2012 financial year, the South African Government announced that significant capital would be applied in upgrading the rail and port facilities that service the Waterberg Region, which is close to where the Moonlight Deposit is situated. These planned upgrades are strategically necessary to unlock the value of the Waterberg Region, where the country's most significant remaining coal reserves are situated. Accordingly, rail, power, water and port facilities are all being upgraded as a matter of national priority.

## Company and Project Overview

**Proposed Rail Upgrades to Waterberg Coal Sources**

Figure 3 below contains a map showing the planned upgrades to the existing rail infrastructures considered to be the most likely to be used for the Moonlight Project. The proposed pelletising facility would be situated near to the Thabazimbi railhead, and export product would be railed to Richards Bay for shipping to customers in the Middle East and elsewhere.

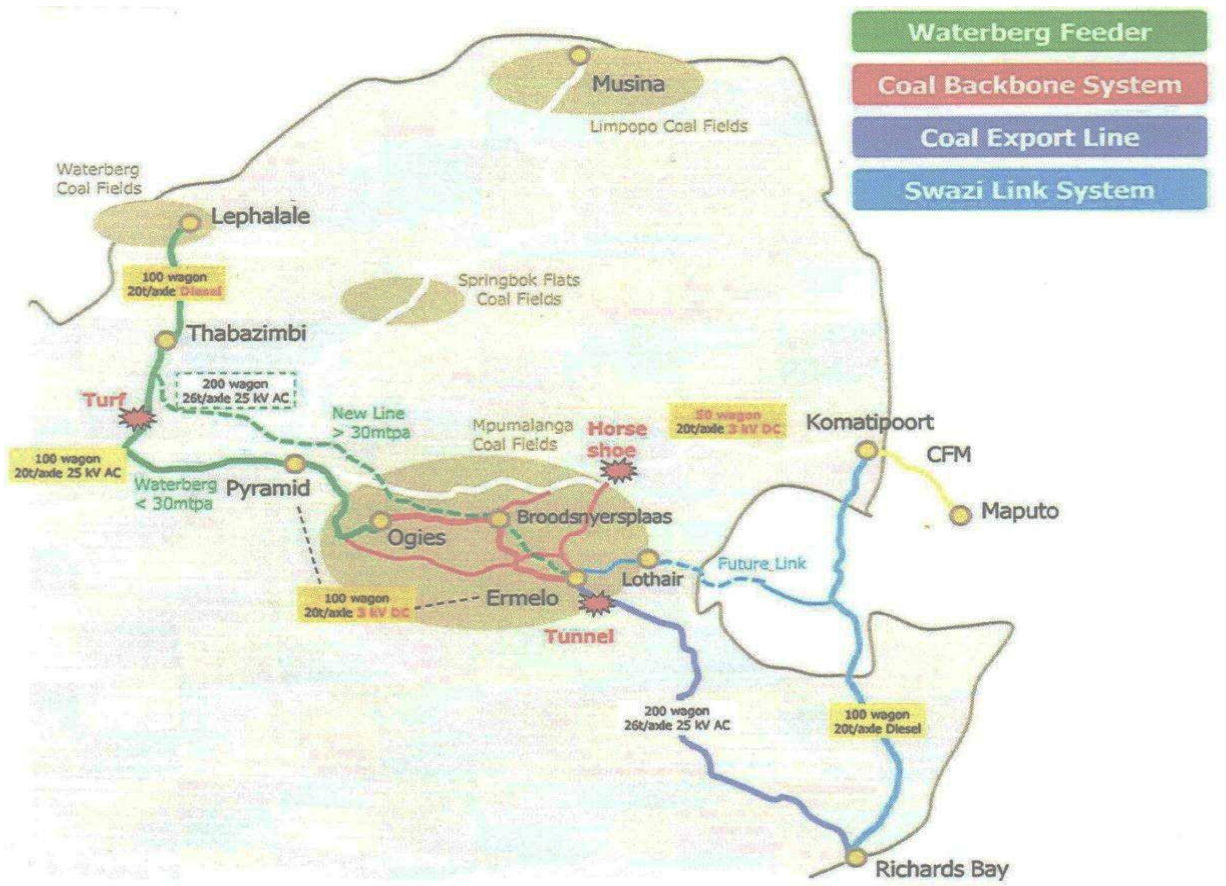



**Figure 3: Proposed Rail Upgrades to Waterberg Coal Sources (source: Transnet 2012)**

In June 2011, the Company entered into an offtake agreement with Swiss based Duferco SA, a leading private company involved in the trading, mining, and end use of iron and steel products and raw materials for the steel industry. Following due diligence on the mineral assets of the Company, Duferco concluded that the Group should be able to produce direct reduction and/or blast furnace pellets equal to or better than current world class product.

The offtake agreement with Duferco covers up to 6 Mpta of anticipated future iron ore pellet production from the Project. Under the agreement, Ferrum will sell Duferco all of its production available for export (in total 4.5 Mpta) and will give Duferco a right of first refusal over an additional 1.5 Mt per annum to the extent that such product is not sold domestically, thereby allowing Ferrum to pursue a growth strategy.

In June 2015, South Africa's competition authorities approved, with certain conditions, a merger between China's Hebei Iron and Steel Group Co. and Duferco International Trading Holding, which has certain subsidiaries in South Africa. This transaction is not expected to affect the Company's pre-existing offtake agreement.

## Company and Project Overview

### Environmental

EIAs are currently being prepared for certain aspects of the Project including the pellet plant site and pipeline route. Environmental approvals are already in place in respect of all mining activities.

### Geology and Mineral Resources

The Mineral Resources are currently located entirely on the farm Moonlight 111LR, with significant potential for future expansion of the existing resource base within the Project area once all current work streams have been financed and completed.

In 2014, Mineral Corporation Consultancy Pty Ltd ("The Mineral Corporation") undertook an update of the Project's Mineral Resource estimate to the requirements of JORC (2012), having previously been reported in accordance with JORC (2004). It determined that the Mineral Resource classification criteria imposed in deriving the previous estimate were still valid. Furthermore, the additional reporting requirements contained in JORC (2012) have been fully complied with in its updated independent Mineral Resource estimate report.

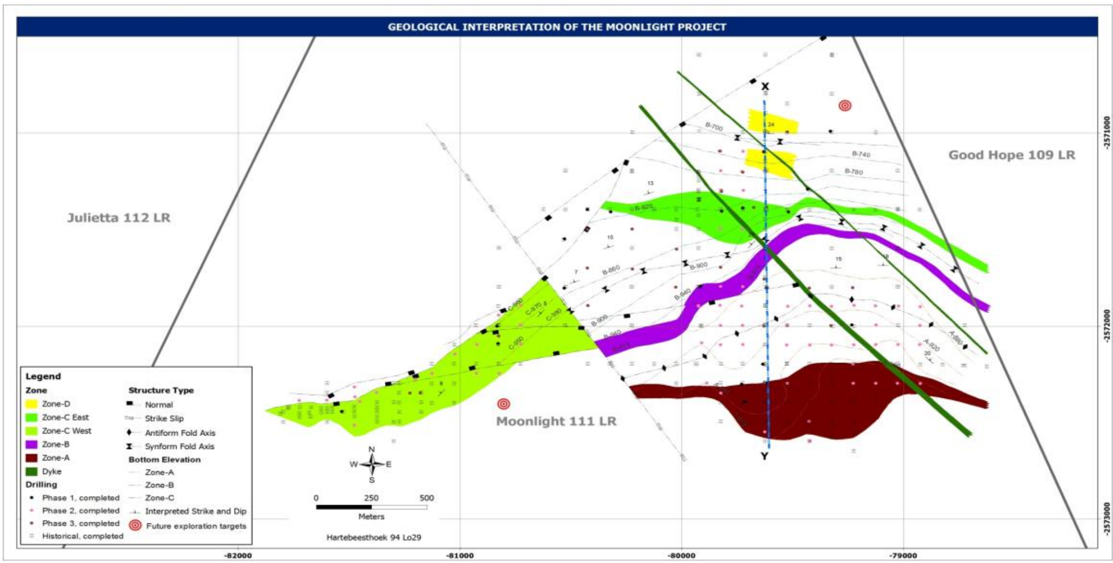



**Figure 4: Moonlight Deposit Geological Plan**

A summary of the information related to the updated Mineral Resource estimate prepared by The Mineral Corporation is provided below (in accordance with the ASX Listing Rules, Section 5.8.1):

Magnetite mineralisation has been identified in five mineralised zones within Mount Dowe Group rocks in the Central Zone of the Limpopo Mobile Belt. The mineralised zones are interpreted to have been tightly-folded, parallel to the east-northeast to west-southwest orientation of the Limpopo Mobile Belt.

Iron concentrations within the magnetite mineralised zones are interpreted to be parallel with the contacts with the host rocks, and zones of unmineralised material are also found within the mineralised zones.

The Project has been explored in the past by Kumba Iron Ore Limited (KIOL) and more recently by Ferrum Crescent Limited ("FCL" or "Ferrum"). Drilling data from KIOL and three phases of Ferrum exploration inform the estimate. The drilling comprised open-hole percussion, reverse circulation (RC) percussion and diamond core drilling and was all drilled in a vertical orientation.

## Company and Project Overview

Limited information on the drilling, sampling, sub-sampling or assaying for the historic KIOL data is known, but the RC and diamond drilling portions of the KIOL data have been accepted for the Mineral Resource estimate on the basis of successful borehole twinning analysis, by Ferrum.

During Ferrum's exploration, industry standard diamond drilling and RC drilling techniques were used to generate sampling information. Representivity was ensured by appropriate sub-sampling protocols. RC samples (1m-2m) were riffle split on site and diamond core samples were halved with a diamond saw. Ferrum's drilling, sampling and sub-sampling protocols are considered acceptable for the style of mineralisation.

A total of 122 RC holes and 89 diamond core holes were employed in the Mineral Resource estimate.

For the Ferrum samples, primary samples and analytical quality assurance and control samples were submitted to Genalysis Laboratory Services (Johannesburg) for analysis by X-Ray Fluorescence techniques, by Intertek Utama Services (Jakarta).The analytical protocols are considered acceptable for the style of mineralisation at the Project.

Samples within each mineralised zone were composited parallel to the dip of the mineralised zone and variograms were calculated and modelled to assess grade continuity. Vertical grade continuity was assessed by downhole variograms. Variogram ranges of between 150m and 250m were obtained in the plane of the mineralised zones and between 7m and 30m in the vertical direction. Grade estimation was by means of Ordinary Kriging, using search parameters aligned with the mineralised zones, into blocks of 50m x 50m x 5m.

The drill spacing, surface mapping, structural interpretation, variography and kriging error estimates informed the Mineral Resource classification, which included Inferred, Indicated and Measured Mineral Resources. In areas of well-defined geological structure and modest grade variability, a 100m x 100m drill spacing grid was deemed sufficient for Measured Mineral Resources and the deemed maximum spacing for Inferred Mineral Resources is approximately 300m x 300m. Indicated Mineral Resources are informed by a drill spacing of approximately 200m x 200m.

A block cut-off grade of 16% Fe was selected, based on an Fe concentration which falls between the Fe concentration of the mineralised and unmineralised zones. As the contacts between these zones are generally sharp, the estimate is not sensitive to cut off grade. A geological loss of 5% was applied.

The Mineral Corporation has considered the reasonable prospects for eventual economic extraction of the deposit. This was performed by estimating a maximum stripping ratio which would still provide an acceptable economic return, under a set of benchmarked operating cost and price assumptions. These resulted in a maximum stripping ratio of 3:1 (waste tonne : mineralised tonne). Applying a depth constraint of between 100m and 250m from surface, (depending upon the dip and the number of mineralised zones present), ensured that all mineralisation included in the Mineral Resource estimate is within this maximum stripping ratio criterion.

The Mineral Resource estimate is provided below and the Mineral Resource estimation criteria, as required in JORC (2012) and in Section 5.8.2 of the ASX Listing Rules, are set out beneath the table.

| Category | Mineral Resource Gross | | Mineral Resource Net (attributable to Ferrum Crescent at 97%) | | Mineral Resource Grade | | |
|---|---|---|---|---|---|---|---|
| | Tonne (Mt)* | Contained Fe (Mt)* | Tonne (Mt)* | Contained Fe (Mt)* | Fe (%) | $SiO_2$ (%) | $Al_2O_3$ (%) |
| Inferred | 172.1 | 43.5 | 166.9 | 42.2 | 25.3 | 51.2 | 4.8 |
| Indicated | 83.0 | 22.7 | 80.5 | 22.1 | 27.4 | 50.1 | 4.0 |
| Measured | 52.6 | 16.5 | 51.0 | 16.0 | 31.3 | 47.3 | 2.5 |
| **Total** | **307.7** | 82.7 | 298.4 | 80.3 | **26.9** | **50.3** | **4.2** |

*Tonnes are rounded

## Company and Project Overview

The following is a summary of the JORC (2012) checklist of assessment and reporting criteria (extracted from The Mineral Corporation's updated Mineral Resource estimation report):

| Criteria | Explanation | Observations |
|---|---|---|
| **Section 1: Sampling techniques and Data** | | |
| **Sampling techniques** | Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. | Limited information on the sampling techniques for the KIOL data is known.<br><br>For the FCL exploration, sampling was limited to the sampling of RC chips and diamond core. |
| | Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. | Limited information on the sampling techniques for the KIOL data is known.<br><br>For the FCL exploration, representivity was ensured by appropriate sub-sampling protocols. |
| | Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. | Limited information on the sampling techniques for the KIOL data is known.<br><br>For the FCL exploration, industry standard sampling techniques were adopted. RC samples (1m-2m) were riffle split on site and diamond core samples were halved with a diamond saw. |
| **Drilling techniques** | Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc. | Drilling data from KIOL and three phases of FCL exploration inform the estimates.<br><br>The drilling comprised open hole, RC and diamond core drilling and was all vertical. A total of 122 RC holes and 89 diamond core holes were accepted for the estimates. |
| **Drill sample recovery** | Method of recording and assessing core and chip sample recoveries and results assessed. | Limited information on the sample recovery for the KIOL data is known. |
| | Measures taken to maximise sample recovery and ensure representative nature of the samples. | With the exception of surficial rubble, the sample recovery through the mineralised zones for the FCL exploration was acceptable. |
| | Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. | No recovery information for the KIOL database is known. Due to the generally high sample recovery, this relationship was not investigated. |
| **Logging** | Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. | The KIOL data included electronic codes for the main lithological unit, certain sub-units, and the core bedding angles. |
| | Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. | All geological information during FCL exploration was logged in acceptable detail, and stored in an MS Access database. This included lithological, structural and geotechnical information. |
| | The total length and percentage of the relevant intersections logged. | In both KIOL and FCL exploration, all drilling was logged. |
| **Sub-sampling techniques and sample preparation** | If core, whether cut or sawn and whether quarter, half or all core taken. | No information regarding sub-sampling is known for the KIOL holes.<br><br>For the FCL data, core was cut. |
| | If non-core, whether riffled, tube sampled, rotary split etc. and whether sampled wet or dry. | No information regarding sub-sampling is known for the KIOL holes.<br><br>For FCL data, RC samples were split by rotary or riffle splitters. |
| | For all sample types, the nature, quality and appropriateness of the sample preparation technique. | No information regarding sub-sampling is known for the KIOL holes.<br><br>For the FCL data, the protocols are considered acceptable for the style of mineralisation. |
| | Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. | No information regarding sub-sampling is known for the KIOL holes.<br><br>For the FCL data, the protocols are considered acceptable for the style of mineralisation. |
| | Measures taken to ensure that the sampling is representative of the in situ material collected. | No information regarding sub-sampling is known for the KIOL holes.<br><br>For the FCL data, the protocols are considered acceptable for the style of mineralisation. |

## Company and Project Overview

| Criteria | Explanation | Observations |
|---|---|---|
| | Whether sample sizes are appropriate to the grain size of the material being sampled. | No information regarding sub-sampling is known for the KIOL holes.<br><br>For the FCL data, the protocols are considered acceptable for the style of mineralisation. |
| **Quality of assay data and laboratory tests** | The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. | No information on the quality of assay data for the KIOL data was obtained.<br><br>Primary samples and quality control samples were submitted for analysis to Genalysis Laboratory Services (Johannesburg) for analysis by XRF by Intertek Utama Services (Jakarta). |
| | For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. | No non-laboratory techniques have been applied. |
| | Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established. | No information on the quality of assay data for the KIOL data was obtained.<br><br>The FCL samples were analysed at an accredited laboratory (Genalysis / Intertek), and appropriate standards, blanks and duplicates inserted in the sample stream. The Mineral Corporation has reviewed the results from these control samples and considers the accuracy and reliability of the analyses to be acceptable. |
| **Verification of sampling and assaying** | The verification of significant intersections by either independent or alternative company personnel. | The KIOL data was verified by means of the identification and re-surveying of borehole collars in the field, and by means of twin-drilling. |
| | The use of twinned holes. | On the basis of the twinning, the open-hole data from KIOL (142 holes) was considered unacceptable for Mineral Resource estimation. The remaining RC and diamond core drilling showed reasonably good correlation of mineralisation depth and abundance, and was considered acceptable. |
| | Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. | No access to the core, nor the raw geological logs for the KIOL data is possible and the accuracy of the input of this data into the FCL database cannot be verified. The procedures adopted by those executing FCL's 2008 and 2009 exploration campaigns are well documented and the data entry and validation for those phases of exploration is considered to be acceptable. The Mineral Corporation supervised the 2011 exploration and considers that portion of the database to be acceptable. |
| | Discuss any adjustment to assay data. | No adjustments to assay data were made. |
| **Location of data points** | Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. | All FCL boreholes were surveyed by a registered surveyor. Of the KIOL holes, 127 collars were re-surveyed by a registered surveyor, and good correlation between the historical and FCL survey locations were found. |
| | Specification of the grid system used. | The co-ordinate system applied for the survey was the South African Local Grid (Lo29) using the Hartebeeshoek 1994 datum. |
| | Quality and adequacy of topographic control. | The topographic control is derived from LiDAR data and is considered adequate. |
| **Data spacing and distribution.** | Data spacing for reporting of Exploration Results. | The combination of Ferrum's exploration and the KIOL data has provided a drillhole spacing which ranges from 100m x 100m to 200m x 300m. |
| | Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. | The data spacing and distribution is sufficient to establish the degree of continuity appropriate for the Mineral Resources, as classified. |
| | Whether sample compositing has been applied. | Sample compositing has been applied in the Mineral Resource estimates. |
| **Orientation of data in relation to geological structures** | Whether the orientation of sampling achieves unbiased sampling of possible and the extent to which this is known, considering the deposit type. | Vertical intersections are not "true" thicknesses, normal to the dip of the mineralised zones. |
| | If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. | As the dip is relatively shallow, and the block model was built in 3-dimensions, the use of vertical composites did not bias the volumetric estimates. |
| **Sample security** | The measures taken to ensure sample security. | No information regarding sample security is known for the KIOL holes. For the FCL data, samples were stored in a locked core facility until being collected for delivery to the laboratory by courier. |

## Company and Project Overview

| Criteria | Explanation | Observations |
|---|---|---|
| **Audits or reviews** | The results of any audits or reviews of sampling techniques and data. | No audits of the KIOL exploration results, with the exception of the verification described above have been undertaken.<br><br>The Mineral Corporation reviewed the results of the first two phases of Ferrum's drilling prior to carrying out the estimates. Phase 3 of Ferrum's exploration was carried out by The Mineral Corporation. |
| **Section 2: Reporting of Exploration Results** | | |
| **Mineral tenement and land tenure status** | Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. | FCL has an effective 97% share, in Ferrum Iron Ore (Pty) Limited, the holder of Mining Right LP30/5/1/2/2/201. The Project's Mineral Resources are entirely contained within this Mining Right. A legal due diligence on the mineral title has not been conducted by The Mineral Corporation, but The Mineral Corporation is not aware of any issues that may prejudice the Mining Right and the title circumstances are understood to be sound. |
| | The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. | The Project is covered by a Mining Right that was executed on 10 October 2012. The Mining Right is valid for 30 years commencing 10 October 2012 to 9 October 2042. |
| **Exploration done by other parties** | Acknowledgment and appraisal of exploration by other parties. | Previous exploration by KIOL has been documented and integrated into the FCL database. |
| **Geology** | Deposit type, geological setting and style of mineralisation. | Rocks of the Mount Dowe Group, within the Central Zone of the Limpopo Mobile Belt, are interpreted to have been tightly-folded, parallel to the east-northeast to west-southwest orientation of the Limpopo Mobile Belt.<br><br>Magnetite mineralisation is identified in five mineralised zones, which are interpreted to be the result of the duplication by folding of one or more magnetite-bearing layers. The mineralised zones are cut by younger faults, which have two dominant orientations, broadly parallel to and orthogonal to, the trend of the Limpopo Mobile Belt.<br><br>Magnetite concentrations within the mineralised zones are interpreted to be parallel with the contacts with the host rocks and zones of unmineralised material are found within the mineralised zones. |
| **Drill hole Information** | A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. | A summary of all material intersections is provided in Appendix 3 to the Mineral Corporation's report. |
| | If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. | This information has not been excluded. |
| **Data aggregation methods.** | In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually material and should be stated. | 5m vertical borehole composites were utilised, informed by an assumed minimum mining height. |
| | Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. | Not applicable to this grade distribution. |
| | The assumptions used for any reporting of metal equivalent values should be clearly stated. | No metal equivalent values were considered. |
| **Relationship between mineralisation widths and intercept lengths** | These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. | These composites were not at right angles to the mineralised zones. |
| | If it is not known and only the down-hole lengths are reported, there should be a clear statement to this effect (e.g. 'downhole length, true width not known'). | As the dips are shallow (7° to 30° and typically less than 20°) and a 3-dimensional block model was used, the use of vertical composites is unlikely to introduce any bias. |
| **Diagrams.** | Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. | Plans and sections of the interpretive geological model are provided in The Mineral Corporation's report. |

## Company and Project Overview

| Criteria | Explanation | Observations |
|---|---|---|
| **Balanced reporting** | Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practised to avoid misleading reporting of Exploration Results. | All material intercepts are reported Appendix 3 to The Mineral Corporation's report. |
| **Other substantive exploration data** | Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. | All known material exploration data, or summaries thereof, have been provided. |
| **Further work** | The nature and scale of planned further work (eg. tests for lateral extensions or depth extensions or large-scale step-out drilling). | Recommendations for further work are provided in The Mineral Corporation's report. |
| | Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. | A figure showing possible extensions is included. |
| **Section 3: Reporting of Mineral Resources** | | |
| **Database integrity** | Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. | The compiled database for the estimates was housed in an MS Access database. |
| | Data validation procedures used. | In addition to the verification and QA/QC already described, validation of the sampling data for over-lapping sampling intervals, duplicate samples and spurious data was carried out. |
| **Site visits** | Comment on any site visits undertaken by the Competent Person and the outcome of those visits.<br>If no site visits have been undertaken indicate why this is the case. | Stewart Nupen has undertaken two site visits to the Project, to inspect outcrop, observe RC and diamond drilling and sampling activities and view all of the available diamond core. These site visits were undertaken during the first quarter of 2012. |
| **Geological interpretation** | Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. | The geological interpretation is considered appropriate for the level of estimates, and the Mineral Resource classification takes the confidence in the interpretation into account. |
| | Nature of the data used and of any assumptions made. | Borehole data was used for the geological interpretation. The regional structural framework was applied. |
| | The effect, if any, of alternative interpretations on Mineral Resource estimation. | No alternative interpretation was considered. |
| | The use of geology in guiding and controlling Mineral Resource estimation. | A thorough re-interpretation of the geological structure and correlation between mineralised zones was carried out. |
| | The factors affecting continuity both of grade and geology. | Grade continuity within zones is high. Continuity of zones is affected by geological structures. |
| **Dimensions** | The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource. | D Zone is approximately 200m x 400m x 30m<br>C Zone (West) is approximately 1,400m x 250m x 35m<br>C Zone (East) is approximately 1,100m x 700m x 30m<br>B Zone is approximately 1,500m x 800m x 25m<br>A Zone is approximately 1,600m x 1,200m x 17m |
| **Estimation and modelling techniques** | The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters, maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. | Variograms parallel to the dip of the mineralised zones were calculated and modelled. Vertical grade distribution utilised downhole variograms. Variograms of between 150m and 250m were obtained in the plane of the mineralised zone and between 7m and 30m downhole. |
| | The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. | No check estimates or production records were available. |
| | The assumptions made regarding recovery of by-products. | No by-products are expected. |
| | Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). | All zones show low abundance of Mn, P and $TiO_2$. Abundance of base metals, such as Cu, are insignificant. |
| | In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. | Horizontal block dimensions were 50m x 50m and 5m in the vertical, informed by borehole spacing. The block model was rotated to the average dip (12°). |

## Company and Project Overview

| Criteria | Explanation | Observations |
|---|---|---|
| | Any assumptions behind modelling of selective mining units. | Conceptual minimum mining unit had a minimum height of 5m. |
| | Any assumptions about correlation between variables. | No correlation between variables was assumed or modeled. |
| | Description of how the geological interpretation was used to control the resource estimates. | Wireframes representing the geological interpretation were generated to constrain the block model. Ordinary Kriging was employed for grade estimates. A three stage search strategy was employed. A minimum of 5 and a maximum of 20 samples was used within the range of the variogram for the first search. The second search was twice the volume of the first, and the third extended to the limits of the mineralised zones. The search and variogram ellipse were oriented to local dip and strike variations using "Dynamic Anisotropy" in Datamine Studio v3. |
| | Discussion of basis for using or not using grade cutting or capping. | No cutting or capping was applied, as the composite grades were normally distributed, and no outliers were identified. |
| | The process of validation, the checking process used, the comparison of model data to drillhole data, and use of reconciliation data if available. | Plan and section plots were analysed to evaluate the adherence of the estimation methodology to the geological model. The methodology was found to honour the grade continuity trends, which are assumed to be parallel to the dip of the mineralised zones. |
| **Moisture** | Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. | Tonnage was calculated on a dry basis. |
| **Cut-off parameters** | The basis of the adopted cut-off grade(s) or quality parameters applied. | A cut-off of 16% Fe and a maximum depth of between 250m and 100m depending upon dip and the number of mineralised zones was applied. |
| **Mining factors or assumptions** | Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. | A minimum mining unit of 50m x 50m x 5m aided in the selection of block size. Approximate stripping ratios were calculated to inform the maximum depth constraint for the Mineral Resources. |
| **Metallurgical factors or assumptions** | The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. | On the basis of preliminary test work, The Mineral Corporation has assumed that the Fe can be extracted by means of comminution and magnetic separation to form a magnetite concentrate. |
| **Environmental factors or assumptions** | Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made. | Environmental commitments made in the Mining Right do not materially change the economics of the Project, and hence the reasonable prospects for eventual economic extraction. |
| **Bulk density** | Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. | The KIOL data included density measurements for all diamond core holes. No information was provided on the methodology used to obtain these density data.<br><br>The diamond core data from FCL exploration included density measurements obtained by the 'water immersion' method. A strong correlation between density and Fe was observed, and used to estimate block density after grade estimation. |

## Company and Project Overview

| Criteria | Explanation | Observations |
|---|---|---|
| | The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.<br><br>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials. | The density data from the FCL exploration adequately accounted for void spaces, and as the regression based on the KIOL data was almost identical to the regression based on the FCL data, it has been assumed that the KIOL method also accounted for the same. |
| **Classification** | The basis for the classification of the Mineral Resources into varying confidence categories.<br><br>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).<br><br>Whether the result appropriately reflects the Competent Person's view of the deposit. | The borehole spacing, surface mapping, structural interpretation, variography and kriging error estimates inform Mineral Resources which are classified as Inferred, Indicated and Measured. In areas of well-defined geological structure and modest grade variability, the 100m x 100m grid is sufficient for Measured Mineral Resources. |
| **Audits or reviews** | The results of any audits or reviews of Mineral Resource estimates. | No audits have been undertaken as yet. |
| **Discussion of relative accuracy/confidence** | Where appropriate a statement of the relative accuracy and/or confidence in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. | Kriging Efficiency (KE) was used as a guide to Mineral Resource classification. Regions of blocks where KE is generally >0.5 are considered for the Measured category, while regions of blocks where KE >0.25 are considered for the Indicated category and regions with a KE<0.25 are considered for the Inferred category (Mwasinga, 2001). The mean KE of classified as Measured in this Mineral Resource estimate is 0.47 and those classified as Indicated is 0.26. |
| | The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages or volumes, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. | The estimates are local estimates. Blocks are categorized as Measured, Indicated or Inferred, and their use in technical or economic evaluation should be determined by the relevant code. |
| | These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. | No production data is available. |

*The information above that relates to Exploration Targets, Exploration Results and Mineral Resources has been compiled by Stewart Nupen, a Competent Person who is a Fellow of the Geological Society of South Africa and a registered Professional Natural Scientist with the South African Council for Natural Scientific Professionals. Stewart Nupen is employed by The Mineral Corporation, an independent consulting firm to Ferrum.*

*Stewart Nupen has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Stewart Nupen consents to the inclusion herein of the matters based on his information in the form and context in which it appears.*

### Valuation

As at 30 April 2014, The Mineral Corporation prepared an independent valuation for the Project. This independent valuation can be viewed by accessing the following link and going to the disclosures for July 2014: http://www.ferrumcrescent.com/irm/archive/asx-announcements.aspx?RID=8

## Company and Project Overview

### Recent Drilling

During the reporting period, the Company completed a drilling programme that was designed to investigate the extent of Zone D and provide information to inform the location of the proposed future mine. Its purpose was also to identify if, and the areas where, bulk sampling for the requisite levels of metallurgical testwork should take place during the next stage of the Moonlight BFS.

The drill programme comprised 10 reverse circulation drill holes (for a cumulative total of 1,396m) and was completed in Q1 2015 ahead of time and below budget. All holes intersected mineralised magnetic zones across various depths.

The Zone D drilling confirmed comparable grades to those previously identified within the Inferred Resource, and consequently enabled the Company to finalise its plans for the BFS with respect to the location and design of the proposed open pit mine for the first 10 years of the mine's life, within primary Zones A, B and C, due to shallower intersections, higher grades and better stripping economics. A new zone of mineralisation, Zone E, was also identified representing future exploration potential.

Further infill drilling is required to establish a JORC (2012) Ore Reserve and for advanced beneficiation work to be undertaken as part of the direct reduction iron (DRI) plant design process. The success of such infill drilling will also determine whether bulk sampling is necessary to complete the full mine design and plant costings.

Following the future completion of all mine plan, plant design and processing assessments, the final stage of the BFS can then be progressed, utilising the stand-alone project economics to establish optimal infrastructure agreements with the relevant local government agencies.

### Infrastructure

Encouraging planning discussions relating to future rail, power, ports and water supply between the Company, Transnet and other South African infrastructure suppliers have continued during the reporting period. Further to such discussions and a desk top analysis of increasing rail capacity within the Limpopo region, the Company has commissioned a full market study of South African steel manufacturing. The Company continues to believe that there is a significant opportunity to vend Moonlight's potential high-grade end product to domestic steel users, thereby potentially obviating the need to ship pellets through Richards Bay.

### Community

A baseline socio-economic impact study of the areas occupied by both the Ga-Seleka and Ga-Shongoane communities situated within a 50km radius of the mining right area is well advanced.

Monthly meetings are held with the Royal Council and Traditional Council of both communities as well as updating the Lephalale Municipality on findings and proposed initiatives. Once the study is concluded an announcement will be made on its findings particularly in relation to current local skills identification, future employment terms and training needs.

## Company and Project Overview

### Project Schedule

The following are significant factors with respect to the advancement of the Moonlight Project:

- subject to funding, the BFS can be completed within approximately 18-24 months' work-time;
- 30 to 36 month mine construction period currently envisaged;
- Project's schedule coincides with the South African Government's infrastructure development plans; and
- Completion of the BFS is currently expected to cost approximately AUD10 -13m.

### Corporate

On 6 November 2014 the Company announced the successful completion of a partially underwritten non-renounceable rights issue to raise AUD1.03 million before expenses. The additional funds were raised to progress the work-streams required to complete key components of the BFS and satisfy corporate overheads whilst seeking to attract and secure new BEE and other cornerstone investors. In May 2015 the Company conducted a private placing to raise approximately a further AUD0.97 million (before expenses) from sophisticated investors in London to, *inter alia,* augment its working capital.

Mr Ted Droste and Mr Kofi Morna resigned as non-executive directors with effect from 31 December 2014 to pursue their other business interests and the Board appreciates their contribution to the Group's development.

Mr Ed Aylmer was appointed as BFS Study Manager on 22 October 2014, based in Johannesburg, South Africa. Mr Alymer has more than 30 years' experience in the mining and mineral processing industries and has acted as senior study manager for project developments on behalf of Severstal, Vendanta, Goldfields and Ivanplats.

On 14 March 2015, the Company terminated the pre-existing investment agreement with Anvwar Asian Investments ("AAI") as a result of AAI's breach of a material term of the agreement.

During the reporting period, the Company entered into agreements with Hume Capital Securities plc and Beaufort Securities Limited for their services as the Company's retained AIM broker. Beaufort Securities Limited assumed the role of sole AIM broker on 23 March 2015. In addition, the Company appointed Strand Hanson Limited as its financial and nominated adviser on 2 March 2015 and 29 May 2015 respectively. The Company granted, in aggregate, 10 million options to the aforementioned professional advisers pursuant to their respective agreements. On the date of grant, the options had an exercise period of three years and an exercise price of GBP0.0075 (as to 4 million options) and GBP0.02 (as to 6 million options). Bravura Capital (Pty) Limited was also appointed as the Company's JSE Sponsor with effect from 19 January 2015.

In May 2015, the Company entered into a Memorandum of Understanding ("MOU") with Principle Monarchy Investments (Proprietary) Limited ("PMI"), whereby PMI will pay R142m (US$12m) to acquire up to 39% of Ferrum Iron Ore (Proprietary) Limited ("FIO"). The incoming funds will be used by FIO towards financing of the BFS costs for the Moonlight Project. In return for an investment of US$12m, to be paid across three tranches, PMI will receive a total of 39% of FIO's equity.

As at the date of this report, the first payment due under the terms of the MOU had yet to be received such that the MOU was not legally binding at that point.

Furthermore, the Company is at the date of this report at an advanced stage in relation to an alternative BFS financing arrangement with another group.

## Corporate Governance Statement

### Introduction

This corporate governance statement is dated 30 September 2015 and has been approved by the Board.

The Company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, third edition ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reasoning for the adoption of its own practice, in compliance with the "if not, why not" regime.

### DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

### Summary statement

| | ASX P & R[1] | If not, why not[2] | | ASX P & R[1] | If not, why not[2] |
|---|---|---|---|---|---|
| Recommendation 1.1 | ✓ | | Recommendation 4.2 | ✓ | |
| Recommendation 1.2 | ✓ | | Recommendation 4.3 | ✓ | |
| Recommendation 1.3 | ✓ | | Recommendation 5.1 | ✓ | |
| Recommendation 1.4 | ✓ | | Recommendation 6.1 | ✓ | |
| Recommendation 1.5 | | ✓ | Recommendation 6.2 | ✓ | |
| Recommendation 1.6 | ✓ | | Recommendation 6.3 | ✓ | |
| Recommendation 1.7 | | ✓ | Recommendation 6.4 | ✓ | |
| Recommendation 2.1 | ✓ | | Recommendation 7.1 | ✓ | |
| Recommendation 2.2 | ✓ | | Recommendation 7.2 | ✓ | |
| Recommendation 2.3 | ✓ | | Recommendation 7.3 | ✓ | |
| Recommendation 2.4 | ✓ | | Recommendation 7.4 | ✓ | |
| Recommendation 2.5 | ✓ | | Recommendation 8.1 | ✓ | |
| Recommendation 2.6 | ✓ | | Recommendation 8.2 | ✓ | |
| Recommendation 3.1 | ✓ | | Recommendation 8.3 | ✓ | |
| Recommendation 4.1 | ✓ | | | | |

1 Indicates where the Company has followed the Principles & Recommendations
2 Indicates where the Company has provided "if not, why not" disclosure.

### Website disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.ferrumcrescent.com, under the section titled Corporate Governance.

**Disclosure – Principles & Recommendations**

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the year ending 30 June 2015 (the "**reporting period**").

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**Principle 1 – Lay solid foundations for management and oversight**

**Recommendation 1.1:**

Companies should disclose the respective roles and responsibilities of the board and management and those matters expressly reserved to the board and those delegated to management.

**Disclosure:**

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to management and has set out these functions in its Board Charter. Senior executives are responsible for supporting the executive officer and assisting the executive officer in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the executive officer or, if the matter concerns the executive officer, then directly to the Chairman or the lead independent director, as appropriate.

**Recommendation 1.2:**

Companies should undertake appropriate checks before appointing a person, or putting a person forward for election to shareholders, as a director.

**Disclosure:**

The Company does undertake appropriate checks in accordance with this recommendation.

**Recommendation 1.3:**

Companies should have written agreements with each director and senior executive setting out the terms of their appointment.

**Disclosure:**

The Company does have written agreements with each director and senior executive in accordance with this recommendation.

**Recommendation 1.4:**

The company secretary should be accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board.

**Disclosure:**

The company secretary is accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board.

**Recommendation 1.5:**

The Company should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the Company's diversity policy and its progress towards achieving them, and the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the Company has defined "senior executive" for these purposes).

**Disclosure:**

The Company has established a Diversity Policy a copy of which is published on the Company's website. The Company has not yet established measurable objectives for achieving gender diversity. The Company operates with a very small team of professionals, whose services are provided on the basis of their experience and professional qualifications. Establishing such measurable objectives will be addressed by the Board when the Company's operations require the expansion of its personnel numbers

The respective proportions of men and women on the board and in senior executive positions (that term meaning a position having senior management responsibilities as set out in the Company's delegated authorities manual) are set out in the following table:

| Gender | Total | Senior Management | Board |
|---|---|---|---|
| Female | 3 | 1 | 0 |
| Male | 7 | 4 | 4 |
| % Female | 30% | 20% | 0% |

**Recommendation 1.6:**

The Company should:

(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

**Disclosure:**

The Company periodically evaluates the performance of the board, its committees and individual directors. A performance evaluation was undertaken during the reporting period.

**Recommendation 1.7:**

The Company should:

(a) have and disclose a process for periodically evaluating the performance of senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

**Disclosure:**

The Company periodically evaluates the performance of senior executives. A performance evaluation was not undertaken during the reporting period.

**Principle 2 – Structure the Board to add value**

**Recommendation 2.1:**

The Board should establish a Nomination Committee.

**Disclosure:**

The Company has established a separate Nomination Committee. The Committee comprises Mr Grant Button (chairman of the committee), Mr Ed Nealon and Mr Klaus Borowski.

**Recommendation 2.2:**

The Company should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

**Disclosure:**

The Company has a skills matrix setting out the skills and diversity of the board. Its members have a mixture of experience and corporate, technical, financial and management skills that are considered appropriate for the Company's present situation.

**Recommendation 2.3:**

The Company should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if directors have a prescribed interest, position, association or relationship with the Company, why they are regarded as independent directors; and

(c) the length of service of each director.

**Disclosure:**

The independent directors of the Company are Mr Ed Nealon, Mr Grant Button and Mr Klaus Borowski. The length of service of each director is as follows: Mr Nealon – 6 years; Mr Button – 6 years; Mr Borowski – 5 years; Mr Revy – 1.5 years.

**Recommendation 2.4:**

A majority of the board of the Company should be independent directors.

**Disclosure:**

There are four directors, three of whom are independent.

Mr Nealon is considered to be an independent director notwithstanding the fact that he has been within the last three years an executive of the Company. The fact that he was an executive is not in this case considered to be a determining factor because it will not interfere, or could not reasonably be seen to interfere, with his capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally.

**Recommendation 2.5:**

The chairman of the board of the Company should be an independent director and, in particular, should not be the same person as the CEO of the Company.

**Disclosure:**

The role of Chairman of the Company during the reporting period was held by Mr Ed Nealon (who is an independent director). He was formerly executive chairman. Mr Tom Revy is CEO of the Company.

**Recommendation 2.6:**

The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

**Disclosure:**

The Company will induct new directors at an appropriate time when suitable individuals are identified and available and as the Company's business requires adjusted skills sets on the board. Directors will be provided appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as directors effectively as and when required.

**Principle 3 – Act ethically and responsibly**

**Recommendation 3.1:**

The Company should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

**Disclosure:**

The Company has established a Code of Conduct applying to directors, senior executive and employees as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is available for scrutiny on the Company's website.

**Principle 4 – Safeguard integrity in financial reporting**

**Recommendation 4.1:**

The board should:

(a) have an audit committee that has at least three members, all of whom are non-executive directors and a majority of whom are independent, and be chaired by an independent director who is not chairman of the board; and

(b) disclose the committee's charter, its members and the relevant qualifications and experience of the committee members and the number of times it met during the reporting period.

**Disclosure:**

The Company has established an Audit Committee with a formal charter. The committee comprises three independent directors, being Mr Grant Button (chairman of the committee), Mr Ed Nealon and Mr Klaus Borowski. It meets the stipulations set out in recommendation 4.1, and the relevant qualifications and experience of its members are set out in the Directors' Report. All of the Audit Committee members consider themselves to be financially literate and have industry knowledge. The committee met twice during the reporting period.

**Recommendation 4.2:**

The board should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Disclosure:**

The board meets the stipulations set out in recommendation 4.2.

**Recommendation 4.3:**

The Company should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

**Disclosure:**

The Company meets the stipulations set out in recommendation 4.3.

**Principle 5 – Make timely and balanced disclosure**

**Recommendation 5.1:**

The Company should have a written policy designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

**Disclosure:**

The Company has established a written policy designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. The policy is available for scrutiny on the Company's website.

**Principle 6 – Respect the rights of security holders**

**Recommendation 6.1:**

The Company should provide information about itself and its governance to investors via its website.

**Disclosure:**

The Company complies with recommendation 6.1.

**Recommendation 6.2:**

The Company should design and implement an investor relations program to facilitate effective two-way communication with investors.

**Disclosure:**

The Company has designed a communications policy for promoting effective communication with shareholders.

**Recommendation 6.3:**

The Company should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

**Disclosure:**

The Company gives adequate notice to security holders of meetings of security holders and encourages attendance at such meetings.

**Recommendation 6.4:**

The Company should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

**Disclosure:**

The Company meets the requirements of recommendation 6.4.

**Principle 7 – Recognise and manage risk**

**Recommendation 7.1:**

The board should:

(a) have a risk management committee that has at least three members, a majority of whom should be independent, and be chaired by an independent director; and

(b) disclose the committee's charter, its members and the relevant qualifications and experience of the committee members and the number of times it met during the reporting period.

**Disclosure:**

The Company has established a risk management committee with a formal charter. The committee comprises three independent directors, being Mr Grant Button (chairman of the committee), Mr Ed Nealon and Mr Klaus Borowski. It meets the stipulations set out in recommendation 7.1, and the relevant qualifications and experience of its members are set out in the Directors' Report. The committee met twice during the reporting period.

**Recommendation 7.2:**

The board or a committee of the board should:

(a) review the Company's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

**Disclosure:**

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

During the reporting period the Company had an informal risk management system in place, including the policies and systems referred to in the disclosure in relation to recommendation 7.2. Although the system was not fully documented, management acting through the Managing Director was able to form the view that management of its material business risks during the reporting period was effective.

**Recommendation 7.3:**

The Company should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

**Disclosure:**

The Company does not have an internal audit function. The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

**Recommendation 7.4:**

The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

**Disclosure:**

The Company does not have any material exposure to economic, environmental or social sustainability risks, other than the risks that are common to all minerals explorers in relation to commodity prices and the availability of venture capital.

**Principle 8 – Remunerate fairly and responsibly**

**Recommendation 8.1:**

The board should:

(a) have a remuneration committee that has at least three members, a majority of whom should be independent, and be chaired by an independent director; and

(b) disclose the committee's charter, its members and the relevant qualifications and experience of the committee members and the number of times it met during the reporting period.

**Disclosure:**

The Company throughout the financial year had a separate remuneration committee that meets the requirements of recommendation 8.1. The committee comprises Mr Klaus Borowski (chairman of the committee), Mr Ed Nealon and Mr Grant Button. The relevant qualifications and experience of its members are set out in the Directors' Report. The committee met once during the reporting period.

**Recommendation 8.2:**

The Company should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

**Disclosure:**

Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Given the Company's stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unquoted options to non-executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. All of the directors' option holdings are fully disclosed.

Pay and rewards for executive directors and senior executives consist of a base pay and benefits (such as superannuation) as well as long term incentives through participation in employee share and option plans. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

**Recommendation 8.3:**

If the Company has an equity-based remuneration scheme, it should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

**Disclosure:**

Though the Company has a Share Plan and an Option Plan in place in order to provide incentives and directors and employees have from time to time participated in such plans, any participation in such plans is not regarded as equity-based remuneration, and in any event the Plan rules themselves would prevent the entry into transactions that limit the economic risk of such participation.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income
## For the year ended 30 June 2015

| | Note | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Revenue | 3(a) | **23,753** | 35,844 |
| Administration expenses | 3(b) | **(1,478,102)** | (1,595,092) |
| Occupancy expenses | | **(66,218)** | (58,191) |
| Exploration expenditure | | **(456,595)** | (419,216) |
| Fair value adjustment of forward subscription agreement | | **(208,375)** | (304,660) |
| Foreign exchange loss | | **(176,532)** | (29,345) |
| Share based payments | 20 | **(90,851)** | (194,938) |
| Reclassification of net changes in fair value of available for sale investments | | **137,597** | - |
| **Loss before taxation** | | **(2,315,323)** | **(2,565,598)** |
| Income tax benefit / (expense) | 5 | **(30,537)** | 15,816 |
| **Loss for the year** | | **(2,345,860)** | **(2,549,782)** |
| **Other comprehensive income** | | | |
| *Other comprehensive income to be recycled through profit and loss* | | | |
| Net exchange gain / (loss) on translation of foreign operation | | **(180,614)** | 4,098 |
| Net fair value gains on available-for-sale investment | | **28,536** | 51,251 |
| Income tax effect | | **(7,990)** | (14,352) |
| Reclassification of net changes in fair value relating to the disposal of available for sale investments | | **(137,597)** | - |
| Income tax effect | | **38,527** | - |
| **Other comprehensive income for the year, net of tax** | | **(259,138)** | **41,003** |
| **Total comprehensive loss for the year** | | **(2,604,998)** | **(2,508,779)** |
| Net loss for the year attributable to: | | | |
| Equity holders of the Parent | | **(2,345,860)** | **(2,549,782)** |
| | | **(2,345,860)** | **(2,549,782)** |
| Total comprehensive loss for the period attributable to: | | | |
| Equity holders of the Parent | | **(2,604,998)** | **(2,508,779)** |
| | | **(2,604,998)** | **(2,508,779)** |
| **Loss per share** | | **Cents per share** | **Cents per share** |
| Basic loss for the year attributable to ordinary equity holders of the Parent | 7 | **(0.50)** | (0.75) |
| Diluted loss for the year attributable to ordinary equity holders of the Parent | 7 | **(0.50)** | (0.75) |

## Ferrum Crescent Limited
A.C.N. 097 532 137

## Consolidated Statement of Financial Position
## As at 30 June 2015

| | Note | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and short term deposits | 8 | **1,028,468** | 738,345 |
| Trade and other receivables | 9 | **21,928** | 34,210 |
| Other current financial assets | 11 | **34,325** | 240,517 |
| Prepayments | | **76,983** | 54,408 |
| **Total current assets** | | **1,161,704** | **1,067,480** |
| | | | |
| **Non-current assets** | | | |
| Plant and equipment | 10 | **29,645** | 46,981 |
| Non-current financial assets | 11 | **187,048** | 772,429 |
| **Total non-current assets** | | **216,693** | **819,410** |
| | | | |
| **Total assets** | | **1,378,397** | **1,886,890** |
| | | | |
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **168,713** | 322,582 |
| Payments received in advance | 14 | **629,325** | - |
| Loans and borrowings | 13 | **-** | 515,999 |
| Provisions | 15 | **54,837** | 95,883 |
| **Total current liabilities** | | **852,875** | **934,464** |
| | | | |
| **Total liabilities** | | **852,875** | **934,464** |
| | | | |
| **Equity** | | | |
| Contributed equity | 16 | **31,542,093** | 29,333,702 |
| Accumulated losses | 19 | **(22,850,764)** | (20,504,904) |
| Reserves | 18 | **(8,165,807)** | (7,876,372) |
| **Equity attributable to equity holders of the Parent** | | **525,522** | **952,426** |
| Non-controlling Interest | | - | - |
| **Total equity** | | **525,522** | **952,426** |
| | | | |
| **Total equity and liabilities** | | **1,378,397** | **1,886,890** |

*This Statement of Financial Position is to be read in conjunction with the accompanying notes.*

**Ferrum Crescent Limited**
A.C.N. 097 532 137

## Consolidated Statement of Cash Flows
## For the year ended 30 June 2015

| | Note | 2015 $ | 2014 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | **10,635** | 19,918 |
| Income from available for sale investment | | **13,118** | 15,926 |
| Exploration and evaluation expenditure | | **(458,777)** | (415,352) |
| Payments to suppliers and employees | | **(2,140,761)** | (1,366,830) |
| **Net cash flows used in operating activities** | 24 | **(2,575,785)** | **(1,746,338)** |
| | | | |
| **Investing activities** | | | |
| Payments for plant and equipment | | **456** | 1,872 |
| Purchase of available-for-sale financial assets | | **(154,110)** | - |
| Sale of available-for-sale financial assets | | **937,688** | - |
| Sale / (purchase) of available-for-sale financial assets | | **-** | (89,355) |
| Proceeds from disposal of available-for-sale financial assets | | **99,070** | 52,721 |
| **Net cash flows from / (used in) investing activities** | | **883,104** | **(34,762)** |
| | | | |
| **Financing activities** | | | |
| Proceeds from issue of shares | | **2,233,415** | 1,588,459 |
| Proceeds from receipt of initial deposit from Third Party Investor | 13 | **-** | 515,999 |
| Transaction costs on issue of shares | | **(269,780)** | (111,234) |
| **Net cash flows from financing activities** | | **1,963,635** | **1,993,224** |
| | | | |
| Net increase in cash and cash equivalents held | | **270,954** | 212,124 |
| Net foreign exchange difference | | **19,169** | (22,044) |
| Cash and cash equivalents at 1 July | | **738,345** | 548,265 |
| **Cash and cash equivalents at 30 June** | 8 | **1,028,468** | **738,345** |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

# Ferrum Crescent Limited
A.C.N. 097 532 137

**Consolidated Statement of Changes in Equity**
**For the year ended 30 June 2015**

| | Attributable to the equity holders of the Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Issued capital $** | **Accumulated losses $** | **Employee share incentive reserve $** | **Option reserve $** | **Foreign exchange reserve $** | **Available for sale reserve $** | **Equity reserve $** | **Total equity $** |
| **At 1 July 2013** | 27,856,478 | (17,939,306) | 513,702 | 1,404,425 | 130,462 | 27,273 | (10,126,072) | 1,866,962 |
| Loss for the period | - | (2,565,598) | - | - | - | - | - | (2,565,598) |
| Other Comprehensive Income (net of tax) | - | - | - | - | 4,098 | 51,251 | - | 55,349 |
| **Total comprehensive loss (net of tax)** | - | (2,565,598) | - | - | 4,098 | 51,251 | - | (2,510,249) |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Shares issued during the year net of transaction costs | 1,400,775 | - | - | - | - | - | - | 1,400,775 |
| Shares issued to KMPs under the Salary Sacrifice Scheme | 76,449 | - | (76,449) | - | - | - | - | - |
| Options issued under Employee Option Plan | - | - | - | 23,856 | - | - | - | 23,856 |
| Share based payments | - | - | 171,082 | - | - | - | - | 171,082 |
| **At 1 July 2014** | 29,333,702 | (20,504,904) | 608,335 | 1,428,281 | 134,560 | 78,524 | (10,126,072) | 952,426 |
| Loss for the period | - | (2,345,860) | - | - | - | - | - | (2,345,860) |
| Other Comprehensive Income (net of tax) | - | - | - | - | (180,614) | (78,524) | - | (259,138) |
| **Total comprehensive loss (net of tax)** | - | (2,345,860) | - | - | (180,614) | (78,524) | - | (2,604,998) |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Shares issued during the year net of transaction costs | 2,037,244 | - | - | - | - | - | - | 2,037,244 |
| Shares issued to market previously on the Employee Share Incentive Plan | - | - | 54,389 | - | - | - | - | 54,389 |
| Directors and KMP salary sacrifice for shares issued | 171,147 | - | (171,147) | - | - | - | - | - |
| Options issued to Consultants and Brokers | - | - | - | 42,300 | - | - | - | 42,300 |
| Options issued under Employee Option Plan | - | - | - | 44,161 | - | - | - | 44,161 |
| **At 30 June 2015** | **31,542,093** | **(22,850,764)** | **491,577** | **1,514,742** | **(46,054)** | **-** | **(10,126,072)** | **525,522** |

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

### Note 1: Corporate information

The consolidated financial statements of Ferrum Crescent Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of directors on 30 September 2015.

Ferrum Crescent Limited, the parent, is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX), the London Stock Exchange (AIM) and the JSE Limited (JSE).

**Domicile:**
Australia

**Registered Office:**
'G South Mill Centre' Suite 6, 9 Bowman Street, South Perth, WA, 6151

### Note 2: Summary of significant accounting policies

#### (a) Basis of preparation

The Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of Australian law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Ferrum Crescent Limited and its subsidiaries.

The Financial Report has also been prepared on a historical cost basis, except for the forward subscription agreement and the available-for-sale (AFS) investments which have been measured at fair value.

All amounts are presented in Australian dollars, unless otherwise stated.

#### (b) Statement of compliance

The Financial Report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and complies with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

#### (c) Adoption of new and revised standards

Ferrum Crescent Limited and its subsidiaries ('the Group') has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2014, including:

- AASB 2012-3 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- Interpretation 21 Levies
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 1031 Materiality
- AASB 2013 – 9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

### Note 2: Summary of significant accounting policies (continued)

### (c) Adoption of new and revised standards (continued)

- AASB 2014-1 Part A – Annual Improvements 2010–2012 Cycle Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010– 2012 Cycle

- AASB 2014-1 Part A – Annual Improvements 2011–2013 Cycle Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011– 2013 Cycle

The adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group.

### (d) Accounting standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2015. Relevant Standards and Interpretations are outlined in the table below.

| Reference | Title | Summary | Application date of standard* | Application date for Group* |
|---|---|---|---|---|
| AASB 2014-3 | Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations<br>[AASB 1 & AASB 11] | AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:<br><br>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and<br><br>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. | 1 January 2016 | 1 July 2016 |
| AASB 2014-4 | Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to<br>AASB 116 and AASB 138) | AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.<br><br>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.<br><br>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. | 1 January 2016 | 1 July 2016 |
| AASB 15 | Revenue from Contracts with Customers | In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations (IFRIC *13 Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*).<br>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:<br><br>(a) Step 1: Identify the contract(s) with a customer<br>(b) Step 2: Identify the performance obligations in the contract<br>(c) Step 3: Determine the transaction price<br>(d) Step 4: Allocate the transaction price to the performance obligations in the contract<br>(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation<br><br>The Group has commenced a detailed review of its contracts to determine the impact, if any, of AASB 15 to revenue recognition of the Group. At the date of this report, that assessment is ongoing and it has not been possible to quantify the effect of AASB 15.<br><br>The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015 . At this time, it is expected that the | 1 January 2018 | 1 July 2018 |

## Notes to the consolidated financial statements (continued)
## For the year ended 30 June 2015

| Reference | Title | Summary | Application date of standard* | Application date for Group* |
|---|---|---|---|---|
| AASB 9 | Financial Instruments | AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.<br>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.<br>Classification and measurement<br>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.<br>The main changes are described below. | 1 January 2018 | 1 July 2018 |
| AASB 2014-9 | Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements | AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.<br>AASB 2014-9 also makes editorial corrections to AASB 127.<br>AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted. | 1 January 2016 | 1 July 2016 |
| AASB 2014-10 | Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | AASB 2014-10 amends AASB 10 C*onsolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:<br>(a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and<br>(b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.<br>AASB 2014-10 also makes an editorial correction to AASB 10.<br>AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted. | 1 January 2016 | 1 July 2016 |
| AASB 2015-1 | Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle | This standard provides clarification amendments to AASB 5, AASB 7, AASB 9 and AASB 134. | 1 January 2016 | 1 July 2016 |
| AASB 2015-2 | Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 | The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. | 1 January 2016 | 1 July 2016 |
| AASB 2015-3 | Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality | The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. | 1 July 2015 | 1 July 2015 |
| AASB 2015-5 | Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception | This makes amendments to AASB 10, AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities. | 1 July 2015 | 1 July 2015 |

The impact of the above new statements on the Group still has to be determined.

**Note 2: Summary of significant accounting policies (continued)**

**(e) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Note 2: Summary of significant accounting policies (continued)**

**(f) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Share-based payment transactions:*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in Note 20.

*Forward subscription agreement*
During the 2011 financial year, the Group entered into a forward subscription agreement as set out in Note 11(*a*). This agreement requires the Company to issue a variable number of shares in exchange for ZAR 15 million. The assumptions used in the estimation of the financial asset/liability are discussed in Note 11(*a*).

*Impairment of available-for-sale financial assets*
The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

**(g) Going concern**

The Annual Report has been prepared on a going concern basis and this basis is predicated on a number of initiatives being undertaken by the Group with respect to ongoing cost reductions and funding as set out below. The Group incurred an operating loss after income tax of $2,345,860 for the year ended 30 June 2015 (2014: $2,549,782). In addition, the Group has net current assets of $308,829 as at 30 June 2015 (2014: $133,016), which includes the forward subscription agreement, and shareholders' equity of $525,522 (2014: $952,426).

The Group's forecast cash flow requirements for the 15 months ending 30 September 2016 reflect cash outflows from operating and investing activities, which take into account a combination of committed and uncommitted but currently planned expenditure. The Group has prepared two different forecasts.

The first depends upon whether the BFS continues as planned with PMI or another new investor contributing towards the BFS expenses. This forecast shows sufficient cash will be available up to the end of September 2016 and beyond.

The second is for a scaled down operation whilst the Group waits for another funding opportunity. This indicates that the Group will need to raise additional working capital during the 2016 financial year to enable it to settle its liabilities as and when they fall due and continue to meet its incurred, committed and currently planned expenditure.

This Annual report has been compiled on a going concern basis. In arriving at this position the Directors are satisfied that the Group will have access to sufficient cash as and when required to enable it to fund administrative and other committed expenditure. The Directors are satisfied that they will be able to raise additional funds by either selling existing assets, through implementation of strategic joint ventures or via a form of debt and/or equity raising. In addition, the Directors have embarked on a strategy to reduce costs.

**Note 2: Summary of significant accounting policies (continued)**

**(g) Going concern (continued)**

In the event that the Group is unable to raise additional funds to meet the Group's ongoing working capital requirements when required, there is a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

**(h) Foreign currency translation**

Both the functional and presentation currency of the Company and its Australian controlled entity is Australian dollars (A$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the foreign operations is South African Rand (ZAR) and United States dollars (USD).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the parent Company's financial statements are taken to profit or loss unless they relate to the translation of subsidiary related loans and borrowings which are considered part of the net investment value taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

As at the reporting date the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

**(i) Exploration and evaluation expenditure**

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

**Note 2: Summary of significant accounting policies (continued)**

### (j) Plant & equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:
Plant and equipment – over 2 to 15 years

*Impairment*
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication exists of impairment and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

*Derecognition*
An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

### (k) Income tax

Current tax assets and liabilities for the current period and prior periods are measured at amounts expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used for computations are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- where the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

### Note 2: Summary of significant accounting policies (continued)

#### (k) Income tax (continued)

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- where the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### (l) GST/VAT

Revenues, expenses and assets are recognised net of the applicable amount of GST/VAT except:

- where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

**Note 2: Summary of significant accounting policies (continued)**

**(m) Provisions and employee benefits**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

***Employee leave benefits***

i. Short term benefits

Liabilities for short term benefits including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months of the reporting date, are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

ii. Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**(n) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(o) Receivables**

Receivables, which generally have 30-90 day credit terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectable amounts.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

**Note 2: Summary of significant accounting policies (continued)**

**(p) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest Revenue*
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**(q) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Group's own shares, which are re-acquired for later use in the employee share based payment arrangements, are deducted from equity.

**(r) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

**(s) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the Company adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Company adjusted for:
- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**Note 2: Summary of significant accounting policies (continued)**

**(t) Financial instruments – Initial recognition and subsequent measurement**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets on initial recognition.

**(i) Financial assets**

*Initial recognition and measurement*
Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designed as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets on initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group’s financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

*Subsequent measurement*
The subsequent measurement of financial assets depends on their classification as described below:

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under AASB 139 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management’s intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends upon the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

**Note 2: Summary of significant accounting policies (continued)**

**(t) Financial instruments – Initial recognition and subsequent measurement (continued)**

**(i) Financial assets (continued)**

*Financial assets at fair value through profit or loss (continued)*
During the 2011 financial year, the Group entered into a forward subscription agreement as set out in Note 11(a). This forward subscription agreement is treated as a derivative financial instrument, as its value changes in response to the Company's share price. Based on the current valuation it is classified as a financial asset.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs or loans and in cost of sales or other operating expenses for receivables.

*Available-for-sale financial investments*
Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

*Derecognition*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

**Note 2: Summary of significant accounting policies (continued)**

**(t) Financial instruments – Initial recognition and subsequent measurement (continued)**

**(ii) Impairment of financial assets**

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement.

*Available-for-sale financial investments*
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

**Note 2: Summary of significant accounting policies (continued)**

**(t) Financial instruments – Initial recognition and subsequent measurement (continued)**

**(iii) Financial liabilities**

*Subsequent measurement*
The measurement of financial liabilities depends on their classification, described as follows:

*Initial recognition and measurement*
Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities on initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

*Financial liabilities at fair value through profit or loss*
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria of AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

*Loans and borrowings*
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

*Derecognition*
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**(iv) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and/or
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Note 2: Summary of significant accounting policies (continued)

#### (u) Fair value measurement

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same; and
- A discounted cash flow analysis or other valuation models.

#### (v) Share-based payment transactions

The Company provides benefits to its employees (including key management personnel ("KMP") in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

*Equity settled transactions*
The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in Note 20.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity on the date the equity right is granted. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 7).

**Note 2: Summary of significant accounting policies (continued)**

**(w) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions the Group's operating and accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of the embedded derivatives in those contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss as a change to other comprehensive income. If contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

**(x) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

**(y) Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### Note 3: Revenue and expenses

**Revenue and expenses from continuing operations**

| | Note | 2015 $ | 2014 $ |
|---|---|---|---|
| **(a) Revenue** | | | |
| Finance revenue: | | | |
| Interest received | | **23,753** | 35,844 |
| | | | |
| **(b) Profit and loss** | | | |
| Other expenses include the following: | | | |
| Depreciation | | **18,580** | 23,058 |
| Gain on disposal of plant and equipment | | **-** | 180 |
| | | | |
| Consulting services | | **238,053** | 221,719 |
| Employment related | | | |
| - Directors fees | | **404,228** | 327,471 |
| - Wages | | **171,623** | 228,230 |
| - Superannuation | | **41,595** | 17,258 |
| Corporate | | **271,287** | 256,851 |
| Travel | | **62,691** | 122,130 |
| Other | | **270,045** | 398,195 |
| | | **1,478,102** | 1,595,092 |

### Note 4: Segment information

**Identification of Reportable Segments**

The Group has based its operating segment on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The Group currently does not have production and is only involved in exploration. As a consequence, activities in the operating segment are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of the manager and country of expenditure. Information is reviewed on a whole of entity basis.

Based on these criteria the Group has only one operating segment, being exploration, and the segment operations and results are reported internally based on the accounting policies as described in Note 2 for the computation of the Group's results presented in this set of financial statements.

### Note 4: Segment information (continued)

| Geographic Information: | Note | Australia | | South Africa | | Consolidation | |
|---|---|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | | $ | $ | $ | $ | $ | $ |
| Revenue from external customers | | **15,727** | 24,902 | **8,026** | 10,942 | **23,753** | 35,844 |
| Non - current assets | 10,11 | **401** | 443 | **216,292** | 818,967 | **216,693** | 819,410 |

### Note 5: Income tax expense

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Reconciliation of income tax expense to the pre-tax net loss | | |
| Loss before income tax | **2,315,323** | 2,565,598 |
| Income tax calculated at 30% on loss before income tax | **(694,597)** | (769,679) |
| Add tax effect of: non-deductible expenses | **104,724** | 193,351 |
| Difference in tax rate of subsidiaries operating in other jurisdictions | **(113,795)** | 65,476 |
| Unused tax losses and temporary differences not brought to account | **734,205** | 495,036 |
| Income tax (profit) / expense | **30,537** | (15,816) |

| **Analysis of deferred tax balances** | **2015** | **2014** |
|---|---|---|
| *Deferred tax liabilities* | $ | $ |
| Assessable temporary differences | | |
| Prepayments | **(17,635)** | (10,111) |
| Financial asset | **-** | - |
| Deferred tax liabilities offset by deferred tax assets | **17,635** | 10,111 |
| Net deferred tax liabilities | **-** | - |
| *Deferred tax assets* | | |
| Share issue expenses | **1,282** | 251,511 |
| Legal expense amortised | **4,859** | 4,859 |
| Payables and provisions | **12,355** | - |
| Financial liability | **-** | - |
| Unused tax losses | **2,830,409** | 3,345,413 |
| | **2,848,905** | 3,601,783 |
| Total unrecognised deferred tax assets | **(2,831,270)** | (3,591,672) |
| Deferred tax assets | **17,635** | 10,111 |
| Deferred tax assets offset by deferred tax liabilities | **(17,635)** | (10,111) |
| Net deferred tax assets | **-** | - |

Unused tax losses set out above have not been recognised due to the uncertainty of future taxable profit streams.

## Notes to the consolidated financial statements (continued)
## For the year ended 30 June 2015

### Note 6: Auditor's remuneration

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Remuneration of the auditor of the Company for: | | |
| -auditing or reviewing the financial statements | | |
| Ernst & Young Australia | **28,000** | 34,505 |
| Ernst & Young South Africa | **22,000** | 25,800 |
| Lancaster Mauritius | **4,523** | 3,348 |
| | **54,523** | 63,653 |
| -other assurance related services | | |
| Ernst & Young Australia | **-** | - |
| | **54,523** | 63,653 |

### Note 7: Earnings per share

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Basic loss per share (cents per share) | **(0.50)** | (0.75) |
| Diluted loss per share (cents per share) | **(0.50)** | (0.75) |
| Loss used in calculating basic loss per share | **(2,345,860)** | (2,549,782) |
| Adjustments to basic loss used to calculate dilutive loss per share | **-** | - |
| Loss used in calculating dilutive loss per share | **(2,345,860)** | (2,549,782) |
| | Number | Number |
| Weighted average number of ordinary shares used in the calculation of basic loss per share | **468,894,041** | 343,268,696 |
| Weighted average number of ordinary shares used in the calculation of diluted loss per share | **468,894,041** | 343,268,696 |

There have been no transactions involving ordinary shares or potential shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Note 1 – 13,000,000 share options outstanding at 30 June 2015 (30 June 2014: 3,400,000) have not been included in the calculation of dilutive earnings per share as these are anti-dilutive.

Note 2 – 29,954,525 potential shares to be issued under the subscription agreement (note 11) have not been included in the calculation of dilutive earnings per share as these are anti-dilutive.

### Note 8: Cash and cash equivalents

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Cash at bank | **1,028,468** | 738,345 |

## Notes to the consolidated financial statements (continued)
## For the year ended 30 June 2015

### Note 9: Trade and other receivables

| | 2015 $ | 2014 $ |
|---|---|---|
| **Current** | | |
| Sundry debtors | **2,513** | - |
| GST / VAT | **19,415** | 34,210 |
| | **21,928** | 34,210 |

Non-trade debtors are non-interest bearing and are generally on 30-90 days credit terms. The carrying amounts of these receivables represent fair value and are not considered to be impaired.

### Note 10: Plant and equipment

| | Furniture, fittings and equipment $ | Motor vehicles $ | Leasehold improvements $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 June 2015** | | | | |
| Opening net carrying value | **11,957** | **21,195** | **13,829** | **46,981** |
| Additions | **450** | **-** | **-** | **450** |
| Disposals | **-** | **-** | **-** | **-** |
| Depreciation charge for the year | **(5,620)** | **(14,088)** | **(855)** | **(20,563)** |
| Exchange differences | **687** | **1,195** | **895** | **2,777** |
| Closing net carrying amount | **7,474** | **8,302** | **13,869** | **29,645** |
| **At 30 June 2015** | | | | |
| Cost | **49,428** | **71,396** | **17,336** | **138,160** |
| Accumulated depreciation | **(41,954)** | **(63,094)** | **(3,467)** | **(108,515)** |
| Net carrying value | **7,474** | **8,302** | **13,869** | **29,645** |
| **Year ended 30 June 2014** | | | | |
| Opening net carrying value | 19,585 | 37,874 | 16,029 | 73,488 |
| Additions | 1,870 | - | - | 1,870 |
| Disposals | (180) | - | - | (180) |
| Depreciation charge for the year | (8,087) | (14,114) | (857) | (23,058) |
| Exchange differences | (1,231) | (2,565) | (1,343) | (5,139) |
| Closing net carrying amount | **11,957** | **21,195** | **13,829** | **46,981** |
| **At 30 June 2014** | | | | |
| Cost | 45,996 | 67,003 | 16,269 | 129,268 |
| Accumulated depreciation | (34,039) | (45,808) | (2,440) | (82,287) |
| Net carrying value | **11,957** | **21,195** | **13,829** | **46,981** |

### Note 11: Other financial assets

| | 2015 $ | 2014 $ |
|---|---|---|
| **Current assets** | | |
| Rental and Other Deposits | **5,960** | 5,522 |
| Rehabilitation Trust | **28,365** | 26,620 |
| Financial asset at fair value through profit or loss - forward subscription agreement (refer to note (a) below) | **-** | 208,375 |
| | **34,325** | 240,517 |
| **Non- current assets** | | |
| Available for sale investments (at fair value) (refer to note (b) below) | **-** | 772,429 |
| Available for sale investments (at fair value) (refer to note (c) below) | **187,048** | - |
| | **187,048** | 772,429 |

***Note (a): Financial asset at fair value through profit a0nd loss – forward subscription agreement***

In 2010, various agreements were entered into in respect of the Moonlight Project.

A company, Mkhombi Investments (Pty) Ltd ("MI"), which met the requirements of applicable South African legislation in respect of historically disadvantaged persons (referred to in South Africa as being "BEE controlled"), entered into an agreement on 26 October 2010 with the then current holder of 26% of Ferrum Iron Ore Pty Ltd ("FIO") to purchase that holder's right, title and interest in FIO for ZAR30 million (approximately AUD4.4 million) ("FIO Sale Agreement"). The South African Department of Mineral Resources expressed its support of the transaction.

Ferrum South Africa Pty Ltd ("FSA"), a wholly owned subsidiary of Ferrum Crescent Ltd, entered into agreements with MI and its holding company, Mkhombi AmaMato (Pty) Ltd ("MA"), the terms of which provided for the following to take place:

(a) FSA was issued shares in MI such that it held an initial 32.17% interest in MI, with the remaining 67.83% held by MA;

(b) MA lent the sum of ZAR7.5 million to MI, to be applied as part of the purchase price under the FIO Sale Agreement; The advance, which was made as at 31 December 2010, did not attract interest and was only repayable in certain circumstances (namely, the failure to meet the conditions precedent set out in the Subscription Agreement, as defined below);

(c) FSA lent the sum of ZAR22.5 million to MI, to be applied to pay the balance of the purchase price under the FIO Sale Agreement. The advance, which was made as at 31 December 2010, did not attract interest and was repayable in certain circumstances (namely, the failure to meet the conditions precedent set out in the Subscription Agreement, as defined below);

(d) MI would issue shares and/or FSA would transfer some of its shares in MI such that 11.54% of MI's shares on issue are held by a trust representing the locally impacted community, with the resulting shareholdings being MA 60%, FSA 28.46%, and the locally impacted community 11.54%; and

(e) MA would, subject to the conditions precedent set out in the Subscription Agreement, as defined below, sell its entire right, title and interest in, and all of its claims against, MI to FSA for ZAR7.5 million (AUD 780,000). The above transaction was completed in the 2012 financial year.

**Note 11: Other financial assets (continued)**

***Note (a): Financial asset at fair value through profit and loss – forward subscription agreement (continued)***

A subscription agreement was entered into between Ferrum Crescent Limited and MA on 4 November 2010 (the "Subscription Agreement"). On completion of the Subscription Agreement (subject to the fulfilment of the conditions precedent to that agreement), MA would subscribe for such number of shares in Ferrum Crescent Limited as was equal to 7.8% of the issued shares at that time (the "First Subscription"). The price payable for the subscription for the shares under the First Subscription was set at ZAR7.5 million. This first tranche of the Subscription Agreement has been completed.

Under the Subscription Agreement, MA was to, on or before the later of (i) the date falling 10 business days after the Closing Date (as defined in the Subscription Agreement and extension to the Subscription Agreement) and (ii) 30 November 2012 (the "Subscription Period"), which period was extended by the Company for a period of 1 year in the event that it raised not less than ZAR7.5 million in 2011, subscribe for a further 7.8% of the issued shares of the Company (calculated by reference to the issued share capital of the Company at the time of the First Subscription adjusted for any subsequent share splits, consolidations or bonus capitalisations) for a further ZAR 7.5 million. This second tranche of the Subscription Agreement has been extended by mutual consent until 31 January 2016.

The conditions precedent to the Subscription Agreement included no insolvency event occurring, the granting of a mining right in respect of the Project, necessary South African Reserve Bank approvals and shareholder and other approvals required under the Corporations Act and the AIM / ASX / JSE listing rules, including shareholder approval. The Shareholder approval was duly obtained on 8 August 2012 and all conditions precedent to the Subscription Agreement have been met.

Kofi Morna, is a director of MA. He holds an (AUD1.45m) indirect non-controlling interest in MA.

Upon completion of the first tranche of the Subscription Agreement which occurred during 2012, the Company legally owned, directly and indirectly through its subsidiaries, FSA and MI, 97% of FIO, with the remaining 3% held by the GaSeleka Community.

The forward subscription agreement will be settled in Ferrum Crescent Limited's shares. Under the Subscription Agreement, Ferrum Crescent Limited will issue shares to MA equal to 7.8% of the issued share capital of the Company (calculated by reference to the issued share capital of the Company at the time of the First Subscription adjusted for any subsequent share splits, consolidations or bonus capitalisations) for ZAR7.5 million which constitutes the "second subscription" referred to above. The above financial asset was fair valued as at 30 June 2015 to nil. The fair value was based on a probability weighted approach with the key assumptions being Ferrum's share price, foreign exchange rates and credit risk.

***Note (b): Available for sale investments***

The available for sale investment was an Investo Linked Investment portfolio which was set up with Momentum Insurance on 1 April 2012 to cover the rehabilitation of all subsidiary future mining activities in accordance with the requirements of the mining leases.

This portfolio had an initial savings term of 10 years with an automatic increase of 10% to the contributions on an annual basis. After the initial 10 years the investment would automatically continue in periods of 5 years. After automatic continuation the investment would qualify for a loyalty bonus at the end of each 5 year period. The investment was levied with allocation and management fees on a monthly basis.

Cash withdrawals were available to be made up to a restricted percentage of the net fund value at the time of the withdrawal. The withdrawn amounts were not be taken into consideration when calculating the loyalty bonus due on the portfolio. Withdrawals were made at the discretion of the cessionary (SGIGA).

### Note 11: Other financial assets (continued)

***Note (b): Available for sale investments (continued)***

On 16 July 2012 a Deed of Surety and Indemnity was signed ceding this investment portfolio to Constantia Insurance Company Limited (SGIGA) in return for a guarantee to the Directorate Mineral Regulation (DMR) for the confirmed amount of R7,517,000. On 12 November 2014 SGIGA cancelled their deed of Surety and Indemnity after the DMR released their guarantee on 10 November 2014 further to its replacement with a guarantee issued by Guardrisk Insurance Company Limited (Guardrisk) on 30 October 2014.

R4,000,000 (approx. AUD432,144 at the then prevailing AUD:ZAR exchange rate of 9.25618) was accessed on 25 September 2013. On 1 April 2014 the annual increases were cancelled and the monthly contribution was capped at R500,000 (approx. AUD48,050 at the 2014 year end prevailing AUD:ZAR exchange rate of 10.4058).

R1,265,907 (approx. AUD122,920 at the then prevailing AUD:ZAR exchange rate of 9.71) was accessed in September 2014 and the monthly contribution was reduced to R100,000 (approx. AUD10,300 at the then prevailing monthly exchange rate).

On 20 November 2014, the policy paid out R7,948,962 (approx. AUD830,667 at an exchange rate of 9.5682) and a portion of this was transferred to Guardrisk.

***Note (c): Available for sale investments***

On 30 October 2014, Guardrisk issued a financial guarantee for the rehabilitation of land to be disturbed by mining to the DMR for the sum of R7,517,000.

On 1 November 2014, Ferrum Iron Ore (Pty) Ltd, a subsidiary of the Company, signed a policy of insurance where-by an initial lump sum of R1,500,000 (approx. AUD 149,250 at the then prevailing AUD:ZAR exchange rate of 10.0503) and a monthly contribution of R100,000 (approx. AUD9,950 at the same exchange rate) would be paid for a fixed period from 1 November 2014 to 31 October 2017 to cover the environmental guarantee.

There is a provision in the policy to the effect that, at the end of the policy period or cancellation (and where applicable), should there be a positive balance sitting in the policy after taking into account all expenditure (including claims), Guardrisk will declare a performance bonus back to the Company. There is no prior entitlement to this performance bonus.

### Note 12: Trade and other payables

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Trade payables and other payables | **168,713** | 322,582 |
| | **168,713** | 322,582 |

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

### Note 13: Loans and borrowings

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Anvwar Asian Investments | **-** | 515,999 |
| | **-** | 515,999 |

During the 2014 reporting period, the Company entered into a legally binding heads of agreement with Anvwar Asian Investment ("AAI"), an entity based in Oman, whereby AAI was to purchase a 35% interest in Ferrum Iron Ore (Pty) Ltd ("FIO"), the Group Company that holds the Moonlight Project. Following a number of term variations of this letter of intent, the Company entered into a new agreement with AAI in March 2014, whereby AAI agreed to pay US$1 million, by way of two tranches of US$500,000, one payable by the end of March 2014 and the second payable by the end of April 2014, thereby earning the right, subject to the requisite approvals of the South African Reserve Bank, to be issued with FIO shares equalling 35% of that company, being partly paid, subject to the right to pay an additional US$9 million to become fully paid or be converted into 3.5% of FIO fully paid. The additional US$9 million had to be paid by the earlier of 31 December 2015 and completion of the Moonlight BFS.

However the second tranche of US$500,000 was not received by Ferrum Crescent from AAI within the time frame stipulated under the agreement. Ferrum Crescent therefore informed AAI of its default; and AAI remains in default as at the date of this report. Accordingly, the first tranche of US$500,000 was initially recorded as a current liability.

On 14 March 2015, the Company terminated the investment agreement between itself and AAI as a result of AAI's breach of a material term of the agreement.

On 22 July 2015, AAI's lawyers, Trowers & Hamlins, issued a letter to the Company, requesting that the first tranche be returned to AAI within 14 days from the date of issue. They advised that AAI will commence legal proceedings for the recovery of the first tranche plus any interest and costs incurred by AAI. No additional contingent liability has been raised.

The first tranche of US$500,000 has since been moved from loans and borrowings to payments received in advance until such time as it can be established that the funds do not need to be reimbursed to AAI - refer to note 14 below.

### Note 14: Payments received in advance

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Current** | | |
| Anvwar Asian Investments | **629,325** | - |
| | **629,325** | - |

As set out in note 13 above, the first tranche of US$500,000 that was received from AAI has been moved from loans and borrowings to payments received in advance until such time as it can be established that the funds do not need to be reimbursed to AAI.

### Note 15: Provisions

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Employee benefits | **54,837** | 95,883 |

### Note 16: Contributed Equity

| | | 2015 No. of shares | 2014 No. of shares | 2015 $ | 2014 $ |
|---|---|---|---|---|---|
| **(a)** | **Share Capital Ordinary Shares** | | | | |
| | Ordinary shares fully paid | **618,787,353** | 380,602,777 | **31,807,395** | 29,843,607 |
| | Employee share incentive plan shares | **(2,300,000)** | (6,595,000) | **(265,302)** | (509,905) |
| | | **616,487,353** | 374,007,777 | **31,542,093** | 29,333,702 |

*Capital management*
When managing capital (which is defined as the Company's total equity), management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. As the equity market is constantly changing management may issue new shares to provide for future exploration and development activity. The Company is not subject to any externally imposed capital requirements.

During the year ended 30 June 2015, 4,295,000 (2014: nil) shares were issued back to the market from the Employee Incentive Share Plan. Refer note 20 (ii).

**(b) Movements in ordinary share capital**

| Date | Details | Number of shares | $ |
|---|---|---|---|
| **01 July 2013** | **Opening Balance** | **328,201,385** | **28,366,383** |
| 08 October 2013 | 1st Tranche private placing | 44,613,156 | 1,405,314 |
| 21 November 2013 | Salary sacrifice share scheme issue | 4,401,392 | 76,459 |
| 19 December 2013 | 2nd Tranche private placing | 3,386,844 | 106,686 |
| | Costs associated with share issues | | (111,235) |
| **30 June 2014** | **Closing Balance** | **380,602,777** | **29,843,607** |
| 10 November 2014 | Allotment issue | 49,065,642 | 392,525 |
| 13 November 2014 | Underwritten issue | 58,434,358 | 467,475 |
| 12 December 2014 | Private placement | 21,525,819 | 173,077 |
| 12 December 2014 | Salary sacrifice share scheme issue | 9,158,757 | 171,147 |
| 22 May 2015 | Private placement | 48,000,000 | 465,600 |
| 29 May 2015 | Private placement | 52,000,000 | 504,400 |
| 29 May 2015 | Share plan shares sold on market (c) | | 59,344 |
| | Costs associated with share issues | | (269,780) |
| | | **618,787,353** | **31,807,395** |
| Employee share plan shares on issue | | (2,300,000) | (265,302) |
| | | **616,487,353** | **31,542,093** |

If, at any time during the exercise period, an employee ceases to be an employee, all share options held by that employee will lapse one month after their employment end date. Therefore, employee shares above are only recognised in issued capital when issued to the employees concerned.

### Note 16: Contributed Equity (continued)

#### (c) Movements in employee share plan shares issued with limited recourse employee loans

| Date | Details | Number of shares | $ |
|---|---|---|---|
| 01 July 2013 | Opening balance | 6,595,000 | (509,905) |
| | Issued during 2014 | - | - |
| **30 June 2014** | **Closing balance** | **6,595,000** | **(509,905)** |
| | Cancelled during 2015 | (4,295,000) | 244,603 |
| | Issued during 2015 | - | - |
| **30 June 2015** | **Closing balance** | **2,300,000** | **265,302** |

No employee share plan shares were issued in the current financial year (2014: Nil).

This account is used to record the value of shares issued under the Executive Share Incentive Plan (ESIP). The ESIP is accounted for as an “in-substance” option plan due to the limited recourse nature of the loan between employees and the Company to finance the purchase of ordinary shares. The total fair value of the “in substance” options issued under the plan is recognised as a share-based payment expense over the vesting period, with a corresponding increase in equity. Information on the valuation of shares issued under the ESIP during the period is disclosed in Note 20.

### Note 17: Listed Options

| | **2015**<br>**No of Options** | **2014**<br>**No of Options** |
|---|---|---|
| Options | | |
| At year end the following options were on issue: | | |
| - 31 December 2013 Options exercisable at 40 cents per share | **-** | 21,496,727 |
| - 14 December 2015 Options exercisable at 10 cents per share | **-** | 400,000 |
| - 21 November 2016 Options exercisable at 3 cents per share | **500,000** | 500,000 |
| - 19 February 2017 Options exercisable at 8 cents per share | **2,500,000** | 2,500,000 |
| - 2 February 2018 Options exercisable at GBP0.0075 per share | **2,000,000** | - |
| - 2 February 2018 Options exercisable at GBP0.02 per share | **3,000,000** | - |
| - 1 March 2018 Options exercisable at GBP0.0075 per share | **2,000,000** | - |
| - 1 March 2018 Options exercisable at GBP0.02 per share | **3,000,000** | - |
| | **13,000,000** | 24,896,727 |

## Notes to the consolidated financial statements (continued)
## For the year ended 30 June 2015

**Note 17: Listed Options (continued)**

| Movements in 14 December 2015 Options | 2015 No of Options | 2014 No of Options |
|---|---|---|
| Beginning of the financial year | **400,000** | - |
| Options issued during the year | **-** | 400,000 |
| Options cancelled during the year | **(400,000)** | - |
| End of the financial year | **-** | 400,000 |

| Movements in 21 November 2016 Options | | |
|---|---|---|
| Beginning of the financial year | **500,000** | - |
| Options issued during the year | **-** | 500,000 |
| Options cancelled during the year | **-** | - |
| End of the financial year | **500,000** | 500,000 |

| Movements in 19 February 2017 Options | | |
|---|---|---|
| Beginning of the financial year | **2,500,000** | - |
| Options issued during the year | **-** | 2,500,000 |
| Options cancelled during the year | **-** | - |
| End of the financial year | **2,500,000** | 2,500,000 |

| Movements in 2 February 2018 Options | | |
|---|---|---|
| Beginning of the financial year | **-** | - |
| Options issued during the year | **5,000,000** | - |
| Options cancelled during the year | **-** | - |
| End of the financial year | **5,000,000** | - |

| Movements in 1 March 2018 Options | | |
|---|---|---|
| Beginning of the financial year | **-** | - |
| Options issued during the year | **5,000,000** | - |
| Options cancelled during the year | **-** | - |
| End of the financial year | **5,000,000** | - |

# Notes to the consolidated financial statements (continued)
# For the year ended 30 June 2015

**Note 18: Reserves**

| | Employee share incentive reserve | Options reserve | Foreign exchange reserve | Equity reserve | Available for sale reserve | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **At 1 July 2013** | 513,702 | 1,404,425 | 130,462 | (10,126,072) | 27,273 | (8,050,210) |
| Currency translation differences | - | - | 4,098 | - | - | 4,098 |
| Options issued | - | 23,856 | - | - | - | 23,856 |
| Shares issued to KMPs on the Salary Sacrifice Scheme | (76,449) | - | - | - | - | (76,449) |
| Growth in investment portfolio | - | - | - | - | 51,251 | 51,251 |
| Share based payments^ | 171,082 | - | - | - | - | 171,082 |
| **At 30 June 2014** | **608,335** | **1,428,281** | **134,560** | **(10,126,072)** | **78,524** | **(7,876,372)** |
| Currency translation differences | - | - | (180,614) | - | - | (180,614) |
| Options issued | - | 86,461 | - | - | - | 86,461 |
| Shares issued to KMPs on the Salary Sacrifice Scheme | 54,389 | - | - | - | - | 54,389 |
| Directors and KMP salary sacrifice for shares issued | (171,147) | - | - | - | - | (171,147) |
| Growth in investment portfolio | - | - | - | - | 20,546 | 20,546 |
| Reclassification adjustment for gains included in the income statement (net of tax effect) | - | - | - | - | (99,070) | (99,070) |
| **At 30 June 2015** | **491,577** | **1,514,742** | **(46,054)** | **(10,126,072)** | **-** | **(8,165,807)** |

^This amount includes remuneration to KMPs and Directors that was accrued and will ultimately be settled in shares under the Company's salary sacrifice scheme.

**Nature and purpose of reserves**

*Employee share incentive reserve*
This reserve is used to record the value of equity benefits provided to employees, consultants and directors as part of their remuneration under the Executive Share Incentive Plan.

*Options reserve*
This reserve is used to record the value of options issued, other than share-based payments to directors, employees and consultants as part of their remuneration.

*Foreign currency translation reserve*
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

### Note 18: Reserves (continued)

**Nature and purpose of reserves (continued)**

*Equity reserve*
The Equity reserve is used to record the acquisition of the non-controlling interest by the Group and to record differences between the carrying value of non-controlling interests and the consideration paid / received, where there has been a transaction involving non-controlling interests that do not result in a loss of control.
The reserve is attributable to the equity of the parent.

*Available-for-sale reserve*
Used to record changes in the fair value of the Group's available-for-sale financial assets.

### Note 19: Accumulated losses

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | **(20,504,904)** | (17,939,306) |
| Net loss for the year | **(2,345,860)** | (2,565,598) |
| Accumulated losses at the end of the financial year | **(22,850,764)** | (20,504,904) |

### Note 20: Share based payments

**Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the year were as follows:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Options issued in consideration for services (i) | **90,851** | 23,856 |
| Amounts expensed for shares issued under the Company's Executive Share Incentive Plan (ii) | **-** | - |
| Share based payment salary sacrifice scheme (iii) | **-** | 171,082 |
| | **90,851** | 194,938 |

Included in the share based payment salary sacrifice scheme for 2015 is nil (2014: $99,633 that was waived by the directors concerned subsequent to the balance sheet date), related to the directors remuneration (see remuneration report for breakdown).

**(i) Options issued in consideration for services**

**Fair value of options granted**

The fair value at the grant date of options issued is determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

### Note 20: Share based payments (continued)

a) The tables below summarise the model inputs (post consolidation) for options granted during the year ended 30 June 2014:

| | |
|---|---|
| Options granted for no consideration | 500,000 |
| Exercise price (AUD cents) | 0.03 |
| Issue date | 21 November 2013 |
| Expiry date | 21 November 2016 |
| Underlying security spot price at grant date (AUD cents) | 0.03 |
| Expected price volatility of the Company's shares | 100% |
| Expected dividend yield | 0% |
| Expected life | 3 |
| Risk-free interest rate | 3.08% |
| Binomial model valuation per option (AUD cents per share) | 1.65 |

| | |
|---|---|
| Options granted for no consideration | 2,500,000 |
| Exercise price (AUD cents) | 0.08 |
| Issue date | 19 February 2014 |
| Expiry date | 19 February 2017 |
| Underlying security spot price at grant date (AUD cents) | 0.06 |
| Expected price volatility of the Company's shares | 100% |
| Expected dividend yield | 0% |
| Expected life | 3 |
| Risk-free interest rate | 2.97% |
| Binomial model valuation per option (AUD cents per share) | 4.12 |

b) The tables below summarise the model inputs (post consolidation) for options granted during the year ended 30 June 2015:

| | |
|---|---|
| Options granted for no consideration | 2,000,000 |
| Exercise price (GBP) | 0.0075 |
| Issue date | 2 February 2015 |
| Expiry date | 2 February 2018 |
| Underlying security spot price at grant date (GBP) | 0.0075 |
| Expected price volatility of the Company's shares | 100% |
| Expected dividend yield | 0% |
| Expected life | 3 |
| Risk-free interest rate | 0.64% |
| Binomial model valuation per option (AUD cents per share) | 0.50 |

| | |
|---|---|
| Options granted for no consideration | 3,000,000 |
| Exercise price (GBP) | 0.02 |
| Issue date | 2 February 2015 |
| Expiry date | 2 February 2018 |
| Underlying security spot price at grant date (GBP) | 0.02 |
| Expected price volatility of the Company's shares | 100% |
| Expected dividend yield | 0% |
| Expected life | 3 |
| Risk-free interest rate | 0.64% |
| Binomial model valuation per option (AUD cents per share) | 0.34 |

### Note 20: Share based payments (continued)

| | |
|---|---|
| Options granted for no consideration | 2,000,000 |
| Exercise price (GBP) | 0.0075 |
| Issue date | 1 March 2015 |
| Expiry date | 1 March 2018 |
| Underlying security spot price at grant date (GBP) | 0.0075 |
| Expected price volatility of the Company's shares | 100% |
| Expected dividend yield | 0% |
| Expected life | 3 |
| Risk-free interest rate | 0.90% |
| Binomial model valuation per option (AUD cents per share) | 0.55 |

| | |
|---|---|
| Options granted for no consideration | 3,000,000 |
| Exercise price (GBP) | 0.02 |
| Issue date | 1 March 2015 |
| Expiry date | 1 March 2018 |
| Underlying security spot price at grant date (GBP) | 0.02 |
| Expected price volatility of the Company's shares | 100% |
| Expected dividend yield | 0% |
| Expected life | 3 |
| Risk-free interest rate | 0.90% |
| Binomial model valuation per option (AUD cents per share) | 0.37 |

Movements
The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

| | 2015 Number | 2015 WAEP | 2014 Number | 2014 WAEP |
|---|---|---|---|---|
| Outstanding at 1 July | 3,400,000 | 3.46 | 2,750,000 | 25.72 |
| Issued during the year | 10,000,000 | 0.94 | 3,000,000 | 7.16 |
| Cancelled during the year | (400,000) | 10.00 | (2,350,000) | 19.80 |
| Outstanding at 30 June | 13,000,000 | 1.32 | 3,400,000 | 3.46 |
| Exercisable at 30 June | 10,000,000 | 0.94 | 400,000 | 10.00 |

**(ii) Shares issued under the Executive Share Incentive Plan (ESIP)**

*Executive Share Incentive Plan*
Under the plan, eligible employees are offered shares in the Company at prices determined by the Board. The Board has the ultimate discretion to impose special conditions on the shares issued under the ESIP and can grant a loan to a participant for the purposes of subscribing for plan shares. Shares issued under loan facilities are held on trust for the benefit of the participant and will only be transferred into the participant's name once the loan has been fully repaid. ESIP participants receive all the rights associated with the ordinary shares.

Loans granted to participants are limited recourse and interest free unless otherwise determined by the Board. The loans are to be repaid via the application of any dividends received from the shares and/or the sale of the plan shares. Where the loan is repaid by the sale of shares, any remaining surplus on sale is remitted to the participant while any shortfall is borne by the Group.

### Note 20: Share Based Payments (continued)

#### (ii) Shares issued under the Executive Share Incentive Plan (ESIP) (continued)

During the 2014 and 2015 reporting period no shares were issued under the ESIP.

If, at any time during the exercise period an employee ceases to be an employee, all options held by that employee vest immediately and will lapse one month after their employment end date. As such, there is not considered to be any service conditions attaching to the grant of shares under the ESIP, and the full expense is recognised at grant date.

#### Fair value of award granted

Shares granted under the ESIP are accounted for as “in-substance” options due to the limited recourse nature of the loan between the employees and the Company to finance the purchase of ordinary shares. The fair value at grant date for the various tranches of rights issued under the ESIP is determined using a binomial model.

#### Movements during the Year

| | 2015 | 2014 |
|---|---|---|
| | Number | Number |
| Outstanding at 1 July | 6,595,000 | 6,595,000 |
| Issued during the year | - | - |
| Expired during the year | (4,295,000) | - |
| Outstanding at 30 June | 2,300,000 | 6,595,000 |

In May 2015, the shares reserved for expired awards were sold on market. See movement in Employee Share Incentive Plan shares in note 16(a).

Shareholder approvals were obtained on 8 August 2012 for the implementation of a salary sacrifice plan under which directors and executives may forego agreed fees and salary and subscribe for shares in the Company.

Five individuals have elected during the 2014 and 2015 financial years to participate in the salary sacrifice plan, and the number of rights issued is calculated on a monthly basis by way of volume weighted average share prices for Ferrum shares as traded.

### Note 20: Share Based Payments (continued)

### (iii) Shares issued under the Salary Sacrifice Scheme

| Rights issued | Value $ | Number of shares issued E Nealon | RW Hair | A Nealon | G Button | S Huntly | Total |
|---|---|---|---|---|---|---|---|
| **Unexercised rights 1 July 2013** | | **2,648,617** | **2,777,186** | **1,986,461** | **552,504** | **-** | **7,964,768** |
| July 2013 | $0.012 | 555,556 | - | 416,667 | 136,342 | 459,935 | 1,568,500 |
| August 2013 | $0.013 | 512,821 | - | 384,615 | 125,854 | 424,555 | 1,447,845 |
| September 2013 | $0.041 | 161,812 | - | 121,359 | 39,711 | 133,962 | 456,844 |
| October 2013 | $0.022 | 300,300 | - | 225,225 | 73,698 | 248,613 | 847,836 |
| November 2013 | $0.035 | 188,324 | - | 141,243 | 46,218 | - | 375,785 |
| December 2013 | $0.032 | 208,333 | - | 156,250 | 51,128 | - | 415,711 |
| January 2014 | $0.037 | 179,211 | - | 134,409 | 43,981 | - | 357,601 |
| February 2014 | $0.042 | 160,256 | - | 120,192 | 39,329 | - | 319,777 |
| March 2014 | $0.022 | 303,030 | - | 227,273 | 74,368 | - | 604,671 |
| April 2014 | $0.020 | 330,033 | - | 247,525 | 80,995 | - | 658,553 |
| May 2014 | $0.016 | 450,450 | - | - | 110,547 | - | 560,997 |
| June 2014 | $0.016 | 406,504 | - | - | 99,762 | - | 506,266 |
| **Total rights issued** | | **6,405,247** | **2,777,186** | **4,161,219** | **1,474,437** | **1,267,065** | **16,085,154** |
| **Waived by directors in September 2013** | | **(2,648,617)** | **(2,777,186)** | **-** | **(552,504)** | **-** | **(5,978,307)** |
| **Exercised** | | **-** | **-** | **(3,134,327)** | **-** | **(1,267,065)** | **(4,401,392)** |
| **Unexercised rights at 30 June 2014** | | **3,756,630** | **-** | **1,026,892** | **921,933** | **-** | **5,705,455** |
| July 2014 | $0.038 | 175,439 | - | - | 43,055 | - | 218,494 |
| August 2014 | $0.021 | 317,460 | - | - | 77,910 | - | 395,370 |
| September 2014 | $0.017 | 401,606 | - | - | 98,560 | - | 500,166 |
| October 2014 | $0.007 | 952,381 | - | - | 233,729 | - | 1,186,110 |
| November 2014 | $0.007 | 925,926 | - | - | 227,236 | - | 1,153,162 |
| **Total rights issued** | | **6,529,442** | **-** | **1,026,892** | **1,602,423** | **-** | **9,158,757** |
| **Waived by directors** | | **-** | - | - | - | - | - |
| **Exercised** | | **(6,529,442)** | - | **(1,026,892)** | **(1,602,423)** | **-** | **(9,158,757)** |
| **Unexercised rights at 30 June 2015** | | **-** | **-** | **-** | **-** | **-** | **-** |

| | 30 June 2015 Number of share rights Brought forward | Issued | Waived | Exercised | Total $ | 30 June 2014 Number of share rights Brought forward | Issued | Waived | Exercised | Outstanding | Total $ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **E Nealon** | 3,756,630 | 2,772,812 | - | (6,529,442) | - | 2,648,617 | 3,756,630 | (2,648,617) | - | 3,756,630 | 80,000 |
| **RW Hair** | - | - | - | - | - | 2,777,186 | - | (2,777,186) | - | - | - |
| **A Nealon** | 1,026,892 | - | - | (1,026,892) | - | 1,986,461 | 2,174,758 | - | (3,134,327) | 1,026,892 | 30,000 |
| **G Button** | 921,933 | 680,490 | | (1,602,423) | - | 552,504 | 921,933 | (552,504) | - | 921,933 | 19,633 |
| **S Huntly** | - | - | - | - | - | - | 1,267,065 | - | (1,267,065) | - | - |
| **Total** | **5,705,455** | **3,453,302** | **-** | **(9,158,757)** | **-** | **7.964,768** | **8,120,386** | **5,978,307** | **(4,401,392)** | **5,705,455** | **129,633** |

### Note 21: Commitments

(i) At this stage the Company has no minimum obligations with respect to tenement expenditure requirements.
(ii) Operating lease commitments are as follows:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Within 1 year | **28,039** | 20,978 |
| 2 to 3 years | **-** | - |
| Total | **28,039** | 20,978 |

The Company disposed of its Australian tenements during 2011 and whilst the Company still holds tenements in South Africa, expenditure commitments in relation to such tenements have been met. The Company has converted its South African prospecting rights into mining rights and applied for new prospecting rights over adjacent land.

A subsidiary of the Group entered into a 36 month commercial office lease on 1 April 2012, with an 8% annual escalation to the fixed portion of the lease, for their head office in Johannesburg, South Africa. The value of the lease has been annualised over the life of the Lease agreement as per the above. This lease reached the end of its term on 31 March 2015, and had a renewal period for a further 3 years commencing 1 April 2015 but was only renewed for a period of 1 year until 31 March 2016.

### Note 22: Contingent liabilities

There are no contingent liabilities as at 30 June 2015 (2014: Nil).

### Note 23: Related party transactions

Compensation of Key Management Personnel

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | **828,463** | 838,334 |
| Post-employment benefits | **37,539** | 14,287 |
| Share based payments | **85,675** | 194,937 |
| Termination benefits | **-** | 2,715 |
| | **951,678** | 1,050,273 |

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties unless otherwise stated.

**Note 23: Related party transactions (continued)**

Subsidiaries

The consolidated financial statements include the financial statements of Ferrum Crescent Limited and the subsidiaries listed in the following table.

| Name | Country of Incorporation | % Beneficial Equity Interest 2015 | 2014 |
|---|---|---|---|
| Ferrum Metals Pty Ltd | Australia | **100** | 100 |
| Batavia Ltd | Mauritius | **100** | 100 |
| Ferrum South Africa (Pty) Ltd ("FIO") | South Africa | **100** | 100 |
| Ferrum Iron Ore (Pty) Ltd | South Africa | **97** | 97 |
| Mkhombi Investments (Pty) Ltd ("MI") | South Africa | **88.46** | 88.46 |

Ferrum Crescent Limited is the ultimate Australian parent entity and the ultimate parent of the Group. Transactions between Ferrum Crescent Limited and its controlled entities during the year consisted of loan advances by Ferrum Crescent Limited. All intergroup transactions and balances are eliminated on consolidation.

The Baphuting Bo Seleka Community Trust ("Trust") has a 3% indirect interest in FIO, the project Company, via its investment in MI. Until such time as FIO commences mining no expenses or investments have been carried over to the Trust.
.
In May 2015, the Company entered into a Memorandum of Understanding ("MOU") with Principle Monarchy Investments (Proprietary) Limited ("PMI"), whereby PMI will pay R142m (US$12m) to acquire up to 39% of Ferrum Iron Ore (Proprietary) Limited ("FIO"). The incoming funds will be used by FIO towards financing of the BFS costs for the Moonlight Project. In return for an investment of US$12m, to be paid across three tranches, PMI will receive a total of 39% of FIO's equity.

As at the date of this report, the first payment due under the terms of the MOU had yet to be received such that the MOU was not legally binding at that point.

Furthermore, the Company is at the date of this report at an advanced stage in relation to an alternative BFS financing arrangement with another group.

Loans to / (from) related parties

The following transactions were undertaken between the Company, executive officers and director-related entities during 2014 and 2015.

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Consulting secretarial fees were paid or accrued to Athlone International Consultants Pty Ltd, a company with which Andrew Nealon is associated | **-** | 50,007 |
| Consulting fees were paid or accrued to Camcove Pty Ltd, a company of which Robert Hair is a director and shareholder | **60,000** | 151,000 |
| Consulting fees were paid to T.C. Droste Investments Pty Ltd, a company of which Ted Droste is a director and shareholder | **-** | 34,313 |

# Notes to the consolidated financial statements (continued)
# For the year ended 30 June 2015

### Note 24: Cash flow information

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Reconciliation of cash flow from operations with loss from ordinary activities after income tax | | |
| Loss from ordinary activities after income tax | **(2,345,860)** | (2,565,598) |
| Depreciation | **18,580** | 23,058 |
| Loss / (profit) on sale of plant and equipment | **-** | 180 |
| Profit on sale of available for sale financial assets | **(107,060)** | - |
| Fair value adjustment of forward subscription agreement | **208,375** | 304,660 |
| Share based payment compensation | **98,773** | 23,856 |
| Net foreign exchange differences | **(54,155)** | 122,173 |
| *Changes in assets and liabilities* | | |
| (Increase) / decrease in receivables | **(174,766)** | 235,095 |
| (Increase) / decrease in other operating assets | **(24,758)** | 1,006 |
| Increase / (decrease) in payables and provisions | **(194,914)** | 109,233 |
| Cash flows used in operations | **(2,575,785)** | (1,746,338) |

**Note 25: Financial risk management objectives and policies**

The Group's principal financial instruments comprise cash, short term deposits, held-for-trading and derivative instruments.

The main purpose of the financial instruments is to finance the Group's operations. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities, is set out in the following table. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The Group has not entered into any hedging activities to manage interest rate risk. In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

| | Weighted Average Effective Interest Rate | Floating Interest Rate | Fixed Interest Rate | Non Interest Bearing | Total | Interest Rate Risk Sensitivity -10% Profit | -10% Equity | +10% Profit | +10% Equity |
|---|---|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ | $ | $ |
| **2015** | | | | | | | | | |
| **Financial Assets** | | | | | | | | | |
| Cash | **0.35%** | **868,353** | **136,490** | **23,624** | **1,028,468** | **(1,064)** | **-** | **1,064** | **-** |
| Trust deposits | **0.00%** | **163** | **-** | **34,161** | **34,325** | **-** | **-** | **-** | **-** |
| Receivables | **0.00%** | **-** | **-** | **21,928** | **21,928** | **-** | **-** | **-** | **-** |
| Investments | **1.12%** | **187,048** | **-** | **-** | **187,048** | **(1,312)** | **-** | **1,312** | **-** |
| Financial asset | **0.00%** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total Financial Assets** | | **1,055,565** | **136,490** | **79,714** | **1,271,769** | | | | |
| **Financial Liabilities** | | | | | | | | | |
| Trade and other payables | | **-** | **-** | **803,892** | **803,892** | - | - | - | - |
| **Total Financial Liabilities** | | **-** | **-** | **803,892** | **803,892** | | | | |
| **2014** | | | | | | | | | |
| **Financial Assets** | | | | | | | | | |
| Cash | **0.08%** | **524,227** | **425** | **213,693** | **738,346** | **(3,584)** | **-** | **3,584** | **-** |
| Trust deposits | **0.00%** | **961** | **-** | **31,181** | **32,142** | **-** | **-** | **-** | **-** |
| Receivables | **0.00%** | **-** | **-** | **42,787** | **42,787** | **-** | **-** | **-** | **-** |
| Investments | **0.00%** | **772,429** | **-** | **-** | **772,429** | **(1,593)** | **-** | **1,593** | **-** |
| Financial asset | **0.00%** | **-** | **-** | **208,375** | **208,375** | **-** | **-** | **-** | **-** |
| **Total Financial Assets** | | **1,297,617** | **425** | **496,036** | **1,794,079** | | | | |
| **Financial Liabilities** | | | | | | | | | |
| Trade and other payables | | **-** | **-** | **838,581** | **838,581** | - | - | - | - |
| **Total Financial Liabilities** | | **-** | **-** | **838,581** | **838,581** | | | | |

**Note 25: Financial risk management objectives and policies (continued)**

(a) Interest Rate Risk (continued)

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A -10% sensitivity would move short term interest rates at 30 June 2015 from around 2% to 1.8% representing a 20 basis point downwards shift (14.00 basis points net of tax).

Based on the sensitivity analysis, mainly interest revenue from variable rate deposits, cash balances and investment is impacted resulting in a decrease or increase in overall income.

(b) Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities required to meet the current exploration and administration commitments, through the continuous monitoring of actual cash flows.

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

| | Less than 1 month | 1 – 3 months | 3 months – 1 year | 1 – 5 years | 5+ years | Total |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **2015** | | | | | | |
| **Financial assets:** | | | | | | |
| Cash | **1,028,468** | **-** | **-** | **-** | **-** | **1,028,468** |
| Trust deposits | **-** | **-** | **-** | **34,325** | **-** | **34,325** |
| Receivables | **-** | **21,928** | **-** | **-** | **-** | **21,928** |
| Investments | **-** | **-** | **-** | **187,048** | **-** | **187,048** |
| | **1,028,468** | **21,928** | **-** | **221,373** | **-** | **1,271,769** |
| **Financial liabilities:** | | | | | | |
| Non-interest bearing | **-** | **(803,892)** | **-** | **-** | **-** | **(803,892)** |
| | **-** | **(803,892)** | **-** | **-** | **-** | **(803,892)** |
| **2014** | | | | | | |
| **Financial assets:** | | | | | | |
| Cash | **738,346** | **-** | **-** | **-** | **-** | **738,346** |
| Trust deposits | **-** | **-** | **-** | **32,142** | **-** | **32,142** |
| Receivables | **-** | **42,787** | **-** | **-** | **-** | **42,787** |
| Investments | **-** | **-** | **-** | **772,429** | **-** | **772,429** |
| | **738,346** | **42,787** | **-** | **804,571** | **-** | **1,585,704** |
| **Financial liabilities:** | | | | | | |
| Non-interest bearing | - | (838,581) | - | - | - | (838,581) |
| | **-** | **(838,581)** | **-** | **-** | **-** | **(838,581)** |

**Note 25: Financial risk management objectives and policies (continued)**

(c) Credit Risk

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The Company is exposed to credit risk from its operating activities and, financing activities including deposits with banks and investments with insurance companies. The credit risk control procedures adopted by the Company is to assess the credit quality of the institution with whom funds are deposited or invested, taking into account its financial position and past experiences.

The maximum exposure to credit risk on financial assets of the Company which have been recognised on the statement of financial position is generally limited to the carrying amount.

Cash is maintained with National Australia Bank and the Standard Bank of South Africa.

The investment in mining rehabilitation insurance policy is invested by Guardrisk in the following investments,

| **Type of Investment** | **Type of interest** |
|---|---|
| Unit trust – monthly contributing | Floating interest rate |
| Unit trust – fixed investment | Floating interest rate |
| Money market | Floating interest rate |
| Current account | Non-interest bearing |

(d) Foreign Exchange Risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows, excluding the forward subscription agreement obligation the sensitivity for which is disclosed in section (e) below:

| | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **$** | $ | **$** | $ |
| Great British Pounds (GBP) | **(653,422)** | - | **670,765** | 329,323 |
| South African Rand (ZAR) | **(16,208)** | 43,865 | **16,208** | 233,428 |
| United States Dollars (USD) | **64,679** | 3,055 | **-** | - |

Foreign currency sensitivity analysis

The Group is exposed to Great British Pound (GBP), United States Dollar (USD) and South African Rand (ZAR) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar (AUD) against the relevant currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes cash balances held in GBP, ZAR and USD which give rise to a foreign currency gain or loss on revaluation. A positive number indicates an increase in profit and other equity where the AUD strengthens against the ZAR. In relation to cash balances held in GBP a positive number indicates an increase in profit and other equity where the Australian Dollar strengthens against the respective currency. For a weakening Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

**Note 25: Financial risk management objectives and policies (continued)**

(d) Foreign Exchange Risk (continued)

| | | **2015** | | 2014 | |
|---|---|---|---|---|---|
| | | **Profit / (loss)** | **Equity increase / (decrease)** | Profit / (loss) | Equity increase / (decrease) |
| | | **$** | **$** | $ | $ |
| | - | | | | |
| AUD strengthens | - ZAR | **(1,621)** | **1,621** | (20,078) | 20,078 |
| 10% | - GBP | **(65,342)** | **65,342** | (32,932) | 32,932 |
| | - USD | **12,268** | **(12,268)** | 305 | (305) |
| AUD weakens | - ZAR | **1,621** | **(1,621)** | 20,078 | (20,078) |
| 10% | - GBP | **65,342** | **(65,342)** | 32,932 | (32,932) |
| | - USD | **(12,268)** | **12,268** | (305) | 305 |

The following table details the Group's sensitivity to a 10% increase and decrease in the AUD/ZAR exchange rate against the forward subscription agreement obligation. 10% represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only the forward subscription obligation which is equity settled and adjusts the obligation at the period end for a 10% change in foreign currency rates.

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Profit / (loss)** | **Equity increase / (decrease)** | Profit / (loss) | Equity increase / (decrease) |
| | **$** | **$** | $ | $ |
| + 10% | **(69,818)** | **69,818** | (65,523) | 65,523 |
| - 10% | **69,818** | **(69,818)** | 65,523 | (65,523) |

(e) Fair value

The fair values of cash, trade and other receivables and trade and other payables approximate their carrying values, as a result of their short maturity or because they carry floating rates.

*(i) Fair value of financial instruments measured at fair value*

For financial instruments carried at fair value the Group adopts various methods in estimating fair value. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in an active market
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

| | **Jun 2015 AUD** | **Jun 2014 AUD** |
|---|---|---|
| **Level 2** | | |
| Available for sale financial assets | 187,048 | 772,429 |
| Financial (liability)/asset at fair value through profit and loss – forward subscription agreement | - | 208,375 |

For financial instruments not quoted in active markets, the Group uses valuation techniques such as other relevant models used by market participants which may include inputs derived from quoted prices in an active market (Level 2). These valuation techniques use both observable and unobservable market inputs.

**Note 25: Financial risk management objectives and policies (continued)**

(f) Equity Price Risk

The Group entered into a forward subscription agreement, details of which are provided in Note 11(a). This agreement requires the Company to issue a variable number of shares in exchange for ZAR 7.5 million. A change in the Group's share price impacts the value of the subscription agreement obligations and as a result the Group is exposed to equity price risk.

The following table details the Group's sensitivity to a 10% increase and decrease in the share price of the Company (AUD) against the forward subscription agreement obligation (2015: nil (asset);2014: $208,375 (asset)), which is designated as "Level 2". 10% represents management's assessment of the possible change in the Company's share price. The sensitivity analysis includes only the forward subscription obligation which is equity settled and adjusts the obligation at the period end for a 10% change in the share price of the Company.

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Profit / (loss)** **$** | **Equity increase / (decrease)** **$** | Profit / (loss) $ | Equity increase / (decrease) $ |
| + 10% | **-** | **-** | (32,023) | 32,023 |
| - 10% | **-** | **-** | 32,023 | (32,023) |

**Note 26: Parent Entity Information**

| | **2015** **$** | 2014 $ |
|---|---|---|
| Current assets | **934,073** | 726,493 |
| Total assets | **934,474** | 1,499,367 |
| Current liabilities | **129,863** | 83,421 |
| Total liabilities | **129,863** | 83,421 |
| Issued capital | **35,855,014** | 29,333,702 |
| Retained earnings | **(30,702,626)** | (28,236,325) |
| Reserves | **4,347,776** | 4,239,108 |
| Total shareholders' equity | **804,612** | 1,415,946 |
| Profit / (loss) of the parent entity | **(2,466,304)** | (1,828,845) |
| Total comprehensive (loss) / income | **(2,725,442)** | (1,828,845) |

On 30 November 2009, Ferrum Crescent Limited (formerly Washington Resources Ltd) ("FCR") completed the legal acquisition of Ferrum Metals Limited (formerly Ferrum Crescent Limited) ("FML"). Under the terms of AASB 3 Business Combinations (Revised), FML was deemed to be the accounting acquirer in the business combination. The transaction was therefore accounted for as a reverse acquisition. The Parent entity therefore had issued capital of $25,620,916 as opposed to the Group's consolidated issued capital of $28,366,383. For further details please refer to the disclosures contained within the 30 June 2010 Annual Report.

There have been no guarantees entered into by the parent entity in relation to any debts of its subsidiaries.

The parent entity has no contingent liabilities as at 30 June 2015 (2014: Nil).

### Note 27: Subsequent events

In May 2015, the Company entered into a Memorandum of Understanding ("MOU") with Principle Monarchy Investments (Proprietary) Limited ("PMI"), whereby PMI will pay R142m (US$12m) to acquire up to 39% of Ferrum Iron Ore (Proprietary) Limited ("FIO"). The incoming funds will be used by FIO towards financing of the BFS costs for the Moonlight Project. In return for an investment of US$12m, to be paid across three tranches, PMI will receive a total of 39% of FIO's equity.

As at the date of this report, the first payment due under the terms of the MOU had yet to be received such that the MOU was not legally binding at that point.

Furthermore, the Company is at the date of this report at an advanced stage in relation to an alternative BFS financing arrangement with another group.

# Ferrum Crescent Limited

A.C.N. 097 532 137

## Directors Declaration

In the opinion of the directors of Ferrum Crescent Limited :

(a) the financial statements and notes set out on pages 48 to 94 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 30 June 2015 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2 (b); and

(c) subject to the matters discussed in Note 2(g), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ending 30 June 2015.

This declaration is made in accordance with a resolution of the directors.

G. Button

G Button
Non-Executive Director
Perth
30 September 2015

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# Independent auditor's report to the members of Ferrum Crescent Limited

To the members of Ferrum Crescent Limited

## Report on the financial report

We have audited the accompanying financial report of Ferrum Crescent Limited which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit and loss or comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

(a) the financial report of Ferrum Crescent Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

## Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 in the financial report which describes the principal conditions that raise doubts about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Ferrum Crescent Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Robert A Kirkby
Partner
Perth
30 September 2015

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## Auditor's Independence Declaration to the Directors of Ferrum Crescent Limited

In relation to our audit of the financial report of Ferrum Crescent Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Robert A Kirkby
Partner
30 September 2015



RK:JH:FERRUM:029

**ASX Requirements**

Distribution schedules of shareholders and statements of voting rights are set out in Table 1, whilst the Company's top twenty shareholders are shown in Table 2. Substantial shareholder notices that have been received by the Company are set out in Table 3 and the tenement schedule as at 30 June 2015 is set out in Table 4.

**Table 1**
**Shareholder spread**

***Ordinary shares, with right to attend meetings and vote personally or by proxy, through show of hands and, if required, by ballot (one vote for each share held)***

| | |
|---|---|
| 1-1,000 | 56 |
| 1,001-5,000 | 71 |
| 5,001-10,000 | 101 |
| 10,001-100,000 | 254 |
| 100,001 - and over | 267 |
| | |
| Total holders of ordinary shares | 749 |
| Total number of ordinary shares | 618,787,353 |

***Options, with no right to attend meetings or vote personally or by proxy***

| | |
|---|---|
| 1-1,000 | - |
| 1,001-5,000 | - |
| 5,001-10,000 | - |
| 10,001-100,000 | - |
| 100,001 - and over | 7 |
| | |
| Total holders of options | 7 |
| Total number of options | 13,000,000 |

**Table 2**
**Top twenty shareholders**

| *Shareholder* | *Number of shares* | *Percentage* |
|---|---|---|
| Grassroots Exploration Pty Ltd | 77,505,870 | 14,93% |
| Barclayshare Nominees Limited | 74,606,093 | 12.06% |
| Rathbone Nominees Limited | 31,340,486 | 5.06% |
| TD Direct Investing Nominees (Europe) Limited | 27,687,074 | 4.47% |
| Mr Edward Francis Nealon | 26,741,557 | 4.32% |
| Mkhombi Amamato (Proprietary) Ltd | 25,281,620 | 4.09% |
| Citicorp Nominees Pty Limited | 18,780,283 | 3.04% |
| SVS Nominees Limited <POOL> | 18,034,150 | 2.91% |
| WB Nominees Limited | 14,066,623 | 2.27% |
| HSDL Nominees Limited | 12,672,111 | 2.05% |
| Peel Hunt Holdings Limited <PMPRINC> | 11,788,445 | 1.96% |
| National Nominees Limited | 11,472,440 | 1.85% |
| Hargreaves Lansdown (Nominees) Limited <HLNOM> | 10,872,256 | 1.76% |
| SVS Securities (Nominees) Isa Limited <ISA> | 9,230,950 | 1.50% |
| Hargreaves Lansdown (Nominees) Limited <15942> | 8,472,397 | 1.37% |
| Sunshore Holdings Pty Ltd | 8,034,361 | 1.30% |
| HSBC Client Holdings Nominee (UK) Limited <731504> | 6,444,820 | 1.04% |
| Pershing Nominees Limited <ABCLT> | 5,250,757 | 0.85% |
| HSBC Marking Name Nominee (UK) Limited <689925> | 5,225,000 | 0.80% |

**ASX Requirements (continued)**

**Table 3**
**Substantial shareholders**

| *Shareholder* | *Number of shares* | *Percentage* |
|---|---|---|
| 1. Grassroots Exploration Pty Ltd | 77,505,870 | 14.93% |
| 2. Barclayshare Nominees Ltd | 74,606,093 | 12.06% |
| 3. Rathbone Nominees Limited | 31,340,486 | 5.06% |

**Voting Rights**

The voting rights attached to each class of equity securities are set out below:

**(a) Ordinary shares**

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Table 4**

**Tenement schedule as at 30 June 2015:**

| Project | Tenement Number | Tenement Status | Holder | Percentage Interest |
|---|---|---|---|---|
| Moonlight | 30/5/1/2/2/201 MR | Mining Right Granted | Ferrum Iron Ore (Pty) Ltd | 97% |
| Moonlight | LP30/6/1/1/2/11868PR | Prospecting Application | Ferrum Iron Ore (Pty) Ltd | 97% |

### JSE Limited Requirements

| Headline earnings reconciliation | 2015 $ | 2014 $ |
|---|---|---|
| Loss attributable to ordinary equity holders of the parent entity | (2,345,860) | (2,549,782) |
| Add back IAS 16 loss on the disposal of plant and equipment | - | 180 |
| Less profit on sale of available for sale investments | (137,597) | - |
| Total tax effects of adjustments | 38,527 | - |
| **Headline loss** | **(2,444,930)** | **(2,549,602)** |
| Basic loss per share | (2,345,860) | (2,549,782) |
| Weighted average shares in issue | 468,894,041 | 343,268,696 |
| Basic loss per share (cents) | **(0.50)** | **(0.75)** |
| Headline loss | (2,444,930) | (2,549,602) |
| Weighted average shares in issue | 468,894,041 | 343,268,696 |
| Headline loss per share (cents) | **(0.52)** | **(0.75)** |