Annual Report 2013

FERREX PLC

Developing an expanding iron ore and manganese resource in Africa

Ferrex PLC | Annual Report 2013

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.

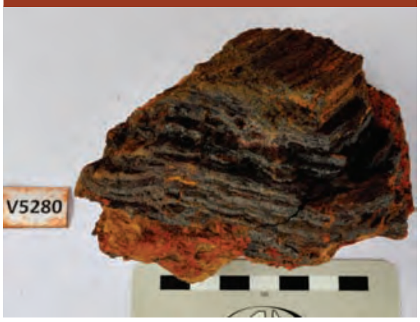
Throughout this document "Ferrex" or "the Company" means Ferrex Plc and "the Group" means the Company and its subsidiaries.

Highlights | 2013

We are pleased to announce final results for the year ended 30 September 2013. Highlights from the year include:

Pitting at Nayega, Togo

Iron ore from Mebaga, Gabon



Drilling at Mebaga, Gabon

Diamond Drilling

Initial diamond drilling programme and geological mapping programme completed at Mebaga Direct Shipping Ore ("DSO") Iron Ore Project in Gabon.

Definition of an exploration target of 90-150 million tonnes ("Mt") @ 35 to 65% iron oxide.

Total of 9 diamond drill holes drilled, with a best intercept of 28.7m @ 61.4% iron from surface.

Fund Raising

Fund raising of £2.2 million completed in February 2013 and a further £0.7 million fund raising completed post year end in December 2013.

Total JORC Resource

Total JORC resource at the Nayega Manganese Project in Togo increased to 11Mt @ 13% manganese ("Mn") to ultimately produce an upgraded marketable 38% product.

Work ongoing to complete a Definitive Feasibility Study ("DIS") in 2014.

Mining permit application submitted in October 2012, Ferrex continues to engage positively with the Togolese authorities to complete discussions.

Exploration Target South Africa

Upgraded Exploration Target at Malelane Iron Ore Project in South Africa to 1.6 to 2.0 billion tonnes ("Bt").

Pre-feasibility work on environmental, social and labour studies currently underway.

Post Year End

Post year end a binding term sheet executed with Anglo American and Kumba to fund exploration works at Mebaga over a two year period.

Chairman's Statement | Brian Moritz

I am pleased to report the positive operational developments made by Ferrex during the past year, despite the difficult conditions for the resources industry globally, have left Ferrex well positioned to generate significant value for our shareholders from our manganese and iron ore portfolio in West and Southern Africa.

Drilling at Mebaga, Gabon

Pitting at Nayega, Togo

Our portfolio comprises three primary projects. Firstly, our Mebaga DSO Iron Ore Project located in Gabon in West Africa; secondly our the Nayega Manganese Project in northern Togo where a DFS is currently underway with a view to also taking the project through to production to generate cash in the near-term; and our third and longer-term development asset is the Malelane Iron Ore Project in South Africa, where a Scoping Study was successfully completed illustrating its robust economics.

It was only last year that we were awarded the Mebaga DSO iron ore project in Gabon and in this time we have completed our first drilling programme, defined a sizeable exploration target and entered into a potentially transformational term sheet with Anglo American Plc ("Anglo American") and Kumba Iron Ore (Pty) Limited ("Kumba"). Mebaga has been assessed by their due diligence teams on both a geological and logistical level and, subject to outstanding conditions precedent, this investment from one of the major diversified mining groups not only underpins the quality of this asset but will secure funding for Mebaga for the next two years. We hope to finalise this agreement in the first quarter of 2014.

In Togo, work on completing the DFS at our Nayega Manganese Project progressed well with several capital and operating cost savings identified. We continue to work with the Togolese Ministry of Mines in progressing the award of the mining permit so we can commence development of our first project.

In South Africa, work continues at the Malelane Iron Ore Project, which is located just 6km from a major rail line that runs to the port of Maputo in Mozambique, 170 km away. We have only completed drilling over 1.1km of the 14km strike leading to the Inferred Resource of 139Mt at 37% Fe, on which a scoping study illustrating the robust economics of developing Malelane as an initial 1.8Mtpa open pit, low strip ratio operation with a 57% Fe product over a 16.6 year LOM has been based. During 2013, we also defined a total Exploration Target of 1.6Bt to 2.0Bt at 28-30%, which illustrates our ability to expand Malelane for the future.

With a multi-project portfolio offering significant near-term value uplift potential through resource and mine development programmes; a strong future project pipeline with additional low-capex manganese and iron-ore projects targeted; and a proven management team with an aggressive strategy to drive the Company forward to become a medium scale, low cost producer of minerals for the steel industry, Ferrex offers a compelling investment opportunity.

I look forward to meeting shareholders at the Annual General Meeting, which is to be held on 28 March 2014.

Brian Moritz
Chairman
3 March 2014

Strategic Report | Operating Review

The Directors present their Strategic Report for the year ended 30 September 2013.

The Strategic Report is a new statutory requirement under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and is intended to provide fair and balanced information that enables the Directors to be satisfied that they have complied with s172 of the Companies Act 2006 which sets out the Directors' duty to promote the success of the Company.

Priniciple Activity

The principal activity of the Group is the identification, acquisition, exploration and development of iron and manganese projects. The main areas of current activity are Togo, Gabon and South Africa.

Organisation Overview

The Group's business is directed by the Board and is managed by the Managing Director David Reeves. The Group has a small senior management team comprising a Finance Director, Exploration Manager and West African Country Manager. To date the Group has mainly engaged the services of external contractors and consultants to provide services to its various projects such as drilling services, metallurgical testwork, engineering design, and environmental studies. The structure reflects the early stage nature of the Group's activities which necessitates a balance between managing cash expenditure and achieving the Group's work programmes in a professional and timely manner.

Strategy and Business Plan

The Group's **strategy** is to target low capital expenditure projects, near infrastructure, which offer significant value uplift potential via resource delineation and early production. The Nayega manganese project in Togo is one example of this strategy.

The Group's **business model** has established it as an efficient and low cost explorer. Ferrex identifies mineral project opportunities through internal research and to date its preference has been to secure project interests through application to local authorities wherever possible. This allows Ferrex to acquire projects at a minimal upfront cost.

The Group is focussed on targeting iron and manganese projects. The Board has a proven track record in Africa of building value for shareholders through developing assets into production and successfully completing trade sales. Examples of this are members of the Board being involved in the development and subsequent trade sales of Zimplats, Afplats and Chromex for an aggregated consideration of approximately US$1 billion.

In exploring and developing mineral deposits, the Company accepts that not all its exploration will be successful but also that the rewards for success can be high. It therefore expects that its shareholders will be invested for potential capital growth, taking a long term view of management's good track record in mineral discovery and development. Board and management currently hold 31% of the shares in Ferrex and it believes this significant stake provides further evidence of the Board's belief in and commitment to its strategy.

To date the Group has financed its activities through periodic capital raisings. As the Group's projects become more advanced, the Board will seek mining finance, as well as investigating strategic opportunities to obtain funding for projects from future customers via production sharing, royalty and other marketing arrangements. An example is the recent announcement of funding deal with Anglo American and Kumba to earn-into the Mebaga DSO iron project in Gabon. At Nayega, the Group continues to advance the Definitive Feasibility Study and this includes discussion with development banks, offtakers and strategic investors for alternative forms of finance.

Financial and Performance Review

The Group is not yet in production and so has no income other than a small amount of bank interest. Consequently the Group is not expected to report profits until it disposes of or is able to profitably develop projects.

The results of the Group are set out in detail in the financial statements. The Group reports a loss of £1.6m for the year (2012: £1.5m) after administration and exploration costs of £1.7m (2012: £1.5m).

The financial statements show that, at 30 September 2013, the Group had total assets of £5.4m (2012: £3.4m). Total assets also include £5.0m (2012: £3.2m) of intangible assets of the Group. This comprises exploration, evaluation and development expenditure on the Group's projects.

Expenditure such as pre-licence and reconnaissance costs is expensed. The loss reported in any year can also include expenditure for specific projects that was carried forward in previous reporting periods as an intangible asset but which the Board determines is impaired in the reporting period.

In the reporting period the Directors have assessed the carrying value of the Company's projects and there have been no impairments.

The intangible asset value of a project should not be confused with the realisable or market value of a particular project which will, in the Director's opinion, be at least equal in value and often considerably higher. Hence the Company's market capitalisation on the AIM market of the London Stock Exchange is usually in excess of the net asset value of the Group.

Key Performance Indicators

The financial statements of a mineral exploration company may not provide a reliable guide to the performance of the Company or its Board.

The usual financial key performance indicators ("KPIs") cannot be applied to a company with no turnover and so the Directors consider that the detailed information in this report is the best guide to the Group's progress and performance during the year.

Strategic Report | 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 three core projects: Mebaga DSO iron ore project in Gabon, the Nayega near-term production manganese project in northern Togo, and the Malelane iron ore project in South Africa - all of which offer the potential for significant near-term value uplift. Ferrex also has an interest in the Leinster manganese project, which covers an outlier of the prolific Kalahari Manganese Field in South Africa.

Gabon

Site Name: Mebaga Iron Ore
Size: 30,900 hectares
Exploration Target:
90 - 150Mt @ 35 - 65%Fe +
540 - 950Mt @ 20 - 40%Fe

South Africa

Site Name: Malelane Iron Ore
Size: 4,192 hectares
Resource Target:
139Mt @ 37%Fe
Exploration Target:
1.6Bt to 2Bt @28 - 30% Fe

Site Name: Leinster Manganese
Size: 46,868 hectares
Exploration Target:
5.5 to 8.7Mt @ 28.6 - 31%Mn

Togo

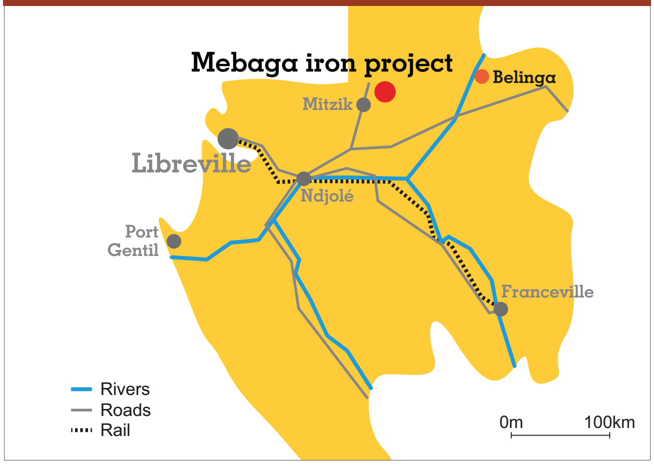
Site Name: Nayega Manganese
Size: 92,390 hectares
Resource Target:
11Mt @ 13.1% Mn

Gabon | Mebaga Iron Ore

82%

Mebaga is a DSO iron ore project located in the north of Gabon within an extensive iron ore province which extends from Gabon into the Republic of Congo ('ROC') and Cameroon.

Project Location



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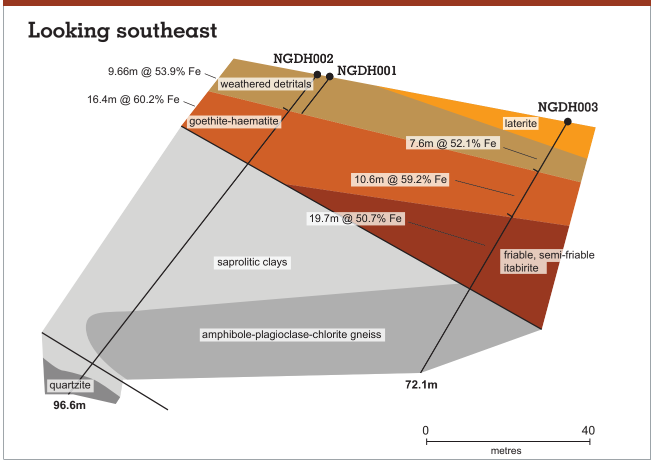


Iron ore mineralisation in the district is hosted in Archean Banded Iron Formation ('BIF') horizons belonging to the Belinga Supergroup. Major deposits in the region include Belinga in Gabon (1Bt @ 60% Fe); Mbalam in Cameroon (775Mt @ 57% Fe) and Avima in the ROC (690Mt @ 58% Fe). Work completed at Mebaga during the year included reconnaissance, regional and detailed geological mapping; acquisition, processing and interpretation of magnetic data and diamond drilling. Geological mapping and magnetic interpretation lead to the definition of high priority drill targets and an Exploration Target comprised of 90 to 150Mt @ 35 to 65% Fe as oxide (weathered) material and 550 to 900Mt @ 25% to 40% Fe primary (fresh) material. The target was defined over 12km of BIF strike, with up to 19km of BIF strike identified in the project area, which highlights the significant upside exploration potential.

A total of 9 diamond holes were drilled for 580.82m. Holes were drilled along four-section lines oriented perpendicular to the strike of underlying BIF over a strike length of about 800m. All nine holes intersected DSO grade mineralisation, with a best intercept of 28.7m @ 61.4% Fe from surface in NGDH008. Mineralisation is open both along strike and at depth.
With these positive drill results and the upside potential in mind, post period end we signed a binding term sheet with mining major Anglo American and Kumba to fund exploration work at Mebaga over a two year period. This will potentially provide Ferrex with access to substantial value accretion, as well as Anglo American's leading technical expertise, without the need to fund exploration.

The terms of the deal include the provision to refund Ferrex for the majority of the exploration to date and provide Anglo American and Kumba with the option to move to 100% ownership of the project at its election via a purchase agreement. Alternatively, it allows for Ferrex to retain ownership of Mebaga if Anglo American and Kumba do not elect to purchase the project. The agreement is targeted for execution in the first half of 2014 at which point full details of Anglo American and Kumba's investment and the commercial valuations of the transaction will be announced. To have the interest of a major mining house naturally reinforces the Group's confidence in Mebaga as a leading DSO iron ore project in West Africa, and of Gabon as a desirable mining investment destination.

Exploration planned for 2014 will include geological mapping followed by a targeted drill programme designed to assess the true scale and potential of Mebaga.
The additional drilling will also provide a base to commence a Scoping Study with a view to rapidly developing the project as a small-scale start-up mining operation if the project reverts to Ferrex.

82% interest in a 309km² iron ore licence area located in the Mitzic area of Gabon secured during the year

Signed Term Sheet with Anglo American and Kumba to fund exploration for a two year period at Mebaga (subject to fulfilling all conditions precedent)

Exploration Target estimated by Core Geophysics of 90-150Mt @ 35-65% Fe (oxide) and 540-900Mt @ 25-40% Fe (fresh)

BIF strike BIF strike length of >19km at widths up to 2km - initial DSO mineralisation defined over 1.8km of strike

Reconnaissance and detailed geological mapping returned rock assay results of up to 67.51% Fe

Drill programme of 9 completed holes for 580.82m

Assay results have returned DSO grades including best intercepts of 28.7m @ 61.4% Fe, 25.8m @ 57.8% Fe and 13.8m @ 60.2% 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

Togo | Nayega Manganese 85%

The Company owns 85% of the 92,390Ha Nayega Manganese Project in northern Togo.

Project Location

Minister of Mines Visit

Five Exploration Licences covering 92,390 ha in northern Togo issued to 85% owned Société Générale des Mines

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 Measured Resource of 2.0Mt @ 17.1% Mn, additional Indicated Resource of 9.0Mt @ 12.2% Mn

193 pits dug to 10.7m deep, average 4.4m

Metallurgical testwork supports implementing a simple beneficiation process to produce a saleable product of 38% Mn

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

Definitive Feasibility Study underway and due for completion on receipt of the Mining Licence which is under application

Development targeted to commence in 2014

Regional exploration on-going to identify additional targets and resources

Excellent infrastructure - good road access (>700,000t per annum backloading capacity) to regionally important port of Lome 600km away

Based on work conducted to date (the better part of a DFS, we believe that the project, which has direct access to the regionally important deep water port of Lome, has the potential to provide cashflow for the Group through the rapid development of a low-capex, open pit, 250,000tpa manganese ('Mn') operation.

Because manganese mineralisation at Nayega starts from surface and only extends to 10m deep, the deposit is amenable to development as a shallow open pit operation with no waste stripping required. Additionally, the ore is easily beneficiable via a low cost process of screening and gravity concentration to produce a marketable 38% manganese product. These geological factors, along with the project's close proximity to infrastructure, positively impact the capital and operating cost for developing a 250,000 tpa operation and our studies to date have highlighted that a low capital expenditure of US$15 million and an cash operating costs of US$2/Dry Metric Tonne Unit ("DMTU") FOB is achievable. Once in production, this scale of operation has excellent payback credentials of just 18 months.

A total of 39 infill pits were dug and sampled at the Nayega deposit during the year in order to upgrade part of the JORC Code compliant resource from the Indicated to Measured category. The Measured Resource totals 2.0Mt @ 17.1% Mn, enough to cover the first three years of proposed mine life. The total resource for Nayega now stands at 11.0Mt @ 13.1% Mn, all in the Indicated and Measured categories. Exploration outside of the resource area has defined additional targets which have the potential to increase the size of the Mn resource.

The resource upgrade from Measured to Indicated was an essential milestone as we work towards completion of the DFS. A mining permit application was submitted in October 2012 and the Board is continuing to engage positively with the Togolese authorities on this matter.

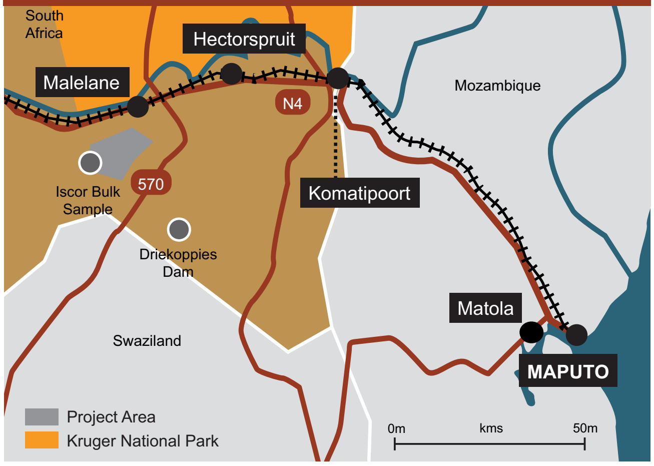
In terms of Nayega's future development, we are actively pursuing strategic alliances, off-take and JV opportunities to de-risk the project's future path.

South Africa | Malelane Iron Ore

74%

Malelane is located in the mineral rich Mpumalanga region of South Africa. Ferrex holds a 74% interest in the project, which incorporates prospecting rights over a 4,192 Hectare area.

Project Location



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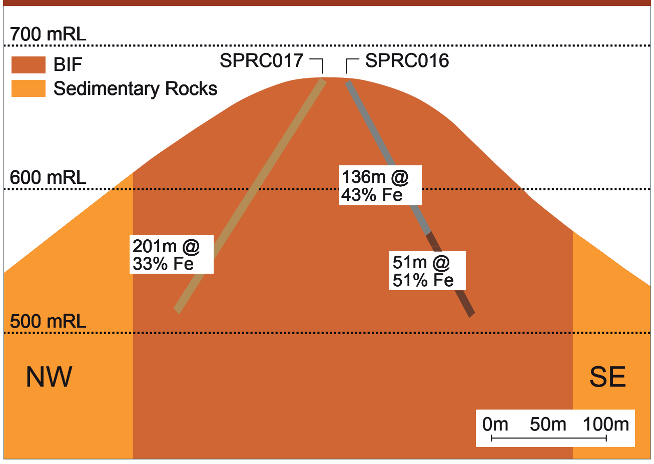


Malelane hosts a JORC Code compliant Inferred Resource of 139Mt at 37% Fe, which importantly is only defined over 1.1km of the 14km banded iron formation (“BIF”) strike identified within the project area. A scoping study completed by Ferrex utilising this maiden resource in 2012 illustrated the robust economics of developing Malelane as an initial 1.8Mtpa open pit, low strip ratio operation with a 57% Fe product over a 16.6 year LOM.

At these production rates, the project has a NPV of US$523m 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.

Ferrex intends to advance the project into production as rapidly as possible. However, it is worth bearing in mind that the Exploration Target for Malelane totals 1.6bt to 2.0bt at 28-30% Fe, as announced on 4 June 2013, which highlights the potential for a much larger and more exciting development opportunity.

Importantly, the project is located in an area that has excellent infrastructure: access to water and power and just 6km from a reliable rail line that runs to the Port of Maputo in Mozambique 170 km away. Proximity to existing, reliable infrastructure is imperative for developing a bulk commodity project.

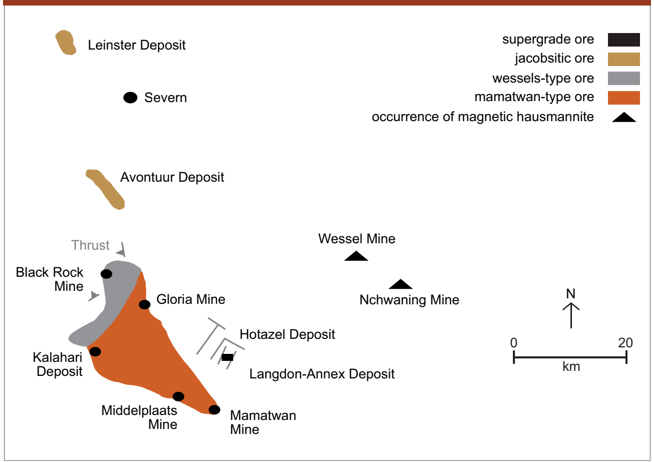
Environmental, social and labour studies are currently underway ahead of the Company’s mining licence application. The results from these studies will be fed into Ferrex’s Pre-Feasibility Study (‘PFS’) at the project.

- 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
- Being developed as 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
- Total exploration target of 1.6bt to 2.0bt at 28-30% Fe
- 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 planned

South Africa | Leinster Manganese 74%

The 47,004 hectare Leinster project is our second manganese project, located in the Northern Cape and North West Provinces of South Africa.

Deposits



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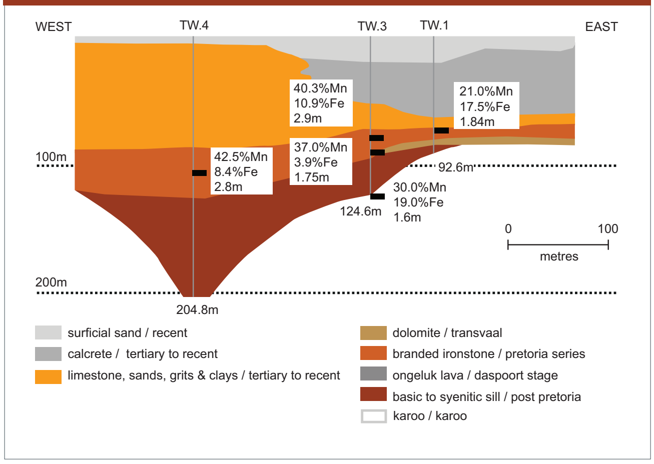

74% interest in 47,004 ha project over 10 farms

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 port for the export market

Coffey Mining estimated an exploration target of 5.5 to 8.7Mt at 28.6 to 31% Mn

The project covers the entire Leinster Basin, an erosional outlier of the Kalahari Manganese Field, which is the largest manganese metallogenic province in the world.

The Leinster deposit lies at an average depth of 80m below surface and is envisaged as an underground operation with ore trucked or railed to port for the export market. Anglo American, who drilled 51 holes on the Leinster property between 1977 and 1988, previously held the property. 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.

Our understanding of the sub-surface geology at Leinster was significantly enhanced in late 2012 through the acquisition, processing and interpretation of high resolution airborne magnetic / radiometric data. As a direct result of this work, possible (previously unrecognised) occurrences of Hotazel Formation were identified and additional licence applications were submitted over these areas.

A proposed drill programme has been deferred until the licence applications have been processed and granted.

Strategic Report | Risks & Uncertancies

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible.

The principal risks and uncertainties facing the Group at this stage in its development are:

Exploration Risk
The Group's business is mineral exploration and evaluation which are speculative activities and whilst the Directors are satisfied that good progress is being made, there is no certainty that the Group will be successful in the definition of economic mineral deposits, or that it will proceed to the development of any of its projects or otherwise realise their value.

The Group aims to mitigate this risk when evaluating new business opportunities by targeting areas of potential where there is at least some historical drilling or geological data available.

Resource Risk
All mineral projects have risk associated with defined grade and continuity. Mineral Reserves and Resources are calculated by the Group in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and commodity price assumptions.

The Group reports mineral resources and reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code'). The JORC Code is a professional code of practice that sets minimum standards for Public reporting of minerals exploration results, mineral resources and ore reserves. Further information on the JORC Code can be found at www.jorc.org.

Development Risk
Delays in permitting, financing and commissioning a project may result in delays to the Group meeting production targets. Changes in commodity prices can affect the economic viability of mining projects and affect decisions on continuing exploration activity.

Mining and Processing Technical Risk.
Notwithstanding the completion of metallurgical testwork, test mining and pilot studies indicating the technical viability of a mining operation, variations in mineralogy, mineral continuity, ground stability, ground water conditions and other geological conditions may still render a mining and processing operation economically or technically non-viable.

The Group has a small team of mining professionals experienced in geological evaluation, exploration, financing and development of mining projects. To mitigate development risk the Group supplements this from time to time with engagement of external expert consultants and contractors.

Environmental Risk
Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. Once a project is in production unforeseen events can give rise to environmental liabilities.

The Group is currently in the exploration stage. Any disturbance to the environment during this phase is minimal and is rehabilitated in accordance with the prevailing regulations of the countries in which we operate. As part of our ongoing feasibility studies being conducted at the Malelane and Nayega projects, environmental baseline studies are being undertaken or planned to be undertaken as part of this process.

Financing and Liquidity Risk
The Company has an ongoing requirement to fund its activities through the equity markets and in future to obtain finance for project development. There is no certainty such funds will be available when needed. To date the Company has managed to raise funds primarily through equity placements despite the very difficult market that currently exists for raising funding in the junior mining industry.

Political Risk
All countries carry political risk that can lead to interruption of activity. Politically stable countries can have enhanced environmental and social permitting risks, risks of strikes and changes to taxation whereas less developed countries can have in addition, risks associated with changes to the legal framework, civil unrest and government expropriation of assets.

Partner Risk
Whilst there has been no past evidence of this, the Group can be adversely affected if joint venture partners are unable or unwilling to perform their obligations or fund their share of future developments.

The Group aims to mitigate this risk by 1) holding significant majority shareholdings in our projects that we can commit to funding our minority partners until production and positive cash flow and 2) entering into joint venture funding arrangements with large and credible counterparties, an example being the earn-in funding arrangement currently being negotiated with Anglo American and Kumba for the Mebaga project in Gabon.

Financial Instruments
Details of risks associated with the Group's financial instruments are given in Note 24 to the financial statements. Given the early stage nature of the Group's activities the Company does not utilise any complex financial instruments.

Insurance Coverage
The Group maintains a suite of insurance coverage that is appropriate for an exploration stage company. This is arranged via an insurance broker and coverage includes public and products liability, travel, Group property and medical coverage and assistance while Group employees and consultants are travelling on Group business. This is reviewed at least annually and adapted as the scale and nature of activities changes.

Internal Controls and Risk Management
The Directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

In carrying out their responsibilities the Directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible, and they have reviewed

Strategic Report | Continued

the effectiveness of internal financial control. The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

Forward Looking Statements

This Annual Report contains certain forward looking statements that have been made by the Directors in good faith based on the information available at the time of the approval of the Annual Report.

By their nature, such forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements.

Corporate Responsibility

The Board takes account of the significance of social, environmental and ethical matters affecting the business of the Group.

At this stage in the Group's development the Board has not adopted a specific policy on Corporate Social Responsibility as it has a limited pool of stakeholders other than its shareholders. Rather, the Board seeks to protect the interests of the Group's stakeholders through individual policies and through ethical and transparent actions.

The Group has adopted an Anti-corruption Policy and a Whistle Blowing Policy.

Shareholders

The Directors are always prepared, where practicable, to enter into a dialogue with shareholders to promote a mutual understanding of objectives. The Annual General Meeting provides the Board with an opportunity to informally meet and communicate directly with investors.

Environment

The Board recognises that its principal activity, mineral exploration, has potential to impact on the local environment. To date, activities at the various projects have been limited to drilling activities and the Group does comply with local regulatory requirements in regards to environmental compliance and rehabilitation. The impact on the environment of the Group's activities has the potential to increase should our projects move into a development or production phase.

This is currently assessed through baseline environmental studies that are being undertaken and identifying resources needed to manage environmental compliance in the future.

Given the Group's size and scale as an exploration Group it is not considered practical or cost effective to collect and report data on carbon emissions.

Employees

The Group engages its employees to understand all aspects of the Group's business and seeks to remunerate its employees fairly, being flexible where practicable. The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Group takes account of employees' interests when making decisions and suggestions from employees aimed at improving the Group's performance.

The Group currently operates projects in South Africa, Gabon and Togo.
We recruit locally as many of our employees and contractors as possible.

Suppliers and Contractors

The Group recognises that the goodwill of its contractors, consultants and suppliers is important to its business success and seeks to build and maintain this goodwill through fair dealings. The Group has a prompt payment policy and seeks to settle all agreed liabilities within the terms agreed with suppliers. There have been occasions during the reporting period where this has been extended beyond normal terms as the Group has managed cash flow during the year during current difficult market conditions.

Health and Safety

The Board recognises it has a responsibility to provide strategic leadership and direction in the development of the Group's health and safety strategy in order to protect all of its stakeholders. The Group does not have a formal health and safety policy at this time. This is re-evaluated as and when the Group's nature and scale of activities change.

This Strategic Report was approved by the Board of Directors on 3 March 2014.

David Reeves
Managing Director

Directors' Report

The Directors present their report together with the audited financial statements of the Group for the year ended 30 September 2013.

The Group's projects during the year were:

- The Mebaga iron ore project in Gabon
- The Nayega Manganese Project in the Republic of Togo
- The Malelane iron ore project in Mpumalanga Province, South Africa

In addition, the Group owns 74% of the Leinster manganese project in Northern Cape and North West Provinces, South Africa

Detailed information on these projects is set out in the Strategic Report.

Review of business and financial performance

Further details on the financial position and development of the Group are set out in the Strategic Report and the annexed financial statements.

Going concern

The Directors continue to adopt the going concern basis in preparing the financial statement. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches, as and when required. When any of the Company's projects move to the development stage, specific project financing will be required. The directors have prepared budgets and cash flow projections for 12 months from the date of this report. These projections include the assumption that the agreement with Anglo American and Kumba will be completed or, alternatively, that a future fundraising will be undertaken, as well as assumptions on the planned discretionary project expenditures necessary to maintain the Group as a going concern. Although the Company has been successful in raising finance in the past, there is no assurance that it will obtain adequate finance in the future. However, the Directors have a reasonable expectation that they will secure additional funding when required to continue meeting corporate overheads and exploration costs.

Results

The Group reports an after-tax loss of £1,619,000 (2012: £1,486,000), after deducting losses attributable to minority interests in subsidiary companies.

Major events after the balance sheet date

Subsequent to the year end, the Group announced on 19 December 2013 that it has signed a binding term sheet with Anglo American and Kumba to fund exploration of the Mebaga iron ore project and surrounding areas over a period of up to two years and includes a provision to refund Ferrex for the majority of the exploration spend to date. The agreement is subject to final due diligence, completion of a detailed

Directors

The following Directors held office during the period:

B Moritz	Non-Executive Chairman
D Reeves	Managing Director
J Carter	Finance Director
R Lamming	Non-Executive Director
R Pitchford	Non-Executive Director

Directors Interests

The beneficial interests of the Directors holding office on 30 September 2013 in the issued share capital of the Company were as follows:

	30 September 2013		30 September 2012	
	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
B Moritz	14,583,333	1.81%	13,333,333	2.19%
D Reeves[3]	112,488,191	13.97%	100,890,968	16.18%
J Carter[1]	2,777,778	0.34%	2,777,778	0.46%
R Lamming[2]	42,881,944	5.33%	41,944,444	6.88%
R Pitchford[4]	78,993,055	9.81%	78,055,555	12.80%

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.

There have been no changes to these holdings since 30 September 2013.

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:

	Remuneration £'000	Share-based payments £,000	2013 Total £'000	2012 Total £'000
B Moritz	30	11	41	33
D Reeves	125	34	159	119
J Carter	75	11	86	31
R Lamming	25	11	36	36
R Pitchford	20	6	26	21
	275	**73**	**348**	**240**

The share-based payments represent the charge released to the profit and loss account in respect of options granted to the directors as detailed in notes 10 and 21 to these financial statements.

Directors' Report | Continued

legal agreement, the approval of all parties' boards and the approval of the Gabonese government.

On the 18 December 2013, Ferrex announced that it had completed a fundraising to raise approximately £700,000 before costs by way of a placing of 36,114,427 new ordinary shares in the Company at a price of 1.95 pence per share. Additionally, subscribers to the placing will receive a warrant to subscribe for a new ordinary share at 2.5 pence per share. Further details on the placing can be found in note 26 to these financial statements.

Dividends

The Directors do not recommend payment of a dividend for the year ended 30 September 2013 (2012: £nil).

Political donations

There were no political donations during the year (2012: £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. The Company complies insofar as the Directors consider appropriate for a company at Ferrex's stage of development, with the Corporate Governance Code for Small and Mid-size Quoted Companies 2013, published by the Quoted Companies Alliance. The Company has established Audit and Remuneration Committees, with formally delegated duties and responsibilities.

Audit Committee

The Audit Committee, which now comprises R Lamming 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 now comprises R Lamming 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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, 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

Brian Moritz
Director

3 March 2014

Independent Auditor's Report

Independent auditor's report to the members of Ferrex Plc

We have audited the financial statements of Ferrex Plc for the year ended 30 September 2013 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement 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. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 auditors' 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Company's affairs as at 30 September 2013 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 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.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Directors' report on page 11 and in note 2 to the financial statements concerning the Group's ability to continue as a going concern, which is dependent on the agreement with Anglo American and Kumba, described in the Chairman's Statement on page 2 and in the Strategic Report on page 5 of the Annual Report, being successfully completed or, alternatively, that a future fundraising will be successfully undertaken. These matters indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic 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 matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The 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
Senior Statutory Auditor

for and on behalf of
Chantrey Vellacott DFK LLP
Chartered Accountants and Statutory Auditor

London

3 March 2014

Consolidated Statement of Comprehensive Income
For the year ended 30 September 2013

	Note	2013 £'000	2012 £'000
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Administrative and exploration expenses		(1,674)	(1,500)
Loss from operating activities		**(1,674)**	**(1,500)**
Finance income	11	–	–
Finance costs		–	–
Net finance costs		**–**	**–**
Loss before tax		(1,674)	(1,500)
Taxation	12	–	–
Loss for the year		**(1,674)**	**(1,500)**
Other comprehensive income			
Exchange translation on foreign operations		55	14
Total comprehensive loss for the year		**(1,619)**	**(1,486)**
Loss attributable to:			
Owners of the Company		(1,555)	(1,428)
Non-controlling interests		(119)	(72)
Loss for the year		**(1,674)**	**(1,500)**
Total comprehensive loss attributable to:			
Owners of the Company		(1,500)	(1,414)
Non-controlling interests		(119)	(72)
Total comprehensive loss for the year		**(1,619)**	**(1,486)**
Loss per share			
Basic and diluted loss per share (pence)		(0.213)	(0.251)

All activities are classed as continuing

The notes on pages 21 to 40 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at 30 September 2013

	Notes	2013 £'000	2012 £'000
Assets			
Property, plant and equipment	13	92	36
Intangible assets	14	5,022	3,160
Non-current assets		**5,114**	**3,196**
Loans	16	–	–
Trade and other receivables	17	83	76
Cash and cash equivalents	18	226	127
Current assets		**309**	**203**
Total assets		**5,423**	**3,399**
Equity			
Share capital	19	4,026	3,049
Share premium		4,912	2,369
Other reserves		262	95
Retained deficit		(3,807)	(2,252)
Equity attributable to owners of the Company		**5,393**	**3,261**
Non-controlling interests		(241)	(122)
Total equity		**5,152**	**3,139**
Liabilities			
Trade and other payables	23	271	260
Current liabilities		**271**	**260**
Total liabilities		**271**	**260**
Total equity and liabilities		**5,423**	**3,399**

The financial statements of Ferrex Plc were approved by the Board of Directors and authorised for issue on 3 March 2014.
They were signed on its behalf by: B Moritz, Director

The notes on pages 21 to 40 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 September 2013

	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 period	–	–	–	–	(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**

	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 2012	3,049	2,369	63	32	(2,252)	3,261	(122)	3,139
Loss for the year	–	–	–	–	(1,555)	(1,555)	(119)	(1,674)
Total other comprehensive income	–	–	–	55	–	55	–	55
Total comprehensive loss for the period	**–**	**–**	**–**	**55**	**(1,555)**	**(1,500)**	**(119)**	**(1,619)**
Issue of ordinary shares	977	2,638	–	–	–	3,615	–	3,615
Costs of share issue	–	(95)	–	–	–	(95)	–	(95)
Share based payment transactions	–	–	112	–	–	112	–	112
	977	2,543	112	–	–	3,632	–	3,632
Balance at 30 September 2013	**4,026**	**4,912**	**175**	**87**	**(3,807)**	**5,393**	**(241)**	**5,152**

The notes on pages 21 to 40 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended 30 September 2013

	2013 £'000	2012 £'000
Cash flows from operating activities		
Loss for the period	(1,674)	(1,500)
Adjustments for:		
Depreciation	31	14
Foreign exchange differences	134	89
Equity-settled share-based payment transactions	112	50
Provisions against loans	–	–
	(1,397)	**(1,347)**
Changes in:		
• trade and other receivables	(7)	81
• trade and other payables	11	140
Cash used in operating activities	**(1,393)**	**(1,126)**
Interest received	–	–
Net cash used in operating activities	**(1,393)**	**(1,126)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(88)	(27)
Exploration expenditure	(940)	(844)
Net cash used in investing activities	**(1,028)**	**(871)**
Cash flows from financing activities		
Net proceeds from issue of share capital	2,520	465
Net cash flows from financing activities	**2,520**	**465**
Net increase/(decrease) in cash and cash equivalents	**99**	**(1,532)**
Cash and cash equivalents at beginning of year	127	1,683
Effect of exchange rate fluctuations on cash held	–	(24)
Cash and cash equivalents at 30 September	**226**	**127**

The notes on pages 21 to 40 are an integral part of these consolidated financial statements.

Company Statement of Financial Position
As at 30 September 2013

	Notes	2013 £'000	2012 £'000
Assets			
Property, plant and equipment	13	–	2
Investments	15	1,778	1,778
Non-current assets		**1,778**	**1,780**
Loans	16	5,035	2,327
Trade and other receivables	17	22	136
Cash and cash equivalents	18	173	49
Current assets		**5,230**	**2,512**
Total assets		**7,008**	**4,292**
Equity			
Share capital	19	4,026	3,049
Share premium		4,912	2,369
Reserves		175	63
Retained deficit		(2,303)	(1,353)
Total equity attributable to owners of the Company		**6,810**	**4,128**
Liabilities			
Trade and other payables	23	198	164
Current liabilities		**198**	**164**
Total liabilities		**198**	**164**
Total equity and liabilities		**7,008**	**4,292**

The financial statements of Ferrex Plc, company number 07353748, were approved by the Board of Directors and authorised for issue on 3 March 2014. They were signed on its behalf by: B Moritz, Director

The notes on pages 21 to 40 are an integral part of these consolidated financial statements.

Company Statement of Changes In Equity
For the year ended 30 September 2013

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained deficit £'000	Total equity £ '000
Balance at 1 October 2011	2,598	1,922	13	(454)	4,079
Loss for the year	–	–	–	(899)	(899)
Total comprehensive loss for the period	–	**–**	**–**	**(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**
Balance at 1 October 2012	3,049	2,369	63	(1,353)	4,128
Loss for the year	–	–	–	(950)	(950)
Total comprehensive loss for the year	**–**	**–**	**–**	**(950)**	**(950)**
Issue of ordinary shares	977	2,638	–	–	3,615
Costs of share issue	–	(95)	–	–	(95)
Share-based payment transactions	–	–	112	–	112
	977	**2,543**	**112**	**–**	**3,632**
Balance at 30 September 2013	**4,026**	**4,912**	**175**	**(2,303)**	**6,810**

The notes on pages 21 to 40 are an integral part of these consolidated financial statements.

Company Statement of Cash Flows
For the year ended 30 September 2013

	2013 £'000	2012 £'000
Cash flows from operating activities		
Loss for the period	(950)	(899)
Adjustments for:		
Depreciation	2	2
Foreign exchange differences	–	–
Net finance income	–	–
Equity-settled share-based payment transactions	112	50
	(836)	**(847)**
Changes in:		
• trade and other receivables	114	72
• trade and other payables	34	94
Cash used in operating activities	**(688)**	**(681)**
Interest received	–	–
Net cash used in operating activities	**(688)**	**(681)**
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	2,520	465
Loans to subsidiaries	(1,708)	(1,281)
Net cash flows (used in)/from financing activities	**812**	**(816)**
Net increase/(decrease) in cash and cash equivalents	**124**	**(1,501)**
Cash and cash equivalents at beginning of period	49	1,550
Cash and cash equivalents at 30 September	**173**	**49**

The notes on pages 21 to 40 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

1. Reporting entity

Ferrex Plc 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 and as more fully explained in the Directors' Report on page 11, the Directors have formed a judgement that, as at the date of approving the financial statements, 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 2013 was £950,000 (2012: £899,000).

The consolidated financial statements were authorised for issue by the Board of Directors on 3 March 2014.

(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 21

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

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

- 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 that the Group incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, 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 carrying value in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the carrying value 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 instr
ument.

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.

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.

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

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:

- plant and equipment — 10 years
- 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.

(ii) 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.

(iii) 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.

(iv) Amortisation

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 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.

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

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

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2013 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:
- Amendment to IAS1 Presentation of financial statements – Presentation of items of other comprehensive income
- IFRS 9 Financial Instruments
- IAS 19 Employee Benefits (Revised 2011)
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures (Revised 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IFRS 7 Financial Instrument Disclosures — Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendment to IFRS 1 (Government Loans)
- Annual Improvements to IFRSs 2009-2011 Cycle
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Where relevant, the Group is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

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

The Group 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 operations		Total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
External revenue	–	–	–	–	–	–	–	–
Inter-segment revenue	–	–	–	–	–	–	–	–
Interest revenue	–	–	–	–	–	–	–	–
Interest expense	–	–	–	–	–	–	–	–
Depreciation and amortisation	(16)	(3)	(10)	(1)	(5)	(10)	(31)	(14)
Loss before tax	(495)	(180)	(193)	(203)	(986)	(1,117)	(1,674)	(1,500)
Assets	846	533	727	405	3,850	2,461	5,423	3,399
Exploration & capital expenditure	362	345	327	377	1,338	582	2,027	1,304
Liabilities	34	5	–	38	237	217	271	260

Information about geographical segments

	South Africa		West Africa		Other operations		Total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
External revenue	–	–	–	–	–	–	–	–
Inter-segment revenue	–	–	–	–	–	–	–	–
Interest revenue	–	–	–	–	–	–	–	–
Interest expense	–	–	–	–	–	–	–	–
Depreciation and amortisation	(2)	(3)	(24)	(1)	(5)	(10)	(31)	(14)
Loss before tax	(233)	(185)	(455)	(198)	(986)	(1,117)	(1,674)	(1,500)
Assets	652	572	921	366	3,850	2,461	5,423	3,399
Exploration & capital expenditure	145	384	544	338	1,338	582	2,027	1,304
Liabilities	3	20	31	23	237	217	271	260

Other operations relates to the head office and consolidation adjustments.

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

8. Expenses

Expenses include:	2013 £'000	2012 £'000
Depreciation and amortisation expense	31	14
Equity-settled share-based payment transactions	112	50
Auditor's remuneration		
• Audit fee	25	25
• Other services	3	–
• Tax services	4	4
Foreign exchange differences	134	89

Auditor's remuneration in respect of the Company amounted to £10,000 (2012: £10,000).

9. Personnel expenses

	2013 £'000	2012 £'000
Wages and salaries	301	325
Fees	125	120
Social security costs	5	11
Equity-settled share-based payments	112	50
	543	**506**

Fees in respect of the services of D Reeves have been paid to a third party, Wilgus Investments (Pty) Limited.

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

	2013	2012
Directors	5	5
Key management personnel	2	2
Other	5	5
	12	**12**

10. Directors' and key management emoluments
2013

	Executive directors £'000	Non-executive directors £'000	Total £'000
Wages and salaries (incl. fees)	208	67	275
Compulsory social security contributions	–	5	5
Equity-settled share-based payments	45	28	73
	253	**100**	**353**

2012

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

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

	2013 £'000	2012 £'000
Emoluments for qualifying services	**159**	**119**

The Brosjeca Trust of which J Carter is a beneficiary holds options to acquire 12 million ordinary shares (2012: 12 million ordinary shares) at a weighted average price of £0.025 per ordinary share (2012: £0.025 per ordinary share).

D Reeves holds options to acquire 9 million ordinary shares (2012: 9 million ordinary shares) at a weighted average price of £0.04 per ordinary share (2012: £0.04 per ordinary share).

J Carter, B Moritz and R Lamming hold options to acquire 3 million ordinary shares each (2012: 3 million ordinary shares each) at a weighted average price of £0.04 per ordinary share (2012: £0.04 per ordinary share.)

R Pitchford holds options to acquire 1.5 million ordinary shares (2012: 1.5 million ordinary shares) at a weighted average price of £0.04 per ordinary share (2012: £0.04 per ordinary share).

Further details on the share options and warrants in issue as at 30 September 2013 are set out in notes 21 and 22.

Key management personnel

Included above are emoluments paid to key management personnel in the year which amounted to £114,000 (2012: £192,391). Key management personnel hold options to acquire 10.5 million ordinary shares at a weighted average price of £0.04 per ordinary share.

11. Finance income

	2013 £'000	2012 £'000
Interest income on cash balances held	–	–
Finance income	**–**	**–**

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

12. Taxation

Current tax expense

	2013 £'000	2012 £'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

	2013 £'000	2012 £'000
Loss before tax	**(1,674)**	**(1,500)**
Tax using the Company's domestic tax rate of 23.5% (2012: 25%)	(393)	(375)
Effects of:		
Expenses not deductible for tax purposes	14	18
Overseas losses	170	43
Equity-settled share-based payments	26	13
Tax losses carried forward not recognised as a deferred tax asset	183	301
	–	–

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 had unused tax losses available for offset against suitable future profits of approximately £1,927,000 (2012: £1,192,000). 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	Plant and equipment £'000	Office and computer equipment £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 1 October 2011	–	27	–	27
Additions	–	10	17	27
Reclassification	–	(11)	11	–
Effect of movements in exchange rates	–	2	(1)	1
Balance at 30 September 2012	**–**	**28**	**27**	**55**
Balance at 1 October 2012	–	28	27	55
Additions	27	19	42	88
Effect of movements in exchange rates	–	–	(1)	(1)
Balance at 30 September 2013	**27**	**47**	**68**	**142**
Depreciation and impairment provisions				
Balance at 1 October 2011	–	6	–	6
Depreciation for the period	–	11	3	14
Reclassification	–	(1)	1	–
Effect of movements in exchange rates	–	–	(1)	(1)
Balance at 30 September 2012	**–**	**16**	**3**	**19**
Balance at 1 October 2012	–	16	3	19
Depreciation for the year	3	8	20	31
Effect of movements in exchange rates	–	–	–	–
Balance at 30 September 2013	**3**	**24**	**23**	**50**
Carrying amounts				
At 30 September 2011	**–**	**21**	**–**	**21**
At 30 September 2012	**–**	**12**	**24**	**36**
At 30 September 2013	**24**	**23**	**45**	**92**

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

Company	Computer equipment £'000	Total £'000
Cost		
Balance at 1 October 2011	–	–
Additions	4	4
Balance at 30 September 2012	**4**	**4**
Balance at 1 October 2012	4	4
Additions	–	–
Balance at 30 September 2013	**4**	**4**
Depreciation and impairment provisions		
Balance at 1 October 2011	–	–
Depreciation for the year	2	2
Balance at 30 September 2012	**2**	**2**
Balance at 1 October 2012	2	2
Depreciation for the year	2	2
Balance at 30 September 2013	**4**	**4**
Carrying amounts		
At 30 September 2011	**–**	**–**
At 30 September 2012	**2**	**2**
At 30 September 2013	**–**	**–**

14. Intangible assets

Group	Prospecting and exploration rights £'000
Cost	
Balance at 1 October 2011	1,925
Additions	1,277
Effect of movement in exchange rates	(42)
Balance at 30 September 2012	**3,160**
Balance at 1 October 2012	3,160
Additions	1,940
Effect of movements in exchange rates	(78)
Balance at 30 September 2013	**5,022**
Amortisation and impairment losses	
Balance at 1 October 2011	–
Balance at 30 September 2012	**–**
Balance at 1 October 2012	–
Balance at 30 September 2013	**–**
Carrying amounts	
Balance at 30 September 2011	**1,925**
Balance at 30 September 2012	**3,160**
Balance at 30 September 2013	**5,022**

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

15. Investment in subsidiaries

Company	2013 £'000	2012 £'000
Equity investments		
Balance at beginning of period	1,778	1,778
Additions	–	–
Balance at 30 September	**1,778**	**1,778**

	Activity	Country of incorporation	Ownership interest 2013	2012
Directly				
Ferrex Iron Limited	Dormant	United Kingdom	100%	100%
Ferrex Manganese Limited	Dormant	United Kingdom	100%	100%
Southern Iron Limited	Investment	Guernsey	100%	100%
Indirectly				–
Moongate 218 (Pty) Limited	Exploration	South Africa	74%	74%
Southern MN (Pty) Limited	Exploration	South Africa	74%	74%
Société Générale des Mines SARL	Exploration	Togo	85%	85%
Ressources Equatoriales SARL	Exploration	Gabon	82%	–

Ressources Equatoriales SARL
An 82% interest in Ressources Equatoriales SARL, a Gabonese company that owns the Mebaga exploration licence in Gabon was secured during the year by Southern Iron Limited for a consideration of 40 million ordinary shares in the Company as detailed in note 19.

16. Loans

Group	2013 £'000	2012 £'000
Balance at beginning of period	119	119
Provisions against loans at beginning of period	(119)	(119)
Balance at 30 September	**–**	**–**

Company	2013 £'000	2012 £'000
Balance at beginning of period	2,327	813
Funds advanced to and ordinary shares issued on behalf of subsidiary undertakings	2,708	1,514
Balance at 30 September	**5,035**	**2,327**

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 2013

17. Trade and other receivables

Group	2013 £'000	2012 £'000
Other receivables	45	50
Prepayments	38	26
	83	**76**

Company	2013 £'000	2012 £'000
Loans to related parties	–	100
Other receivables	7	11
Prepayments	15	25
Loans and receivables	**22**	**136**

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 24.

18. Cash and cash equivalents

Group	2013 £'000	2012 £'000
Bank balances	226	127
Cash and cash equivalents	**226**	**127**

Company	2013 £'000	2012 £'000
Bank balances	173	49
Cash and cash equivalents	**173**	**49**

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

19. Capital and reserves

Share capital

		Number of ordinary shares of £0.005 each	
	Note	2013	2012
In issue at beginning of year		609,867,462	519,524,117
Issued for cash		155,312,501	20,666,666
Issued on granting of new mining licence		–	66,687,790
Issued in connection with acquisition of subsidiary	15	40,000,000	–
Issued in connection with settlement of liabilities		–	2,988,889
In issue at 30 September – fully paid		805,179,963	609,867,462

	Ordinary share capital 2013 £'000	2012 £'000
Balance at beginning of year	3,049	2,598
Share issues	977	451
Balance at 30 September	**4,026**	**3,049**

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

In connection with 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 at any time up to 9 October 2015.

In both cases, the numbers stated are shown after the forfeiture of 4,444,445 ordinary shares and 2,222,223 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.

On 8 May 2013, 40,000,000 ordinary shares were issued at £0.025 per ordinary share on behalf of Southern Iron Limited as consideration for 82% of Ressources Equatoriales SARL.

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 foreign currency differences arising from the translation of the financial statements of foreign operations.

20. Loss per share

Basic and diluted loss per share

The calculation of basic loss per share for the year ended 30 September 2013 is based on the loss attributable to ordinary shareholders of £1,555,000 (2012: £1,428,000), and a weighted average number of ordinary shares in issue of 730,159,415 (2012: 567,918,605), calculated as follows:

Weighted average number of ordinary shares

	2013	2012
Issued ordinary shares at beginning of year	609,867,462	519,524,117
Effect of shares issued	120,291,953	48,394,488
Weighted average number of ordinary shares	730,159,415	567,918,605

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

21. Share-based payment arrangements

At 30 September 2013, the Company has the following share-based payment arrangements.

Share option programme

On 22 June 2011, the Company issued options to the Brosjeca 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.

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

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

Grant date/employees entitled	Number of shares
Option grant to the Brosjeca Trust on 22 June 2011 – 1	4,000,000
Option grant to the Brosjeca Trust on 22 June 2011 – 2	4,000,000
Option grant to the Brosjeca Trust on 22 June 2011 – 3	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 – 4	10,000,000
Option grant to the Directors and key management on 20 July 2012 – 5	10,000,000
Option grant to the Directors and key management on 20 July 2012 – 6	10,000,000
Total share options as at 30 September 2012 and 30 September 2013	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	2013 £'000	2012 £'000
Total expense recognised as employee benefit expense	9	112	50

Reconciliation of outstanding share options

	2013 Number of options	2013 Weighted average exercise price £	2012 Number of options	2012 Weighted average exercise price £
Outstanding at beginning of year	42,000,000	0.0357	12,000,000	0.025
Granted during the year	–	–	30,000,000	0.04
Outstanding at 30 September	42,000,000	0.0357	42,000,000	0.0357
Exercisable at 30 September	22,000,000	0.03	12,000,000	0.025

The options outstanding at 30 September 2013 have an exercise price in the range of £0.02 to £0.03 (2012: £0.02 to £0.03) and a remaining weighted average contractual life of 3.7 years (2012: 4.7 years).

22. Share warrants

Reconciliation of outstanding share warrants

	2013		2012	
	Number of warrants	Weighted average exercise price £	Number of warrants	Weighted average exercise price £
Outstanding at beginning of year	10,444,443	0.035	–	–
Granted during the year	10,000,000	0.035	10,444,443	0.035
Outstanding at 30 September	20,444,443	0.035	10,444,443	0.035
Exercisable at 30 September	20,444,443		–	

The weighted average remaining contractual life of the warrants outstanding at the balance sheet date was 2 years 9 days.

D Reeves holds warrants to acquire 2,222,223 ordinary shares (2012: 2,222,223 ordinary shares) at a weighted average price of £0.0325 per ordinary share (2012: £0.0325 per ordinary share).

R Lamming holds warrants to acquire 555,556 ordinary shares (2012: 555,556 ordinary shares) at a weighted average price of £0.0325 per ordinary share (2012: £0.0325 per ordinary share).

R Pitchford holds warrants to acquire 1,111,111 ordinary shares (2012: 1,111,111 ordinary shares) at a weighted average price of £0.0325 per ordinary share (2012: £0.0325 per ordinary share).

J Carter holds warrants to acquire 555,556 ordinary shares (2012: 555,556 ordinary shares) at a weighted average price of £0.0325 per ordinary share (2012: £0.0325 per ordinary share).

23. Trade and other payables

Group

	2013 £'000	2012 £'000
Trade payables	104	191
Accrued expenses	112	66
Other payables	55	3
	271	260

Company

	2013 £'000	2012 £'000
Other trade payables	90	124
Accrued expenses	108	40
	198	164

There is no material difference between the fair value of trade and other payables 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 24.

24. Financial instruments

Financial risk management

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

Credit risk

Credit risk is the risk of financial loss to the Group 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.

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

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	
		2013	2012
	Note	£'000	£'000
Other receivables	17	83	76
Cash and cash equivalents	18	226	127
		309	**203**

Company

		Carrying amount	
		2013	2012
	Note	£'000	£'000
Loans	16	5,035	2,327
Trade and other receivables	17	22	136
Cash and cash equivalents	18	173	49
		5,230	**2,512**

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

The Group 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
2013

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000
Non-derivative financial liabilities			
Trade payables	271	(271)	(271)
	271	(271)	(271)

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)

Company

2013

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000
Non-derivative financial liabilities			
Trade payables	198	(198)	(198)
	198	(198)	(198)

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)

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 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. At present, the Directors do not consider these risks to be significant to the Group.

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 Central African Franc. The Group 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 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 considers its capital to be total shareholders' equity which at 30 September 2013 for the Group totalled £5,393,000 (2012: £3,261,000) and for the Company totalled £6,810,000 (2012: £4,128,000).

25. 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.

D Reeves, J Carter and R Pitchford advanced £150,000, £97,000 and £15,000 to the Group respectively, these amounts were repaid during the year and interest of £1,355, £279 and £nil respectively, was paid.

Notes to the Consolidated Financial Statements
For the year ended 30 September 2013

Other related party transactions
Transactions with Group companies

The Company had the following related party balances from financing activities:

	2013 £'000	2012 £'000
Southern Iron Limited		
• Loans and receivables (interest free)	5,035	2,327

Southern Iron Limited had the following related party balances from financing activities:

	2013 £'000	2012 £'000
Moongate 218 (Pty) Limited		
• Loans and receivables (interest free)	1,076	879
Southern MN (Pty) Limited		
• Loans and receivables (interest free)	44	29
Société Générale des Mines SARL		
• Loans and receivables (interest free)	1,137	540
Ressources Equatoriales SARL		
• Loans and receivables (interest free)	511	–

26. Subsequent events

On 18 December 2013, the Company announced that it had raised £704,231 before costs through the issue of 36,114,427 shares at 1.95 pence per share.

In connection with the share issue, the Company granted a further 18,057,209 warrants at an exercise price of 2.5 pence per share. These warrants became exercisable immediately and expire on 7 January 2016.

Mebaga Iron Ore Project – Execution of binding term sheet

Subsequent to the year end, the Group announced on 19 December 2013 that it had signed a binding term sheet with Anglo American and Kumba to fund exploration of the Mebaga iron ore project and surrounding areas over a period of up to two years and which includes a provision to refund Ferrex the majority of the exploration spend to date. The agreement is subject to final due diligence, completion of a detailed legal agreement, the approval of all parties' boards and the approval of the Gabonese government.

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
27/28 Eastcastle Street
London W1W 8DH

Nominated advisor and broker
finnCap
60 New Broad Street
London EC2M 1JJ

Solicitors
Memery Crystal LLP
44 Southampton Buildings
London WC2A 1AP

Auditor
Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London WC1B 5LF

Ferrex Plc
27/28 Eastcastle Street
London W1W 8DH

www.ferrexplc.com