Ferrex Plc

# Annual Report 2012

## Developing an expanding iron ore and manganese resources portfolio in Africa

FERREX PLC

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## Contents



Throughout this document "Ferrex" or "the Company" means Ferrex Plc and "the Group" means the Company and its subsidiaries.

# Company Highlights

## 2012

Ferrex is an AIM listed exploration and development company focussed on advancing low capital intensive iron ore and manganese deposits in Africa through the development cycle and into production. We are pleased to announce final results for the year ended 30 September 2012.

Continuing to establish position as a leading low-capex iron ore and manganese exploration and development company with near-term production potential in Africa

Strengthened iron-ore portfolio through the acquisition of a new DSO project, Mebaga in Gabon

Fast-tracked Malelane iron-ore project from drill status through to scoping study stage

- Maiden JORC code compliant resource delineated of 139Mt at 37% Fe
- Scoping study indicates robust economic potential of constructing a 1.8Mt Fe per annum operation with a 16.6 year mine life producing a 57% Fe product

Definitive Feasibility Study underway at Nayega manganese project in Togo

- Upgraded JORC Code compliant resource to 7.3Mt at 14.7% Mn in the Indicated category
- Initial scoping studies indicate that simple beneficiation to produce a 38% Mn product is feasible
- Projected low capital cost of less than US$15m for up to 250,000t of product per annum and operating costs of US$2/dmtu FOB

Exploration programme planned at Leinster manganese project in South Africa to define a JORC code compliant resource in 2013

Continue to identify and assess new project opportunities which complement low-capex/ near to infrastructure/early production investment criteria

Strengthened Board and Management team with the appointment of James Carter as Finance Director to the Board, Justin Longley as General Manager of West Africa and Gus Simbanegavi as Project Manager of Malelane iron project in South Africa

## Managing Director's Statement

"We are delighted with the operational progress made during the year which has focussed on fulfilling the near term, low cost production potential of our high quality iron ore and manganese portfolio in Africa.

"At our Nayega manganese project in Togo, we are currently conducting a Definitive Feasibility Study with the view of developing a simple open pit 250,000tpa operation in the near-term which will generate early cash-flow to fuel exploration across our asset base. In addition, at our Malelane iron ore project in South Africa, our work during the year, including the identification of a maiden JORC resource and the publication of a Scoping Study, has demonstrated the project's robust economics and its low-cost nature. Over the coming months, we are focussed on building on these findings to both improve the scale and optimise its economics which will provide us with regular news flow. In addition, post-period end, we acquired a highly exciting Mebaga DSO iron ore project in Gabon, which complements our investment strategy of developing low-capex projects which are close to infrastructure and offer an early route to production.

"With these developments in mind, I believe we are in a strong position to hit our key milestones in 2013 and generate significant value uplift for shareholders as we continue to fast-track our portfolio up the development curve with a view of production in the near term."

D Reeves, Managing Director
28 February 2013

# Chairman's Statement

## Brian Moritz

This has been a period of great progress for Ferrex as we continue to establish ourselves as a leading low-capex iron ore and manganese exploration and development company with near-term production potential in Africa.

Our strategy is focussed on targeting assets close to established infrastructure which offer near-term value uplift through rapid resource development and an early route to production. In order to implement this, we have a proven Board and management team in place which has been involved in developing mining projects and investments in excess of US$1 billion.

With this in mind, we have a solid portfolio of assets including four primary projects. Our iron ore portfolio consists of the Malelane iron project in South Africa, where we have completed a scoping study, and the recently secured Mebaga iron ore project in Gabon which has significant Direct Shipping Ore ('DSO') potential. On the manganese side, we hold the Nayega manganese project, where we are currently conducting a Definitive Feasibility Study ('DFS') with a view to commencing development in H2 2013, and in-turn generating early cashflow for Ferrex; and our Leinster manganese asset in the prospective Leinster Basin in South Africa.

In line with our strategy to build a leading iron ore and manganese exploration and development company, we also continue to identify and assess new resource opportunities which complement our investment criteria. We still have three applications outstanding for possible DSO projects in Africa that we hope to secure in the next year.

This quality portfolio of assets and prospective pipeline opportunities offers significant growth potential for investors as we advance them up the development curve through the feasibility stages and into production to become a low-cost producer of minerals for the steel industry.

### Iron ore – Malelane, South Africa

In terms of our iron ore portfolio, the Malelane project incorporates prospecting rights over a 4,192Ha tenement in the prospective Mpumalanga region in South Africa, part of the Archean Barberton Greenstone Belt. The project has three distinct banded iron formation ('BIF') horizons with a combined strike length of 14km and mapped horizontal widths of up to 300m. A further highlight of Malelane is its close proximity to excellent infrastructure, just 6km away from an electrified railway line, 170km from the deep-water port of Maputo, making it an ideal prospect for Ferrex to develop as a low-capex mining operation.

We have made considerable progress at Malelane during the year which has seen us successfully develop the project up the resource development curve towards the feasibility stage. In the first half of the year we completed our second drilling programme over the northern most part of the BIF which measures 1.1km of the 14km identified. In March 2012 we were delighted to announce a maiden resource at Malelane of 139Mt at 37% Fe with 4.9Mt of higher grade zones defined at 52.2% Fe, illustrating DSO and beneficiated before shipping ore potential of the project.

Unlike many other iron ore deposits where a large resource has to be identified to justify the economics of the project due to infrastructure constraints, Malelane shows solid potential to be developed into a profitable mining operation with an Inferred 139Mt JORC code compliant resource identified over only 1.1km of the 14km BIF within the tenure due to its close proximity to an electrified railway line and the low 1.55:1 stripping ratio.

The potential commerciality of the project was further confirmed upon completion of a Scoping Study announced 7 January 2012. The results indicate the robust economic potential of constructing a 1.8Mt per annum operation producing a 57% Fe, 6mm product. Figures for the project overall include an Internal Rate of Return ('IRR') of 72%, a Net Present Value ('NPV') of US$523m (pre-tax) at a discount rate of 10%, a capital cost of US$139m and capital intensity which places it in the lowest quartile for capital intensity of new iron ore projects globally.

In preparation for a mining lease application, environmental studies and social and labour plan drafting has commenced. These results will also be fed into the Pre-Feasibility study that is due to be finalised in 2013.

In terms of our skill set on the ground of Malelane, we strengthened our team in October 2012 through the appointment of Gus Simbanegavi. Gus will act as Project Manager and will oversee the development of Malelane as we advance the project.

With these developments in mind, I look forward to reporting on Malelane's progress as we continue to advance it up the mining curve and unlock its intrinsic value.

### Mebaga, Gabon

On 14 January 2013 we were delighted to announce that we were granted a 309 sq km exploration licence in Gabon, West Africa over the high-grade DSO Mebaga iron ore deposit ('Mebaga'). This move into Gabon is an exciting step for the Company and provides us with another growth opportunity in the iron ore sector, complementing our corporate strategy of targeting high quality, low-capex projects, which are near to infrastructure, which offer near-term resource potential and in-turn production potential for Ferrex.

Drilling at Malelane

Core at Malelane

Under the terms of the agreement, we have secured an 82% interest in Mebaga through our holding in Gabonese holding company Resources Equatoriales SARL ('Equatorial'). Equatorial holds a granted exploration licence covering an area of 309 sq km, just 30km from a sealed highway that links directly to the Trans-Gabon rail line.

Mebaga is located within an extensive high grade iron ore province which extends from Gabon into the Republic of Congo ('ROC') and Cameroon. Deposits in the district include Belinga in Gabon (1Bt @ 60% Fe); Mbalam in Cameroon (775Mt @ 57% Fe) and Avima in the ROC (690Mt @ 58% Fe). Importantly, Mebaga is the nearest DSO iron ore project to the Atlantic of any in this prolific iron province.

Iron ore mineralisation in the province is hosted in Archean banded iron formation ('BIF') horizons. In Gabon, these rocks belong to the Belinga Supergroup. Gabonese Government geology maps show that BIF within the Mebaga licence area is exposed over a strike length of more than 20km at widths up to 2km.

In the early 1960s, the Bureau de Recherches Géologiques et Minières ('BRGM') completed reconnaissance evaluation in the Ngama district and targeted pitting of high grade iron exposures at Mebaga. Ferrex has access to the data generated by BRGM. A total of 95 pits were excavated, to depths up to 29.4m below surface, on several iron occurrences. A number of the pits returned high grade iron intercepts in vertical channel samples, including results such as 27m @ 58.4% Fe (mineralised from top to bottom); 18.5m @ 57.5% Fe (mineralised to bottom) and 10.5m @ 61.4% Fe (mineralised to bottom). Pitting identified a coherent zone of mineralisation extending along strike for about 1.8km.

Cross sections constructed by BRGM indicate that mineralisation is interpreted to dip at a shallow to moderate angle and is inferred to be at least 30-35m thick in places.

As a result of this work, BRGM estimated there is a 'potential resource'* (equivalent to an exploration target) of 20Mt @ 60% Fe and a larger, lower grade target of 50Mt @ 47% Fe. The lower grade material will be assessed to ascertain if it can be easily upgraded via screening beneficiated DSO (bDSO iron ore), which could add significantly to the exploitable tonnage of the deposit.

Ferrex is implementing a fast-tracked exploration plan targeting the definition of high grade iron ore resources. Geophysical data (aeromagnetic and radiometric) will be purchased and processed. Reconnaissance and detailed geological mapping will commence as soon as access to the BIF trend has been established. A drill programme will be planned and implemented once the geophysical and geological (from mapping) data have been interpreted.

### Manganese – Nayega, Togo

In terms of our Manganese portfolio, during the period under review we have made exceptional progress at our Nayega manganese project in northern Togo. Since our Admission to AIM in July 2011 we have completed many development milestones at Nayega and fast-tracked it towards the definitive feasibility status with a view of advancing the project as an simple, low-strip, open pit operation with production at the end of 2013. In light of this, Nayega is set to be our first productive and cash generative project.

The Nayega deposit is unique due the manganese minerals, spread over an area of 3km by 1km, ranging in size from flakes to cobbles, overlying a manganiferous clay horizon in which hard manganese oxide fragments are distributed. The clay horizon is up to 10m thick and the hard fragments are thought to be derived from narrow veins of massive manganese mineralisation that cut the underlying sandstone. This mineralisation suggests suitability for a shallow open pit operation.

The project, like the rest of our portfolio is ideally located to allow for easy transportation of product produced. It's positioned just 30km from a main road which has direct access to the major deepwater port of Lome 600km away and has 350,000t per annum backloading space availability.

A major value trigger was achieved in May 2012 when we defined a maiden resource of 6.3Mt @ 14.1% manganese ('Mn') at Nayega. The resource was calculated from results of 77 pits dug on 100m centres along east-west lines spaced 200m apart on the deposit and illustrated the prospectivity the project. From here we undertook further pitting work consisting of 153 pits dug on 100m centres to improve the confidence of our resource and in September 2012 we were delighted to report an upgrade to the Indicated category of 7.3Mt at 14.7% Mn. This represented a 16% increase in tonnage, a 4% increase in grade and a 21% increase in contained manganese tonnes from our maiden resource.

Further regional evaluation work of the 92,930 Ha area enveloping the main Nayega deposit is on-going and has delineated two targets that were further explored by pitting.

Outcropping sampling at Mebaga

Goldstone Camp, Mebaga

A total of 122 rock samples were taken and returned manganese values ranging up to 39%. To date 23 pits have been dug for 95m and 103 continuous vertical channel samples taken. We look forward to reporting further results from our regional programme in due course.

Metallurgical test work and an initial scoping study was also carried out in the first half of 2012 to further prove the project's economic viability as a simple, open pit, no strip operation with potential for beneficiation through screening and gravity separation. The results were highly positive and confirmed that a simple beneficiation route can be utilised with straight forward scrubbing, crushing, and gravity products which will upgrade the product to a saleable product of 38% Mn. Additionally, initial scoping costs have illustrated a very low capital cost of less than US$15m for up to 250,000t of product per annum and operating costs of US$2/dmtu FOB.

We are currently in the midst of completing a Definitive Feasibility Study due for H1 2013 which will further define the low-capex positive economics of this project. From here we will update the market on our development plans as we look to build a processing operation during 2013.

## Leinster, South Africa

Our secondary manganese project is the 46,868 hectare Leinster manganese project based in the Northern Cape and North West Provinces of South Africa forms our fourth development project in our portfolio. The Leinster project is in the Leinster Basin, an erosional outlier of the Kalahari Manganese Field, which is the largest metallogenic province of manganese mineralisation in the world.

Interestingly it's only 20 km north of Aquila Resources' Avontuur project, which hosts a JORC resource of 147.8Mt at 38.2% Mn. Our Leinster deposit lies at an average depth of 80m and is envisaged to be a small underground operation with ore trucked or railed to port for the export market.

During the period, we were pleased to announce that we had secured the Prospecting Right over the Tweed Farm, representing the final of ten farms to be granted within the highly prospective tenement area. Further to this we were also granted approval from the Department of Mineral Resources of South Africa, under section 11 of the MPRDA to take control of Umbono Minerals Holdings (Pty) Limited which held the exploration rights over the project area and which subsequently has increased our interest in Leinster from 49% to 74%.

In terms of previous exploration, Anglo American drilled 51 holes on the Leinster property between 1977 and 1988. Using this information, Coffey Mining calculated an exploration target of 5.5 to 8.7Mt at 28.6 to 31% Mn for Leinster on behalf of Ferrex. The target is open in all directions.

In September 2012 we carried out a high resolution airborne magnetic/ radiometric survey flown by Xcalibur Airborne Geophysics. The results are currently being processed and are expected to significantly improve our understanding of Leinster's local geology and assist in drill targeting of high grade mineralisation zones in the district that will be undertaken in this year to allow a maiden JORC compliant resource to be calculated.

## Board and Management

Additionally during 2012, we were delighted to announce a number of new appointments both to the Board and to the management team.

James Carter joined the Board from our management team in 12 June 2012 as Finance Director. Jim has provided great support to the Company since admission to AIM in July 2012 and with over 18 years of commercial, financial and M&A experience in the resource industry, we look forward to utilising his extensive skill set during this highly active time.

In May 2012, we were also pleased to welcome Justin Longley as General Manager of West Africa. His extensive experience evaluating and developing commercial mining and processing operations in Africa will be highly beneficial as we continue to fast-track our Nayega manganese project in northern Togo and begin development of our newly acquired Gabonese Mebaga iron ore project. Additionally as mentioned earlier in my statement we were pleased to welcome Gus Simbanegavi as a South African Country Manager, to oversee the development of Malelane.

## Financial

The loss before and after tax for year ended 30 September 2012 was £1,500,000 before non-controlling interests (2011: £880,000). As the Group only commenced full operations following AIM admission in July 2011 the results for the period ended 30 September 2011 do not provide a meaningful comparison.

High grade iron ore at Mebaga

RC drill rig at Malelane

On 25 January 2013 we announced a placing to raise further equity capital of £2.165m before expenses. Of this amount, £200,000 was subscribed by Directors. We are seeking to arrange for offtake and similar finance to enable us to bring the Nayega project into production, and therefore to make the group as a whole cash flow positive.

## Conclusion

To conclude, we have made significant progress advancing our key iron ore and manganese assets up the development curve and towards production and I believe the strength of Ferrex's investment case is clearly evident. Major milestones achieved include defining a maiden resource at our Malelane iron ore project in South Africa and completing a Scoping Study which underpins the economic viability of developing a 1.8Mt per annum open pit mining operation; calculating an Inferred resource and commencing a Definitive Feasibility Study at a Nayega deposit which looks set to become our first mining project to go into production; and acquiring a new DSO iron ore project which complements our investment criteria of looking for quality low-capex projects with near-term resource potential which are close to good infrastructure.

With these developments in mind, and the required funding in place, we have all the foundations in place from which to deliver robust growth for the Company during 2013. This should prompt a re-rating of Ferrex as the market recognises the quality of our iron ore and manganese portfolio in Africa which offers significant value upside as each is advanced with a view of near-term production.

Finally, as Chairman and fellow shareholder of Ferrex, I would like to thank our excellent management team and employees led by Dave Reeves. I would also like to take this opportunity to thank our shareholders for their continued support.

B Moritz, Chairman
28 February 2013

# Our Projects

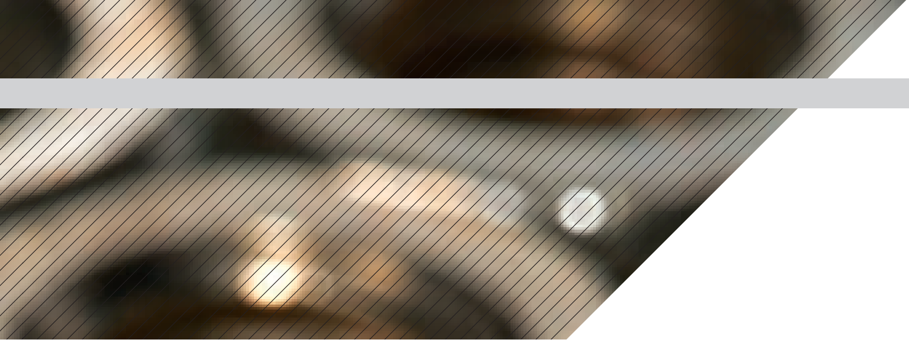
Ferrex has a multi-project portfolio of iron ore and manganese assets in Africa offering significant growth potential for investors as the Company advances them up the development curve through the resource to feasibility stages and into production to become a low-cost producer of minerals for the steel industry.

The Company's iron ore portfolio consists of the Malelane deposit in South Africa, where Ferrex has completed a scoping study with a view to development and the Mebaga deposit in Gabon which has significant DSO potential.

The Company's manganese portfolio consists of the Nayega manganese deposit, where a Definitive Feasibility Study is currently being conducted, and the Leinster manganese project, which covers an outlier of the prolific Kalahari Manganese Field in South Africa, where an exploration programme is planned to allow estimation of a JORC Code compliant resource.

## Our portfolio

| Project | Country | Size | Resource/Exploration Target |
|---|---|---|---|
| Nayega Manganese | Togo | 92,390 hectares | Indicated JORC resource of 7.5Mt@14.7%Mn |
| Mebaga Iron Ore | Gabon | 34,000 hectares | Exploration target of 20Mt@60%Fe |
| Malelane Iron Ore | South Africa | 4,192 hectares | Inferred JORC resource of 139mt@37%Fe<br>Exploration target of 775-930Mt@34-36%Fe |
| Leinster Manganese | South Africa | 46,868 hectares | Exploration target of 5.5-8.7Mt@28.6-31%Mn |




Nayega Manganese
Mebaga Iron Ore
Leinster Manganese
Malelane Iron Ore

# Nayega Manganese

## Togo

The Nayega manganese project in northern Togo consists of five Exploration Permits covering 92,390 hectares. The Board believes the project, which has direct access to the regionally important deepwater port of Lome 600km away, has the potential to be developed into a low capital and operating cost manganese mine in the near term.

- Five Exploration Licences covering 92,390 ha in northern Togo
- Known deposit covers 2.2km by 500m, averages 3.3m thick
- Mineralisation starts at surface – amenable to shallow open pit operation with no waste stripping
- JORC Code compliant Indicated Resource of 7.3Mt @ 14.7% Mn
- 153 pits dug to 9.85m deep, average 4.4m
- Further regional exploration on-going - over 250 continuous vertical channel rock samples collected from pits; assay results pending
- Initial scoping study highlights low capital cost of <US$15 million for 250,000t per annum manganese operation with operating costs less than US$2/dmtu FOB
- Metallurgical testwork supports implementing a simple beneficiation process to produce a saleable product – further optimisation work underway
- Excellent infrastructure - good road access (350,000t per annum backloading capacity) to regionally important port of Lome 600km away
- Bankable Feasibility Study targeted for completion H1 2013 – development targeted for H2 2013

Nayega is a residual manganese deposit, comprising lateritic and saprolitic mineralisation extending up to 10m below surface blanketed by a veneer of detrital material that averages 0.5m thick. Pitting has revealed that mineralisation, which is on average 3.3m thick, occurs over a strike length of 2.2km at widths of up to 500m.

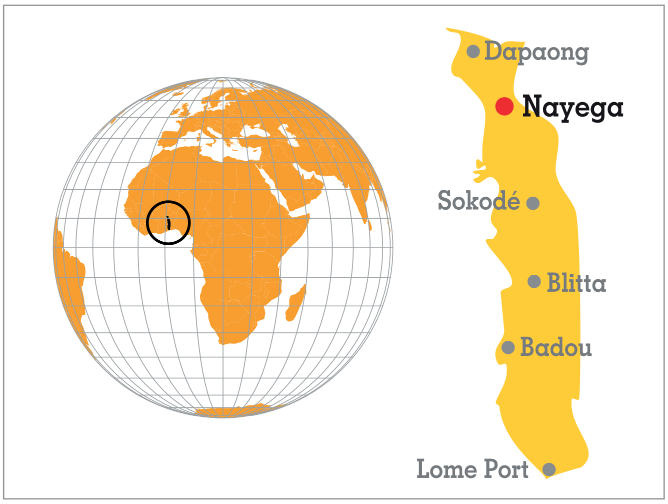
To date 153 pits have been dug on 100m centres to depths ranging between 0.15 and 10.7m with an average depth of 4.38m. Continuous vertical channel samples 10cm wide by 10cm deep were collected at 50cm intervals (maximum) from the top to the bottom of each pit and submitted to a commercial laboratory for assay by XRF. These assay results allowed the Company's resource consultant to estimate an Indicated JORC Code compliant resource of 7.3Mt @ 14.7% Mn for the Nayega deposit.

Initial metallurgical testwork has shown that ore is beneficiable via a low-cost process route of screening and gravity concentration to produce a saleable manganese product.

An internal desktop scoping study supported the Board's view that Nayega is amenable to development as a shallow open pit operation with no waste stripping. Capital costs to establish the mining operation would be low, coming in at under US$15 million for a 250,000t per annum operation with operating costs of approximately US$2 /dmtu FOB.

A Definitive Feasibility Study is currently underway and due to be completed in H1 2013. This will set out a comprehensive development path for Nayega.

Nayega Project Location




Minister of Mines visit

# Mebaga Iron Ore

## Gabon

The Company has recently secured an 82%* holding in the 340 sq km high-grade DSO Mebaga iron ore deposit in Gabon, West Africa. The project, which has an Exploration Target of 20Mt at 60% Fe, is located in an extensive high grade iron ore province which extends from Gabon into the Republic of Congo (ROC) and Cameroon.

- 82% interest in a 309km² iron ore licence area located in the Mitzic area of Gabon
- Historic exploration target of 20Mt@60% Fe (DSO) defined by BRGM
- BIF strike length of >20km at widths up to 2km - initial DSO mineralisation defined over 1.8km of strike
- Extensive pitting in the main zone returned intercepts such as: 27m@58.4% Fe, 18.5m@57.5% Fe and 10.5m@61.4% Fe
- Project is extremely well located relative to existing infrastructure - 30km from a sealed highway, 100km north of the Trans-Gabon railway
- Gabon is a stable, pro-mining country
- Implementing a fast-tracked exploration plan targeting the definition of high grade iron ore JORC Code compliant resource in 2013

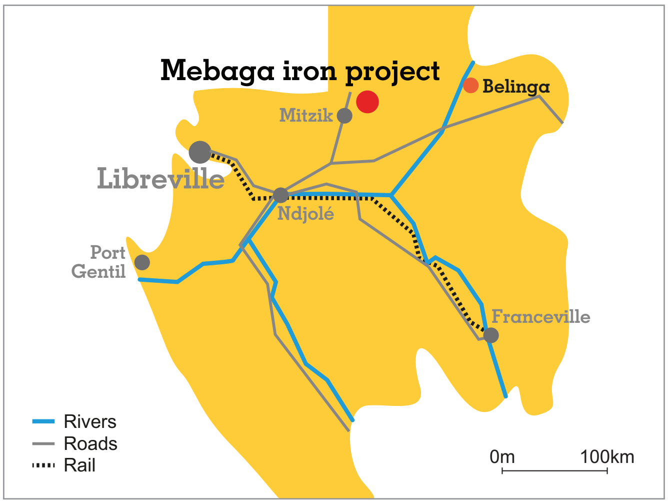
The iron ore mineralisation in the province is hosted in Archean BIF horizons belonging to the Belinga Supergroup. Major deposits in the district include Belinga in Gabon (1Bt @ 60% Fe); Mbalam in Cameroon (775Mt @ 57% Fe) and Avima in the ROC (690Mt @ 58% Fe). Importantly, Mebaga is the nearest DSO iron ore project to the Atlantic of any deposits in this prolific iron province and has two infrastructure routes available. There is a main rail line 200 km to the Port of Qwendo which currently exports 3.5mtpa of manganese and a barge which can transport ore 300km along the Oougue River to the Port of Gentil in Gabon.

Government geology maps show that BIF within the Mebaga project is exposed over a strike length of more than 20km at widths up to 2km, making it a highly attractive deposit for Ferrex to explore further. In addition, in the early 1960s, BRGM completed reconnaissance evaluation in the project and targeted pitting of high grade iron exposures. A total of 95 pits were excavated, to depths up to 29.4m below surface, on several iron occurrences and a number of the pits returned high grade iron intercepts in vertical channel samples, including results such as 27m @ 58.4% Fe. Pitting also identified a coherent zone of mineralisation extending along strike for approximately 1.8km. Cross sections constructed by BRGM indicate that mineralisation is interpreted to dip at a shallow to moderate angle and is inferred to be at least 30-35m thick in places.

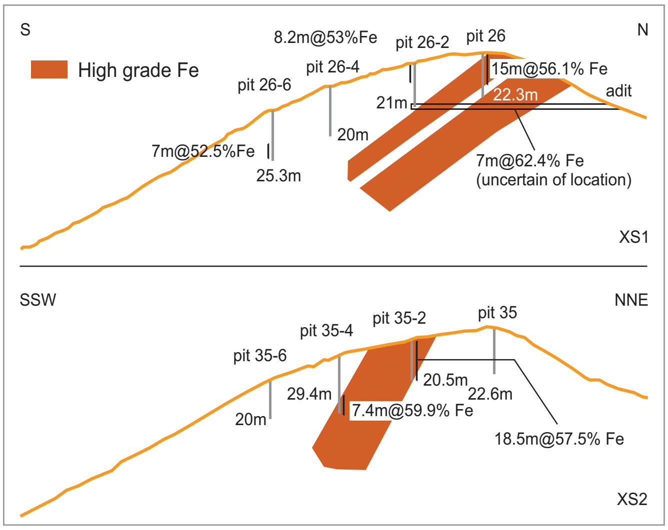
The next step is to implement a fast-tracked exploration and development programme at Mebaga to firstly define a JORC compliant resource and then to ascertain if the lower grade ore can be easily upgraded via screening to beneficiated Direct Shipping Ore (bDSO) iron ore, which would add significantly to the exploitable tonnage of the deposit. Geophysical data (aeromagnetic and radiometric) is in the process of being purchased and reconnaissance and detailed geological mapping will commence as soon as access to the BIF trend has been established. A drilling programme will be planned and implemented once the geophysical and geological data has been interpreted.

*Ferrex has acquired its interest in Mebaga through a Gabonese holding company, Ressources Equatoriales SARL, in which the Group has an 82% interest, subject to the issue of 40 million new ordinary shares in Ferrex.

Mebaga Project Location




Cross sections



# Malelane Iron Ore
## South Africa

Ferrex holds a 74% interest in the Malelane iron ore project, which incorporates prospecting rights over a 4,192 hectare tenement in the prospective Mpumalanga region in South Africa. Importantly, the project is ideally located in terms of infrastructure, near access to water and power and just 6 km from a reliable rail line that runs to the Port of Maputo in Mozambique, 170 km away.

- 74% BEE compliant interest in 4,192 ha tenement in the prospective Mpumalanga province of South Africa
- Ideal location – 6km from rail line that runs 170km to the Port of Maputo
- Planned to be a low strip, open pit mining operation
- Maiden Inferred resource of 139 Mt at 37% calculated over 1.1km of 14km BIF strike
- 4.9Mt at 52.2% Fe – DSO potential
- 50.9Mt at 44.3% Fe – beneficiate before shipping ore potential
- Positive economics - NPV US$523m (10%), IRR of 72% (pre tax), CAPEX US$139m and OPEX US$53.5/t FOB based on 1.8Mtpa output at 57% Fe for 16.6 year LOM
- Lowest quartile for capital intensity of new iron ore projects globally
- Environmental studies and social and labour plan currently being drafted
- Pre-feasibility study targeted for 2013

Ferrex has implemented a defined exploration and development plan aimed at advancing the project up the development curve and into a low-capex open-pit project.

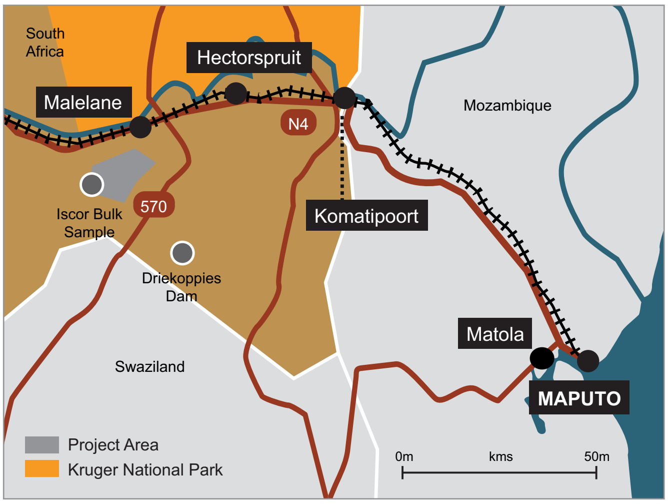
Three distinct banded iron formation (BIF) horizons have been identified on the property, having a combined length of 14km with mapped horizontal widths of up to 300m. Coffey Mining defined an exploration target of between 775 and 930Mt at 34 – 36% Fe for the three horizons. To date, Ferrex has completed several drilling programmes totalling 18 holes for 2,650m over part of the northern-most BIF, which resulted in the definition of a maiden JORC Code compliant Inferred Resource of 139Mt at 37% Fe (at a cut-off grade of 20% Fe), declared in March 2012 The resource was estimated using drill and trench data collected from just 1.1km of the 14km strike length of BIF. At higher cut-off grades of 50% and 40% Fe, the defined resource comprises 4.9Mt at 52.2% Fe and 50.9Mt at 44.3% Fe, respectively, illustrating both direct shipping ore (DSO) and beneficiate before shipping ore (bBSO) potential.

A metallurgical testwork programme commenced during 2012 and assessed the effectiveness of crushing to 6mm, dense media separation (DMS) and spirals and then investigated reflux classifiers as an alternative to fines recovery. DMS and reflux classifiers proved highly effective, resulting in an iron yield of 58% and a mass yield of 43%.

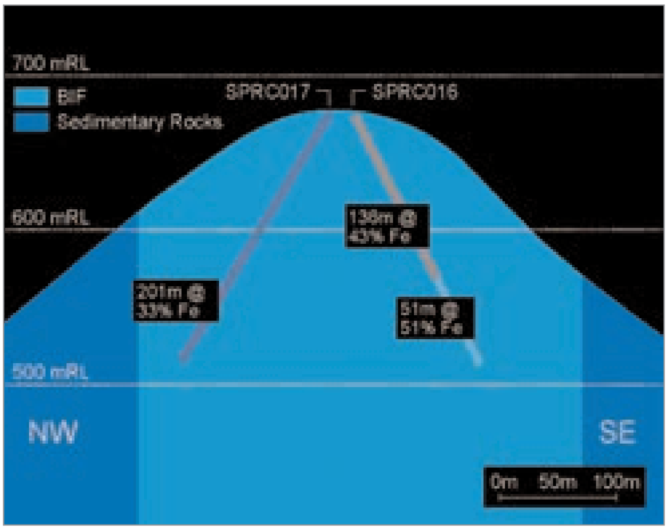
Inputs from the resource calculation and metallurgical testwork were used to compile a scoping study which showed the project could be economically viable as an open pit mining operation producing 1.8Mt per annum at 57% Fe over a 16.6 year mine life. At these production rates, the project has a NPV of US$523m at a discount rate of 10% and an IRR of 72%, with a capital cost of US$139m and capital intensity of US$77/t, which places it in the lowest quartile for capital intensity of new iron ore projects globally.

Work is now underway on the pre-feasibility study and environmental studies including the drafting of the social and labour plan, in preparation for submission of a mining lease application. The results of current and planned programmes will provide the basis for the development plan to construct an iron ore processing operation.

Malelane Project Location




Cross section



# Leinster Manganese
## South Africa

The Company has a 74% interest in the Leinster manganese project which is located on the border between the Northern Cape and Northwest Provinces of South Africa. The project covers the entire known extent of the Leinster Basin, an erosional outlier of the Kalahari Manganese Field, which is the largest manganese metallogenic province in the world.

- 74% interest in 46,868 ha project over 10 farms
- Located in an outlier of the Kalahari Manganese Field, immediately north of Aquila's Avontuur Project (Resource of 147.8Mt at 38.2% Mn)
- Deposit lies at an average depth of 80m below surface and exploitation is envisaged via a small underground operation with ore trucked or railed to
- Coffey Mining estimated an exploration target of 5.5 to 8.7Mt at 28.6 to 31% Mnport for the export market

Extensive exploration was completed on the project by Anglo American between 1977 and 1988, including a significant amount of drilling. Based on results of this work, Coffey Mining estimated an exploration target for Leinster (compliant with the JORC Code) of 5.5 to 8.7Mt @ 28.6 to 31% Mn.

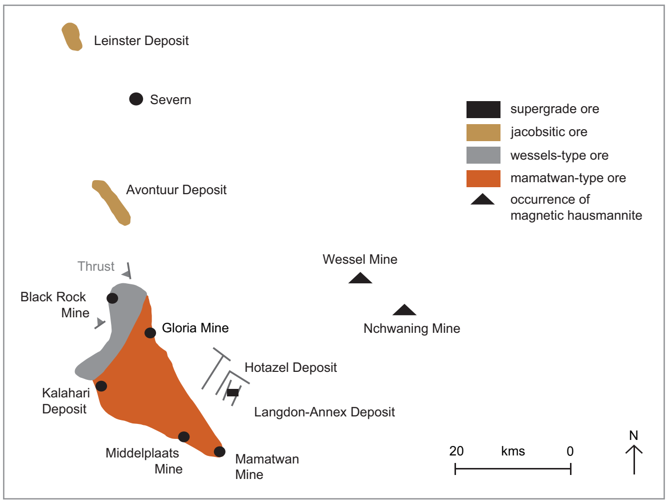
A low level, high resolution fixed wing airborne magnetic/radiometric survey was flown over the Leinster Project in September of 2012. The survey covered known Hotazel Formation (host to manganese mineralisation in the district, location confirmed by intercepts in historical drilling) and magnetic anomalies (identified in assessment of the regional data) which could be additional, previously unrecognised, occurrences of Hotazel Formation.

The data were sent to Dr Duncan Cowan of Cowan Geodata Services for processing and interpretation. Only the magnetic data were interpreted because thick cover renders the radiometric data meaningless with regard to basement geology.

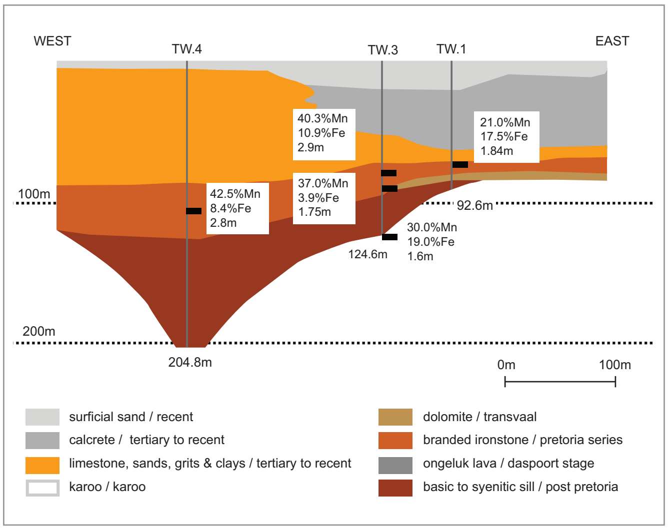
Products of the survey are a significant improvement on products generated from the regional magnetic data. Through interpretation of the high resolution data, Dr Cowan has identified 14 targets, some of which are potential accumulations of detrital or channel manganese mineralisation. An application has been filed to extend the Prospecting Right over three additional farms covering likely, previously unrecognised occurrences of Hotazel Formation and to drop four farms showing no evidence of underlying Hotazel Formation or potential to host manganese mineralisation.

Following more extensive 3D magnetic modelling, drilling of selected shallow magnetic targets will be planned. It is Ferrex's intention to complete a drill programme and delineate a maiden JORC Code compliant resource at Leinster during 2013.

### Leinster Project Location




### Cross section



# Directors' Report

The Directors present their report together with the audited financial statements of the Group for the year ended 30 September 2012.

## Principal activity

The principal activity of the Group continues to be exploring for iron ore and manganese in Africa.

The Group's main exploration projects during the year were:

- the Malelane iron ore project in Mpumalanga Province, South Africa
- the Leinster manganese project in Northern Cape and North West Provinces, South Africa
- the Nayega manganese project in the Republic of Togo

Detailed information on these projects is set out in the Chairman's Statement.

## Review of business and financial performance

Further details on the financial position and development of the Group are set out in the Chairman's Statement, the Project Reviews and the annexed financial statements.

## Results

The Group reports an after-tax loss of £1,428,000 (2011: £824,000), after deducting losses of £72,000 (2011: £56,000) attributable to minority interests in subsidiary companies.

## Major events after the balance sheet date

Subsequent to year end, the Group has secured an 82% interest in the Mebaga iron ore project in Gabon. The following events occurred after the balance sheet date and are further discussed in note 27 to these financial statements:

- 20,000,001* ordinary shares issued on 9 October 2012 at a price of £0.0225 per ordinary share; and
- 10,000,000* share warrants granted on 9 October 2012 with a weighted average exercise price of £0.035 per ordinary share.
- 135,312,500 ordinary shares issued on 13 February 2013 at a price of £0.016 per ordinary share

*these issues take into account the forfeiture of 4,444,445 shares and 2,222,222 warrants in January 2013.

## Dividends

The Directors do not recommend payment of a dividend for the year ended 30 September 2012 (2011: £nil).

## Financial risk management

The Group's operations are exposed to a variety of financial risks and are detailed in note 25 to these financial statements.

## Political and charitable donations

There were no political or charitable donations during the year (2011: £nil).

## Corporate governance statement

The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders.

## Directors

The following Directors held office during the period:

| | |
|---|---|
| J Carter | (Finance Director) (appointed 12 June 2012) |
| R Lamming | (Non-Executive Director) |
| B Moritz | (Non-Executive Chairman) |
| R Pitchford | (Non-Executive Director) |
| D Reeves | (Managing Director) |

## Directors Interests

The following Directors held office during the period:

| | 30 September 2012 | | 30 September 2011 | |
|---|---|---|---|---|
| | Number of ordinary shares of 0.05p each | Percentage of issued ordinary share capital | Number of ordinary shares of 0.05p each | Percentage of issued ordinary share capital |
| J Carter[1] | 2,777,778 | 0.46% | - | - |
| R Lamming[2] | 41,944,444 | 6.88% | 40,833,333 | 7.86% |
| B Moritz | 13,333,333 | 2.19% | 13,333,333 | 2.57% |
| D Reeves[3] | 100,890,968 | 16.18% | 95,446,523 | 18.37% |
| R Pitchford[4] | 78,055,555 | 12.80% | 75,833,333 | 14.60% |

[1] These ordinary shares are held by the Carter Super Fund whose beneficiaries are James Carter and his spouse.

[2] These ordinary shares are held by Clearwater Investments Group Limited, a company owned by the Clearwater Trust whose beneficiaries are members of Russell Lamming's family.

[3] These ordinary shares are held by the Elwani Trust whose beneficiaries are the spouse and children of Dave Reeves.

[4] These ordinary shares are held by Blue Sky Mining Limited, a company owned by the Sarnia Trust whose beneficiaries are members of Roy Pitchford's family.

Dave Reeves has acquired a further 2,222,223 ordinary shares since 30 September 2012 under the second tranche of a placing announced on 20 July 2012.

Under the placing on 13 February 2013, Dave Reeves, Brian Moritz, Russell Lamming and Roy Pitchford subscribed for a further 9,375,000, 1,250,000, 937,500 and 937,500 ordinary shares respectively.

There have been no other changes to these holdings since 30 September 2012.

Share options granted to directors are disclosed in note 10 to the financial statements.

## Directors' remuneration and service contracts

Details of directors' emoluments including share based payments are disclosed in note 10 to these financial statements.

| | 2012 £'000 | 23 August 2010 to 30 September 2011 £'000 |
|---|---|---|
| J Carter | 31 | – |
| R Lamming | 36 | 20 |
| B Moritz | 33 | 15 |
| R Pitchford | 21 | 5 |
| D Reeves | 119 | 33 |
| | 240 | 63 |

The Company complies insofar as the Directors consider appropriate for a company at Ferrex's stage of development, with the Corporate Governance Guidelines for smaller quoted companies published by the Quoted Companies Alliance and, as the Company develops, the Board intends to comply as far as practicable with the Corporate Governance Code. The Company has established Audit and Remuneration Committees, with formally delegated duties and responsibilities.

### Audit Committee

The Audit Committee, which comprises R Lamming, B Moritz and R Pitchford, and is chaired by R Pitchford, is responsible for ensuring the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

Meetings of the Audit Committee are held at least twice a year, at appropriate times in the reporting and audit cycle. The Audit Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Audit Committee are re-elected annually by the Board.

### Remuneration Committee

The Remuneration Committee, which comprises R Lamming, B Moritz and R Pitchford and which is chaired by R Lamming, reviews the performance of the executive directors and sets their remuneration, determines the payment of bonuses to executive directors and considers the future allocation of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time to directors and employees. Meetings of the Remuneration Committee are required to be held at least twice a year. The Remuneration Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Remuneration Committee are re-elected annually by the Board.

### Bribery legislation

The Directors have adopted appropriate procedures to ensure compliance with the Bribery Act 2010.

### Directors' indemnities

The Group maintains Directors' and officers' liability insurance providing appropriate cover for any legal action brought against its Directors and/or officers.

### Going concern

The Directors adopt the going concern basis in preparing these financial statements. This is further explained in note 2 to the financial statements.

### Creditors' payment policy

It is the Group's policy to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are generally settled within the terms agreed with the supplier, usually 30 days.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group of the Group's profit or loss for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to auditor

So far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- all the Directors have taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditor

A resolution to re-appoint Chantrey Vellacott DFK LLP as auditor of the Company will be proposed at the Annual General Meeting.

By order of the Board

B Moritz, Director
28 February 2013

# Independent Auditor's Report

**Independent Auditor's Report to the members of Ferrex Plc**

## Principal activity

We have audited the financial statements of Ferrex Plc for the year ended 30 September 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statements of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, the company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the, Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following where, under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ian Staunton FCA CF (Senior Statutory Auditor)
for and on behalf of
Chantrey Vellacott DFK LLP
Chartered Accountants and Statutory Auditor,
London, 28 February 2013

# Consolidated Statement of Comprehensive Income
## For the year ended 30 September 2012

| | Notes | 2012 £'000 | 23-Aug-10 to 30-Sep-11 £'000 |
|---|---|---|---|
| **Revenue** | | – | – |
| Cost of sales | | – | – |
| **Gross loss** | | – | – |
| Administrative and exploration expenses | | (1,500) | (885) |
| **Loss from operating activities** | | (1,500) | (885) |
| Finance income | | – | 5 |
| Finance costs | | – | – |
| **Net finance costs** | 11 | – | 5 |
| **Loss before tax** | | (1,500) | (880) |
| Taxation | 12 | – | – |
| **Loss for the year** | | (1,500) | (880) |
| **Other comprehensive income** | | | |
| Exchange translation on foreign operations | | 14 | 24 |
| **Total comprehensive loss for the year** | | (1,486) | (856) |
| **Loss attributable to:** | | | |
| Owners of the Company | | (1,428) | (824) |
| Non-controlling interests | | (72) | (56) |
| **Loss for the year** | | (1,500) | (880) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | (1,414) | (806) |
| Non-controlling interests | | (72) | (50) |
| **Total comprehensive loss for the year** | | (1,486) | (856) |
| **Loss per share** | | | |
| Basic and diluted loss per share (pence) | 21 | (0.251) | (0.177) |

All activities are classed as continuing.

The notes on pages 22 to 40 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position
## As at 30 September 2012

| | Notes | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 13 | 36 | 21 |
| Intangible assets and goodwill | 14 | 3,160 | 1,925 |
| Equity-accounted investees | 15 | – | 111 |
| **Non-current assets** | | 3,196 | 2,057 |
| Loans | 17 | – | – |
| Trade and other receivables | 18 | 76 | 157 |
| Cash and cash equivalents | 19 | 127 | 1,683 |
| **Current assets** | | 203 | 1,840 |
| **Total assets** | | 3,399 | 3,897 |
| **Equity** | | | |
| Share capital | 20 | 3,049 | 2,598 |
| Share premium | | 2,369 | 1,922 |
| Reserves | | 95 | 31 |
| Retained deficit | | (2,252) | (824) |
| **Equity attributable to owners of the Company** | | 3,261 | 3,727 |
| Non-controlling interests | | (122) | (50) |
| **Total equity** | | 3,139 | 3,677 |
| **Liabilities** | | | |
| Trade and other payables | 24 | 260 | 220 |
| **Current liabilities** | | 260 | 220 |
| **Total liabilities** | | 260 | 220 |
| **Total equity and liabilities** | | 3,399 | 3,897 |

The financial statements of Ferrex Plc were approved by the Board of Directors and authorised for issue on 28 February 2013. They were signed on its behalf by:

B Moritz, Director

The notes on pages 22 to 40 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity
## For the year ended 30 September 2012

| 2011 | Share capital £'000 | Share premium £'000 | Share option reserve £'000 | Exchange reserve £'000 | Retained deficit £'000 | Total £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | |
| Balance at 23 August 2010 | – | – | – | – | – | – | – | – |
| Loss for the period | – | – | – | – | (824) | (824) | (56) | (880) |
| Total other comprehensive income | – | – | – | 18 | – | 18 | 6 | 24 |
| **Total comprehensive loss for the period** | – | – | – | 18 | (824) | (806) | (50) | (856) |
| Issue of ordinary shares | 2,598 | 2,154 | – | – | – | 4,752 | – | 4,752 |
| Costs of share issue | – | (232) | – | – | – | (232) | – | (232) |
| Share-based payment transactions | – | – | 13 | – | – | 13 | – | 13 |
| | 2,598 | 1,922 | 13 | – | – | 4,533 | – | 4,533 |
| **Balance at 30 September 2011** | 2,598 | 1,922 | 13 | 18 | (824) | 3,727 | (50) | 3,677 |

| 2012 | Share capital £'000 | Share premium £'000 | Share option reserve £'000 | Exchange reserve £'000 | Retained deficit £'000 | Total £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | |
| Balance at 1 October 2011 | 2,598 | 1,922 | 13 | 18 | (824) | 3,727 | (50) | 3,677 |
| Loss for the year | – | – | – | – | (1,428) | (1,428) | (72) | (1,500) |
| Total other comprehensive income | – | – | – | 14 | – | 14 | – | 14 |
| **Total comprehensive loss for the period** | – | – | – | 14 | (1,428) | (1,414) | (72) | (1,486) |
| Issue of ordinary shares | 451 | 460 | – | – | – | 911 | – | 911 |
| Costs of share issue | – | (13) | – | – | – | (13) | – | (13) |
| Share based payment transactions | – | – | 50 | – | – | 50 | – | 50 |
| | 451 | 447 | 50 | – | – | 948 | – | 948 |
| **Balance at 30 September 2012** | 3,049 | 2,369 | 63 | 32 | (2,252) | 3,261 | (122) | 3,139 |

The notes on pages 22 to 40 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows
## For the year ended 30 September 2012

| | Notes | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the period | | (1,500) | (880) |
| Adjustments for: | | | |
| Depreciation | | 14 | 6 |
| Foreign exchange differences | | 89 | 86 |
| Equity-settled share-based payment transactions | | 50 | 13 |
| Provisions against loans | | – | 119 |
| | | (1,347) | (656) |
| Changes in: | | | |
| – trade and other receivables | | 81 | (254) |
| – trade and other payables | | 140 | 222 |
| **Cash used in operating activities** | | (1,126) | (688) |
| Interest received | | – | (5) |
| **Net cash used in operating activities** | | (1,126) | (693) |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | (27) | (29) |
| Exploration expenditure | | (844) | (184) |
| Investment in associate undertaking | | – | (111) |
| Cash acquired with subsidiary | | – | 3 |
| **Net cash used in investing activities** | | (871) | (321) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | 465 | 2,741 |
| **Net cash flows from financing activities** | | 465 | 2,741 |
| **Net (decrease)/increase in cash and cash equivalents** | | (1,532) | 1,727 |
| Cash and cash equivalents at beginning of year | | 1,683 | – |
| Effect of exchange rate fluctuations on cash held | | (24) | (44) |
| **Cash and cash equivalents at 30 September** | 19 | 127 | 1,683 |

The notes on pages 22 to 40 are an integral part of these consolidated financial statements.

# Company Statement of Financial Position
## As at 30 September 2012

| | Notes | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 13 | 2 | – |
| Investments | 16 | 1,778 | 1,778 |
| **Non-current assets** | | 1,780 | 1,778 |
| Loans | 17 | 2,327 | 813 |
| Trade and other receivables | 18 | 136 | 108 |
| Cash and cash equivalents | 19 | 49 | 1,550 |
| **Current assets** | | 2,512 | 2,471 |
| **Total assets** | | 4,292 | 4,249 |
| **Equity** | | | |
| Share capital | 20 | 3,049 | 2,598 |
| Share premium | | 2,369 | 1,922 |
| Reserves | | 63 | 13 |
| Retained deficit | | (1,353) | (454) |
| **Total equity attributable to owners of the Company** | | 4,128 | 4,079 |
| **Liabilities** | | | |
| Trade and other payables | 24 | 164 | 170 |
| **Current liabilities** | | 164 | 170 |
| **Total liabilities** | | 164 | 170 |
| **Total equity and liabilities** | | 4,292 | 4,249 |

The financial statements of Ferrex Plc, company number 07353748, were approved by the Board of Directors and authorised for issue on 28 February 2013. They were signed on its behalf by:

B Moritz, Director

The notes on pages 22 to 40 are an integral part of these consolidated financial statements.

# Company Statement of Changes in Equity
## For the year ended 30 September 2012

| | Share capital £'000 | Share premium £'000 | Share option reserve £'000 | Retained deficit £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| Balance at 23 August 2010 | – | – | – | – | – |
| Loss for the period | – | – | – | (454) | (454) |
| **Total comprehensive loss for the period** | – | – | – | (454) | (454) |
| Issue of ordinary shares | 2,598 | 2,154 | – | – | 4,752 |
| Costs of share issue | – | (232) | – | – | (232) |
| Share-based payment transactions | – | – | 13 | – | 13 |
| | 2,598 | 1,922 | 13 | – | 4,533 |
| **Balance at 30 September 2011** | 2,598 | 1,922 | 13 | (454) | 4,079 |
| Balance at 1 October 2011 | 2,598 | 1,922 | 13 | (454) | 4,079 |
| Loss for the year | – | – | – | (899) | (899) |
| **Total comprehensive loss for the year** | – | – | – | (899) | (899) |
| Issue of ordinary shares | 451 | 460 | – | – | 911 |
| Costs of share issue | – | (13) | – | – | (13) |
| Share-based payment transactions | – | – | 50 | – | 50 |
| | 451 | 447 | 50 | – | 948 |
| **Balance at 30 September 2012** | 3,049 | 2,369 | 63 | (1,353) | 4,128 |

The notes on pages 22 to 40 are an integral part of these consolidated financial statements.

# Company Statement of Cash Flows
## For the year ended 30 September 2012

| | Notes | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the period | | (899) | (454) |
| Adjustments for: | | | |
| Depreciation | | 2 | – |
| Foreign exchange differences | | – | 44 |
| Net finance income | | – | (5) |
| Equity-settled share-based payment transactions | | 50 | 13 |
| | | (847) | (402) |
| Changes in: | | | |
| – trade and other receivables | | 72 | (108) |
| – trade and other payables | | 94 | 170 |
| **Cash used in operating activities** | | (681) | (340) |
| Interest received | | – | 5 |
| **Net cash used in operating activities** | | (681) | (335) |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | (4) | – |
| **Net cash flows used in investing activities** | | (4) | – |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | 465 | 2,741 |
| Loans to subsidiaries | | (1,281) | (813) |
| **Net cash flows (used in)/from financing activities** | | (816) | 1,928 |
| **Net (decrease)/increase in cash and cash equivalents** | | (1,501) | 1,593 |
| Cash and cash equivalents at beginning of period | | 1,550 | – |
| Effect of exchange fluctuations on cash held | | – | (43) |
| **Cash and cash equivalents at 30 September** | 19 | 49 | 1,550 |

The notes on pages 22 to 40 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements
## For the year ended 30 September 2012

### 1. Reporting entity
Ferrex Plc (the 'Company') is a company domiciled in England and Wales. The address of the Company's registered office is 27/28 Eastcastle Street, London, W1W 8DH. The Group currently operates as an explorer for, and aims to become a medium scale, low cost producer of iron and manganese ore, both of which are key inputs for the steel industry.

### 2. Going concern
After making enquiries, the Directors have formed a judgement that, as at the date of approving the financial statements, following a fundraising in February 2013 as detailed in note 28, there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

### 3. Basis of preparation
#### (a) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and as adopted by the European Union.

The Company's individual statement of comprehensive income has been omitted from the Group's annual financial statements having taken advantage of the exemption not to disclose under Section 408(3) of the Companies Act 2006. The Company's comprehensive loss for the period ended 30 September 2012 was £899,000 (2011: £454,000).

The consolidated financial statements were authorised for issue by the Board of Directors on 28 February 2013.

#### (b) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated.

#### (c) Functional and presentation currency
These consolidated financial statements are presented in Pounds Sterling ('GBP'), which is the Group's functional currency and is considered by the Directors to be the most appropriate presentation currency to assist the users of the financial statements. All financial information presented in GBP has been rounded to the nearest thousand, except when otherwise indicated.

#### (d) Use of estimates and judgements
The preparation of the consolidated financial statements in conformity with IFRS, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Critical estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- Carrying value of intangible assets – Notes 4(e)(i) and 14
- Share based payments – Notes 4(g) and 22

Accounting entries are made in accordance with the accounting policies detailed below.

### 4. Significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### (a) Basis of consolidation
##### (i) Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase price is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and the fair value adjustments arising on acquisition, are translated to GBP at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to GBP at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in reserves within equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rates.

### (c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

# Notes to the Consolidated Financial Statements
## For the year ended 30 September 2012

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets comprise loans and receivables.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 4(f)(i)).

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(iii) Share capital
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### (d) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation
Items of property, plant and equipment are depreciated on a straight-line basis in the statement of comprehensive income over the estimated useful lives of each component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- office equipment 2 years
- computer equipment 2 years
- motor vehicles 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (e) Intangible assets

(i) Prospecting and exploration rights
Rights acquired with subsidiaries are recognised at fair value at the date of acquisition. Other rights acquired and development expenditure are recognised at cost.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

- Prospecting and exploration rights — Life of mine based on units of production

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Amortisation is included within administrative expenses in the statement of comprehensive income.

## (f) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and reflected in an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment or when there is an indication of impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit ('CGU') exceeds its recoverable amount.

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal

# Notes to the Consolidated Financial Statements
## For the year ended 30 September 2012

reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (g) Employee benefits

Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

### (h) Revenue

Revenue from the sale of precious metals is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer excluding sales taxes.

### (i) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### (j) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (k) Segment reporting

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 5. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

## 6. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

### (ii) Intangible assets

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

### (iii) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

### (iv) Share based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## 7. Operating segments

Until September 2011 the Group engaged in exploration activities solely in South Africa and therefore was considered to operate in a single geographical and business segment.

The Group now considers that it operates in two distinct business areas, being that of iron ore exploration, and that of manganese exploration. These business areas form the basis of the Group's operating segments. For each segment, the Group's Managing Director (the chief operating decision maker) reviews internal management reports on at least a quarterly basis.

Other operations relate to the Group's administrative functions conducted at its head office and by its intermediate holding company together with consolidation adjustments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the performance of certain segments relative to other entities that operate within the exploration industry.

### Information about reportable segments

| | Iron ore | | Manganese | | Other segments | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 |
| External revenue | – | – | – | – | – | – | – | – |
| Inter-segment revenue | – | – | – | – | – | – | – | – |
| Interest revenue | – | – | – | – | – | 5 | – | 5 |
| Interest expense | – | – | – | – | – | – | – | – |
| Depreciation and amortisation | (3) | (6) | (1) | – | (10) | – | (14) | (6) |
| Loss before tax | (180) | (160) | (203) | – | (1,117) | (720) | (1,500) | (880) |
| Assets | 533 | 208 | 405 | – | 2,461 | 3,689 | 3,399 | 3,897 |
| Exploration & capital expenditure | 345 | 177 | 377 | – | 582 | 15 | 1,304 | 192 |
| Liabilities | 5 | 40 | 38 | – | 217 | 180 | 260 | 220 |

Other segments relates to the head office and consolidation adjustments.

# Notes to the Consolidated Financial Statements
## For the year ended 30 September 2012

### 7. Operating segments (continued)

Information about geographical segments

| | South Africa | | Togo | | Other segments | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 |
| External revenue | – | – | – | – | – | – | – | – |
| Inter-segment revenue | – | – | – | – | – | – | – | – |
| Interest revenue | – | – | – | – | – | 5 | – | 5 |
| Interest expense | – | – | – | – | – | – | – | – |
| Depreciation and amortisation | (3) | (6) | (1) | – | (10) | – | (14) | (6) |
| Loss before tax | (185) | (160) | (198) | – | (1,117) | (720) | (1,500) | (880) |
| Assets | 572 | 208 | 366 | – | 2,461 | 3,689 | 3,399 | 3,897 |
| Exploration & capital expenditure | 384 | 177 | 338 | – | 582 | 15 | 1,304 | 192 |
| Liabilities | 20 | 40 | 23 | – | 217 | 180 | 260 | 220 |

Other segments relates to the head office and consolidation adjustments.

### 8. Expenses by nature

| | Notes | 2012 £'000 | 23-Aug-10 to 30 Sep-11 £'000 |
|---|---|---|---|
| Depreciation and amortisation expense | 13, 14 | 14 | 6 |
| Equity-settled share-based payment transactions | 9, 22 | 50 | 13 |
| Auditor's remuneration | | | |
| – Audit fee | | 25 | 25 |
| – Other services | | – | 25 |
| – Tax services | | 4 | – |
| Impairment against loan | 17 | – | 119 |
| Foreign exchange differences | | 89 | 93 |

Auditor's remuneration in respect of the Company amounted to £10,000 (2011: £10,000).

In 2011, the Auditor also received £25,000 in relation to non-audit services which has been set against the share premium account as part of the flotation costs.

### 9. Personnel expenses

| | 2012 £'000 | 23-Aug-10 to 30 Sep-11 £'000 |
|---|---|---|
| Wages and salaries (including bonuses) | 325 | 30 |
| Fees | 120 | 73 |
| Social security costs | 11 | 1 |
| Equity-settled share-based payments | 50 | 13 |
| | 506 | 117 |

The average number of employees (including directors) during the period was:

| | 2012 | 2011 |
|---|---|---|
| Directors | 5 | 4 |
| Key management personnel | 2 | 2 |
| Other | 5 | – |
| | 12 | 6 |

### 10. Directors' and key management emoluments

2012

| | Executive directors £'000 | Non-executive directors £'000 | Total £'000 |
|---|---|---|---|
| Wages and salaries (incl. bonuses) | 134 | 84 | 218 |
| Compulsory social security contributions | – | 11 | 11 |
| Equity-settled share-based payments | 16 | 6 | 22 |
| | 150 | 101 | 251 |

### 23 August 2010 to 30 September 2011

| | Executive and key management £'000 | Non-executive £'000 | Total £'000 |
|---|---|---|---|
| Wages and salaries (incl. bonuses) | – | 30 | 30 |
| Compulsory social security contributions | – | 1 | 1 |
| Fees | 73 | | 73 |
| Equity-settled share-based payments | 13 | – | 13 |
| | 86 | 31 | 117 |

Emoluments disclosed above include the following amounts paid to the highest director:

| | 2012 £'000 | 23-Aug-10 to 30-Sep-11 £'000 |
|---|---|---|
| Emoluments for qualifying services | 119 | 33 |

The Brojesca Trust of which J Carter is a beneficiary holds options to acquire 12 million ordinary shares (2011: 12 million ordinary shares) at the weighted average cost of £0.025 per ordinary share (2011: £0.025 per ordinary share).

D Reeves holds options to acquire 9 million ordinary shares (2011: nil ordinary shares) at the weighted average cost of £0.04 per ordinary share (2011: £nil per ordinary share).

J Carter, B Moritz and R Lamming hold options to acquire 3 million ordinary shares each (2011: nil ordinary shares) at the weighted average cost of £0.04 per ordinary share (2011: £nil per ordinary share).

R Pitchford holds options to acquire 1.5 million ordinary shares (2011: nil ordinary shares) at the weighted average cost of £0.04 per ordinary share (2011: £nil per ordinary share).

Further details on the share options and warrants in issue as at 30 September 2012 are outlined in notes 22 and 23.

### Key management personnel

Emoluments paid to key management personnel in the year amounted to £192,391 (2011: £40,000). Key management personnel hold options to acquire 10.5 million ordinary shares at the weighted average cost of £0.04 per ordinary share.

## 11. Finance income and finance costs

### Recognised in loss for period

| | 2012 £'000 | 23-Aug-10 to 30-Sep-11 £'000 |
|---|---|---|
| Interest income on cash balances held | – | 5 |
| **Finance income** | – | 5 |

# Notes to the Consolidated Financial Statements
## For the year ended 30 September 2012

### 12. Taxation

#### Current tax expense

| | 2012 £'000 | 23-Aug-10 to 30-Sep-11 £'000 |
|---|---|---|
| **Tax recognised in profit or loss** | | |
| **Current tax expense** | | |
| Current period | – | – |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | – | – |
| **Total tax expense** | – | – |

#### Reconciliation of effective tax rate

| | 2012 £'000 | 23-Aug-10 to 30-Sep-11 £'000 |
|---|---|---|
| Loss before tax | (1,500) | (880) |
| Tax using the Company's domestic tax rate of 25% (2011: 28%) | (375) | (246) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 18 | 27 |
| Overseas losses | 43 | 78 |
| Equity-settled share-based payments | 13 | 4 |
| Tax losses carried forward not recognised as a deferred tax asset | 301 | 137 |
| | – | – |

None of the components of other comprehensive income have a tax impact.

#### Factors that may affect future tax charges

At the year end, the Group has unused tax losses available for offset against suitable future profits of approximately £1,192,000 (2011: £500,000). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

## 13. Property, plant and equipment

### Group

| | Office equipment £'000 | Computer equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 23 August 2010 | – | – | – | – |
| Additions | – | 27 | – | 27 |
| **Balance at 30 September 2011** | – | 27 | – | 27 |
| Balance at 1 October 2011 | – | 27 | – | 27 |
| Additions | 6 | 4 | 17 | 27 |
| Reclassification to motor vehicles | – | (11) | 11 | – |
| Effect of movements in exchange rates | 2 | – | (1) | 1 |
| **Balance at 30 September 2012** | 8 | 20 | 27 | 55 |
| **Depreciation and impairment provisions** | | | | |
| Balance at 23 August 2010 | – | – | – | – |
| Depreciation for the period | – | 6 | – | 6 |
| **Balance at 30 September 2011** | – | 6 | – | 6 |
| Balance at 1 October 2011 | – | 6 | – | 6 |
| Depreciation for the year | 1 | 10 | 3 | 14 |
| Reclassification to motor vehicles | – | (1) | 1 | – |
| Effect of movements in exchange rates | – | – | (1) | (1) |
| **Balance at 30 September 2012** | 1 | 15 | 3 | 19 |
| **Carrying amounts** | | | | |
| At 23 August 2010 | – | – | – | – |
| At 30 September 2011 | – | 21 | – | 21 |
| At 30 September 2012 | 7 | 5 | 24 | 36 |

### Company

| | Computer equipment £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| Balance at 23 August 2010 and 30 September 2011 | – | – |
| Balance at 1 October 2011 | – | – |
| Additions | 4 | 4 |
| **Balance at 30 September 2012** | 4 | 4 |
| **Depreciation and impairment provisions** | | |
| Balance at 23 August 2010 and 30 September 2011 | – | – |
| Balance at 1 October 2011 | – | – |
| Depreciation for the year | 2 | 2 |
| **Balance at 30 September 2012** | 2 | 2 |
| **Carrying amounts** | | |
| At 23 August 2010 | – | – |
| At 30 September 2011 | – | – |
| At 30 September 2012 | 2 | 2 |

# Notes to the Consolidated Financial Statements
## For the year ended 30 September 2012

### 14. Intangible assets

| | Prospecting and exploration rights £000's |
|---|---|
| **Cost** | |
| Balance at 23 August 2010 | – |
| Acquisitions of subsidiary | 1,760 |
| Additions | 165 |
| **Balance at 30 September 2011** | 1,925 |
| Balance at 1 October 2011 | 1,925 |
| Additions | 1,277 |
| Effect of movements in exchange rates | (42) |
| **Balance at 30 September 2012** | 3,160 |
| **Amortisation and impairment losses** | |
| Balance at 23 August 2010 | – |
| **Balance at 30 September 2011** | – |
| Balance at 1 October 2011 | – |
| **Balance at 30 September 2012** | – |
| **Carrying amounts** | |
| Balance at 23 August 2010 | – |
| Balance at 30 September 2011 | 1,925 |
| Balance at 30 September 2012 | 3,160 |

The carrying value of the prospecting and exploration rights is supported by the estimated iron and manganese ore resources and current market values.

### 15. Investment in associate

| | £'000 |
|---|---|
| **Cost** | |
| Balance at 23 August 2010 | – |
| Additions | 111 |
| **Balance at 30 September 2011** | 111 |
| Additions | 333 |
| Reclassified as a subsidiary | (444) |
| **Balance at 30 September 2012** | – |

The Group's associate investment in 2011 represented an interest of 490 shares (49%) in Umbono Minerals Holding (Pty) Limited ("Umbono Minerals"), a company incorporated in South Africa. As at 30 September 2011, the company's net assets were £85 and the company had not commenced trading.

By an agreement dated 4 November 2010, the Group acquired up to 740 shares (74%) in Umbono Minerals for a total consideration of 2,222,926 ordinary shares of 5p each in the Company. The consideration shares were issued on 31 January 2011, following the transfer of a first tranche of 490 shares in Umbono Minerals.

The same agreement also provided for further consideration to be payable following the grant of certain further prospecting rights to Umbono Minerals. The further consideration amounted to £333,000 and was settled by the issue of 66,687,790 ordinary shares of 0.5p each in the Company on 10 February 2012.

The transfer of the second tranche of 250 Umbono Minerals shares required government consent under S.11 of the Mineral and Petroleum Resources Development Act. These shares were transferred on 28 February 2012 with no further consideration payable. As from that date, Umbono Minerals has been reclassified as a subsidiary.

Details of the Company's significant subsidiaries are detailed in note 16.

## 16. Investment in subsidiaries

### Non-current investments

### Subsidiary undertakings

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Equity investments** | | |
| Balance at beginning of period | 1,778 | – |
| Additions | – | 1,778 |
| Balance at 30 September | 1,778 | 1,778 |

| | Activity | Country of incorporation | Ownership interest 2012 | 2011 |
|---|---|---|---|---|
| **Directly** | | | | |
| Ferrex Iron Limited | Dormant | United Kingdom | 100% | – |
| Ferrex Manganese Limited | Dormant | United Kingdom | 100% | – |
| Southern Iron Limited | Investment | Guernsey | 100% | 100% |
| **Indirectly** | | | | |
| Moongate 218 (Pty) Limited | Exploration | South Africa | 74% | 74% |
| Umbono Mineral Holdings (Pty) Limited | Exploration | South Africa | 74% | 49% |
| Société Générale de Mine | Exploration | Togo | 85% | – |

### Ferrex Iron Limited

On 28 May 2012 the Group obtained control of Ferrex Iron Limited ("Ferrex Iron") by acquiring 100% of the shares and voting interests in the company. The Group acquired the company's issued ordinary share capital by way of the allotment on incorporation of 200 ordinary shares of £0.005 at par for cash.

### Ferrex Manganese Limited

On 29 May 2012 the Group obtained control of Ferrex Manganese Limited ("Ferrex Manganese") by acquiring 100% of the shares and voting interests in the company. The Group acquired the company's issued ordinary share capital by way of the allotment on incorporation of 200 ordinary shares of £0.005 for cash.

### Société Générale de Mine

An 85% interest in Société Générale de Mine, a Togolese company that owns the five Exploration Permits over the Nayega manganese deposit in northern Togo, was secured in November 2011.

As part of the acquisition, Ferrex will fund, through interest free shareholder loans, the entire project to the Bankable Feasibility stage and has paid a one off fee to the project introducer of £100,000. This fee will be used to subscribe for 2,500,000 shares in Ferrex at 4p per share. The Directors consider £100,000 to be the fair value of the exploration rights acquired and the amount has therefore been capitalised.

## 17. Loans

### Group

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Balance at beginning of period | 119 | – |
| Provisions against loans at beginning of period | (119) | – |
| Funds advanced | – | 119 |
| Provision against loans | – | (119) |
| **Balance at 30 September** | – | – |

### Company

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Balance at beginning of period | 813 | – |
| Funds advanced to subsidiary undertakings | 1,514 | 813 |
| **Balance at 30 September** | 2,327 | 813 |

Group loans are to third parties in respect of costs relating to exploration rights. Due to the uncertainty of obtaining the necessary licences a provision has been made against these loans.

All loans are currently unsecured and interest free.

# Notes to the Consolidated Financial Statements
# For the year ended 30 September 2012

## 18. Trade and other receivables

### Group

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Loans to related parties | – | 51 |
| Other receivables | 50 | 69 |
| Prepayments | 26 | 37 |
| **Loans and receivables** | 76 | 157 |

### Company

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Loans to related parties | 100 | 15 |
| Other receivables | 11 | 60 |
| Prepayments | 25 | 33 |
| **Loans and receivables** | 136 | 108 |

Other receivables are stated at their nominal value less allowances for non-recoverability.

The Group and Company's exposure to credit and currency risk is disclosed in note 25.

## 19. Cash and cash equivalents

### Group

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Bank balances | 127 | 1,683 |
| Cash and cash equivalents in the statement of cash flows | 127 | 1,683 |

### Company

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Bank balances | 49 | 1,550 |
| Cash and cash equivalents in the statement of cash flows | 49 | 1,550 |

There is no material difference between the fair value of cash and cash equivalents and their book value.

## 20. Capital and reserves

### Share capital and share premium

| | | Number of ordinary shares of £0.005 each | |
|---|---|---|---|
| | Note | 2012 | 2011 |
| In issue at beginning of year | | 519,524,117 | – |
| Issued for cash | | 20,666,666 | 141,626,667 |
| Issued on granting of new mining licence | 8 | 66,687,790 | 377,897,550 |
| Issued in connection with settlement of liabilities | | 2,988,889 | – |
| In issue at 30 September – fully paid | | 609,867,462 | 519,524,117 |

| | Ordinary share capital | |
|---|---|---|
| | 2012 £'000 | 2011 £'000 |
| Balance at beginning of year | 2,598 | – |
| Share issues | 451 | 2,598 |
| **Balance at 30 September** | 3,049 | 2,598 |

### Ordinary shares

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

### Issue of ordinary shares

On 25 January 2012, 266,667 ordinary shares were issued at £0.03 per ordinary share in consideration of an amount owed to a supplier.

On 10 February 2012, 66,687,790 ordinary shares were issued at £0.005 per ordinary share in settlement of a loan arising on the granting of the Tweed prospecting right to Umbono.

On 27 February 2012, 2,500,000 ordinary shares were issued at £0.04 per ordinary share in consideration of a fee payable in connection with the acquisition of the Togo manganese project.

On 19 July 2012, 20,666,666 ordinary shares were issued at £0.0225 per ordinary share.

On 13 August 2012, 222,222 ordinary shares were issued at £0.0225 per ordinary share in consideration of fees relating to the placement of shares.

### Share option reserve

The share option reserve comprises the cumulative entries made to the consolidated statement of comprehensive income in respect of the equity-settled share-based payments.

### Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 21. Loss per share

### Basic and diluted loss per share

The calculation of basic loss per share at 30 September 2012 is based on the loss attributable to ordinary shareholders of £1,428,000 (2011: £824,000), and a weighted average number of ordinary shares outstanding of 567,918,605 (2011: 466,091,520), calculated as follows:

### Weighted average number of ordinary shares

| | 2012 | 2011 |
|---|---|---|
| Issued ordinary shares at beginning of year | 519,524,117 | – |
| Effect of shares issued | 48,394,488 | 466,091,520 |
| Weighted average number of ordinary shares | 567,918,605 | 466,091,520 |

The share options in issue are considered to be antidilutive and as a result, basic and diluted loss per share is the same.

As detailed in note 27, the Company entered into a number of share transactions subsequent to the balance sheet date which would have significantly increased the number of ordinary shares outstanding at the end of the period if these transactions had occurred prior to the end of the reporting period.

# Notes to the Consolidated Financial Statements
## For the year ended 30 September 2012

### 22. Share-based payment arrangements

At 30 September 2012, the Company had the following share-based payment arrangements.

#### Share option programme

On 22 June 2011, the Company issued options to the Brojesca Trust of which James Carter is a beneficiary to purchase shares in the Company at prices between £0.02 and £0.03 per ordinary share.

On 20 July 2012, the Group issued further options to its directors and key management to purchase shares in the Company at prices between £0.035 and £0.045 per ordinary share.

The terms and conditions related to the grants of the share option programme are as follows:

| Grant date/employees entitled | Number of instruments |
|---|---|
| Option grant to the Brojesca Trust on 22 June 2011 | 4,000,000 |
| Option grant to the Brojesca Trust on 22 June 2011 | 4,000,000 |
| Option grant to the Brojesca Trust on 22 June 2011 | 4,000,000 |
| **Total share options as at 30 September 2011** | 12,000,000 |
| Option grant to the directors and key management on 20 July 2012 | 10,000,000 |
| Option grant to the directors and key management on 20 July 2012 | 10,000,000 |
| Option grant to the directors and key management on 20 July 2012 | 10,000,000 |
| **Total share options as at 30 September 2012** | 42,000,000 |

#### Measurement of fair values

The fair value of the share-based payments was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility for similar entities on AIM.

#### Equity-settled share-based payment plans

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

| | Option 1 | Option 2 | Option 3 | Option 4 | Option 5 | Option 6 |
|---|---|---|---|---|---|---|
| Grant date | 22 June 11 | 22 June 11 | 22 June 11 | 20 July 12 | 20 July 12 | 20 July 12 |
| Vesting period ends | 31 March 12 | 31 March 12 | 31 March 12 | 20 July 13 | 20 July 14 | 20 July 15 |
| Share price at date of grant | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Volatility | 21.45% | 21.45% | 21.45% | 62.18% | 62.18% | 62.18% |
| Option life | 5.8 years | 5.8 years | 5.8 years | 4 years | 5 years | 6 years |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Risk free investment rate | 1.22% | 1.22% | 1.22% | 0.50% | 0.82% | 0.88% |
| Fair value at date of grant | 0.46 | 0.29 | 0.19 | 0.0065 | 0.0071 | 0.0076 |
| Exercise price at grant date | 0.02 | 0.025 | 0.03 | 0.035 | 0.04 | 0.045 |
| Exercise from/to | 31 March 12/ 31 March 17 | 31 March 13/ 31 March 17 | 31 March 14/ 31 March 17 | 20 July 13/ 20 July 16 | 20 July 14/ 20 July 17 | 20 July 15/ 20 July 18 |

#### Employee expenses

| | Note | 2012 £'000 | 23-Aug-10 to 30-Sep-11 £'000 |
|---|---|---|---|
| **Total expense recognised as employee benefit expense** | 9 | 50 | 13 |

#### Reconciliation of outstanding share options

| | 2012 Number of options | 2012 Weighted average exercise price £ | 2011 Number of options | 2011 Weighted average exercise price £ |
|---|---|---|---|---|
| Outstanding at beginning of year | 12,000,000 | 0.025 | – | – |
| Granted during the year | 30,000,000 | 0.04 | 12,000,000 | 0.025 |
| Outstanding at 30 September | 42,000,000 | 0.0357 | 12,000,000 | 0.025 |
| Exercisable at 30 September | 12,000,000 | 0.025 | 12,000,000 | 0.025 |

The options outstanding at 30 September 2012 have an exercise price in the range of £0.02 to £0.03 (2011: £0.02 to £0.03) and a remaining weighted average contractual life of 4.7 years (2011: 5.5 years).

## 23. Share warrants

### Reconciliation of outstanding share warrants

| | 2012 Number of warrants | 2012 Weighted average exercise price £ | 2011 Number of warrants | 2011 Weighted average exercise price £ |
|---|---|---|---|---|
| Outstanding at beginning of year | – | – | – | – |
| Granted during the year | 10,444,444 | 0.035 | – | – |
| Outstanding at 30 September | 10,444,444 | 0.035 | – | – |
| Exercisable at 30 September | – | – | – | – |

The weighted average remaining contractual life of the warrants outstanding at the balance sheet date was 3 years 9 days.

D Reeves holds warrants to acquire 2,222,223 ordinary shares (2011: nil ordinary shares) at the weighted average cost of £0.0325 per ordinary share (2011: £nil per ordinary share).

R Lamming holds warrants to acquire 555,556 ordinary shares (2011: nil ordinary shares) at the weighted average cost of £0.0325 per ordinary share (2011: £nil per ordinary share).

R Pitchford holds warrants to acquire 1,111,111 ordinary shares (2011: nil ordinary shares) at the weighted average cost of £0.0325 per ordinary share (2011: £nil per ordinary share).

J Carter holds warrants to acquire 555,556 ordinary shares (2011: nil ordinary shares) at the weighted average cost of £0.0325 per ordinary share (2011: £nil per ordinary share).

## 24. Trade and other payables

### Group

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Trade payables | 191 | 179 |
| Accrued expenses | 66 | 41 |
| Other payables | 3 | – |
| | 260 | 220 |

### Company

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Other trade payables | 124 | 137 |
| Accrued expenses | 40 | 33 |
| | 164 | 170 |

There is no material difference between the fair value of trade payable and accruals and their book value.

The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

# Notes to the Consolidated Financial Statements
# For the year ended 30 September 2012

## 25. Financial instruments

### Financial risk management
The Group's and Company's operations expose it to a variety of financial risks that include liquidity risk. The Group and Company has in place a risk management programme that seeks to limit the adverse effect of such risks on its financial performance which is provided below.

### Credit risk
Credit risk is the risk of financial loss to the Group or Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Management has a credit policy in place of and the exposure to credit risk is monitored on an ongoing basis.

### Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

### Group

| | | Carrying amount | |
|---|---|---|---|
| | Note | 2012<br>£'000 | 2011<br>£'000 |
| Other receivables | 18 | 76 | 157 |
| Cash and cash equivalents | 19 | 127 | 1,683 |
| | | 203 | 1,840 |

### Company

| | | Carrying amount | |
|---|---|---|---|
| | Note | 2012<br>£'000 | 2011<br>£'000 |
| Equity investments | 16 | 1,778 | 1,778 |
| Loans | 17 | 2,327 | 813 |
| Trade and other receivables | 18 | 136 | 108 |
| Cash and cash equivalents | 19 | 49 | 1,550 |
| | | 4,290 | 4,249 |

### Liquidity risk
Liquidity risk is the risk that the Group or Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group and Company reviews its facilities regularly to ensure it has adequate funds for operations and expansion plans.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

## Group
### 2012

| | Carrying amount £'000 | Contractual cash flows £'000 | 2 months or less £'000 |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Trade payables | 260 | (260) | (260) |
| | 260 | (260) | (260) |

### 2011

| | Carrying amount £'000 | Contractual cash flows £'000 | 2 months or less £'000 |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Trade payables | 220 | (220) | (220) |
| | 220 | (220) | (220) |

## Company
### 2012

| | Carrying amount £'000 | Contractual cash flows £'000 | 2 months or less £'000 |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Trade payables | 164 | (164) | (164) |
| | 164 | (164) | (164) |

### 2011

| | Carrying amount £'000 | Contractual cash flows £'000 | 2 months or less £'000 |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Trade payables | 170 | (170) | (170) |
| | 170 | (170) | (170) |

## Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's and Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

## Currency risk
The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than GBP. The currencies giving rise to this risk are primarily South African Rand and the Australian Dollar. The Company places deposits in these currencies to manage the exposure to changes in future cash outflows in these currencies.

## Fair values
The fair values of financial instruments such as trade and other receivables/payables are substantially equivalent to carrying amounts reflected in the balance sheet.

## Capital management
The Group's and Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations.

The Group and Company considers its capital to be total shareholders' equity which at 30 September 2012 for the Group totalled £3,261,000 (2011: £3,727,000) and for the Company totalled £4,128,000 (2011: £4,079,000).

# Notes to the Consolidated Financial Statements
## For the year ended 30 September 2012

### 26. Related parties

The Group's related parties include its key management personnel and others as described below.

Transactions with related parties take place on terms no more favourable than transactions with unrelated parties. No guarantees have been given or received and all outstanding balances are usually settled in cash.

#### Transactions with Directors

The Group paid professional fees to MSP Secretaries Limited, a company of which B Moritz is a director, in relation to accounting services provided, totalling £17,000 (2011: £5,000). The balance outstanding as at 30 September 2012 was £5,000 (2011: £nil).

In addition the Group paid professional fees to Share Registrars Limited, a subsidiary of MSP Secretaries Limited, in relation to the maintenance of the Company's share register, totalling £7,000 (2011: £2,000). The balance outstanding as at 30 September 2012 was £3,000 (2011: £nil).

#### Other related party transactions

Transactions with Group companies

The Company had the following related party transactions and balances:

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Southern Iron Limited** | | |
| – Loans and receivables (interest free) | 2,327 | 813 |

The Group's subsidiary Southern Iron Limited had the following related party transactions and balances in addition to those already noted:

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Moongate 218 (Pty) Limited** | | |
| – Loans and receivables (interest free) | 879 | 349 |
| **Umbono Mineral Holdings (Pty) Limited** | | |
| – Loans and receivables (interest free) | 29 | – |
| **Société Générale de Mine** | | |
| – Loans and receivables (interest free) | 540 | – |

### 27. Subsequent events

On 9 October 2012, 20,000,001 ordinary shares were issued for cash at a price of £0.0225 per ordinary share.

As a result of the share issue on 9 October 2012, the Company granted a further 10,000,000 warrants at a weighted average exercise price of £0.035 per ordinary share. These warrants became exercisable immediately and can be exercised up to 9 October 2015.

In both cases, the numbers stated are shown after the forfeiture of certain shares and warrants in January 2013.

On 13 February 2013, 135,312,500 ordinary shares were issued for cash at a price of £0.016 per ordinary share.

#### Mebaga, Gabon

On 14 January 2013, Ferrex announced that it had been granted a 309 sq km exploration licence in Gabon, West Africa over the high-grade DSO Mebaga iron ore deposit. Ferrex will have an 82% interest in the Mebaga iron ore project in Gabon through its holding in Gabonese company Ressources Equatoriales SARL.

# Corporate Directory

**Directors**
B Moritz
Non Executive Chairman

D Reeves
Managing Director

J Carter
Finance Director

R Lamming
Non Executive Director

R Pitchford
Non Executive Director

**Company secretary**
Cargil Management Services Limited

**Company number**
07353748

**Registered office**
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**Nominated advisor and broker**
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