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Ferrex and its Directors, whose names appear on page 5 of this document, accept responsibility both individually and collectively for the information contained in this document including responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of Ferrex and its Directors (who have taken all reasonable care to ensure this is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is emphasised that no application has been or will be made for admission of these securities to the Official List or any other exchange. It is expected that Admission will become effective and that dealings will commence on AIM on 18 July 2011.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. Grant Thornton is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

This document is an admission document drawn up in accordance with the AIM Rules for Companies. This document does not constitute a prospectus within the meaning of section 85 FSMA and does not constitute an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of FSMA and has not been approved by, and will not be filed with the FSA, London Stock Exchange, or the UKLA.

Ferrex plc

(Incorporated and registered in England and Wales under the Companies Act 2006 with Registered No. 07353748)

Placing of 66,666,667 new Ordinary Shares at 3 pence per share and

Admission of the Enlarged Share Capital to trading on AIM

Nominated Adviser
Grant Thornton Corporate Finance

Broker
Ocean Equities Limited

SHARE CAPITAL ON ADMISSION

<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>
519,524,117 Ordinary Shares	£2,597,620.59

The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

This document does not constitute an offer to sell or to subscribe for, or the solicitation of an offer to buy or to subscribe for, shares or other securities in any jurisdiction other than the United Kingdom and should not be taken, transmitted, distributed or sent directly or indirectly to any persons with addresses in the United States, Canada, Japan, Australia, the Republic of Ireland or the Republic of South Africa or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirements. The Ordinary Shares have not been and will not be registered under applicable securities laws of any Excluded Jurisdiction. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold, transferred, taken up or delivered in or into any Excluded Jurisdiction or to or for the account or benefit of any national, resident or citizen of any Excluded Jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. No action has been taken by the Company, the Directors, Grant Thornton or by Ocean Equities that would permit a public offer of shares or other securities in the Company or possession or distribution of this document where action for that purpose is required. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been registered under the US Securities Act or the applicable securities laws and regulations of any state or other jurisdiction of the United States. No public offer of the Ordinary Shares is being made in the United States. The Ordinary Shares are only being offered and sold outside the United States to non US persons in offshore transactions in reliance on Regulation S under the US Securities Act. In addition, the Company will not be registering under the US Investment Company Act of 1940, (as amended), and investors will not be entitled to the benefits of such act. The relevant clearances have not been, and will not be, obtained

from the Securities Commission of any province or territory of Canada; no document in relation to the Placing has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or the Ordinary Shares.

Grant Thornton, which is authorised and regulated in the United Kingdom by the FSA, is the Company's nominated adviser for the purposes of the AIM Rules for Companies and as such its responsibilities are owed solely to London Stock Exchange and are not owed to the Company or any Director or any other entity or person. Grant Thornton will not be responsible to anyone other than the Company for providing the protection afforded to clients of Grant Thornton or for advising any other person in connection with the Placing and Admission.

Ocean Equities, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for the Company as its broker in relation to the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Ocean Equities or advising any other person in connection with the Placing and the contents of this document or any matter referred to herein.

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Prospective investors should read the whole text and contents of this document for a more complete discussion of the factors that could affect the Group's future performance and the industries in which the Group operates and should be aware that an investment in the Company is speculative and involves a high degree of risk. In particular, prospective investors' attention is drawn to the section entitled "RISK FACTORS" set out on pages 25 to 37 in Part II of this document.

Copies of this document will be available during normal business hours on any Business Day free of charge to the public at the offices of Grant Thornton, 30 Finsbury Square, London EC2P 2YU, for one month from the date of Admission.

Forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "envisages", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "could", "seeks" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company's and the Directors' current intentions, beliefs or expectations concerning, amongst other things, investment strategy, financing strategy, performance, results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Company will operate.

By their nature, forward-looking statements involve risks (including unknown risks) and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not an assurance of future performance. The Company's actual performance, results of operations, financial condition, liquidity and dividend policy and the development of the business sector in which the Company operates, may differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Company's performance, results of operations, financial condition, liquidity and dividend policy and the development of the industry in which the Company operates, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

Any forward-looking statements in this document reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the matters referred to above. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Other than in accordance with the Company's obligations under the AIM Rules for Companies, neither the Company nor Grant Thornton nor Ocean Equities undertakes any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Neither the forward-looking statements nor the underlying assumptions have been verified or audited by any third party.

Market data and forecasts

Various market data and forecasts used in this document have been obtained from independent industry sources. The Company has not verified the data obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications, risks and uncertainties as above.

The London Stock Exchange has not itself examined or approved the contents of this document.

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PLACING STATISTICS

Number of Existing Ordinary Shares	452,857,450
Number of Placing Shares	66,666,667
Enlarged Share Capital	519,524,117
Placing Price	3 pence
Net proceeds of the Placing to be received by the Company	£1,640,000
Market capitalisation of the Company at the Placing Price on Admission	£15.59 million
Percentage of the Enlarged Share Capital held by Directors	43.39%
Number of Placing Shares as a percentage of the Enlarged Share Capital	12.83%

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	12 July 2011
Admission effective and commencement of dealings	18 July 2011
CREST accounts credited (as applicable)	18 July 2011
Expected date of despatch of definitive share certificates for Placing Shares (as applicable)	25 July 2011

Each of the times and dates in the above timetable is subject to change. All references are to London (UK) time unless otherwise stated. Temporary documents of title will not be issued.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Brian Michael Moritz (<i>Chairman</i>) David Russell Stuart Reeves (<i>Managing Director</i>) Russell John Lamming (<i>Non-executive Director</i>) Roy Aubrey Pitchford (<i>Non-executive Director</i>)
Company Secretary	Cargill Management Services Limited 27/28 East Castle Street London W1W 8DH
Registered Office	27/28 Eastcastle Street London W1W 8DH
Nominated Adviser	Grant Thornton Corporate Finance 30 Finsbury Square London EC2P 2YU
Broker	Ocean Equities Limited 3 Copthall Avenue London EC2R 7BH
Reporting Accountants	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF
Solicitors to the Company as to English law	Memery Crystal LLP 44 Southampton Buildings London WC2A 1AP
Solicitors to the Company as to South African law (subsidiaries)	Falcon & Hume Attorneys Inc Block B, 7 Eton Road Sandhurst 2196 South Africa
Solicitors to the Company as to South African law (licences)	Tabacks 13 Eton Road Parktown Johannesburg 2193 South Africa
Solicitors to the Company as to Mozambique law	CGA Advogados & Consultores Av de Zimbabwe 385 Maputo Mozambique

Solicitors to the Company as to Guernsey law	Carey Olsen Carey House Les Banques St. Peter Port Guernsey GY1 4BZ
Solicitors to the Nominated Adviser and Broker	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2AA
Competent Person	Coffey Mining (SA) Pty Limited Block D Somerset Office Estate 604 Kudu Street Allen's Nek 1737 Roodepoort South Africa
Financial Public Relations	St. Brides Media & Finance Chaucer House 38 Bow Lane London EC4M 9AY
Registrar	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham GU9 7LL
Ticker Symbol	FRX
ISIN	GB00B649J414
Website	www.ferrexplc.com

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act” or “Companies Act”	the Companies Act 2006 (as amended from time to time)
“Admission”	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	AIM, the market of that name operated by London Stock Exchange
“AIM Rules” or “AIM Rules for Companies”	the rules and guidance notes which set out the obligations and responsibilities in relation to companies whose shares are admitted to AIM, as published by London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the rules and guidance notes which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers as published by London Stock Exchange from time to time
“Articles”	the articles of association of the Company as at the date of this document and further details of which are set out in paragraph 6 of Part V of this document
“ASX”	the Australian Securities Exchange
“Baobab Resources”	Baobab Resources plc, an AIM listed company registered in England and Wales with company number 5590467
“BEE”	Black Economic Empowerment in South Africa
“Board”	the directors of the Company from time to time
“Business Day”	a day (other than a Saturday or Sunday or a public holiday) when the banks are open for business in London
“Capitol Resources”	Capitol Resources Limitada, a limited liability company incorporated in Mozambique with registered number 17.176
“Certificated” or “in Certificated form”	the description of a share or other security that is not held in uncertificated form (that is not CREST)
“Changara Licences”	the exploration licences 1122L, 1123L, 1431L and 1421L in Changara area of Mozambique granted to Capitol Resources pursuant to section 3, Article 16 of the Mozambique Mining Law (Law No.14 of 2002), further details of which are set out in paragraph 11.14 of Part V of this document
“Changara Project”	the area covered by the Changara Licences pursuant to the Mozambique JV
“City Code”	The City Code on Takeovers and Mergers
“Coffey Mining”	Coffey Mining (SA) Propriety Limited
“Company” or “Ferrex”	Ferrex plc, a company incorporated in England and Wales with registered number 07353748
“Corporate Governance Code”	the UK Corporate Governance Code published in May 2010 by the Financial Reporting Council (as amended)

“CREST”	the computerised settlement system (as defined in the CREST Regulations) which facilitates the transfer and the holding of shares in uncertificated form which is operated by Euroclear
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No.3755) (as amended from time to time) including: (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force
“Directors”	the directors of the Company as at the date of this document whose names are set out on page 5 of this document
“Directors’ Lock-in and Orderly Market Agreement”	the lock-in and orderly marketing agreement entered into between the Company, Grant Thornton, Ocean Equities and each of the Directors, details of which are set out in paragraph 11.4(a) of Part V of this document
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FSA in exercise of its function as competent authority pursuant to Part VI of FSMA
“Enlarged Share Capital”	the entire issued share capital of the Company on Admission comprising the Existing Ordinary Shares and the Placing Shares
“Euroclear”	Euroclear UK & Ireland Limited, being the operator of CREST
“Excluded Jurisdiction”	the United States, Australia, the Republic of South Africa, Japan, Canada, the Republic of Ireland or any other country outside the United Kingdom where distribution of this document or participation in the Placing may lead to a breach of any legal or regulatory requirement
“Existing Ordinary Shares”	the 452,857,450 Ordinary Shares in issue at the date of this document
“Financial Services Authority” or “FSA”	the Financial Services Authority of the United Kingdom
“FSMA”	the Financial Services and Markets Act 2000 of the UK (as amended), including any regulations made pursuant thereto
“Grant Thornton” or “Nominated Adviser”	Grant Thornton Corporate Finance, the corporate finance division of Grant Thornton UK LLP, which is authorised and regulated by the FSA to carry on investment business
“Group”	the Company and its subsidiary undertakings as at Admission (including Southern Iron and Moongate)
“HDSA”	a historically disadvantaged South African as defined in the Mining Charter
“IFRS”	International Financial Reporting Standards
“ISIN”	International Securities Identification Number
“JORC”	Joint Ore Reserves Committee – Australasian Code for Reporting of Identified Resources and Ore Reserves

“Leinster Licence”	the prospecting right issued to Umbono Mineral pursuant to section 17 MPRDA under number 1694/2009 PR over the following farms: Exeter 323 I.L; Belper 331 I.L; Esher 337 I.L; Annan 339 I.L; Mars 338 I.L; Argyle 340 I.L; Hull 361 I.L; Leinster 363 I.L; and Abbey 364 I.L in the Vyburg Magisterial District, North West Province South Africa, further details of which are set out in paragraph 11.11 of Part V of this document
“Leinster Project”	the area covered by the Leinster Licence and the application submitted by Umbono Manganese Severn for the Tweed Prospecting Right
“London Stock Exchange”	London Stock Exchange plc
“Malelane Licence”	the prospecting right issued to Moongate pursuant to sections 16 and 17 MPRDA under number 1774 PR over Spago 460 J.U; Portion 9 of M’Hlati 170 J.U and the remaining extent of Coulter Oos 549 J.U in the Administrative District of Barberton in South Africa, further details of which are set out in paragraph 11.13 of Part V of this document
“Malelane Project”	the area covered by the Malelane Licence for iron ore in South Africa
“Mkhombi”	Mkhombi Mining (Proprietary) Limited, a company incorporated in South Africa with registered number 2004/024947/07 of 6th Floor, Diagonal Street, Johannesburg, 2001
“Mining Charter”	the Broad Based Socio-Economic Empowerment Charter for the South African Mining Industry
“Moongate”	Moongate 218 (Proprietary) Limited, a company incorporated in South Africa with registered number 2007/011448/07 with registered address of RMS Betty & Dickson (Johannesburg), Executive City, cnr Cross Street & Charmaine Avenue, President Ridge, Randburg, 2194, RSA
“Moongate Shareholders’ Agreement”	the agreement between Mkhombi; Southern Iron; and Moongate dated 17 September 2009, as amended on 9 June 2011 further details of which are set out in paragraph 11.9 of Part V of this document
“Mozambique”	the Republic of Mozambique
“Mozambique JV”	a joint venture agreement dated 28 May 2010 between Southern Iron and Capitol Resources in relation to the Changara Project, details of which are set out in paragraph 11.8 of Part V of this document
“Mozambique Ministry of Mines”	Ministry of Mineral Resources and Energy in Mozambique
“MPRDA”	the Mineral and Petroleum Resources Development Act 280 of 2002 of South Africa
“Non-executive Directors”	Brian Moritz, Roy Pitchford and Russell Lamming
“Ocean Equities” or “Broker”	Ocean Equities Limited
“Official List”	the Official List maintained by the UKLA pursuant to Part VII of FSMA

“Option Scheme”	the share option scheme dated 22 June 2011, further details of which are set out in paragraph 4 of Part V of this document
“Ordinary Shares”	the ordinary shares of 0.5 pence each in the share capital of the Company in issue from time to time
“Placee”	a person subscribing for Placing Shares under the Placing at the Placing Price
“Placing”	the conditional placing by Ocean Equities on behalf of the Company of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 12 July 2011 between the Company; the Directors; Grant Thornton UK LLP, and Ocean Equities relating to the Placing, further details of which are set out in paragraph 11.1 of Part V of this document
“Placing Price”	3 pence per Placing Share
“Placing Shares”	the 66,666,667 new Ordinary Shares which are the subject of and are to be issued and allotted pursuant to the Placing
“Pound Sterling” or “£”	the lawful currency of the UK from time to time
“pre-division Ordinary Shares”	the ordinary shares of 5 pence each in the share capital of the Company in issue prior to the Sub-division
“Prospectus Directive”	the Prospectus Directive (Directive 2005/71/EC)
“Prospectus Rules”	the prospectus rules contained in the FSA handbook which are published and from time to time and amended by the FSA
“Registrars”	Share Registrars Limited
“Share Dealing Code”	the code on dealing in the Company’s securities adopted by the Company on 12 July 2011, further details of which are set out in paragraph 19 of Part I of this document
“Share Exchange Agreement”	the agreement dated 23 November 2010 between the Company, Southern Iron and Southern Minerals Limited transferring the entire issued share capital of Southern Iron to the Company, further details of which are set out in paragraph 11.5 of Part V of this document
“Shareholders”	holders of Ordinary Shares from time to time
“Shareholder Lock-in and Orderly Market Agreement”	the lock-in and orderly market agreement entered into by the Company, Grant Thornton, Ocean Equities and William Lovering, details of which are set out in paragraph 11.4(b) of Part V of this document
“South Africa” or “RSA”	the Republic of South Africa
“Southern Iron”	Southern Iron Limited, a company incorporated in Guernsey with registered number 50591
“Southern Minerals”	Southern Minerals Limited, a company incorporated in Guernsey with registered number 48855

“Sub-division”	the sub-division of each pre-division Ordinary Share into ten Ordinary Shares pursuant to a resolution of the Shareholders passed on 20 June 2011
“subsidiary” or “subsidiary undertaking” or “subsidiaries”	have the meanings given to them by section 1162 of the Act
“Togo”	The Republic of Togo
“Tweed Prospecting Right”	the prospecting right over iron ore, manganese, cobalt, titanium ore, vanadium and chrome ore relating to the farm Tweed 362 I.L for which Umbono Manganese Severn has submitted an application pursuant to section 16 MPRDA under the title reference No. NC 30/5/1/2/2/2334 P.R, further details of which are set out in paragraph 11.12 of Part V of this document
“UK Listing Authority” or “UKLA”	the United Kingdom Listing Authority of the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“Umbono Agreement”	the agreement between Southern Iron, the Company, Umbono Minerals and Umbono Resources dated 15 November 2010, further details of which are set out in paragraph 11.6 of Part V of this document
“Umbono Manganese Severn”	Umbono Manganese Severn (Proprietary) Limited, a private limited company incorporated in South Africa under registration number 2008/016030/07, a wholly-owned subsidiary of Umbono Minerals
“Umbono Minerals”	Umbono Minerals Holdings (Proprietary) Limited, a company incorporated in South Africa with registered number 2003/028335/07 with registered address of 3rd Floor, Block D, Old Trafford House, 4 Isle of Houghton, cnr Boundary & Carse O’Gowrie Roads, Houghton, 2198, RSA
“Umbono Resources”	Umbono Resources (Proprietary) Limited, a company incorporated in South Africa with registered number 2008/008550/07 with registered address of 3rd Floor, Block D, Old Trafford House, 4 Isle of Houghton, cnr Boundary & Carse O’Gowrie Roads, Houghton, 2198, RSA
“Umbono Shareholders’ Agreement”	the agreement between Southern Iron; Umbono Minerals; Umbono Resources and the Company dated 4 November 2010, further details of which are set out in paragraph 11.10 of Part V of this document
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US Securities Act”	the US Securities Act 1933 (as amended)
“USA” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia and all other areas subject to its jurisdiction
“US\$” or “US Dollar”	the legal currency of the United States from time to time

All references to times in this document are to London (UK) times.

GLOSSARY OF TECHNICAL TERMS

See pages 108 to 112 of the Competent Persons Report set out on pages 184 to 188 in Part IV of this document.

KEY INFORMATION

The following information is extracted from, and should be read in conjunction with, the full text of this document. Investors should read the whole document and not rely solely on the information in this “Key Information” section or any other information summarised in this document.

Introduction

Ferrex aims to become a medium scale, low-cost producer of iron and manganese ore.

Ferrex has interests in three projects: two prospective mineral properties for iron ore and manganese located in South Africa (the Malelane Project and the Leinster Project) and one prospective mineral property for manganese located in Mozambique (the Changara Project).

Through these three projects and, having regard for the existing infrastructure capacity, the Group is targeting production of 3mt of iron ore and 200,000 to 350,000 tonnes of contained manganese per annum.

Key strengths

The Directors believe that the Group has the following key strengths:

- Exploration targets which can be converted to resources compliant with the JORC code.
- Ability to commence pre-feasibility studies within a short timeframe.
- Management with a proven track record of exploring and developing mineral assets in Africa and who have created significant value for shareholders in previous companies with which they have been involved.

The Placing and use of proceeds

The Company is seeking to raise £2 million before expenses in order to advance its projects and to provide general working capital. In the 18 months following Admission, the Company intends, subject to results, to undertake work including:

- The compilation of a JORC compliant resource on a portion of the existing exploration target in the area covered by the Malelane Project and the undertaking of a pre-feasibility study on this resource.
- Undertaking initial regional exploration, via geophysics, on the area covered by the Leinster Project and follow up drilling of identified targets.
- Pursuant to obligations under the Mozambique JV, continued infill soil sampling, outcrop sampling and detailed mapping of the Changara Project and conducting a limited initial drill campaign.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS REFERRED TO IN PART II OF THIS DOCUMENT.

PART I

INFORMATION ON THE GROUP

1. Introduction

Ferrex aims to become a medium scale, low-cost producer of iron and manganese ore, both of which are key inputs for the steel industry.

Through its subsidiaries and their contractual relationships, Ferrex has interests in three projects: two prospective mineral properties for iron ore and manganese located in South Africa (the Malelane Project and the Leinster Project) and one prospective mineral property for manganese located in Mozambique (the Changara Project).

South Africa

The Group has an interest in an iron ore property in South Africa, the Malelane Project. The Malelane Project has been previously explored by ISCOR Limited (now Mittal Steel South Africa) and Rio Tinto plc with some limited production and consists of 14km of mapped banded iron formation (“BIF”) outcrop. The Malelane Project benefits from key logistical infrastructure in the area as it lies only 6km from a major rail line that accesses the Port of Maputo 170km distant. Coffey Mining has delineated a JORC exploration target of 775 to 930mt at 34 to 36 per cent. Fe for the Malelane Project. The Group has just completed a first round of drilling on a portion of the mineralisation and is targeting a resource figure within six months of Admission.

The Group has secured prospecting rights over nine farms and an application over one additional farm within the Leinster Project in South Africa, where previous exploration by Anglo American Corporation between 1977 and 1988 highlighted a manganese occurrence and has allowed the Group to define exploration targets.

Mozambique

The Group has an interest in an early stage joint venture at Changara in Mozambique targeting an area where historical work has outlined outcrops of manganese mineralisation in what the Directors believe to be an otherwise under-explored region. The Group, through the Mozambique JV, will undertake further mapping and sampling of this area.

Through these three projects and having regard for the existing infrastructure capacity, the Group is targeting production of 3mt of iron ore and 200,000 to 350,000 tonnes of contained manganese per annum.

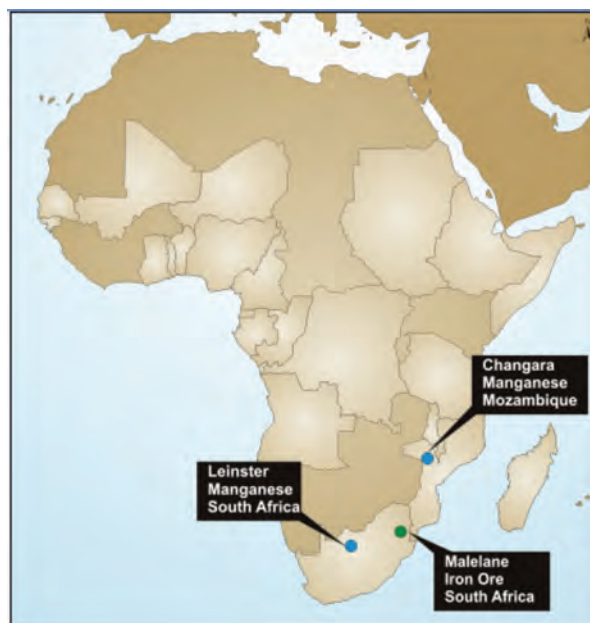


Figure 1: location of the Group’s projects

On Admission the Company will have raised sufficient funds to allow:

- A resource compliant with JORC to be compiled on a portion of the Malelane Project.
- Completion of a pre-feasibility study on the Malelane Project.
- Initial exploration of the Leinster Project.
- Continued mapping and sampling of outcropping manganese mineralisation at the Changara Project to determine if further exploration is warranted.

Further details of the proposed work programme are set out in paragraph 4 below.

2. Group structure

Ferrex was incorporated in England and Wales on 23 August 2010 and, as at the date of this document, has one wholly owned Guernsey incorporated subsidiary, Southern Iron, which in turn has a 74 per cent. shareholding in Moongate and a 49 per cent. shareholding in Umbono Minerals and is party to the Mozambique JV (with the potential to acquire a participation interest of up to 80 per cent. in Capitol Resources).

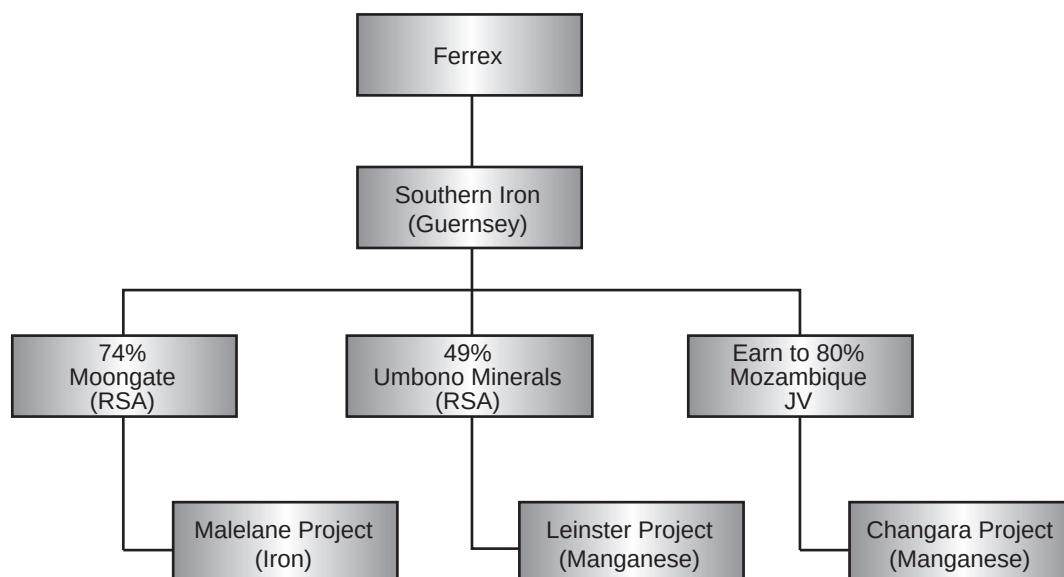


Figure 2: Group structure

Southern Iron

On 23 November 2010, pursuant to the terms of the Share Exchange Agreement, Ferrex acquired the entire issued share capital of Southern Iron from its holding company, Southern Minerals, as well as certain debts owed by Southern Iron to Southern Minerals for a total consideration of 35,566,819 pre-division Ordinary Shares. These pre-division Ordinary Shares were distributed by Southern Minerals by way of a dividend ‘*in specie*’ to its underlying shareholders *pro-rata* to their interest in Southern Minerals. Further details of the Share Exchange Agreement are set out in paragraph 11.5 of Part V of this document.

Moongate

Moongate is a South African incorporated company and a 74 per cent. owned subsidiary of Southern Iron. Moongate has a prospecting right over the Malelane Project (further details of which are set out in paragraph 3 below) and is fully BEE compliant via its other 26 per cent. shareholder Mkhombi, a company with experienced mining executives. Both shareholders are required under the terms of the Moongate Shareholders’ Agreement to contribute financially to the development of the Malelane Project *pro-rata* to their shareholding.

Umbono Minerals

A South African incorporated company, Umbono Minerals is 49 per cent. owned by Southern Iron. The remaining 51 per cent. is owned by Umbono Resources. Pursuant to the terms of the Umbono Agreement, Southern Iron will acquire an additional 25 per cent. interest in Umbono Minerals from Umbono Resources upon such acquisition being approved pursuant to section 11 MPRDA. There is no additional consideration payable by either the Company or Southern Iron for the acquisition by Southern Iron of this additional 25 per cent. interest in Umbono Minerals. Furthermore, on the anticipated grant of the Tweed Prospecting Right, the Company will issue an additional 67,687,790 Ordinary Shares to Umbono Resources. Further details of the Umbono Agreement are set out in paragraph 11.6 of Part V of this document.

Umbono Minerals' main asset is the Leinster Project (further details of which are set out in paragraph 3 below). Umbono Minerals is fully BEE compliant via Umbono Resources. Both Southern Iron and Umbono Resources are required, under the terms of the Umbono Shareholders' Agreement to contribute financially to the development of the Leinster Project *pro-rata* to their shareholding.

Mozambique JV

Southern Iron is party to the Mozambique JV with Capitol Resources, a wholly owned subsidiary of Baobab Resources plc, an AIM listed company. The Mozambique JV, (further details of which are set out in paragraph 11.8 of Part V of this document), relates to an area in Mozambique covered by the Changara Project (further details of which are set out in paragraph 3 below). Under the terms of the Mozambique JV, Southern Iron will earn a participation interest of 50 per cent. of the Mozambique JV on completion of the agreed work programmes at an aggregate cost of not less than US\$1,500,000 to Southern Iron (of which US\$300,000 is required to be spent by 28 November 2011). Southern Iron will earn a participation interest of 65 per cent. of the Mozambique JV on completion of a pre-feasibility study, rising to 80 per cent. on completion of a bankable feasibility study.

Other

Southern Iron is also party to a conditional option agreement, giving Southern Iron an option to acquire up to 90 per cent. of the issued share capital of Societe Generale de Mine SARL V (the "SGM Option Agreement"). The SGM Option Agreement is conditional on the granting of a licence over a manganese deposit in the Nageya region in Togo. Further details of the SGM Option Agreement are contained in paragraph 11.7 of Part V of this document.

3. Mineral properties

As set out in paragraph 2 above, the Group holds interests in one iron ore property and two manganese properties located in South Africa and Mozambique. Further summaries of these properties are set out below.

Malelane Project

The Malelane Project is a prospecting right for iron ore covering an area of 4,192Ha in the Mpumalanga region of South Africa. Pursuant to sections 16 and 17 MPRDA, the prospecting right was granted on 20 May 2008 to Moongate for a period of five years, with Moongate having the right to renew the prospecting right for a further three years in accordance with section 18 MPRDA.

The Malelane Project is located over part of the Archean Barberton Greenstone Belt, which comprises volcanic rocks, clastic and chemical sedimentary rocks including BIF. Three distinct BIF horizons occur on the property, with a combined strike length of 14km and mapped widths of up to 300m.

Between 1954 and 1957, 25,468t of hematite ore grading up to 66.4 per cent. FE was produced from the Malelane Project. Subsequent work highlighted the presence of a potentially large additional resource of low grade hematite mineralisation.

Moongate has most recently completed a first round of drilling on one of the BIF horizons. Whilst some holes are still pending, initial results include the following intercepts:

- Hole SPRC01: 177m at 44.2 per cent. Fe (including 16m at 59.7 per cent.).
- Hole SPRC05: 212m at 36.6 per cent. Fe.

Previous exploration undertaken by Moongate included geological mapping, rock chip and chip channel sampling, airborne LIDAR, aeromagnetic and radiometric surveys, processing of Landsat images and clearing, mapping and sampling of trenches cut by previous explorers. As a result of this work Coffey Mining has calculated a conceptual exploration target of 775 to 930mt at 34 to 36 per cent. Fe for the Malelane Project.

The Malelane Project benefits from established infrastructure, by virtue of being located 6km from a rail line that runs 170km to the port of Maputo in Mozambique, with both water and power in the immediate project area.

Further details of the Malelane Licence are set out in paragraph 11.13 of Part V of this document.

Leinster Project

The Leinster Project consists of a prospecting right covering nine farms with an aggregate area of 42,433Ha and an application for the Tweed Prospecting Right that covers an area of 4,434Ha. The existing prospecting right was granted to Umbono Minerals on 23 October 2009 for a five year period, with a right to renew for an additional three years in accordance with section 18 MPRDA. The application for the Tweed Prospecting Right was made by Umbono Manganese Severn, a wholly owned subsidiary of Umbono Minerals and subsequently accepted by the Department of Mineral Resources in South Africa on 9 September 2010, although it is yet to be granted.

South Africa hosts the largest metallogenic province of manganese mineralisation in the world. The Leinster Project covers the northernmost known erosional relict (the Leinster Manganiferous Basin) of the Kalahari Manganese Field (“KMF”). Aquila Resources Limited has recently defined a resource of 109 mt at 39 per cent. Mn in the Avontuur Basin, another erosional remnant of the KMF located 20 kilometres south of the Leinster Project.

Manganese mineralisation and host lithologies in the KMF are concealed beneath soft, generally semi-consolidated sediments of the Kalahari Formation. In the Leinster Basin, the Kalahari Formation cover is between 70 and 150m thick.

Anglo American Corporation explored the Leinster Basin from 1977 to 1988. Exploration included ground magnetic, gravity and IP surveys followed by diamond and percussion drilling programmes. A total of 51 boreholes were drilled, which led to estimation of an ‘Indicated Resource’ (not compliant with JORC) of 7.8mt at 34.8 per cent. Mn. Coffey Mining has defined a JORC exploration target of 5.5 to 8.7 mt at 28.6 to 31.3 per cent. Mn.

Further details of the Leinster Licence and the Tweed Prospecting Right are set out in paragraphs 11.11 and 11.12 of Part V of this document.

Changara Project

The Changara Project comprises four exploration licences held by Capitol Resources covering an area of 51,060 Ha in the Tete Province of Mozambique, bordering the northeast corner of Zimbabwe. Stratabound and stratiform manganese mineralisation at Changara is hosted by Proterozoic high-grade metamorphic rocks. Enrichment occurs in fold closures, with secondary mobilisation along faults, joints and dykes. Individual lenses of manganese mineralisation are up to 200m long and historical selective grab samples returned grades up to 53.37 per cent. manganese.

Given the geological similarity between Changara and the Broken Hill district of Australia, exploration by Southern Iron’s joint venture partner, Capitol Resources has focused on Broken Hill Type (“BHT”) mineralisation. Capitol Resources has identified a number of targets that have been incorporated into the exploration programme. Although BHT mineralisation is not a focus for the Group, low-cost evaluation of BHT mineralisation has been incorporated into the exploration programme because of the results received to date by Capitol Resources.

Further details of the Changara Licences are set out in paragraph 11.14 of Part V of this document.

4. Proposed work programme

Subject to results, the Group plans to complete a number of work programmes in the 18 months following Admission including:

Malelane Project

- A resource compliant with JORC to be compiled on a portion of the existing exploration target in the Malelane Project.
- Pre-feasibility study on this JORC compliant resource.

Leinster Project

- Initial regional exploration, via geophysics.
- Follow up drilling of the targets identified in the initial regional exploration.

Changara Project

- Continued infill soil sampling, outcrop sampling and detailed mapping.
- Limited initial drill campaign.

5. Budget

Ferrex is proposing to spend the following amounts in executing the current and proposed work programmes which also satisfies all minimum spend commitments. All amounts are in pounds sterling.

	<i>Year One</i>	<i>Year Two</i>
	£	£
Malelane Project		
Drilling	411,168	—
Geology and Mining	26,000	—
Met Testwork	22,750	22,750
Engineering	54,545	90,909
Environmental	2,273	27,273
Marketing Survey	—	12,048
RSA Staff	11,818	1,364
Total Malelane Costs	528,555	154,344
	<i>Year One</i>	<i>Year Two</i>
	£	£
Leinster Project		
Drilling	163,416	—
Aeromag	210,158	—
RSA Staff	11,818	1,364
Total Leinster Costs	385,392	1,364
Changara Project	145,000	—

6. Summary of South African and Mozambique mining law

A summary of relevant South African and Mozambique mining law applicable to the Group's projects is contained in Part VI of this document.

7. Objectives and strategy

The initial focus of the Group will be on the Malelane Project which the Directors believe is an attractive opportunity due to the combination of its large exploration target and proximity to infrastructure. The Group's longer term strategy is to build up its manganese portfolio. In addition to the Leinster and Changara Projects, the Company is actively pursuing additional manganese projects in Africa to bring more emphasis to this mineral over time.

8. Key strengths

The Directors believe that the Group has the following key strengths:

- ***Exploration targets which can be converted to resources compliant with the JORC code***
Two of the Group's three properties host exploration targets that outcrop or occur at shallow depths. The Group plans to define resources compliant with JORC at the Malelane Project within six months of Admission.
- ***Ability to commence pre-feasibility studies within a short timeframe***
With the publication of a JORC compliant resource, the Group will be able to commence a pre-feasibility study within a relatively short timeframe.
- ***Management***
The Directors and the Group's management have a proven track record of exploring and developing mineral assets in Africa and have created significant value for shareholders in previous companies with which they have been involved.

9. Current trading and prospects

Ferrex is purely an exploration company and, therefore, has not yet generated any revenue. The Directors do not expect it to be profitable for some time.

An unaudited pro forma statement of the consolidated net assets of the Group, showing the impact of the Placing, is set out in Part III of this document. On Admission, the Directors anticipate that the Group will have cash resources (including the net proceeds of the Placing) of approximately £1.64 million to continue its exploration and evaluation activities.

10. Directors and senior management

As at Admission, the Board will consist of one executive director and three non-executive directors, whose details, along with those of the Group's senior management, are set out below:

Directors

Brian Moritz, Chairman (Aged 75)

Brian Moritz is a Chartered Accountant and former Senior Partner of Grant Thornton UK LLP, London. He formed Grant Thornton's Capital Markets Team which floated over 100 companies on AIM under his chairmanship. In December 2004 he retired from Grant Thornton UK LLP to concentrate on bringing new companies to the market as director. He specialises in mining companies, primarily in Africa, and was formerly chairman of African Platinum plc ("Afplats") and Metal Bulletin plc as well as currently being chairman of several junior mining companies.

Dave Reeves, *Managing Director (Aged 42)*

Dave Reeves holds a first class honours degree in mining engineering from the University of New South Wales, a graduate diploma in applied finance and investment from the Securities Institute of Australia, and a Western Australian first class mine managers certificate of competency. Dave has been involved with mining precious, base and industrial minerals throughout his career. He has spent the last 13 years developing projects in Africa, including Zimbabwe Platinum Mines Limited (“Zimplats”) and Afplats where he was responsible for the feasibility studies and development of the projects as well as being involved in the sale of both companies. He has most recently been Managing Director of Southern Minerals, a private, Africa focused mineral development company from which the Company acquired Southern Iron. He is currently a director of ASX listed Minbos Resources Limited and Southern Crown Resources Limited.

Roy Pitchford, *Non-executive Director (Aged 60)*

Roy Pitchford is a Chartered Accountant, with more than 25 years senior management and executive experience. Previously Chief Executive Officer of Cluff Resources Zimbabwe Limited, Delta Gold Zimbabwe (Pvt) Limited, Zimplats, Afplats, and African Minerals Limited. Roy currently sits on the boards of several public and private mining companies.

Russell Lamming, *Non-executive Director (Aged 42)*

Russell Lamming is a geologist with an honours degree in geology from the University of the Witwatersrand and a Bachelor of Commerce in Economics from the University of Natal. Russell has a broad range of experience including a directorship at a South African mining consultancy and as a precious metals analyst for Deutsche Bank. As a mining consultant, Russell’s experience includes competent persons reports, the valuation and strategic analysis of mineral projects, technical due diligence on resource projects, and bankable feasibility studies. Russell led the commercial process at Afplats. Russell was Chief Executive Officer of AIM listed Chromex Mining plc until its recent purchase by Synergy Africa Limited.

Senior Management

Mark Styles, *Exploration Manager (Aged 40)*

Mark Styles is a geologist with a first class honours degree obtained from the University of Western Australia and 20 years’ experience in exploration and project management worldwide. His experience covers a range of precious metals, base metals and industrial minerals in Australia, Saudi Arabia, Tanzania, South Africa, Canada and Mexico, where he was country manager for an ASX listed explorer Azure Minerals Limited. In 2008, Mark established a geological consulting company, which has provided consulting services to Cliffs Natural Resources Inc. on targeting and evaluation of exploration ground near their Australian iron ore operations since April 2009.

James Carter, *Chief Financial Officer (Aged 41)*

James Carter is an Australian qualified Certified Practising Accountant and Chartered Company Secretary. He has 16 years’ commercial, financial and M&A experience in the resources industry, particularly gold, copper and coal, working in site based and corporate office roles in Australia, Indonesia and Singapore. James was previously Chief Financial Officer of Singapore Securities Exchange listed thermal coal producer Straits Asia Resources Limited and ASX listed diversified miner Straits Resources Limited. He is a founder of Worldwide Mining, a private company exploring for coal in Indonesia and is a non-executive director of PTT Asia Pacific Mining (Pty) Limited.

11. Directors' interests, lock-in and orderly market arrangements

On Admission, the individual interests of the Directors in the Company will be as follows:

<i>Name</i>	<i>Number of Ordinary Shares held on Admission</i>	<i>Percentage of Enlarged Share Capital</i>
Brian Moritz	13,333,333	2.57
Dave Reeves	95,446,523	18.37
Russell Lamming	40,833,333	7.86
Roy Pitchford	75,833,333	14.60

Pursuant to the terms of the Directors' Lock-in and Orderly Market Agreement, the Directors have agreed (in accordance with Rule 7 of the AIM Rules for Companies) not to dispose of any interests in any Ordinary Shares for a period of 12 months from Admission.

In addition, the Directors have agreed that, for the period of 12 months after the first anniversary of Admission, they will only effect a disposal of Ordinary Shares through Ocean Equities (or the broker to the Company at that time), provided that the price, costs and expenses relating to the disposal are competitive with those offered by other brokers and Ocean Equities is, within a period of five days, able to obtain a price equal to or in excess of the best price which can be obtained elsewhere.

Pursuant to the terms of the Shareholder Lock-in and Orderly Market Agreement, William Lovering has agreed not to dispose of his interest in 12,000,000 Ordinary Shares for a period of 12 months from Admission.

In addition, William Lovering has agreed that, for the period of 12 months after the first anniversary of Admission, he will only effect a disposal of such Ordinary Shares through Ocean Equities (or the broker to the Company at that time), provided that the price, costs and expenses relating to the disposal are competitive with those offered by other brokers and Ocean Equities is, within a period of five days, able to obtain a price equal to or in excess of the best price which can be obtained elsewhere.

Further details of the Directors' and the Shareholder Lock-in and Orderly Market Agreements are set out in paragraphs 11.4(a) and (b) of Part V of this document.

12. The Placing

Pursuant to the Placing Agreement, Ocean Equities has agreed to use its reasonable endeavours to procure, as agent for the Company, institutional and other investors for the Placing Shares at the Placing Price to raise £2 million (before fees and expenses). The Placing is conditional upon, *inter alia*, Admission becoming effective no later than 18 July 2011 (or such later date as Grant Thornton, Ocean Equities and the Company may agree but in any event no later than 25 July 2011) and the Placing Agreement not having been terminated prior to Admission. The Placing Shares will be credited as fully paid upon issue and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission. Further details of the Placing Agreement are set out in paragraph 11.1 of Part V of this document.

13. Use of proceeds

The net proceeds of the Placing will be used to advance the Group's projects as set out in 'Proposed work programme' in paragraph 4 above and to provide general working capital for the Group.

14. Reasons for the Admission

The Directors believe that Admission is an important step towards developing a successful iron ore and manganese exploration and production business. The Directors consider that Admission will raise the public profile of the Group and its assets, facilitate project acquisition and provide a platform to raise capital quickly and efficiently as required.

15. Dividend policy

The Company's policy is to increase capital value and therefore dividends will not be paid in the short term.

16. Share incentive plan

The Company recognises the importance of attracting, retaining and incentivising high quality personnel. The Company has implemented the Share Option Scheme, further details of which are contained in paragraph 4 of Part V of this document and it is the Company's intention to implement a further suitable share incentive scheme to enable up to 10 per cent. of the Company's issued share capital to be utilised for management share incentives following Admission.

17. Taxation

The attention of investors is drawn to the information regarding taxation which is set out in paragraph 17 of Part V of this document. These details are, however, intended only as a general guide to the current taxation law position in the United Kingdom for certain types of investor. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the United Kingdom are strongly advised to consult their professional advisers.

Your attention is also drawn to the risk factor on taxation set out in Part II of this document.

18. CREST and trading in Ordinary Shares

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Regulations.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. It is expected that, where Placees have asked to hold their Ordinary Shares in uncertificated form they will have their CREST accounts credited with Ordinary Shares on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, it is expected that share certificates will be despatched within five Business Days of the date of Admission. No temporary documents of title will be issued. Pending the receipt of definitive share certificates in respect of the Placing Shares, transfers will be certified against the register.

Application will be made for the Existing Ordinary Shares and Placing Shares to be admitted to AIM and separately for the Ordinary Shares to be eligible for admission to CREST with effect from Admission. It is expected that Admission will take place and dealings in the Ordinary Shares will commence on 18 July 2011.

19. Corporate governance

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 intends to comply as far as possible with the Corporate Governance Guidelines for smaller quoted companies published by the Quoted Companies Alliance, and, as the Company develops, the Board intends to comply as far as practicable with the Corporate Governance Code. The Company has already established Audit and Remuneration Committees, with formally delegated duties and responsibilities. Set out below is a description of the Company's corporate governance practices.

Meetings of the Board

The Board is required to meet regularly and at least on a quarterly basis and is responsible for strategy, assessment of performance, approval of any major capital expenditure and the framework of internal controls. The Board will establish a formal schedule of matters specifically reserved to it for decision, including matters relating to management structure and appointments, strategic and policy considerations, corporate and significant transactions and finance. To enable the Board to discharge its duties, all members of the Board will receive timely information. The Articles, summarised in paragraph 6 of Part V of this document, provide that

at each annual general meeting one-third of the Board shall retire from office, the directors to retire by rotation each year shall be those longest in office since their last appointment or re-appointment.

Audit and Remuneration Committees

The Audit Committee, which comprises Roy Pitchford, Brian Moritz and Russell Lamming, and which is chaired by Roy 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 required to be 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 and is required to compile a report to shareholders to be included in the annual report and accounts of the Group. The members of the Audit Committee are re-elected annually by the Board.

The Remuneration Committee, which comprises Russell Lamming, Brian Moritz and Roy Pitchford and which is chaired by Russell 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.

Internal financial controls

The Board will be responsible for establishing and maintaining the Group's system of internal financial controls and importance is placed on maintaining a strong control environment. The key procedures which the Board intends to establish, with a view to providing effective internal financial control include the following:

- the Company will institute a monthly management reporting process to enable the Board to monitor the performance of the Group;
- the Board will adopt and review a comprehensive annual budget for the Group. Monthly results will be examined against the budget and deviations will be closely monitored by the Board;
- the Board will be responsible for maintaining and identifying major business risks faced by the Group and for determining the appropriate courses of action to manage those risks; and
- fully consolidated management information will be prepared on a regular basis, at least half yearly.

The Board recognises, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Group will therefore be subject to regular review by the Board in light of the future growth and development of the Group and adjusted accordingly.

Share dealing code

The Company has adopted a code for dealings in Ordinary Shares which is appropriate for an AIM company, including compliance with Rule 21 of the AIM Rules for Companies relating to directors' and applicable employees' dealings in Ordinary Shares.

20. The City Code

The City Code applies, *inter alia*, to offers for all public companies (other than open ended investment companies) which have their registered office in the United Kingdom, the Channel Islands or the Isle of Man. However, the Panel on Takeovers and Mergers will normally consider a company to be resident in the United Kingdom, the Channel Islands or the Isle of Man and therefore subject to the City Code, only if it is incorporated in and has its place of central management in one of those jurisdictions. Whilst the Company believes that its place of central management will be in the United Kingdom, the Panel on Takeovers and

Mergers may not regard the Company as having its place of central management in the United Kingdom in which case, the Panel on Takeovers and Mergers may decline to apply the City Code to the Company with the result that Shareholders may not receive the benefit of the takeover offer protections provided by the City Code.

21. Bribery Legislation

The Bribery Act 2010, prescribes criminal offences for businesses engaged or allowing others to engage in bribery or corrupt practices. This is due to come into force on 1 July 2011 and will apply to both the Company and to certain Directors (due to British citizenship). In addition, Guernsey (where Southern Iron is incorporated), is subject to the Prevention of Corruption (Bailiwick of Guernsey) Law 2003 which contains broadly similar restrictions. All the Directors intend to comply with and have regard to the impact of such legislation and the Group is in the process of establishing appropriate procedures to ensure compliance.

22. Further information

Potential investors should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Investors' attention is drawn, in particular, to the summary of applicable law in South Africa and Mozambique set out in Part VI of this document, the Risk Factors set out in Part II of this document and the further information set out in Parts III to V of this document.

PART II

RISK FACTORS

The investment detailed in this document involves a high degree of risk. Potential investors should carefully consider the specific risks described below, which are not set out in any particular order of priority. The Directors believe that these are the material risks of the Group's business, its industry and the Placing. Before making an investment decision, prospective investors are advised to consult a professional adviser authorised under FSMA who specialises in advising on investments of the kind described in this document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

The exploration for and development of natural resources is a highly speculative activity which involves a high degree of risk. Additional risks not presently known by the Directors or that the Directors currently deem immaterial may also impair the Group's business operations. If any of the following risks actually occur, the Group's business, financial condition and operating results could be harmed. In any such case, the trading price or the underlying value of Ordinary Shares, could decline and investors might lose all or part of their investment. In assessing these risks, potential investors should also refer to the other information contained in this document, including (without limitation) the financial information set out in Part III of this document.

1. Risks Related to the Group's Operations and Industry

Future results including resource recoveries and work programme plans and schedules, will be affected by changes in market conditions, commodity price levels, fluctuations in exchange rates, political and regulatory developments, timely completion of exploration programme commitments or projects, the outcome of commercial negotiations and technical or operating factors.

Title matters

While the Directors have no reason to believe that the existence and extent of any of the Group's properties are in doubt, title to mining properties is subject to potential litigation by third parties claiming an interest in them. The failure to comply with all applicable laws and regulations, including failure to pay taxes, meet minimum expenditure requirements or carry out and report assessment work, may invalidate title to mineral rights held by the Group.

Tweed Prospecting Right

Whilst the application for the Tweed Prospecting Right has been submitted by Umbono Manganese Severn and accepted, the Minister of Minerals and Energy in South Africa does have an element of discretion in determining whether Umbono Manganese Severn has complied with all of the provisions set out in the MPRDA. Accordingly the Group can offer no guarantee that the application for the Tweed Prospecting Right will be granted.

The area covered by the Tweed Prospecting Right is occupied by the Baja Bareki Traditional Community. By way of a letter dated 18 November 2010 signed by the community's traditional leader, Umbono Manganese Severn has been authorised to prospect on the area. Whilst the authority contained in this letter should not be capable of being disputed, the Group cannot guarantee that the authority provided is absolute.

Umbono Minerals – section 11 consent

Southern Iron owns 49 per cent. of the issued share capital of Umbono Minerals. An application has been lodged in terms of section 11 of the MPRDA to approve the acquisition by Southern Iron of a further 25 per cent. of the entire issued share capital of Umbono Minerals to take its shareholding up to 74 per cent. In choosing to approve the acquisition the Minister of Minerals and Energy in South Africa does have an

element of discretion in determining whether the applicant has complied with all of the provisions set out in the MPRDA. Accordingly the Group can offer no guarantee that the acquisition will be approved.

Right of use and development of land

Capitol Resources does not currently hold a right of use and development of land (DUAT) in relation to the areas covered by the Changara Licences. A DUAT is required in order to exploit the land it covers for the purpose for which the DUAT was issued (such as mining). Whilst the holders of mining concessions have an automatic right to a DUAT, Capitol Resources does not intend to apply for one until further exploration indicates whether there is a possibility of establishing an operation in the area covered by the Changara Licences. In the absence of a DUAT, Mozambique law establishes that requests for the use of land for purposes of undertaking mining activities enjoy priority over any other request. There are no applicable penalties for not having a DUAT however a DUAT may be granted to another entity which could result in Capitol Resources being removed from the relevant area however, as noted above, mining activities enjoy a priority over other requests and it would be possible for the mining authorities to have a competing DUAT revoked in order to allow Capitol Resources to proceed with its activities.

Reliance on third parties

Management of the Changara Project is currently being undertaken by Capitol Resources. The Group has no control over Capitol Resources and cannot guarantee that Capitol Resources has complied with, or will comply with, applicable law and regulations. Any failure by Capitol Resources to comply fully with applicable law and regulation in relation to the Changara Project, could substantially reduce the value of the Group's interest in the Mozambique JV.

Limited operating history

The Group does not have an established trading record and it is therefore difficult for prospective investors to evaluate the Group's business and future prospects. There can be no assurance that losses will not occur in the near future or that the Group will be profitable in the future.

The Group expects to continue to incur losses unless and until such time as its projects enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Group's projects will require the commitment of substantial resources to conduct exploration and development of projects. There can be no assurance that the Group will generate any revenues or achieve profitability.

Estimates in financial statements

Preparation of consolidated financial statements requires the Group to use estimates and assumptions. Accounting for estimates requires the Group to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. The Group's accounting policies regarding exploration and evaluation require management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves or resources have been found. In addition, the carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. If the estimates and assumptions are inaccurate, the Group could be required to write down the value of certain assets. On an ongoing basis, the Group re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

Early stage of operations

The Group's operations are at an early stage of development and future success will depend on the Group's ability to manage the current projects and to take advantage of further opportunities which may arise. There can be no guarantee that the Group can or will be able to, or that it will be commercially advantageous for the Group to, develop its properties. Further, the Group currently has no properties producing positive cash flow and its ultimate success will depend on the Directors' ability to implement their strategy, generate cash flow from economically viable projects and access equity markets. Whilst the Directors are optimistic about

the Group's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved. The Group will not generate any material income until mining has successfully commenced and in the meantime the Group will continue to expend its cash reserves and may, in due course, need to raise debt or additional equity capital.

Exploration, development and operating risks

Mineral exploration and development involve significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. A small proportion of properties that are explored are ultimately developed into producing mines. There is no guarantee that exploration and development work on the Group's properties, or any properties acquired by the Company and/or Group in the future, will result in the discovery of an economically viable deposit. The timeline from discovery to production is likely to run for several years; during this time the economic viability of a deposit may change. It is impossible to ensure that the exploration or development programs planned by the Group will result in a profitable commercial mining operation. Commercial viability of particular mineral deposits are dependent on a number of factors, some of which are: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices, which can fluctuate and are typically cyclical; and (iii) government regulation, including regulation relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of them may result in the Group not receiving an adequate return on invested capital.

The Group's operations are at an early stage of development and success will depend in part on the Directors' ability to manage the current projects and to take advantage of further opportunities which may arise. There can be no guarantee that the Group can or will be able, or that it will be commercially advantageous for it, to develop all or any of its projects. Additionally, the Group cannot guarantee that the tonnages and grades estimated for exploration targets conceptual project developments outlined in this document are achievable. The Group currently has no assets generating positive cash flow and future success will depend on the ability to generate cash flow from active mining operations and to access equity markets for development requirements.

Costs outlined in the Competent Person's Reports are based on certain assumptions with respect to the method and timing of exploration and development. These estimates are subject to significant uncertainty and the actual costs may differ materially. If reserves are developed, it can take significant expenditure and a number of years from the initial phases of drilling and identifying mineralization until production is possible, during which time the economic feasibility of production may change. Accordingly, no assurance can be given that the cost estimates and underlying assumptions will be realised, which may materially and adversely affect the Group's viability.

The Group may consider the acquisition of exploration or development properties or operating mines, either as stand-alone assets or as part of companies. Such acquisition decisions will be based on a variety of factors, including (but not limited to): (i) historical operating results; (ii) estimates of, and assumptions about, resources and reserves, cash and other operating costs, commodity prices and projected economic returns; and (iii) evaluations of existing or potential liabilities associated with each property and its operations. These parameters (excluding historical results) may differ significantly from the Group's estimates; these differences may result in the Group not receiving an adequate return on invested capital.

Exploration and mining operations generally involve a high degree of risk. The Group's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of mineral commodities. Although precautions to minimize risk will be taken, the Company's operations will be exposed to hazards including (but not limited to) unusual or unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, fire, equipment failure, pit wall failure and other conditions involved in the drilling and removal of material. Any one of these issues and hazards could result in work stoppages, damages to, or destruction of the Group's facilities, personal injury, damages to life or property, environmental damage or pollution, business interruption, monetary losses and possible legal liability which could have a material adverse impact on the business, operations and financial performance of the Group. The Group may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

Mineral rights, concessions and licences

The Group's existing permits and project areas are in jurisdictions outside of the United Kingdom and accordingly there are a number of risks which the Group may be unable to manage. The Group has secured rights, concessions or licences as outlined in this document. Government approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. These rights, concessions or licences, and any others acquired in future, are subject to requirements, including certain financial commitments which, if not fulfilled, could result in the suspension or ultimate forfeiture of the relevant rights, concessions or licences. The Group must also comply with existing standards, laws and regulations that may result in the Group incurring greater costs and/or suffering delays, depending on the nature of the activity to be permitted and the permitting authority.

Failure by the Group to obtain the necessary mining licences or government consent, revocation of an existing licence, failure to renew a licence or failure to obtain a licence that is required to move from one stage of the industry cycle to another could have a material adverse effect on the Group's financial performance and may lead to a reduction in the carrying value of assets and may jeopardize the viability of the Group's projects. Where the Group fails to comply with its obligations in respect of any such licences or permits, then the said licence or permit may be lost, forfeited or not renewed by the grantor.

Changes in government policy

Adverse changes in the relevant governments policy or legislation affecting foreign ownership of mineral interests, taxation, imposition of additional fees, repatriation of profit, royalties, land access, labour relations, granting of approval or consent and mining or exploration activities may affect the operations of the Group. It is possible that the current systems of granting exploration and mining permits in jurisdictions in which the Group operates may change, resulting in impairment of rights and possibly expropriation of one or more of the Group's properties without adequate compensation. If at any stage the Group cannot pursue its exploration and development programs because of such factors, the Group's financial condition and forward projections would be materially adversely affected.

Uncertainty associated with Mineral Resource and Ore Reserve estimates

The estimation of Mineral Resources and Ore Reserves involves a certain degree of supposition and the accuracy of these estimates is a function of the quality and quantity of available data and the assumptions used and judgments made in interpreting information. There is significant uncertainty in any resource or reserve estimate and the assumptions used or judgments made may prove to be inaccurate; the economic viability of mining may differ materially from the Group's estimates. As further information becomes available through additional field work and analysis, the estimates are likely to change. This may result in alterations to development and mining plans, which may in turn adversely affect the financial position of the Group.

No assurance can be given that any mineral reserves and resources reported by the Group in the future are present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. A decline in the market price for natural resources that the Group may discover could render reserves uneconomic to recover and may ultimately result in a reclassification of reserves as resources.

Lack of infrastructure

Exploration, development, mining and processing activities depend, to a significant degree, on adequate infrastructure. Some of the Group's properties, and likely future acquisitions, are located in districts which lack infrastructure specifically required for mining developments such as: (i) sources of third party supplied power; (ii) sources of third party supplied water; and (iii) reliable road or rail facilities. This lack of infrastructure may affect the feasibility of mining operations. Additionally, adverse weather conditions, sabotage and government or other interference in the maintenance or provision of such infrastructure could adversely affect the Group's operations and financial condition.

Transportation delays

Increases in transportation costs may adversely affect the Group's ability to compete successfully. If there are increased transport costs, the Group's results of operations could be materially adversely affected. There can be no guarantee that suitable capacity of transport networks for the transportation of minerals will be available on commercially acceptable terms.

Ability to exploit successful discoveries

It is possible that the Group may not be able to exploit commercially viable discoveries in which it acquires an interest. Exploitation may require external approvals or consents from relevant authorities and the granting of these approvals and consents is beyond the Group's control. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the Group may not be able to meet. As a result of such delays, the Group may incur additional costs, losses of revenue or part or all of its equity in a licence. Additionally, should the regulatory regime in an applicable jurisdiction be modified in a manner which adversely affects natural resources facilities or projects, including in taxes and permit fees, the returns to the Group may be adversely affected.

Inherent mining risks

Exploration and mining is carried out in an environment where not all events are predictable. Whilst an effective management team can both identify the known risks and take measures to manage and mitigate these risks, there is still the possibility for unexpected and unpredictable events to occur. It is therefore not possible to remove all risks or to state with any degree of certainty that an event that may have a material impact on the operation of a mine will not occur.

Availability of drilling, exploration and mining equipment

The availability of drilling and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations outside the current focus area of the Group or in other areas may reduce the availability of equipment and services to the Group and increase the cost of such equipment and services. Similarly, the Group may have difficulty sourcing the exploration and mining equipment it requires in the timeframe envisaged by the Group's plans due to high global demand for such equipment. The reduced availability of equipment and services may delay the Group's ability to exploit any reserves and adversely affect the Group's operations and profitability.

Workforce and labour risks

Certain of the Group's operations may be carried out under potentially hazardous conditions. Whilst the Group intends to operate in accordance with relevant health and safety regulations and requirements, the Group remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Group's control or uninsurable.

The skill base of the local labour force in the areas of operation is limited; there is a shortage of workers with good managerial or technical skills.

Given the current high level of activity in the global exploration and mining industry, the Group may be unable to source personnel and equipment to meet its objectives, which could affect the Group's development schedule and financial position.

The Company believes that all of the Group's operations have, in general, good relations with their employees and unions. However, there can be no assurance that the Group's operations will not be affected by labour-related problems in the future, such as union demands and litigation for pay rises and increased benefits. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in local countries of operation) will not adversely affect the results of operations or the financial condition of the Group.

Health Risks

HIV/AIDS represents a serious threat to maintaining skilled workforces in the mining industry throughout Africa. Such diseases are a major health care challenge faced by the Group. There is no guarantee that the Group will not lose members of its workforce, workforce man hours or incur increased medical costs as a result of these and other diseases, which may have a material, adverse effect on the Group's operations.

Operating risks

The Group's operational targets will be subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Group's personnel, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group.

Operations of the Group may be affected by various factors, including (but not limited to) failure to locate or identify viable mineral deposits, failure to achieve predicted grades, operational and technical difficulties encountered in exploration, development or mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial or environmental accidents, industrial disputes and unexpected shortages or increases in the cost of consumables, spare parts, plant and equipment.

Payment Obligations

Contractual agreements to which companies in the Group are party to, or may in the future become party to, may give rise to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by such companies. The Company may not have or may not be able to obtain financing for all such obligations as they arise.

Commodity prices and exchange rates

Should the Group succeed in developing a mineral deposit, the profitability of its operations will depend to a large degree on the market price of commodities and on exchange rates.

If commodity prices decrease significantly or for an extended period of time, the value of the Ordinary Shares could be adversely affected. A decline in commodity prices may render reserves uneconomic and may in certain circumstances ultimately lead to a restatement of reserves. The performance of an exploration company's share price may, but will not necessarily, exhibit a correlation with the price of commodities. In addition, the Company could determine that it is not economically viable to continue the development of some or all of the Group's projects.

Commodity prices are also affected by macroeconomic factors including confidence in the global monetary system, expectations of the future rate of inflation, the strength of (and confidence in) the US dollar and other currencies, interest rates, and global or regional political or economic events.

Fluctuations in exchange rates between currencies in which the Group invests, reports or derives income, may cause fluctuations in the Group's financial results that are not necessarily related to the Group's underlying operations. This may result in additions to the Group's reported costs or reductions in the Group's reported revenues.

Environmental, health and safety and other regulatory standards

The projects in which the Group invests and its exploration and potential extraction activities are subject to various laws and regulations relating to the protection of the environment (including regular environmental impact assessments and the obtaining of appropriate permits or approvals by relevant environmental authorities) and are also required to comply with applicable health and safety and other regulatory standards. Environmental legislation in particular can, in certain jurisdictions, comprise numerous regulations which might conflict with one another and which cannot be consistently interpreted. Such regulations typically cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Group may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any

of its properties or which may be produced as a result of its operations. Although the Directors believe that all necessary environmental consents are in place to enable exploration for manganese and iron ore to take place and the Group intends to operate in accordance with the highest standards of environmental practice and comply in all material respects, full compliance with applicable environmental laws and regulations may not always be ensured.

Any failure to comply with relevant environmental, health and safety and other regulatory standards may subject the Group to extensive liability and fines and/or penalties and have an adverse effect on the business and operations, financial results or financial position of the Group. In particular, a violation of health and safety laws relating to a mine, or other plant or a failure to comply with the instructions of the relevant health and safety authorities could lead to, among other things, a temporary shutdown of all or a portion of the mine, or other plant, a loss of the right to mine or to use other plant, or the imposition of costly compliance procedures. If health and safety authorities require the Group to shut down all or a portion of a mine, or other plant or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could have a material adverse effect on the Group's results or operations or financial condition. Furthermore, the future introduction or enactment of new laws, guidelines and regulations could serve to limit or curtail the growth and development of the Group's business or have an otherwise negative impact on its operations. Any changes to, or increases in the current level of regulation or legal requirements may have a material adverse effect upon the Group in terms of additional compliance costs.

Reliance on key executives and personnel

The responsibility of overseeing day-to-day operation and strategic management of the Group depends substantially on senior management and key personnel including Dave Reeves, Mark Styles and James Carter. The loss of the services of certain key employees or the inability to recruit personnel of a similar caliber, could have a material adverse effect on the business of the Group.

Labour

Certain of the Group's operations may be carried out under potentially hazardous conditions. Whilst the Group intends to operate in accordance with relevant health and safety regulations and requirements, the Group remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Group's control or uninsurable. Further, the Group may struggle to recruit and retain miners, engineers and other important members of the workforce required to run a full exploration or mining programme. Shortages of labour, or of skilled workers, may cause delays or other stoppages during exploration and mining.

The Company believes that all of the Group's operations have, in general, good relations with their employees and unions. However, there can be no assurance that the Group's operations will not be affected by labour-related problems in the future, such as union demands and litigation for pay rises and increased benefits. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in local countries of operation) will not adversely affect the results of operations or the financial condition of the Group.

Sovereign risks

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in South Africa or Mozambique (the current location of the Company's operations), in the UK or elsewhere. These risks and uncertainties include, but are not limited to: inflation; labour unrest; risk of war or civil unrest; expropriation and nationalization; renegotiations or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policy; restrictions on foreign exchange and repatriation; terrorist activities; extreme fluctuations in currency exchange rates and changing political conditions, currency controls and government regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

There is a high level of corruption in many African nations, especially in the extractive industries. This corruption often influences the awarding of contracts or granting of licences, which may adversely affect the Group's operations and financial performance.

The Company has adopted procedures to prevent bribery to meet its obligations under the Bribery Act 2010. The Group will continue to review its anti-corruption procedures to ensure that they are sufficiently robust to prevent corruption and to mitigate the risk of any member of the Group committing an offence under applicable bribery legislation.

No assurance can be given regarding the future stability of any countries in which the Group chooses to operate.

Retention of key business relationships

The Group will rely significantly on strategic relationships with other entities, on good relationships with regulatory and governmental departments and upon third parties to provide essential contracting services. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed, and the Group could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact the Group, its business, operating results and prospects.

Project development risks

There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. This includes, *inter alia*, the Group managing the acquisition of required land tenure, infrastructure development and other related issues affecting local and indigenous populations, their cultures and religions. Any failure of the Board to manage effectively the Group's growth and development could have a material adverse effect on its business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Board's strategy will develop as anticipated and that the Group will be profitable.

The Group's objectives may not be fulfilled

The ability of the Board to implement the Group's strategy could be adversely affected by changes in the economy and/or industry in which it operates. Although the Group has a clearly defined strategy and the Board is optimistic about its prospects, there can be no guarantee that its objectives or any of them will be achieved on a timely basis or at all. In particular, further projects/prospecting opportunities may not be available or of the quality or in the number required to satisfy the Group's requirements and therefore the anticipated development or growth of the Group may not be achieved. The Group's ability to attract new growth opportunities is also dependent on the maintenance of its reputation.

2. General business risks relating to the Group

Holding company structure and restrictions on dividends

The Company's operating results and its financial condition are dependent on the trading performance of members of the Group. The Company's ability to pay dividends will depend on the level of distributions, if any, received from the Company's subsidiaries. Members of the Group may from time to time be subject to restrictions on their ability to make distributions to the Company, as a result of factors such as restrictive covenants contained within loan agreements, foreign exchange limitations, regulatory, fiscal or other restrictions. There can be no assurance that such restrictions will not have a material adverse effect on the Group's business, operating results and financial condition.

The Company has not, since the date of its incorporation, declared or paid any dividends on its Ordinary Shares, and does not currently have a policy with respect to the payment of dividends. The Company does not plan to pay cash dividends on its Ordinary Shares for the foreseeable future although this will be reviewed periodically by the Board.

Risks associated with the need to maintain an effective system of internal controls

The Group faces risks frequently encountered by developing companies such as under-capitalisation, cash shortages and limited resources. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

General economic climate and political risk

The proposed operations of the Group will be in a foreign jurisdiction where there may be a number of associated risks over which it will have no control and which may affect its operations, business and profitability. These may include general economic, social or political instability or change, global or regional political events and international events, the supply and demand of capital, growth in gross domestic product, employment trends and industrial disruption, international economic trends, terrorism, hyperinflation, currency non-convertibility or instability/fluctuations, changes of laws affecting foreign ownership, government participation and monetary policies, taxation, working conditions, rates of exchange, exchange control, the level of interest rates and the rate of inflation, exploration and other licensing approvals. All such factors, as well as a range of other market forces, have a significant influence on demand, business costs, stock market prices and the outlook for projects and companies and the actual and potential returns to investors.

Further funding requirements

The Company may need to raise additional funds in order to fulfill its stated objectives. There is no guarantee that the prevailing market at that time will allow for such a raising or that new investors will be prepared to subscribe for Ordinary Shares at or above the Placing Price. Any additional funding will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. Failure to obtain additional funding on acceptable terms, or at all, could have a material adverse effect on the financial condition and prospects of the Group.

Competition

The Group is in competition with many companies possessing greater financial and technical resources. Competition in the exploration and mining industry is primarily for mineral properties; technical expertise to find, develop and operate mines; general labour and the capital to fund acquisition and development of such properties. Competition may result in the Group not being able to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund operations. Existing or future competition in the mining industry could materially adversely affect the Group's prospects for success in the future.

Prospective investments

The Group may expend significant costs on, *inter alia*, conducting due diligence into potential investment opportunities in further businesses or prospects/projects that may not be successfully completed or result in any acquisition being made. Growth strategy execution risks In order to expand its operations, the Group may seek to make acquisitions of selected exploration and mineral companies, businesses or assets. Any problems experienced by the Group in connection with any such acquisition could have a material adverse effect on its business, operating results and financial condition.

The competitive environment

The exploration and mining industry is intensely competitive in all of its phases. A number of other mining companies may seek to establish themselves in countries in which the Group operates and have already, or may be allowed to, tender for exploration and mining permits and other services, supplies or contracts, thereby providing competition to the Group. The Group will compete with numerous other local and international companies and individuals, including larger competitors with access to greater financial, technical and other resources than the Group, which may give them a competitive advantage in the

exploration for and commercial exploitation of attractive properties. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests and competition could adversely affect the Group's ability to acquire suitable additional properties for exploration in the future. The Group's success will depend on its ability to select and acquire exploration and development rights on properties and there can be no assurance that the Group will continue to be able to compete successfully with its rivals.

Market perception

Market perception of junior extraction and exploration companies, as well as all mining companies, in general, may change which could impact on the value of investors' holdings and the ability of the Group to raise further funds through the issue of further Ordinary Shares in the Company or otherwise.

Insurance coverage and uninsured risks

The Group plans to insure its operations in accordance with industry practice and the Group's needs and circumstances and plans to insure against the risks it considers appropriate. However, the Group's insurance may not cover all potential risks associated with the Group's business. In addition, the Group may elect not to have insurance against certain risks, due to the high premium costs associated with insuring those risks or for various other reasons, including an assessment that the risks are remote. Furthermore, as a participant in exploration and potentially extraction/mining activities, the Group may not be able to obtain insurance coverage at all or at acceptable premiums and some forms of insurance protection used in developed western countries may be unavailable in Mozambique or South Africa. In the event that insurance coverage is not available or the Group's insurance is insufficient to fully cover any losses, claims and/or liabilities incurred, the Group's business and operations may be disrupted and its financial results or financial position adversely affected. In addition, the payment by the Group's insurers of any insurance claims may result in increases in the premiums payable by the Group for its insurance cover and adversely affect the Group's financial performance. In the future, some or all of the Group's insurance coverage that is currently available may become unavailable or prohibitively expensive.

Taxation

This document has been prepared in accordance with current UK tax legislation, practice and concession and interpretation thereof. Any change in the Group's tax status or the tax applicable to a holding of Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. It should be noted that the information contained in paragraph 17 of Part V of this document relating to the taxation of the Group and its investors is based upon current tax law and practice which is subject to legislative change. The taxation of an investment in the Company depends on the individual circumstances of investors.

Litigation

While the Group currently has no material outstanding litigation, there can be no guarantee that the current or future actions of the Group will not result in litigation since there have been a number of cases where the rights and privileges of natural resource companies have been the subject of litigation and the mining industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. The Directors cannot preclude that such litigation may be brought against the Group in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Group's financial position, results or operations. The Group's business may be materially adversely affected if the Group and/or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

3. Risks specific to South Africa

In South Africa, the Company must comply with the South African Mining Charter, the Mining Codes and the BEE participation requirements and the approved social and labour plan in order to retain prospecting and mining rights. Key requirements under the Mining Charter are: (i) a minimum of 26 per cent. meaningful economic participation by historically disadvantaged South Africans; (ii) a minimum of 40 per cent. of capital goods, 70 per cent. of services and 50 per cent. of consumer goods are procured from BEE entities; and (iii) at least 5 per cent. of the payroll is spent on skills development.

BEE requirements relative to the mining industry in South Africa are set out in section 2(d) of the MPRDA which states that one of the objects of the MPRDA is to substantially and meaningfully expand opportunities for historically disadvantaged persons to enter the mineral and petroleum industries and to benefit from the exploitation of the nation's mineral and petroleum resources. This object was given effect with the adoption of the Mining Charter in October 2002, which sets the framework, targets and timetable for effecting the entry and advancement of HDSAs (historically disadvantaged South Africans as defined in the Mining Charter) into the mining industry. The Mining Charter refers to targets of 15 per cent. of equity or attributable units of production vesting in HDSA hands in a particular project within five years from the commencement of the MPRDA and 26 per cent. within ten years.

Due to the lack of clarity in the Mining Charter with regards to new applications, the DME issued a clarification document. The clarification document provided that in respect of the conversion of unused old order rights, if the rights were formerly privately held, the HDSA equity requirement is a minimum of 26 per cent., and if rights were formerly state held, the HDSA equity requirement is 51 per cent. For all applications for prospecting or mining rights after May 2005, the HDSA equity is 26 per cent. The applications submitted by, and on behalf of, the Group were with regards to new order rights and unused old order rights both formerly privately and state held. Failure to maintain BEE status could also have an adverse impact on the future viability of projects in South Africa.

4. Risks specific to Mozambique

Infrastructure

As a result of the location of the Group's activities, it is likely that climatic conditions and infrastructure (or lack thereof) will have an impact on operations and, in particular, severe weather, lack of infrastructure or difficulty of access could all disrupt operations including the delivery of supplies, equipment and fuel. As a result, it is possible that exploration and extraction activity levels might fluctuate significantly. Interruption of the Group's operations due to mechanical and other failures, industry related issues, labour disputes and/or shortages, or problems with the supply of goods or services, could have an impact on the financial performance of these operations. Costs and the ability to secure access to necessary equipment can be difficult to predict and could be affected by factors outside the Group's control.

Emerging markets

Investors in emerging markets such as Mozambique, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks.

Investors should also note that emerging economies such as that of Mozambique are subject to rapid change and that the information set out in this document may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, an investment in the Company is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisers before making an investment in the Ordinary Shares.

5. Risks Related to the Placing and Admission and the Ordinary Shares

There has been no prior public market in the Ordinary Shares, the trading price of the Ordinary Shares is likely to be volatile and you might not be able to sell your shares at or above the Placing Price.

Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if

developed, that it will be maintained. AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies. Accordingly, AIM may not provide the liquidity normally associated with the Official List or some other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might be the case on other markets.

The Company is principally aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. The share price may be subject to greater fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment.

The share prices of publicly quoted companies can be highly volatile and the market in their shares illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, the performance of the Company and the overall stock market, large purchases or sales of Ordinary Shares by other investors, changes in legislation or regulations and changes in general economic, political or regulatory conditions and other factors which are outside of the control of the Company. Shareholders may sell their Ordinary Shares in the future to realise their investment. Sales of substantial numbers of Ordinary Shares following Admission, or the perception that such sales could occur, could materially adversely affect the market price of the Ordinary Shares. Such sales may also make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Ordinary Shares may decline below the Placing Price.

The following factors, in addition to other risks described in this document, may have a significant effect on the market price of the Ordinary Shares:

- variations in operating results;
- actual or anticipated changes in the estimates of operating results or changes in stock market analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- macro-economic conditions in the countries in which the Group does business;
- foreign currency exchange fluctuations relating to the denominations in which the Group conducts business and holds cash reserves;
- market conditions in the industry, the industries of customers and the economy as a whole;
- actual or expected changes in the Group's growth rates or competitors' growth rates;
- changes in the market valuation of similar companies;
- trading volume of the Ordinary Shares;
- sales of the Ordinary Shares by the Directors or Shareholders; and
- adoption or modification of regulations, policies, procedures or programs applicable to the Group's business.

In addition, if the market for mining stocks or the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if these events do not directly affect the

Group. Each of these factors, among others, could harm the value of your investment in the Ordinary Shares. In the past, following periods of volatility in the market, securities litigation has often been instituted against companies. Such litigation, if instituted against the Group, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect the business, operating results and financial condition of the Group.

Future equity issuances or sales of the Ordinary Shares in the public market could cause the share price to decline.

If the Company issues equity securities in the future or if Shareholders sell a substantial number of the Ordinary Shares in the public market after the Admission, or if there is a perception that these sales or issuances might occur, the market price of the Ordinary Shares could decline.

The Company may issue Ordinary Shares, or other securities, from time to time as consideration for future acquisitions and investments. In the event any such acquisition or investment is significant, the number of Ordinary Shares, or the number or aggregate principal amount, as the case may be, of other securities that the Company may issue may in turn be significant, causing further downward pressure on the Company's share price.

The Group's management will have broad discretion over the use and investment of the net proceeds that it receives in the Placing and might not apply the proceeds in ways that increase the value of your investment.

The Group's management will have broad discretion over the use and investment of the net proceeds from the Placing, and Shareholders will be relying on the judgment of the management regarding the application of these net proceeds. The Directors intend to use the net proceeds of the Placing to progress the Group's projects and to provide general working capital. The Group may also use a portion of the net proceeds to acquire other businesses or projects. The Group does not, however, have any agreements or commitments for any specific acquisitions. You will, however, have very little opportunity to influence decisions on how the net proceeds from the Placing are used.

If securities or industry analysts do not publish research or publish unfavourable or inaccurate research about the business of the Group the share price and trading volume could decline.

The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Group or its business. The Directors may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares could be negatively impacted. In the event that the Group obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade their recommendations in respect of the Ordinary Shares or publish inaccurate or unfavourable research about the Group's business, the share price would be likely to decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volumes to decline.

It should be noted that the factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company. In particular, the Group's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware which may also have an adverse effect upon the Group.

If any of the risks referred to in this Part II crystallise, the Group's business, financial condition, results or future operations could all be materially adversely affected. In such case, the price of its shares could decline and investors may lose all or part of their investment.

PART III

FINANCIAL INFORMATION

SECTION A: ACCOUNTANTS' REPORT ON FERREX PLC

The Directors
Ferrex plc
27-28 Eastcastle Street
London
W1W 8DH

12 July 2011

Grant Thornton Corporate Finance
30 Finsbury Square
London
EC2P 2YU

Dear Sirs

Ferrex plc (“Ferrex” or “the Company”) and its subsidiary undertakings (together, “the Group”)

Introduction

We report on the financial information set out in Section B of this Part III. This financial information has been prepared for inclusion in the admission document dated 12 July 2011 (the “Admission Document”) relating to the proposed placing of 66,666,667 new Ordinary Shares of 0.5 pence each at 3 pence per share and the admission of the Company’s Enlarged Share Capital to trading on AIM and on the basis of the accounting policies set out in note 1 to the financial information. This report is given for the purpose of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

Responsibility

The Directors are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company’s circumstances consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Section B of this Part III gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its consolidated comprehensive expense, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and applicable financial reporting framework as set out in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Chantrey Vellacott DFK LLP

Chartered Accountants

SECTION B:**Historical Consolidated Financial Information on Ferrex plc****Statement of comprehensive income**

for the period 23 August 2010 to 31 March 2011

	<i>Note</i>	2011 £
Revenue		–
Administrative expenses		(240,959)
Operating loss	5	(240,959)
Finance costs		(3,920)
Loss before tax		(244,879)
Taxation	7	–
Loss for the period		(244,879)
Other comprehensive expense		
Exchange difference on translation of subsidiary undertaking		(274)
Total comprehensive expense for the period		(245,153)
Attributable to:		
Equity holders of the parent company		(239,058)
Non-controlling interests		(6,095)
		(245,153)
Loss per share attributable to the equity holders of the parent company	8	
Basic and diluted		(0.85)p

Statement of financial position

as at 31 March 2011

	<i>Note</i>	2011 £
Assets		
Non-current assets		
Intangible assets	9	1,774,052
Tangible assets	10	27,640
Investments	11	111,146
		<u>1,912,838</u>
Current assets		
Loans	12	–
Trade and other receivables	13	73,509
Cash and cash equivalents	14	645,949
		<u>719,458</u>
Total assets		<u>2,632,296</u>
Equity and liabilities		
Share capital	15	2,264,287
Share premium		487,200
Accumulated losses		(239,151)
Equity attributable to the equity holders of the parent company		<u>2,512,336</u>
Non-controlling interests		(17,351)
Total equity		<u>2,494,985</u>
Current liabilities		
Trade and other payables	16	137,311
Total liabilities		<u>137,311</u>
Total equity and liabilities		<u>2,632,296</u>

Statement of changes in equity

for the period 23 August 2010 to 31 March 2011

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Accumulated losses</i> £	<i>Non- controlling interests</i> £	<i>Total</i> £
Balance at 23 August 2010	—	—	—	—	—
Acquired with subsidiary	—	—	—	(11,076)	(11,076)
Loss for the period	—	—	(239,057)	(6,095)	(245,152)
Other comprehensive expense	—	—	(94)	(180)	(274)
Issue of shares	2,264,287	487,200	—	—	2,751,487
Balance at 31 March 2011	2,264,287	487,200	(239,151)	(17,351)	2,494,985

Statement of cash flows

for the period 23 August 2010 to 31 March 2011

	2011 £
Cash flows from operating activities	
Cash used in operations	(144,819)
Cash flows from investing activities	
Acquisition of intangible assets	(7,614)
Acquisition of tangible assets	(29,177)
Net cash flows from investing activities	(36,791)
Cash flows from financing activities	
Proceeds on issues of share capital	862,000
Loans	(30,521)
Interest paid and bank charges	(3,920)
Net cash flows from financing activities	827,559
Net increase in cash and cash equivalents	645,949
Cash and cash equivalents at beginning of period	–
Cash and cash equivalents at end of period	645,949
Cash used in operations	
Operating loss before interest and taxation	(244,879)
Depreciation	1,537
Interest paid and bank charges	3,920
Operating loss before working capital changes	(239,422)
Increase in trade and other receivables	(42,988)
Increase in trade and other payables	137,311
Foreign Exchange	280
Net cash used in operations	(144,819)

Notes to the consolidated financial information
for the period 23 August 2010 to 31 March 2011

1. Accounting policies

(a) *Presentation of financial information*

Ferrex plc was incorporated on 23 August 2010 in England and Wales as a public limited company.

The consolidated financial information is presented in pounds sterling (GBP), which is considered by the Directors to be the most appropriate presentation currency for the consolidated financial information. As the Group's operations are in South Africa, the principal functional currency is South African Rand (ZAR).

(b) *Basis of preparation of the financial information*

The financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and on the historical cost basis except for the measurement of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The preparation of the financial information requires the Directors to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial information. If in the future such estimates and assumptions, which are based on the Directors' best judgement at the date of the financial information, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

(c) *New standards and interpretations*

At the date of preparing this financial information, there were International Financial Reporting Standards and Interpretations that were in issue but not yet effective, which have not been applied, see note 2.

(d) *Basis of consolidation*

The consolidated financial information incorporates the financial information of the Company and its subsidiaries, Southern Iron Limited and Moongate 218 (Proprietary) Limited (together, the "Group") made up to 31 March 2011. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(e) *Business combinations*

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, irrespective of the extent of minority interests, are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is accounted for directly in the statement of total comprehensive income. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(f) *Revenue recognition*

Revenue from the sale of ore is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding, (1) the recovery of the consideration due, (2) associated costs, (3) the possible return of goods or (4) the continuing management involvement with goods.

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate.

(g) ***Foreign currency***

All assets and liabilities of foreign subsidiaries are translated at the closing rate existing at the balance sheet date. Income and expense items are translated at an average rate for the period. Equity items, other than the net profit or loss for the period that is included in the balance of accumulated profit or loss, are translated at the closing rate existing at the balance sheet date.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken directly to 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 closing rates at the balance sheet date.

(h) ***Financial instruments***

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. For financial instruments which are not at fair value through profit or loss, classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(i) ***Offset***

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(j) ***Intangible assets***

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually

and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed annually.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Exploration and evaluation activity involves the search of mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- acquisition of rights to explore;
- gathering topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching;
- sampling; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit (“CGU”)) to which the exploration is attributed. To the extent the exploration expenditure is not expected to be recovered, it is charged to the income statement.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<i>Item</i>	<i>Useful life</i>
Exploration rights	Life of mine

(k) ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

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

(l) ***Provisions***

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) ***Financing costs***

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement.

The interest expense component of finance lease payment is recognised in the income statement using the effective interest rate method.

(n) ***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

2. Standards and interpretations not yet effective

The Group has opted against the early adoption of the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2011 or later periods:

IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” specifies how an entity should classify and measure financial assets, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39 “Financial Instruments: Recognition and measurement” (issued November 2009, applies to annual periods beginning on or after 1 January 2013).

In October 2010, the requirements for classification and measurement of financial liabilities were added to IFRS 9 (applies to annual periods beginning on or after 1 January 2013).

The Group expects to adopt the standard for the first time in the 2014 financial statements.

IAS 24 “Related Party Disclosures” (Revised)

A revised version of IAS 24 “Related Party Disclosures” simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party (issued November 2009, applies to annual periods beginning on or after 1 July 2011).

The Group expects to adopt the revision for the first time in the 2012 financial statements.

IFRS 7 “Financial Instruments: Disclosures” (Amended)

Amendments to IFRS 7 “Financial Instruments: Disclosures” are designed to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position (issued October 2010, applies to annual periods beginning on or after 1 January 2011).

The Group expects to adopt the amendment for the first time in the 2012 financial statements.

IAS 12 “Income Taxes” (Amended)

Amendments to IAS 12 “Income Taxes” introduce a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 “Investment Property” will normally be through sale (Issued December 2010, applies to annual periods beginning on or after 1 January 2012)

The Group expects to adopt the amendment for the first time in the 2013 financial statements.

2.1 Standards and interpretations not yet effective or relevant

All other new standards and interpretations have been considered and are not relevant.

3. Business and geographical segments

The Group is engaged in exploration and operates principally in South Africa, it is therefore considered to operate in a single geographical and business segment.

4. 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.

5. Operating loss

Operating loss is arrived at after taking into account:

	2011
	£
Depreciation of fixed assets	1,537
Auditor’s remuneration	10,000
Provision against loan	115,844
Depreciation of fixed assets	1,537

6. Personnel expenses

Directors remuneration totalling £29,180 was paid during the period.

7. Taxation

No liability to taxation arises based on the results for the period. No account has been taken of deferred taxation assets in respect of losses.

8. Loss per share

The calculation of loss per ordinary share is based on the following:

	2011
	£
Loss for the financial period attributable to equity holders of the parent company	(239,058)
	Number
	of shares
	2011
Weighted average number of ordinary shares in issue during the year	28,216,204
Basic and diluted loss per share	(0.85)p

9. Intangible assets

	<i>Prospecting and exploration rights</i>	<i>Total</i>
	£	£
Cost		
Brought forward	—	—
Additions	1,774,052	1,774,052
Balance at 31 March 2011	<u>1,774,052</u>	<u>1,774,052</u>

Intangible assets comprise the fair value of mineral exploration rights acquired and the cost of exploration studies.

10. Tangible assets

	<i>Equipment</i>	<i>Total</i>
	£	£
Cost		
Additions	29,177	29,177
Depreciation	(1,537)	(1,537)
Balance at 31 March 2011	<u>27,640</u>	<u>27,640</u>

11. Investments

	<i>2011</i>
	£
<i>Associated undertakings</i>	
Cost	
Additions	111,146
Balance at 31 March 2011	<u>111,146</u>

The investment is an interest of 490 shares (49 per cent.) in Umbono Minerals Holdings (Pty) Ltd. At 31 March 2011 the company had net assets of £85.

Subsidiary undertakings

As at 31 March 2011 the Company had the following subsidiaries:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Interest</i>	<i>Activity</i>
Southern Iron Limited	Guernsey	100%	Investment
Moongate 218 (Pty) Limited	South Africa	74%	Exploration

Moongate 218 (Pty) Limited is a subsidiary of Southern Iron Limited. Southern Iron Limited was acquired on 23 November 2010. Further details of this acquisition are provided in Note 21.

During the period from 1 October to 23 November 2010, Southern Iron and its subsidiaries incurred expenditure amounting to £35,632 which has been capitalised as prospecting and exploration rights.

12. Loans

	<i>2011</i>
	£
Brought forward	—
Funds advanced	115,844
Provision against loans	(115,844)
Balance at 31 March 2011	<u>—</u>

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.

13. Trade and other receivables

	<i>2011</i> <i>£</i>
Other receivables	10,294
Prepayments	63,215
Balance at 31 March 2011	<u>73,509</u>

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

14. Cash and cash equivalents

	<i>2011</i> <i>£</i>
Bank balances	645,949
Cash and cash equivalents	<u>645,949</u>

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

15. Share capital

	<i>Share premium 2011 £</i>	<i>Share capital 2011 £</i>	<i>Number of shares 2011</i>
Issued and fully paid			
Ordinary shares of 5p each			
Brought forward	—	—	—
Issued during the period	487,200	2,264,287	45,285,745
Balance at 31 March 2011	<u>487,200</u>	<u>2,264,287</u>	<u>45,285,745</u>

The Company was incorporated on 23 August 2010 with one ordinary share of £1 issued to the subscriber to the memorandum.

On 22 October 2010, the Company issued 49,999 ordinary shares of £1 each for cash at nominal value to provide working capital for the Company.

On 3 November 2010, the Company passed a special resolution whereby each of the issued and unissued ordinary share of £1 each in the share capital of the Company be sub-divided into twenty new Ordinary Shares of 5p each.

On 19 November 2010, the Company issued 35,566,819 Ordinary Shares of 5p each credited as fully paid at nominal value to complete the acquisition of Southern Iron Limited.

On 17 January 2011, the Company issued 6,496,000 Ordinary Shares of 5p each at a price of 12.5p each to provide additional working capital for the Company.

On 31 January 2011, the Company issued 2,222,926 Ordinary Shares of 5p each credited as fully paid at nominal value to complete the acquisition of 49 per cent. of the issued share capital of Umbono Minerals (Holdings) Pty Limited.

16. Trade and other payables

	<i>2011</i>
	<i>£</i>
Trade payables	1,842
Accruals	135,469
Balance at 31 March 2011	137,311

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

17. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than GBP. The currency giving rise to this risk is primarily South African Rand.

Credit risk

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

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

Market risk

Due to the nature of the Group's operations, it is mainly exposed to the risk of fluctuations in the price of ore.

18. Related parties

Southern Iron Limited was acquired on 23 November 2010 from Southern Minerals Limited for consideration satisfied by the issue of 35,566,819 new ordinary shares of 5p each at par to the shareholders of Southern Minerals Limited. Each of the Directors of Ferrex had a direct or indirect interest in the share capital of Southern Minerals Limited. Wilgus Investments (Pty) Limited, a company controlled by Dave Reeves, charged the Group £6,502 in respect of rent and services at the Group's offices in Perth.

19. Capital commitments

Under an agreement date 4 November 2010 between Ferrex plc, Southern Iron Limited ("Southern Iron") and Umbono Capital Partners (Pty) Limited ("Umbono"), Southern Iron acquired from Umbono 490 shares (49 per cent.) in Umbono Mineral Holdings (Propriety) Limited ("Umbono Minerals"), which holds a Prospecting Right No 164/2009 PR, issued by the Department of Mineral Resources in South Africa, over certain farms in Northern Cape Province, South Africa. On 5 August 2010 Umbono Minerals had also applied for a Prospecting Right over the farm Tweed, situated in North West Province, which right has not yet been granted. On grant of this right further consideration is payable, which will be settled by the issue of a further 6,668,779 ordinary shares of 5p in Ferrex as adjusted for the subsequent sub-division.

Application has been made under S11 of the Mineral and Petroleum Resources Development Act 2002 of South Africa for the transfer of a further 250 shares in Umbono Minerals from Umbono to Southern Iron. S11 requires the approval of the DMR for a change in control over any mining or prospecting rights. On receipt of approval under S11 these shares will be transferred without further consideration, increasing the holding of Southern Iron in Umbono Minerals to 74 per cent. Application is also being made to change the name of Umbono Minerals to Southern Manganese (Pty) Ltd.

20. Subsequent events

On 20 June 2011 the Company resolved that every issued and unissued ordinary share of 5 pence in the share capital of the Company be sub-divided into ten new ordinary shares of 0.5 pence.

21. Acquisition of subsidiaries

On 23 November 2010, the Group acquired 100 per cent. of the issued share capital of Southern Iron Limited. The acquisition was satisfied by way of a share issue. The consideration is described below. This transaction has been accounted for by the acquisition method of accounting.

	<i>Book value £</i>	<i>Fair value adjustments £</i>	<i>Fair value £</i>
Intangible asset	6,271	1,766,438	1,772,709
Trade and other receivable	18,091	(6,932)	11,159
Bank balances and cash	2,783	–	2,783
Trade and other payables	(8,310)	–	(8,310)
Loans	(102,884)	102,884	–
	<u>(84,049)</u>	<u>1,862,390</u>	<u>1,778,341</u>
Satisfied by:			
Share consideration			<u>1,778,341</u>

SECTION C: ACCOUNTANTS' REPORT ON SOUTHERN IRON LIMITED

The Directors
Ferrex plc
27-28 Eastcastle Street
London
W1W 8DH

12 July 2011

Grant Thornton Corporate Finance
30 Finsbury Square
London
EC2P 2YU

Dear Sirs

Southern Iron Limited ("Southern Iron") and its subsidiary undertaking, Moongate 218 (Proprietary) Limited ("Moongate")

Introduction

We report on the financial information set out in Section D of this Part III. This financial information has been prepared for inclusion in the admission document issued by Ferrex plc "the Company" and dated 12 July 2011 (the "Admission Document") relating to the proposed placing of 66,666,667 new Ordinary Shares of 0.5 pence each at 3 pence per share and the admission of the Company's Enlarged Share Capital to trading on AIM and on the basis of the accounting policies set out in note 1 to the financial information. This report is given for the purpose of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

Responsibility

The Directors are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Section D of this Part III gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its consolidated comprehensive expense, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation and applicable financial reporting framework as set out in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Chantrey Vellacott DFK LLP

Chartered Accountants

SECTION D:**Historical Consolidated Financial Information on Southern Iron Limited****Statement of comprehensive income**

for the period 3 July 2009 to 30 September 2010

	<i>Note</i>	2010 £
Revenue		–
Administrative expenses		(74,899)
Operating loss	5	(74,899)
Finance costs		(2,290)
Loss before tax		(77,189)
Taxation	7	–
Total comprehensive expense		(77,189)
Attributable to:		
Equity holders of the parent company		(66,054)
Non-controlling interests		(11,135)
		(77,189)
Loss per share attributable to the equity holders of the parent company	8	
Basic and diluted		(661)

Statement of financial position
as at 30 September 2010

	<i>Note</i>	2010 £
Assets		
Non-current assets		
Intangible assets	9	6,271
		<u>6,271</u>
Current assets		
Loans	11	–
Trade and other receivables	12	453
Cash and cash equivalents	13	2,783
		<u>3,236</u>
Total assets		<u>9,507</u>
Equity and liabilities		
Share capital	14	–
Accumulated losses		(66,054)
		<u>66,054</u>
Equity attributable to the equity holders of the parent company		66,054
Non-controlling interests		(11,133)
		<u>(77,187)</u>
Total equity		<u>(77,187)</u>
Current liabilities		
Trade and other payables	15	4,481
Loans		82,213
		<u>86,694</u>
Total equity and liabilities		<u>9,507</u>

Statement of changes in equity

for the period 3 July 2009 to 30 September 2010

	<i>Share capital</i> £	<i>Accumulated losses</i> £	<i>Non- controlling interests</i> £	<i>Total</i> £
Balance at 3 July 2009	–	–	–	–
Total comprehensive expense	–	(66,054)	(11,133)	(77,187)
Balance at 30 September 2010	–	(66,054)	(11,133)	(77,187)

Statement of cash flows

for the period 3 July 2009 to 30 September 2010

	2010
	£
Cash flows from operating activities	
Cash used in operations	(73,497)
Cash flows from investing activities	
Acquisition of intangible assets	(5,935)
Net cash flows from investing activities	(5,935)
Cash flows from financing activities	
Proceeds on issue of share capital to non-controlling interests	2
Proceeds from short-term borrowings	82,213
Net cash flows from financing activities	82,215
Net increase in cash and cash equivalents	2,783
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	2,783
Cash used in operations	
Operating loss before interest and taxation	(77,189)
Increase in trade and other receivables	(453)
Increase in trade and other payables	4,481
Foreign exchange	(336)
Net cash used in operations	(73,497)

Notes to the consolidated financial information
for the period ended 30 September 2010

1. Accounting policies

(a) *Presentation of financial information*

Southern Iron Limited was incorporated in Guernsey on 3 July 2009.

The consolidated financial information is presented in pounds sterling (GBP), which is considered by the Directors to be the most appropriate presentation currency for the consolidated financial information. As the group's operations are in South Africa, the principal functional currency is South African Rand (ZAR).

(b) *Basis of preparation of the financial information*

The financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and on the historical cost basis except for the measurement of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The preparation of the financial information requires the Directors to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial information. If in the future such estimates and assumptions, which are based on the Directors' best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

(c) *New standards and interpretations*

At the date of preparing this financial information, there were International Financial Reporting Standards and Interpretations that were in issue but not yet effective, which have not been applied, see note 2.

(d) *Basis of consolidation*

The consolidated financial information incorporates the financial statements of Southern Iron and its subsidiary Moongate 218 (Proprietary) Limited made up to 30 September. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(e) *Business combinations*

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, irrespective of the extent of minority interests, are measured initially at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is accounted for directly in the statement of total comprehensive income. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(f) *Revenue recognition*

Revenue from the sale of ore is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding, (1) the recovery of the consideration due, (2) associated costs, (3) the possible return of goods or (4) the continuing management involvement with goods.

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate.

(g) ***Foreign currency***

All assets and liabilities of foreign subsidiaries are translated at the closing rate existing at the balance sheet date. Income and expense items are translated at an average rate for the period. Equity items, other than the net profit or loss for the period that is included in the balance of accumulated profit or loss, are translated at the closing rate existing at the balance sheet date.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken directly to 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 closing rates at the balance sheet date.

(h) ***Financial instruments classification***

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. For financial instruments which are not at fair value through profit or loss, classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets. For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Regular way purchases of financial assets are accounted for at trade date.

Loans

These include loans from related companies and are recognised initially at fair value plus direct transaction costs.

Loans are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

(i) ***Offset***

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(j) ***Intangible assets***

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually

and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed annually.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Exploration and evaluation activity involves the search of mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activity includes:

- acquisition of rights to explore;
- gathering topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching;
- sampling; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit (“CGU”)) to which the exploration is attributed. To the extent the exploration expenditure is not expected to be recovered, it is charged to the statement of comprehensive income.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<i>Item</i>	<i>Useful life</i>
Exploration rights	Life of the mine

(k) ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

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

(l) ***Provisions***

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) ***Financing costs***

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the statement of comprehensive income.

The interest expense component of finance lease payment is recognised in the statement of comprehensive income using the effective interest rate method.

(n) ***Taxation***

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

2. Standards and interpretations not yet effective

The group has opted against the early adoption of the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2011 or later periods:

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The effective date of the standard is for years beginning on or after 1 January 2013. The group expects to adopt the standard for the first time in the 2014 financial statements.

IAS 24 Related Party Disclosures (Revised)

The amendment provides simplification to the disclosure requirements for government-related entities as well as clarification to the definition of a related party.

The effective date of the amendment is for years beginning on or after 1 January 2011. The group expects to adopt the amendment for the first time in the 2012 financial statements.

2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures

Additional clarification is provided on the requirements for risk disclosures.

The effective date of the amendment is for years beginning on or after 1 January 2011. The group expects to adopt the amendment for the first time in the 2012 financial statements.

2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements

The amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.

The effective date of the amendment is for years beginning on or after 1 January 2011. The group expects to adopt the amendment for the first time in the 2012 financial statements.

2.1 *Standards and interpretations not yet effective or relevant*

All other new standards and interpretations have been considered and are not relevant.

3. **Business and geographical segments**

The group is engaged in exploration and operates principally in South Africa, it is therefore considered to operate in a single geographical and business segment.

4. **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.

5. **Operating loss**

Operating loss is arrived at after taking into account:

	2010
	£
Provision against loans	17,637
Auditor's remuneration	5,000
Foreign exchange differences	757

6. **Personnel expenses**

No emoluments were paid during the period.

7. **Taxation**

No liability to taxation arises based on the results for the period. No account has been taken of deferred taxation assets in respect of losses.

8. **Loss per share**

The calculation of loss per ordinary share is based on the following:

	2010
	£
Loss for the financial period attributable to equity holders of the parent company	(66,054)
	<i>Number of shares</i>
Weighted average number of ordinary shares in issue during the period	100

9. **Intangible assets**

	<i>Prospecting and exploration rights</i>	<i>Total</i>
	£	£
Cost		
Brought forward	—	—
Additions	5,935	5,935
Translation difference	336	336
Balance at 30 September 2010	6,271	6,271

Intangible assets comprise costs in relation to exploration studies for ore minerals.

10. Investments

As at 30 September 2010 the group had the following subsidiary:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Interest</i>	<i>Activity</i>
Moongate 218 (Pty) Ltd	South Africa	74%	Ore exploration

Moongate was incorporated in South Africa on 17 April 2007 and acquired on 15 September 2009.

All transactions carried out by Moongate are incorporated in the consolidated financial information on Southern Iron.

11. Loans

	2010
	£
Brought forward	—
Funds advanced	17,637
Provision	(17,637)
Balance at 30 September	—

Loans are in respect of costs relating to ore exploration in Togo. The loan is unsecured and interest free.

12. Trade and other receivables

	2010
	£
Prepayments	453
Balance at 30 September	453

13. Cash and cash equivalents

	2010
	£
Bank balances	2,783
Cash and cash equivalents	2,783

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

14. Share capital

	2010	2010
	£	No. of shares
Authorised		
Ordinary shares of 0.001p each	0.10	100
Issued and fully paid		
Ordinary shares of 0.001p each		
Brought forward	—	—
Issued during the period	0.10	100
Balance at 30 September	0.10	100

On 3 July 2009 the company issued 100 ordinary shares of 0.001p each at par.

15. Trade and other payables

	<i>2010</i>
	<i>£</i>
Trade payables	1,492
Accruals	2,989
Balance at 30 September	4,481

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

16. Loans

	<i>2010</i>
	<i>£</i>
Brought forward	—
Funds advanced by Southern Minerals Limited	82,213
Balance at 30 September	82,213

The loan was interest free.

On 23 November 2010, Ferrex plc acquired the whole of Southern Iron's issued share capital from Southern Minerals Limited, and the above loan has been assigned to Ferrex plc.

17. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the group's business.

Currency risk

The group is exposed to foreign currency risk on purchases that are denominated in a currency other than GBP. The currency giving rise to this risk is primarily South African Rand.

Credit risk

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

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

Market risk

Due to the nature of the group's operations, it is mainly exposed to the risk of fluctuations in the price of ore.

18. Subsequent events

On 15 November 2010, Southern Iron acquired 490 shares (49 per cent.) in Umbono Minerals Holdings (Pty) Ltd. As consideration for such acquisition, Ferrex plc issued, credited as fully paid, 2,222,926 ordinary shares of 5 pence each at par on 31 January 2011.

PART IV

COMPETENT PERSONS REPORT

Competent Persons Report Mineral Projects of Ferrex Plc
Malelane Project, Mpumalanga, South Africa
Leinster Manganese, North-West Province, South Africa
Changara Project, Tete Province Mozambique
(Effective Date 17 June 2011)

**Prepared by Coffey Mining (SA) Propriety Limited on
behalf of**

Ferrex Plc, Grant Thornton Corporate Finance and Ocean Equities
Limited

DOCUMENT INFORMATION

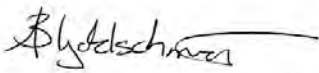
Author(s):

Mr Alan Goldschmidt	Senior Consultant - Resource Geology	(Pr.Sci.Nat)
Dr Leon Liebenberg	Associate Consultant	(PhD, Pr.Sci.Nat.)
Mr Ken Lomborg	Principal Consultant - Resource Geology	(MGGSA, Pr.Sci.Nat)
Mr Albert Thamm	Associate Principal	(F.Aus.IMM, Pr.Sci.Nat)

Date: 17 June 2011

Copies: Ferrex Plc (2)
Coffey Mining – Johannesburg (1)

Document Review and Sign Off



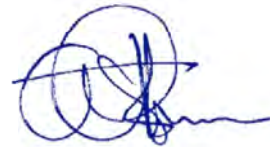
Author
Alan Goldschmidt



Senior Principal
Ken Lomborg



Author
Leon Liebenberg



Reviewer
Albert Thamm

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1 EXECUTIVE SUMMARY

1.1 Introduction

Coffey Mining (SA) Propriety Limited (Coffey Mining) was requested by Ferrex Plc (Ferrex), Grant Thornton Corporate Finance and Ocean Equities Limited to complete a Competent Persons Report (CPR) in respect of the Malelane Iron Ore Project, Mpumalanga, South Africa (Malelane Project), the Leinster Manganese Project, South Africa and Changara Project, Tete Province, Mozambique. It is understood that the CPR is required for a listing on the AIM Market of the London Stock Exchange (LSE). This report complies with disclosure and reporting requirements set forth in the "Note for Mining and Oil & Gas Companies- June 2009" of the LSE.

1.2 South African Project: Malelane Iron Ore Project

Ferrex has, through a 74% holding in Moongate 218 Pty Ltd, a prospecting right in respect of this project. The prospecting right, issued for iron ore, covers the properties Spago 460 JU, Portion 9 of the Farm M'Hlati 170 JU and Remaining Extent of the Farm Coulter Oos 549 JU and totals 4,192ha. The Malelane Project is situated approximately 350km east of Johannesburg in the Mpumalanga Province of South Africa. The project area is close to primary road and rail infrastructure. A siding for a magnesite (MgCO_3) mine is located immediately adjacent to the property.

This CPR documents the exploration history and results of various companies over a period of at least 25 years. Ferrex has undertaken to contribute with other investors and shareholders to the exploration program in order to define the mineral potential of the deposit and, if warranted, develop a mine and possibly a concentrator plant on the property. The scope of this report includes a review of the general setting, infrastructure, historical, geological, geophysical and exploration work as well as methods, results, quality assurance and interpretation performed on the Malelane Project.

1.2.1 Regional Geology

The Malelane Project is located in the Barberton Greenstone Belt, south of the terrane-bounding Inyoka Fault. The underlying rocks are primarily of the Swaziland Supergroup. Three distinct sequences are recognised within the Swaziland Supergroup, the Onverwacht, Fig Tree and Moodies Groups. The oldest rocks exposed in the area are the ultramafic / mafic volcanic and talc schist of the Onverwacht Group. Much of the property is underlain by rocks of the Fig Tree Group. At the prospect scale, Banded Iron Formation (BIF) horizons comprise jaspilite interbedded with ferruginous shale and banded chert, individual jaspilitic lenses mapped in trenches near the Spago workings range up to 100m thick. Generally the BIF dips steeply to the north.

Mineralisation is within Algoma-type BIF which were deposited as chemical sediments along with other sedimentary rocks (greywacke and shale).

The style and setting of mineralisation, as an exploration target, invites comparison with the Savage River magnetite project operated by ASX listed Grange Resources Limited in the

state of Tasmania. There are also broad similarities to the Middleback haematite and magnetite operations of OneSteel Ltd, an integrated steel and iron-ore producer based in South Australia.

1.2.2 Exploration

Reconnaissance geological mapping and rock sampling has been completed throughout the project area. Mapping was completed on traverses spaced at 500m intervals across the strike of BIF horizons.

A topographical survey of the project by Southern Mapping Company of Johannesburg incorporated a brief to provide rectified colour images (orthophotos) and a digital terrain model (DTM) of the survey area (LIDAR survey). Fugro Airborne Services was contracted out of Johannesburg to fly a helicopter-borne high resolution magnetic and radiometric survey, which was completed in April 2008. Interpretation of the magnetic data highlighted a number of targets where the interaction between BIF and inferred structures or possible granitoids-related hydrothermal alteration fronts may have led to an upgrade in Fe content.

A number of trenches cut in subcropping BIF by previous tenement holders were rehabilitated and sampled. Mineralised sections range between 20m and 122m in width and have grade values that range between 23.4%Fe and 51% Fe. These samples indicate that there is potential to host a large, low-grade hematite or magnetite deposit.

A reconnaissance drill program, comprising seven RC drillholes for a total of 920m, was undertaken in April 2011 to test a section of the northern BIF in the vicinity of the Spago workings. Four of the drillholes intersected BIF and the other three cut a dolerite dyke; analytical samples were only submitted for the four drillholes that intersected BIF. Assay results have been received for 99% of samples from two of the drillholes (SPRC01 and SPRC05), with results for the other two drillholes (SPRC02 and SPRC06) pending. Drillhole SPRC01 intersected intervals of kenomagnetite-martite and hematite-goethite mineralisation within BIF, while SPRC05 intersected BIF with intercalated ferruginous shale. Intercepts in SPRC01 and SPRC05 total 177m @ 44.2% Fe (including results for one sample pending which was set at zero for the calculation) and 212m @ 36.6% Fe, respectively. A best intercept of 16m @ 59.7% Fe was returned from one of the iron-enriched intervals in SPRC01. Both drillholes intersected mineralisation for their entire lengths from surface.

1.2.3 History

The Dumanene ochre deposit is located within the property and was mined in prehistoric times. In 1958 ISCOR explored the property by means of developing adits to intersect the projected continuation of high grade surface mineralisation. Rio Tinto completed an exploration programme on the property during the 1970s. Between 1954 and 1957 25,468 tonnes of ore was extracted from the Spago hematite deposit.

1.2.4 Exploration Programme

Ferrex has identified a potentially significant beneficiable BIF iron ore deposit. Planned follow-up work through to December 2012 will include:

- Additional phases of RC drilling (6000m).
- Estimate a Mineral Resource.
- Metallurgical testwork and beneficiation studies.
- Completion of a pre-feasibility study for a Direct Shipping Ore (DSO) type product.

Coffey Mining is of the opinion that the exploration programme is suitable and the appropriate budget for external consultants and services has been presented for the next phase of the project.

1.2.5 Exploration Target

Coffey Mining is not aware of any mineral resource estimate that has been declared in terms of the JORC or SAMREC codes.

Coffey Mining has independently estimated an exploration target in accordance with the JORC guidelines and is based on the dimensions of the BIF and taking into account the variable nature of the mineralisation. The BIF horizons have maximum width of 300m and an average of 220m over the mapped 14km of strike. The exploration target is estimated to be 775 – 930Mt at 34 - 36% Fe. The potential quantity and grade is conceptual as there has been insufficient exploration to define a Mineral Resource under the JORC Code.

1.2.6 Conclusion

The Malelane Project is prospective for several styles of iron ore. Previous mining and exploration work at Malelane has shown that there is potential for high-grade hematite deposits, developed by enrichment of primary jaspilitic BIF or modification of metasomatic magnetite deposits formed adjacent to dykes cutting BIF. The metasomatic magnetite deposits themselves (identified by modelling of high resolution aeromagnetic data) are a target, and the jaspilitic BIF is a potentially very large source of low-grade hematite ore.

1.3 South African Project: Leinster Manganese Project

The mineral properties of Ferrex consist of 9 granted properties: Abbey 364-IL, Hull 361-IL, Leinster 363-IL, Mars338-IL, Argyle 340-IL, Esher 337-IL, Annan 339-IL, Belper 331-IL and Exeter 323-IL which together have an area of 42,433.50ha. There is one application pending for the farm Tweed 362-IL which has an area of 4,434.45ha. The properties are located in the Northern Cape Province of the Republic of South Africa, immediately north of the town Severn and 147km northwest of Kuruman, the nearest trade centre. A railway siding and the end of the Vaal-Gamagara water scheme is located at Hotazel.

Umbono Mineral Holdings (Pty) Ltd acquired the Prospecting Right in terms of the Minerals and Petroleum Development Act (MPRDA) on 23 October 2009 for a period of 5 years. All the properties are included in this agreement except Tweed for which an Application for a Prospecting Right was notarized on 2 September 2010 and accepted on 9 September 2010.

Umbono has negotiated with the surface right owners of the farms to conduct an exploration program on the properties.

This CPR on the manganese properties of Ferrex documents the exploration history and results of various companies over a period of at least 25 years. Ferrex has undertaken to contribute with other investors and shareholders to the exploration program in order to define the mineral potential of the deposit and, if warranted, develop a mine and possibly a concentrator plant on the property. The scope of this report includes a review of the general setting, infrastructure, historical, geological, geophysical and exploration work as well as methods, results, quality assurance and interpretation performed on the Leinster Manganiferous Basin.

1.3.1 Regional Geology

The Northern Cape Province has the largest metallogenetic province of manganese mineralization in the world, which is confined to the Early Proterozoic Transvaal Supergroup. The deposits can be grouped in two major categories:

- Karst-fill, i.e. residual Fe-rich manganese ores associated with the Gamagara unconformity plane developed on top of the dolomites of the Campbell Rand Subgroup in the Postmasburg Fe-Mn Field.
- Syngenetic carbonate-rich manganese deposits interbedded with Superior-type banded ironstone formations known as the Kalahari Manganese Field (KMF). The KMF occurs as erosional relicts and the mineral properties of Ferrex are located on the Leinster Manganiferous Basin, which is the northern-most extension and erosional relict of the KMF. The western flank of the main KMF and large portion of this sedimentary package to the north has been removed by peneplanation (Gamagara unconformity), thrusting (the Kheis event) and/or glaciers (of Permian age).

1.3.2 Local Geology

The Ferrex properties are situated within or in close proximity of the Leinster Manganiferous Basin and the main mineral is jacobsonite and possibly other mineral species, which are confined to the Hotazel Formation of the Voëlwater Subgroup. This Subgroup constitutes the uppermost portion of the Transvaal Supergroup. Three banded iron formations (Fe-lutite) with three manganese-rich layers (braunite lutite/jacobsonite), termed the lower, upper and middle manganese bodies comprise the Hotazel Formation. This important formation is unconformably underlain by the Ongeluk lava and is partially concordantly overlain by the Mooidraai dolomite, all of which comprise the Postmasburg Group. The Hotazel Group is unconformably overlain by the Olifantshoek Group and the Dwyka tillite. The soft, generally semi-consolidated sediments of the (young) Quaternary to Recent Kalahari Formation cover the entire area underlain by the KMF. In the Leinster Basin area the Kalahari Formation is between 70m and 150m thick. The manganese mineralized layers are gently folded and the regional dip is about 2° towards the southwest.

1.3.3 Exploration

The Leinster Basin was explored by Anglo American Corporation (Anglo) during the period 1977 to 1988. Umbono has obtained a considerable amount of data from the Anglo data

base. Some of the drillhole cores or samples are available but it is not possible to obtain accurate information from them. Due to the total cover of the manganese mineralisation by younger formations, samples could not be collected for verification purposes.

Exploration conducted by Anglo included ground magnetics, gravity and IP surveys, followed-up by diamond and percussion drilling programs on the Hotazel Formations in the Leinster Basin. A total of 51 drillholes were drilled delineating a potential deposit. Insufficient confidence exists in the current drillhole database for the estimation of a mineral resource compliant with the international reporting codes. The target is open-ended towards the northern border of Tweed extending partially further to the northwest, where only limited drilling was done on the remaining part of the Leinster Basin.

1.3.4 Adjacent properties

The Avontuur Basin is located 20km south of Severn, where Aquila Resources defined the Gravenhage Mineral Resource of 107.1Mt @ 38.51% Mn at a depth of 50 m. Another target occurs at Eerstebegin for which an inferred mineral resource of 1.8Mt @ 45.5% Mn has been estimated.

1.3.5 Exploration Programme

The company has proposed the following exploration program:

- Conduct a detailed aeromagnetic survey of the Leinster Basin
- A drilling programme on a 400m by 200m grid
- Based on the results of the drilling programme a Mineral Resource estimate will be undertaken.

Coffey Mining is of the opinion that the exploration programme is suitable and the appropriate budget for external consultants and services has been presented for the next phase of the project.

1.3.6 Exploration Target

A mineral resource estimate conforming to the guidelines of JORC, SAMREC or CIM has not been conducted on the Leinster Project, due to the lack of adequate data that is consistent with the requirements of these Codes. It is however possible to estimate a range of tonnage and grade in the form of an exploration target as defined by JORC.

The exploration target for the Leinster Project is 5.5Mt - 8.7Mt at 28.6% - 31.3% Mn over an average thickness of 1.6m - 3.5m. The potential quantity and grade is conceptual in nature at this stage as there has been insufficient exploration to define a mineral resource under the JORC Code

1.3.7 Conclusion

The manganese mineralisation on the properties Tweed, Hull and Leinster represent a viable exploration project. The farms covering the mineralized area are located within the Leinster Manganiferous Basin, which is the northern-most extension of the KMF. World-class manganese mines are in operation and are presently being developed on the main basin of the KMF and the Avontuur Manganiferous Basin

1.4 Mozambique Project: Changara Manganese Project

The Changara Project of Capitol Resources Limitada, a wholly owned subsidiary of Baobab Resources Limited (Baobab), consists of a group of four licences (L1122, L1123, L1421 and L1431) covering a total area of 510.6km². The licences are located in the Changara District of the Tete Province of Mozambique, bordering the north-eastern corner of Zimbabwe in the vicinity of the Mazoe River. All the licences are partially contiguous except L1421, which is situated towards the west.

This report reviews the geology and the previous exploration activities on the project areas based on documentation related to the project, a site visit and discussions with project management.

1.4.1 Regional Geology

The oldest rocks in the area are Archaean gneisses of the Zimbabwe Craton and are in close proximity to the Zimbabwean border. In the area these rocks are developed as dome-like structures within younger Proterozoic formations. Rocks Formations of Paleoproterozoic age are presented by the Fronteira Formation of the Gareizi Group. It extends further south towards the Manica schist belt. This formation consists of quartzites and a distinctive thick succession of muscovite schist which is garnetiferous at places. The Rushinga Group is regarded as the same age as the Gareizi Group and both were deposited during the Irumide tectonic cycle (1 800 – 1 300 Ma). They are more prominently developed in the northern part of the area towards the Mazoe River and the main object of exploration to be discussed in this report. It consists of gneisses, migmatites, quartzites, schist and marble. Both the Gareizi and Rushinga Groups are draped along the eastern and northern edge of the Zimbabwean Archaean craton, changing strike from north-south to east-west north of the Mazoe River. These formations occur in a narrow band, 40 to 70 km wide, approximately between Route 102 and the Zimbabwean border, extending into Zimbabwe, particularly in the north.

The Báruè Complex occupies the eastern part of the area and has a very prominent development between the faulted Karoo and Cretaceous contact in the east and the contacts of the Gareizi and Rushinga Groups in the west. The Báruè Complex consists mainly of gneiss, migmatite and remnants of quartzite and marble. In the Changara area in the north, where it is in contact with the Rushinga Group, the rocks are intensively metamorphosed to amphibolite or even granulite facies. It is of Neoproterozoic age (1,100 – 900 Ma) and formed during the Mozambican Orogeny, which also affected the Gareizi and Rushinga Groups. At a later stage the Zambebian tectonic reactivation (of Pan African Event age i.e. 600Ma) affected the Rushinga Group particularly in the north.

Karoo sediments and lavas as well as Cretaceous sediments were deposited during Post-Carboniferous times in northwest striking and southwest dipping half-grabens, situated along the east and northwest of a central paleo-high, formed by the Báruè Complex.

1.4.2 Local Geology

The Baobab Resources Limited's (Baobab) exploration programme on their four licenses is restricted to the Rushinga Group in the Mazoe River area west of Changara. These rocks

have suffered various phases of deformation during the Mozambican and Pan African events. The Rushinga Group consists of a minor conglomerate at the base and a prominent quartzite, followed by an upwards fining sequence of meta-argillaceous rocks, carbonates, calc-silicates and mafic rocks. Rocks of the overlying Guro Suite are mainly banded meta-amphibolites of gabbro, leucocratic gneiss and aplitic gneiss.

The Rushinga Formation, Guro Suite and to a lesser extent the underlying Archaean granite are isoclinally folded in sheath folds striking north-south to east-west near the northern border of License L1123. Low angle faults are prominently developed duplicating the sequence by thrusting it onto the stable Zimbabwe craton.

Stratabound and stratiform manganese mineralisation is developed in the quartz-feldspar-biotite-metasediments within the Rushinga Group. The mineralisation is also associated with biotite-sillimanite-garnet schist, calc-silicates and amphibolitic rocks, higher up in the stratigraphic sequence. Primary mineralisation is concentrated along bedding planes of the high grade metamorphic rocks. Due to the folding, enrichments occur in fold closures and secondary mobilization took place along faults, joints, pegmatites and even dolerite dikes. At least two mineralised horizons were mapped in the vicinity of a prominent fold, straddling licenses L1123 and L1122. A gap occurs between the two licenses, which extends to the Zimbabwe border and could be assumed that some of the more prominent mineralisation is probably covered by other licenses. The same applies to the gap in the northwestern corner of License L1123. The manganese lenses vary in size and could be up to 200m x 12m x 14m.

1.4.3 Exploration

The licenses and surrounding area was mapped by the Geological Survey of Mozambique during a series of campaigns dating from the early 1950s by Ribeiro, followed by Alves (1961-1964) and Real, during the same survey. The various manganese mineralised bodies were briefly described including the tonnages of two of the occurrences.

Drilling by previous owners was undertaken. Records of this work are incomplete and generally do not include details of geology or sampling.

Exploration by the current tenement holder (Baobab) on the Changara licenses has been restricted to an initial first pass geochemical survey, followed-up by a conventional check assay programme. An evaluation of the ability to generate target areas for further exploration by a prospectivity mapping method for the presence of Broken Hill Type Zn-Pb-Cu mineralisation was undertaken.

1.4.4 Mineral Resources and Reserves

No mineral resource or reserve estimates are known for the licenses of the Changara Project.

1.4.5 Conclusion

The Licenses of the Changara Project cover a large area of the Paleoproterozoic Rushinga Group formations in the Changara District of the Tete Province of Mozambique. The known Mazoe manganese mineralisation is partially covered by the licenses. Geological mapping

by the GTK Consortium (2006) confirms that the Rushinga Group metasediments satisfy the type criteria for Broken Hill type (BHT) SEDEX Zn-Pb-Cu-Ag mineralisation in these Paleoproterozoic rocks. These criteria are also applicable to similar deposits in the Namaqua Metamorphic Complex of South Africa.

Mn and Zn as well as, to a lesser extent, Pb and Cu geochemistry, with coincident anomalies, support the possibility of SEDEX type mineralisation in this area.

The Company's exploration strategy (February 2011 – November 2011) is based on the historical work at Changara having identified various Mn occurrences. More recent work has highlighted the potential for BHT sulphide deposits. Planned follow-up work will include:

- XRF geochemical sampling over the remainder of the tenement package.
- Reconnaissance and detailed geological mapping of exposed Mn mineralisation.
- Grab and chip channel sampling, trenching of exposed Mn mineralisation.
- RC drilling of highest priority targets (500m).

Coffey Mining is of the opinion that the exploration programme is suitable and the appropriate budget has been presented for the next phase of the project.

2 INTRODUCTION AND TERMS OF REFERENCE

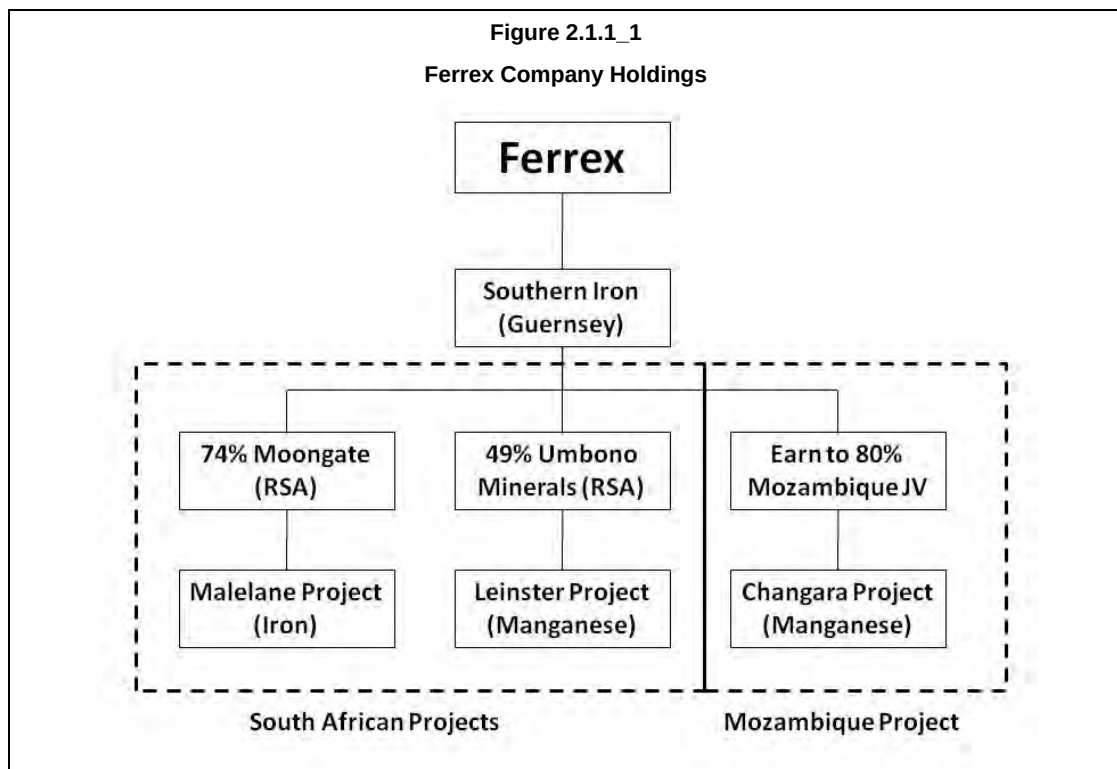
2.1 Scope of the Report

Coffey Mining (SA) Propriety Limited (Coffey Mining) was requested by Ferrex Plc (Ferrex), Grant Thornton Corporate Finance and Ocean Equities Limited to complete a Competent Persons Report (CPR) in respect of the Malelane Iron Ore Project, Mpumalanga, South Africa (Malelane Project), the Leinster Manganese Project, South Africa (Leinster Project) and Changara Manganese Project, Tete Province, Mozambique (Changara Project). It is understood that the CPR is required for a listing on the AIM Market of the London Stock Exchange (LSE). This report complies with disclosure and reporting requirements set forth in the “Note for Mining and Oil & Gas Companies- June 2009” of the LSE.

This report complies with disclosure and reporting requirements set forth in the “Note for Mining and Oil & Gas Companies- June 2009” of the LSE. The report is therefore also prepared under the requirements of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, November 2004)(JORC Code).

2.1.1 Ferrex Holding Structure

The Ferrex holding structure is presented in Figure 2.1.1_1.



2.1.2 South African Project: Malelane Project

Malelane Project is as a result of Ferrex having, through a 74% holding in Moongate 218 (RSA) Pty Ltd, a prospecting right. The prospecting right, issued for iron ore, covers the

properties Spago 460 JU, Portion 9 of the Farm M'Hlati 170 JU and Remaining Extent of the Farm Coulter Oos 549 JU and totals 4,192ha. The Malelane Project is situated approximately 350km east of Johannesburg in the Mpumalanga Province of South Africa. The project area is close to primary road and rail infrastructure. A siding for a magnesite (MgCO_3) mine is located immediately adjacent to the property.

This CPR documents the exploration history and results of various companies over a period of at least 25 years. Ferrex has undertaken to contribute with other investors and shareholders to the exploration program in order to define the mineral potential of the deposit and, if warranted, develop a mine and possibly a concentrator plant on the property. The scope of this report includes a review of the general setting, infrastructure, historical, geological, geophysical and exploration work as well as methods, results, quality assurance and interpretation performed on the Malelane Project. Recommendations were made on a proposed exploration programme.

2.1.3 South African Project: Leinster Project

The mineral properties of Ferrex consist of 10 properties located in the Northern Cape Province of the Republic of South Africa, immediately north of the town Severn and 147km northwest of Kuruman, the nearest trade centre.

The scope of this report includes a review of the general setting, infrastructure, historical, geological, geophysical and exploration work as well as methods, results, quality assurance and interpretation performed on the Leinster Manganiferous Basin. The proposed exploration programme was assessed to confirm that would meet the requirements of the next phase of the project.

2.1.4 Mozambique Project: Changara Project

The Changara Manganese Project (consisting of licenses L1122, L1123, L 1421 and L1431) of Baobab Resources Limited (Baobab) in the Changara District of the Tete Province of Mozambique over which Ferrex has a joint venture (JV) agreement with Baobab. The licences are located in the Changara District of the Tete Province of Mozambique, bordering the northeastern corner of Zimbabwe in the vicinity of the Mazoe River. All the licences are partially contiguous except L1123, which is situated towards the west.

2.2 Principal Sources of Information

2.2.1 Malelane Project

The following documentation was supplied by Ferrex:

- Scoping Study on the Malelane Iron Ore Occurrence Mpumalanga, Republic of South Africa. Prepared by Southern Minerals, May 2009.
- Annual Progress Report, Moongate 218 Pty Ltd, April 2009. Prepared by Mark Styles.
- Report on the Malelane Iron Ore Deposit Mpumalanga, Republic of South Africa. Prepared by Sabi Gold, December 2008.
- Manganese and Iron Development in Africa. Investor Presentation, Prepared by Southern Minerals, April 2010.

The reports are essentially different compilations of the same information. Thus the primary information on which this report is based has been compiled by Ferrex or one of their associate companies.

2.2.2 Leinster Project

The information used in this report is a compilation of previous geological, geophysical and drilling assessments and evaluations by the various companies who obtained or optioned the different farms or portions thereof over a period of at least 25 years. In this respect Anglo American Corporation (Anglo) did the majority of the work during the period 1977-1988. The information is not freely available and incomplete. The main source of the data were from the Anglo data base. Various publications are available on the manganese and iron deposits of the Northern Cape, including the Chapter on Manganese in The Mineral Resources of South Africa (1998). Where cited, references are referred to in the text by author and date, which are listed in the references at the end of this document.

2.2.3 Changara Project

The sources of information and data include both public domain data and information gathered or otherwise acquired by Ferrex, which are not generally available in the public domain. The public domain sources and documents that were supplied by Ferrex are listed in the References.

Baobab personnel on site in Mozambique facilitated the technical review by providing documentation, overview presentations, field visits, and access to the project database.

2.3 Qualifications and Experience

Coffey Mining is part of Coffey International Limited which is one of the top 300 companies on the Australian Stock Exchange. Coffey International Limited consists of a range of specialist companies working in social infrastructure and physical infrastructure and operates in more than 80 countries around the world.

Coffey Mining is an integrated Australian-based consulting firm, which has been providing services and advice to the international mineral industry and financial institutions since 1987. Coffey Mining, previously RSG Global, has maintained a fully operational office at Accra in Ghana since 1996, providing an operational base for consulting and contracting

assignments throughout the West African region. An additional African office was established in Johannesburg, South Africa, in 1999 to support expanding activities within southern and eastern portions of the continent. In 2007 an additional office was established in Lusaka, Zambia to provide consulting services to the Zambian mineral industry.

2.4 Personnel

The following personnel were nominated to the project team and their specific areas of responsibility and resumes are show below.

2.4.1 Malelane Project

Albert Thamm, Coffey Mining – Associate

Peer review

Ken Lomberg, Coffey Mining – Senior Principal

Project management, report preparation.

Alan Goldschmidt, Senior Resource Consultant

Site visit, geological interpretations, report preparation.

Alan Goldschmidt visited site on the 16th and 17th February 2010. This was primarily to examine surface exposures of the host stratigraphy, to examine evidence of trenching/surface drilling completed by previous exploration programmes and to look at the remains of historical mining activities in the area.

2.4.2 Leinster Project

Albert Thamm, Coffey Mining – Associate

Peer review

Ken Lomberg, Coffey Mining – Senior Principal

Project management, report preparation.

Leon Liebenberg, Associate Consultant,

Site visit, geological interpretations, report preparation.

Dr Leon Liebenberg visited site on 8th December 2010. This was primarily to examine surface exposures of the host stratigraphy, to examine evidence of trenching/surface drilling completed by previous exploration programmes and to look at the remains of historical mining activities in the area.

2.4.3 Changara Project

Albert Thamm, Coffey Mining – Associate

Peer review

Ken Lomberg, Coffey Mining – Senior Principal

Project management, report preparation.

Leon Liebenberg, Associate Consultant,

Site visit, geological interpretations, report preparation.

Dr Leon Liebenberg visited site on 18th – 22rd October 2010. This was primarily to examine surface exposures of the host stratigraphy, to examine evidence of trenching/surface drilling completed by previous exploration programmes and to look at the remains of historical mining activities in the area.

2.5 Independence

Neither Coffey Mining, nor the key personnel nominated for the completed and reviewed work, has any interest in Ferrex or its mineral properties. The proposed work, and any other work done by Coffey Mining for Ferrex, is strictly in return for professional fees. Payment for the work is not in any way dependent on the outcome of the work or on the success or otherwise of Ferrex's own business dealings. As such there is no conflict of interest in Coffey Mining undertaking the CPR as contained in this document.

2.6 No material change

We confirm that there has been no material change of circumstances or available information since the date of the CPR and we are not aware of any significant matters arising from our evaluation that are not covered by the CPR which might be of a material nature with respect to the proposed Admission.

2.7 Disclaimer

This report was prepared as a Competent Persons' Report under the guidelines of the JORC code, for Ferrex, by Coffey Mining based on the following:.

- i) Information available at the time of preparation and supplied by Ferrex.
- ii) Third party technical reports prepared by Government agencies and previous tenements holders, along with other relevant published and unpublished third party information.
- iii) The assumptions, conditions, and qualifications set forth in this report. This report is intended to be used by Ferrex, subject to the terms and conditions of its contract with Coffey Mining. Any other use of this report by any third party is at that party's sole risk.

Coffey Mining has prepared this report on information believed to be accurate at the time of completion and relied mainly on information provided by Ferrex which was, as far as possible, verified by data in the public domain. A final draft of this report was provided to

Ferrex, along with a written request to identify any material errors or omissions, prior to lodgement.

Neither Coffey Mining, nor the authors of this report, is qualified to provide extensive comment on legal facets associated with ownership and other rights pertaining to Ferrex mineral properties. Coffey Mining did not see or carry out any legal due diligence confirming the legal title of Ferrex to these properties.

Similarly, neither Coffey Mining nor the authors of this report are qualified to provide extensive comment on environmental issues associated with Ferrex's mineral properties.

3 COUNTRY PROFILES

3.1 Background Information on the Republic of South Africa

3.1.1 Demographics and Geographic Setting

South Africa is a constitutional democracy with an independent judiciary.

South Africa and its neighbours have a large and experienced workforce of skilled and semi-skilled mining labour. The high incidence of HIV/AIDS is likely to have a marked impact on the future availability of skilled labour. The HIV adult prevalence rate is estimated at 17% (2010). Nonetheless, a high number of job-seekers, coupled with a good training infrastructure, should ensure an adequate supply of skilled mineworkers.

South Africa has a sophisticated financial infrastructure, with a world-respected banking system. The country possesses an efficient transport infrastructure, which has for many years also been utilised by other countries in Africa, as far north as the Democratic Republic of Congo and Tanzania. The rail and port system is run by a public company, Transnet Limited. The rail network extends over 20,900km and there are seven major harbours. The national and provincial road networks consist of some 73,500km of surfaced and 288,600km of unsurfaced roads.

There are major international airports at Johannesburg, Cape Town and Durban, and a total of 578 registered airfields in South Africa.

Electricity is generated mainly by Eskom, the country's electricity utility, and is amongst the cheapest in the world. Agreements between this utility and various mineral processors have led to the establishment of world-rated mineral-beneficiation projects, such as the Alusaf Hillside aluminium smelter, as well as the current development of a new deepwater port at Coega in the Eastern Cape. The recent growth in the economy has increased the demand for power. Coupled with this are the aging generation facilities and transmission networks. In order to accommodate this situation, the mining industry has been requested to reduce power consumption by 10% and scheduled rolling blackouts occur on an irregular basis. The electricity utility has indicated that additional generating power is being brought on stream and will accommodate the base electrical load in 2014.

South Africa possesses a modern telecommunications network, with international links including submarine cables and satellite stations. There are three cellular telephone service providers.

The population of South Africa is approximately 49.99 million (mid-2010 estimate), with a population growth rate of 1.06% (2010 estimate). English is widely spoken as a first or second language, with a literacy rate of 86%. There are 11 official languages.

3.1.2 Political and Financial Status

Exchange controls exist, but do not apply directly to foreign investors. An additional tax on dividends to foreign shareholders was cancelled in October 1995. Taxation of mining concerns (other than gold mines) is levied at the same rate as that for other companies. However, the inherent risks involved in mining are acknowledged through the benefit of

accelerated depreciation of capital expenditures. In respect of mines this can be redeemed immediately against mining revenue.

No restrictions exist on foreign investment and the regulations and procedures applicable to operating a business in South Africa also apply to foreign investors. A foreign company need not have South African-resident directors.

South Africa is a signatory to the World Trade Organization (WTO) which embodies the General Agreement on Tariffs and Trade (GATT). As a member of the WTO, South Africa is in the process of reducing tariffs and quotas on a wide range of imports. Export and import controls, with regard to minerals and mineral products, are minimal. There are no constraints on the extent of foreign ownership of companies involved in mining operations in South Africa.

The local currency is the South African Rand (ZAR), which was traded on 17 June 2011 at ZAR6.85 to US\$1.00. A number of economic indicators for the last 10 years are shown in Table 3.1.2_1.

Table 3.1.2_1 A Selection of Economic Indicators for South Africa (2000 - 2010)				
Year	GDP R (Millions) (Current Prices)	Mining Proportion of GDP (%)	Exchange Rate R/\$	CPI (%)
2000	922,147	6.9%	6.94	5.4%
2001	1,020,008	7.6%	8.62	5.8%
2002	1,171,085	7.9%	10.53	9.1%
2003	1,272,537	6.7%	7.57	5.8%
2004	1,415,273	6.4%	6.46	1.4%
2005	1,571,082	6.7%	6.38	3.4%
2006	1,767,422	7.5%	6.79	4.6%
2007	2,016,165	7.8%	7.07	7.2%
2008	2,274,139	8.9%	8.28	11.5%
2009	2,395,968	8.3%	8.44	7.1%
2010	2,662,757	8.7%	7.32	4.3%

3.1.3 Mining Industry

Background

The mining industry in South Africa has traditionally been controlled by six large mining conglomerates: Anglo American - De Beers, Gencor - Billiton, Gold Fields, JCI, Anglovaal and Rand Mines, which dominated gold, platinum, chrome, coal and base metal production. Sweeping changes in the industry have taken place as a result of a rising cost structure due to ageing mines and the impact of a new democratic constitution.

Historical Perspective - Legislative Development

Since about 1860, mining regulation in South Africa has evolved to keep pace with changing technological, economic, and socio-political needs to grow and sustain the country's world-class mining industry.

Enactment of the Minerals Act, 50 of 1991 (Minerals Act) marked the consolidation of a substantial legislative modernisation that began in the 1960s. After the first democratic elections in 1994, all government policies and legislation were subject to fundamental review. A White Paper (government discussion document) on minerals and mining policy was published in October 1998. Mine health and safety was given first priority with the enactment of the Mine Health and Safety Act, (Act No 29 of 1996). The South African Parliament passed the Mineral and Petroleum Resources Development Act, 2002 (MPRDA) in August 2002, which was subsequently promulgated by the State President (Government Gazette, 1 May 2004).

Mineral and Petroleum Resources Development Act, 2002

The concept of state custodianship of mineral rights (now embodied in the MPRDA) has replaced the common law principles previously embodied in the Minerals Act. Enactment of the MPRDA places South Africa in line with global mineral ownership principles.

The mechanics for converting mineral rights previously held under the Minerals Act to mineral rights recognised under the MPRDA, were set out.

The Mineral and Petroleum Royalty Bill

The Government intends to provide for the imposition of royalties through the Mineral and Petroleum Royalty Bill which gives effect to the MPRDA which came into effect during the first half of 2010, but uncertainties surrounding the interpretation and implementation still exist. The MPRDA requires that compensation be given to the State (as custodian) of the country's Mineral and Petroleum Resources to the country's "permanent loss of non-renewable resource". The Act distinguishes between refined and unrefined mineral resources, where refined minerals have been refined beyond a condition specified by the Act, and unrefined minerals have undergone limited beneficiation as specified by the Act.

The royalty rate structure is based on a formula that takes into account the profitability of the company as follows:-

$$RoyaltyRate (\%) = 0.5 + \frac{EBIT}{Gross\ Sales\ (refined)*12.5} * 100$$

The maximum percentage royalty for refined Mineral Resources is 5%. The royalty is determined by multiplying the Gross sales value of the operation in respect of that mineral resource in a specified year by the percentage determined in accordance with the royalty formula. Both operating and capital expenditure incurred is deductible for the determination of earnings before interest and tax (EBIT).

Electronic copies of the MPRDA and other regulations can be found on the Department of Mineral Resources (DMR) formerly the Department of Mineral and Energy's (DME's) website: www.dmr.gov.za.

3.1.4 South African Taxes

Mining companies in South Africa are taxed at the standard corporate tax rate of 28%. In addition, a secondary tax on companies is payable at the rate of 10% on the excess of dividends paid to shareholders over dividends received from other South African companies. No other tax or withholding tax is payable in respect of dividends paid to shareholders.

Corporate tax is paid on all income, plus 50% of capital gains, less deductible operating expenditure and a capital expenditure allowance. Deductible expenditure includes rehabilitation expenditure actually incurred and annual contributions to an approved rehabilitation trust. Prospecting and capital development expenditure is treated as follows:

- all prospecting and capital development expenditure is carried forward to the year of commencement of production;
- thereafter the accumulated prospecting expenditure and all future prospecting expenditure is allowed as a deduction either in full or in annual instalments as determined by the South African Revenue Service;
- in the year of commencement of production and thereafter the accumulated and future annual capital expenditure on shaft-sinking, mine equipment and mine development is deductible in full up to the amount of taxable income from mining before allowing for this capital expenditure allowance. Any excess of capital expenditure over such taxable income is carried forward for deduction from future taxable income from mining;
- capital expenditure in respect of employees' housing, hospitals, schools, shops, recreational buildings and facilities and railway lines is deductible in 10 equal annual instalments. Capital expenditure in respect of motor vehicles intended for the private use of employees is deductible in five equal annual instalments. Each annual instalment is included in the above capital expenditure which is subject to the annual limit of taxable income from mining;
- no deduction is allowed in respect of the cost of land and mineral rights; and
- proceeds on the disposal of any asset previously included in the capital expenditure allowance are first deducted from any excess capital expenditure not already deducted and thereafter are included in full in taxable income. Such proceeds do not give rise to capital gains.

Value Added Tax (VAT) at 14% is payable on most goods and services in South Africa, however as it is claimable against any VAT charged on sales of product, it does not represent a cost to Ferrex.

3.1.5 Mining Tenure

A summary of the mineral exploration and mining rights for South Africa is provided in Table 3.1.5_1.

Table 3.1.5_1 Summary of Mineral Exploration and Mining Rights (South Africa)	
South Africa	Mineral Exploration And Mining Rights
Mining Act :	Mineral and Petroleum Resources Development Act, No. 28 of 2002 (Implemented 1 May 2004)
State Ownership of Minerals :	State custodianship
Negotiated Agreement :	In part, related to work programmes and expenditure commitments.
<u>Mining Title/Licence Types</u>	
Reconnaissance Permission :	Yes
Prospecting Right :	Yes,
Mining Right :	Yes
Retention Permit :	Yes
Special Purpose Permit/Right :	Yes
Small Scale Mining Rights :	Yes.
<u>Reconnaissance Permission</u>	
Name :	Reconnaissance Permission
Purpose :	Geological, geophysical, photo geological, remote sensing surveys. Does not include "Prospecting", i.e. disturbs the surface of the earth.
Maximum Area :	Not limited. Ministerial discretion.
Duration :	2 years
Renewals :	No and no exclusive right to apply for prospecting right
Area Reduction :	No
Procedure :	Apply to Regional Department of Minerals and Energy.
Granted by :	Minister
<u>Prospecting Right</u>	
Name :	Prospecting Right
Purpose :	All exploration activities including bulk sampling.
Maximum Area :	No limit, Ministerial discretion
Duration :	5 years.
Renewals :	Once for 3 years
Area Reduction :	No
Procedure :	Apply to Regional Department of Minerals and Energy.
Granted by :	Minister
<u>Mining Right</u>	
Name :	Mining Right
Purpose :	Mining and processing of minerals
Maximum Area :	No limit, Ministerial discretion
Duration :	Up to 30 years, Ministerial discretion
Renewals :	Yes, with justification, Ministerial discretion
Procedure :	Apply to Regional Department of Minerals and Energy.
Granted by :	Minister

3.2 Background Information on the Republic of Mozambique

3.2.1 Demographics and Geographic Settings

Mozambique is an independent republic, located in south-eastern Africa, bordering the Mozambique Channel to the east, and South Africa, Swaziland, Zimbabwe, Zambia, Malawi and Tanzania clockwise from southwest to north (Figure 3.2.1_1). The topography is mostly coastal lowlands, uplands in the centre, high plateaus in the northwest and mountains in the west. The capital is Maputo with strong infrastructural and economic ties to South Africa.

The surface area of Mozambique is approximately 800,000km², of which lakes and rivers cover some 13,000km². The literacy rate, defined as persons older than 15 who can read and write, is 47.8% (2003 est.).

The total population of Mozambique is close to 22 million people (CIA World Fact Book, 2010), of which an estimated 12.5% (2007 estimate) are HIV positive. The vast majority of the population (99.7%) is made up of indigenous tribal groups (Shangaan, Chokwe, Manyika, Sena, Makua, and others), with Europeans (0.06%), Euro-Africans (0.2%) and Indians (0.08%) comprising the remainder. The official language is Portuguese but a number of indigenous languages are spoken.

3.2.2 Political and Financial Status

Almost five centuries as a Portuguese colony came to a close with independence in 1975. Large-scale emigration by whites, economic dependence on South Africa, a severe drought, and a prolonged civil war hindered the country's development. The ruling party formally abandoned Marxism in 1989, and a new constitution the following year provided for multiparty elections and a free market economy. An UN-negotiated peace agreement with rebel forces ended the fighting in 1992. In December 2004, Mozambique underwent a transition as Joaquim Chissano stepped down after 18 years in office. His elected successor, Armando Emilio Guebuza, continued the economic policies that have encouraged foreign investment.

At independence in 1975, Mozambique was one of the world's poorest countries. Socialist mismanagement and a brutal civil war from 1977-92 exacerbated the situation. In 1987, the government embarked on a series of macroeconomic reforms designed to stabilize the economy. These steps, combined with donor assistance and with political stability since the multi-party elections in 1994, have led to dramatic improvements in the country's growth rate. Monetary reforms have reduced inflation. Fiscal reforms, including the introduction of a value-added tax and reform of the customs service, have improved the government's revenue collection abilities.

The local currency is the metical (MZM), which was traded on 17 June 2011 at MZM28,500 to US\$1.00.

Figure 3.2.1_1
Political Map of Mozambique



In spite of these gains, Mozambique remains dependent upon foreign assistance for much of its annual budget, and the majority of the population remains below the poverty line. Subsistence agriculture continues to employ the vast majority of the country's workforce. A substantial trade imbalance persists although the opening of the MOZAL aluminium smelter, the country's largest foreign investment project to date, has increased export earnings. At the end of 2007, and after years of negotiations, the government took over Portugal's majority share of the Cahora Bassa Hydroelectricity (HCB) company, a dam that was not

transferred to Mozambique at independence because of the ensuing civil war and unpaid debts. More power is needed for additional investment projects in titanium extraction and processing and garment manufacturing that could further close the import/export gap. Mozambique's once substantial foreign debt has been reduced through forgiveness and rescheduling under the IMF's Heavily Indebted Poor Countries (HIPC) and Enhanced HIPC initiatives, and is now at a manageable level.

In July 2007 the Millennium Challenge Corporation (MCC) signed a Compact with Mozambique; the Compact entered into force in September 2008 and will continue for five years. Compact projects will focus on improving sanitation, roads, agriculture, and the business regulation environment in an effort to spur economic growth in the four northern provinces of the country. Mozambique grew at an average annual rate of 9% for most of the past decade, one of Africa's strongest performances. However, heavy reliance on aluminium, which accounts for about one-third of exports, subjects the economy to volatile international prices. The sharp decline in aluminium prices during the global economic crisis lowered GDP growth by several percentage points.

According to the CIA World Fact Book (2009) the GDP (purchasing power parity) in 2009 was US\$20.22 billion and the per capita income was US\$900 with a real growth rate of 6.3%.

3.2.3 Mining Industry

Mozambique has a wide variety of mineral deposits, many of which occur in Precambrian granitic terranes in the northern half of the country. Near the Tanzania border along Lake Nyasa is a greenstone belt from which gold was being mined on an artisanal basis. Metasedimentary rocks near Manica host strata-bound and vein gold deposits as well as some copper deposits. Gold mineralisation areas are found in two main regions — Manica and Tete. The Manica region is believed to be a continuation of the Mutare Goldfield in Zimbabwe.

The country's three largest coal deposits Moatize-Minjova, Senangoe, and Mucanha-Vuzi are located in Tete province and have been re-developed by mid size juniors like ASX listed Riversdale and progress on these has brought multinational resource giants Vale (Brazilian) and Rio Tinto (Anglo-Australian) into the Mozambican mining industry.

Large-scale investment in Mozambique's mining sector is dependent on political developments, including the perception of long-term improved security conditions. Likely developments are for the country to become a significant producer of coal, titanium minerals and possibly natural gas, as well as a modest producer of gemstones, gold, and graphite. The Government has been trying to improve its buying methodologies for gold and gemstones to reduce smuggling. According to the Ministry of Mineral Resources and National Energy, the resources include coal (9,750Mt), copper (232,000t), fluorite (1.45Mt), iron ore (254Mt) and titanium ore (348Mt).

3.2.4 Mining Legislation

The Mining Law upholds the principles set forth in Article 8 of the Constitution and also supports the objective of regulating the use and development of mineral resources (with the exception of hydrocarbons).

The law establishes that the right to use and benefit from mineral resources is to be excised under mineral titles, which will be granted in accordance with the type and scale of the operations to be carried out. (Except in the case of State promoted geological research and investigation under Article 39 or the mining of minerals for construction as provided under Article 40 of the law.) The Mozambican State imposes a 3% royalty on Gross Sales Revenue for most minerals mined.

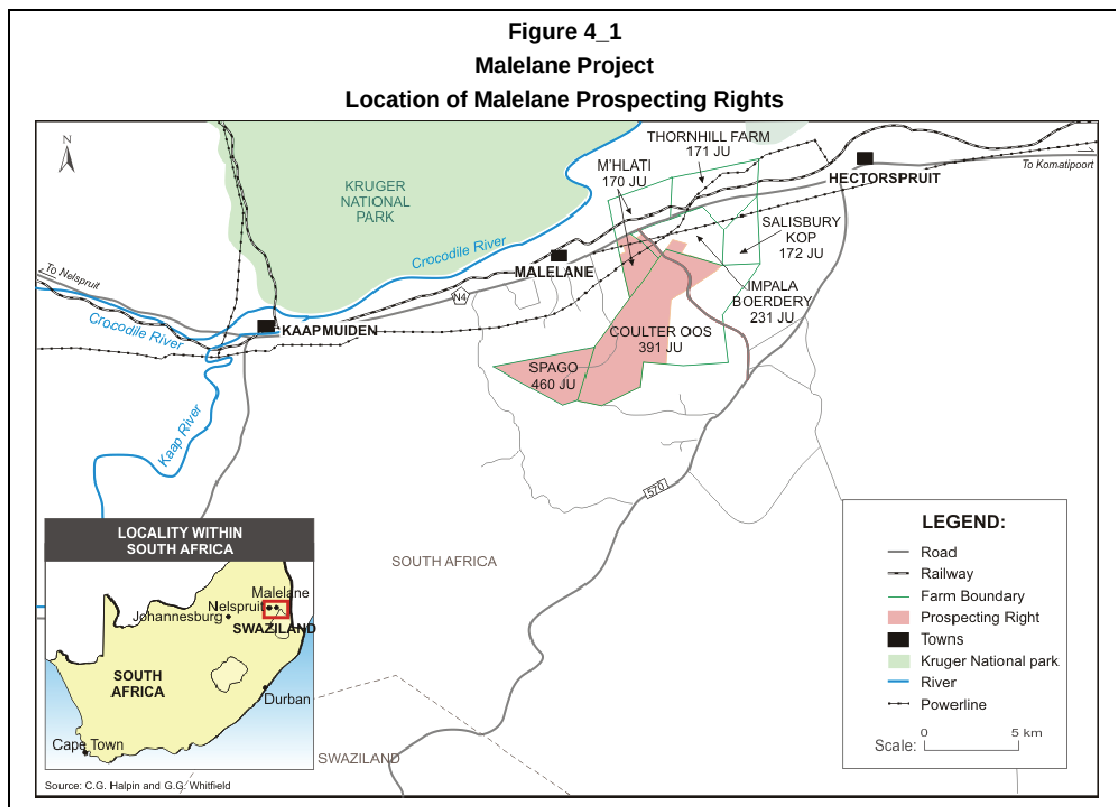
Types of Mineral Titles and Licences Granted:

- Reconnaissance License – allows for the reconnaissance of mineral resources;
- Exploration License – allows for the exploration of mineral resources;
- Mining Concession – allows for the exploitation of mineral resources;
- Mining Certificate – allows for small-scale exploitation of mineral resources;
- Mining Pass – allows for small-scale mining activity in areas designated in the mining pass.

4 SOUTH AFRICAN PROJECT: MALELANE PROJECT

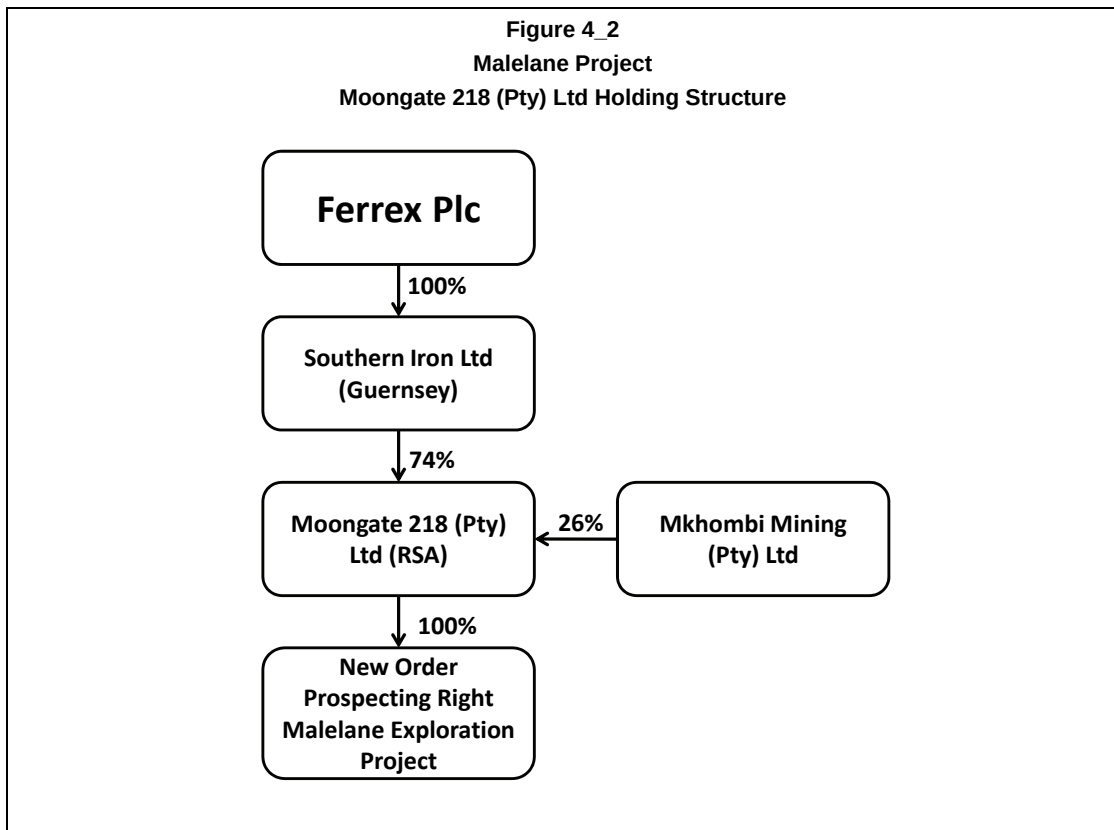
The Prospecting Right covers the farms Spago 460 JU, Portion 9 of the Farm M'Hlati 170 JU and Remaining Extent of the farm Coulter Oos 549 JU and totals 4,192 ha and is issued for iron ore. Malelane is situated approximately 350km east of Johannesburg in the Mpumalanga Province of South Africa (Figure 4_1).

The Prospecting Right is held by Moongate 218 (Pty) Ltd, a 74% owned subsidiary of Southern Iron. The remaining 26% is held by Mkhombi Mining (Pty) Ltd, South Africa, a BEE compliant company (Figure 4_2). The surface rights in the area of the property are held by local farmers. Written access agreements allowing Southern Iron to explore the property are in force with all parties.



4.1 Environmental Liabilities

Due to the absence of any exploration or mining excavations, no environmental liabilities are known in respect of the Ferrex mineral properties. The MPRDA provides for regulations in respect of environmental disturbances to be addressed and rectified. These include camp and drill sites, trenches, pits and exploration shafts as well as the removal of *inter alia* equipment, temporary buildings/structures, percussion drilling waste material and oil spillages.



4.2 Mineral Rights, Title and Permits

The details of the licences to which Ferrex has a right are summarised in Table 4.2_1.

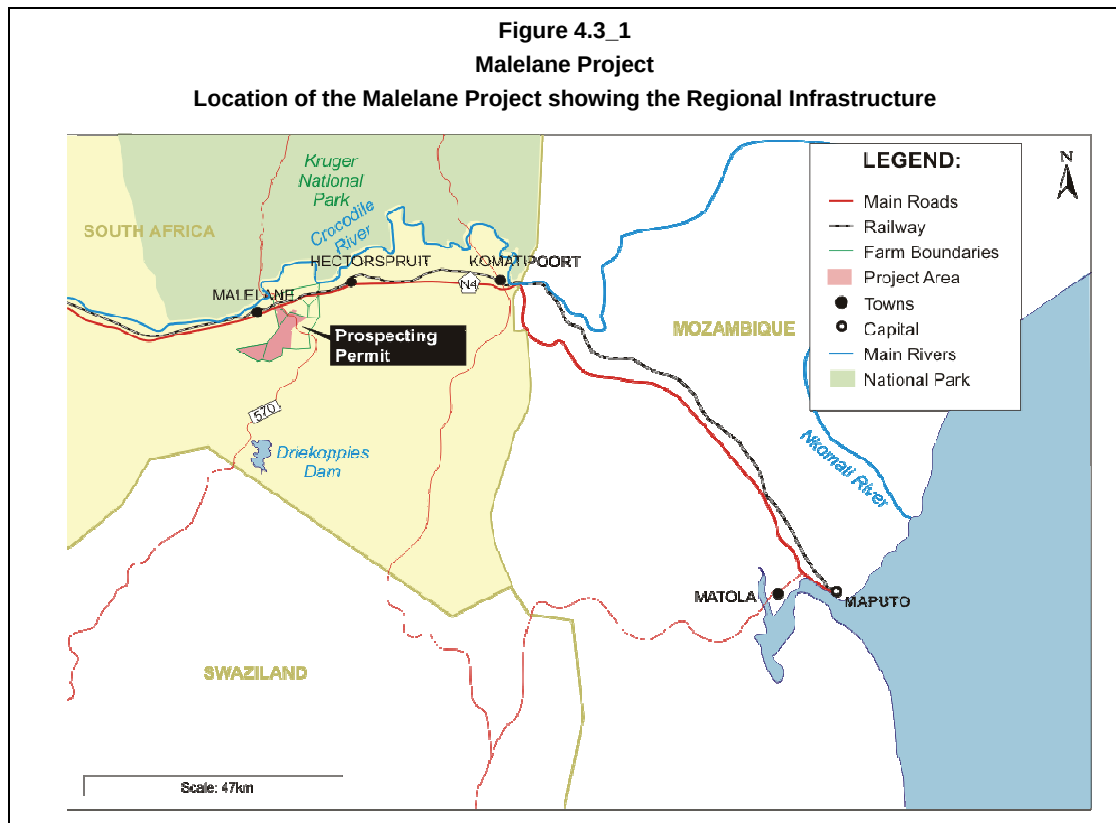
Property Name	Licensee	Expiry Date	Commodities	Status	Comment
Spago 460JU	Moongate 218 (Pty) Ltd	19 May 2013	Iron Ore	Prospecting Right Granted	May be renewed for an additional 3 years
M'hlati 170 JU Portion 9	Moongate 218 (Pty) Ltd	19 May 2013	Iron Ore	Prospecting Right Granted	May be renewed for an additional 3 years
Coulter Oos 549JU RE	Moongate 218 (Pty) Ltd	19 May 2013	Iron Ore	Prospecting Right Granted	May be renewed for an additional 3 years

4.3 Project Access

The property is located in the Mpumalanga Province of the Republic of South Africa, immediately south of the town of Malelane. The main supply centre is at Mbombela (formerly Nelspruit) some 60km from Malelane (Figure 4.3_1). The N4 national road passes within 5km of the property and links Maputo in Mozambique to Johannesburg.

Within the project area there are unpaved roads and tracks providing access to the exploration areas. The project is only 6km away from the Johannesburg-Maputo fully electrified rail line. This line is operated by Transnet and serves as one of the major arteries

for bringing goods into Johannesburg. A siding for a magnesite mine is located immediately adjacent to the property. Ferrex has received a quotation from Transnet to haul concentrate to the port of Maputo.



The main land use in the area includes both farming and tourism based operations. The farms in the region produce sugarcane, subtropical fruit, citrus and winter vegetables. The more rugged areas are typically used to farm game.

4.4 Physiography and Climate

The topography at Malelane is moderately rugged. Elevations on the property range from 450m to 800m above sea level.

The climate in the Malelane area, which is situated in the Lowveld, is temperate to sub-tropical (Table 4.4_1). The Lowveld climate is characterised by warm sub tropical temperatures and experiences high summer rainfalls. The rainfall season begins in September and lasts until May receiving approximately 550mm of rainfall. While hot humid conditions prevail during the summer months (due to the area's low altitude), the winter months of June, July, and August are dry and generally frost-free. In the summer temperatures range from as high as 40°C during the day to 10°C in the evening. Winters are milder and temperatures usually vary between 20°C during the day and 10°C at night. Due to the moist climate, the Lowveld is a perfect home for mosquitoes to thrive in, and it is therefore a designated malaria area. Although malaria is mostly under control, standard precautions should be taken. According to the South African Weather Service the Malelane area is located in an area that experiences 2-3 lightning flashes/km²/year.

Table 4.4_1 Malelane Project Malelane Average Monthly Rainfall and Temperatures												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Max Temp °C	30	30	29	27	26	24	24	25	27	27	28	30
Min Temp °C	19	19	18	15	11	8	8	10	13	15	17	18
Rainfall mm	104	88	71	34	10	1	1	3	14	42	82	97

4.5 Flora and Fauna

Vegetation consists primarily of open veld, with small trees mostly clustered around water courses. According to the EIA undertaken by Eskom in siting a substation at Malelane, the Mpumalanga Biobase contains extensive data on the presence and distribution of faunal and flora species within the province. Although not site specific, the database indicates that the area has a fairly low importance in terms of biodiversity. The area is however located within the Maputuland – Pondoland Region of Endemism, which has been identified as a biodiversity rich area.

4.6 Local Infrastructure and Services

The Malelane Project is well situated with respect to the required infrastructure.

Road and Rail

The project area is close to the N4 national tarred toll road. The project is located 6km away from the Johannesburg–Maputo fully electrified rail line. This line is operated by Transnet and serves as one of the major arteries for bringing goods into Johannesburg. A siding for a magnesite mine is located immediately adjacent to the property.

Port

The port of Maputo is located 170km along the rail line. The port is separated into container and bulk sections. The bulk port currently exports coal and magnetite at the rate of 3 million tonnes per annum (Mtpa). The port is in the process of being expanded and has an additional 6km of waterfront available. The port is currently capable of handling ships to 65,000dwt with plans to dredge the channels further to allow ships of 85,000dwt to berth.

Water

The recently completed Driekoppies dam is located 30km from the project area and would be capable of providing the required needs of the project. The Crocodile River that runs adjacent to the project may also be capable of supplying water when a dam upstream is completed.

Power

The main sub-station for the area is located 7km from the project area. The sub-station is currently being upgraded to service the increasing need of the region. The sub-station is serviced by 275kVA lines that cross the Malelane Project. At present it is not known if these lines will have any effect on the future development of mining operations in the area. The generation of power in South Africa is a potential constraint; however the power provider,

Eskom, has committed R343 billion for the installation of 16,000mw of additional power by 2017.

Accommodation and Services

The property is located 8km from the town of Malelane that would become the main accommodation centre for the project. It is located 60km from the provincial capital of Mbombela which has a population of 250,000 and is serviced by an international airport. Mbombela would provide the majority of services required for the project. A high standard of medical and schooling facilities are available within Mbombela.

4.7 Previous Exploration

The Dumanene ochre deposit is located within the property and was mined in prehistoric times. In approximately 1954, hematite mineralisation was discovered within the Spago area of the Malelane Project.

In 1958 ISCOR, then a state owned steel maker and iron-ore miner, explored the property by developing adits to intersect the projected continuation of high grade surface mineralisation. The adits intersected ferruginous shales that returned low to moderate Fe grades (30% - 50%) in continuous channel samples. Two trenches were dug to the east of previous workings and channel samples returned grades similar to those collected from the adits.

Rio Tinto completed an exploration programme on the property during the 1970s. This comprised cutting and sampling additional trenches along strike of historical workings and drilling one diamond exploration borehole. The little information available indicates that this drillhole was situated about 1km east of the Spago workings and drilled from north to south, dipping at 45° to a depth of 251m. The borehole collar has not been located. A report obtained from the Council of Geoscience, Pretoria shows that the interval from 40m – 251m down a drillhole was logged as containing banded ironstone and returned a weighted average grade of 38.2% Fe.

4.8 Historical Resources and Reserves

No mineral resource estimate that can be classified in terms of JORC or SAMREC has been completed for any of the Ferrex projects.

4.9 Production History

The production history from the project area is summarised by Groeneveld (1975) and Ward, 1999).

Between 1954 and 1957 25,468 tonnes of ore was extracted from the Spago hematite deposit. The ore, grading up to 66.4% Fe was mined by Spago Base Minerals (Pty) Ltd. The Spago Mine was not productive from 1957 to 1962, after which a further 2,687t of hematite ore was produced by Tandi Orion Ore (Pty) Ltd. From 1942 – 1945 the MDumane Oxide Company mined 312t of red ochre pigment from the Dumanene ochre deposit.

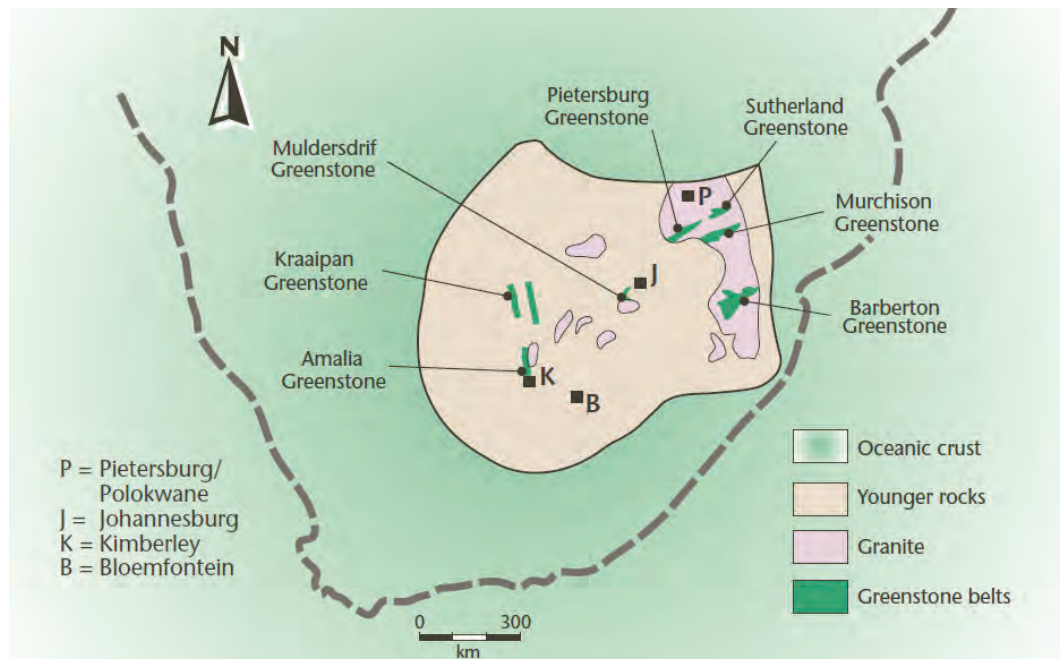
Coffey Mining is not aware of any other production from mining operations within the project area.

4.10 Regional Geology

Malelane is located in the Barberton Greenstone Belt (Figure 4.10_1), within the Archean Kaapvaal Craton. The Kaapvaal Craton preserves a nearly continuous sequence of Archean rocks extending from 3.6Ga to 2.6Ga (De Wit et al. 1992). The Craton is economically important, as it hosts giant deposits of platinum group metals (PGM) in the Bushveld Complex, gold in the Witwatersrand Supergroup, diamonds in Kimberlite intrusions and iron ore in the Transvaal Supergroup.

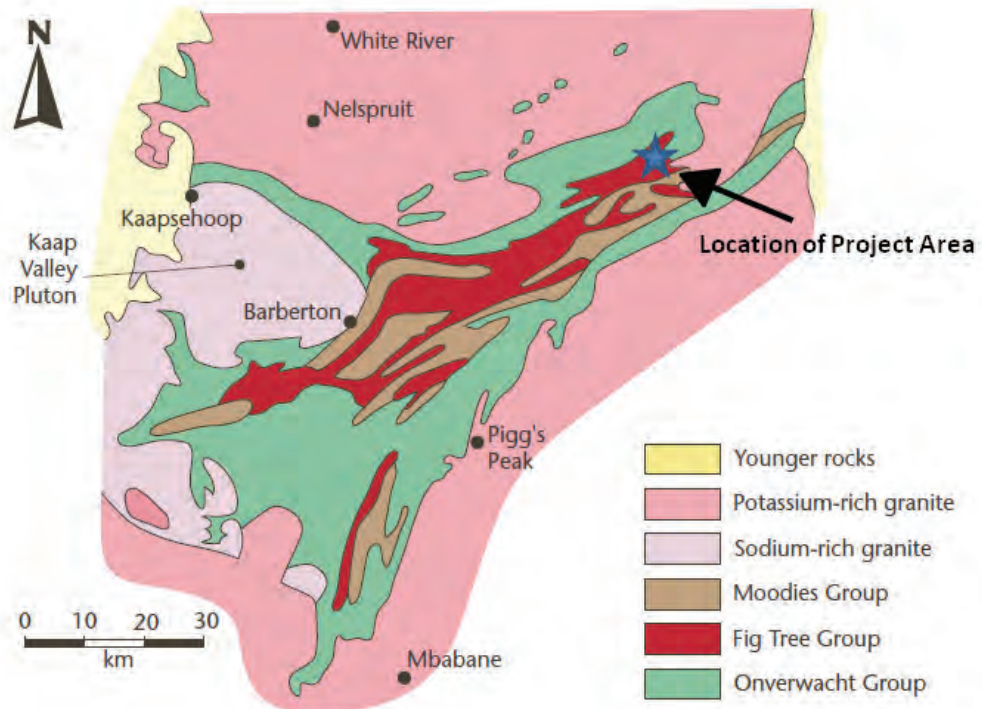
The Barberton greenstone belt comprises the NE-SW striking Swaziland Supergroup (3.55-3.22Ga), which was intruded by granitoids dated between 3.5Ga and 3.1 Ga spanning several episodes of magmatism (Hoffman, 2005) (Figure 4.10_2). Three distinct sequences are recognised within the Swaziland Supergroup, the Onverwacht, Fig Tree and Moodies Groups. Brief descriptions of each stratigraphic unit follow. The ENE trending Inyoka Fault separates the belt into distinct northern and southern tectono-stratigraphic terranes, with marked differences in lithologies and formational ages across the trace of the fault. (Rocks within the belt are metamorphosed to greenschist facies, locally to amphibolites facies adjacent to contact with granitoids.

Figure 4.10_1
Malelane Project
Location of Barberton Greenstone Belt on the Kaapvaal Craton



(Source: "The Story of Earth and Life" – University of the Witwatersrand)

Figure 4.10_2
Malelane Project
Barberton Greenstone Belt – General Geology



Source: "The Story of Earth and Life" – University of the Witwatersrand)

The oldest rocks exposed in the area where prospecting activities are being focused belong to the Onverwacht Group. This unit is made up of komatiite, komatiitic basalt and minor felsic volcanic and deep water sedimentary rocks dated at 3.55 – 3.3Ga. The Fig Tree Group, comprising of predominately siliciclastic and felsic volcanic rocks with minor chemical sediments including Banded Iron Formation (BIF), range in age from 3.26 – 3.226Ga. The Moodies Group, deposited prior to 3.227Ga, consists of clastic and chemical sedimentary rocks, including BIF.

Tonalitic to granitic gneiss of the Ancient Gneiss Complex, which predates the Swaziland Supergroup and is dated at 3.644Ga, is exposed to the southeast of Barberton in Swaziland. (Hoffman, 2005).

Hoffman (2005) states that thrust faults active during deposition of the Fig Tree and Moodies Groups are common in the upper part of the Swaziland Supergroup, and that the rocks of the Supergroup have been tightly folded into a series of relatively broad synclines separated by narrow anticlines or shear zones.

The tectonic evolution of the Barberton greenstone belt is poorly understood (Hoffman, 2005), with varying histories proposed for the belt by regional workers. It is clear that the distinct sequences represent accreted packages formed in distinct tectonic settings.

4.11 Project Geology

The Malelane Project is located to the south of the terrane- bounding Inyoka Fault. The oldest rocks exposed in the area are the ultramafic / mafic volcanic and talc schist of the Onverwacht Group. Much of the property is underlain by rocks of the Fig Tree Group. Outcropping lithologies range from clastic thorough chemical sediments to tuffaceous sediments and felsic volcanic rocks. Variable fine to coarse grained arenites, correlated with the Moodies Group, are rarely exposed in the area.

Three ENE striking Algoma-type iron formation horizons, belonging to the Ngwenya Formation (first defined by Heinrichs, 1980) of the Fig Tree Group, have been mapped within Ferrex's concessions. The combined strike length of the BIF is about 14km, with mapped widths to 300m. At the prospect scale, BIF horizons comprise jaspilite interbedded with ferruginous shale and banded chert. The individual jaspilitic lenses mapped in trenches near the Spago workings range up to 100m thick. The attitude of bedding is variable, with complex disharmonic folding suggestive of syn-sedimentary slumping as well as post-diagenetic compressive deformation, overall dip of the BIF package is steep to the north to vertical.

A series of dykes have been intruded. They generally cut across the regional stratigraphic trend at a high angle. Dykes are preferentially weathered relative to the BIF, and thus are rarely observed in outcrop, their composition and age are unknown. Individual dykes range up to 20m in width and dip vertically.

4.12 Mineralisation

The mineralisation at Malelane is primarily within BIF. These are chemically precipitated sedimentary rocks. They are composed of alternating thin (millimetre to centimetre scale)

red, yellow or cream coloured layers of chert or jasper and black to dark grey iron oxides (predominantly magnetite and hematite), and/or iron carbonate layers. BIF have greater than 15% sedimentary iron content. BIF are of economic interest as they host the world's largest iron ore deposits and many gold deposits.

Algoma-type banded iron formations were deposited as chemical sediments along with other sedimentary rocks (greywacke and shale) and volcanic rocks in and adjacent to volcanic arcs and spreading centres. Iron and silica were derived from hydrothermal sources associated with volcanic centres. Algoma-type iron formations are common in Achaean greenstone belts such as the Barberton greenstone belt, but may also occur in younger rocks.

The Kaapvaal Craton of South Africa is an important source of high grade iron ore. Two ore provinces: Sishen and Thabazimbi are typical of Lake Superior type banded iron formations. There are two main styles of mineralisation, Thabazimbi-style hypogene enrichment of the BIF and Sishen-style supergene enrichment of the BIF. Lake Superior-type banded iron formations were chemically precipitated on marine continental shelves and in shallow basins.

Primary carbonate in banded iron formations may be replaced by silica during diagenesis or deformation. The pronounced layering in banded iron formations may be further accentuated during deformation by pressure solutions. Silica and/or carbonate are dissolved and iron oxides such as hematite may crystallize along pressure solution surfaces. Banded iron formations are highly anisotropic rocks. When shortened parallel to their layering, they deform to form angular to rounded folds, kink bands, and box folds. Folds in BIF are typically doubly plunging and conical. Banded iron formations may interact with hot fluids channelled along faults and more permeable, interbedded horizons such as dolomite during deformation. This may remove large volumes of silica, resulting in the concentration of iron. Iron, in the form of hematite may crystallize in structurally controlled sites such as fold hinges and along detachments faults. If there is sufficient enrichment, an iron ore body is formed. Iron may also be leached, redeposited and concentrated during weathering to form supergene iron ore deposits.

The Malelane property is prospective for several styles of iron ore. Previous mining and exploration work at Malelane has shown that there is potential for high-grade hematite deposits, developed by enrichment of primary jaspilitic BIF or modification of metasomatic magnetite deposits formed adjacent to dykes cutting BIF. The metasomatic magnetite deposits themselves (identified by modelling of high resolution aeromagnetic data) are a target, and the jaspilitic BIF is a potentially very large source of low-grade hematite ore.

The style and setting of iron mineralisation, as an exploration target, invites comparison with the Savage River magnetite project operated by ASX listed Grange Resources Limited in the state of Tasmania, Australia. There are also broad similarities to the Middleback haematite and magnetite operations of OneSteel Ltd, an integrated steel and iron-ore producer based in South Australia, where magnetite bearing protore has been metasomatised during dyke emplacement and regional deformation.

4.13 Previous Exploration

Previous exploration work completed at the Malelane Project by Southern Iron has included geological mapping, rock chip and chip channel sampling, airborne LIDAR and aeromagnetic surveys, processing of Landsat images and cleaning, mapping and sampling of trenches that were cut as part of previous exploration programmes and RC drilling.

4.14 Geological Mapping and Sampling

Reconnaissance geological mapping and rock sampling has been completed throughout the project area. Mapping was completed on traverses spaced at 500m intervals across the strike of BIF horizons (Figure 4.14_1).

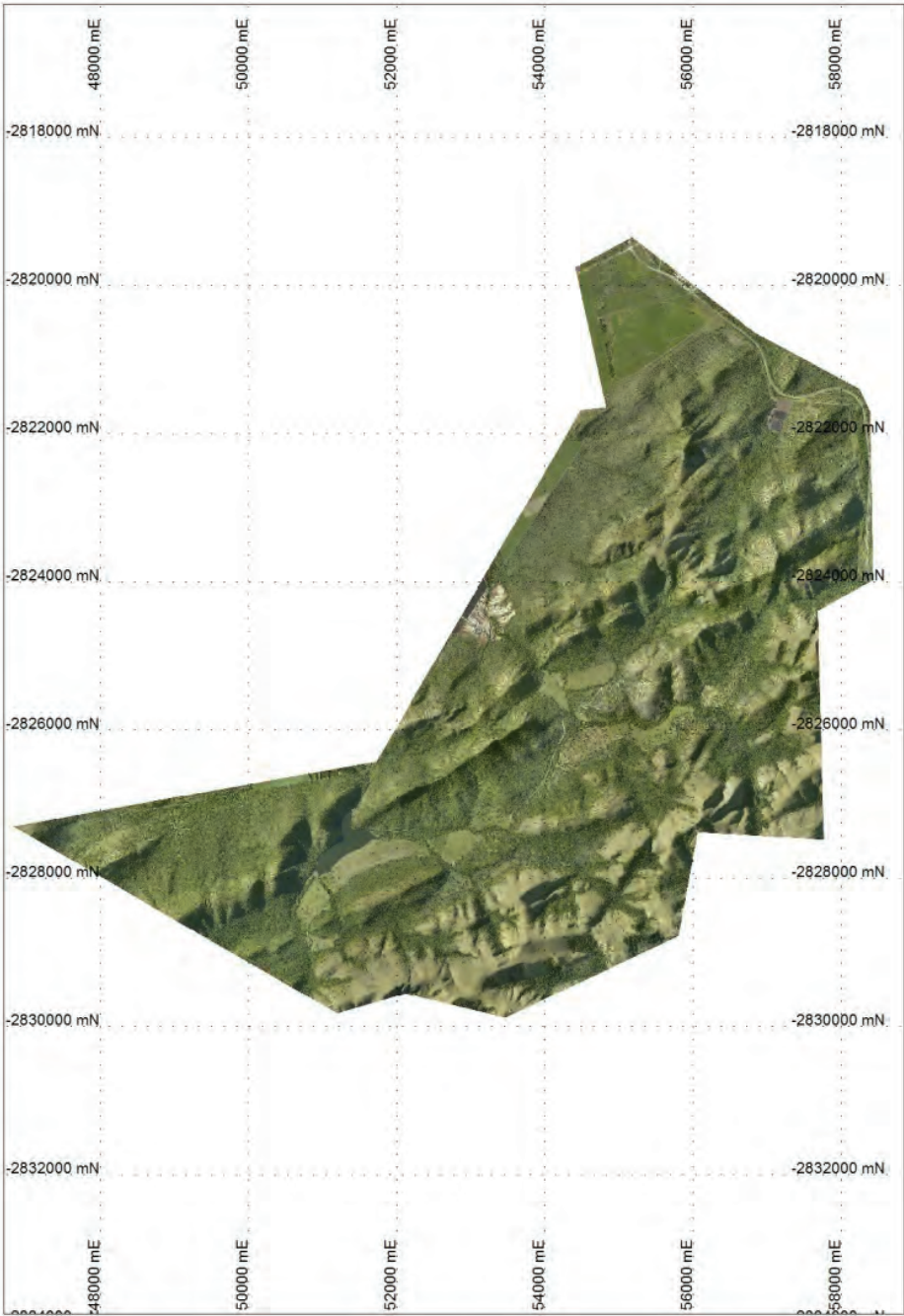
Excluding the trench sampling, a total of 121 rock chip and chip channel samples were collected during the mapping campaign and submitted to the Intertek Genalysis sample preparation facility in Johannesburg for assay by lithium borate fusion with an XRF finish.

Chip channel samples collected from exposures in the Spago workings returned Fe values that range up to 64.9% with an average of 48% Fe in 19 samples. Samples collected from all other areas returned results suggestive of enriched jaspilitic BIF, with values averaging 36.9% Fe and ranging up to 52.3% Fe.

4.15 LIDAR survey

A topographical survey of the Malelane Project by Southern Mapping Company of Johannesburg incorporated a brief to provide rectified colour images (orthophotos) and a digital terrain model (DTM) of the survey area. The survey was completed by an aircraft mounted LIDAR system with several points ground checked for accuracy. Images were referenced using the UTM Hartebeeshoek 94 datum and supplied as 93 ECW files. Figure 4.15_1 is an example of an orthophoto generated from LIDAR Survey.

Figure 4.15_1
Malelane Project
Orthophoto of the Project Area generated from LIDAR Survey



4.16 Magnetic and Radiometric Survey

Fugro Airborne Services was contracted out of Johannesburg to fly a helicopter-borne high resolution magnetic and radiometric survey of the project area and this was completed in April 2008. The survey covered an area of about 45km² with 748 line km read on flight lines 100m apart at a terrain clearance of 15m-25m.

An area 2km² in the southern part of the survey area was not flown at the request of a local landowner. This area was subsequently prospected with a ground magnetometer at a nominal 200m line spacing perpendicular to the strike of the BIF.

Airborne and ground geophysical data were analysed by GAP Geophysics (GAP) in Johannesburg (Figure 4.16_1). GAP's brief was to provide an overview of the project area from a geophysical perspective, highlight targets with the potential to host high grade hematite mineralisation and model some of the prominent magnetic anomalies.

Interpretation of the magnetic data highlighted a number of targets where the interaction between BIF and inferred structures or possible granitoid-related hydrothermal alteration fronts may have led to an upgrade in Fe content (Figure 4.16_1).

Discrete magnetic anomalies adjacent to the intersection between mafic dykes and BIF horizons were modelled by GAP to determine the likely size, shape, attitude, amplitude and depth to top of bodies that produced the magnetic pattern. It is understood that the Spago anomaly is interpreted as being caused by an ovoid body 200m – 250m across that starts at 50m below surface and probably contains in excess of 50% magnetite.

4.17 Landsat Images

Landsat images for the Malelane Project were acquired and processed by a remote sensing specialist, Geoimage, from Perth, Australia. A number of products were provided, principally aimed at highlighting areas that could host significant accumulations of iron ore (Figure 4.17_1).

The pseudocoloured iron images suggest that Fe content is enriched in the vicinity of the Dumanene ochre occurrence (Figure 4.17_1). However, this product failed to highlight areas of Fe enrichment near the Spago workings.

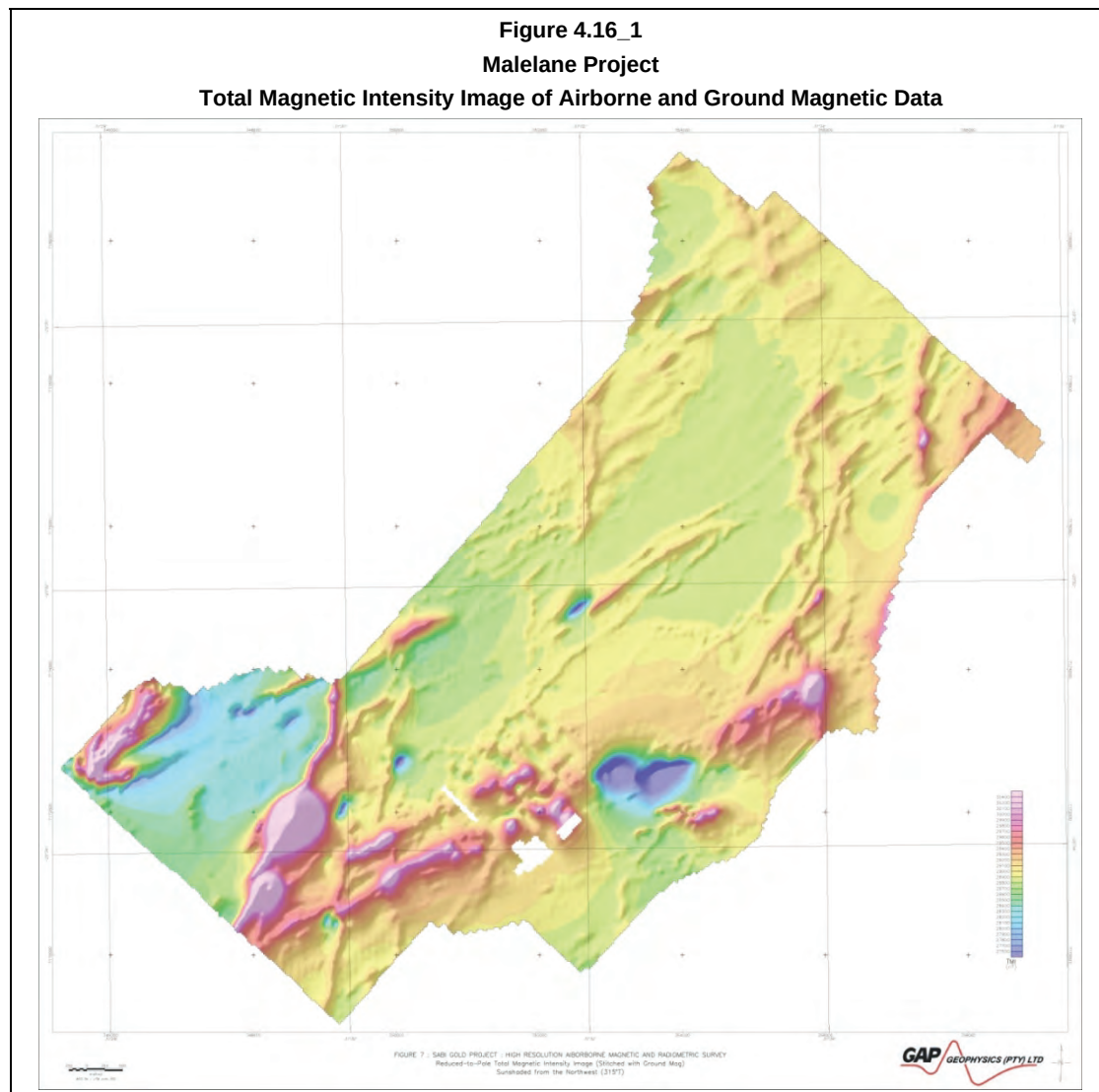
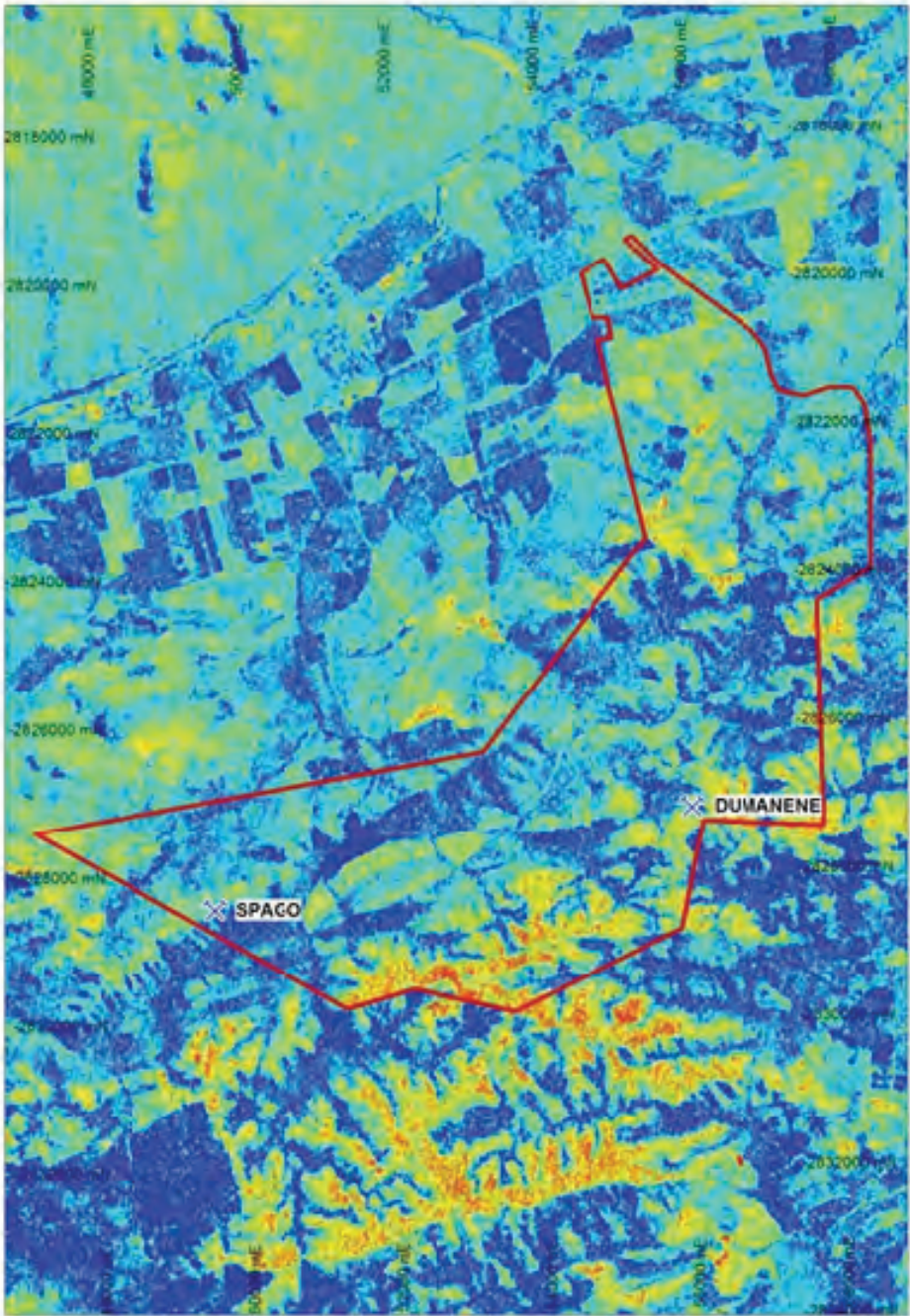
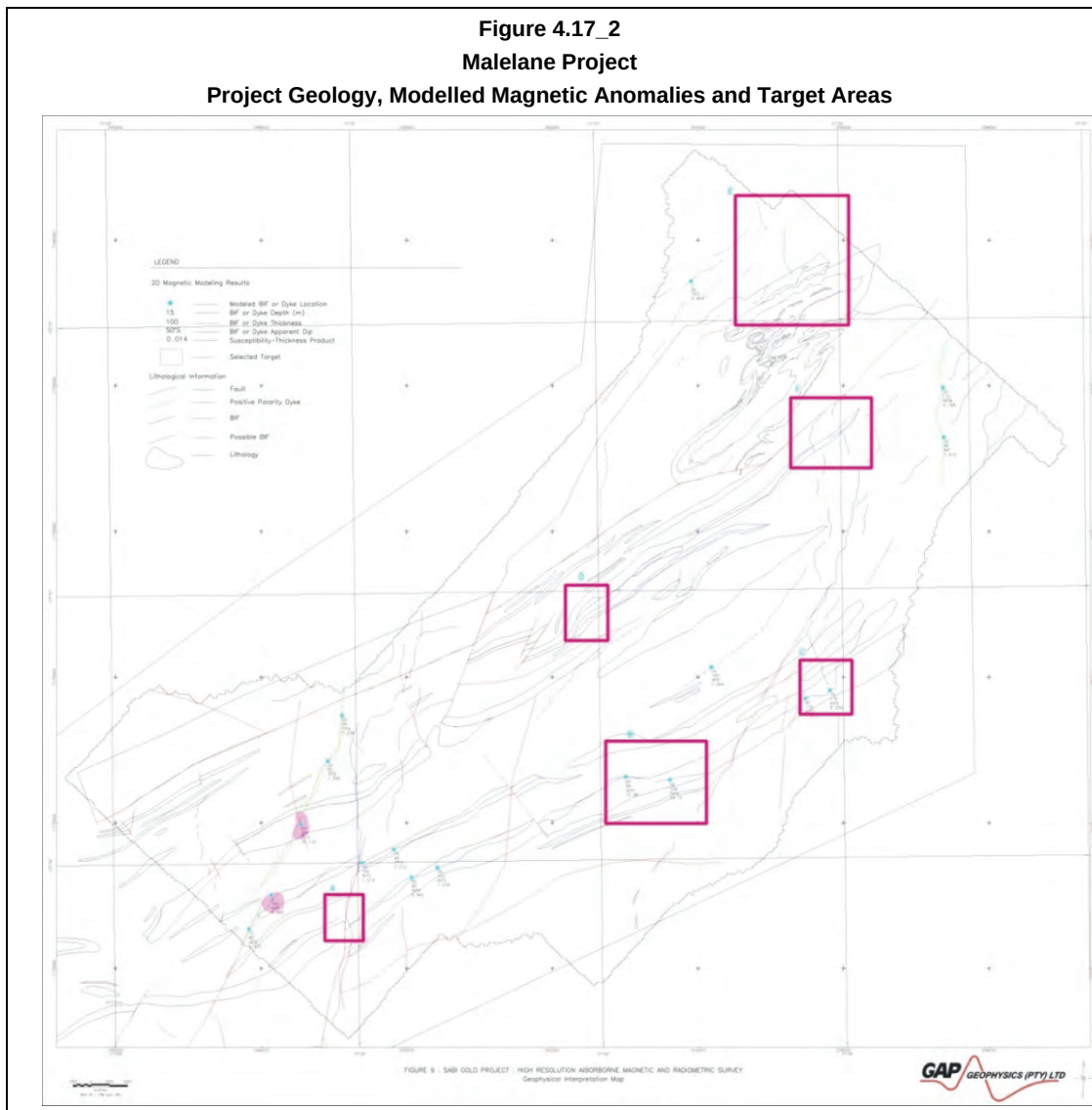


Figure 4.17_1
Malelane Project
Pseudocoloured Iron Landsat Image for the Project Area





4.18 Mapping and sampling of trenches

A number of trenches were cut in subcropping BIF along the ridge to the east and west of the Spago workings by previous explorers (Figure 4.18_1). The vegetation from the area of each trench was cleared, then the trench was geologically mapped and sampled. Samples were collected as continuous chip channels over 1m or 2m intervals. A total of 371 samples were collected from eight (8) trenches and submitted to Intertek Genalysis in Johannesburg to be assayed by lithium borate fusion with an XRF finish. Mineralised sections range between 20m and 122m in width with composite grade values that range between 23.4% Fe and 51% Fe.

Mapping of the trenches showed that the BIF package, with widths to 300m suggested from reconnaissance mapping, consists of a number of jaspilitic BIF horizons interbedded with ferruginous shale. Two jaspilite lenses were identified, ranging up to 100m thick. Lithological contacts typically dip steeply to the north, while bedding orientations can be complex with chaotic disharmonic folds suggestive of syn-sedimentary slumping in addition to compressive deformation.

Assay results for the channel samples show that there is potential to host a large, low-grade hematite deposit. Trenches test a strike length of 1.2km in the northern BIF horizon.

4.19 RC Drilling

A reverse circulation percussion (RC) drill program was undertaken in April 2011 as a preliminary investigation of the potential for the Malelane property to host significant iron ore mineralisation, and to provide samples for metallurgical test work. Seven drillholes were drilled by Torque Drilling from Pretoria for a total of 920m; details are listed in Table 4.19_1.

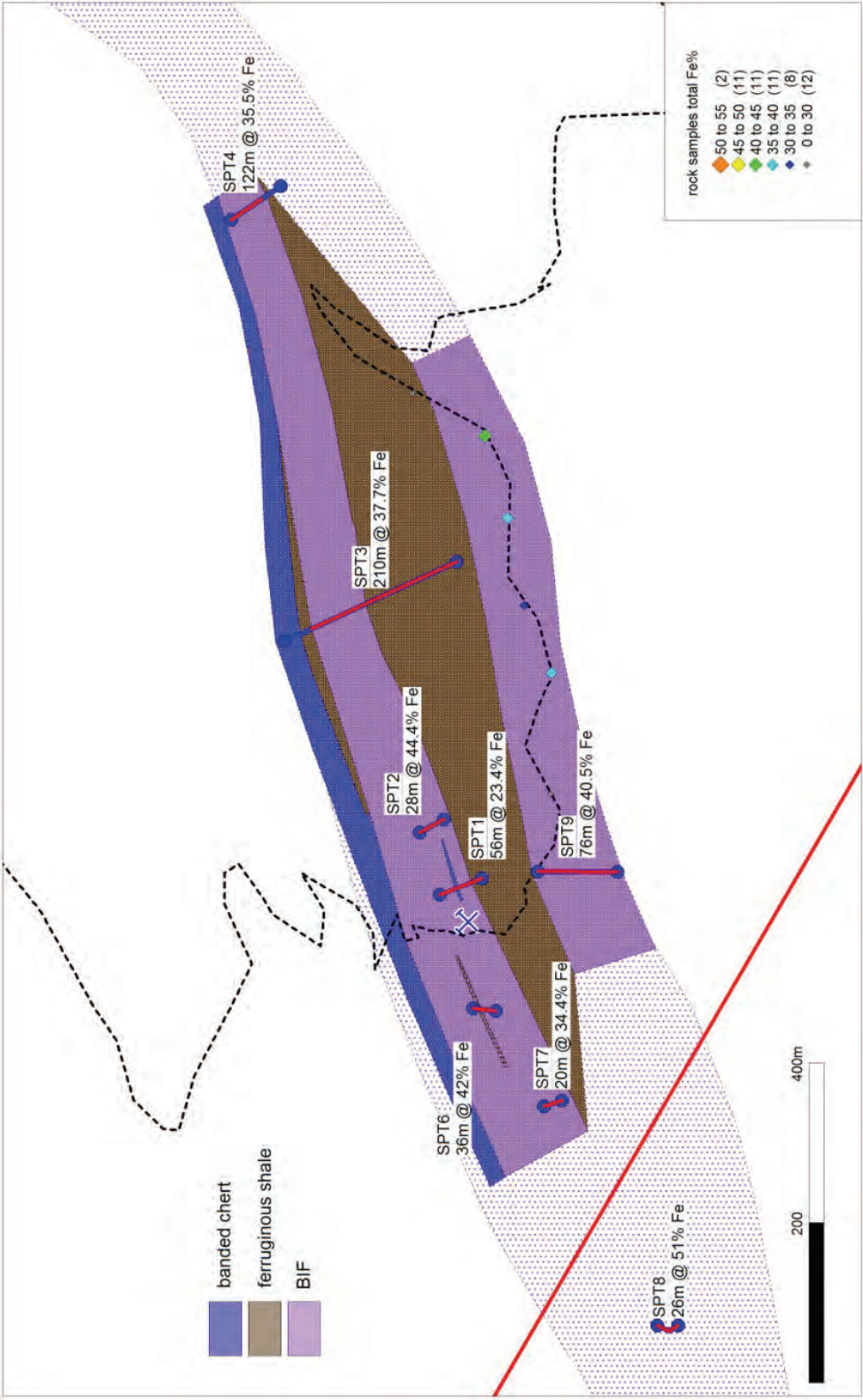
Table 4.19_1 Malelane Project Reverse Circulation Drillhole Details (April 2011)						
Drillhole ID	UTM East	UTM North	Elevation	Depth	Dip	UTM Azimuth
SPRC01	348,560	7,171,957	642	177	-50	317
SPRC02	348,562	7,171,955	647	140	-55	
SPRC03	349,299	7,172,197	561	50	-50	
SPRC04	349,299	7,172,198	563	50	-50	
SPRC05	348,942	7,172,119	667	212	-50	327
SPRC06	348,943	7,172,113	669	200	-55	
SPRC07	349,272	7,172,210	566	91	-50	

The drill program tested a section of the northern BIF in the vicinity of the Spago workings. Drillholes were drilled on three northwest-southeast oriented sections covering a strike length of 750m. Two drillholes were planned for each section; because of the rugged topography it was necessary to drill both drillholes from the same pad – one towards the northwest and one towards the southeast. The seventh drillhole (SPRC07) was added at the end of the program because both drillholes drilled on the eastern section (SPRC03 and SPRC04) were collared in, and failed to penetrate, a dolerite dyke. Collar locations (which were obtained using a handheld GPS) and drillhole traces are shown on Figure 4.19_1.

Three of the drillholes (SPRC01, SPRC05 and SPRC07) were surveyed for down drillhole deviation using stainless steel rods and a Deviflex electronic multishot tool. Survey readings were taken at 3m or 4m intervals down the drillhole.

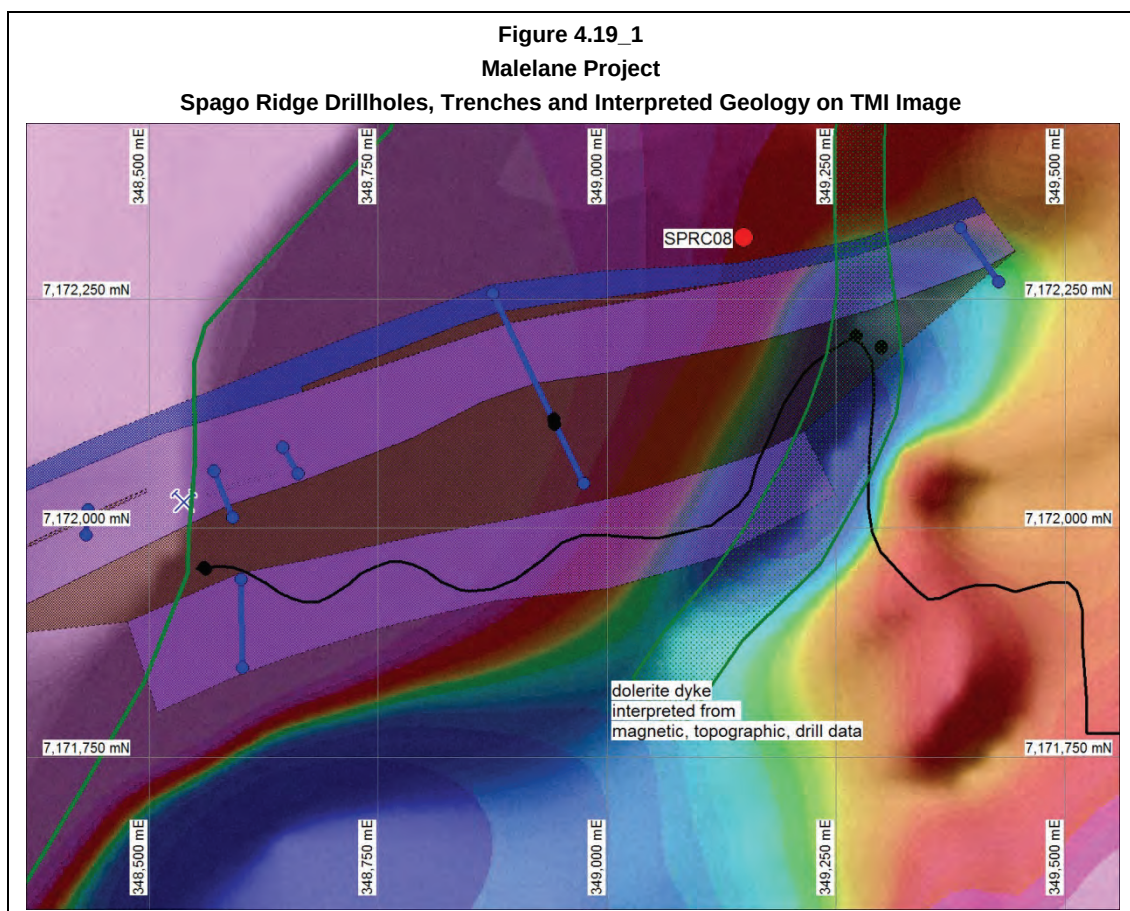
Three of the four surveyed drillholes (SPRC02, 05, 07) deviated with rod rotation, as much as 3.5° over 91m in SPRC07; drillhole SPRC01 deviated 6° against rotation over 174m. Three of the four drillholes (SPRC01, SPRC02, SPRC05) dropped, as much as 4° over 212m in SPRC05; drillhole SPRC07 lifted by 3.2° in 91m.

Figure 4.18_1
Malelane Project
Spago Ridge Exploration Trenches and Interpreted Geology. Historical Workings Marked by Crossed Picks.



Four of the drillholes (SPRC01, SPRC02, SPRC05 and SPRC06) intersected the prospective BIF package; the other three drillholes (SPRC03, SPRC04, SPRC07) were drilled entirely in a dolerite dyke. SPRC01 drilled through BIF with shale and cherty BIF intercalations up to 10m thick to end of drillhole at 177m. SPRC02 intersected BIF to 95m and ferruginous shale from 95m to the end of the drillhole at 140m. SPRC05 intersected BIF to 189m and ferruginous shale from 189m to the end of the drillhole at 212m. SPRC06 intersected BIF with approximately 30% intercalations of ferruginous shale and cherty BIF and ended at 200m in BIF.

An additional drillhole is planned by Ferrex to test the BIF and confirm the location of the dyke in the vicinity of drillholes SPRC03, SPRC04 and SPRC07. The magnetic and topographic low attributable to the dyke (Figure 4.19_1) strikes northeast, deflecting as it cuts the BIF ridge and assuming a northerly strike. The BIF ridge to the northwest of the dyke is accessible and a drill pad will be prepared for a drillhole (SPRC08 on Figure 4.19_1) to be oriented southeast through the BIF towards the dyke.



4.20 RC Drill Sampling Procedure

Samples were collected directly from the cyclone on the drill rig at metre intervals. Dry or moist samples were riffle split immediately, with approximately 10kg retained and the remainder discarded. Analytical samples were collected as 2m composites, with about 1.5kg of material from each of the metres combined to form a 3kg sample. Wet samples were allowed to dry before following the procedure outlined above.

Three riffle splitters were aligned for the sampling process: two half splitters and a one eighth splitter. Samples were passed through the two half splitters with the large portion discarded and the small portion (approximately 10kg) retained. The retained portion was then passed through the one eighth splitter and both parts kept – the larger sub-sample was stored for future use and the smaller sub-sample was composited with the smaller sub-sample from the adjacent metre and packaged for shipping to Intertek Genalysis.

A handful of drill chips was collected from the reject for each metre and logged by a geologist on site, taking into account a broad spectrum of observations on lithology, alteration and mineralisation. The geologist selected drill chips to place in a plastic chip tray marked with the drillhole name and depth. Chip trays are stored in a secure location on site.

Splitters were cleaned on a regular basis during the drill program. The cyclone was thoroughly cleaned after every drillhole.

A total of 417 samples, collected from the four drillholes that intersected BIF (SPRC01, SPRC02, SPRC05 and SPRC06) were submitted to Intertek Genalysis in Johannesburg to be assayed by lithium borate fusion with an XRF finish. Included within the total of 417 samples are 52 quality control samples comprising 14 field duplicates, 16 blanks and 22 certified standards.

Assay results have been received for the first two batches totalling 229 samples, from drillholes SPRC01 and SPRC05. SPRC01 intersected 175m @ 44.2% Fe from surface to the end of drillhole at 177m, including results for one sample (168-170m) which was too wet to split when the first two batches were submitted. The pending sample was assigned a Fe value of zero for intercept calculations. A higher grade intercept of 16m @ 59.7% Fe was returned in SPRC01 from surface. SPRC05 intersected 212m @ 36.6% Fe from surface to the end of drillhole at 212m.

4.21 Sample Quality

The chip channel samples collected in trenches may be representative of the mineralisation encountered. It is noted, however, that irregular trench walls might have led to preferential sampling of more resistant material. Nevertheless, if this was the case, samples would contain relatively higher levels of chert, thus underestimating the Fe value.

4.22 Geological Controls on Selection of Sample Interval

Samples in the first two trenches (SPT1 and SPT2 – Figure 4.18_1) were collected over 1m intervals. Based on the perceived size of the exploration target, Ferrex subsequently changed to a 2m sample interval. For the same reason, Ferrex used a sample interval of 2m for the drill program. The constancy of the mineralisation and optimal sample regime will need to be determined in the next phase of work.

4.23 Sample Security

Chip, channel and grab samples were collected and then transported to the sample processing facility, which was set up in a fenced area at the back of a rented house in the town of Malelane. Drill samples were processed on site. Individual samples were bagged in

polyweave sacks, which were sealed with twine and stored at the processing facility or in a secure location. The sealed sacks were delivered directly to the Intertek Genalysis sample preparation facility in Johannesburg by a commercial carrier in the case of the drill samples. Once at the Genalysis facility, the samples were kept within a secured compound throughout the preparation procedure.

4.24 Quality Control and Quality Assurance

A summary of the quality control and quality assurance procedures used have been described by Ferrex as follows:-

Blank samples and analytical standards certified for Fe were used to check the adequacy of sample preparation and analytical procedures as part of the trenching sampling and drilling programs. These quality control samples were inserted into the sample stream at the rate of 1 in 20 for each. Blanks and standards were staggered in the sample sequence such that there was a blank or standard every 10 samples. Results were regularly checked to ensure they fall within expected ranges.

Field duplicate samples for much of the program were collected and inserted into the sequence at a ratio of 1 in 20; the ratio for the first two holes was 1 in 40. These duplicates comprised a second one eighth split off the retained (approximately 8.5kg) sample.

Intertek Genalysis employs a comprehensive internal quality control program and has attained ISO 9001:2000 registration in Australia. ISO 9001:2000 requires evidence of a quality control management system covering all aspects of the organisation. To ensure compliance with this system regular internal audits are undertaken by staff members trained in auditing techniques.

4.25 Coffey Mining Technical Assessment of Sampling

The primary aspect of the sampling and drilling to date has been to confirm the presence of Fe mineralisation and to provide sufficient technical justification to move exploration forward. The optimal nature of the samples, their source and length etc will need to be determined in the next phase of exploration.

4.26 Exploration Target

A mineral resource estimate conforming to the guidelines of JORC, SAMREC or CIM has not been completed on the Malelane Project, due to the lack of adequate data that is consistent with the requirements of these Codes. It has however been possible to complete an exploration target as defined by JORC, which provides an indication of the potential in terms of tonnage and grade.

It should be noted that the information used in the estimation is not accurate and verification of the data could not be completed. The determination is based on mapped outcrop of the ferruginous units and assays from samples collected in the trenches that have been dug across the outcrop.

Coffey has estimated an exploration target in accordance with the JORC guidelines and is based on the dimensions of the BIF and taking into account the variable nature of the

mineralisation. The BIF horizons have maximum width of 300m and an average of 220m over the mapped strike. The following parameters were used in the determination:

- The surface area of the ferruginous outcrop
- A maximum depth of 150m based on the evidence of steep dipping mineralisation
- An average grade for each unit as depicted in Figure 4.26_1 was determined.
- A density of 2.5t/m³ was used although this is considered to be lower than will be determined from later exploration work.

The exploration target is estimated to be 775 – 930Mt at 34 - 36% Fe. It is common practice for a company to comment on and discuss its exploration and development in terms of target size and type. The information in this report relating to exploration targets should not be considered as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature at this stage as there has been insufficient exploration to define a Mineral Resource under the JORC Code and it is uncertain if further exploration will result in the determination of a mineral resource.

4.27 Planned Exploration

Ferrex has identified a potentially significant beneficiable BIF iron ore deposits. Planned follow-up work through to December 2012 will include:

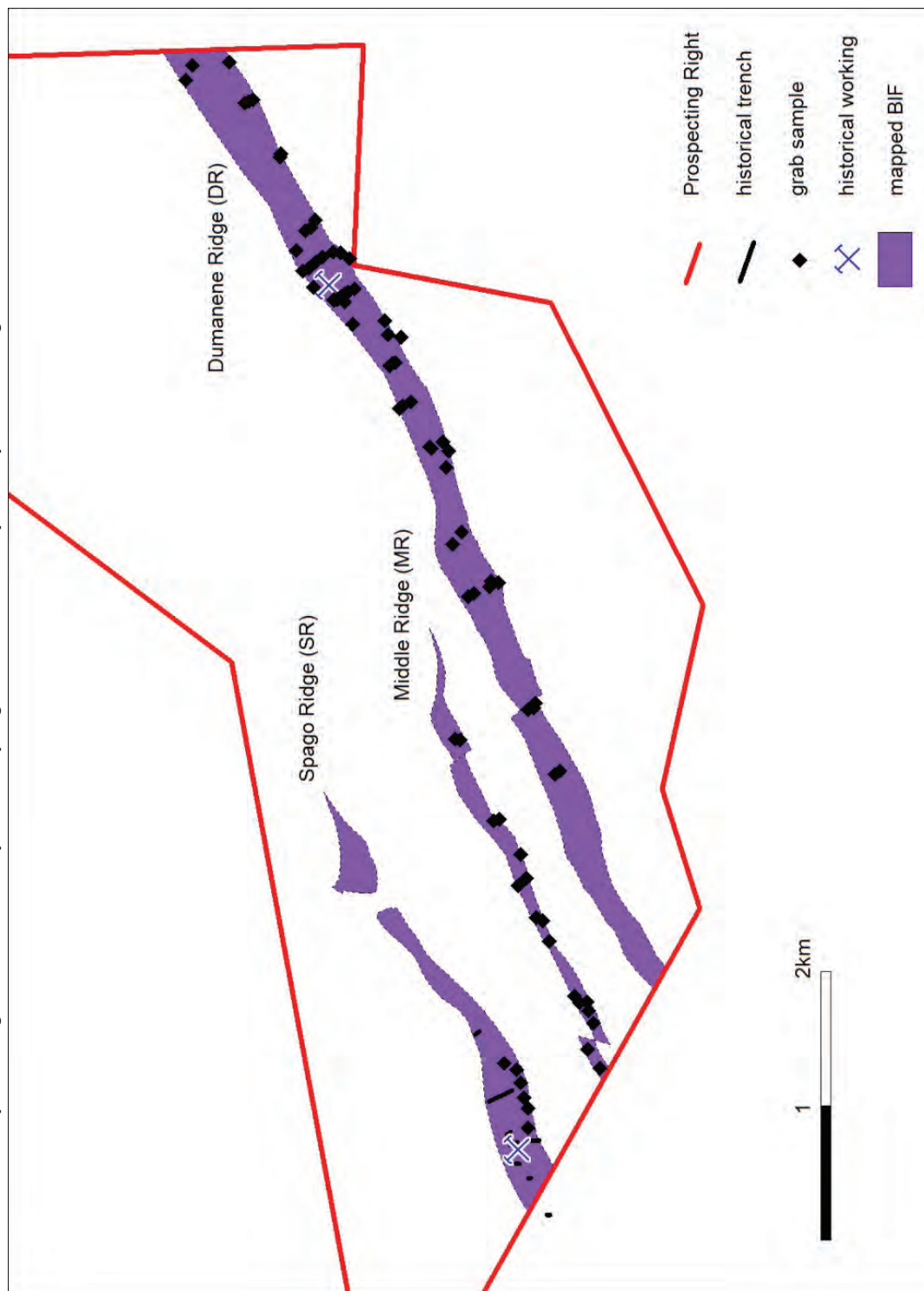
- Additional phases of RC drilling (6000m).
- Compilation of a Mineral Resource.
- Metallurgical testwork and beneficiation studies.
- Completion of a pre-feasibility study for a Direct Shipping Ore (DSO) type product.

The budget for proposed exploration is presented in Table 4.27_1.

Table 4.27_1 Malelane Project Exploration Budget				
Item	Expenditure (GBP)			Proportion of Planned Expenditure
	2011	2012	Total	
Drilling	411,168	-	411,168	60%
Geology and Mining Studies	26,000	-	26,000	4%
Metallurgical Testwork	22,750	22,750	45,500	7%
Engineering Studies	54,545	90,909	145,454	21%
Environmental Studies	2,273	27,273	29,546	4%
Marketing Survey	-	12,048	12,048	2%
RSA Staff	11,818	1,364	13,182	2%
Total	528,555	154,344	682,898	100%

Coffey Mining is of the opinion that the exploration programme is suitable and the appropriate budget for external consultants and external services, has been presented for the next phase of the project.

Figure 4.26_1
Malelane Project
Map Showing Details of Outcrop and Sampling used in the Conceptual Exploration Target Determination



4.28 Project Metallurgy

ISCOR, then the South African state owned iron-ore and steel manufacturer, undertook some metallurgical Testwork in the 1960s in the project area. However, the results and form of this testwork are not known. A large composite sample, where a local dyke had intruded and upgraded BIF to haematite, assayed at 66.4% Fe (Astrup *et al*, 1998)

Mineralogical work on surface samples collected from Malelane was undertaken by the South African parastatal, Mintek. Mintek reported that the mineralogy shows that at a medium grind size of 250 to 500µm approximately 50% of the Fe-bearing oxides may be fully liberated. The remaining Fe oxides are likely to be liberated if milled down to the size of the contaminating inclusions, which generally is of the size <10 to 160 µm.

London Mining's Wadi Sawawin is a jaspilite deposit with similar characteristics to those of Malelane (Newall, 2009) – grading 41% Fe and 30% SiO₂. Based on these similarities it may be prudent to consider the processing route quoted by London Mining and that was used in their pilot plant. It is reported that the plant produced a 66.5% Fe concentrate with 3.5% acid gangue (SiO₂+Al₂O₃) and 65-70% Fe recovery.

The approximate concentrations of both primary and trace elements in a saleable iron ore product are presented in Table 4.28_1.

Table 4.28_1 Malelane Project Approximate Concentrations of Both Primary and Trace Elements in a Saleable Iron Ore			
Element	Required Range of Concentration	Element	Required Range of Concentration
Al ₂ O ₃	2%-3%	K ₂ O	<0.1%
Fe Total	63%-67%	P	<0.05%
SiO ₂	2%-6%	TiO ₂	<0.05%
Mn	0.02%-0.15%		

The range of values obtained from trench and grab samples indicates that beneficiation of the primary ore will be required to meet these criteria. Coffey Mining recommends that detailed metallurgical test work is conducted to determine the most suitable methods to achieve this.

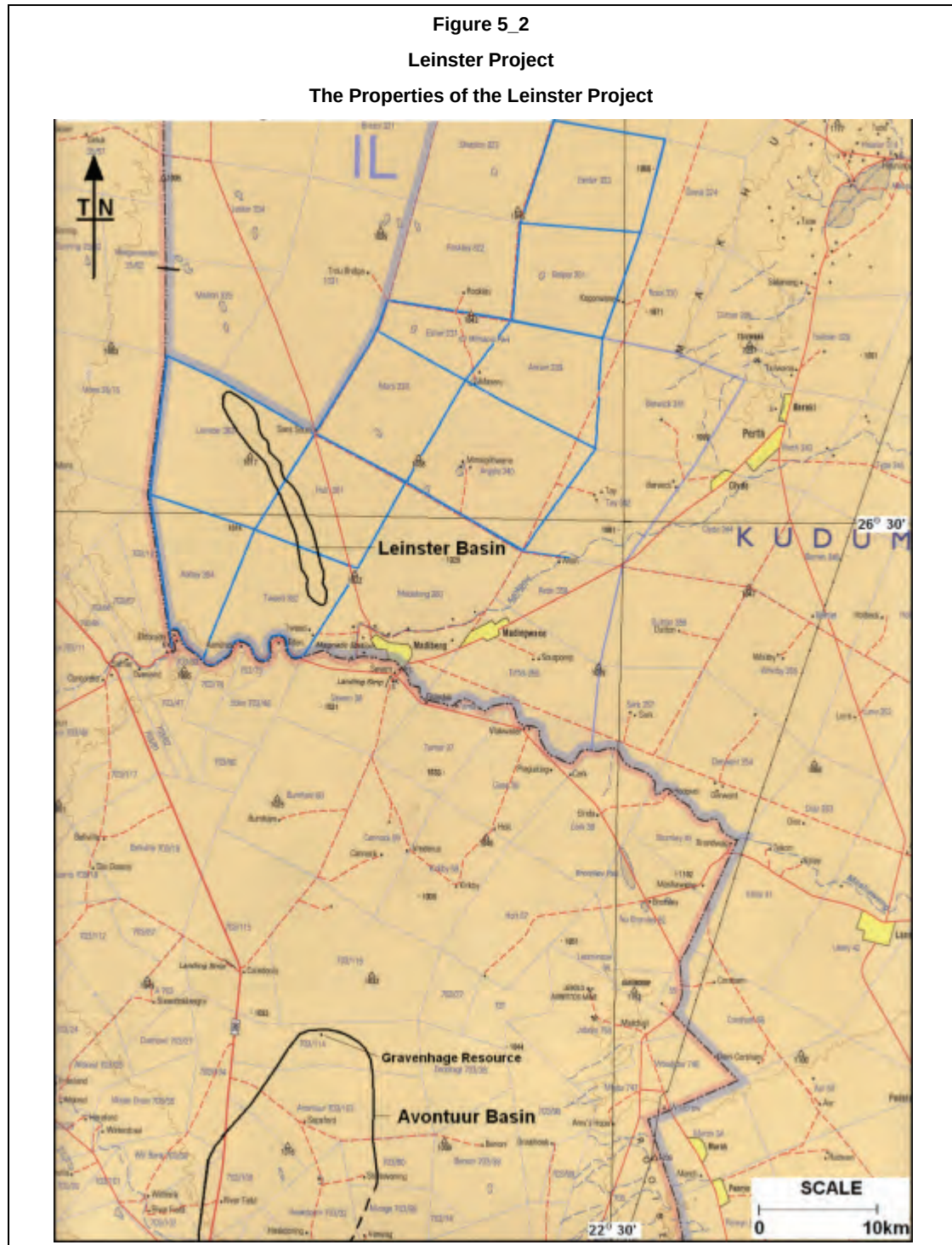
5 SOUTH AFRICAN PROJECT: LEINSTER PROJECT

The properties are located in the Morokweng area against the eastern border of the Northern Cape Province of the Republic of South Africa (Figures 5_1).



The Ferrex properties consist of 10 contiguous properties (including Tweed) which together have an area of 47,161ha. They are from the southwest to the northeast:

Tweed 362-IL, Abbey 364-IL, Hull 361-IL, Leinster 363-IL, Mars338-IL, Argyle 340-IL, Esher 337-IL, Annan 339-IL, Belper 331-IL and Exeter 323-IL. (Figure 5_2)



The properties are located immediately north of the town of Severn and approximately 147km by road north-northwest of Kuruman, the largest town and supply centre in the area and 85km by mainly a good gravel road north of Hotazel, the nearest railway siding. Exports via East London are mainly through this siding but the capacity of the railway line is limited and virtually all new manganese ore and concentrate exports are transported to Gauteng by trucks.

The property lies mainly within the 2622 BD Rockley and 2622 DB Madibeng 1:50 000 topocadastral sheets, except for the western portions of Abbey and Leinster which are located on sheet 2226 DA.

Details concerning the background information in respect of South Africa are presented in Section 3.1.

5.1 Mineral Rights, Title and Permits

Umbono Mineral Holdings (Pty) Ltd, a co-partner of Ferrex, acquired the Prospecting Right in terms of the Minerals and Petroleum Development Act (MPRDA) on 23 October 2009 for a period of 5 years (Table 5.1_1). The Prospecting Right may be renewed for an additional period of 3 years. An Environmental Management Program related to the exploration activity, was submitted with the Prospecting Right Application. All the properties are included in this agreement except Tweed for which an Acceptance Letter for an Application for a Prospecting License was issued on 2 September 2010.

Umbono has negotiated with the surface right owners of the farms to conduct an exploration program on the properties.

A copy of the Prospecting Right Agreement, issued by the Department of Minerals and Energy, in terms of section 16 of the Minerals and Petroleum Development Act of 2002 (Act Number 28 of 2002), was provided by Ferrex for verification. A separate Acceptance Letter for an Application for a Prospecting Right on Tweed 362-IL was also presented. The Prospecting Right, issued to Umbono Mineral Holdings (Pty) Ltd, was signed on 23 October 2009 by the Department of Minerals and Energy. The Prospecting Right is only applicable to Abbey 364-IL, Hull 361-IL, Leinster 363-IL, Mars338-IL, Argyle 340-IL, Esher 337-IL, Annan 339-IL, Belper 331-IL and Exeter 323-IL. Tweed 362-IL was excluded and a separate Acceptance Letter for an Application for a Prospecting Right was issued on 9 October 2010.

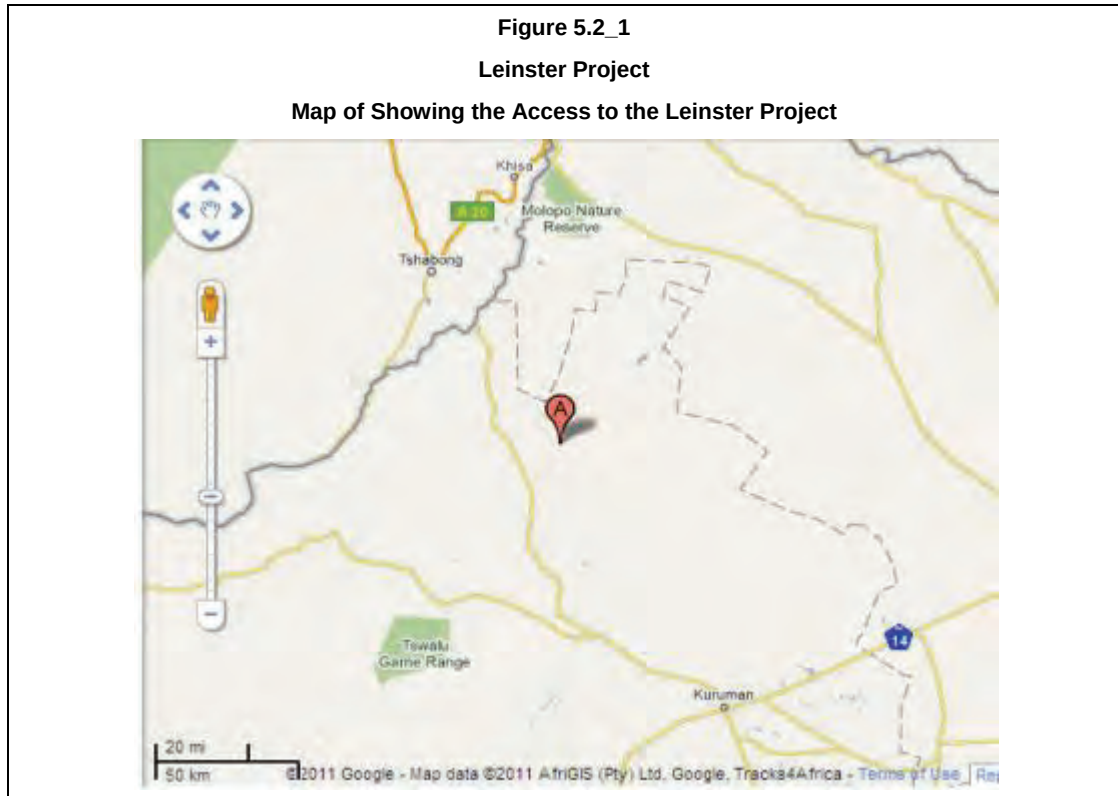
Table 5.1_1 Leinster Project Licence Status					
Property Name	Licensee	Expiry Date	Commodities	Status	Comment
Leinster 363-IL	Umbono Mineral Holdings (Pty) Ltd	22 October 2014	All	Prospecting Right Granted	May be renewed for an additional 3 years
Hull 361-IL	Umbono Mineral Holdings (Pty) Ltd	22 October 2014	All	Prospecting Right Granted	May be renewed for an additional 3 years
Abbey 364-IL	Umbono Mineral Holdings (Pty) Ltd	22 October 2014	All	Prospecting Right Granted	May be renewed for an additional 3 years
Mars338-IL	Umbono Mineral Holdings (Pty) Ltd	22 October 2014	All	Prospecting Right Granted	May be renewed for an additional 3 years
Argyle 340-IL,	Umbono Mineral Holdings (Pty) Ltd	22 October 2014	All	Prospecting Right Granted	May be renewed for an additional 3 years
Esher 337-IL,	Umbono Mineral Holdings (Pty) Ltd	22 October 2014	All	Prospecting Right Granted	May be renewed for an additional 3 years
Annan 339-IL,	Umbono Mineral Holdings (Pty) Ltd	22 October 2014	All	Prospecting Right Granted	May be renewed for an additional 3 years
Belper 331-IL	Umbono Mineral Holdings (Pty) Ltd	22 October 2014	All	Prospecting Right Granted	May be renewed for an additional 3 years
Exeter 323-IL	Umbono Mineral Holdings (Pty) Ltd	22 October 2014	All	Prospecting Right Granted	May be renewed for an additional 3 years
Tweed 362-IL,	Umbono Mineral Holdings (Pty) Ltd			Application Accepted	Application for a Prospecting Right Accepted on 9 October 2010

5.2 Project Access

The properties are located in the Northern Cape Province of the Republic of South Africa, immediately north of the town Severn. The main supply centres are at Kuruman and Kimberley 140km and 445 km, respectively from Severn (Figure 5.2_1). There is a tarred road via Hotazel village, between Kuruman and Wessels, one of the northern mines in the main basin of the KMF. The road from Kuruman to Hotazel and further to Black Rock, with a branch via the northwestern corner of Umtu to Van Zylsrus is tarred or is presently being tarred. A good gravel road occurs between Black Rock and Severn.

A railway siding and the end of the Vaal-Gamagara water scheme is located at Hotazel and the nearest railway station is at the defunct Hotazel mine. The closest airstrips are at Mamatwan, Hotazel and Black Rock/Wessels, owned by Samancor. A small landing strip is present at Severn.

Transport of Manganese by rail takes place via Postmasburg, Kimberley and De Aar to Port Elizabeth or the new Coega harbour earmarked for the new manganese smelters. Due to the limited capacity of the rail, large trucks are now being employed to transport manganese to the harbours and to Gauteng.



The main economic activities are farming and mining. Mining activities are mainly iron and manganese, with some of the biggest deposits in the world found in the Northern Cape. The area is characterized as rural land and is extensively used for grazing, game farming and mining activities. Generally privately held land is used for cattle, sheep and game farming. The vast mineral wealth of the province attracted Kumba Resources, Samancor, and Associated Manganese into the province to mine manganese and iron ore.

5.3 Physiography and Climate

The Ferrex properties are located on the edge of the Kalahari Desert. The area is characterized by a typical Kalahari landscape characterized by flat plains. The study area has a relatively flat and monotonous topography. The lowest part, with an elevation of 980m is along the Moshaweng dry river bed, which forms the southern boundary of Tweed and Abbey. The highest area, approximately 1065m, is along the eastern boundary of Exeter at the foot of the banded ironstone ridges of the Asbesheuwel Sub-group. The properties are covered by bushveld (thorny bush) and grassland, typical of the semi-arid areas of the Kalahari (Figure 5.3_1), with an average rainfall of about 280mm per annum, mainly in the summer.

Due to extensive Kalahari sand cover virtually all the rainwater is absorbed by the sand and run-offs in the streams are seldom experiencing water flow. Floods were experienced in 1967 and 1984 causing a run-off in rivers in the area. Water is available from limited underground resources for cattle and game farming.

Variances in temperatures are extreme and approximations are presented in Table 5.3_1. Field operations can continue throughout the year although it is very hot in midsummer (January).

Table 5.3_1 Leinster Project Summary of Meteorological Data for Hotazel													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Rainfall (mm):													
	54	57	55	30	12	4	3	4	7	15	26	40	305
Average Daily Temperature													
Max (°C)	33	32	30	26	23	19	20	22	26	29	31	33	
Min (°C)	18	18	15	10	5	2	1	4	8	12	15	17	

5.4 Flora and Fauna

This section is based on the work by Van Druten and Kalebe (2009). The project area is underlain by fine sand with very low fertility levels. In terms of the soil-landform resources, sensitive areas are typically identified on account of, inter alia, water and wind erosion hazards, soil compaction, dustiness and the loss of high potential arable land.

The areas vegetation is classified as part of the Savanna Biome or Kalahari Thornveld (which has two subdivisions, viz. Kalahari Thornveld Proper and Vryburg Shrub Bushveld).

A large gap therefore exists in the scientific knowledge base with regard to the entomofauna of the Kalahari Area. This lack of knowledge only points to a research bias in other regions and does not imply that these organisms are not of ecological importance within the broader landscape structure of this area. Being mobile animals, most terrestrial vertebrates are not necessarily confined to a given area and will migrate in search of suitable habitat, should their preferred habitat in an area change or deteriorate for some or other reason. Constant and/or large scale changes/deterioration in their preferred habitat in a given area may result in some species becoming vulnerable, endangered to extinct in that area with resulting environmental consequences, as each species has at least a specific role it fulfils within its area of natural distribution. It must be taken into account, however, that most of the large ungulate species were encountered within various private and municipal nature reserves. The Red Data Book (RDB) series for terrestrial mammals currently list four of the mammal species as Vulnerable, five as Rare and one as Indeterminate.

According to available literature and the McGregor Museum Kimberley bird database, a total of more than 200 bird species can be encountered in the Kgalagadi District Municipal Area. An approximate total of 40 reptile and six amphibian species may be encountered in the Kgalagadi District Municipal Area. Of these only one, namely the Rock Monitor (*Varanus exanthematicus*), is classified as Vulnerable outside reserves.

5.5 Local Infrastructure and Services

Electricity is available from the national Eskom grid at the closed Hotazel mine. However, for a mining operation, with a DMS concentrator and sinter plant, power lines would need to be upgraded from Klerksdorp in the North-west Province via Kathu. Other possible mining expansions and developments in the region would also require additional expansions to the electricity networks. Water could possibly be purchased from the Vaal-Gamagara pipeline, running next to the Gloria-Hotazel-Sishen railway line.

A sealed road network links the project area to the local town of Severn and the larger urban centres of Hotazel (85km), Kuruman (147km) and Kimberley (445km). Further infrastructural support is provided through high capacity Eskom power lines and local water networks. It should be noted that the Kalahari area is known to have very limited water resources and that current mining and related industries may already be utilising most of the available water resources.

Some mining infrastructure exists in the KMF to the south of the project area. These activities have already attracted good infrastructure for power supply and telecommunications to the area. Large areas that are generally flat are still available for plant, mine tailings and waste related infrastructure.

5.6 Previous Exploration

Anglo explored the Leinster Basin as part of their Lancashire Block Project from 1977 to 1988. The main scope of this project was to evaluate the iron mineralization potential of the Kuruman Formation east of Severn. The Leinster area was acquired after assessment of the regional aeromagnetic data highlighted a possible remnant of the Hotazel Formation on Tweed and Leinster. A sub-outcrop of the Hotazel Formation is also indicated on Leinster on the 1:250,000 Morokweng geological map of the area, published by the Council for Geoscience (1974).

Exploration conducted by Anglo included ground magnetics, gravity and IP surveys, followed-up by diamond and percussion drilling programs, which confirmed the presence of manganese mineralized Hotazel Formations in the Leinster Basin. A total of 51 drillholes were drilled in the Severn Project area delineating a conceptual exploration target.

During the 1990s the major companies began to rationalize their mineral holdings. Consequently they redefined their resources for medium- and long-term use in the vicinity of existing mines. Mineral resources further away from the established mines were generally

neglected and not further evaluated, possibly due to lower grades than their existing operations, adverse geological, mining and/or economic conditions.

5.7 Historical Resources and Reserves

No mineral resource estimate that can be classified in terms of JORC or SAMREC has been completed for any of the Ferrex projects.

5.8 Production History

The first mining of the iron and manganese ores of the Northern Cape took place in the vicinity of Postmasburg and was undertaken by native inhabitants for mineral pigments and red ochre associated with the weathered iron formations. Dr. A. W. Rogers was the first to describe the manganese mineralization at Black Rock in 1906. In 1922 the economic importance of the manganese deposits in the Northern Cape near Postmasburg was recognized and production commenced in 1930, after the rail link was completed.

In 1940 exploitation started on the Black Rock deposit, which was the first mine located in the Kalahari Manganese Field. S. A. Manganese bought the Smartt mine in 1954 and started the Hotazel mine in 1959. It is interesting to note that both mines were affected by insufficient drilling with spacing that was not close enough to provide a true picture of the ore body and the Smartt mine was eventually closed (S.A. Manganese Amcor Ltd., 1977). Mamatwan started the open pit in 1963 and Wessels 10 years later with a total remaining resource of 11,222Mt and 409 Mt (1982), respectively, at a cut-off grade of 30% Mn (Nel *et al*, 1986). Anglo American declared for 2008 mineral reserves of 48.6mt at 37.6% Mn and 18.8Mt at 45.5% Mn.

Since the 1940s, ground magnetic surveys played a very important role in the localization of the sub-outcrop position of the manganese layers within the KMF underneath the Kalahari and Dwyka Formations. During the early 1980s the Government's aeromagnetic surveys were published which contributed to defining the KMF.

The other properties underlain by the KMF and the mineralized Hotazel basins at Avontuur and Leinster were also subjected to exploration campaigns. Extensive prospecting, including drilling, commenced during the early 1970s. Magnetic surveys played an important role to define the remnants of the mineralized Hotazel Formation underneath the younger cover rocks.

Adjacent Properties

The locality of the Ferrex mineral right properties in the Severn area is indicated on Figure 5_2. From the geological map (Figure 5.9_2) and the interpretation of the Anglo data, it would appear that the Leister Basin and other smaller satellite remnants are restricted to the farms Tweed, Hull and Leinster. Very limited data is available on the other farms Abbey, Mars, Argyle, Esher, Annan, Belper and Exeter and they are perpendicular to the strike of the Leinster Basin.

Aquila Resources acquired properties covering the Avontuur Basin and defined a JORC compliant Mineral Resource of 107.1Mt @ 38.51% Mn at a depth of 50m for the Gravenhage deposit. The Eerstbegint Resource is located in the southern part of their Prospecting Licence Area.

A feature of the Avontuur Basin is a mafic sill, roughly 60m thick which splits the defined mineralization into upper and lower horizons. Aquila's geological interpretation has NE-SW striking magnetic dykes feeding this sill. The orientation of the dykes is the same as bostonite dykes cutting the prospective stratigraphy in the main KMF, suggesting that the dykes and sills are probably related to the same intrusive event across the KMF, Avontuur and Leinster Basins.

The producing mines on the KMF are Wessels and Mamatwan (Samancor), Nchwaining and Gloria (AssMang: Associated Manganese). Some of the deposits are mined out and closed down e.g. Black Rock and Adams, or had limited mineral reserves such as, Hotazel, Langdon-Annex and Devon, or the grades were too variable and low, e.g., Middelplaats and Smartt (Astrup and Tsikos, 1998).

A summary of all the operating and closed mining operations and the exploration projects are presented in Table 5.8_1.

Table 5.8_1 Leinster Project Details of Grade and Tonnage for Operating and Closed Mines of the Kalahari Manganese Field							
MINE or PROJECT	STATUS	ORE BODIES AND ECONOMIC WIDTHS	ORE TYPES	IN SITU TONNES AND GRADE		COMPLIANCE	COMPANY
Mamatwan	Operating	Lower: 19 m	Mamatwan	Tonnage Mt	Mn (%)	SAMREC and JORC	Anglo American (2008 Annual Report)
				Proved			
				40.5	37.7		
				Probable			
				8.1	36.8		
				Total			
				48.6	37.6		
Middelplaats	Closed	Lower: 5 – 10m	Mamatwan	53Mt @ 37.9% Mn (cut-off 35 %) (Jennings 1986)		Not compliant	Hofazel Manganese Mines
Wessels	Operating	Lower; av. 4,5 m Upper; locally exploited	Wessels	Tonnage Mt	Mn (%)	SAMREC and JORC	Anglo American (2008 Annual Report)
				Proved			
				3.9	46.5		
				Probable			
				14.9	45.3		
				Total			
				18.8	45.5		
Tshipi	Project	Lower	Wessels	Not known		Not compliant	Tshipie Ntle Manganese Mining
N'Chwaning	Operating	Lower, 6m Upper; locally exploited	Wessels	200Mt > 40% Mn		Not compliant	AssMang & Sibilo
Mukulu	Prospect	Lower	Wessels and Mamatwan	43Mt > 40% Mn		Not compliant	AssMang Interplay & Ditschwang

MINE or PROJECT	STATUS	ORE BODIES AND ECONOMIC WIDTHS	ORE TYPES	IN SITU TONNES AND GRADE	COMPLIANCE	COMPANY
Gloria	Operating	Lower, 10 m	Matatwan	21Mt > 40% Mn	Not compliant	AssMang & Sibilo
Kalagadi Manganese	Advanced Development Project	Lower 4.95m and Upper 5 m	Matatwan	+211Mt @ 37.1% Mn 35% Mn cut-off	Not compliant	Kalagadi Resources ArcelorMittal
York, Tele And Devon	Closed Open pit, Project	Lower & Upper	Matatwan	Limited	Not compliant	Northern Cape Manganese Resources
Kongoni	Project	Lower and Upper	Matatwan	Same as Gama	Not compliant	Pico
Moodraai	Project	Lower and Upper	Matatwan	31.01% Mn 25% Mn cut-off (3 drillholes)	Not compliant	United Manganese of the Kalahari
Heuningdraai	Project	Lower and Upper	Matatwan	30.42% Mn 25% Mn cut-off (1 drillhole)	Not compliant	
Botha	Project	Lower	Matatwan	Not known	Not compliant	
Smartt / Rissik	Closed, 1962	Lower	Matatwan	Not known	Not compliant	
Middelplaats Excl.Old Order Mining Rights	Project	Lower	Matatwan	Not known	Not compliant	
Adams	Closed, 1992	Lower	Matatwan	Not known	Not compliant	National Mn*
Perth	Closed, 1979	Lower	Matatwan	1.6Mt > 40% Mn	Not compliant	AssMang
Devon	Closed	Lower	Matatwan	Small	Not compliant	AssMang
Black Rock	Closed. 1992	Lower: 6 m Upper locally exploited	Wessels	45Mt > 40% Mn	Not compliant	AssMang
Hotazel	Closed. 1990	Upper; 6 m Lower; arr. 15 m	Hotazel Supergrade	20Mt > 48% Mn	Not compliant	Samancor
Langdon Annex	Closed, 1992	Lower	Hotazel Supergrade		Not compliant	National Mn*
Avontuur	Project	Lower	Jacobsite	Gravenhage Resource 107.1Mt @38.51% Mn	Not compliant	Aquila

MINE or PROJECT	STATUS	ORE BODIES AND ECONOMIC WIDTHS	ORE TYPES	IN SITU TONNES AND GRADE	COMPLIANCE	COMPANY
Leinster	Prospect	Lower and other	Jacobsite	Tweed Target 6.9Mt @ 39.3% Mn	Not compliant	Ferrex
Mamatwan	Operating	Lower: 19 m	Mamatwan	400Mt > 35% Mn (Taljaardt 1982)	Not compliant	Samancor
Middelplaats	Closed	Lower: 5 – 10m	Mamatwan	53Mt @ 37.9% Mn (cut-off 35 %) (Jennings 1986)	Not compliant	Hotazel Manganese Mines
Wessels	Operating	Lower; av. 4,5 m Upper; locally exploited	Wessels	6284Mt >30% Mn (Taljaardt 1982)	Not compliant	Samancor
Tshipi	Project	Lower	Wessels	Not known	Not compliant	Tshipie Ntle Manganese Mining

Information in this table is from various sources, including Astrup. and Tsikos (1998)

*National Manganese is a past producer in the KMF and is now operating in the Postmasburg manganese field

The *in situ* refers to ore already extracted and the remaining available. The *in situ* tonnes could not be classified in terms of the definitions adopted by JORC or SAMREC.

5.9 Regional Geology

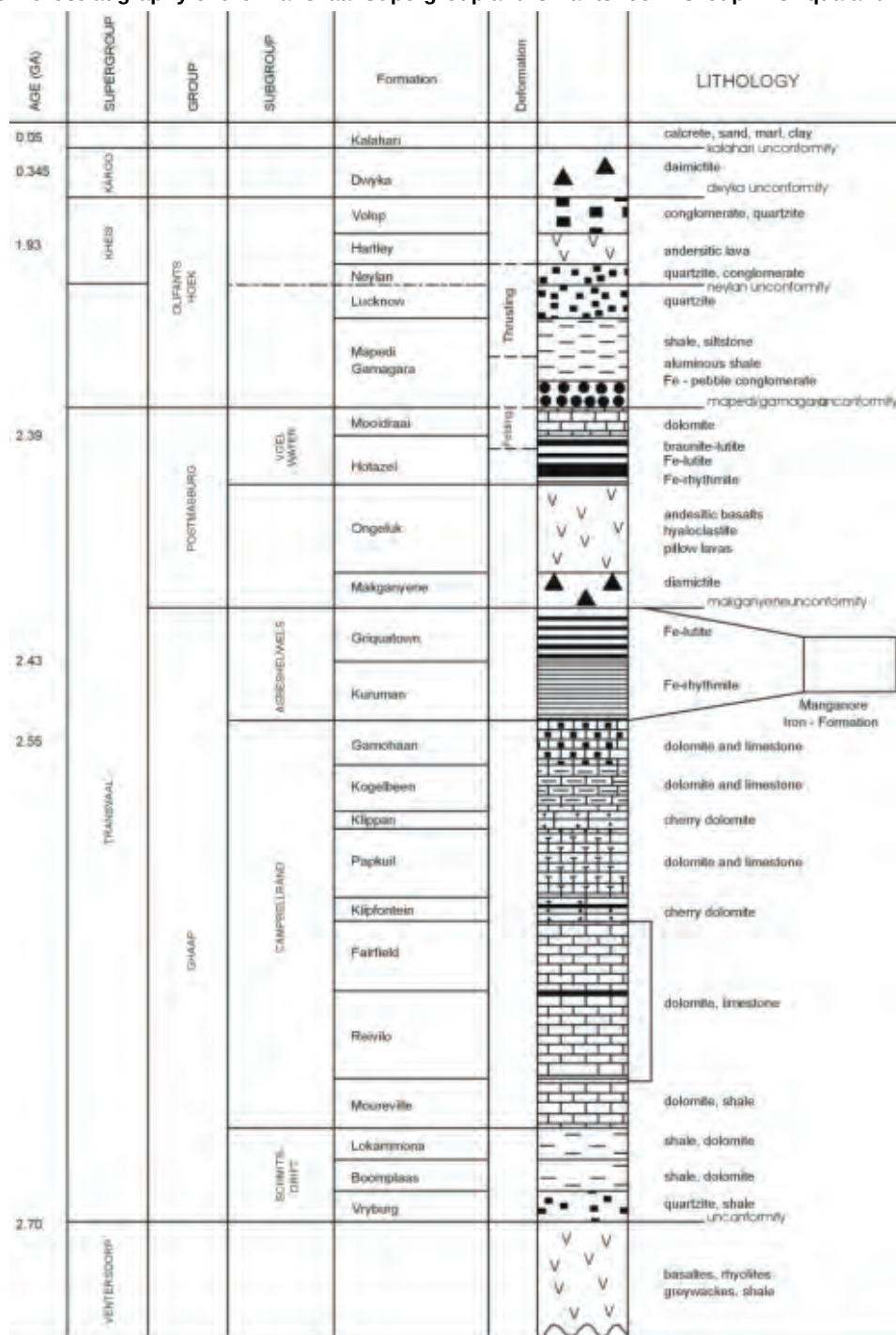
The latest interpretation of the local structure and stratigraphy is by Beukes (1983), Beukes and Smit (1987) and Preston (2004) and is the basis of the description of the regional geology. Stratigraphic relationships in the area are complicated by several phases of uplifting, tilting and peneplanation, resulting in unconformities. Of specific interest is a period of folding and peneplanation after the deposition of the Transvaal strata and before the sedimentation of the Olifantshoek Group, i.e. during the Gamagara / Mapedi unconformity. Thereafter followed a period of thin-skinned tectonic deformation directed from the west, which is related to the 2200-2000 Ma old Kheis-Korannaberg Orogeny. This event resulted in the duplication of strata by thrust faults (Beukes and Smit, 1987). The Gamagara / Mapedi unconformity is of importance to the formation of secondary enriched iron and manganese mineralisation of the Wessels type.

A summary of the lithostratigraphy of the Kuruman area is presented in Figure 5.9_1 with specific reference to the Transvaal Supergroup in Griqualand West. The basement rocks to this Paleo-proterozoic sequence are present as a prominent Archaean granite dome, 42km east of Severn (Figure 5.9_2). From the bottom to the top, the Transvaal Supergroup consists of the Schmidtsdrif Subgroup of quartzite, shale and dolomite followed by a thick succession of dolomite and limestone in the Campbell Rand Subgroup and iron lutite / rythmite (Superior-type banded ironstone) in the Asbesheuwels Subgroup. Now dormant crocidolite mines occur in the Kuruman Formation, e.g. the Jebolo Mine, some 15km east-northeast of Avontuur (Figure 5.9_3).

The first hiatus in the stratigraphic sequence was during the formation of the Makganyene diamictite (scree-breccia), which preceded the extrusion of the Ongeluk basalts on a peneplain. The Hotazel Formation concordantly overlies the Ongeluk lava. Primary manganese mineralization in the Main KMF Basin is present as braunite lutite, intercalated with iron-lutite / rythmite and dolomite-kutnahorite, which are the main members of the Hotazel Formation. The KMF hosts this formation and is only partially overlain by the Mooidraai dolomite (Figures 5.9_4 and 5.9_5).

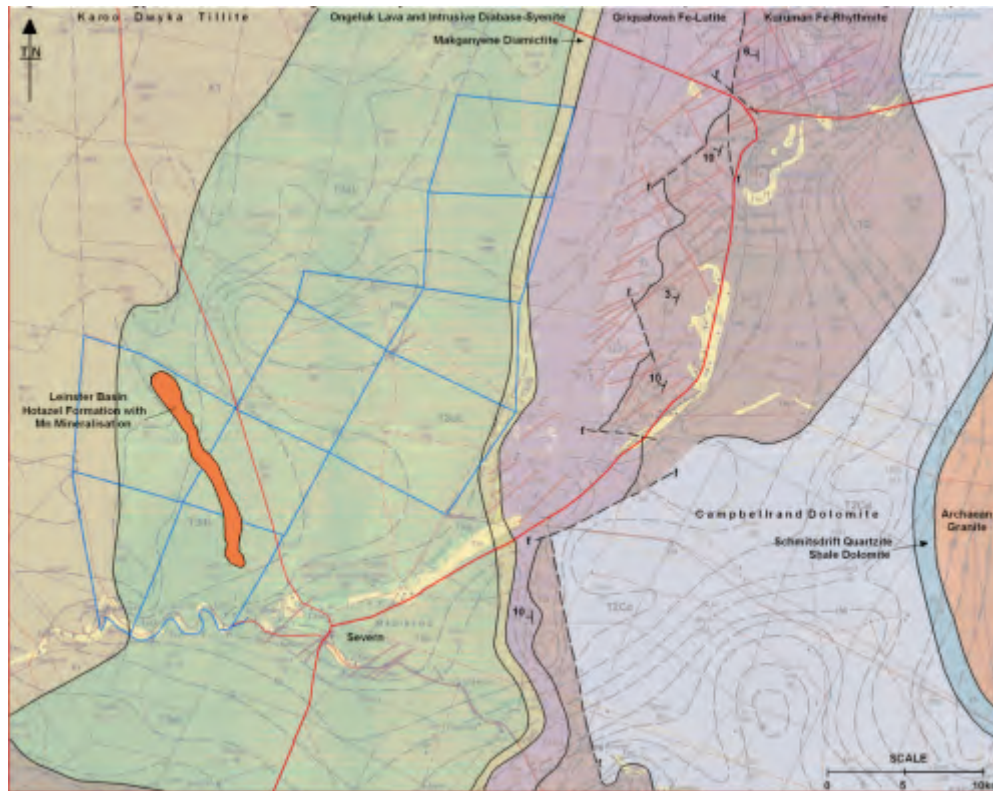
After a period of gentle folding and peneplanation the Gamagara / Mapedi Formation (of the Olifantshoek Group) was deposited on the unconformity plane, starting off with a basal Fe-rich conglomerate, followed by shales and the Lucknow quartzites. Secondary enrichment of iron and manganese took place during the formation of the Gamagara / Mapedi unconformity. The remaining members of the Olifantshoek Group, namely the Neylan, Hartley and Volop Formations were then deposited, separated by an intraformational unconformity. Permian (250Ma age) glaciers much later eroded a considerable portion of the Hotazel Formation along the eastern flank of the Dimoten syncline, south of Hotazel and probably also affecting the Leinster and Avontuur Basins, depositing the Dwyka tillite on the old peneplain. However the Dwyka sub-outcrops occur west on the Leinster Basin (Figure 5.9_2). Calcrete, sand and clay of the young, Tertiary to Quaternary Kalahari Formation, cover large areas in Griqualand West.

Figure 5.9_1
Leinster Project
The Lithostratigraphy of the Transvaal Supergroup and Olifantshoek Group in Griqualand West

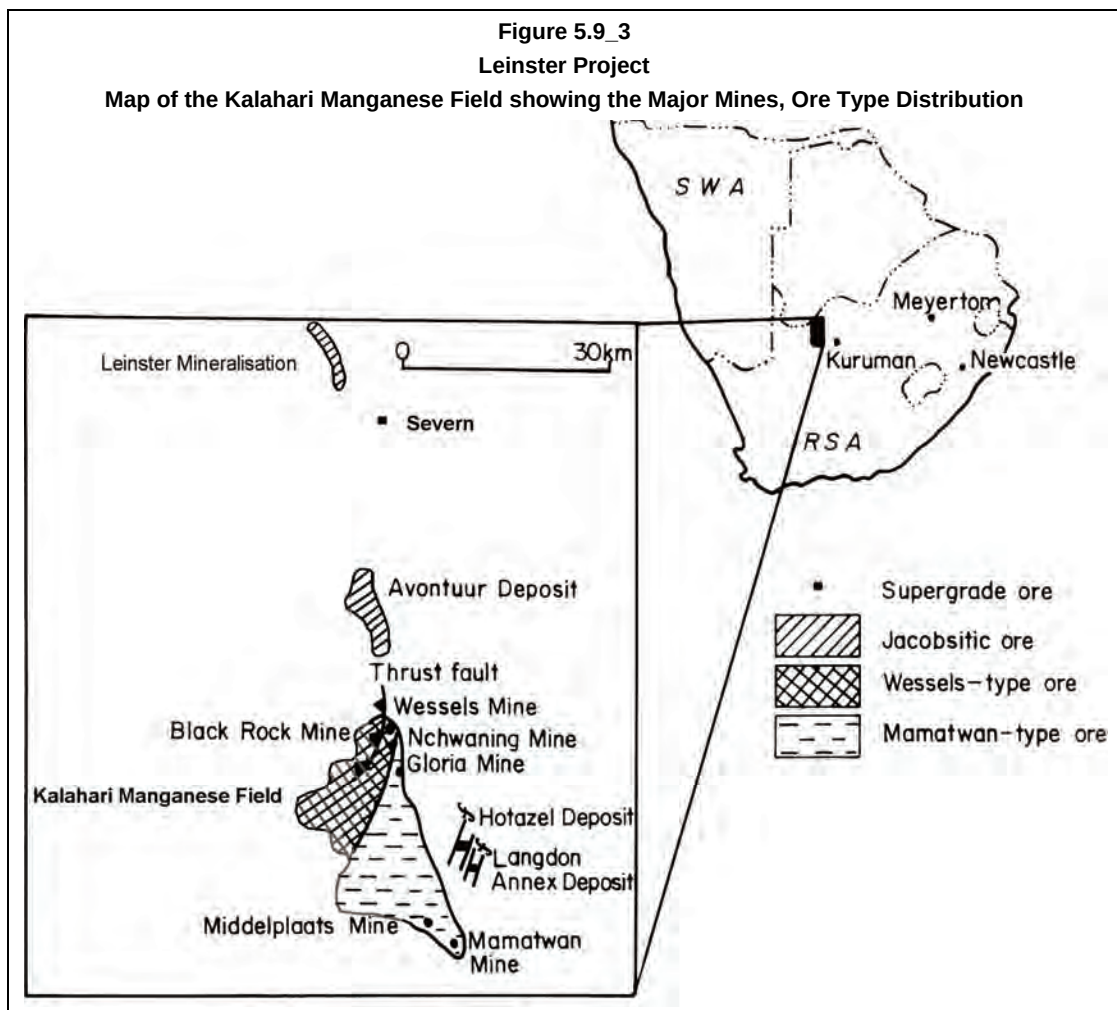


(After Preston (2004))

Figure 5.9_2
Leinster Project
Geology of the Leinster Manganese Project Area
Project Farm Boundaries in Blue



(After the 1:250 000 Geological Map (1974))



A series of north-south trending faults, which predates the Kheis Orogeny played an important role in focusing hydrothermal fluids that lead to the local upgrade of the sedimentary manganese formation, e.g. at Langdon and Hotazel and probably also in the western part of the KMF.

Trachytic (bostonite) dykes, striking northeast-southwest and predating the Mapedi Formation, is intrusive in the KMF. These dykes are probably related to extensive , syenitic-diabase sills in the Avontuur and Leinster areas affecting the mangiferous Hotazel Formation.

The Kuruman Formation east of the Leinster Basin dips between 3° and 16° to the west. Sections through the Leinster Basin suggest that the succession is gently folded (Figures 5.9_4 and 5.9_5).

Figure 5.9_4
 Leinster Project
 Diagrammatic Southwest-Northeast Section Across the Manganese Mineralisation on Tweed

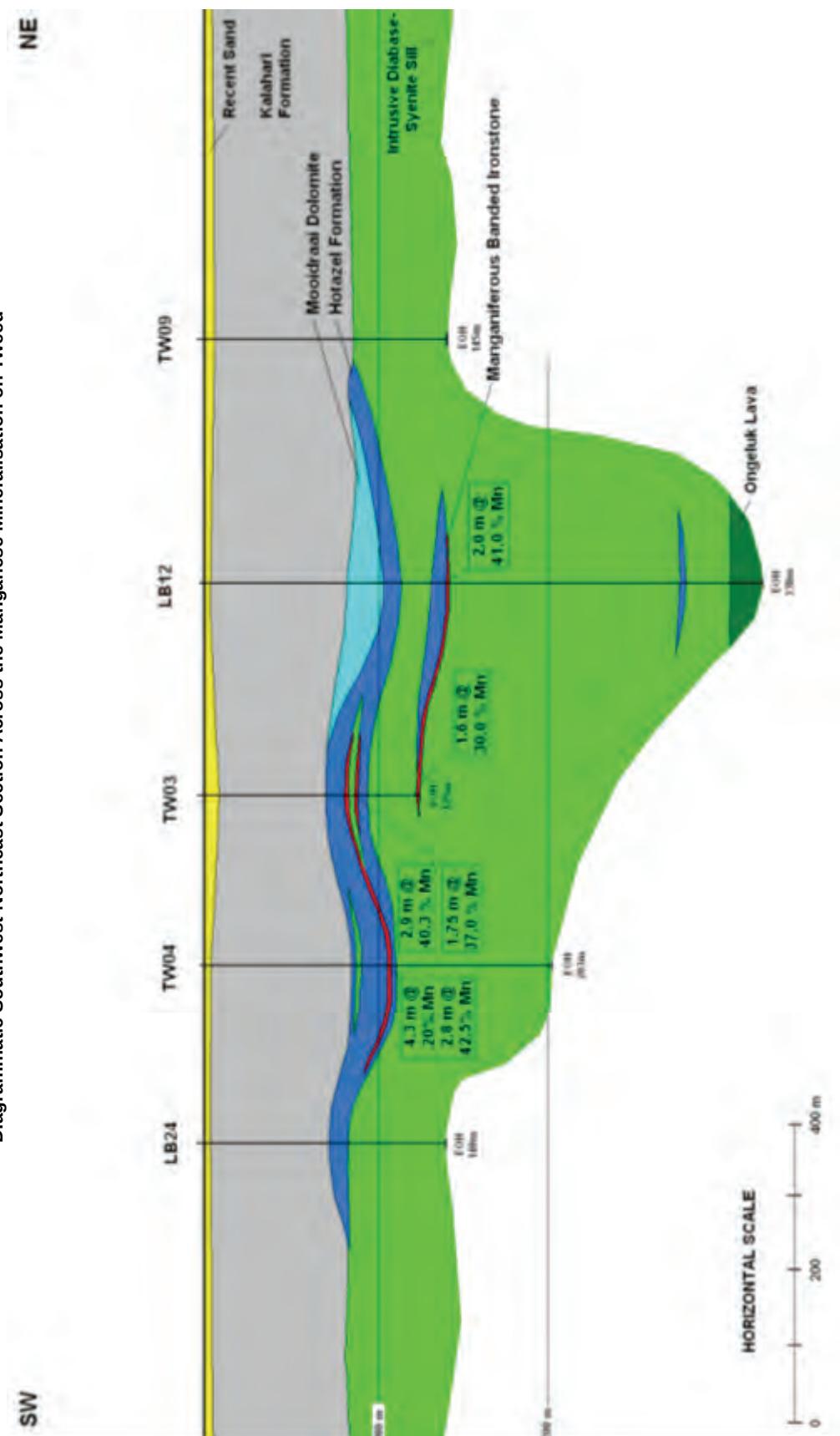
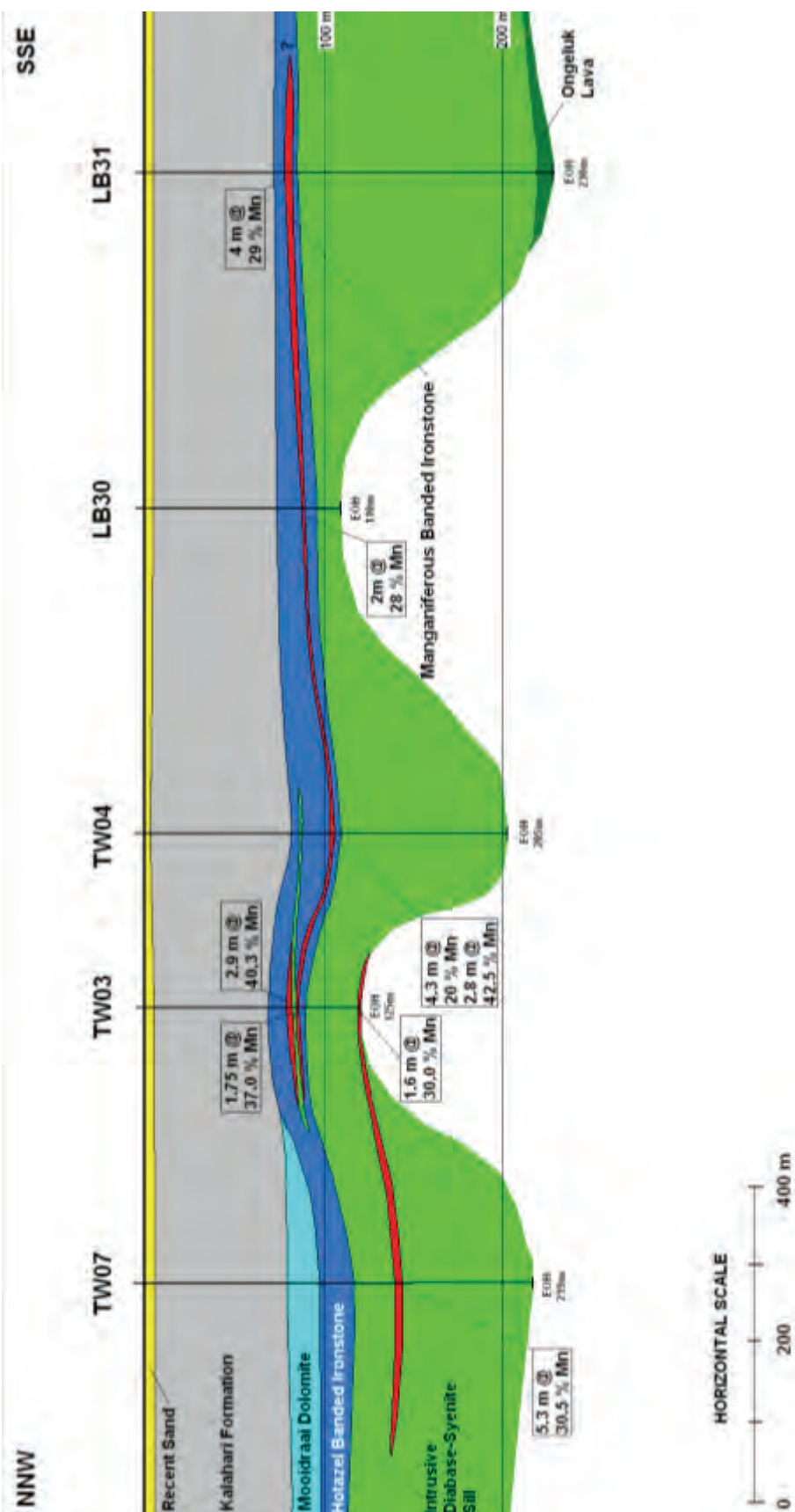


Figure 5.9_5



5.10 Project Geology

The geology on a local scale is very similar to the regional stratigraphy and structure described above. The KMF with its manganese deposits in the Hotazel Formation, forms part of the Voëlwater Subgroup, which constitutes the uppermost portion of the Transvaal Supergroup as depicted in the stratigraphic column (Figures 5.10_1 and 5.10_2).

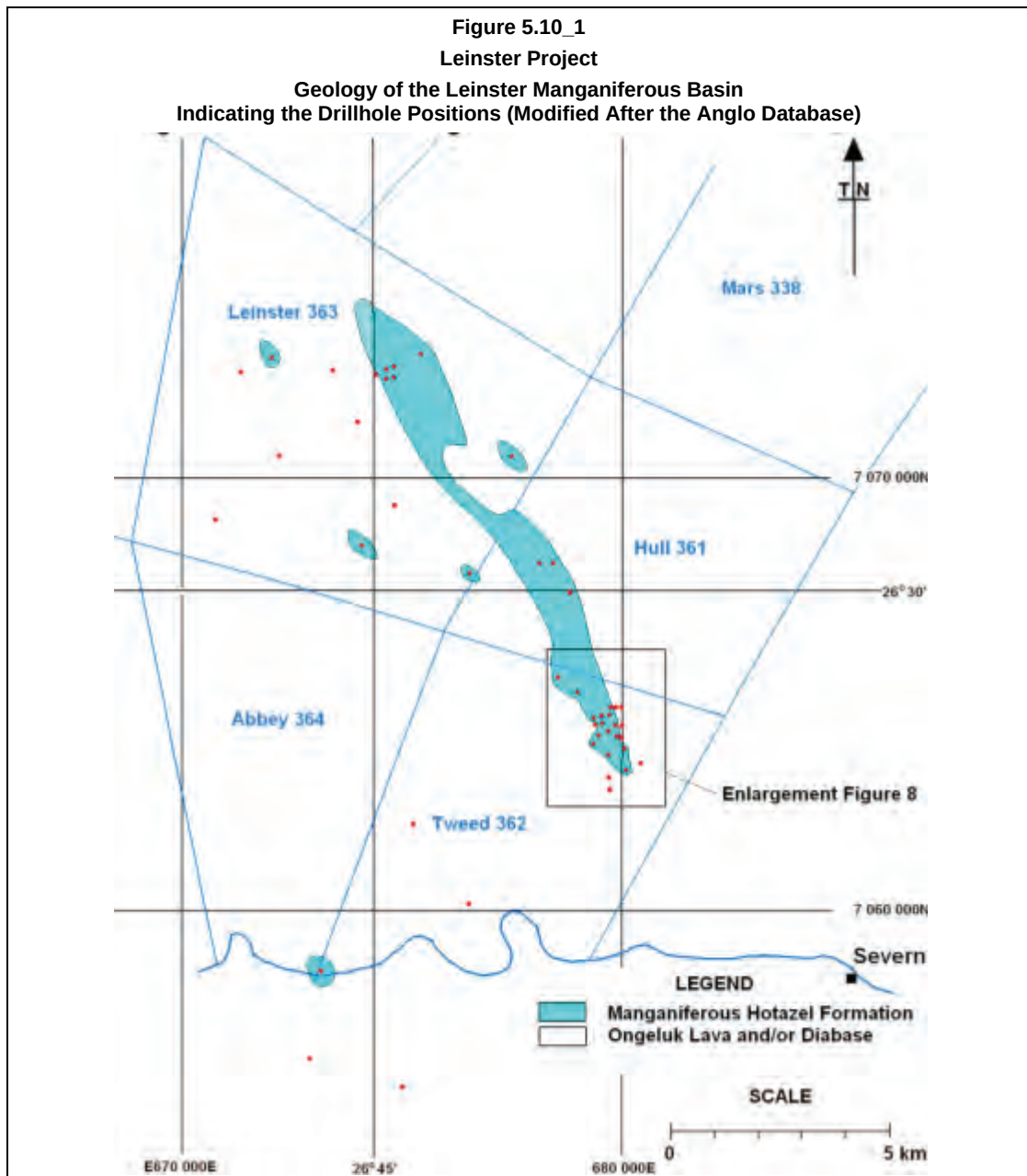
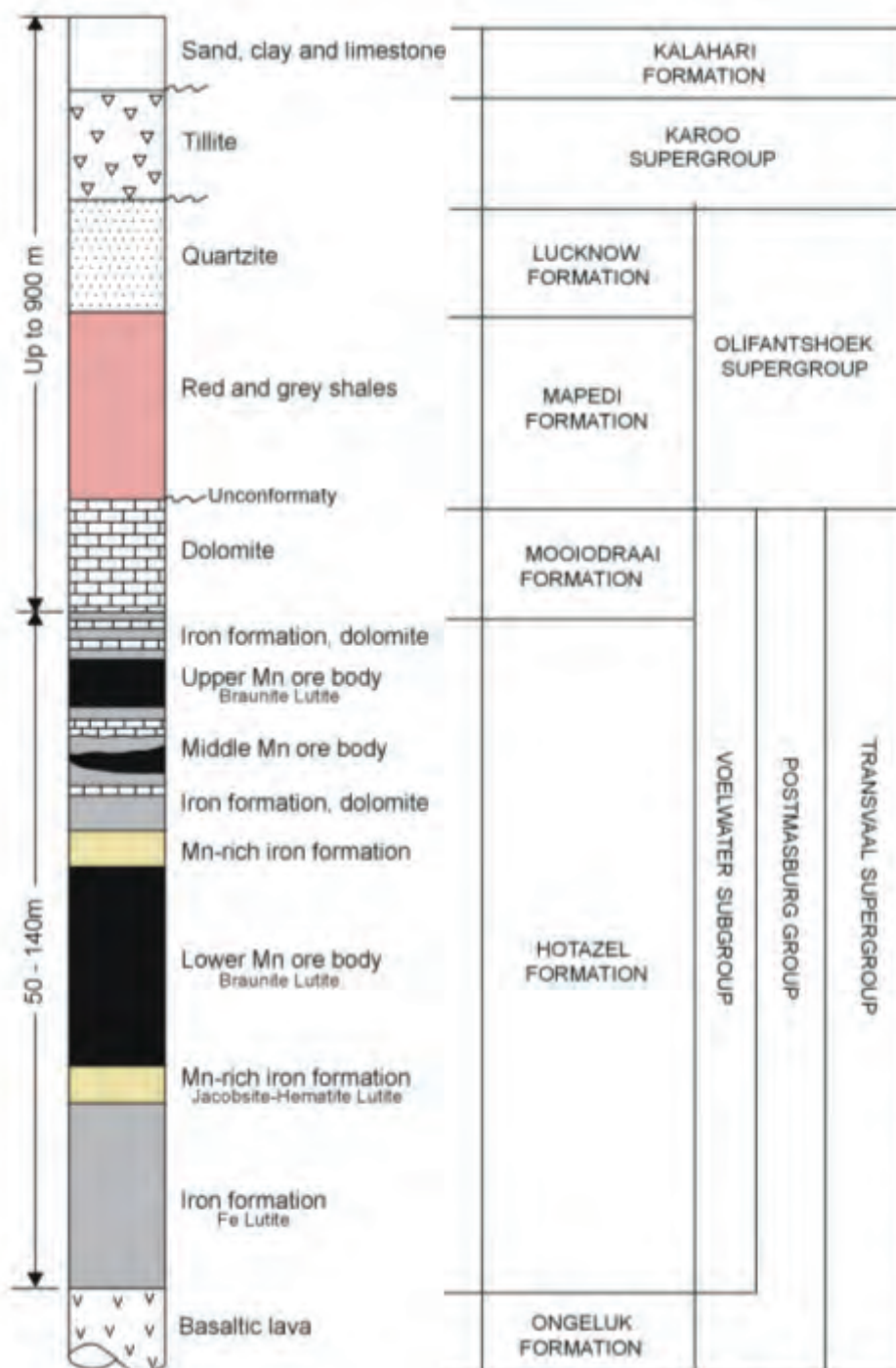


Figure 5.10_2
Leinster Project
Generalised Stratigraphic Column of the Kalahari Manganese Field



(Modified After Astrup and Tsikos 1998)

The KMF with the main manganese producers and advance projects, is confined to the Dimoten syncline in the area between Mamatwan and Black Rock (Figure 5.9_3). Further to

the north, towards Severn and even further northwards, it would appear from our present knowledge that the Hotazel Formation with its manganiferous banded ironstone formations are restricted to the Avontuur and the Leinster Basins (Figure 5.9_3).

5.11 Mineralisation

The large South African manganese and iron deposits are essentially confined to the Early Proterozoic Transvaal Supergroup in the Griqualand West area of the Northern Cape Province. The mineralization occurs in separate sedimentary basins of the Transvaal sequence, along the western edge of the Kaapvaal Craton. The manganese deposits can be grouped into two major categories:

- Residual Fe-rich manganese ores
- Stratiform-stratabound and syngenetic carbonate rich manganese deposits

Types of Manganese Deposits

Residual Fe-rich manganese ores

The deposits are developed as karst fillings on top of the dolomites of the Campbell Rand Subgroup, along the Gamagara unconformity plane in the Postmasburg Manganese Fields (south of the KMF). These deposits are mainly confined to the Maremane Dome and are located between Wolhaarkop southwest of Postmasburg and Sishen over a distance of 65km. A Western and an Eastern belt are identified. The former is located between Postmasburg (Wolhaarkop) and Sishen along the contact between the Campbell Rand dolomite and the Gamagara shales, while the Eastern belt occurs as remnants of Manganore Iron Formation on the dolomite along an arc between the same two points (Grobbelaar and Beukes, 1986; Astrup and Tsikos, 1998)

Stratiform-stratabound syngenetic carbonate rich manganese deposits

The deposits are developed in the basins of the KMF and are intercalated with banded ironstone (Fe-lutite and rhythmite) and dolomite formations within the Voëlwater Subgroup (Figures 5.9_1 and 5.9_2).

The KMF lies 55km northwest of Kuruman and 44km north of Sishen, and consists of five (5) structurally preserved erosional relicts of the Voëlwater Subgroup within the Dimoten syncline (Figure 5.9_3). The Mamatwan – Wessels basin is the largest with a strike length of 45km and a width between 5km and 20km, i.e. the total area underlain by the manganese mineralization is 360km² (Figure 5.9_3). The Hotazel and Langdon Annex deposits are mined out while the Avontuur and Leinster basins to the north of Black Rock are presently being explored.

Mineralization

Three manganese-rich layers, termed the lower, upper and middle manganese bodies (braunite lutite), intercalated with banded ironstone (Fe-lutite) and dolomite comprise the

Hotazel Formation (Figures 5.9_1). In the main KMF basin the lower manganese body is characterised by a braunite-kutnahorite mineral assemblage and is considered to represent primary early diagenetic sediment (Preston, 2004). This is referred to as a Mamatwan-type ore and comprises approximately 87% of the total manganese resource of the KMF.

According to Preston (2004) the sedimentary mineral species in the Mamatwan ores are braunite (very abundant throughout) and hematite (abundant throughout). The diagenetic minerals are kutnahorite, Mg-kutnahorite and braunite (very abundant throughout), Mn-calcite (which is abundant throughout) and calcite, specularite, hausmannite and partridgeite are present in certain zones. Supergene alteration minerals, present in certain zones, are: pyrolusite, todorokite, cryptomelane, manjiroite, romanechite and barite. A possible volcanogenic association for the manganese mineralization is highly debated (Cornell and Schutte, 1995, Beukes and Gutzmer, 1996). Preston (2004) recognized volcanogenic components in the sedimentary cycles of the Hotazel Formation.

Hydrothermal activity along faults in the northern part of the KMF removed the carbonates and silica, thus upgrading the mineralisation, which is called the Wessels-type. Due to the enrichment of manganese in the northern part of the KMF, the upper ore body has also been upgraded and in this area is being mined. The position of the contact between the Wessels and Mamatwan types of ore on Figure 5.9_3 is not clearly defined. Hydrothermal and supergene enrichments played a role in the eastern Hotazel and other graben relicts producing a product with +60% Mn, called the Hotazel super grade ore (Figure 5.9_3). The deposits in these grabens are mined out and have been closed (Astrup and Tsikos, 1998).

The Avontuur and Leinster mineralization appears to be different and the main manganese mineral is jacobsonite ($\text{MnO} \cdot \text{FeMn}_2\text{O}_3$) associated with magnetite, within jaspilite. The mineral assemblage has been modified during the metamorphism by an intrusive diabase-syenite sill in close contact with the manganiferous banded ironstones.

The syenite-diabase sill intruded mainly along the Ongeluk -Hotazel Formations contact incorporating some of the resistive manganiferous banded ironstone layers as inclusions in a lit-par-lit intrusion style. This has affected the continuity of the mineralization.

Up to three stratiform-stratabound mineralized manganese layers are present on the Ferrex mineral properties (Umbono Report, 2009 based on AAC data). The manganese layers occur within the Hotazel Formation and are interbedded with banded ironstone (iron or hematite lutite) and dolomite-kutnahorite (Beukes and Smit, 1987), with a chemical composition of $\text{Ca}(\text{Mn}, \text{Mg}, \text{Fe}) (\text{CO}_3)_2$, isomorphous with dolomite. Jacobsonite, MnFe_2O_3 , is prominently developed in the Leinster, Avontuur and the northern part of the KMF mineralized basins. The Hotazel Formation is underlain by the Ongeluk lava, Makganyene diamictite and Asbesheuwels iron-lutite and iron rythmite. The Hotazel Formation is partially concordantly overlain by the dolomites of the Mooidraai Formation, which is unconformably overlain by the sediments of the Olifantshoek Supergroup, the Karoo tillite and recent sediments of the Kalahari Formation (Figures 5.9_1 and 5.9_2). The dip of the underlying Asbesheuwels

Formation is between 3° and 10° to the west and the thickness of the cover rocks above the manganese mineralization varies between 75m and 130m.

5.12 Drilling by Previous License Holders

Exploration conducted by Anglo included ground magnetics, gravity and IP surveys, followed-up by diamond and percussion drilling programs, which confirmed the presence of manganese mineralized Hotazel Formations in the Leinster Basin. A total of 51 drillholes were drilled in the Severn Project area. A summary of the significant mineralised sections is presented in Table 5.12_1.

5.13 Current Exploration

Umbono Resources acquired the Prospecting Rights in October 2009 and exploration has been confined to desk studies to evaluate and interpret the historical information and to plan an exploration programme.

The three manganiferous ironstone layers, termed the lower, upper and middle manganese bodies, are developed in the KMF and were also recognized in the Leinster Basin, e.g. drillholes TW03 and TW04. In the latter drillhole the upper mineralized layer is only 0.81m thick containing 23% Mn with a parting of 0.88m. Mineralization in the Leinster area consists mainly of jacobsite and possibly braunite and minor kutnahorite which are intercalated with Fe-lutite / rythmite, shales and dolomite comprising the Hotazel Formation. Most of the other layers higher up in the stratigraphy in the Leinster Basin are of a low grade and/or are too thin to be of economic importance, which should be verified by the additional drilling programme.

Manganiferous banded ironstones are stratiform-stratabound tabular layers that extend across certain parts of the Leinster Basin. The lower manganese ore body with a cut-off of 20% Mn and a thickness of 2m, could be up to 5.3m thick and represents the main mineralized layer in the southern portion of the Leinster Basin, located in the central part of Tweed 362 IL (Figures 5.9_4 and 5.9_5).

This picture has been distorted due to the peeling off of competent layers of banded ironstone some of which were incorporated as elongated narrow inclusions in the diabase-syenite sill. In the remaining parts of the basin on Leinster and Hull, grades and thickness of manganese mineralization is very variable and generally low and uneconomic, <20% Mn and / or <1.5m respectively. This is based on limited drilling with a spacing of 2km or more between the drillholes and more drilling is required to evaluate the Leinster Basin.

Significant Mn intersections from the drill results are presented in Table 5.12_1 and based on the Anglo Operations Report, 2003.

Table 5.12_1
Leinster Project
Significant Manganese Mineralization in the Leinster Basin (From Anglo Data)

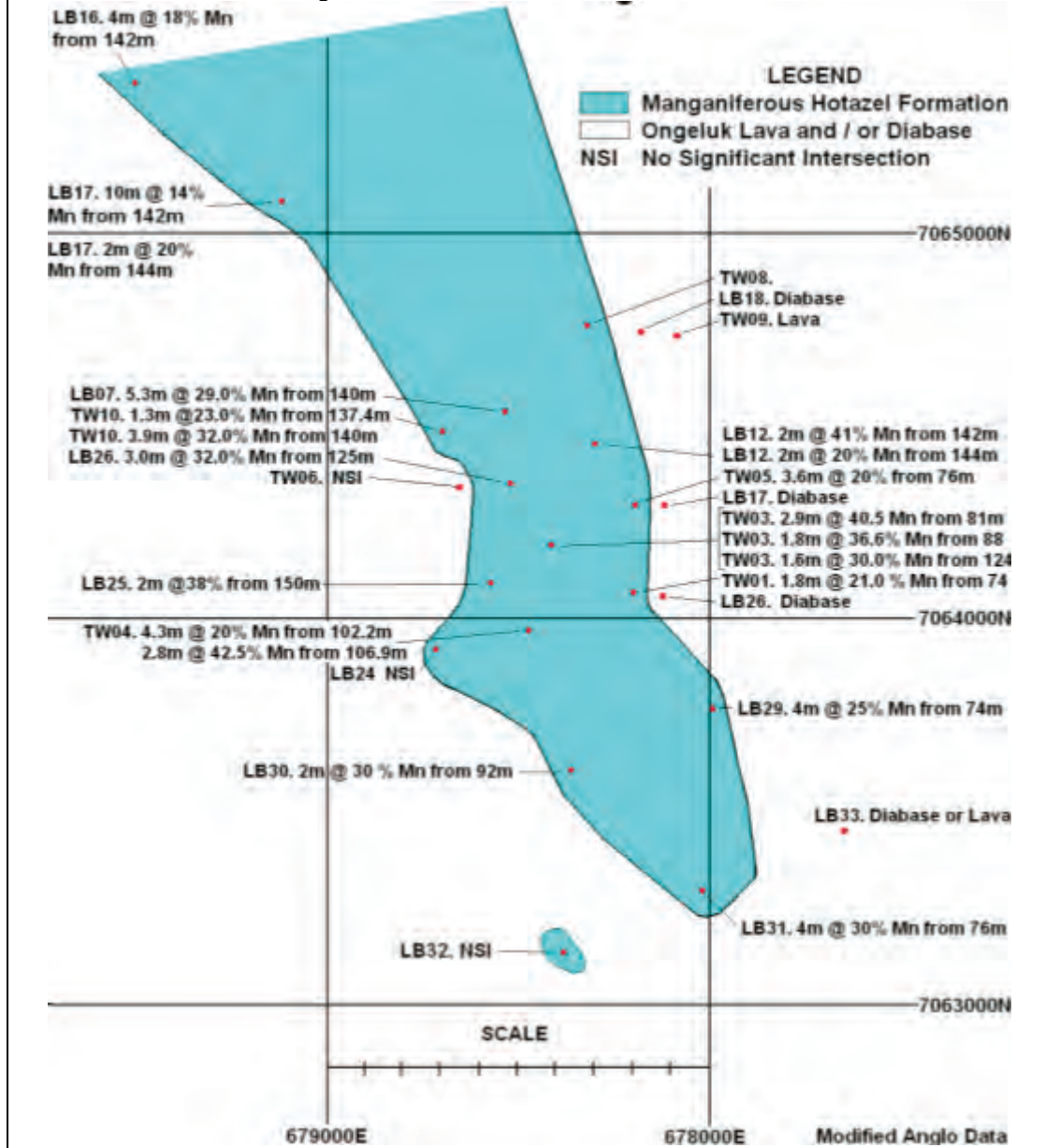
Depth (m)	Thickness (m)	Mn (%)	Fe (%)	Description
Drillhole TW 1 (EOH 92.6)				
74.46 – 76.30	1.84	21	17.5	Ferruginous Manganese
Drillhole TW 3 (EOH 123.6)				
81.7 – 84.61	2.9	40.3	10.9 I	Manganese Ore
86.9 – 88.15	1.25	16 21		Black Iron Ore
88.15 – 89.9	1.75	37	3.9 I	Manganese Ore
123.65 – 124.6	1.6	30	19	Ferruginous Manganese, stopped in mineralization
Drillhole TW 4 (EOH 204.8)				
100.33 – 100.64	0.31	25	19	Ferruginous Manganese
101.52 – 102.02	0.5	22	19	Ferruginous Manganese
102.2 – 106.5	4.3	20	27	Ferruginous Manganese
106.9 – 109.7	2.8	42.5	8.4 I	Manganese Ore
Drillhole TW 7 (EOH 219.0)				
109.47 – 110.65	0.8	16.5	18.5	Black Iron Ore
114.18 – 116.5	2.3	19.6	19	Black Iron Ore
140.5 – 145.8	5.3	30.5	14.0 I	Manganese Ore
Drillhole TW 10 (EOH 147.5)				
123.65 – 124.75	1.1	12	19	Black Iron Ore
126.6 – 127.2	0.6	10	20	Black Iron Ore
137.4 – 137.85	0.45	24	21	Ferruginous Manganese
139.38 – 140.23	0.85	22	22	Ferruginous Manganese
141.49 – 145.36	3.87	30.8	12.2 I	Manganese Ore
Drillhole LB 12 (EOH 330.0)				
118 - 120	2	6.4	24	Black Iron Ore
120 - 122	2	16	17	Black Iron Ore
140 - 142	2	24	17	Ferruginous Manganese
142 - 144	2	41	7.8	Manganese Ore
144 - 146	2	20	12 I	Manganese Ore
Drillhole LB 16 (EOH 400.0)				
154 - 156	2	21	9.1	Manganese Ore
Drillhole LB 17 (EOH 338.0)				
94 - 96	2	13	19	Black Iron Ore
96 - 98	2	18	18	Black Iron Ore
98 - 100	2	22	18	Ferruginous Manganese
102 - 104	2	15	27	Black Iron Ore
160 - 162	2	15	25	Black Iron Ore
162 - 164	2	7.8	28	Black Iron Ore
164 - 166	2	11	30	Black Iron Ore
166 - 168	2	7.9	23	Black Iron Ore

Figure 5.13_1

Leinster Project

Map of the Drillholes Intersecting the Hotazel Formation in the Southern Portion of the Leinster Manganiferous Basin

Indicating Drillhole Positions and Mineralised Intersections



The Leinster Basin is covered by the Tertiary Kalahari Formation consisting of semi-consolidated sand, conglomerate, clays, limestone, calcrete and silcrete. Based on the drillhole data, these beds vary from 34m to 85m thick in the main mineralised area on Tweed and up to 150m thick in the central and western parts of Leinster. The thickness contours on the 1:250 000 geological map (1974) only provides a generalized picture. Recent windblown Kalahari sand is about 6m thick and covers the entire area.

Drillhole data and an interpretation of the magnetic data indicate that the manganiferous Leinster Basin is 20km long with a maximum width of 1.4km (Figure 5.13_1). The Leinster and Avontuur basins are thus regarded as the northern outliers of the KMF and are erosional remnants during Pre-Gamagara, Pre-Karoo or Pre-Kalahari peneplanation.

Drillholes have intersected the Hotazel Formation consisting of banded ironstone of variable composition, ranging from brick red hematite-rich jaspilite through dark grey magnetite-rich rock (and combinations of the same) to black manganiferous iron formation. Ironstones are interlayered with light to dark grey dolomite or dolomitic limestone. The Mooidraai Dolomite up to 22m thick is only present in certain drillholes. It has probably been eroded away during the Gamagara peneplanation, Permian glaciation or Pre-Kalahari times (Figures 5.9_4 and 5.9_5). Several drillholes intersected mafic volcanic breccia and lava, interpreted to be part of the Ongeluk Formation, which forms the stratigraphic base to the prospective Hotazel horizon. Ongeluk lava was also observed in the chips from the percussion drillholes during the visit by the author to the area.

Extensive syenitic diabase sills (also named 'dolerite' or 'bostonite' by Anglo geologists) have intruded the prospective stratigraphy over the entire Leinster Basin, complicating the geological picture. The sills are semi-concordant and appears to be transgressive as well, sometimes incorporating competent layers of manganiferous ironstones (Figures 5.10_2).

At the site visit conducted on 8th December 2010, two drillhole localities were inspected (Figure 5.13_2). In this area the Hotazel Formation, with its mineralized manganese layers, are unconformably overlain by the much younger Kalahari Formation consisting of at least 70m of sand, calcrete, silcrete and/or clay beds. Due to the absence of outcrops, sampling to verify manganese ore chemistry was not possible.

Figure 5.13_2
Leinster Project
Collars of Two Percussion Drillholes
Position S26° 31.911', E 22° 48.362



Position S26° 31.639', E 22° 48.220



5.14 Drilling by Current License Holders

Ferrex Plc has not undertaken any drilling on their mineral properties in the Leinster Basin.

5.15 Data Verification

It has not been possible to verify the historical data or the results presented as all the data has been acquired from internal Anglo reports and evaluations supplied to Ferrex. Data on drillholes drilled in the past was supplied by Ferrex, including general logs of the core and ore bodies as well as analytical data. General descriptions of the geology of the KMF Basin were obtained from published information, e.g. Wilson and Anhaeusser (eds.), 1998. Beukes, and Smit, 1987 and Preston, 2004.

No outcrops exist in the area underlain by the mineralized Hotazel Formation in the Leinster Basin due to extensive coverage by younger sequences, i.e. the Kalahari and Dwyka Formations. Drill core of the historical drillholes is not available. Consequently it was not possible to verify grades and compositions of the manganese layers.

5.16 Exploration Target

A mineral resource estimate conforming to the guidelines of JORC, SAMREC or CIM has not been completed on the Leinster Project, due to the lack of adequate data that is consistent with the requirements of these Codes. It is however possible to complete an exploration target as defined by JORC which provides an indication of the potential in terms of tonnage and grade.

Anglo American estimated the *in situ* tonnes and grades in the southern higher grade portion of the Leinster Basin on Tweed, based on their exploration campaign during the 1970s and 1980s. The estimate was 7.8Mt at approximately 34.8% Mn. No details are available on the parameters used in the calculation.

It should be noted that the information used in the estimation is not accurate and verification of the data could not be completed. Some of the drillhole logging and analyses were undertaken on percussion or RC drilling techniques with samples collected at 1m intervals. From the field visit it would appear that the collar positions are not accurate and there are discrepancies in the chemical analyses, as duplicate samples submitted by Anglo for assays, returned results that are between 5 to 10% lower. The estimate was not completed or declared in accordance with the guidelines of the JORC Code.

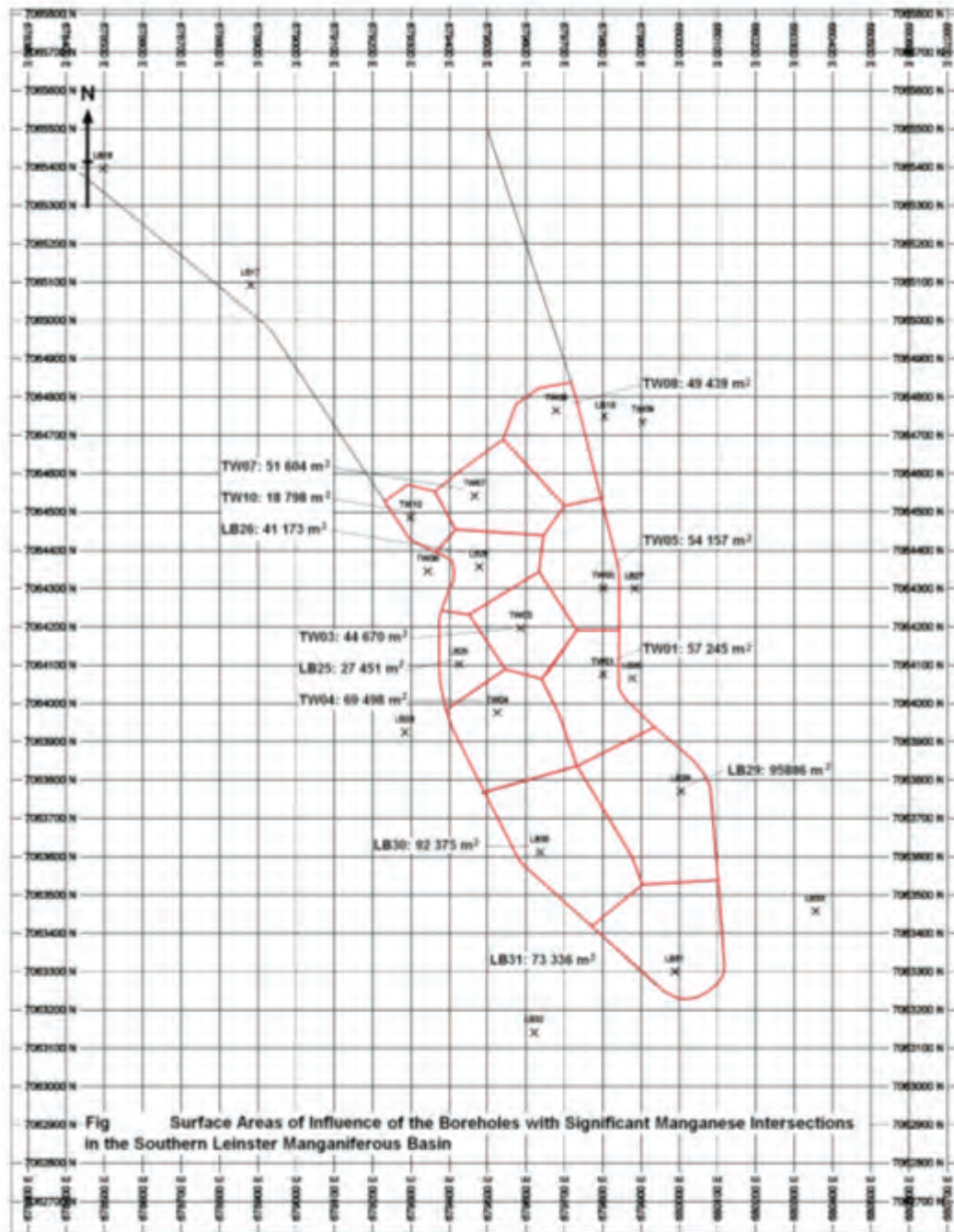
Although insufficient confidence exists in the quality of the data in the current drillhole database for a reliable estimate for reporting of mineral resources, a conceptual exploration target in terms of the JORC guidelines for the Leinster Target has been determined by Coffey Mining.

The following parameters were used in the determination:

- A minimum mine cut of 2.0m
- A minimum cut-off of 20% Mn.
- A polygonal method was used. Surface areas were based on the zone of influence of the drillhole, depicted in Figure 5.16_1.
- A jack-knifing method was used where a different intersection is removed for each iteration, to determine the range of anticipated grade.
- Volumes are based on the surface area of influence and the thickness of the intersection
- Density is critical and therefore an average for Mamatwan ore was used. It should be noted that the Leinster mineralization has a grade of some 30% Mn which is lower than that of Mamatwan ore at +40% Mn suggesting that the density is probably slightly too high.

The exploration target for the Leinster Project is 5.5Mt - 8.7Mt at 28.6% - 31.3% Mn over an average thickness of 1.6m - 3.5m (Table 5.16_1). The potential quantity and grade is conceptual in nature as there has been insufficient exploration to define a Mineral Resource under the JORC Code.

Figure 5.16_1
Leinster Project
Map Showing the Areas of Influence used in the Polygonal Estimate



The exploration target is open-ended towards the northern border of Tweed extending into the southern part of Hull (Figures 5.13_1 and 5.13_1), where only limited drilling was completed by Anglo. The geology and correlation of the manganese mineralized layers across the basin varies considerably between the drillholes (Figure 5.9_4 and 5.9_5), but less so along the axis

of the basin. The manganese mineralization on the farms Tweed, Hull and Leinster represent a viable exploration project.

Table 5.16_1 Leinster Project Exploration Target estimation for the Leinster Project (JORC)				
Drillhole Number	Mn (%)	Intersection width (m)	Drillhole Area of Influence m²	Tonnage
TW10	32.0	3.9	18,798	
TW10	23.0	1.3	18,798	
TW07	29.0	5.3	51,604	
TW08				
LB26	32.0	3.0	41,173	
TW05	20.0	3.6	54,157	
TW03	40.0	2.9	44,667	
LB25	38.0	2.0	27,451	
TW04	42.5	2.8	69,498	
LB29	25.0	4.0	95,886	
LB30	29.0	2.0	92,375	
LB31	30.0	4.0	73,336	
Total			587,743	6,949,453
Average	30.0	3.28		

It is common practice for a company to comment on and discuss its exploration and development in terms of target size and type. The information in this report relating to exploration targets should not be considered as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity is conceptual in nature, since there has been insufficient work completed to define it beyond exploration targets, and it is uncertain if further exploration will result in the determination of a Mineral Resource. This is a conceptual exploration target which provides an indication of the potential in terms of tonnage and grade.

5.17 Proposed Exploration Programme

The phased exploration programme proposed by Ferrex is detailed below.

- Conduct a detailed aeromagnetic survey of the Leinster Basin to define the edges of the banded ironstone within the Hotazel Formation in the basin itself and separate smaller outliers to the west, as indicated on Figure 5.17_1.
- A drilling programme with grid lines 400m apart and perpendicular to the strike of the basin and a spacing of 200m between drilling positions along the lines. Drillholes will be between 80m and 170m deep along the eastern and western contacts of the basin. This exercise will cover the southern mineralized area of the basin for some 2500-3000m of

drilling. Drilling, logging and analytical procedures should be carried out to satisfy the requirements of the JORC Code.

- Based on the results of the drilling programme a Mineral Resource estimate will be undertaken.

The proposed budget is presented in Table 5.17_1.

Table 5.17_1 Leinster Project Proposed Exploration Budget				
Item	Expenditure (GBP)			Proportion of Planned Expenditure
	2011	2012	Total	
Drilling	163,416	-	163,416	42%
Aeromagnetic survey	210,158	-	210,158	54%
RSA Staff	11,818	1,364	13,182	4%
Total	385,392	1,364	386,756	100%

Coffey Mining is of the opinion that the exploration programme is suitable for the next phase of the project. The costs are appropriate for external consultants and external services to be rendered during this exploration.

5.18 Project Metallurgy

As expected the mineralogy of the ore, including the gangue minerals, play a very important role in the metallurgy of manganese. As described above the Mamatwan- type ore consist of braunite, hematite and other oxides and hydroxides of manganese as well as kutnahorite and calcite. Due to the density differences between the manganese-rich oxides-hydroxides and the relatively manganese-poor carbonate minerals, such as kutnahorite, the ore could easily be upgraded by the removal of carbonate minerals by means of Density Media Separation processes. This product could be further upgraded whereby the CO₂-content of the remaining carbonates is driven off by means of sintering. The ROM ore of approximately 35 to 37% Mn could be upgraded to ~42% Mn. The remaining Ca and Mg in the sintered product act as a flux during the smelting process (D. Wellbeloved, pers. communication., Astrup and Tsikos, 1998).

No mineralogical or metallurgical work was conducted by Anglo on the Leinster mineralization.

6 MOZAMBIQUE PROJECT: CHANGARA PROJECT

The Changara Project of Baobab consists of a group of four licences (L 1122, L1123, L 1421 and L1431) covering a total area of 510.6km². The licences are located in the Changara District of the Tete Province of Mozambique, bordering the north-eastern corner of Zimbabwe in the vicinity of the Mazoe River. All the licences are partially contiguous except L 1421, which is situated towards the west (Figure 6_1 and 6_2).

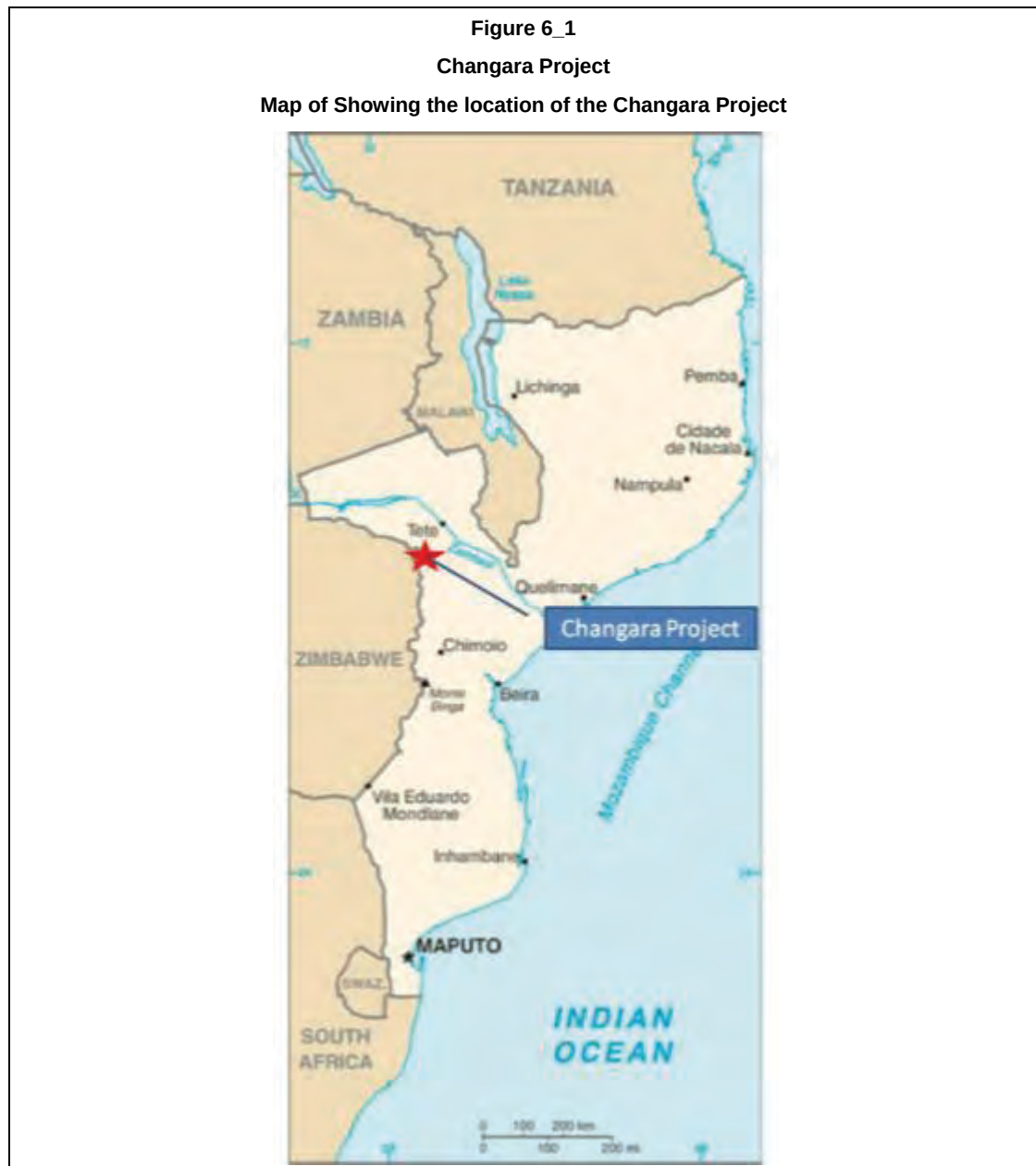
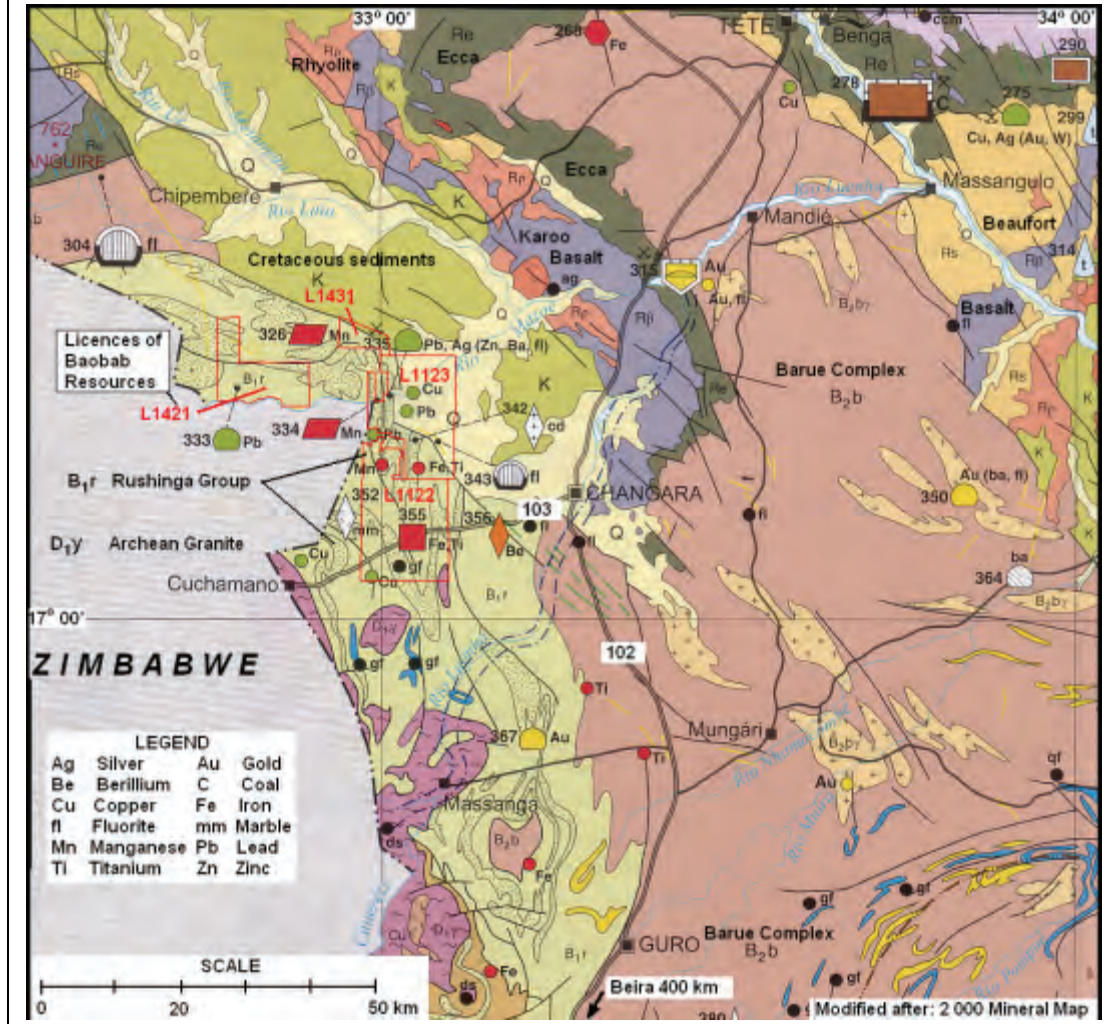


Figure 6_2

Changara Project

Geological Map showing the location of the Changara Project Licences



The licences are held by Baobab. The arrangement is that Ferrex can earn into the project as a joint venture gaining up to 80% of the JV by funding through to a bankable feasibility study.

The agreement includes Ferrex meeting the following conditions:-

- Ferrex must spend USD300,000 by Nov 28th 2011 on an agreed exploration program.
- Ferrex can elect to progress the project by spending a further \$1.2m and thereby earn to 50% of the project by Nov 28th 2012.
- Ferrex can earn to 65% by completing a Prefeasibility Study (PFS) within 12 months of completing the 50% earn in
- Ferrex can earn to 80% by completing a Bankable Feasibility (BFS) within a further 18 months from completion of the PFS.

6.1 Mineral Rights, Title and Permits

The details of the licences to which Baobab has a right are summarised in Table 6.1_1.

Table 6.1 1 Changara Project Status of Licenses						
License Number	Licensee	Expiry Date	Commodities	Area km ²	Centre point of License	
					Longitude	Latitude
L 1122	Capitol Resources, Limitada	24/10/2015	All	217	33.02659	-16.867678
L 1123	Capitol Resources, Limitada	18/8/2015	All	189	33.034922	-16.736434
L 1421	Capitol Resources, Limitada	15/8/2011	All	83.8	32.795331	-16.646857
L 1431	Capitol Resources, Limitada	7/8/2011	All	20.8	32.974502	-16.621856

6.2 Environmental Liabilities

Baobab and Ferrex are committed to upholding all the environmental requirements for exploration or mining as required by Mozambique legislation.

6.3 Project Access

The project area is situated some 80km west of the provincial capital of Tete. Part of the project area is also situated on the main access route between Tete and Harare, Zimbabwe (Route 103). Access to Changara is on paved roads. Further access to the licence area is via paved and unpaved roads from Changara. Within the licence access is afforded by tracks and gravel roads used for logging; during the rainy season these require four wheel drive vehicles.

The international airport at Tete is accessible by commercial flights from neighbouring countries and regional airports from the capital Maputo.

The vegetation in the project area is mixed open woodland and savannah grassland. The area in which the licenses fall is rural. The area is characterised by numerous small scale subsistence farming plots on which the main agricultural practice is slash and burn subsistence agriculture with minor cattle ranching. Small villages are ubiquitous along the tracks throughout the license area.

6.4 Physiography and Climate

The licenses are located in an area with a temperate climate. The annual rainfall is 500-600mm which falls mainly during the months of November to March (summer months) with generally dry winters. During the summer months, the maximum daily temperatures can be

above 40°C, although night temperatures are moderate (15-20°C). During the winter months, the daily temperatures are more moderate (25-30°C), but can fall to near freezing at night.

The area has a gently undulating topography with a mean elevation of some 1,180m amsl. The highest point is 1,424m amsl and the lowest point 1,130m amsl.

The major drainage system in the Tete area is towards the Zambezi River.

The mean daily minimum and maximum temperatures at Changara vary from 8°C and 26° (July) to 17° and 32°C (October) (Table 6.4_1). The hottest months are September to November when the mean daily temperature is typically in the region of 31° to 32°. These temperature ranges do not hamper field work in the subregion.

Table 6.4_1 Changara Project Summary of Climatic Statistics (Changara Meteorological Office)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Monthly Mean (mm)	327	241	171	9	0	0	0	0	0	19	90	307	1164
Monthly Mean Maximum (°C)	27.7	28	28.3	28.6	28.2	26.5	26.1	28.8	31.5	32.6	30.8	28.3	32.6
Monthly Mean Minimum (°C)	17.6	17.4	16.9	14.6	11	9.2	8.7	11.2	14.2	16.8	17.7	17.7	8.7

6.5 Local Infrastructure and Services

Licence L1122 which is the closest to the town of Changara is situated about 22km east of the town. The area is serviced by tarred roads Route 102, which is the main supply artery from Beira harbour, through Tete to Blantyre in Malawi. The distance between Changara and Beira is 467km and Changara and Tete is 95km. The main road between Tete and Harare in Zimbabwe, Route 103, also runs through Licence L1122 (Figure 6_1). The licences areas are serviced by limited tracks, mainly used for logging purposes.

Since 1992 there has been considerable upgrade and refurbishment of the road infrastructure in Mozambique and this is expected to continue. In the meantime the roads are for the most part usable for the purpose of exploration and developing the project.

The provincial capital of Tete (95km away) is the nearest trade and commercial centre. The capital has various modern amenities including housing, schooling and hospitals as well as a limited number of restaurants and hotels. Fuel and supplies are readily available and there are a number of established mining service companies operating in Tete, including drilling companies. Telephones and a cellular network are fully functional in Tete. The local airport in Tete provides access to daily commercial flights to and from Maputo and Johannesburg, South Africa. There is also a very good tarred road providing a link for the Cahorra Bassa hydroelectric scheme and access to the transmission lines which run through Tete.

6.6 Previous Exploration

The licenses and surrounding area was mapped by the Geological Survey of Mozambique during a series of campaigns dating from the early 1950s by Ribeiro, followed by Alves (1961-1964) and Real, during the same survey. The various manganese mineralised bodies were briefly described including the tonnages of two of the occurrences.

Drilling by previous owners was undertaken. Records of this work are incomplete and generally do not include details of geology or sampling.

6.7 Historical Resources and Reserves

No mineral resource estimate that can be classified in terms of JORC or SAMREC has been completed for any of the Ferrex projects.

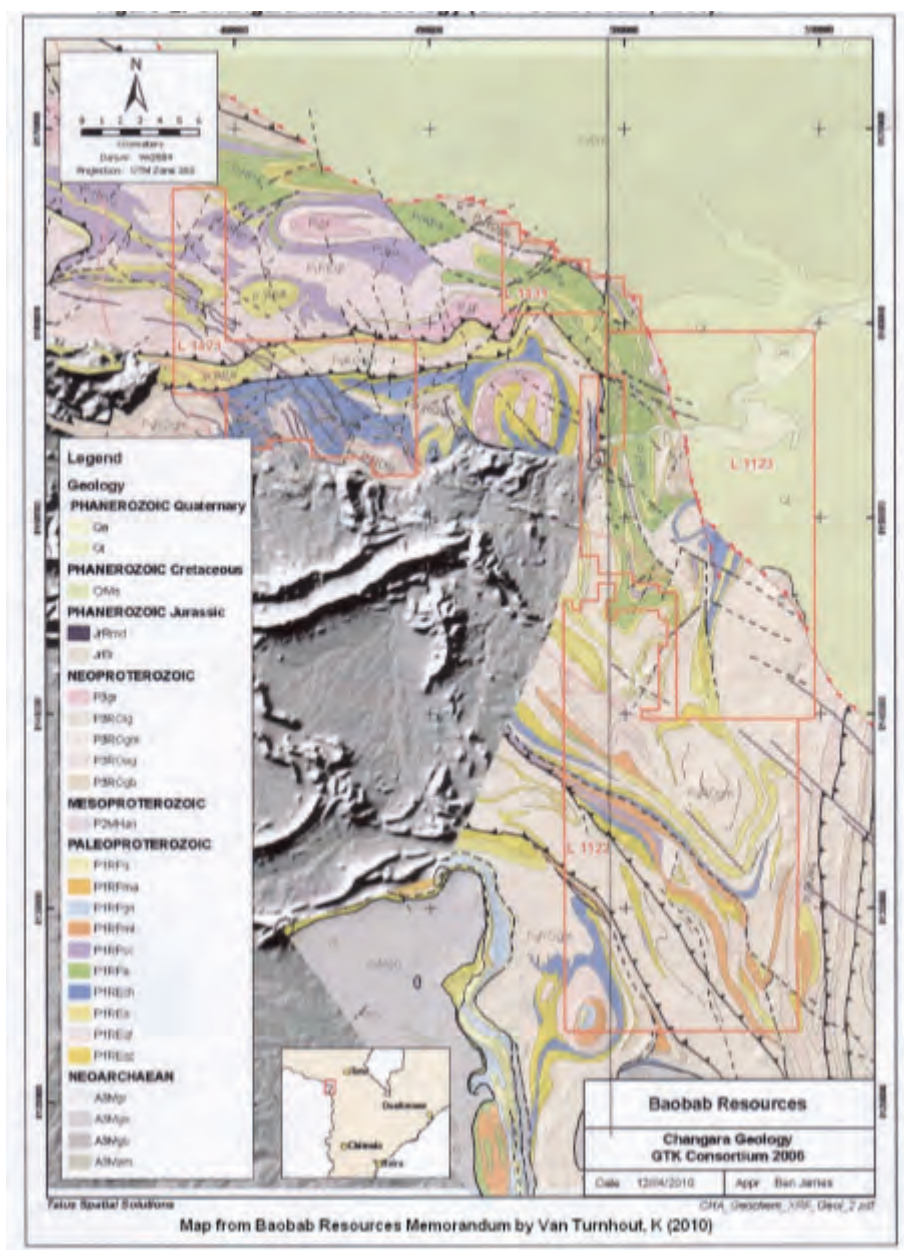
6.8 Production History

No production is known within the licence area.

6.9 Regional Geology

The regional geology of the Mazoe River area south of Tete is fairly well defined and documented (Lächelt, S, 2004), as illustrated in Figure 6.9_1, which is a portion of the Mineral Map of Mozambique, 2000.

Figure 6.9_1
Changara Project
The Regional Geology



The oldest rocks in the area are Archaean gneisses (D_1Y on Figure **Error! Reference source not found.**_2) of the Zimbabwe Craton and are in close proximity to the Zimbabwean border. In the area these rocks are developed as dome-like structures within younger Proterozoic formations. Rocks Formations of Paleo-proterozoic age are presented by the Fronteira Formation of the Garezi Group, indicated at the bottom of Figure 5.1_1 as a beige-brown coloured formation. It extends further south towards the Manica schist belt. This formation consists of quartzites and a distinctive thick succession of muscovite schist which is

garnetiferous at places. The Rushinga Group is regarded as the same age as the Gareizi Group and both were deposited during the Irumide cycle (1 800 – 1 300 Ma). However Lächelt, S. (2004) classified the Rushinga rocks as Meso- to Neoproterozoic. They are more prominently developed in the northern part of the area towards the Mazoe River and the main object of exploration to be discussed in this report. It consists of gneisses, migmatites, quartzites, schist and marble. Both the Gareizi and Rushinga Groups are draped along the eastern and northern edge of the Zimbabwean Archaean craton, changing strike from north-south to east-west north of the Mazoe River. These formations occur in a narrow band, 40 to 70 km wide, approximately between Route 102 and the Zimbabwean border (Figure 6_1), extending into Zimbabwe, particularly in the north.

The Bárue Complex occupies the eastern part of the area and has a very prominent development between the faulted Karoo and Cretaceous contact in the east and the contacts of the Gareizi and Rushinga Groups in the west, in the vicinity of Route 102 (Figure 6_1). The Bárue Complex consists mainly of gneiss, migmatite and remnants of quartzite and marble. In the Changara area in the north, where it is in contact with the Rushinga Group, the rocks are intensively metamorphosed to amphibolite or even granulite facies. It is of Neoproterozoic age (1,100 – 900 Ma) and formed during the Mozambican Orogeny, which also affected the Gareizi and Rushinga Groups. At a later stage the Zambezian tectonic reactivation (a Pan African Event of 600 Ma age) affected the Rushinga Group particularly in the north.

As recent as 2006, the GTK Consortium Group identified a succession of formations overlying the Rushinga Group, namely the Guro Suite. This is not evident from the geological maps and it is not clear how this differentiation could be made in an intensely isoclinally folded and deformed sequence of Guro formations within the Rushinga. On the geological map of the Baobab License areas, (Figure 6.9_1), the predominant rock-type in the area is the granite-migmatites (P3ROgm) of the Guro Suite, which is in a possible tectonic contact with an Archaean granite dome.

Karoo sediments and lavas as well as Cretaceous sediments were deposited during Post-Carboniferous times in northwest striking and southwest dipping half-grabens, situated along the east and northwest of a central paleo-high, formed by the Bárue Complex (Figure 6_2).

6.10 Project Geology

Baobab's exploration programme on their four licenses is restricted to the Rushinga Group in the Mazoe River area west of Changara (Figure 6.9_1). These rocks have suffered various phases of deformation during the Mozambican and Pan African events. Consequently the geology of the Rushinga Group and related rocks has not been properly resolved. Even on the latest maps by the GTK Consortium published in 2006, important structures, clearly visible on Google images and mapped previously by Steiner, 1992, were not included.

Based on the geological survey by the GTK Consortium, the stratigraphic sequence of the Rushinga Group and Guro Suite, is summarized in Table 6.11_1. The Rushinga Group consists of a minor conglomerate at the base and a prominent quartzite, followed by an

upwards fining sequence of meta-argillaceous rocks, carbonates, calc-silicates and mafic rocks. The overlying Guro Suite is mainly banded meta-amphibolites of gabbro, leucocratic gneiss and aplitic gneiss.

The Rushinga Formation, Guro Suite and to a lesser extent the underlying Archaean granite are isoclinally folded in sheath folds striking north-south to east-west near the northern border of License L1123 (Figure 6.10_1). Low angle faults are prominent having developed as the sequence was duplicated by thrusting onto the stable Zimbabwe craton.

6.11 Mineralisation

A map of the manganese occurrences in the Mazoe River area, modified after Real (1966) and Steiner(1992) was published by Lächelt (2004). These mineralised localities were transferred to Figure 6.11_1. Stratabound and stratiform manganese mineralisation is developed in the quartz-feldspar-biotite-metasediments within the Rushinga Group (Figure 6.11_2). The mineralisation is also associated with biotite-sillimanite-garnet schist, calc-silicates and amphibolitic rocks, higher up in the stratigraphic sequence. Primary mineralisation is concentrated along bedding planes of the high grade metamorphic rocks (Figure 6.11_2 and Figure 6.11_3). Due to the folding, enrichments occur in fold closures and secondary mobilization took place along faults, joints (Figure 6.11_4), pegmatites and even dolerite dikes. At least two mineralised horizons were mapped by Steiner (1992) in the vicinity of a prominent fold (syncline ?), straddling licenses L1123 and L1122. A gap occurs between the two licenses, which extends to the Zimbabwe border and it is likely that some of the more prominent mineralisation is probably covered by other licenses (Figure 6.11_1). The same applies to the gap in the northwestern corner of License L1123.

The manganese lenses vary in size and could be up to 200m x 12m x 14m according to Real (1966). The grades (Table 6.11_1) and estimated tonnages (Table 6.11_2) were quoted by Lächelt (2004), however he mentioned that the tonnage quantities are “probably incorrect”

Table 6.11_1 Summary of the Chemical Composition of the Manganese Mineralisation			
Type of mineralisation	Mn(%)	SiO ₂ (%)	P (%)
Pyrolusite-type (Foya 1)	53.37	8.9	0.01
Rhodonite-type	44.69	24.3	0.006

Table 6.11_2 Summary of the Historic Tonnages of the Manganese Occurrences		
Deposit/Occurrence	Quantities t	Source
Dique (Mazoe)	150,000	Ribeiro, 1952
Foia (Rio Cogosa)	60,000 (probably)	Real, 1966

Figure 6.11_1
Changara Project
Fumo Dique Pb/Ag and Manganese Mineralisation Locations

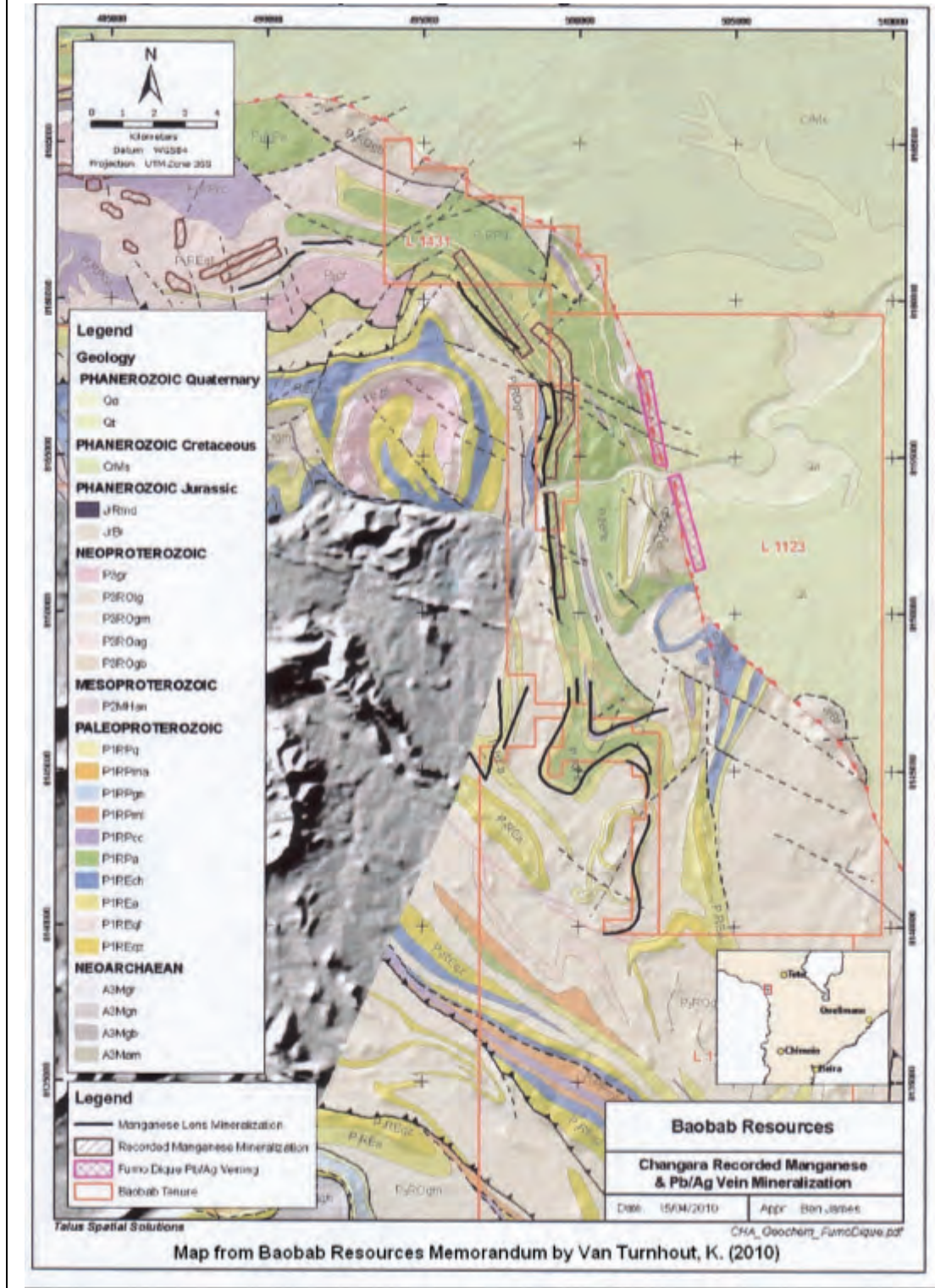


Figure 6.11_2

Changara Project

Photograph of the Outcrop of Vertical Stratabound-Stratiform Lenses of Manganese and Zinc Mineralisation (Anomaly 1)



Figure 6.11_3

Changara Project

Photograph of the Outcrop of Stratiform Mineralisation with Quartz-Rich Bedding Planes Clearly Visible (Anomaly 1)



Lenticular enrichments are often stratiform and intercalated with quartz, feldspar and spessartite (Figure 6.11_5 and 6.11_6). During the site visit, the two most prominent manganese geochemical anomalies (Anomaly 1 and 5) and a less pronounced anomaly (number 18), defined by the geochemical investigation of Baobab, were investigated. The best mineralisation at these visited localities was a metre wide and about 10m long, grading laterally into minor bedding plane enrichments (Figure 6.11_3). Secondary manganese mineralisation along joints and other cross-cutting structures is developed in close proximity of these lenticular and bedding plane concentrations.

The major mineral is probably pyrolusite - MnO_2 or psilomelane - MnO_2 with H_2O , Ba, and Zn. Due to the metamorphic effect coarse grained isometric black franklinite - $(\text{Fe}, \text{Zn}, \text{Mn})\text{O} \cdot (\text{Fe}, \text{Mn})_2\text{O}_3$ or jacobsonite - $\text{MgO} \cdot \text{Fe}_2\text{O}_3 \cdot (\text{Mn}, \text{Fe})\text{O} \cdot \text{Fe}_2\text{O}_3$ and magnetite - $\text{FeO} \cdot \text{Fe}_2\text{O}_3$ were observed. Spessartite - $\text{Mn}_3\text{Al}_2(\text{SiO}_4)_3$ is a major mineral in the stratiform enrichments of manganese, or even along the strike of this stratigraphic layer where no oxides are present (Figure 6.11_6). According to Lächelt (2004), the metamorphic minerals rhodonite - MnSiO_3 and rhodochrosite - MnCO_3 are common at certain localities and have weathered to secondary pyrolusite. Ferruginous and gossanous rocks, after sulphides, were observed in certain outcrops (Figure 6.11_7).

Manganese is also present as oxidized manganese and iron minerals in pisolitic concretionary concentrations in eluvial and alluvial deposits are developed in close proximity to the primary manganese occurrences. The localities of these concentrations of manganese are indicated on Figure 6.11_1 (after Lächelt, 2004).

Figure 6.11_4

Changara Project

Photograph of the Secondary Low Grade Manganese Mineralisation along Joints And Faults (Anomaly 5)



Figure 6.11_5

Changara Project

Photograph of the Stratiform Pyrolusite Manganese and Zinc-Spinel Mineralisation (Anomaly 1)



Figure 6.11_6
Changara Project
Photograph of Spessartite in calc-silicate (Anomaly 5)



Figure 6.11_7
Changara Project
Photograph of Ferruginous and gossanous manganese mineralisation at Anomaly 5



SEDEX Zinc-Lead-Copper-Manganese-Silver Mineralisation

Van Turnbolt (2010) discussed the application of the Broken Hill Type (BHT) mineralisation model to the Paleo-proterozoic Rushinga Group, occurring in the Mazoe River area of Mozambique. He listed the following (modified) important type criteria for the BHT style of mineralisation, applicable to the Rushinga Group and Guro Suite formations:

- Extensional tectonic setting on the margin of the Zimbabwe craton.
- Paleo-proterozoic age of the Rushinga Group.
- Quartz-feldspathic to psammo-pelitic stratigraphy (biotite-sillimanite-garnet schist).
- Arkosic quartzites.
- The presence of gahnite in stream sediments observed by BHP Billiton.
- The presence of amphibolite and possibly acid volcanics within the mineralised stratigraphy.
- Rhodonite, spessartite, magnetite noted in the mineralised layers.
- Extensive Zn-Mn and lesser Pb-Cu geochemical anomalies.
- Zn dominant geochemical anomalies with lesser Pb zones
- High grade Pb-Ag Fumo-Dique veins occur along a fault, with anomalous Zn.

In Southern Africa, all of these criteria of the SEDEX Zn-Pb-Cu-Ag mineralisation model, except the presence of gahnite, are applicable to *inter alia* the Broken Hill Mine (85Mt @ 3.57% Pb, 0.34 % Cu, 1.77 % Zn, 48.2 g/t Ag), Black Mountain (81.6 @ 2.67 % Pb, 0.75 % Cu, 0.59 % Pb and 30 g/t Ag) and the large occurrences at Gams (160Mt @ 7.1 % Zn, and 0.5 % Pb) and Big-Syn (101Mt @ 2.45 % Zn, 0.09 % Cu, 1.01% Pb and 12.9 % Ag) as well as other sub-economic deposits, located in the Namaqua Metamorphic Complex. In this metallogenetic province the following stratigraphy was identified, which resembles the type criteria of the Broken Hill type mineralisation:

- Mafic gneiss or amphibolite.
- The mineralised layer, consisting of ferruginous garnet quartzite and quartz-sillimanite sericite schist, garnet pyroxenite, magnetite amphibolite and barite, grading into a garnet quartzite and quartz-garnet-sillimanite schist. Spessartite manganese garnet is prominently developed at Gams.
- Calc-silicate or sillimanite quartz schist
- White quartzite
- An aluminous schist is present at the base
- Pink gneiss

The type criteria of these deposits are thus analogous to the Paleo-proterozoic Rio Embuca Formation of the Rushinga Group, which includes rocks of suitable geological age, metamorphic grade and favourable lithological composition. Garnet and sillimanite are present in the arkose and biotite schist. BHP Billiton identified gahnite during a stream sediment sampling programme in 2003. Zinc-spinel and other high grade manganese

metamorphic minerals were identified in outcrop on the site visit. From the geochemical survey at Changara, it would appear that the main zinc and manganese mineralisation occurs below the biotite-sillimanite-garnet schist. However Zn and Mn geochemical anomalies were also present higher up in the stratigraphy where they are associated with duplication of the sequence and with amphibolites. Manganese mineralisation is also repeated in the stratigraphy.

Quartz-sulphide veins are present in the gneisses of the Rushinga Group, containing galena, pyrite, sphalerite, chalcopyrite, barite and fluorite. Along the eastern thrust contact, veins are developed at Fumo Dique containing up to 15 % Pb and 39 g/t Ag over a strike length of 5km (Figure 6.11_1). Other copper and lead occurrences, with or without silver credits, are indicated on the mineral map of the Mazoe area (Figure 6.11_1).

Mineralisation appears to have been mobilized into the fold hinges, which are important exploration targets.

Other Mineralisation on the Changara Project Licenses

Occurrences of other mineralisation on the Changara Project (Figure 6.11_1) include the following:

- Iron-titanium oxides are probably related to the Amphibolites, meta-gabbro and meta – anorthosites within the gneisses of the Rushinga Group.
- Semi-precious corundum associated with gabbro and intrusive pegmatites, are being mined by artisans near the boundary of License L1122 at S16° 46.470', E33° 01.676'. The corundum occurs as primary crystals in the weathered gabbro (pneumatically altered by pegmatite), as eluvial and alluvial deposits.
- Marble is present in the upper parts of the Rushinga Group and is occasionally mined.

6.12 Current Exploration

Exploration by the current tenement holder (Baobab) on the Changara licenses has been restricted to an initial first pass geochemical survey, followed-up by a conventional check assay programme. An evaluation of the ability to generate target areas for further exploration by a prospectivity mapping method for the presence of Broken Hill Type Zn-Pb-Cu mineralisation was undertaken. The various exploration phases will be discussed below.

6.13 Geochemical Sampling and XRF Analyses

Geochemical sampling and analyses covering Licenses L1431, L1123 and L1122 was completed during 2009. Sampling of License L 1421 which started in December 2010, was severely hampered by inclement weather and will be completed after the wet season in 2011. A total of 1042 samples have been collected on L 1421 to date; at 50m intervals on lines spaced 400m apart.

The former three licenses were sampled along east-west lines, 1.5, 1.0 and 0.05km apart. The narrow line spacing was confined to promising geological areas, e.g. where known manganese mineralisation and fold structures are present, based on the map compiled by the GTK Consortium (2006) and the locality map of the Mazoe manganese deposits (Lächelt, 2004). A total of 10,261 samples were collected on L 1431, 1122 and 1123 and submitted for analyses. An additional 256 soil samples were collected on two infill lines on L 1431.

During the geochemical soil sampling programme, lines and sample locations were marked in the field and the positions recorded using a handheld GPS. The B-horizon of the soil profile was sampled. Due to a shallow soil profile, geochemical dispersion might not be particularly extensive.

Samples were sieved to –1 mm, bagged and dispatched to Baobab's Manica exploration office for XRF analyses, using an Innov analyzer. Samples are stored in a dedicated facility at Baobab's Manica office.

During the soil program on L 1421 in late 2010, 18 rock samples were collected and submitted to ALS in Perth. Samples were assayed for a multi-element suite by lithium borate fusion with an XRF finish, four acid digestion with an ICP-MS finish and fire assay with an ICP-MS finish (for Pt, Pd and Au). Three samples returned overlimit (+10%) Mn values: precise Mn values for these samples were determined by four acid digestion with ICP-AES finish.

6.14 Quality Control of the Exploration Programme.

During the period 1 January 2009 to 31st December 2009 a total of 67 check samples, distributed throughout the original XRF geochemical soil sample survey area were submitted for check analyses to Genalysis Laboratories in Perth. Samples were analysed, using aqua regia digest followed by Inductively Coupled Plasma Mass spectrometry (ICP-MS) and Inductively Coupled Plasma Optical Emission Spectrometry (OES).

The check assay results have a good correlation with the XRF results supporting the veracity of the original assay results. However the ICP-MS and OES analysis are typically lower than XRF results, which could be because of insufficient standards used for the analyses.

No quality control program was adopted during the original XRF programme.

6.15 Contour Analyses of the XRF Soil Sample Results

The results for the 10,261 soil samples collected on L 1431, L1123 and L1122 were contoured for Zn, Pb, Cu, Mn, Co, Ba, and Fe. The following conclusions could be made from a comparison of the elements analysed:

- Lead was less anomalous than Zn and some zonation was evident which could be the result of original mineralisation zonation or the difference in mobility of the two elements in the supergene environment.

- Zinc shows a high correlation with manganese, which supports the SEDEX model of mineralisation (Figures 6.15_1 and 6.15_2).
- Copper was the least anomalous of the above elements but showed some coincident highs with Zn, and to a lesser extent with Mn and Pb.
- Barium shows a limited correlation with the Zn and Mn anomalies. Certain gneisses show a high background for Ba, Fe and Co, which is anomalous.

6.16 Prospectivity Mapping

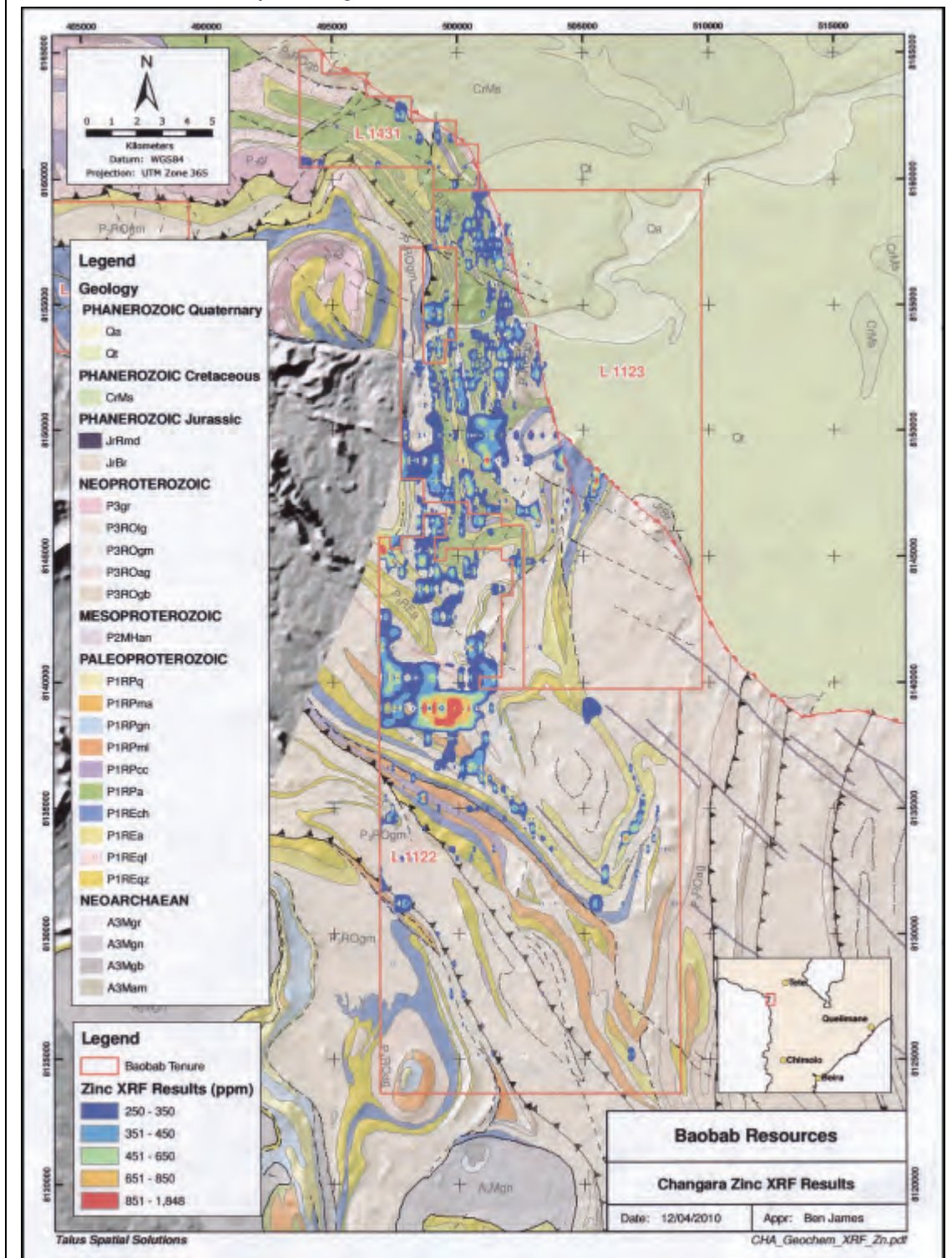
Van Turnhout (2010) used a prospectivity mapping method to delineate targets for follow-up exploration. The method employed converted raster grids of the prospective geology in terms of the contoured geochemical results for Zn, Pb, Mn and Cu and the Broken Hill Mineralisation. The prospectivity mapping results were interpreted to define target areas for follow-up exploration. These target areas were ranked in order of importance from 1 to 26 and are plotted on Figure 6.16_1. Conceptual targets received a lower ranking.

6.17 Preliminary Assessment of Assay Results from the 2010 Sampling Program

Manganese concentrations in samples collected from L 1421 are appreciably lower than those in samples collected from the other licences. This is in line with expectations, as none of the known manganese occurrences are located on L 1421. Manganese concentrations for samples collected on L 1421 range up to 4,498ppm and average 886ppm; manganese concentrations for samples collected on the other licences range up to 60,553ppm and average 1,231ppm.

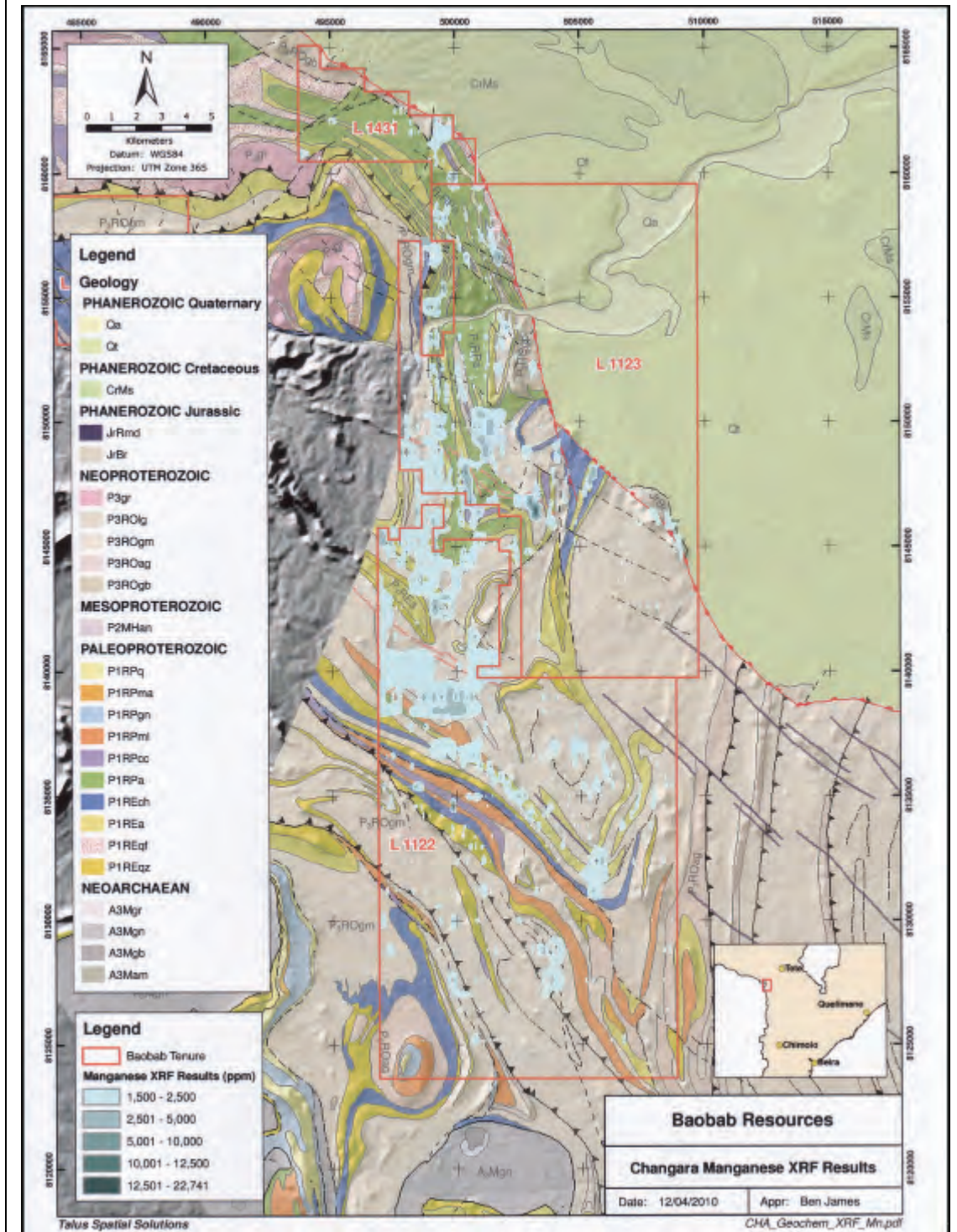
Three of the 18 rock samples collected during the XRF soil program returned over limit manganese concentrations; ore grade analysis for these samples returned manganese concentrations of 36.4%, 35% and 34.9%. Soil results in the vicinity of these manganese-anomalous rocks samples are uniformly low in manganese, suggesting a small or restricted source. Field assessment of the anomalous samples is recommended.

Figures 6.15_1
Changara Project
Map Showing Details of Geochemical Contours for Zinc

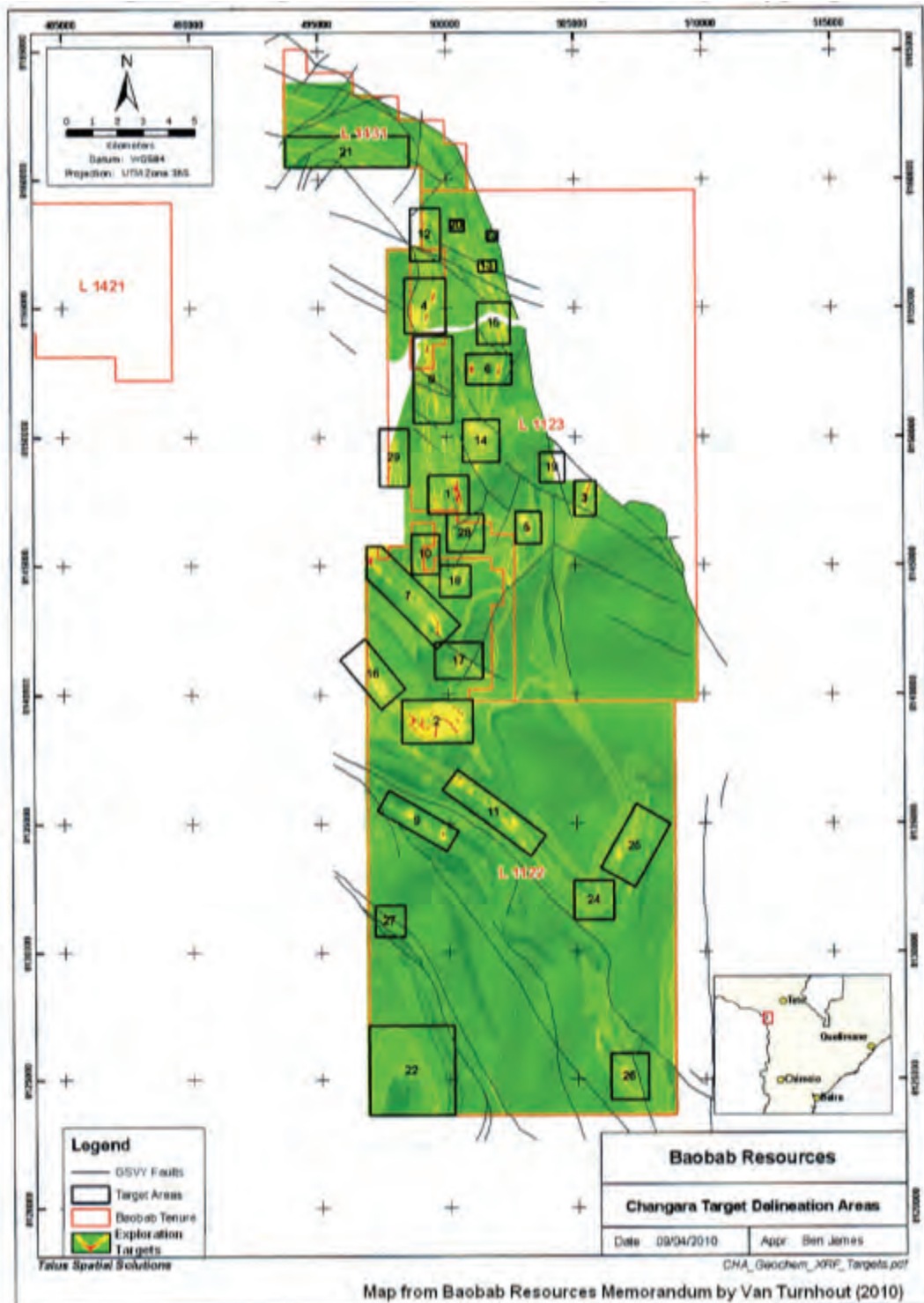


Figures 6.15_2
Changara Project

Map Showing Details of Geochemical Contours for Manganese



Figures 6.16_1
Changara Project
Map Showing Target Delineation based on Prospectivity Mapping



6.18 Exploration Expenditure

A summary of the expenditure by Baobab on this project is presented as Table 6.18_1.

Table 6.18_1 Changara Project Previous Exploration Expenditure by Baobab Resources (2005 - 2010)	
Changara Project Expenditure	Expenditure (USD)
2005	\$ 10,000
2006	\$43,986
2007	\$93,235
2008	\$181,314
January 2009 to end of June 2010	
Geochemistry / rock chip sampling	\$2,957
Tenure	\$24,348
Field Crew/Camp/Vehicles	\$15,000
Technical Support / Studies	\$109,079
Administration Overheads	\$27,454
Total	\$507,373

6.19 Proposed Exploration

The Company's exploration strategy (June 2011 – November 2011) is based on the historical work at Changara having identified various Mn occurrences. More recent work has highlighted the potential for BHT sulphide deposits. Planned follow-up work will include:

- Complete XRF geochemical sampling on L 1421. .
- Reconnaissance and detailed geological mapping of exposed Mn mineralisation.
- Grab and chip channel sampling, trenching of exposed Mn mineralisation.
- RC drilling of highest priority targets (500m).

The budget for the proposed exploration is presented in Table 6.19_1.

Table 6.19_1 Changara Project Proposed Exploration Budget		
Item	Expenditure (GBP)	Proportion of Planned Expenditure
Sampling (XRF)	£45,000	31%
Earthmoving – trenching, drill pad & road construction, rehabilitation	£10,000	7%
Drilling (RC) – 500m, includes mobilisation	£60,000	41%
Assays (drilling) – 250 samples, storage, shipment	£10,000	7%
Claim taxes	£20,000	14%
TOTAL (GBP)	£145,000	

Coffey Mining is of the opinion that the exploration programme is suitable and the appropriate budget requirements for external consultants and external services, has been presented for the next phase of the project.

7 INTERPRETATION AND CONCLUSIONS

7.1 Malelane Project

The Malelane Project is prospective for several styles of iron ore. Previous mining and exploration work at Malelane has shown that there is potential for high-grade hematite deposits, developed by enrichment of primary jaspilitic BIF or modification of metasomatic magnetite deposits formed adjacent to dykes cutting BIF. The metasomatic magnetite deposits themselves (which have been identified by modelling of high resolution aeromagnetic data) are a defined target, and the jaspilitic BIF is a potentially very large source of low-grade hematite ore.

Coffey has independently estimated an exploration target in accordance with the JORC guidelines which is based on the dimensions of the BIF and taking into account the variable nature of the mineralisation. The BIF horizons have maximum width of 300m and an average of 220m over the mapped strike. The exploration target is estimated to be 775 – 930Mt at 34 - 36% Fe. The potential quantity and grade is conceptual in nature at this stage as there has been insufficient exploration to define a Mineral Resource under the JORC Code.

Ferrex has identified a potentially significant BIF iron deposit. Planned follow-up work will include:

- Two phases of RC drilling (6000m).
- Compilation of a Mineral Resource.
- Metallurgical testwork and beneficiation studies.

Coffey Mining is of the opinion that the exploration programme is suitable and the appropriate budget has been presented for the next phase of the exploration.

7.2 Leinster Project

The mineral properties that Ferrex has interest in are located in the manganese mineralized Leinster Basin, which is one of five erosional relicts of the KMF and related Basins. World-class manganese deposits are situated within the KMF. Tabular stratiform-stratabound manganese ore layers are inter-bedded with Superior-type iron mineralization and dolomite, comprising the Early Proterozoic Hotazel Formation.

The Hotazel Formation is totally covered by Kalahari sand, calcrete and clay. Based on drillhole information the mineral property of Ferrex is underlain by the lower and in some instances by the middle and upper manganese ore bodies. The depth to the basement in the east is approximately 73m to 76m below the Kalahari Formation with a gentle dip of $\pm 2^\circ$ to the southwest, resulting in depths of up to 150m along the western margin of the basin. The Hotazel Formation is folded in a very shallow syncline. The ore is classified as a Jacobstite-type of manganese ore.

The historical drillhole information on the Ferrex properties is incomplete and Coffey Mining has not determined a mineral resource for the project compliant with the guidelines of an

international reporting code. However a conceptual exploration target was determined for the southern portion of the Leinster Basin, using the Anglo drillhole data base, to provide some indication of project potential. The exploration target is based on a 2m mining width and a minimum grade of 20% Mn is in the range 5.5Mt - 8.7Mt at 28.6-31.3% Mn. The potential quantity and grade is conceptual in nature at this stage as there has been insufficient exploration to define a Mineral Resource under the JORC Code.

The deposit is considered to be open-ended towards the northwest on the northern part of Tweed and southern portion of Hull.

The manganese mineralization on the farms Tweed, Hull and Leinster represent a viable exploration project.

Planned follow-up work includes:

- An aeromagnetic survey.
- A drill programme totalling 2500-3000m of drilling.
- Completion of a mineral resource estimate.

Coffey Mining is of the opinion that the exploration programme is suitable and the appropriate budget has been presented for the next phase of the project.

7.3 Changara Project

The Licenses of the Changara Project cover a large area of the Paleo-proterozoic Rushinga Group formations in the Changara District of the Tete Province of Mozambique. The known Mazoe manganese mineralisation is partially covered by the licenses. Geological mapping by the GTK Consortium (2006) confirms that the Rushinga Group metasediments satisfy the type criteria for Broken Hill type SEDEX Zn-Pb-Cu-Ag mineralisation in these paleo-proterozoic rocks. These criteria are also applicable to similar deposits in the Namaqua Metamorphic Complex of South Africa.

Mn and Zn as well as, to a lesser extent, Pb and Cu geochemistry, with coincident anomalies, support the possibility of SEDEX type mineralisation in this area.

The Company's exploration strategy (February 2011 – November 2011) is based on the historical work at Changara having identified various Mn occurrences. More recent work has highlighted the potential for BHT sulphide deposits. Planned follow-up work will include:

- XRF geochemical sampling over the remainder of the tenement package.
- Reconnaissance and detailed geological mapping of exposed Mn mineralisation.
- Grab and chip channel sampling, trenching of exposed Mn mineralisation.
- RC drilling of highest priority targets (500m).
- Detail mapping and channel sampling of the mineralised outcrops of manganese and zinc minerals should be considered.
- A few ground magnetic traverses across the mineralisation should be considered to establish the applicability of aeromagnetics as an additional exploration tool to the area.

Coffey Mining is of the opinion that the exploration programme is suitable and the appropriate budget has been presented for the next phase of the project.

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9 GLOSSARY OF TECHNICAL TERMS

adit	An exploration tunnel developed horizontally to access exploration or mining mineralisation
AIM	Alternate Investment Market of the London Stock Exchange (LSE)
Algoma-type BIF	A type of BIF formed over a wide time range (from 3.8 billion to a few hundred million years ago). They are also finely layered intercalations of silica and an iron mineral, generally hematite or magnetite, but the individual layers lack the lateral continuity of Lake Superior-type BIFs. Algoma-type BIFs are found within rock sequences containing a significant proportion of submarine volcanic rocks, and are considered to have formed as a result of submarine volcanism
amphibolite	Amphibolite are metamorphic rocks consisting mainly of hornblende amphibole and plagioclase feldspars, with little or no quartz
Archean	The oldest rocks of the Precambrian era, older than about 2,500 million years.
Barite	A mineral, BaSO ₄ (supergene)
BHT	Broken Hill Type of mineralisation
BIF	Banded iron-formation - an iron-rich (+/- 30% Fe) and siliceous (+/- 50% SiO ₂) sedimentary rock. Host rock for the iron ores
Baobab Resources	AIM listed exploration company
Bostonite	A fine-grained, pale-coloured, grey or pinkish plutonic rock that consists of alkali-feldspar and typically they occurs as dykes or as thin sills, often in association with nepheline syenite; and they seem to bear a complementary relationship to certain types of lamprophyre dykes.
Braunite	A mineral, 3Mn ₂ O ₃ .MnSiO ₃ (sedimentary, early diagenetic)
Ca	Chemical symbol for calcium
calc-silicates	A metamorphic rock consisting mainly of calcium-bearing silicates, such as diopside and wollastonite, formed by metamorphism of impure limestone or dolomite; associated with skarn-type mineral deposits.
carbonates	Minerals (such as calcite) that contain carbon
Carboniferous	The Carboniferous is a geologic period and system that extends from the end of the Devonian Period, about 359.2 ± 2.5 Mya (million years ago), to the beginning of the Permian Period, about 299.0 ± 0.8 Mya. The Carboniferous was a time of glaciation, low sea level and mountain building, diversification and extinction; a minor marine and terrestrial extinction event among animals and plants occurred in the middle of the period caused by climate change.
chert	Fine grained sedimentary rock composed of cryptocrystalline silica.
chlorite	A green coloured hydrated aluminium-iron-magnesium silicate mineral common in metamorphic rocks.
CIM	Canadian Institute of Mining, Metallurgy and Petroleum.
concentrate	In processing, the product which contains a higher concentration of the target commodity.
conglomerate	Conglomerates are sedimentary rocks that consist of individual rounded fragments or clasts within a finer-grained matrix that have become cemented together.
CP	Competent Person
CPR	Competent Persons Report
Cretaceous	Applied to the third and final period of the Mesozoic era.
Cryptomelane	A mineral, K(Mn ⁺² , Mn ⁺⁴)O ₁₆ (supergene)
Cutoff grade	The grade used in grade tonnage reporting wherein only blocks which return a value above the particular cutoff grade are reported.
deleterious impurities	Elements in concentrates for which a charge is made because the cost of separation during smelting exceeds their sale value.
dilation zones	Zone of tension developed within rocks during deformation, and which may localise the flow of fluids through the rock sequence.
dilution	The proportion of material which is planned or inadvertently included during mining operations, and which is generally of a significantly lower grade than the ore zone of

	interest.
disseminated	Distributed finely and evenly throughout.
dolerite	A medium grained basic intrusive rock composed mostly of the minerals pyroxene and sodium-calcium feldspar.
DSO	Direct shipping iron-ore; hematite iron-ore shipped with minimal beneficiation.
dyke	A tabular body of intrusive igneous rock, crosscutting the host strata at an angle.
EIA	Environmental Impact Assessment
EM	A geophysical technique whereby transmitted electromagnetic fields are used to energise and detect conductive material beneath the earth's surface.
Fe	Chemical symbol for iron
Ferrex	Ferrex PLC
Ferruginous	Iron rich.
feasibility study	An advanced study undertaken to determine the economic viability of a mineral deposit to a reasonable degree of accuracy.
finest	Crushed iron ore of a size less than a nominal 6mm.
footwall	The mass of rock lying below a fault, vein or zone of mineralisation.
franklinite	Mineral with chemical composition of $(\text{Fe Zn,Mn})\text{O} \cdot (\text{Fe,Mn})_2\text{O}_3$
gangue	Waste rock contained within or surrounding an ore. This waste must be separated for the extraction of the mineral.
geophysical survey	The exploration of an area in which geophysical properties and relationships unique to the area are mapped by one or more geophysical methods.
geotechnical	Rock quality and structural investigations of rock masses.
gneiss	A coarse-grained, foliated rock produced by regional metamorphism. The mineral grains within gneiss are elongated due to pressure and the rock has a compositional banding due to chemical activity.
gossan	A ferruginous deposit remaining after the oxidation of the original sulphide minerals in a vein or ore zone.
gossanous	A rock outcrop that is strongly stained by iron oxides.
granite	A light-coloured, coarse-grained, igneous rock formed by partial melting of old continental crust, on a local scale by in situ replacement of continental crust (granitization), by fractional crystallization of basalt magma, or by a combination of these processes.
greywacke	A sedimentary rock generally characterized by its hardness, dark color, and poorly sorted angular grains of quartz, feldspar, and small rock fragments or lithic fragments set in a compact, clay-fine matrix.
ha	A hectare is a measure of area and is 10,000m ² .
half-graben	A half graben is an asymmetrical graben formed as the result of a block of land being downthrown producing a valley with a distinct scarp.
hangingwall	The mass of rock above a fault, vein or zone of mineralisation.
hausmannite	A mineral, Mn_3O_4 A mineral, (sedimentary, early diagenetic)
hematite	An iron oxide mineral Fe_2O_3 .
ICP-MS	Analytical technique, Inductively Coupled Plasma – Mass Spectrometry.
Inferred Resource	In situ mineral resource calculated with a low confidence level, and to which economic parameters cannot be applied.
IP	A geophysical technique used to identify subsurface materials, such as ore using an electric current that is induced into the subsurface through two electrodes, and voltage is monitored through two other electrodes.
iron ore	This is a generic term used in exploration and mining to describe anomalous concentrations of hematite, goethite and limonite minerals. The term as used does not imply ore and is not associated with Ore Reserves as defined by JORC Code (2004).
ISCOR	Iron and Steel Corporation of South Africa Ltd, now Kumba Resources Ltd.
isoclinal fold	Intensely folded structures in which the limbs of the fold are sub-parallel. Such folds are the result of intense deformation which causes bedding to be transposed along zones

	of shear and solution.
jacobsite	A mineral MnFe_2O_4 (metamorphic)
jaspilite	BIF consisting primarily of alternating bands of red jasper and hematite
JORC Code	Guidelines published by the Joint Ore Reserves Committee (JORC), which relate to the requirements and standards applicable to reporting of mineral resources and ore reserves to the Australian Stock Exchange.
Karoo	Term applied to rocks that formed at approximately 140 -300 Ma in Southern Africa
kutnahorite	A mineral, $\text{Ca}(\text{Mn,Mg,Fe}) (\text{CO}_3)_2$, isomorphous with dolomite (diagenetic)
lag	Residual surficial material, comprising resistant fragments, such as quartz and ironstone.
level	A main underground roadway or passage driven along a level course to afford access to stopes or workings and to provide ventilation and a haulage way for the removal of ore or waste.
LIDAR	Light Detection and Ranging - an optical remote sensing technology that can measure the distance to, or other properties of a target by illuminating the target with light, often using pulses from a laser. The technology is used to accurately determine the elevation of the topography
LSE	London Stock Exchange
lump	Crushed iron ore of a size greater than a nominal 6mm.
lump:fines	Lump to Fines ratio expressed as percentages.
lump:fines split	Grade split (or difference) between lump and fine iron ores.
Lutite	A general name used for consolidated rocks composed of silt and or clay and of the associated materials which, when mixed with water, form mud; e.g. shale and mudstone.
mafic	Descriptive of rocks composed dominantly of magnesium, iron and calcium-rich minerals.
magnesite	A magnesium carbonate mineral (MgCO_3)
magnetite	A naturally occurring oxide of iron (Fe_3O_4) which produces a strong magnetic response.
Manjiroite	A mineral $(\text{Na K}) \text{Mn}_8\text{O}_{16} \cdot n\text{H}_2\text{O}$ (late diagenetic)
marble	A metamorphic rock derived from the re-crystallization of limestone by the application of heat and pressure.
Mesoproterozoic	A subdivision of the Proterozoic - 1,000 - 1,600ma and noted as when the Rodinia supercontinent formed, the Columbia supercontinent broke up, and the evolution of sexual reproduction.
meta-argillite	An argillite that has been metamorphosed
metasediments	A metamorphic rock
metallurgical recovery	Proportion of a metal or mineral of economic interest recovered during processing.
metallurgical test work	The testing of ore samples in order to define the metallurgical characteristics of the ore.
Mg	Chemical symbol for magnesium
migmatite	Migmatites form under extreme temperature conditions during prograde metamorphism, where partial melting occurs in pre-existing rocks.
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.
Mn	Chemical symbol for manganese
MPRDA	Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002)
Neoproterozoic	Subdivision of the Proterozoic age (900 to 544 Ma)
OES	Optical Emission Spectroscopy
Paleoproterozoic	A subdivision of the Proterozoic - 1,600 - 2,500Ma and characterised by when the

	continents first stabilized and the initial biochemical process of photosynthesis to produce energy and oxygen
partridgeite	A mineral, Bixbyite - $(\text{MnFe})_2\text{O}_3$ (late diagenetic)
Proterozoic	An era of geological time within the Precambrian, spanning the period from 2,500 million years to 570 million years before present.
pyrite	A sulphide mineral of iron, FeS_2 .
psammo-pelite	Well bedded, siliciclastic meta-greywackes, meta arenites and meta-argillites in varying relative proportions; thin to thick bedded; good sedimentary structures (eg graded bedding, partial to complete Bouma sequences) indicating mass flow transport and deposition.
psilomelane	Mineral with chemical composition of MnO_2 with H_2O
quartzite	A sandstone composed predominantly of grains of quartz.
rhodochrosite	Mineral with chemical composition of MnCO_3
rhodonite	Mineral with chemical composition of MnSiO_3
ROM	Run of Mine
Romanechite	A mineral, $\text{BaMn}^{+2}\text{Mn}^{+4}\text{Mn}_8^{+4}\text{O}_{16}(\text{OH})_4$ (late diagenetic)
resources	In situ mineral occurrence from which valuable or useful minerals may be recovered.
Reverse Circulation (RC)	A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination. Commonly used with a percussion hammer bit.
SAMREC Code	South African Code for Reporting of Mineral Resources and Mineral Reserves (2007)
schist	A micaceous crystalline metamorphic rock having a foliated or parallel structure due to the recrystallisation of the constituent minerals.
Scoping Study	An instrument used to detect and measure radioactivity. More sensitive than a geiger counter. Certain minerals emanate radioactivity.
shale	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
SEDEX	Sedimentary exhalative deposits (abbreviated as SEDEX from SEDimentary EXhalative) are ore deposits which are interpreted to have been formed by release of ore-bearing hydrothermal fluids into a water reservoir (usually the ocean), resulting in the precipitation of stratiform ore. SEDEX deposits are the most important source of lead, zinc and barite, a major contributor of silver, copper, gold, bismuth and tungsten.
siderite	An iron carbonate, FeCO_3 .
silicification	Replacement by, or introduction of, appreciable quantities of silica (e.g. quartz, SiO_2).
silicified	The alteration or replacement of primary minerals by silica.
Specularite	A mineral, Fe_2O_3
spessartite	Mineral with chemical composition of $\text{Mn}_3\text{Al}_2(\text{SiO}_4)_3$
stratigraphic horizon	Horizon defined by a single sedimentary layer.
sulphide	A general term to cover minerals containing sulphur and commonly associated with mineralisation.
syncline	A fold that is cored by younger rocks, generally downward closing.
thrusts	A reverse fault or shear that has a low angle inclination to the horizontal.
todorkite	A mineral, $(\text{Mn,Ca,Mg})\text{Mn}_3^{+4}\text{O}_7 \cdot \text{H}_2\text{O}$ (late diagenetic)
ultramafic	Igneous rocks consisting essentially of ferro-magnesium minerals with trace quartz and feldspar.
Valmin	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
XRF	X-ray Fluorescence Spectroscopy used as an analytical technique to determine the concentration of elements in a sample.

Zimbabwe Craton

The Zimbabwe craton is an area in Southern Africa of ancient continental crust and an example of Early Archaean lithology dating back to 3.5 billion years ago (Ga.) in the southern African nation of Zimbabwe. Late Archean metamorphism joined the Southern Marginal Zone of the Kaapvaal craton to the Northern Marginal Zone of the Zimbabwe craton ca. 2.8-2.5 Ga. The 250 km wide Limpopo belt is an east-northeast trending zone of granulite facies tectonites that separates the granitoid-greenstone terranes of the Kaapvaal and Zimbabwe cratons.

PART V

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company is incorporated and trades under the name Ferrex plc.
- 1.2 The Company is domiciled in the United Kingdom and was incorporated and registered in England and Wales on 23 August 2010 as a public limited company with the name Ferrex plc and registered number 07353748. The liability of its members is limited.
- 1.3 The Company is governed by and its securities were created under the Act.
- 1.4 The Company's registered office and principal place of business is located at 27/28 Eastcastle Street, London W1W 8DH. The telephone number of the Company's registered address and principal place of business is +44 (0)207 637 5216.
- 1.5 The Company has no administrative, management or supervisory bodies other than the Board, the Remuneration Committee and, the Audit Committee; all of whose members are Directors.
- 1.6 The Company's auditors since its incorporation are Chantrey Vellacott DFK LLP, who are members of the Institute of Chartered Accountants in England & Wales.

2. Securities being offered/admitted

- 2.1 The Ordinary Shares are ordinary shares of 0.5 pence each in the capital of the Company and were issued in British Pounds Sterling.
- 2.2 The Ordinary Shares may be held in certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred, otherwise than by a written instrument in accordance with the CREST Regulations. The Registrars are responsible for keeping the Company's register of members.
- 2.3 The dividend and voting rights attaching to the Ordinary Shares, including the Placing Shares, are set out in paragraph 6.9 of this Part V.
- 2.4 Section 561 of the Act gives the Shareholders pre-emption rights on any issue of shares by the Company to the extent such rights are not disapplied by a special resolution passed pursuant to section 570 of the Act. Details of the current section 570 of the Act disapplication are set out in paragraph 2.8 of this Part V.
- 2.5 The Ordinary Shares have no right to share in the profits of the Company other than through a dividend, distribution or return of capital; further details of which are set out in paragraph 6.9 of this Part V.
- 2.6 Each Ordinary Share is entitled on a *pari passu* basis with all other issued Ordinary Shares and will share in any surplus on a liquidation of the Company.
- 2.7 The Ordinary Shares have no redemption or conversion provisions.
- 2.8 On 2 November 2010 the following resolutions were passed:
 - (a) an ordinary resolution authorising the directors of the Company pursuant to section 551 of the Act to allot relevant securities up to a maximum nominal amount of £6,000,000, such authority expiring on the conclusion of the earlier of the next annual general meeting of the Company and the date falling 15 months after the passing of such resolution;

- (b) a special resolution to waive statutory pre-emption rights in relation to (*inter alia*):
 - (i) the allotment of equity securities in connection with a rights issue in favour of Shareholders where the equity securities respectively attributable to the interest of all such Shareholders are respective to the number of ordinary shares held by them;
 - (ii) the allotment (other than pursuant to paragraph 2.8(b)(i) above) of equity securities up to an aggregate nominal amount of £3,000,000, such authority expiring on the conclusion of the earlier of the next annual general meeting of the Company and the date falling 15 months after the passing of such resolution;
 - (c) a special resolution to sub-divide the ordinary shares of £1 each in the share capital of the Company into 20 pre-division Ordinary Shares; and
 - (d) a special resolution to amend the Memorandum and Articles to the form summarised in paragraph 6 of this Part V.
- 2.9 On 20 June 2011 a resolution approving the Sub-division was passed dividing every pre-division Ordinary Share into ten Ordinary Shares.
- 2.10 It is anticipated the Placing Shares will be issued on 18 July 2011, the date of Admission.
- 2.11 The Ordinary Shares are freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped, is in favour of not more than four joint transferees and is in respect of only one class of shares.
- 2.12 The Directors believe that the Company will be subject to the City Code. Under Rule 9 of the City Code ("Rule 9"), any person, or group of persons acting in concert, who acquires, whether by a series of transactions over a period of time or not, an interest in shares which taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, or any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, is normally required by the UK Panel on Takeovers and Mergers to make a general offer in cash to acquire the remaining shares in the company to all its shareholders at not less than the highest price paid by him or any persons acting in concert with him within the preceding twelve months. Rule 9 is subject to a number of dispensations.
- 2.13 In addition, in the event an offeror acquires at least nine-tenths in value of the issued share capital of the Company to which the offer relates the offeror may in accordance with the procedure set out in section 979 of the Act require the holders of any shares he has not acquired to sell them subject to the terms of the offer, and such shareholders may in turn require the offeror to purchase such shares on the same terms.
- 2.14 No person has made a public takeover bid for the Company's issued share capital since its incorporation.
- 2.15 A Shareholder is required pursuant to Disclosure and Transparency Rule 5 of the Disclosure and Transparency Rules of the FSA, to notify the Company when he acquires or disposes of a major proportion of the voting rights (either as shareholder or through his direct or indirect holding or certain financial instruments, or a combination of such holdings) of the Company equal to or in excess of 3 per cent. of the nominal value of that share capital (and every 1 per cent. thereafter).
- 3. Share Capital of the Company**
- 3.1 The Company does not have an authorised share capital.
- 3.2 The issued and fully paid share capital of the Company as at the date of publication of this document is £2,264,287.25 made up of 452,857,450 Ordinary Shares.

- 3.3 The issued and fully paid up share capital of the Company following the Placing and Admission will be £2,597,620.59 made up of 519,524,117 Ordinary Shares.
- 3.4 The Placing will result in the allotment and issue of 66,666,667 new Ordinary Shares, diluting existing Shareholders by 12.8 per cent.
- 3.5 The nominal value of each Ordinary Share is 0.5 pence.
- 3.6 The Company has no issued Ordinary Shares that are not fully paid up.
- 3.7 The Company was incorporated with no authorised share capital and with one ordinary share of £1 issued to the subscriber to the Memorandum.
- 3.8 On 22 October 2010 the Company issued and allotted 49,999 ordinary shares of £1 each in the capital of the Company for cash at the nominal value.
- 3.9 Pursuant to a resolution passed on 2 November 2010, the 50,000 ordinary shares of £1 each in the capital of the Company were sub-divided into 1,000,000 pre-division Ordinary Shares.
- 3.10 On 23 November 2010 the Company acquired certain loans and the entire issued share capital of Southern Iron pursuant to the terms of the Share Exchange Agreement summarised in paragraph 11.5 of this Part V and as consideration for such acquisition issued, credited as fully paid, 35,566,819 pre-division Ordinary Shares on 19 November 2010.
- 3.11 On 31 January 2011 the Company issued, credited as fully paid, 2,222,926 pre-division ordinary shares in consideration for the acquisition by Southern Iron of 490 shares in Umbono Minerals pursuant to the terms of the Umbono Agreement summarised in paragraph 11.6 of this Part V.
- 3.12 On 17 January 2011 the Company issued and allotted 6,496,000 pre-division Ordinary Shares each at a price of £0.125 per share.
- 3.13 Pursuant to a resolution passed on 20 June 2011, every pre-division Ordinary Shares was sub-divided into ten Ordinary Shares.
- 3.14 Save as disclosed in this Part V, since 23 August 2010 (the date of the Company's incorporation):
- (a) no share or loan capital of the Company has been issued or is proposed to be issued;
 - (b) there are currently no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
 - (c) there are no shares in the Company not representing capital;
 - (d) there are no shares in the Company held by or on behalf of the Company itself or by subsidiaries of the Company;
 - (e) there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital;
 - (f) no person has any preferential or subscription rights for any share capital of the Company; and
 - (g) no share or loan capital of the Company or any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

4. Options

As at the date of this document there are 12,000,000 share options granted under the Option Scheme which are outstanding as set out below:

<i>Optionholder</i>	<i>Number of Ordinary Shares under Option</i>	<i>Option Price</i>	<i>Exercise Period</i>
The Brojesca Trust ¹	4,000,000	2.00p	31 March 2012 – 31 March 2017
The Brojesca Trust ¹	4,000,000	2.50p	31 March 2013 – 31 March 2017
The Brojesca Trust ¹	4,000,000	3.00p	31 March 2014 – 31 March 2017

1 James Carter, the Chief Financial Officer of the Company, is a beneficiary of the Brojesca Trust.

There are no performance conditions over these options. The options may be exercised by the Brojesca Trust within 90 days after James Carter ceases to be an employee of the Company otherwise they will lapse. The options may also be exercised by the Brojesca Trust on an offer, scheme of arrangement, winding up or reconstruction of the Company.

If the share capital of the Company is altered, the number of shares subject to the option or the option price may be adjusted by the Board in such manner as the auditors confirm to be fair and reasonable.

5. The Group

To the best of the knowledge of the Company, there are no persons who directly or indirectly control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company.

The Company is not aware of any arrangements which may at a subsequent date result in a change in control of the Company.

The Company is the holding company of two subsidiaries (held directly or indirectly). Details of its significant subsidiaries are set out in the table below:

<i>Name</i>	<i>Country of Incorporation (and residence, if different)</i>	<i>% held by the Company</i>	<i>% Voting Power Held</i>
Southern Iron Limited	Guernsey	100	100
Moongate 218 (Proprietary) Limited	South Africa	74	74

In addition, the Company owns, via Southern Iron, 49 per cent. of Umbono Minerals.

6. Articles of Association

The Articles include provisions to the following effect:

- 6.1 Under the Act the objects of the Company are unrestricted. The Articles do not specify any restrictions on the objects of the Company.
- 6.2 Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the holder. No member is entitled to vote at a general meeting either personally or by proxy if he or any person appearing to be interested in shares held by him has been duly served with a notice under section 793 of the Act and is in default for the prescribed period in supplying to the Company the information required thereby or, unless the directors of the Company determine otherwise, if any calls in respect of shares held by him have not been paid.

- 6.3 All general meetings which are not annual general meetings are deemed general meetings. General meetings may be called by directors whenever they think fit or within 28 days of receipt of a requisition of members served in accordance with the Act. If there are insufficient directors in the UK to form a quorum, any director or two members may convene a general meeting, in the same manner as nearly as possible as that in which meetings may be convened by the board.

An annual general meeting and a general meeting for the passing of a resolution requiring special notice shall be called by twenty-one clear days' notice at least and all other general meetings shall be called by at least fourteen days' notice.

- 6.4 The special rights attached to any class of shares may, subject to any applicable law, be altered or cancelled with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class.

The provisions of the Articles applicable to general meetings apply *mutatis mutandis* to class meetings but the necessary quorum is two persons holding or representing by proxy not less than one third of the issued shares of that class except for an adjourned general meeting or where there is only one holder of the relevant class of shares in which case the quorum shall be that holder.

- 6.5 The Company may by ordinary resolution consolidate and divide all or any of its shares into shares of a larger amount, cancel any shares not taken or agreed to be taken by any person and sub-divide its shares into shares of a smaller amount.

- 6.6 Subject to the provisions of the Act, the Company may by special resolution (and, with court approval where required) reduce its issued share capital or any capital redemption reserve and any share premium account in any way subject to authority required by law. Subject to applicable law, the Company may purchase its own shares.

6.7 **Directors**

- (a) A director is not required to hold any shares in order to maintain their appointment as a director.
- (b) The amount of any fees payable to directors of the Company shall be determined by the board of directors of the Company. The directors of the Company are entitled to be repaid all expenses properly incurred by them respectively in the performance of their duties. Any director holding an executive office or otherwise performing services which in the opinion of the board are outside the scope of his ordinary duties as a director may be paid such remuneration as the Board may determine.
- (c) The directors of the Company may establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company or any other company which is a subsidiary of the Company or is allied to or associated with the Company or any such subsidiary of any such other company ("associated companies") and the families and dependants of any such persons and the directors shall have power to purchase and maintain insurance against liability for any persons who are or were at any time directors, officers or employees of the Company, its associated companies and for trustees of any pension fund in which employees of the Company or its associated companies are interested.
- (d) The board may from time to time appoint one or more of their body to be the holder of any executive office (including the office of chairman, deputy chairman, managing director or chief executive) on such terms and for such period as they may determine.

- (e) Subject to the provisions of applicable law and provided that he has disclosed to the board the nature and extent of any material interest of his, a director of the Company notwithstanding his office:
 - (i) may be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;
 - (ii) may be a director or other officer of, or employed by, or a party to, any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
 - (iii) may hold any other office or position in the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act in a professional capacity to the Company on such terms as to remuneration and otherwise as the directors may arrange; and
 - (iv) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such contract, transaction or arrangement or from any interest in any such body corporate, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.
- (f) Save as specifically provided in the Articles, a director may not vote in respect of any contract, transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A director will not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (g) Subject to applicable law, a director is (in the absence of some material interest other than is indicated below) entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
 - (i) the giving of any guarantee, security or indemnity to a third party in respect of money lent or obligations incurred by him at the request or for the benefit of the Company or any of its subsidiary undertakings;
 - (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting thereof;
 - (iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company;
 - (v) any contract or arrangement in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise, provided that he does not hold an interest (as defined in Part 22 of the Act) in one per cent. or more of the issued shares of any such body corporate;
 - (vi) any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to the directors and employees of the Company or any of its subsidiaries;

- (vii) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the director benefits in a similar manner to the employees; and
 - (viii) any proposal, contract, transaction or arrangement concerning the purchase or maintenance of insurance for the benefit of directors or persons who include directors.
- (h) Subject to any applicable law, the Company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provisions of the articles prohibiting a director from voting at a meeting of directors or of a committee of directors and may ratify any transactions not duly authorised by reason of a contravention of the Articles.
- (i) At every annual general meeting, one third of all directors shall retire by rotation and stand for re-election.
- (j) The directors have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of duty of a director under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. Save that such authorisation of the directors may only be effective if the required quorum at the meeting at which the matter is considered is met without counting the interested director and the matter was agreed without such director voting or would have been agreed to if their vote had been counted.
- 6.8 All transfers of shares may be effected by transfer in any usual form or in any other form acceptable to the directors and shall be executed by or on behalf of the transferor and, if the share is partly paid, the transferee.
- 6.9 There are no fixed dates on which a dividend entitlement arises. The Company may by ordinary resolution from time to time declare dividends to be paid to Shareholders, although the amount of the dividend cannot exceed the amount recommended by the directors. In addition the directors may pay interim dividends if justified by the profits of the Company available for distribution.
- The dividend payment to each Shareholder shall be calculated proportionately to the amounts paid up on each issued Ordinary Share. All dividend payments shall be non-cumulative.
- All unclaimed dividends may be used for the benefit of the Company until claimed and shall not attract interest. Any dividend which remains unclaimed twelve years after the date the dividend becomes due for payment shall, at the option of the board, be forfeited and shall revert to the Company.
- There are no dividend restrictions attaching to the Ordinary Shares, provided they are fully paid up. Payments of dividends may be made by any method the board consider appropriate and on a cash dividend there are no special arrangements for non-resident Shareholders. The board may make such arrangements as they consider expedient in connection with a dividend payment in shares to deal with any legal or other difficulties that may arise in any territory in which non-resident shareholders are present.
- 6.10 The Ordinary Shares rank *pari passu* as a class in terms of preference, restriction and all other rights.
- 6.11 Section 983 of the Act provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration available under the takeover offer.

- 6.12 Section 983 of the Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less 90 per cent. in value of all the voting shares in the Company and carry not less than 90 per cent. of voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7. Directors' and Other Interests

- 7.1 As at the date of this document and as expected to be immediately following the Placing and Admission, the holdings of the Directors and any other applicable employee of the Company (as defined in the AIM Rules for Companies), and their families in the share capital of the Company: (i) which would have been required to be notified by the Company pursuant to Rule 17 of the AIM Rules for Companies; or (ii) which are holdings of a person connected (within the meaning of section 252 of the Act) with a Director which would, if the connected person were a director, be required to be disclosed under (i) above and the existence of which is known to or could with reasonable diligence be ascertained by the Directors are as follows:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of the Existing Ordinary Shares</i>	<i>Number of Ordinary Shares following Admission</i>	<i>% of Enlarged Share Capital</i>
Brian Moritz	12,500,000	2.76	13,333,333	2.57
Russell Lamming	40,000,000	8.83	40,833,333 ¹	7.86
Roy Pitchford	75,000,000	16.56	75,833,333 ²	14.60
Dave Reeves	94,613,190	20.89	95,446,523 ³	18.37

1 These Ordinary Shares are held by Clearwater Investments Group Limited, a trust, of which Russell Lamming's children are the beneficiaries.

2 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.

3 These Ordinary Shares are held by the Elwani Trust whose beneficiaries are the children and spouse of Dave Reeves.

- 7.2 Save as disclosed in paragraph 7.1 above and this paragraph 7.2 the Company is not aware of any holding (within the meaning of the AIM Rules for Companies) in the Company's ordinary share capital which amounts or would, immediately following the Placing and Admission, amount to 3 per cent. or more of the Company's Enlarged Share Capital other than the following:

<i>Name</i>	<i>Number of Ordinary Shares prior to the Placing</i>	<i>% of the Issued Ordinary Share Capital prior to the Placing</i>	<i>Number of Ordinary Shares following the Placing</i>	<i>% of Enlarged Share Capital</i>
Vision Equity Limited	39,005,000	8.61	39,005,000	7.51
Centaurus Limited	31,500,000	6.96	31,500,000	6.06
Gary Padmore	27,500,000	6.07	27,500,000	5.29
William Lovering ¹	24,000,000	5.30	24,000,000	4.62
Umbono Mineral Holdings	22,229,260	4.91	22,229,260	4.28
St. Annes Trustees Limited	20,000,000	4.42	20,000,000	3.85

1 These Ordinary Shares are held by Lynchwood Nominees Limited on behalf of William Lovering.

The voting rights of the Shareholders set out in paragraphs 7.1 and 7.2 do not differ from the voting rights held by other Shareholders.

- 7.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors, nor are there any outstanding loans or guarantees provided by the Directors to or for the benefit of the Company.

- 7.4 Save as disclosed in this paragraph 7, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.
- 7.5 Save as otherwise disclosed in this document, none of the Directors nor any member of their respective families nor any person connected with the Directors (within the meaning of section 252 of the Act) has any holding, whether beneficial or otherwise, in the share capital of the Company.
- 7.6 None of the Directors nor any member of their families is dealing in, or has dealt in, any related financial product (as defined in the AIM Rules for Companies) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for differences or a fixed odds bet.

8. Directors' Service Agreements/Letters of Appointment

- 8.1 On 30 May 2011 David Reeves entered into a service agreement with the Company. Under the terms of the service agreement, conditional on Admission, David Reeves will be employed as Managing Director of the Company for a salary of £70,000 per annum inclusive of directors' fees. David Reeves will be required to work a minimum of 10 working days per month. The contract of employment will be terminable on 6 months' notice on either side. In the event of a change of control of the Company, David Reeves will be entitled to terminate the contract of employment immediately and receive 6 months' basic pay in lieu of notice.
- 8.2 On 12 July 2011, Brian Moritz entered into a letter of appointment with the Company. Under the terms of the letter of appointment, conditional on Admission, Brian Moritz will act as a non-executive director and Chairman of the Company for a fee of £30,000 per annum. The appointment is for an initial fixed term of 12 months, thereafter terminable on 3 months' written notice on either side.
- 8.3 On 12 July 2011, Russell Lamming entered into a letter of appointment with the Company. Under the terms of the letter of appointment, conditional on Admission, Russell Lamming will act as a non-executive director of the Company for a fee of £20,000 per annum. The appointment is for an initial fixed term of 12 months, thereafter terminable on 3 months' written notice on either side.
- 8.4 On 12 July 2011, Roy Pitchford entered into a letter of appointment with the Company. Under the terms of the letter of appointment, conditional on Admission, Roy Pitchford will act as a non-executive director of the Company for a fee of £20,000 per annum. The appointment is for an initial fixed term of 12 months, thereafter terminable on 3 months' written notice on either side.
- 8.5 Save as disclosed in paragraphs 8.1-8.4 above, there are no service contracts, existing or proposed, between any Director and the Group.
- 8.6 Save as disclosed in paragraphs 8.1-8.4 above, there are no service contracts in place between the Company and any subsidiary and any member of the administrative, management or supervisory bodies which provide benefits on termination of employment.
- 8.7 None of the Directors were in office during the Company's last financial year.

9. Additional Information on the Directors

- 9.1 In addition to directorships of the Company the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director (insert any previous names)</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Russell Lamming	42	Chrome Connection Limited Consolidated Chromefields Limited Coveham Services Limited International Chrome Limited Southern Iron Limited Southern Minerals Limited	African Platinum (Pty) Limited Alfreton Close Residents Society Limited Chromex Mining plc Dunrose Investments 193 (Pty) Limited Imbasa Platinum (Pty) Limited Inkosi Platinum (Pty) Limited Islandsite 216 (Pty) Limited Islandsite 225 (Pty) Limited Mkhombi Stellite Pty Limited Ndoro Mining (Pty) Limited Sabi Gold Limited Serwalo Coal (Pty) Limited Serwalo Ferrous Metals (Pty) Limited Serwalo Platinum (Pty) Limited Serwalo Resources (Pty) Limited Venmyn Rand Pty Limited
Brian Moritz	75	Abbeygate Resources Limited (Guernsey) Capricorn Resources plc China Gateway International plc Coveham Services Limited Dimension Resources Limited Gold Mineral Resources Limited (Guernsey) Goldplat plc Goldplat Recovery (Pty) Limited International Copper Resources Limited (Guernsey) Legal Eagle UK Limited Madini Resources Limited (BVI) MSP Secretaries Limited Namibian Resources plc Running River plc Southern Chrome Limited	African Platinum Limited Chariot Oil and Gas Statistics Limited Chromex Mining plc European Business Jets plc International Copper Resources Limited (formerly Angolan Minerals plc) Lion Mining Company Limited Lunga Resources Limited Makuba Resources Limited (Guernsey) Metal Bulletin plc Namquest Oil & Gas plc Navigator Corporate Finance Limited Navigator Holdings plc Palandri Limited (Australia) White Nile Limited (Guernsey) 4092475 Limited

<i>Director</i>	<i>Age</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Roy Pitchford	60	Caps (UK) Limited Caps Caravans Limited Caps Parts Limited Caravan Inspections (NCIS) Limited Central African Gold Limited Falcon Gold Zimbabwe Limited Falcon Mines SA Horizon Mining Limited Leisure Assessors Limited Lesego Platinum Mining (Pty) Limited Narnia Energy Limited New Era Resources Limited Olympus Gold Mines Limited R.A. Pitchford Limited Southern Iron Limited Unity Mine Limited Unity Power plc Village Main Reef Limited	African Minerals (UK) Limited African Minerals Limited African Platinum plc Central African Gold Ghana Limited Cluff Resources Zimbabwe Limited Country Factor Limited Delta Gold Zimbabwe (Private) Limited Hartley Platinum Mines Limited Sabi Gold Limited SA Metals Limited Zimbabwe Platinum Mines Limited Zimplats Limited
Dave Reeves	42	Capricorn Iron Limited Capricorn Iron Pty Limited Hawthorn Capital Pty Limited Minbos Resources Limited Moongate 218 Pty Limited Rare Earth International Limited Southern Crown Resources Limited Southern Minerals Limited Sutherland Pty Limited Tunan Mining Limited Umbono Rare Earths Wild West Enterprises Pty Limited Wilgus Investments Pty Limited	African Platinum (Pty) Limited Dunrose Investments 193 (Pty) Limited Imbasa Platinum (Pty) Limited Inkosi Platinum (Pty) Limited Islandsite 216 (Pty) Limited Islandsite 225 (Pty) Limited Ndoro Mining (Pty) Limited Sabi Gold Limited Serwalo Coal (Pty) Limited Serwalo Ferrous Metals (Pty) Limited Serwalo Platinum (Pty) Limited Serwalo Resources (Pty) Limited

Brian Moritz resigned as a non-executive director of Navigator Holdings plc on 3 July 2007. In October 2007 Navigation Holdings plc was put into compulsory liquidation, with a deficit on external creditors of approximately £280,000.

In 1994 Cape & Dalglish, a firm in which Brian Moritz was a partner, and which has subsequently merged with Grant Thornton, was reprimanded by the Institute of Chartered Accountants in England and Wales, and ordered to pay a fine of £1,000, equivalent to £83 per partner, and costs of £500. This arose out of breaches of an Institute bye-law occurring in 1991 and 1992 which did not give rise to any loss by any third party. Although Brian Moritz was not personally involved in this matter in any capacity he was nevertheless reprimanded in his capacity as a partner.

9.2 Save as disclosed above none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;

- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.

10. Employees

- 10.1 As at 31 March 2011 the Group had no employees. As at the date of this document, the Group has no employees. Both James Carter's and Mark Styles' employment with the Company as Chief Financial Officer and Exploration Manager (respectively) is conditional on Admission.

Save for the Option Scheme (further details of which are set out in paragraph 4 of this Part V) there are currently no arrangements for involving employees in the capital of the Company.

11. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or a member of the Group within the two years immediately preceding the date of this document and are, or may be, material:

- 11.1 The Placing Agreement dated 12 July 2011 between the Company, the Directors, Grant Thornton and Ocean Equities pursuant to which conditional upon, *inter alia*, Admission taking place on or before 8:00 a.m. on 18 July 2011 (or such later time and or date as the Company, Grant Thornton and Ocean Equities may agree being not later than 25 July 2011). Ocean Equities have agreed to use reasonable endeavours to procure subscribers for the Placing Shares proposed to be issued by the Company at the Placing Price.

The Placing Agreement contains warranties from the Company and the Directors and indemnities from the Company in favour of Grant Thornton and Ocean Equities together with provisions which enable Grant Thornton and Ocean Equities to terminate the Placing Agreement in certain circumstances prior to Admission including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The liability of the Directors and the Company for breach of warranty is limited. Under the Placing Agreement the Company has agreed to pay Ocean Equities a commission of five per cent. of the value of the Placing Shares at the Placing Price placed with persons procured by Ocean Equities and a commission of one per cent. of the value of the Placing Shares of the Placing Price placed with persons procured by the Company.

- 11.2 The Nominated Adviser Agreement dated 12 July 2011 between the Company, the Directors and Grant Thornton pursuant to which the Company has appointed Grant Thornton to act as Nominated Adviser to the Company for the purposes of the AIM Rules for Companies. The agreement contains certain undertakings and indemnities given by the Company and the Directors in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from the date of the agreement and, thereafter, is subject to termination on the giving of three months' notice.

- 11.3 The Broker Agreement dated 12 July 2011 between the Company and Ocean Equities pursuant to which the Company has appointed Ocean Equities to act as Broker to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Ocean Equities an annual fee of £36,000 (with no fee payable during the first six months of the Broker Agreement) per annum for its services as Broker under this Agreement. The Agreement continues for a fixed period of one year from the date of the Agreement and, thereafter, is subject to termination on the giving of three months' notice.
- 11.4 (a) The Directors' Lock-in and Orderly Market Agreement dated 12 July 2011 between the Company, Grant Thornton, Ocean Equities, and each of the Directors in relation to their aggregate holdings of 225,446,523 Ordinary Shares, representing 43.39 per cent. of the Enlarged Share Capital pursuant to which each of the Directors has undertaken to Grant Thornton, Ocean Equities and the Company subject to certain limited exceptions (in compliance with Rule 7 of the AIM Rules for Companies including, disposals by way of acceptance of a takeover offer for the entire issued share capital of the Company) that they will not dispose of any interests in Ordinary Shares for 12 months from the date of Admission and then a further 12 months will only dispose of Ordinary Shares in an orderly fashion through Ocean Equities (or the Company's broker from time to time), provided that the price, costs and expenses relating to the disposal are competitive with those offered by other brokers and Ocean Equities is, within a period of five days, able to obtain a price equal to or in excess of the best price which can be obtained elsewhere.
- (b) The Shareholder Lock-in and Orderly Market Agreement dated 12 July 2011 between the Company, Grant Thornton, Ocean Equities, and William Lovering in relation to 12,000,000 Ordinary Shares, representing 2.31 per cent. of the Enlarged Share Capital pursuant to which William Lovering has undertaken to Grant Thornton, Ocean Equities and the Company subject to certain limited exceptions that he will not dispose of any interests in such Ordinary Shares for 12 months from the date of Admission and then a further 12 months will only dispose of such Ordinary Shares in an orderly fashion through Ocean Equities (or the Company's broker from time to time), provided that the price, costs and expenses relating to the disposal are competitive with those offered by other brokers and Ocean Equities is, within a period of five days, able to obtain a price equal to or in excess of the best price which can be obtained elsewhere.
- 11.5 The Share Exchange Agreement dated 23 November 2010 between Southern Minerals, the Company, and Southern Iron for the sale and purchase of the entire issued share capital of Southern Iron and certain claims over Southern Iron's loan account for an aggregate consideration of 35,566,819 pre-division Ordinary Shares ("Consideration Shares"). The Share Exchange Agreement, signed on 23 November 2010 formalises and documents arrangements agreed between the parties on 19 November 2010 and is effective from such date. Under the terms of the Share Exchange Agreement the Company granted to Southern Minerals the right to be allotted one pre-division Ordinary Share for every two shares in Southern Iron transferred to the Company (each an "Allotment Right"). Each Allotment Right was capable of cession and assignment to a third party by Southern Minerals on written notice to the Company. On 19 November 2010, Southern Minerals distributed the Allotment Rights as a dividend *in specie* to its shareholders, and pursuant to the exercise of the Allotment Rights on 19 November 2010, the Company allotted and issued the Consideration Shares. Each of the Directors is (either directly or indirectly) a shareholder in Southern Minerals and, pursuant to the allotment of the Consideration Shares following the exercise of the Allotment Rights, Brian Moritz received 250,000 pre-division Ordinary Shares, Clearwater Investments Group Limited (of which Russell Lamming's children are the beneficiaries) received 4,000,000 pre-division Ordinary Shares, Wilgus Investments Pty Limited (a company owned by the Elwani Trust whose beneficiaries are the children and spouse of Dave Reeves) received 9,061,819 pre-division Ordinary Shares and Blue Sky Mining Limited (a company owned by the Sarnia Trust whose beneficiaries are members of the family of Roy Pitchford) received 7,500,000 pre-division Ordinary Shares. The Share Exchange Agreement contains limited warranties between the parties.

Southern Iron

- 11.6 The Umbono Agreement dated 15 November 2010 between Southern Iron, the Company, Umbono Resources, and Umbono Minerals for the sale and purchase of up to 71 per cent. of the issued share capital of Umbono Minerals (“Umbono Shares”) and all debt claims of Umbono Resources against Umbono Minerals equal to approximately R50,000) (“Debt Claims”), for an aggregate consideration of 2,222,926 pre-division Ordinary Shares (“Umbono Consideration Shares”) which were issued on 31 January 2011.

The Umbono Agreement provides for the Umbono Shares and the Debt Claims to be transferred in two separate tranches subject to certain consents being received. The initial transfer of 490 Umbono Shares (representing 49 per cent. of Umbono Mineral’s issued share capital) and 66 per cent. of the Debt Claims (“First Transfer”), was conditional on receipt of the South African Reserve Bank approval, which was satisfied on 1 December 2010, and the First Transfer was completed by Umbono Resources on 18 January 2011. The second transfer by Umbono Resources of 250 Umbono Shares (representing 25 per cent. of Umbono Mineral’s issued share capital) and 34 per cent. of the Debt Claims (“Second Transfer”) is conditional on consent being received from the Minister of Mineral Resources in South Africa in accordance with section 11 MPRDA (“consent”), which remains outstanding. One third of the Umbono Consideration Shares (“Contingent Shares”) have been allotted by the Company to Umbono Resources contingent on the completion of the Second Transfer. In the event that consent is not received within 18 months of the date of execution of the Umbono Agreement, Umbono Resources will, in the absence of an alternative agreement between the parties, transfer the Contingent Shares to Southern Iron or, at Southern Iron’s direction to the Company for cancellation.

The Umbono Agreement also provided for the Company, conditional on the granting of the Tweed Prospecting Right, to issue and allot a further 67,687,790 Ordinary Shares to Umbono (the “Tweed Shares”).

Pursuant to a deed of amendment dated 17 June 2011 between the Company, Southern Iron and Umbono Resources varying the terms of the Umbono Agreement, upon the grant of the Tweed Prospecting Right, the Company’s obligation to issue the Tweed Shares to Umbono Resources is waived and instead Southern Iron agrees that it will make a cash payment of £338,438.95 (the “Tweed Consideration”).

Pursuant to a side letter to the Umbono Agreement dated 17 June 2011 between Umbono Resources and Southern Iron the parties agree that the Tweed Consideration will be treated as a debt owed by Southern Iron to Umbono Resources, repayable at Southern Iron’s election in cash or shares (or a combination of the two) (the “Loan”).

Pursuant to a deed of novation dated 17 June 2011 between Company, Southern Iron and Umbono Resources the Loan owed by Southern Iron to the Company upon the grant of the Tweed Prospecting Right is transferred to the Company and, conditional upon such grant in satisfaction of the Loan, the Company will issue 67,687,790 Ordinary Shares (being the value of the Loan, divided by the par value of the Ordinary Shares) to Umbono Resources.

The Umbono Agreement contains certain warranties and indemnities in favour of Umbono Minerals and Southern Iron. The Umbono Agreement is governed and construed in accordance with the laws of South Africa.

- 11.7 The SGM Option Agreement dated 28 October 2010 between Southern Iron, Odaye Kossivi (“Mr. Kossivi”), Mohammed Munkallah (“Mr. Munkallah”), and Societe Generale de Mine SARL U (“SGM”) pursuant to which, for the sum of US\$25,000, Mr. Kossivi and Mr. Munkallah granted Southern Iron the exclusive right to provide loan funding to SGM and an option to acquire 90 per cent. of the entire issued share capital of SGM (the “SGM Option”). The agreement is conditional on the granting of a licence over a manganese deposit in the Nayega region of Togo (the “Nayega Licence”). Once the Nayega Licence is granted, Southern Iron will have sixty days in which to exercise the SGM

Option in consideration for the allotment and issue of 500,000 ordinary shares in Southern Iron, to be split equally between Mr. Kossivi and Mr. Munkallah.

The agreement also requires Southern Iron to undertake and provide, subject to its exercise of the SGM Option, all necessary funding (by way of a loan account) for the completion of the feasibility study in relation to the mineralisation and exploitation of the Nayega Licence. Mr. Kossivi was also granted a call option exercisable at any time after the completion of the feasibility study to exchange all (but not part) of his remaining shares in SGM for ordinary shares in Southern Iron, to be issued and allotted equally between Mr. Kossivi and Mr. Munkallah. The conversion rate is equal to 85 per cent. of the value of the SGM shares (and loan accounts) held by Mr. Kossivi at the time of exercise.

The parties also agreed to regulate their relationship as shareholders of SGM. The agreement is governed and construed in accordance with the laws of South Africa.

It is envisaged that in the event Southern Iron intends to exercise the SGM Option, it will first procure the novation of its rights and obligations under the SGM Option Agreement to the Company.

- 11.8 The Mozambique JV in the form of a binding heads of agreement dated 28 May 2010 between Southern Iron and Capitol Resources pursuant to which the parties have agreed to form a joint venture relating to the Changara Licences, conditional on, *inter alia*, the parties receiving consent from the Mozambique Ministry of Mines, the parties approving the first work program and consent being received by the board of directors of Capitol Resources.

It is anticipated that pursuant to the proposed joint venture agreement, Capitol Resources will hold 100 per cent. of the shares and, initially, 100 per cent. of the profits and costs of the joint venture company. Subject to Southern Iron funding and completing the first and second work programme at an aggregate cost of not less than US\$1,500,000 (of which US\$300,000 is required to be spent by 28 November 2011), Southern Iron will be entitled to increase its participation in the profits and costs of the joint venture to 50 per cent. Southern Iron will also have a right to subsequently increase its participation entitlement to 65 per cent. on the completion of a pre-feasibility study and then increase to 80 per cent. on the completion of the definitive feasibility study, conditional on certain prescribed capital commitments by Southern Iron. Southern Iron will also agree to act as operator of the joint venture company. It is also anticipated that Capitol Resources will have a call option, subject to the completion of the first work programme, to exchange its participation interest in the joint venture company for Ordinary Shares. The conversion rate will be equal to 90 per cent. of the fair market value of Capital Resources participation interest. The Mozambique JV is governed and construed in accordance with the laws of Australia.

- 11.9 The Moongate Shareholders' Agreement dated 17 September 2009, as amended on 9 June 2011, between Southern Iron, Mkhombi and Moongate pursuant to which Southern Iron and Mkhombi agreed to regulate their relationship as shareholders of Moongate. The Moongate Shareholders' Agreement is governed and construed in accordance with the laws of South Africa.

The Moongate Shareholders' Agreement replaces a shareholders' agreement for Moongate dated 20 September 2007 entered into by Sabi Gold Limited, Mkhombi and Moongate (which was ceded by Sabi Gold to its wholly-owned subsidiary, Corridor Iron Limited, which in turn changed its name to Southern Minerals Limited).

- 11.10 The Umbono Shareholders' agreement dated 4 November 2010 between Southern Iron, Umbono Minerals and Umbono Resources pursuant to which the parties agreed to regulate their relationship as shareholders of Umbono. The Umbono Shareholders' Agreement is governed and construed in accordance with the laws of South Africa.

Leinster Project

- 11.11 Umbono Minerals holds the Leinster Licence which was granted on 23 October 2009 and is valid until 22 October 2014. The right covers an area of 42,433.5028 hectares in the Northern Cape Province of South Africa and allows Umbono Minerals to prospect the licence area for manganese.

The total committed exploration costs in terms of the prospecting work programme which has been attached to the Leinster Licence, and which is payable by Umbono Minerals, is R1,500,000 over the five year period of the Leinster Licence;

Umbono Minerals has also obtained approval of its environmental management plan for the Leinster Licence in accordance with the provisions of section 39 of the MPRDA. A financial guarantee of R50,000 has been provided for rehabilitation.

The prospecting fees have been paid for the first and second years of the Leinster Licence in accordance with the regulations in force under the MPRDA for the payment of prospecting fees. The prospecting fees payable for the third year of the Leinster Licence are due on 23 October 2011.

- 11.12 Umbono Manganese Severn made the application for the Tweed Prospecting Right which was notarised on 2 September 2010 and which was accepted in terms of section 16 MPRDA on 9 September 2010. Umbono Manganese Severn submitted an environmental management plan timeously. The Tweed Prospecting Right covers an area of 4,434.45 hectares in the Northern Cape Province of South Africa and allows Umbono Manganese Severn to prospect the licence area for iron ore, manganese, cobalt, titanium ore, vanadium and chrome ore.

Malelane Project

- 11.13 Moongate holds the Malelane Licence which was granted on 20 May 2008 and is valid until 19 May 2013. The right covers an area of 4,192.1468 hectares in Mpumalanga region of South Africa and allows Moongate to prospect the licence area for iron ore.

The total committed exploration costs in terms of the prospecting work programme which has been attached to the Malelane Licence, payable by Moongate, is R9,774,240 expendable over the five year period of the Malelane Licence.

Moongate has also obtained approval of its environmental management plan for the Malelane Licence in accordance with the provisions of section 39 of the MPRDA. An amount of R10 000 has been set aside for rehabilitation in the form of a cash deposit with the Department of Mineral Resources.

The prospecting fees have been paid for the first four years of the Malelane Licence in accordance with the regulations in force under the MPRDA for payment of prospecting fees.

Changara Project

- 11.14 Capitol Resources owns the following exploration licences:

- (a) Exploration Licence 1122L was issued and granted to Capitol Resources on 24 October 2005 and subsequently expired on the 24 October 2010, but was renewed for a further five years on 24 October 2010 and is valid until 24 October 2015.

The scope of the licence grants Capitol Resources the right to explore for basic and precious metals over an area of 21,700 hectares in the District of Changara, Tete Province.

- (b) Exploration Licence 1123L was initially issued and granted to the Capitol Resources on 8 August 2005 and subsequently expired on 8 August 2010, but was renewed for a further five years on 18 August 2010 and is valid until 8 August 2015.

The scope of the licence grants Capitol Resources the right to explore for basic and precious metals over an area of 18.900 hectares in the District of Changara, Tete Province.

- (c) Exploration Licence 1421L was initially issued and granted to Capitol Resources on 15 August 2005 and is valid until 15 August 2011.

The scope of the licence grants Capitol Resources the right to explore for basic and precious metals over an area of 8.380 hectares in the District of Changara, Tete Province.

- (d) Exploration Licence 1431L was initially issued and granted to Capitol Resources on 7 August 2006 and is valid until 7 August 2011.

The scope of the licence grants Capitol Resources the right to explore for basic and precious metals over an area of 2.080 hectares in the District of Changara, Tete Province.

12. Dependence on Intellectual Property etc.

The Group is not dependent on any patents, licences, industrial, commercial or financial contracts or new manufacturing processes which have a material effect on the Group's business or profitability.

13. Related Party Transactions

Save as described in paragraph 11.5 of Part V of this document, and in note 18 of the Financial Information in Part III of this document, during the period from the Company's incorporation to the date of this document, no member of the Group has entered into any related party transactions.

14. Litigation

No member of the Group is involved or has been involved in any governmental, legal or arbitration proceedings in the previous twelve months which may have or have had in the recent past a significant effect on the Company's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

15. No Significant Change

Save as disclosed, there has been no significant change in the financial or trading position of the Company since the date of incorporation or of the Subsidiaries since 31 March 2011.

16. Working Capital

The Directors are of the opinion, having made due and careful enquiry and having taken into account the net proceeds of the Placing, that following Admission, the Group will have sufficient working capital for at least 12 months from the date of Admission.

17. Taxation

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK HM Revenue & Customs practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position, or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

- 17.1 For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Offer will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding.

If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise. This is generally calculated on the basis that the gain is the net proceeds received on sale less the amount paid for the shares. The gain may be reduced by the Shareholder's annual capital gains tax exemption, if this has not previously been utilised. The annual exemption is currently £10,600. Capital gains tax is currently charged on the basis that the gain is the top slice of an individual's income and is charged at 18 per cent. up to the basic rate limit and 28 per cent. on taxable gains above the basic rate limit.

- 17.2 If an investor is an individual or an investment company, relief for losses incurred by that investor on disposal of the Ordinary Shares may be available under Sections 131 to 151 Income Tax Act 2007 or Sections 573 to 576A of the Income and Corporation Taxes Act 1988, as appropriate, against income of the same or prior year.

This relief should be available provided the Company and the investor satisfy the relevant statutory requirements.

- 17.3 Unquoted Ordinary shares representing minority interests in trading companies such as the Company potentially qualify for 100 per cent. business property relief which gives up to 100 per cent. exemption from Inheritance Tax. Therefore, where an investor makes a lifetime gift of shares or dies while still owner of the shares, no inheritance tax will be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the shares for two years before the date of transfer or death.
- 17.4 No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Ordinary Shares.
- 17.5 Under current UK legislation, no tax is withheld from dividend payments by the Company and consequentially, the Company accepts no responsibility for withholding taxes at source.

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the dividend ordinary rate (10 per cent.), the dividend upper rate (32.5 per cent.) or dividend additional rate (42.5 per cent.).

The effect will be that taxpayers who are otherwise liable to pay tax at only the basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the cash dividend and associated tax credit. Higher rate taxpayers subject to the additional rate will have an additional tax liability (after taking into account the tax credit) of 32.5 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust's income are required to account for tax at the dividend trust rate, currently 42.5 per cent.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

18. General

- 18.1 The gross proceeds of the Placing are expected to be £2 million. The total costs and expenses relating to Admission and the Placing are payable by the Company and are estimated to amount to approximately £360,000 (excluding Value Added Tax). The net proceeds of the Placing are expected to be £1,640,000.

- 18.2 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 18.3 Chantrey Vellacott DFK LLP has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 18.4 Grant Thornton has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 18.5 Ocean Equities has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 18.6 Coffey Mining accepts responsibility for the information in its report contained in Part IV of this document. To the best of the knowledge and belief of Coffey Mining (which has taken all reasonable care to ensure that such is the case) the information contained in Part IV of this document is in accordance with the facts and contains no omission likely to affect the import of such information. Coffey Mining has given and not withdrawn its written consent to the inclusion in this document of its report in Part IV of this document, in the form and context in which it is included. Coffey Mining (SA) Pty Limited has no material interest in the Group.
- 18.7 Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 18.8 The accounting reference date of the Company is 30 September.
- 18.9 The Placing Price represents a premium over nominal value of 2.5 pence per Ordinary Share.
- 18.10 It is expected that definitive share certificates will be dispatched by hand or first class post by 25 July 2011. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 18 July 2011.
- 18.11 Save as disclosed above, no person directly or indirectly (other than the Company's professional advisors and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisors and trade suppliers or save as disclosed in this document) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or any other benefit to such value or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

19. Availability of Admission Document

Copies of this Admission Document will be available free of charge from the Company's registered office and at the offices of Grant Thornton, 30 Finsbury Square, London EC2P 2YU, during normal business hours on any Business Day for at least one month after Admission and shall remain available on the Company's website, www.ferexplc.com.

PART VI

SUMMARY OF SOUTH AFRICAN AND MOZAMBIQUE MINING LAW

1. South Africa

1.1 *Introduction*

The MPRDA became law on 1 May 2004 and regulates the prospecting for, and optimal exploitation, processing and utilisation of minerals. The MPRDA also provides for historically disadvantaged persons to enter the mineral and mining industry, and controls the rehabilitation of land disturbed by exploration and mining.

1.2 *Prospecting rights and mining rights*

The MPRDA provides that South Africa's mineral and petroleum resources are the common heritage of all of the people of South Africa and that the State is the custodian thereof for the benefit of all South Africans.

The MPRDA seeks to facilitate participation by historically disadvantaged South Africans ("HDSAs" and mining ventures and to ensure that unexploited mining rights and prospecting rights are exploited by using the 'use-it or lose-it' principle which has been accepted and applied in many developed countries.

Complying with the BEE targets set by the South African Government is now a prerequisite for being granted prospecting rights and mining rights. Application for a mining right under the MPRDA must demonstrate that the granting of such right will:

- substantially and meaningfully expand opportunities for HDSAs, including women to enter the mineral and petroleum industry in order to benefit from the exploitation of the nation's mineral and petroleum resources; and
- promote employment and advance the social and economic welfare of all South Africans.

The Mining Charter (which was amended in 2010) and the scorecard relating thereto, requires HDSA participation in management at both junior and senior level and an ownership or equity participation by HDSAs at a minimum of 15 per cent. by 2009 and 26 per cent. by 2014. The holder of a mining right must comply with social and labour plans and commit to projects in relation to communities for a period of five years after grant of the mining right which will be self-sustaining after such five year period. Furthermore, the holder of a mining right must comply with its mining work programme, failing which consent must be obtained to amend the mining work programme by way of application to the Minister of Mineral Resources.

1.3 *Duration*

A mining right is valid for a period specified in the right, which period may not exceed 30 years. A mining right may be renewed for further periods, each of which may not exceed 30 years. A prospecting right is valid for the period specified in the right, which may not exceed five years. A prospecting right may be renewed for a period of up to 3 years, but only one renewal is competent.

1.4 *Environmental management*

Applicants for a mining right are required to conduct an environmental impact assessment and submit an environmental management programme for approval. Mining rights will only become effective after the environmental management programme has been approved by the Minister. Applicants for prospecting rights are required to conduct an environmental management plan and the prospecting right will become effective only after the environmental management plan has been approved.

The holder of a prospecting right or mining right remains responsible for any environmental liability, pollution or ecological degradation, and the management thereof, until the Minister has issued a closure certificate to the holder concerned. Requirements for making financial provision for remediation of environmental damage as well as for the issuing of a closure certificate are set out in the MPRDA and include the requirement that financial provision must be in place before the approval of the environmental management programme or the environmental management plan, as the case may be, is issued. Depending on the requirements of the mine and its environmental impacts, the mine may be required to obtain other environmental authorisations, such as water permits and permits to remove natural heritage objects or affect bio-diversity. Where air quality is adversely impacted by the mine, an air emissions licence may be required by the National Environmental: Air Quality Act.

1.5 *The Mineral and Petroleum Resources Royalty Act*

The Mineral and Petroleum Resources Royalty Act 28 of 2008 (the “Royalty Act”) was implemented on 1 March 2010.

The Royalty Act employs a formula which distinguishes between refined and unrefined minerals and accordingly 2 royalty percentage formulae will be applied:

- for refined minerals $Y = 0.5 + (\text{EBIT/gross sales} \times 12.5) \times 100$ (capped at a maximum of 5 per cent.).
- for unrefined minerals: $Y = 0.5 + (\text{EBIT/gross sales} \times 9.0) \times 100$ (capped at a maximum of 7 per cent.).

In the above formula Y represents the mineral royalty percentage rate calculated on the transfer price of the mineral.

The definition of “refined minerals” is set out in the Schedule to the Royalty Act includes gold processed to at least 99.5 per cent. purity. Uranium concentrate or yellow cake is considered as unrefined.

1.6 *Occupational health and safety regulations of the mining industry*

Occupational health and safety of all employees in the mining industry is governed by the Mine Health and Safety Act of 1996 (the MHS Act”). The MHS Act sets out in detail the steps that employers must take to identify, assess, record and control health and safety hazards on the mines. The MHS Act entrenches basic worker rights, notably the right of workers to participate in health and safety issues, the right to receive health and safety information, the right to training and the right to withdraw from the workplace in the face of danger.

1.7 *Surface use*

The holder of a prospecting right or mining right is entitled to the use of surface necessary or incidental for prospecting and mining activities, including the right to bring on plant and equipment on the occupier’s relevant surface of the property, prospect, mine and use water, subject to the requirements of the National Water Act, 1998. Notwithstanding this, the holder of a prospecting right or mining right must consult in regard to the initial application for a right and must consult at the time that the holder of the prospecting right or mining right wishes to gain access to the property. Furthermore, the holder of a prospecting right or mining right must pay compensation to the owner of the surface for actual loss or damage suffered by the surface owner as a result of the prospecting activities or mining activities of the holder of the prospecting right or the mining right as the case may be.

1.8 *Cancellation*

The Minister of Mineral Resources is empowered to suspend or cancel a prospecting right or mining right if the holder is in breach of the provisions of the MPRDA or the terms and conditions of the prospecting right or mining right provided that the Minister must give the holder the opportunity to make representations before invoking the right of the Minister to suspend or cancel the relevant right.

2. Mozambique

2.1 *Licensing Regime Overview*

The Mozambique Mining Law was promulgated in 2002 and the Mozambique Mining Regulations in 2006. The legal framework seeks to regulate the various mining titles provided for exploiting mineral resources, the formalities for their concession and respective time periods, as well as the rights offered to investors who wish to work in this sector.

There are five main types of mineral titles available being: reconnaissance/recognition licences, exploration licences, mining concessions, mining certificates and mining passes. Only one type of mineral title can exist over an area of land at any one time. The acquisition, modification, transfer and termination of mineral titles are subject to registration.

2.2 *Exploration licences*

Exploration licences are initially granted for five years for an area of up to 25,000 hectares. Exploration licences permit the holder to access the licensed area and carry out all activities ancillary to exploration, such as erecting temporary structures and removing or selling samples and specimens. The licence holder has exclusive rights to conduct exploration for the minerals specified in the licence and a preferential right in respect of associated and other minerals discovered with the licence area.

Holders of exploration licences must submit annual reports, summarising the previous years activities and expenditure as well as a work program and budget details for the forthcoming year.

Holders of exploration licences are required to pay surface tax of a fixed amount per km² of land comprised in the licence. The amount payable increases yearly from 250 MZM per km² and up to 3,000 MZM per km².

Exploration licences may be extended for up to a further five years, after which time a new licence must be sought or the licence must be converted into another type of mineral title, such as a mining concession. In order to obtain an extension, a nominal fee must be paid and certain documents submitted to the Ministry of Mineral Resources including, a tax clearance, a report on past activities for the previous five years as well as a work program for the following five years (together with projected investment).

Provided that these requirements have been met and the licence holder has complied with its obligations under the existing exploration licence, the Minister must extend the exploration licence for the time period requested. Any minimum spend requirements are determined on a case by case basis depending on the type of mineral involved and the size of the licensed area.

A transfer of an exploration licence from one company to another would require the prior approval of the Minister of Mineral Resources but a transfer of the shares in the licence holder does not.

2.3 *Mining Concessions*

Where an exploration licence is currently in place, only the holder of the exploration licence may apply for a mining concession in respect of the area comprised in the licence.

Mining concessions are granted for up to 25 years and permit the holder to extract the mineral from the licensed area and carry out all activities ancillary to extraction, such as erecting structures and selling the mineral. A mining concession is exclusive to the holder. Mining concessions may be extended for a further 25 years. Before initiating extraction activities the holder of the mining concession must obtain an environmental licence and a DUAT (Direito de Uso e Aproveitamento da Terra – a form of lease, for further details see paragraph 2.5 below). Both must be obtained within three years of the date of issue of the mining concession and prior to the commencement of extraction activities. Development must commence within two years and production within three years of the grant of the environmental licence or the DUAT, whichever is the later/the grant of the mining concession.

Holders of mining concessions are required to pay a surface tax of a fixed amount per km² at a rate of 2,500 MZM per km² for years one to five and 5,000 MZM per km² each year thereafter. Further, royalties are payable on any mineral production of between 3-5 per cent. of the value produced.

In order to obtain a mining concession, a nominal fee must be paid and certain information must be provided to the Ministry of Mineral Resources including a tax clearance certificate, an economic feasibility study (including a mining production plan) and details of the applicant's technical expertise and financial resources to proceed with extraction (including the experience of personnel in managing the proposed operations). The mining production plan must include details of the ore deposit, mine site design, the operations schedule, expected dates for commencement of development and commercial production as well as environmental, health and safety plans. Provided that these requirements have been met and the licence holder has complied with its obligations under the exploration licence, the Minister must grant the mining concession for the time period requested. Again, the Minister does not have the discretion to refuse to grant the mining concession for other reasons.

2.4 *Mining contracts*

A holder of an exploration licence or mining concession may enter into a mining contract with the Government of Mozambique. There is no objective criteria set out as to when a mining contract shall be entered into but rather they are utilised by Ministers for large scale mining projects. A mining contract can provide for modifications, variations or exemptions from the various mining legislative requirements, taxes, custom duties, royalty payments and employment quotas.

2.5 *Land rights*

Under Mozambican law, all land belongs to the State. Therefore, investors in mining operations cannot be the owner of the land where the project is implemented. However, the investor may be granted the right to exploit and use the land (using a DUAT akin to a long-term lease) for a maximum period of 50 years. A DUAT provides its holder with legal certainty that it will be entitled to use the land for the purposes for which the DUAT was granted such as mining. Holders of a DUAT become the owner of buildings, premises or other immoveable assets built on the land to which the DUAT relates.

The holder of a mining concession has a preferential right to a DUAT, that is to have registered rights over the land. Still, the land registration process must be completed by the holder of a mining concession, by submitting the relevant application. A holder of a exploration licence is not entitled to have a DUAT (or registered rights) over the land.

Where a DUAT is granted over a populated area and the population has to be resettled a relocation plan must be filed with the Ministry of Mineral Resources supervising the relocation who will co-ordinate it with the Ministry of Agriculture. Compensation may be payable to a person who is evicted. The compensation will be either a cash payment based on the value of the assets (e.g. houses or crops) held by displaced local communities or the cost of relocation and reconstruction elsewhere (or a combination of both).

Holders of a DUAT must pay an annual fee which varies in accordance with the location and size of the land, as well as the purposes for which the DUAT is granted. The annual fee typically ranges from between 30 MZM to 40 MZM per hectare.

The Government of Mozambique can revoke a DUAT if the holder doesn't use it for the purposes granted or for reasons of public interest. If a DUAT is revoked in the public interest compensation is payable. The Directors consider the risk that a DUAT will be revoked in the public interest is small to remote given that the Government of Mozambique has rarely used this power.

Dated: 12 July 2011

