FERREX PLC

Annual Report 2011

Iron Ore and Manganese Development in Africa

Ferrex is an AIM listed exploration and development company focussed on advancing low capital intensive iron ore and manganese deposits in Africa through the development cycle and into production.

Contents

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

Highlights

Operations

Admitted to AIM in July 2011 – raised £2 million before expenses to facilitate project development, acquisitions and provide access to equity capital markets

Focussed on advancing iron ore and manganese projects in Africa through defined exploration and development programmes

Multi-project portfolio offering significant near-term value uplift potential through resource definition programmes

Solid future project pipeline – targeting additional manganese and iron projects with low capital expenditure

Already delivered on corporate strategy since AIM admission – secured a significant manganese project in northern Togo

Aims to become a medium scale, low-cost producer of minerals for the steel industry

Strong market fundamentals underpinned by the robust steel market growth in the long-term

Highly skilled Board and Management team with extensive experience developing resource projects in Africa – directly involved in development of mining projects comprising investments in excess of US$1 billion

Operations

Togo

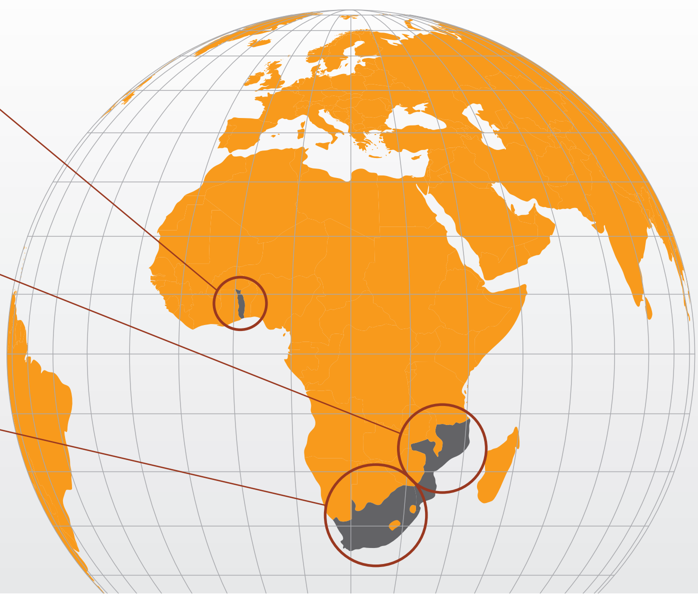
Nayega Manganese

Mozambique

Changara Manganese

South Africa

Malelane Iron Ore
Leinster Manganese



Chairman's Statement

Brian Moritz

It gives me great pleasure to report on the solid progress Ferrex has made as an emerging iron ore and manganese exploration and development company in Africa since our successful admission to AIM in July this year, having raised £2 million.

During the first few months as a publicly listed company we have been busy focussing on our strategic goals of delivering significant value uplift potential through developing iron ore and manganese projects with near-term resource potential and pursuing additional low capital iron ore and manganese projects in Africa. With a portfolio of quality assets and a highly competent Board and management team which has been involved in developing mining projects with investments in excess of US$1 billion, I believe we are ideally placed to develop the Company into a low-cost producer of minerals for the steel industry.

Our portfolio of projects includes the Malelane Iron Project in South Africa ('Malelane') which has an exploration target of 775 to 930 million tonnes ('Mt') at 34% to 36% iron ('Fe') and the Leinster Manganese Project, also in South Africa ('Leinster') with an exploration target of 5.5 to 8.7Mt at 28.6% to 31.3% Manganese ('Mn').

Additionally, in line with our strategy of securing further low capital expenditure ('capex') iron ore and manganese projects in Africa, I am delighted to report that in November 2011 we secured an 85% interest in our Togolese subsidiary Société Générale de Mine ('SGM'). SGM has secured five Exploration Permits covering a total area of 92,390 hectares (ha) including 2.5km by 1km Nayega Manganese Project ('Nayega') in northern Togo, which hosts an historic exploration target of 6 to 8.5Mt at 14% to 15.5% Mn. It is our intention to rapidly explore and develop our entire portfolio of iron ore and manganese projects to define Joint Ore Reserves Committee ('JORC') compliant resources and in turn advance them into producing entities in the mid-term.

We hold a 74% interest in Malelane, with our Black Economic Empowerment partner Mkhombi Resources owning the balance of 26%, in compliance with South African requirements. Malelane incorporates prospecting rights over a 4,192 ha tenement in the prospective Mpumalanga region in South Africa, part of the Archean Barberton Greenstone Belt, which comprises volcanic, clastic and chemical sedimentary rocks including banded iron formation ('BIF'). Three distinct BIF horizons have been identified on the property, with a combined strike length of 14km and mapped horizontal widths of up to 300m. Importantly, Malelane is favourably located in terms of infrastructure, and just 6km from the main rail line running to the port of Maputo in Mozambique, which is only 170km away.

Prior to our admission to AIM, we completed a 920m drilling programme, comprising seven reverse circulation holes, which yielded positive results. Very thick intercepts that finished in mineralisation were reported and included 177m @ 45% Fe and 212m @ 37% Fe. In addition high grade intersections of 14m at 55% Fe and 16m at 60% Fe were reported, indicating that a portion of the project has direct shipping ore potential. Following our admission to AIM, we have commenced a larger drilling programme to investigate areas of high grade mineralisation and the main deposit with the aim of delineating a maiden JORC compliant resource and enabling rapid assessment of the economic potential of the project.

With an overall exploration target of 775 to 930Mt at 34 to 36% Fe and the possibility of an initial amount of direct shipping ore we look forward to fast-tracking the development of Malelane.

In terms of our manganese portfolio, we are awaiting the grant of the Prospecting Right over the Tweed Farm at our Leinster project in South Africa, which is the final farm of ten within the highly prospective 46,868 ha project area. On grant of this right a further 66,687,790 ordinary shares in the Company will be issued to the vendors of the Leinster project, Umbono Capital Partners (Pty) Limited. We are also awaiting approval from the Department of Mineral Resources in South Africa for the increase in our interest in Umbono Minerals Holdings (Pty) Limited, which owns Leinster, from 49% to 74%. Our agreement provides for the extra 25% to be transferred to the Group without any further consideration being payable.

South Africa hosts the largest metallogenic province of manganese mineralisation in the world and Leinster covers the northernmost known erosional relict 'the Leinster Manganiferous Basin' of the Kalahari Manganese Field ('KMF'). Notably, Aquila Resources Limited has recently defined a resource of 109Mt at 39% Mn at Gravenhenge in the Avontuur Basin, another erosional remnant of the KMF located 20km south of Leinster.

Chairman's Statement continued

Leinster has been subject to significant previous exploration by Anglo American Corporation from 1977 to 1988 and has an exploration target defined by Coffey Mining of 5.5 to 8.7 Mt at 28.6% to 31.3%. When permission to increase our holding is received, we plan to initiate an airborne magnetic survey and from there to move on to a drilling programme intended to twin historic drill holes. This will enable us to reassess the historical data and in turn define a new JORC compliant resource.

In Togo, we hold an 85% interest in SGM, a Togolese company that holds five Exploration Permits including Nayega which represents a substantial and exciting near-term manganese development opportunity. The project has direct access to the major deepwater port of Lomé 600km to the south and the Board believes the project has the potential to be developed into a low capital and operating cost manganese mine in the mid-term.

The Nayega project consists of elluvial rubble of manganese minerals, spread over an area of 2.5km by 1km, ranging in size from flakes to cobbles overlying a manganiferous clay horizon, in which hard manganese oxide fragments are distributed. The clay horizon is up to 7m thick and the hard fragments are thought to be derived from narrow veins of massive manganese mineralisation that cut the underlying sandstone. The mineralisation observed at Nayega is thought to bear a resemblance to OM Holdings' Bootu Creek deposit in the Northern Territory, Australia which hosts pre-mining reserves and resources of 16Mt @ 25% Mn.

In addition, SGM provides a significant footprint in a very prospective manganese province, which consolidates our position in the area and provides scope for potential resource expansion at Nayega in the future. Nayega also marks a significant step for Ferrex after our admission to AIM, one that sees us delivering on our objectives of pursuing additional low capital iron ore and manganese projects in Africa.

The Board is focused on achieving maximum value uplift for shareholders and is constantly reviewing results from current projects to ascertain the optimal development order and whether projects warrant advancement. The Changara project in Mozambique is awaiting some final results before such a review is completed on this asset, results of which will be communicated to the market in due course.

The first accounting period resulted in a loss before and after tax of £880,000 before non-controlling interests. As at 30 September the Group had cash in bank of £1,550,000.

As previously highlighted, Ferrex's growth strategy is one of value creation, centred on developing our current iron ore and manganese projects with near-term resource potential towards and into production utilising our Board and management team's considerable experience in developing resource projects across Africa.

Ferrex offers a compelling valuation relative to its peers, and I believe through defined exploration and development and near-term resource delineation we can rapidly reward investors. Looking ahead, we will continue to target additional assets in Africa to add to our already strong project pipeline as we aim to consolidate our position as a mid-tier, low capex steel-feed exploration, development and production company.

I would like to take this opportunity to thank my fellow directors, management and advisors for their dedication and help over the past year during our admission to AIM, as well as our shareholders for their continuing support. I believe that Ferrex has the foundations in place from which to deliver significant value and I look forward to updating the market on our progress in 2012.

B Moritz, Chairman
19 December 2011

Managing Director's Statement

Dave Reeves

Since our successful admission to AIM in July 2011, we have delivered on our key objectives of building and advancing an exploration and development company focussed on iron ore and manganese assets in Africa. We have a solid portfolio of assets in close proximity to infrastructure and with the potential to fast-track production.

It is our intention to publish maiden JORC resources on our Malelane iron ore and Leinster manganese projects in South Africa and at our recently announced Nayega manganese deposit in northern Togo in the first half of 2012. This will enable us to accelerate our projects through to the feasibility stage with a view to production. In addition, we are actively appraising further prospective iron ore and manganese projects throughout Africa to complement our existing assets and broaden our portfolio. With these developments in mind, I believe we are in a strong position to hit our key milestones in 2012 and generate significant value for shareholders, and have the foundations in place to fulfil our mid-term strategy of becoming a medium scale, low-cost producer of minerals for the steel industry.

D Reeves, Managing Director
19 December 2011

Our Projects

Ferrex has a multi-project portfolio offering significant near-term value uplift potential through resource definition programmes. The projects include the Malelane Iron ('Fe') ore and Leinster Manganese ('Mn') project in South Africa and the Nayega Manganese project in Togo. In addition Ferrex has a joint venture with Baobab Resources Plc on the Changara Manganese project in Mozambique.

Project Overview

Malelane Iron Ore South Africa

74% Black Economic Empowerment ('BEE') compliant interest in 4,192 ha tenement in the prospective Mpumalanga region in South Africa

Potential for large, upgradable, hematite deposit within 14km strike length of banded iron formation ('BIF')

Coffey Mining has independently calculated an exploration target of between 775 and 930Mt at 34 – 36% Fe

High grade intercepts returned in first pass drilling – 16m at 60% Fe

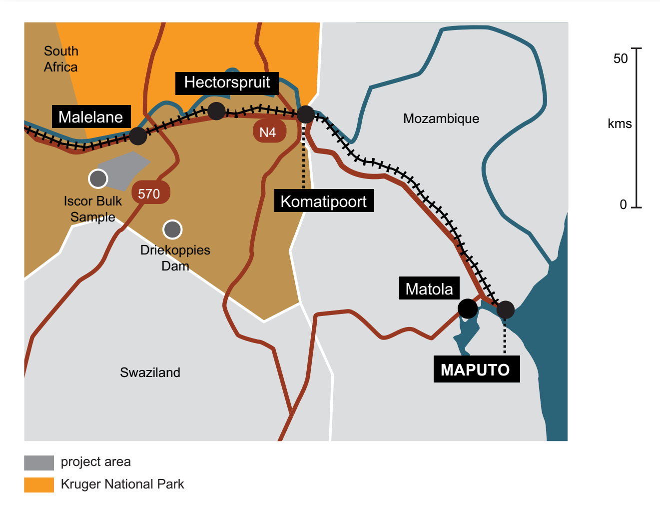
2,700m drilling programme due to finish this year

Maiden Joint Ore Reserves Committee ('JORC') resource to be declared in Q1 2012

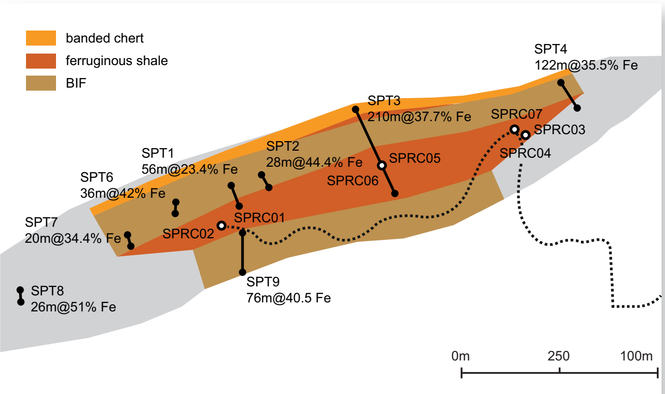
Pre-feasibility study targeted for end of 2012

Ideal location – 6km from rail line that runs to the Port of Maputo 170km distant

The Company believes that this area alone is capable of supporting the bulk of an initial 20 year mine life at an estimated production rate of 3Mt per annum.



Location of Malelane



Northern BIF

The 4,192 ha Malelane project is located over part of the Archean Barbeton Greenstone Belt, which is comprised of volcanic, clastic and chemical sedimentary rocks including BIF.

Three distinct BIF horizons have been identified on the property with a combined strike length of 14km and mapped horizontal widths of up to 300m.

Ferrex is concluding a 2,700m drill programme over the northern most BIF which represents1.5km of the 14km package aimed at proving up an initial JORC resource. The Company believes that this area alone is capable of supporting the bulk of an initial 20 year mine life at an estimated production rate of 3Mt per annum. Drill intercepts of greater than 200m are common due to the large width of the deposit which assists current operations by reducing the drill metres required and will result in very low strip ratios as the orebody outcrops on the top of a ridgeline.

Ferrex has commenced initial metallurgical testwork on samples obtained from the drilling campaign and is currently optimising the process in conjunction with its metallurgical consultants. Subject to acceptable resource and metallurgical results, Ferrex intends to complete a pre-feasibility study on the deposit by the end of 2012.

One of the main challenges facing new iron ore miners is the logistics of moving product to the end-user. This is due to the ever increasing demand on existing infrastructure and the significant costs required to build new infrastructure in close proximity to new iron ore projects in undeveloped regions. Malelane has a significant advantage in that it is located 6km from an electrified railway line 170km from the deep-water port of Maputo. The Board believes that the substantially lower capex required for the project relative to a greenfields location will increase its value.

Our Projects

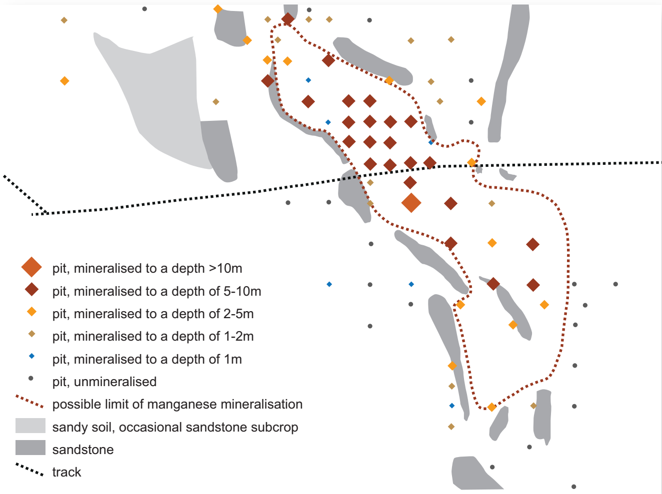
Nayega Manganese
Togo

Project Overview

- Five Exploration Licences covering 92,390 ha in northern Togo
- Known deposit covers 2.5km by 1km, averages 4m thick
- 109 shafts previously dug with grades ranging from 3 to 46% Mn
- Mn fragments in shallow clay horizon lends itself to a shallow open pit operation
- Potential for simple beneficiation through gravity separation
- Exploration target of 6-8.5 Mt @14-15.5% Mn
- Excellent infrastructure – good road access to Lomé Port 600km away
- Resource pitting to be completed early 2012 – target maiden resource and metallurgical testing first quarter of 2012

It is Ferrex's intention to undertake a systematic pitting and sampling programme to allow a resource to be generated in Q1 2012.

Sampling of Nayega pits in progress



Historical pitting at Nayega

Ferrex holds an 85% interest in SGM, a Togolese company that holds five Exploration Permits including the Nayega project in northern Togo which has a historic exploration target of 6 – 8.5 Mt @ 14-15.5% manganese.

The project has direct road access to the major deepwater port of Lomé 600km to the south. The Board believes that the potential to be developed into a low capex manganese mine in the near term. Current exploration and resource delineation of the project is expected to be complete by the end of Q1 2012.

At Nayega, in the early 1960s, the United Nations completed a programme of pitting to test the manganese mineralisation at Nayega. Approximately 50 pits were excavated to the underlying sandstone, spaced on a 100m by 100m grid to cover the area that seemed to have the greatest potential. Channel samples taken from the walls of some of the pits best intersections returned grades of 39.4% Mn over 30cm, with Mn levels of selective grab samples ranging from 43.1-50.0% Mn.

In the early 1980s, the Bureau de Recherches Géologiques et Minières, France's leading public institution involved in geoscience, completed another programme of pitting in the area, also on a 100m by 100m grid. A total of 59 pits were excavated, for a total depth of 61.53m. 17 channel samples collected from the pits were assayed, and returned Manganese values ranging from 2.88-45.69%.

It is Ferrex's intention to undertake a systematic pitting and sampling programme over the known area to allow a resource to be generated in Q1 2012. Representative samples will be sent for metallurgical testwork. Assuming positive results from both these exercises, Ferrex plans to launch directly into a definitive feasibility study to be complete late 2012. In addition, Ferrex plans to undertake a regional exploration programme over the lease area which covers all known exposures of the geological sequence that hosts the Nayega deposit in Togo.

Our Projects

Leinster Manganese South Africa

Project Overview

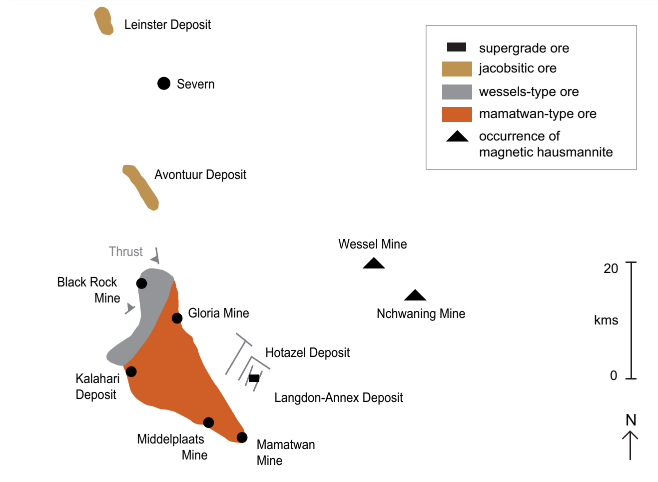
46,868 ha project over 10 farms
(9 granted over 42,433 ha, 1 under accepted application over 4,435 ha)

Well known deposit, open in all directions with significant previous exploration by Anglo American

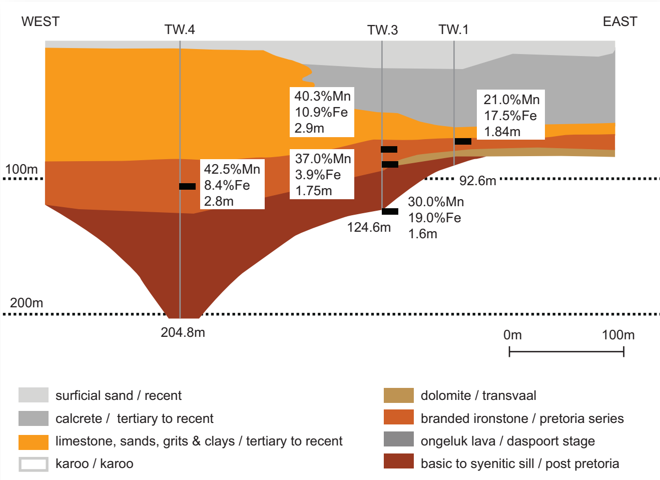
Coffey Mining has independently calculated an exploration target of 5.5 to 8.7Mt at 28.6 to 31.3% Mn

Located in an outlier of the Kalahari Manganese Field, immediately north of Aquila's Avontuur Project
(Resource of 109mt at 39% Mn)

Fast-tracked exploration and development programme planned once final farm is secured to define a maiden JORC compliant resource H1 2012



Location of Leinster



Cross Section through Leinster

The Company currently has a 49% interest which, subject to Ministerial approval from the Department of Mineral Resources in South Africa will increase to 74%, in the Leinster manganese project in the Northern Cape Province of South Africa.

Ferrex holds prospecting rights over nine of the ten farms covering the known mineralisation and the outstanding application has been accepted by the Department of Mineral Resources ('DMR'). Anglo American previously drilled 51 holes on the Leinster property and using this information, Coffey Mining independently calculated an exploration target of 5.5 to 8.7Mt at 28.6 to 31.3% Mn for Leinster on behalf of Ferrex.

Ferrex plans to implement an exploration and development programme consisting of an airborne magnetic survey and confirmatory drilling intended to twin historic drill holes to define a new JORC compliant resource once the final farm application has been approved.

The deposit lies at an average depth of 80-170m and is envisaged to be a small underground operation with ore trucked or railed to port for the export market. Subject to drill results, Ferrex intends to complete a pre-feasibility study on Leinster by the end of 2012.

Changara Manganese Mozambique

The 51,060 ha Changara manganese project is located in the Tete Province of Mozambique bordering the north-eastern corner of Zimbabwe in the vicinity of the Mazoe River. The project includes four licences located close to existing infrastructure. The Company is developing the project in a joint venture with AIM quoted Baobab Resources and has the opportunity to earn into an 80% interest. The Changara project in Mozambique is awaiting some final results following which the Company will conduct a review of this asset, results of which will be communicated to the market in due course.

Directors' Report

The Directors present their report on the affairs of the Group, together with the financial statements and the independent auditor's report, for the period ended 30 September 2011.

Ferrex was registered in England and Wales on 23 August 2010 with company number 07353748 as a public company limited by shares. The Company's shares are listed on AIM.

Principal activities
The principal activity of the Group is exploring for iron ore and manganese in Africa.

Business overview
Information on developments in the business and the financial position of the Group are set out in the Chairman's Statement.

Results
The Group reports a post-tax loss of £824,000, after deducting losses of £56,000 allocated to minority interests in a subsidiary company.

Throughout the period the Group was exploring for iron ore in Mpumalanga Province, South Africa. It also has a joint venture to explore for manganese in Mozambique. The Group owns 49% of Umbono Mineral Holdings (Pty) Limited, which will increase to 74% when the change of control is approved by the Department of Mineral Resources in South Africa. This company has rights to explore for manganese in Northern Cape Province, South Africa.

Since the end of the financial year the Group has obtained exploration rights over a manganese project in Togo, through an 85% owned subsidiary company. Further information is given in the Chairman's Statement.

Dividends
No dividend is proposed for the period.

Financial risk management
The Group's operations expose it to a variety of financial risks that includes liquidity risk as set out in note 20 to the financial statements.

Political and charitable donations
There were no political or charitable donations during the period.

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

Directors

The following Directors held office during the period:

Brian Moritz Chairman	Appointed 23 August 2010
Dave Reeves Managing Director	Appointed 23 August 2010
Russell Lamming Non-executive Director)	Appointed 23 August 2010
Roy Pitchford Non-executive Director	Appointed 23 August 2010
Philippa Keith	Appointed and resigned 23 August 2010
Lea Yeat Limited	Appointed and resigned 23 August 2010

Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the current Directors and their families were as follows:

	Ordinary Shares of 0.5p each	Percentage of share capital
Brian Moritz	13,333,333	2.57
Dave Reeves[1]	95,446,523	18.37
Russell Lamming[2]	40,833,333	7.86
Roy Pitchford[3]	75,833,333	14.60

1 These Ordinary Shares are held by the Elwani Trust whose beneficiaries are the spouse and children of Dave Reeves.

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

3 These Ordinary Shares are held by Blue Sky Mining Limited, a company owned by the Sarnia Trust whose beneficiaries are members of Roy Pitchford's family.

Directors' remuneration and service contracts

Salaries and fees	£'000
Brian Moritz	15
Dave Reeves	33
Russell Lamming	10
Roy Pitchford	5
Total	63

Share options granted to key management personnel are disclosed in note 21 to the financial statements.

Creditor payment policy and practice

It is the Group's policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are settled within the term agreed with the supplier at the time of supplying.

Going concern

Exploration expenditure is under the control of the Directors. After making enquiries, the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors have adopted the going concern basis in preparing the accounts.

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 complies 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 established Audit and Remuneration Committees, with formally delegated duties and responsibilities.

Bribery legislation

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

Audit Committee

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

Statement of Directors' responsibilities

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

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

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

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

Statement of disclosure to auditor

So far as all the Directors are aware:

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

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Chantrey Vellacott DFK LLP be re-appointed as auditor of the Group and the Company and that the Directors be authorised to fix their remuneration will be put to the Annual General Meeting.

By order of the Board

B Moritz, Director
19 December 2011

Independent Auditor's Report

We have audited the financial statements of Ferrex PLC for the period ended 30 September 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2011 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

- In our opinion, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Ian Staunton, Senior Statutory Auditor
for and on behalf of Chantrey Vellacott DFK LLP
Chartered Accountants and Statutory Auditor
London, 19 December 2011

Consolidated Statement of Comprehensive Income
For the period ended 30 September 2011

	Note	2011 £'000
Revenue		–
Cost of sales		–
Gross loss		–
Administrative and exploration expenses		(885)
Group operating loss	3	**(885)**
Finance income	6	5
Loss before tax		**(880)**
Taxation	7	–
Loss for the period		**(880)**
Other comprehensive income		
Exchange difference on translating foreign subsidiaries		24
Total other comprehensive income for the period		**24**
Loss for the period attributable to:		
Equity holders of the Company		(824)
Non-controlling interests		(56)
		(880)
Other comprehensive income for the period attributable to:		
Equity holders of the Company		18
Non-controlling interests		6
		24
Loss per share		
Basic and diluted	8	(0.177p)

£377,000 of the administrative costs and of the operating loss relates to acquired operations.

All revenue, costs and expenses related to continuing operations.

Consolidated Statement of Financial Position
As at 30 September 2011

	Note	2011 £'000
Assets		
Non-current assets		
Goodwill and other intangible assets	10	1,925
Property, plant and equipment	11	21
Investments	12	111
		2,057
Current assets		
Loans	14	–
Trade and other receivables	15	157
Cash and cash equivalents	16	1,683
		1,840
Total assets		**3,897**
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	17	2,598
Share premium account	17	1,922
Other components of equity		31
Accumulated losses		(824)
		3,727
Non-controlling interests		(50)
Total equity		**3,677**
Current liabilities		
Trade and other payables	18	220
		220
Total equity and liabilities		**3,897**

B. Moritz, Director
Registered number: 07353748

Company Statement of Financial Position
As at 30 September 2011

	Note	2011 £'000
Assets		
Non-current assets		
Investments	12	1,778
		1,778
Current assets		
Loans	14	813
Trade and other receivables	15	108
Cash and cash equivalents	16	1,550
		2,471
Total assets		**4,249**
Equity and liabilities		
Equity attributable to equity holders of the Company		
Share capital	17	2,598
Share premium account	17	1,922
Other components of equity		13
Accumulated losses		(454)
Total equity		**4,079**
Current liabilities		
Trade and other payables	18	170
		170
Total Equity and Liabilities		**4,249**

The financial statements on pages 16 to 34 were approved by the Board of Directors and authorised for issue on 19 December 2011. They were signed on its behalf by:

B. Moritz, Director
Registered number: 07353748

Consolidated Statement of Changes in Shareholders' Equity
For the period ended 30 September 2011

	Share capital £'000	Share premium £'000	Share option reserve £'000	Foreign exchange reserve £'000	Accumulated losses £'000	Total attributable to equity holders of the Company £'000	Non-controlling interests £'000	Total £'000
Balance at 23 August 2010	–	–	–	–	–	–	–	–
Loss for the period	–	–	–	–	(824)	(824)	(56)	(880)
Other comprehensive income								
Exchange differences on translating foreign subsidiaries	–	–	–	18	–	18	6	24
Total other comprehensive income	**–**	**–**	**–**	**18**	**–**	**18**	**6**	**24**
Total comprehensive income	**–**	**–**	**–**	**18**	**(824)**	**(806)**	**(50)**	**(856)**
Share-based payments	–	–	13	–	–	13	–	13
Issue of shares	2,598	2,154	–	–	–	4,752	–	4,752
Flotation costs	–	(232)	–	–	–	(232)	–	(232)
Balance at 30 September 2011	**2,598**	**1,922**	**13**	**18**	**(824)**	**3,727**	**(50)**	**3,677**

Company Statement of Changes in Shareholders' Equity
For the period ended 30 September 2011

	Share capital £'000	Share premium £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000
Balance at 23 August 2010	–	–	–	–	–
Loss for the period	–	–	–	(454)	(454)
Other comprehensive income					
Total other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	**(454)**	**(454)**
Share-based payments	–	–	13	–	13
Issue of shares	2,598	2,154	–	–	4,752
Flotation costs	–	(232)	–	–	(232)
Balance at 30 September 2011	**2,598**	**1,922**	**13**	**(454)**	**4,079**

Consolidated Statement of Cash Flows
For the period ended 30 September 2011

	Note	2011 £'000
Operating activities		
Net cash used in operating activities	(a)	**(693)**
Investing activities		
Purchase of property, plant and equipment		(29)
Investment in associate undertaking		(111)
Purchase of intangible assets		(184)
Cash acquired with subsidiary		3
Net cash used in investing activities		**(321)**
Financing activities		
Proceeds from issue of share capital		2,741
Net cash from financing activities		**2,741**
Net change in cash and cash equivalents		**1,727**
Cash and cash equivalents at beginning of period		–
Exchange differences on cash and cash equivalents		(44)
Cash and cash equivalents at 30 September 2011		**1,683**

Notes to the Consolidated Statement of Cash Flows

	2011 £'000
(a) Operating activities	
Loss before tax	(880)
Adjustments:	
Depreciation of property, plant and equipment	6
Foreign exchange loss	86
Share-based payment charge for period	13
Provision against loans	119
Increase in trade and other receivables	(254)
Increase in trade and other payables	222
Finance income	(5)
Net cash used in continuing operations	**(693)**

Major non-cash transactions in respect of shares issued for acquisitions are detailed in note 13.

Company Statement of Cash Flows
For the period ended 30 September 2011

	Note	2011 £'000
Operating activities		
Net cash used in operating activities	(a)	**(334)**
Financing activities		
Loans		(813)
Proceeds from issue of share capital		2,741
Net cash from financing activities		**1,928**
Net change in cash and cash equivalents		1,594
Cash and cash equivalents at beginning of period		–
Exchange differences on cash and cash equivalents		(44)
Cash and cash equivalents at 30 September 2011		**1,550**

Notes to the Company Statement of Cash Flows

	2011 £'000
(a) Operating activities	
Loss before tax	(454)
Adjustments:	
Foreign exchange loss	44
Share-based payment charge for period	13
Increase in trade and other receivables	(108)
Increase in trade and other payables	176
Investment income	(5)
Net cash used in continuing operations	**(334)**

Major non-cash transactions in respect of shares issued for acquisitions are detailed in note 13.

Notes to the Financial Statements

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated below.

1.1 General information

Ferrex PLC is a public company limited by shares and incorporated on 23 August 2010 in England and Wales under the Companies Act 2006 (registered number 07353748). The address of the registered office is 27/28 Eastcastle Street, London, W1W 8DH.

The financial period runs from 23 August 2010 to 30 September 2011. As this is the first accounting period of the Group and Company, no comparative information is presented in these financial statements.

1.2 Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the Companies Act 2006.

The Company has taken advantage of the exemption contained in Section 408, Companies Act 2006, and has not presented its own statement of comprehensive income. The Company's comprehensive loss for the period ended 30 September 2011 was £454,333.

1.3 Presentational and principal functional currency

The financial statements are presented in Pounds Sterling ("GBP"), generally rounded to the nearest thousand, which is considered by the Directors to be the most appropriate presentational currency for the consolidated financial statements. As the Group's operations are in South Africa, the principal functional currency is South African Rands ("ZAR").

1.4 New and amended Standards and Interpretations

The Group has adopted the following revisions and amendments which are relevant to and effective for the Group's financial statements for the period beginning 23 August 2010.

- IFRS 1 (amended)/ IAS 27 (amended) — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IFRS 3 (revised 2008) — Business Combinations
- IAS 28 (revised 2008) — Investments in Associates
- IAS 27 (revised 2008) — Consolidated and Separate Financial Statement
- Improvements to IFRSs (April 2009)

1.5 IFRS Standards and Interpretations in issue but not yet effective or not yet endorsed

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The Directors anticipate that the adoption of these Standards and Interpretations in future years will have no impact on the financial statements except for additional disclosures when the relevant Standards and Interpretations come into effect.

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 October 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.

Notes to the 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

1.6 IFRS Standards and Interpretations not yet effective or relevant

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

1.7 Basis of consolidation

The Group's financial statements comprise a consolidation of the accounts of the Company and its subsidiary undertakings ("subsidiaries"). The results of the subsidiaries acquired or sold in the year are consolidated for the periods from or to the date on which control passes. Control is achieved where the Company has the power to govern the financial and operating policies of a subsidiary.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

All subsidiaries have the same year end and have been included in the consolidated accounts.

1.8 Going concern

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

1.9 Use of accounting judgements, estimates and assumptions

The preparation of the Group and Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical estimates and assumptions are made with regard to the carrying value of intangible assets. Accounting entries are made in accordance with the accounting policies detailed below.

1.10 Business combination

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 income statement. 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.

1.11 Foreign currency translation

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 losses, 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.

All differences are taken to profit or loss or other comprehensive income, should specific criteria be met.

1.12 Finance income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate ("EIR"), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

1.13 Taxation

Tax on profit or loss for the period 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 income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and established provisions where applicable.

Deferred income tax

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

Deferred income tax assets/liabilities are recognised for all taxable temporary differences except;

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

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

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

The carrying amount of deferred income tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

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

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities.

Value Added Tax ("VAT")

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

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset as part of the expense item as applicable.

Notes to the Financial Statements

- Receivables and payables that are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.14 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Group statement of comprehensive income as an expense as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to the Group statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

- Computer equipment 50% straight-line
- Motor vehicles 20% straight-line

1.15 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.
- the expenditure attributable to the asset during its development can be measured reliably.

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 every period-end.

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:

Item	Useful life
Prospecting and exploration rights	Life of mine

1.16 Financial instruments

Financial instruments recognised on the statement of financial position include cash and cash equivalents, trade receivables, trade payables, loans and intercompany receivables and borrowings.

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

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

The Group classifies financial instruments, or their components 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 instruments 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.

Loans

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

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Impairment of financial assets

If there is objective evidence that an impairment loss on a financial asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original

Notes to the Financial Statements

effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit and loss.

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

Derecognition of financial assets and liabilities

Financial assets

Financial assets (or a portion thereof) are derecognised when the Group realises the rights to the benefits in the contract, the rights expire, or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset.

On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any adjustments to reflect fair value that had been reported in equity, are included in the statement of comprehensive income.

Financial liabilities

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs and amount paid for it, are included in the statement of comprehensive income.

1.17 Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the Company 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.

1.18 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.

1.19 Share-based payments

Equity settled share-based payments are measured at fair value (excluding the impact of any non-market vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercised restrictions and behavioural considerations.

2. Business and geographical segments

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

3. Operating loss

The Group's operating loss before tax is stated after charging		£'000
Share-based payment charge (note 9)		13
Employment costs, excluding share-based payments		32
Depreciation of property, plant and equipment		6
Auditor's remuneration	- audit services	25
	- non audit services	–
Provision against loan		119
Foreign exchange differences		93

The Group auditor's remuneration in respect of the Company amounted to £10,000.

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

4. Personnel expenses

The employee costs of the Group, including directors' remuneration, are as follows:	£'000
Wages and salaries expense	30
Fees	73
Social security costs	1
Share-based payments	13
	117

The average number of employees during the year was:	
Directors	4
Key management personnel	2
	6

5. Directors' and key management emoluments

	Executive and key management £'000	Non-executive £'000	Total £'000
Salaries and bonuses	–	30	30
Fees	73	–	73
Share-based payments	13	–	13
	86	30	116

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

	£'000
Emoluments for qualifying service	33

Key management

Key management personnel hold options to acquire 12 million ordinary shares at the weighted average cost of 2.5p per share as set out in note 9.

Included above are fees paid to key management personnel in the period amounted to £40,000.

6. Finance income

	£'000
Interest income on cash balances held	5

7. Taxation

	£'000
Current tax	
UK corporation tax	–

The tax charge can be reconciled for the loss for the period as follows:

	£'000
Group loss before tax	(880)
Tax at the UK corporation tax rate of 28%	(246)
Tax effects of	
Expenses not deductible for tax purposes	27
Overseas losses	78
Share based payments	4
Tax losses carried forward not recognised as a deferred tax asset	137
	–

Factors that may affect future tax charges

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

Notes to the Financial Statements

8. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year.

The share options outstanding at 30 September 2011 are not included in the calculation of diluted loss per share as they are anti-dilutive.

All operations are continuing for the period presented.

	Basic
Loss for the period (£'000)	(824)
Weighted average number of shares	466,091,528
Earnings per share (pence)	(0.177)

There have been no transactions involving Ordinary Shares between the reporting date and the date of approval of these financial statements which would significantly change the loss per share calculations shown above.

9. Share options

Share options and weighted average exercise prices are as follows for the reporting period presented:

	Number of shares	Weighted average exercise price £
Outstanding at 23 August 2010	–	
Granted	12,000,000	0.025
Outstanding at 30 September 2011	12,000,000	0.025
Exercisable at 30 September 2011	–	–

The fair value of these share options was calculated at the date of issue using the Black Scholes Model that takes into account factors specific to the share options, such as the vesting period. The following principal assumptions were used in the valuation of each of the options identified below over 4,000,000 shares:

	Option 1	Option 2	Option 3
Grant date	22 June 11	22 June 11	22 June 11
Vesting period ends	31 March 12	31 March 12	31 March 12
Share price at date of grant	2.00	2.00	2.00
Volatility	21.45%	21.45%	21.45%
Option life	5.8 years	5.8 years	5.8 years
Dividend yield	0.00%	0.00%	0.00%
Risk free investment rate	1.22%	1.22%	1.22%
Fair value at grant date	0.46	0.29	0.19
Exercise price at grant date	0.02	0.025	0.03
Exercisable from / to	1 April 12 / 31 Mar 17	1 April 12 / 31 Mar 17	1 April 12 / 31 Mar 17
Weighted average remaining contractual life	5.5 years	5.5 years	5.5 years

The underlying expected volatility was based on similar entities listed on AIM.

10. Intangible assets

GROUP	Prospecting and exploration rights £'000	Total £'000
Cost		
Balance at 23 August 2010	–	–
Acquisition of subsidiary	1,760	1,760
Additions	165	165
Balance at 30 September 2011	1,925	1,925

The carrying value of the prospecting and exploration rights is on the basis of the estimated iron ore resource and the current market value of iron ore.

11. Property, plant and equipment

GROUP	Equipment £'000	Total £'000
Cost		
Balance at 23 August 2010	–	–
Additions	27	27
Balance at 30 September 2011	27	27
Depreciation		
Balance at 23 August 2010	–	–
Charge for the period	6	6
Balance at 30 September 2011	6	6
Net book value		
Balance at 30 September 2011	21	21

12. Investments

	Group £'000	Company £'000
Cost		
Balance at 23 August 2010	–	–
Additions	111	1,778
Balance at 30 September 2011	111	1,778

The group investment is an associate interest of 490 shares (49 per cent) in Umbono Minerals Holdings (Pty) Limited, a company incorporated in South Africa. At 30 September 2011, the company had net assets of £85 and had not commenced trading.

Subsidiary undertakings

As at 30 September 2011, the Group included the following subsidiaries:

Name of company	Country of incorporation	Interest	Activity
Directly controlled			
Southern Iron Limited	Guernsey	100%	Investment
Indirectly controlled			
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 13.

Notes to the Financial Statements

13. Acquisitions

On 23 November 2010, the Group acquired 100 per cent of the issued share capital of Southern Iron Limited, a Guernsey registered company operating in South Africa through subsidiary and associated companies, thereby obtaining control. The acquisition was settled by way of a share issue. The transaction has been accounted for using the acquisition method of accounting.

The details of the acquisitions are as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Prospecting and exploration rights	6	1,766	1,772
Trade and other receivable	18	(7)	11
Bank balances and cash	3	–	3
Trade and other payables	(8)	–	(8)
Loans	(103)	103	–
	(84)	1,862	1,778

	£'000
Satisfied by:	
Share consideration	1,778

14. Loans

	Group £'000	Company £'000
Balance at 23 August 2010	–	–
Funds advanced	119	813
Provision against loans	(119)	–
Balance at 30 September 2011	–	813

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

All loans are currently unsecured and interest free.

15. Trade and other receivables

	Group £'000	Company £'000
Advance to Umbono Holdings (Pty) Limited	51	15
Other receivables	69	60
Prepayments	37	33
	157	108

Trade and other receivables are stated at their nominal value less allowances for non recoverability.

16. Cash and cash equivalents

	Group £'000	Company £'000
Bank balances	1,683	1,550

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

17. Share capital

	Share capital £'000	Share premium £'000	Number of shares
Issued, allotted and fully paid			
Ordinary Shares of 0.5p each			
Balance at 23 August 2010	–	–	–
Issued during the year	2,598	2,154	519,524,117
Flotation costs	–	(232)	–
Balance at 30 September 2011	2,598	1,922	519,524,117

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 shares of £1 each in the share capital of the Company be sub-divided into twenty one 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 at nominal value in connection with the acquisition of 49 per cent of the issued share capital of Umbono Minerals (Holdings) Pty Limited.

On 20 June 2011, the Company resolved that every issued and unissued ordinary share of 5p each in the share capital of the Company be sub-divided into ten Ordinary Shares of 0.5p each.

On 12 July 2011, the Company issued 66,666,667 Ordinary Shares of 0.5p each at a price of 3p each to provide additional working capital for the Company.

The details of share options outstanding at 30 September 2011 are summarised in note 9.

18. Trade and other payables

	Group £'000	Company £'000
Trade payables	179	137
Accruals	41	33
	220	170

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

19. Financial instrument risk

Risk management and objectives

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.

Currency risk

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

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.

Notes to the Financial Statements

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 Company's operations, it is mainly exposed to the risk of fluctuations in the price of iron ore.

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

The Group considers its capital to be shareholders' equity.

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

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with Directors
In addition to remuneration paid to the Directors during the period, the Group paid professional fees to MSP Secretaries Limited, a company of which B Moritz is a director in relation to accounting services provided, totalling £5,000. In addition the Group paid professional fees to Share Registrars Limited, a subsidiary of MSP Secretaries Limited in relation to the maintenance of the Company's share register, totalling £2,000.

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.

21. Contingent liabilities
Nayega manganese exploration permit in Togo
An 85% interest in Société Générale de Mine ("SGM"), a Togolese company that owns the exploration permit over the Nayega manganese deposit in northern Togo, was secured in November 2011.

As part of the acquisition, Ferrex PLC will fund, through interest free shareholder loans, the entire project to the bankable feasibility stage and will pay a one off fee to the project introducer of £100,000. This fee will be used to subscribe for 2,500,000 shares in Ferrex at 4p per share.

22. Capital commitments
Under an agreement dated 4 November 2010 between the Company, Southern Iron Limited ("Southern Iron") and Umbono Capital Partners (Pty) Limited ("Umbono"), Southern Iron acquired from Umbono 490 shares (49%) in Umbono Mineral Holdings (Pty) 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 66,687,790 Ordinary Shares of 0.5p in the Company.

Application has been made under S11 of the Mineral and Petroleum Resources Development Act 2022 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%.

Corporate Directory

Directors

B Moritz	Non Executive Chairman
D Reeves	Managing Director
R Lamming	Non Executive Director
R Pitchford	Non Executive Director

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