Registered number: 07353748

FERREX PLC

ANNUAL REPORT 2014

FERREX PLC

CONTENTS

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

COMPANY INFORMATION

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

Company secretary: Cargil Management Services Limited

Company number: 07353748

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HIGHLIGHTS

- Manganese development and iron ore exploration in Africa focused on advancing low-capex, simple open-pit, low strip ratio projects which are located near to infrastructure and can be brought into production within a short-time frame
- Primary focus - Nayega manganese project in Togo, West Africa
    - Development of a low-capex, open pit, 250,000tpa manganese ('Mn') 38% Manganese product operation (Phase 1) – potential lower capex 'starter' option to move into production within six months of being granted mining permit
    - Medium-term commissioning of a smelting facility to produce a valuable 74% High Carbon Ferromanganese alloy (Phase 2)
- Continued exploration of Mebaga and Malelane iron ore projects in Gabon and South Africa respectively to add value
- Strategy of becoming a low-cost producer of minerals for the steel industry
- Directors aligned with shareholders through significant investment in the Company

CHAIRMAN'S STATEMENT

Ferrex is a manganese development and iron ore exploration company focussed in Africa and considering difficult market conditions for the global resource sector, this year has seen Ferrex benefit from its multi-commodity exposure. Notwithstanding these challenges, I believe we have made solid headway in continuing the development of our portfolio which includes the Nayega manganese project in Togo; the Mebaga iron ore project in Gabon; and the Malelane iron ore project in South Africa, with a view to becoming a low-cost producer of minerals for the steel industry.

Our strategy has always been focussed on advancing and developing low-capex, simple open-pit, low strip ratio projects which are located near to infrastructure and can be brought into production within a short-time frame. With this objective in mind, and given the unfavourable iron ore price over the course of 2014 and depressed market outlook for the commodity, during the period we took the strategic decision to focus primarily on advancing our Nayega manganese project in Togo, West Africa. We believe this asset offers significant growth potential for investors as we advance it up the development curve through the definitive feasibility stage and into production in the near term.

In this vein, we outlined a two-phased approach to developing Nayega. Firstly the development of a low-capex, open pit, 250,000tpa manganese ('Mn') 38% Manganese product operation (Phase 1) and in the medium-term commissioning a smelting facility to produce a valuable 74% High Carbon Ferromanganese alloy (Phase 2). I am pleased to report that we have completed the modelling for the Definitive Feasibility Study ('DFS') for Phase 1 which outlines low capex costs of US$14.5 million. Additionally recently announced high grade assay results of 41.6% and 42.1% Mn from a 3 tonne bulk sample collected by scrubbing and screening support a near-term, within six months of securing the mining licence, 'starter' option route at potentially lower capex costs than the US$14.5 million forecast for Phase 1. We have already received the environmental and social study sign off from the Togolese Government and are now working in conjunction with them to finalise the Mining Convention and secure the Mining Permit. We look forward to providing further updates on this in due course as we announce the next stages of development and funding for Nayega, where we are in advanced discussions with four parties, including proposals for funding of the accelerated starter option, ahead of first phase production.

With regard to our Mebaga iron ore project in Gabon, in December 2013 we entered into a proposed joint venture development and funding agreement with mining majors Anglo American and Kumba Iron Ore. Despite concluding successful legal and technical due diligence and receiving approval for the proposed transaction by both the Gabonese Ministry of Mines and Ministry of Commerce, we were disappointed to report in July 2014 that Anglo American and Kumba Iron Ore decided not to pursue the joint venture. That said, whilst due diligence was being undertaken, we continued to add value to Mebaga by completing a regional mapping and sampling programme during the year and conducted an infrastructure and logistics study which illustrated robust economics.

With the exceptional project geology and the infrastructural advantages associated with Mebaga, due to its position as the closest Direct Shipping Ore ('DSO') project to the port of Libreville in the Belinga Province, we believe that the project is strategically important, particularly in the right pricing environment. We are actively seeking partners to allow the continuation of low cost exploration to add value to this project.

CHAIRMAN'S STATEMENT

Our third project, the Malelane iron ore project in South Africa, is at an advanced stage. We previously completed a scoping study illustrating the potential to develop a 1.8Mt per annum open pit mine producing a 57% iron ore product over a 16.6 year mine life. The project currently has an inferred resource of 137Mt at 37% Fe although it demonstrates much larger upside potential with an exploration target of 1.6 to 2.0Bt at 28-30% Fe and only 1.5km of a 14km strike length drilled to date.

We have a proven team with an excellent track record of proving up resource assets, developing mining operations and completing value accretive trade sales. We are aligned with shareholder interests through substantial investment, with our Directors having a 28% holding in the Company. As a Board we look to 2015 with vigour. With the Nayega DFS nearing completion, we have streamlined our near term development focus towards manganese production due to the near-term cash generation opportunity. We look forward to reporting on the confirmation of the Mining Licence from Nayega in due course.

With regard to funding, our cash position obviously remains tight given that we have ongoing monthly commitments and are seeking to move into production at Nayega in the course of this calendar year. Nevertheless, the Board is confident that we will be able to secure funding in the period required to not only maintain the Company's current operations but commence developing the Nayega project this calendar year.

B Moritz
Chairman

16 February 2015

The Directors present their Strategic Report for the year ended 30 September 2014.

OPERATING REVIEW

Principal Activities
The principal activity of the Group is the identification, acquisition, exploration and development of iron and manganese projects. The main areas of current activity during the reporting period were Togo, Gabon and South Africa.

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

Strategy and Business Plan

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

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

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

In exploring and developing mineral deposits, the Company accepts that not all its exploration will be successful but also that the rewards for success can be high. It therefore expects that its shareholders will be invested for potential capital growth, taking a long term view of management's good track record in mineral discovery and development. Board and management currently hold 28% of the issued shares in Ferrex and we believe this significant stake provides further evidence of the Board's belief in and commitment to its strategy.

To date, the Group has financed its activities through periodic capital raisings. As the Group's projects become more advanced, the Board will seek mining finance, as well as investigating strategic opportunities to obtain funding for projects from future customers via production sharing, royalty and other marketing arrangements. At the Nayega manganese project, the Group continues to advance the Definitive Feasibility Study and this includes discussion with development banks, offtakers and strategic investors for alternative forms of finance. We expect to make further positive announcements with regard to financing and development of the Nayega Manganese project during 2015.

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

The results of the Group are set out in detail in the financial statements. The Group reports a loss of £2.0m for the year (2013: £1.6m) after administration and exploration expenses of £1.5m (2013: £1.7m).

The financial statements show that, at 30 September 2014, the Group had total assets of £5.8m (2013: £5.4m). Total assets include £5.5m (2013: £5.0m) of intangible assets. This comprises exploration, evaluation and development expenditure on the Group's projects.

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

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

The intangible asset value of a project should not be confused with the realisable or market value of a particular project which will, in the Director's opinion, be at least equal in value and often considerably higher.

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

The usual financial key performance indicators ("KPIs") cannot be applied to a company with no turnover and so the Directors consider that the detailed information in this report is the best guide to the Group's progress and performance during the year. The Board and remuneration committee will review this position at least annually in the context of the Group's activities.

Ferrex has a multi-project portfolio of manganese development assets and iron exploration projects in Africa.

Togo - Nayega Manganese – 85%

The Company owns 85% of the 92,390Ha Nayega Manganese Project in northern Togo, held through Societe Generale des Mines SARL. Based on work conducted to date the Company is confident that the project, which has direct access to the regionally important deep water port of Lome, has the potential to provide cash flow for the Group through the rapid development of a low-capex, open pit, 250,000tpa manganese ('Mn') 38% manganese product operation (Phase 1) and in the medium-term, the commissioning of a smelting facility to produce a valuable 74% High Carbon Ferromanganese alloy (Phase 2).

The Measured Resource at Nayega totals 2.0Mt at 17.1% Mn, enough to cover the first three years of proposed manganese mine life, and the total resource for Nayega now stands at 11.0Mt at 13.1% Mn, all in the Indicated and Measured categories. Exploration outside of the resource area has defined additional targets, which have the potential to increase the size of the manganese resource.

The majority of the Phase 1 Definitive Feasibility Study has been completed at Nayega to develop the initial open-pit, 250,000tpa manganese operation. The mine design, schedules and tailings dam design have been completed based on cash operating costs of approximately US$2/Dry Metric Tonne Unit ('DMTU') FOB. DRA, a leading South African gravity plant specialist, has finalised the processing and local infrastructure study and the environmental and social study was submitted to the Ministry of Environment earlier in 2014 and the Environmental Permit was granted in October 2014. We have also completed a financial model for Phase 1 production at Nayega demonstrating favourable economics with lower capex (US$14.5 million) and opex costs (USD1.93/dmtu FOB Lome for years 1-4) than originally forecast. In addition high grade assay results of 41.6% and 42.1% Mn from a 3 tonne bulk sample collected by scrubbing and screening for blast furnace testwork support a near-term 'starter option' where production could commence within six months of the Mining Permit being granted at a potentially significantly lower initial capital cost. We are now continuing to focus on securing the Mining Permit and are in advanced discussions with various parties regarding development funding options and look forward to providing updates in respect of this over the coming months.

Furthermore, during 2014 we took a strategic decision to undertake a ferromanganese Scoping Study which was concluded by independent experts out of Brazil and Australia. It is the intention to commence Phase 1 (open pit mining) with Phase 2 being brought on-stream once cash flow has been generated. The Scoping Study for phase 2 has been modelled on a furnace that consumes 140,000tpa of product to produce 60,000 tpa of 74% HC ferromanganese. The furnace is expected to be located in the south of Togo where it is close to port for the import of coke and export of product and close to sources of limestone and dolomite. It is envisaged that the slag produced will be sold to the local cement industry which currently imports a large quantity of slag for this purpose. A heat recovery system to produce the bulk of the electricity required has also been included in the costing.

This results in a capital cost of the furnace complex of US$45m and an operating cost assuming full cost recoveries of US$665/t of 74% HC ferromanganese. This product currently sells CIF Europe for US$1,075/t showing the large margin and low cost position of the proposed operation.

On award of the Mining Permit at Nayega, a bulk sample will be gathered to send for sinter test work in Brazil followed by the completion of a PFS study on the operation. It is expected that this will be complete during 2015.

Pitting has been completed on two targets, T27 and T48, located near the Nayega deposit. Resource estimates will be compiled for these areas in Q1, 2015. The anticipated incremental increase in Nayega's global resource inventory will add to positive economic outlook for the project.

Gabon - Mebaga Iron Ore – 78%

Mebaga is a DSO iron ore project located in the north of Gabon within an extensive iron ore province, which extends from Gabon into the Republic of Congo ("ROC") and Cameroon. Major deposits in the region include Belinga in Gabon (1Bt @ 60% Fe); Mbalam in Cameroon (775Mt @ 57% Fe) and Avima in the ROC (690Mt @ 58% Fe). The project benefits from being the closest DSO project to the Libreville port in the Belinga Super Group area.

The 305 sq km project which spans over a 19km Banded Iron Formation ('BIF') strike has an Exploration Target of 630 - 1,050Mt @ 25 – 65% Fe, including 90 to 150Mt @ 35 – 65% Fe oxide (weathered), estimated over 11km of 19km BIF strike where mineralisation is open both along strike and at depth. The DSO potential has been authenticated by the 2013 drilling campaign where all nine diamond holes intersected DSO grade mineralisation, with the best intercept of 28.7m at 61.4% Fe from surface in NGDH008. This grade equates to a 66% calcined Fe with less than 4.5% combined Si and Al which independent marketers have confirmed will trade at a premium to the 62% benchmark price. Importantly geological mapping of the area successfully identified high grade iron ore mineralisation in the eastern half of the licence, 3km east of the BRGM historical BRGM pit (P72) and 7km east of the area drilled in 2013. Rock chips were taken and submitted for assay with a highest grade of 63.6% Fe returned from this programme.

In August 2014, we completed a deskstop study for operations and associated costs at Mebaga which highlighted that significant potential exists for low operating costs. Two operational scenarios were included as part of the study, Scenario A for a 1mtpa DSO iron ore operation which would utilise road and barge transport options and Scenario B for a 3 mpta operation which would utilise road or ropeway to Booue and rail to Libreville. The study produced Free On Board ('FOB'), DSO cost of $41/t Fe for Scenario B, and FOB DSO cost of $45/t Fe for Scenario A; Cost, Insurance & Freight ('CIF') China, DSO cost of $61/t using current freight rates for Scenario B and $65/t for Scenario A. Additionally independent marketing agents have confirmed that the DSO material should command a premium over 62% Fe benchmark price currently at $95/t CIF China.

With the termination of the proposed funding joint venture with Anglo American and Kumba Iron ore as detailed in the Chairman's Statement, we are now focussed on closing a new funding option for Mebaga and subject to funding, we intend to commence auger exploration in the next dry season (early 2015) to test several targets prior to drilling. This programme, and subsequent drilling, would then be followed by a more in-depth Scoping Study that will investigate the operating costs in more detail and define the capital costs associated with the project. We look forward to reporting on these developments in due course.

South Africa - Malelane Iron Ore – 74%

Malelane is located in the mineral rich Mpumalanga region of South Africa. Ferrex holds a 74% interest in the project, which incorporates prospecting rights over a 4,192 Hectare area. The project is located in an area that has excellent infrastructure, access to water and power and is only 6km from a rail line that runs to the Port of Maputo in Mozambique, 170 km away.

Malelane hosts a JORC Code compliant Inferred Resource of 139Mt at 37% Fe, which is only defined over 1.5km of the 14km BIF strike identified within the project area. A Scoping Study completed by Ferrex utilising this maiden resource in 2012 illustrated the robust economics of developing Malelane as an initial 1.8Mtpa open pit, low strip ratio operation with a 57% Fe product over a 16.6 year Life of Mine ('LOM').

Whilst the project could be developed as a smaller scale production project, we believe there is significant upside potential as set out in the defined Exploration Target of 1.6bt to 2.0bt at 28-30% Fe, as announced on 4 June 2013.

South Africa – Leinster Manganese – 74%

The 47,004 hectare Leinster project is our second manganese project, located in the Northern Cape and North West Provinces of South Africa. The project covers the entire Leinster Basin, an erosional outlier of the Kalahari Manganese Field, which is the largest manganese metallogenic province in the world.

The Leinster deposit lies at an average depth of 80m below surface and is envisaged as an underground operation with ore trucked or railed to port for the export market. Anglo American, who drilled 51 holes on the Leinster property between 1977 and 1988, previously held the property. Using this information, Coffey Mining calculated an exploration target of 5.5 to 8.7Mt at 28.6 to 31% Mn for Leinster on behalf of Ferrex. The target is open in all directions.

RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group aims to mitigate this risk by 1) holding significant majority shareholdings in our projects that we can commit to funding our minority partners until production and positive cash flow and 2) endeavouring to enter into joint venture funding arrangements with large and credible counterparties.

Financial Instruments
Details of risks associated with the Group's financial instruments are given in Note 23 to the financial statements. Given the early stage nature of the Group's activities, the Company does not utilise any complex financial instruments.

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

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

In carrying out their responsibilities, the Directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible. The Directors review the effectiveness of internal financial control at least annually.

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

CORPORATE RESPONSIBILITY

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

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

Shareholders

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

Environment

The Board recognises that its principal activity, mineral exploration, has potential to impact on the local environment. To date, activities at the various projects have been limited to drilling activities and the Group does comply with local regulatory requirements with regard to environmental compliance and rehabilitation. The impact on the environment of the Group's activates has the potential to increase should our projects move into a development or production phase. This is currently assessed through baseline environmental studies that are being undertaken and identifying resources needed to manage environmental compliance in the future.

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

Employees

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

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

Suppliers and Contractors

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

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

This Strategic Report was approved by the Board of Directors on 16 February 2015.

David Reeves
Managing Director
16 February 2015

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group for the year ended 30 September 2014.

The Group's projects during the year were:

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

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

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

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

Going concern
The Directors continue to adopt the going concern basis in preparing the financial statements. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches, as and when required. When any of the Company's projects move to the development stage, specific project financing will be required. The Directors prepare annual budgets and cash flow projections which include assumptions that external funding arrangements for the development of the Nayega project will be completed and that a future fundraising will be undertaken, as well as assumptions on the planned discretionary project expenditures necessary to maintain the Group as a going concern. Although the Company has been successful in raising finance in the past, there is no assurance that it will obtain adequate finance in the future. However, the Directors have a reasonable expectation that they will secure additional funding when required to continue meeting corporate overheads and exploration costs.

Results
The Group reports an after-tax loss of £2,005,000 (2013: £1,619,000).

Major events after the balance sheet date

On 14 December 2014, the Company announced that it had agreed an unsecured short-term facility of £300,000 ('the Facility') with parties, including a Director, D Reeves. The Facility has been drawn down subsequent to the balance sheet date. The loan carries interest at 10% per annum and is repayable at the Company's discretion.

Dividends
The Directors do not recommend payment of a dividend for the year ended 30 September 2014 (2013: £nil).

Political donations
There were no political donations during the year (2013: £nil).

DIRECTORS' REPORT

Corporate governance statement

The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The Company complies insofar as the Directors consider appropriate for a company at Ferrex's stage of development, with the Corporate Governance Code for Small and Mid-size Quoted Companies 2013, published by the Quoted Companies Alliance. The Company has established Audit and Remuneration Committees, with formally delegated duties and responsibilities.

Audit Committee

The Audit Committee, which comprises R Lamming, B Moritz and R Pitchford, and is chaired by B Moritz, is responsible for ensuring the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls. Meetings of the Audit Committee are held at least twice a year, at appropriate times in the reporting and audit cycle. The Audit Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Audit Committee are re-elected annually by the Board.

Remuneration Committee

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

Bribery legislation

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

Directors

The following Directors held office during the period:

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

Directors' interests

The beneficial interests of the Directors holding office on 30 September 2014 in the issued share capital of the Company were as follows:

DIRECTORS' REPORT

	30 September 2014 Number of ordinary shares of 0.5p each	30 September 2014 Percentage of issued ordinary share capital	30 September 2013 Number of ordinary shares of 0.5p each	30 September 2013 Percentage of issued ordinary share capital
B Moritz	14,583,333	1.56%	14,583,333	1.81%
J Carter[1]	2,777,778	0.30%	2,777,778	0.34%
D Reeves[3]	117,327,876	12.56%	112,488,191	13.97%
R Lamming[2]	42,881,944	4.59%	42,881,944	5.33%
R Pitchford[4]	78,993,055	8.46%	78,993,055	9.81%

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

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

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

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

There have been no changes to these holdings since 30 September 2014.

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

Directors' remuneration and service contracts
Details of remuneration payable to Directors including share based payments are disclosed in note 10 to these financial statements:

	Remuneration £'000	Share-based payments £'000	2014 Total £'000	2013 Total £ '000
B Moritz	30	6	36	41
D Reeves	125	16	141	159
J Carter	75	6	81	86
R Lamming	50	6	56	36
R Pitchford	20	3	23	26
	300	37	337	348

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

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

DIRECTORS' REPORT

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

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

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

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

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

Statement of disclosure to auditor
So far as the Directors are aware:

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

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

By order of the Board
B Moritz
Director
16 February 2015

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FERREX PLC

Independent auditor's report to the members

We have audited the financial statements of Ferrex PLC for the year ended 30 September 2014 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company statement of financial position, the Company statement of changes in equity, the Company statement of cash flows. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union 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 Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FERREX PLC (CONTINUED)

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 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the Provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Chairman's Statement on page 4, the Directors' report on page 14 and in note 2 to the financial statements concerning the Group's ability to continue as a going concern, which is dependent on future fundraising being successfully undertaken. These matters indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

IAN STAUNTON FCA (Senior Statutory Auditor)
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London
16 February 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	2014 £'000	2013 £'000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative and exploration expenses		(1,488)	(1,674)
Loss from operating activities		(1,488)	(1,674)
Finance income	**11**	-	-
Finance costs	**11**	(426)	-
Net finance costs		(426)	-
Loss before tax		(1,914)	(1,674)
Tax	**12**	126	-
Loss for the year		(1,788)	(1,674)
Other comprehensive income			
Exchange translation on foreign operations		(217)	55
Total comprehensive loss for the year		(2,005)	(1,619)
Loss attributable to:			
Owners of the Company		(1,692)	(1,555)
Non-controlling interests		(96)	(119)
Loss for the year		(1,788)	(1,674)
Total comprehensive loss attributable to:			
Owners of the Company		(1,909)	(1,500)
Non-controlling interests		(96)	(119)
Total comprehensive loss for the year		(2,005)	(1,619)
Loss per share			
Basic and diluted loss per share (pence)	**20**	(0.192)	(0.213)

All activities are classed as continuing

FERREX PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	Notes	2014 £'000	2013 £'000
Assets			
Property, plant and equipment	**13**	65	92
Intangible assets	**14**	5,526	5,022
Non-current assets		5,591	5,114
Loans	**16**	-	-
Trade and other receivables	**17**	73	83
Cash and cash equivalents	**18**	107	226
Current assets		180	309
Total assets		5,771	5,423
Equity			
Share capital	**19**	4,669	4,026
Share premium		6,439	4,912
Other reserves		425	262
Retained deficit		(5,825)	(3,807)
Equity attributable to owners of the Company		5,708	5,393
Non-controlling interests		(337)	(241)
Total equity		5,371	5,152
Liabilities			
Trade and other payables	**22**	400	271
Current liabilities		400	271
Total liabilities		400	271
Total equity and liabilities		5,771	5,423

The financial statements of Ferrex PLC were approved by the Board of Directors and authorised for issue on 16 February 2015. They were signed on its behalf by:

B Moritz, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Share option reserve**	**Exchange reserve**	**Retained deficit**	**Total**	**Non-controlling interests**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£ '000**	**£'000**	**£'000**
Balance at 1 October 2013	4,026	4,912	175	87	(3,807)	5,393	(241)	5,152
Loss for the year	-	-	-	-	(1,692)	(1,692)	(96)	(1,788)
Total other comprehensive income	-	-	-	109	(326)	(217)	-	(217)
Total comprehensive loss for the year	-	-	-	109	(2,018)	(1,909)	(96)	(2,005)
Issue of ordinary shares	643	1,726	-	-	-	2,369	-	2,369
Costs of share issue	-	(199)	-	-	-	(199)	-	(199)
Share-based payment transactions	-	-	54	-	-	54	-	54
	643	1,527	54	-	-	2,224	-	2,224
Balance at 30 September 2014	4,669	6,439	229	196	(5,825)	5,708	(337)	5,371

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Share option reserve**	**Exchange reserve**	**Retained deficit**	**Total**	**Non-controlling interests**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£ '000**	**£'000**	**£'000**
Balance at 1 October 2012	3,049	2,369	63	32	(2,252)	3,261	(122)	3,139
Loss for the year	-	-	-	-	(1,555)	(1,555)	(119)	(1,674)
Total other comprehensive income	-	-	-	55	-	55	-	55
Total comprehensive loss for the year	-	-	-	55	(1,555)	(1,500)	(119)	(1,619)
Issue of ordinary shares	977	2,638	-	-	-	3,615	-	3,615
Costs of share issue	-	(95)	-	-	-	(95)	-	(95)
Share-based payment transactions	-	-	112	-	-	112	-	112
	977	2,543	112	-	-	3,632	-	3,632
Balance at 30 September 2013	4,026	4,912	175	87	(3,807)	5,393	(241)	5,152

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

FERREX PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 £'000	2013 £'000
Cash flows from operating activities		
Loss for the year	(1,488)	(1,674)
Adjustments for:		
Depreciation	25	31
Foreign exchange differences	(81)	134
Equity-settled share-based payment transactions	54	112
	(1,490)	(1,397)
Changes in:		
- trade and other receivables	19	(7)
- trade and other payables	129	11
Cash used in operating activities	(1,342)	(1,393)
Finance cost	(8)	-
Taxes paid	126	-
Net cash used in operating activities	(1,224)	(1,393)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7)	(88)
Exploration expenditure	(631)	(940)
Net cash used in investing activities	(638)	(1,028)
Cash flows from financing activities		
Net proceeds from issue of share capital	1,743	2,520
Net cash flows from financing activities	1,743	2,520
Net (decrease)/increase in cash and cash equivalents	(119)	99
Cash and cash equivalents at beginning of year	226	127
Cash and cash equivalents at 30 September	107	226

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	Notes	2014 £'000	2013 £'000
Assets			
Property, plant and equipment	**13**	1	-
Investments	**15**	1,778	1,778
Non-current assets		1,779	1,778
Loans	**16**	6,322	5,035
Trade and other receivables	**17**	52	22
Cash and cash equivalents	**18**	72	173
Current assets		6,446	5,230
Total assets		8,225	7,008
Equity			
Share capital	**19**	4,669	4,026
Share premium		6,439	4,912
Reserves		229	175
Retained deficit		(3,465)	(2,303)
Total equity attributable to owners of the Company		7,872	6,810
Liabilities			
Trade and other payables	**22**	353	198
Current liabilities		353	198
Total liabilities		353	198
Total equity and liabilities		8,225	7,008

The financial statements of Ferrex PLC, company number 07353748, were approved by the Board of Directors and authorised for issue on 16 February 2015. They were signed on its behalf by:

B Moritz, Director

FERREX PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained deficit £'000	Total equity £ '000
Balance at 1 October 2012	3,049	2,369	63	(1,353)	4,128
Loss for the year	-	-	-	(950)	(950)
Total comprehensive loss for the period	-	-	-	(950)	(950)
Issue of ordinary shares	977	2,638	-	-	3,615
Costs of share issue	-	(95)	-	-	(95)
Share-based payment transactions	-	-	112	-	112
	977	2,543	112	-	3,632
Balance at 30 September 2013	4,026	4,912	175	(2,303)	6,810
Balance at 1 October 2013	4,026	4,912	175	(2,303)	6,810
Loss for the year	-	-	-	(1,162)	(1,162)
Total comprehensive loss for the year	-	-	-	(1,162)	(1,162)
Issue of ordinary shares	643	1,726	-	-	2,369
Costs of share issue	-	(199)	-	-	(199)
Share-based payment transactions	-	-	54	-	54
	643	1,527	54	-	2,224
Balance at 30 September 2014	4,669	6,439	229	(3,465)	7,872

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	2014 £'000	2013 £'000
Cash flows from operating activities		
Loss for the year	(1,162)	(950)
Adjustments for:		
Fair value adjustment on financial instrument	404	-
Depreciation	-	2
Equity-settled share-based payment transactions	54	112
	(704)	(836)
Changes in:		
- trade and other receivables	(30)	114
- trade and other payables	155	34
Cash used in operating activities	(579)	(688)
Finance costs	23	-
Net cash used in operating activities	(556)	(688)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1)	-
Net cash flows used in investing activities	(1)	-
Cash flows from financing activities		
Net proceeds from issue of share capital	1,743	2,520
Loans to subsidiaries	(1,287)	(1,708)
Net cash flows from financing activities	456	812
Net (decrease)/increase in cash and cash equivalents	(101)	124
Cash and cash equivalents at beginning of period	173	49
Cash and cash equivalents at 30 September	72	173

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

1. Reporting entity

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

2. Going concern

After making enquiries and as more fully explained in the Directors' Report on page 17, the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and as adopted by the European Union.

The Company's individual statement of comprehensive income has been omitted from the Group's annual financial statements having taken advantage of the exemption not to disclose under Section 408(3) of the Companies Act 2006. The Company's comprehensive loss for the period ended 30 September 2014 was £1,162,000 (2013: £950,000). The consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 February 2015.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Carrying value of intangible assets – Notes 4(e)(i) and 14
- Share based payments - Notes 4(g) and 21

4. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

(ii) Subsidiaries

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

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

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

4. Significant accounting policies (continued)

(b) Foreign currency

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

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

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

(i) Foreign operations

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

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

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

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

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

Loans and receivables

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

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

Other financial liabilities comprise trade and other payables.

(iii) Share capital

Ordinary shares

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

4. Significant accounting policies (continued)

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The estimated useful lives of significant items of property, plant and equipment are as follows:

- plant and equipment 10 years
- office equipment 2 years
- computer equipment 2 years
- motor vehicles 5 years

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

(e) Intangible assets

(i) Prospecting and exploration rights

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

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

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

4. Significant accounting policies (continued)

(e) Intangible assets (continued)

(iv) Amortisation

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

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

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

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

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

(f) Impairment

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

4. Significant accounting policies (continued)

(f) Impairment (continued).

(ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

(g) Employee benefits

Share-based payment transactions

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

(h) Revenue

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

4. Significant accounting policies (continued)

(i) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings.

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

(j) Taxation

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

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

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

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

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

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

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

(k) Segment reporting

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

5. New standards and interpretations not yet adopted

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2014 or later periods, but which the Group has not early adopted.

5. New standards and interpretations not yet adopted (continued)

At the reporting date of these financial statements, the following were in issue but not yet effective:
IFRS 9 Financial Instruments
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IFRIC 21 Levies

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

6. Determination of fair values

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

(i) Property, plant and equipment

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

(ii) Intangible assets

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

(iii) Trade and other receivables

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

(iv) Share based payment transactions

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

7. Operating segments

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

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

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

7. Operating segments (continued)

Information on reportable segments

	Iron ore		Manganese		Other operations		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
External revenue	-	-	-	-	-	-	-	-
Inter-segment revenue	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	(426)	-	(426)	-
Depreciation and amortisation	(16)	(16)	(9)	(10)	-	(5)	(25)	(31)
Loss before tax	(305)	(495)	(277)	(193)	(1,206)	(986)	(1,788)	(1,674)
Assets	1,382	846	934	727	3,455	3,850	5,771	5,423
Exploration & capital expenditure	220	362	359	327	1	1,338	580	2,027
Liabilities	10	34	10	-	380	237	400	271

7. Operating segments (continued)

Information on geographical segments

	South Africa		West Africa		Other operations		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
External revenue	-	-	-	-	-	-	-	-
Inter-segment revenue	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	(426)	-	(426)	-
Depreciation and amortisation	(11)	(2)	(14)	(24)	-	(5)	(25)	(31)
Loss before tax	(47)	(233)	(535)	(455)	(1,206)	(986)	(1,788)	(1,674)
Assets	649	652	1,667	921	3,455	3,850	5,771	5,423
Exploration & capital expenditure	-	145	579	544	1	1,338	580	2,027
Liabilities	3	3	17	31	380	237	400	271

8. Expenses

Expenses include:	2014 £'000	2013 £'000
Depreciation and amortisation expense	25	31
Equity-settled share-based payment transactions	54	112
Auditor's remuneration		
- Audit fee	25	25
- Other services	3	3
-Tax services	-	4
Foreign exchange differences	59	134

Auditor's remuneration in respect of the Company amounted to £10,000 (2013: £10,000).

9. Personnel expenses

	2014 £'000	2013 £'000
Wages and salaries	285	301
Fees	175	125
Social security costs	-	5
Equity-settled share-based payments	54	112
	514	543

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

	2014	2013
Directors	5	5
Key management personnel	2	2
Other	5	5
	12	12

Key management personnel

Included above are emoluments paid to key management personnel in the year which amounted to £100,000 (2013: £114,000). Key management personnel hold options to acquire 10.5 million ordinary shares (2013: 10.5 million ordinary shares) at a weighted average price of £0.04 per ordinary share (2013: £0.04 per ordinary share).

10. Directors' emoluments

2014

	Executive directors £'000	Non-executive directors £'000	Total £'000
Wages and salaries (incl. fees)	230	70	300
Compulsory social security contributions	-	-	-
Equity-settled share-based payments	26	11	37
	256	81	337

2013

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

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

	2014 £'000	2013 £'000
Emoluments for qualifying services	141	159

Fees in respect of the services of D Reeves are payable to a third party, Wilgus Investments (Pty) Limited.
Fees in respect of the services of R Lamming are payable to a third party, Parallell Resources.

The Brosjeca Trust of which J Carter is a beneficiary holds options to acquire 12 million ordinary shares (2013: 12 million ordinary shares) at a weighted average price of £0.025 per ordinary share (2013: £0.025 per ordinary share).

D Reeves holds options to acquire 9 million ordinary shares (2013: 9 million ordinary shares) at a weighted average price of £0.04 per ordinary share (2013: £0.04 per ordinary share).

J Carter, B Moritz and R Lamming each hold options to acquire 3 million ordinary shares (2013: 3 million ordinary shares) at a weighted average price of £0.04 per ordinary share (2013: £0.04 per ordinary share.)

R Pitchford holds options to acquire 1.5 million ordinary shares (2013: 1.5 million ordinary shares) at a weighted average price of £0.04 per ordinary share (2013: £0.04 per ordinary share).

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

11. Finance income and finance costs

Recognised in loss for period

	2014 £'000	2013 £'000
Interest income on cash balances held	-	-
Finance income	-	-
Fair value adjustment to financial instrument	403	-
Other	23	-
Finance costs	426	-

12. Taxation

Current tax expense

	2014 £'000	2013 £'000
Tax recognised in profit or loss		
Current tax expense		
Current period	(126)	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total tax expense	(126)	-

Reconciliation of effective tax rate

	2014 £'000	2013 £'000
Loss before tax	(1,788)	(1,674)
Tax using the Company's domestic tax rate of 22.0% (2013: 23.5%)	(393)	(393)
Effects of:		
Expenses not deductible for tax purposes	116	14
Overseas losses	138	170
Equity-settled share-based payments	12	26
Tax reclaimed on research and development expenditure	126	
Tax losses carried forward not recognised as a deferred tax asset	127	183
	126	-

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

Factors that may affect future tax charges
At the year end, the Group had unused tax losses available for offset against suitable future profits of approximately £2,507,000 (2013: £1,927,000). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

13. Property, plant and equipment

Group

	Plant and equipment £'000	Office and computer equipment £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 1 October2012	-	28	27	55
Additions	27	19	42	88
Effect of movements in exchange rates	-	-	(1)	(1)
Balance at 30 September 2013	27	47	68	142
Balance at 1 October2013	27	47	68	142
Additions	3	4	-	7
Effect of movements in exchange rates	(2)	(2)	(5)	(9)
Balance at 30 September 2014	28	49	63	140
Depreciation and impairment provisions				
Balance at 1 October2012	-	16	3	19
Depreciation for the year	3	8	20	31
Balance at 30 September 2013	3	24	23	50
Balance at 1 October2013	3	24	23	50
Depreciation for the year	5	5	15	25
Effect of movements in exchange rates	-	-	-	-
Balance at 30 September 2014	8	29	38	75
Carrying amounts				
At 30 September 2012	-	12	24	36
At 30 September 2013	24	23	45	92
At 30 September 2014	20	20	25	65

13. Property, plant and equipment (continued)

Company

	Computer equipment £'000	Total £'000
Cost		
Balance at 1 October 2012	4	4
Additions	-	-
Balance at 30 September 2013	4	4
Balance at 1 October 2013	4	4
Additions	1	1
Balance at 30 September 2014	5	5
Depreciation and impairment provisions		
Balance at 1 October 2012	2	2
Depreciation for the year	2	2
Balance at 30 September 2013	4	4
Balance at 1 October 2013	4	4
Depreciation for the year	-	-
Balance at 30 September 2014	4	4
Carrying amounts		
At 30 September 2012	2	2
At 30 September 2013	-	-
At 30 September 2014	1	1

14. Intangible assets

	Prospecting and exploration rights £000's
Cost	
Balance at 1 October 2012	3,160
Additions	1,940
Effect of movement in exchange rates	(78)
Balance at 30 September 2013	5,022
Balance at 1 October 2013	5,022
Additions	631
Effect of movements in exchange rates	(127)
Balance at 30 September 2014	5,526
Amortisation and impairment losses	
Balance at 1 October 2012	-
Balance at 30 September 2013	-
Balance at 1 October 2013	-
Balance at 30 September 2014	-
Carrying amounts	
Balance at 30 September 2012	3,160
Balance at 30 September 2013	5,022
Balance at 30 September 2014	5,526

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

15. Investment in subsidiaries

Company

	2014 £'000	2013 £'000
Equity investments		
Balance at beginning of period	1,778	1,778
Balance at 30 September	1,778	1,778

	Activity	Country of incorporation	Ownership interest 2014	2013
Directly				
Ferrex Iron Limited	Investment	United Kingdom	100%	100%
Ferrex Manganese Limited	Dormant	United Kingdom	100%	100%
Southern Iron Limited	Investment	Guernsey	100%	100%
Ferrex Australia Pty Limited	Research and development	Australia	100%	-
Indirectly				
Moongate 218 (Pty) Limited	Exploration	South Africa	74%	74%
Southern MN (Pty) Limited	Exploration	South Africa	74%	74%
Société Générale des Mines SARL	Exploration	Togo	85%	85%
Ressources Equatoriales SARL	Exploration	Gabon	78.3%	82%

Ressources Equatoriales SARL

On 4 December 2012, the Group secured an interest of 65% in Ressources Equatoriale SARL, a Gabonese company that holds the Mebaga exploration right in Gabon. On 11 January 2013 an agreement was entered into to acquire an additional interest of 17%, increasing the Group's interest to 82%, however of this additional 17%, 3.7% was due to other partners and thus the Group's interest is 78.3%. The interest in Ressources Equatoriales SARL was transferred from Southern Iron Limited to Ferrex Iron Limited on 26 March 2014 at book value.

16. Loans

Group

	2014 £'000	2013 £'000
Balance at beginning of period	119	119
Provisions	(119)	(119)
Balance at 30 September	-	-

Company

	2014 £'000	2013 £'000
Balance at beginning of period	5,035	2,327
Funds advanced to and ordinary shares issued on behalf of subsidiary undertakings	1,287	2,708
Balance at 30 September	6,322	5,035

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.

17. Trade and other receivables

Group

	2014 £'000	2013 £'000
Other receivables	58	45
Prepayments	15	38
	73	83

Company

	2014 £'000	2013 £'000
Other receivables	38	7
Prepayments	14	15
	52	22

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

The Group and Company's exposure to credit and currency risk is disclosed in note 24.

18. Cash and cash equivalents

Group

	2014 £'000	2013 £'000
Bank balances	107	226
Cash and cash equivalents	107	226

Company

	2014 £'000	2013 £'000
Bank balances	72	173
Cash and cash equivalents	72	173

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

19. Capital and reserves

Share capital

	Note	Number of ordinary shares of £0.005 each	
		2014	2013
In issue at beginning of year		805,179,963	609,867,462
Issued for cash		128,614,427	155,312,501
Issued in connection with acquisition of subsidiary	15	-	40,000,000
In issue at 30 September – fully paid		933,794,390	805,179,963

	Ordinary share capital	
	2014	2013
	£'000	£'000
Balance at beginning of year	4,026	3,049
Share issues	643	977
Balance at 30 September	4,669	4,026

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

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

Issue of ordinary shares
On 18 December 2013, 36,114,427 ordinary shares were issued for cash at a price of £0.0195 per ordinary share.

On 28 March 2014, 92,500,000 ordinary shares were issued for cash at a price of £0.018 per ordinary share.

Of the shares issued in March 49,999,992 form part of an equity swap agreement. The fair value of this instrument has been assessed at the year end and the difference between the book value and the fair value has been recognised as a finance cost.

In connection with the share issue on 18 December 2013, the Company granted a further 18,057,213 warrants at a weighted average exercise price of £0.025 per ordinary share. These warrants became exercisable immediately and can be exercised up to 18 October 2015.

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

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

20. Loss per share

Basic and diluted loss per share

The calculation of basic loss per share at 30 September 2014 is based on the loss attributable to ordinary shareholders of £1,692,000 (2013: £1,555,000), and a weighted average number of ordinary shares in issue of 880,614,829 (2013: 730,159,415), calculated as follows:

Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at beginning of year	805,179,963	609,867,462
Effect of shares issued	75,434,866	120,291,953
Weighted average number of ordinary shares	880,614,829	730,159,415

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

21. Share-based payment arrangements

At 30 September 2014, the Company had the following share-based payment arrangements.

Share options

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

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

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

Grant date/employees entitled	Number of shares
Option grant to the Brosjeca Trust on 22 June 2011-1	4,000,000
Option grant to the Brosjeca Trust on 22 June 2011-2	4,000,000
Option grant to the Brosjeca Trust on 22 June 2011-3	4,000,000
Total share options as at 30 September 2011	12,000,000
Option grant to the directors and key management on 20 July 2012 -4	10,000,000
Option grant to the directors and key management on 20 July 2012 -5	10,000,000
Option grant to the, directors and key management on 20 July 2012 -6	10,000,000
Total share options as at 30 September 2012 and 30 September 2013 and 30 September 2014	42,000,000

21. Share-based payment arrangements (continued)

Measurement of fair values

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

Equity-settled share-based payment plans

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

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

21. Share-based payment arrangements (continued)

Employee expenses

	Note	2014 £ '000	2013 £'000
Total expense recognised as employee benefit expense	9	54	112

Reconciliation of outstanding share options

	2014 Number of options	2014 Weighted average exercise price £	2013 Number of options	2013 Weighted average exercise price £
Outstanding at beginning of year	42,000,000	0.0357	42,000,000	0.0357
Granted during the year	-	-	-	-
Outstanding at 30 September	42,000,000	0.0357	42,000,000	0.0357
Exercisable at 30 September	32,000,000	0.0328	22,000,000	0.03

The options outstanding at 30 September 2014 have exercise prices in the range of £0.02 to £0.045 (2013: £0.02 to £0.03) and a remaining weighted average contractual life of 2.7 years (2013: 3.7 years).

Share warrants

Reconciliation of outstanding share warrants

	2014 Number of warrants	2014 Weighted average exercise price £	2013 Number of warrants	2013 Weighted average exercise price £
Outstanding at beginning of year	20,444,443	0.035	10,444,443	0.035
Granted during the year	18,057,213	0.025	10,000,000	0.035
Outstanding at 30 September	38,501,656	0.030	20,444,443	0.035
Exercisable at 30 September	38,501,656		20,444,443	

The weighted average remaining contractual life of the warrants outstanding at the balance sheet date was 1 year 13 days.

D Reeves holds warrants to acquire 2,222,223 ordinary shares (2013: 2,222,223 ordinary shares) at a weighted average price of £0.0325 per ordinary share (2013: £0.0325 per ordinary share).
R Lamming holds warrants to acquire 555,556 ordinary shares (2013: 555,556 ordinary shares) at a weighted average price of £0.0325 per ordinary share (2013: £0.0325 per ordinary share).
R Pitchford holds warrants to acquire 1,111,111 ordinary shares (2013: 1,111,111 ordinary shares) at a weighted average price of £0.0325 per ordinary share (2013: £0.0325 per ordinary share).
J Carter holds warrants to acquire 555,556 ordinary shares (2013: 555,556 ordinary shares) at a weighted average price of £0.0325 per ordinary share (2013: £0.0325 per ordinary share).

22. Trade and other payables

Group

	2014 £'000	2013 £'000
Trade payables	99	104
Accrued expenses	166	112
Other payables	135	55
	400	271

Company

	2014 £'000	2013 £'000
Accrued expenses	158	108
Other payables	195	90
	353	198

There is no material difference between the fair value of trade and other payables and accruals and their book value. The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

23. Financial instruments

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

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

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

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

Group

	Note	Carrying amount 2014 £'000	2013 £'000
Trade and other receivables	**17**	73	83
Cash and cash equivalents	**18**	107	226
		180	309

Company

	Note	Carrying amount 2014 £'000	2013 £'000
Loans	**16**	6,322	5,035
Trade and other receivables	**17**	52	22
Cash and cash equivalents	**18**	72	173
		6,446	5,230

23. Financial instruments (continued)

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

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

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

Group
2014

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000
Non-derivative financial liabilities			
Trade payables	400	(400)	(400)
	400	(400)	(400)

2013

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

Company
2014

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000
Non-derivative financial liabilities			
Trade payables	353	(353)	(353)
	353	(353)	(353)

2013

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

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. At present, the Directors do not consider these risks to be significant to the Group.

23. Financial instruments (continued)

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

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

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

The Group considers its capital to be total shareholders' equity which at 30 September 2014 for the Group totalled £5,708,000 (2013: £5,393,000) and for the Company totalled £7,872,000 (2013: £6,810,000).

24. Related parties

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

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

During the year Ferrex PLC charged management fees to Southern Iron Limited totalling £35k.

Also during the year, D Reeves, B Moritz and R Lamming advanced £50,000 each to the Group, the amounts owed to D Reeves and B Moritz were still outstanding at the year end and no interest has been paid. R Lamming was repaid during the year and interest of £8,333 was paid.

Other related party transactions

Transactions with Group companies
The Company had the following related party balances from financing activities:

	2014 £'000	2013 £'000
Southern Iron Limited		
- Loans and receivables (interest free)	3,770	5,035
Ferrex Iron Limited		
- Loans and receivables (interest free)	2,387	-
Ferrex Australia Pty Limited		
- Loans and receivables (interest free)	267	-

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

24. Related parties (continued)

	2014 £'000	2013 £'000
Moongate 218 (Pty) Limited		
- Loans and receivables (interest free)	1,176	1,076
Umbono Mineral Holdings (Pty) Limited		
- Loans and receivables (interest free)	50	44
Société Générale des Mines SARL		
- Loans and receivables (interest free)	1,217	1,137
Ressources Equatoriales SARL		
- Loans and receivables (interest free)	-	511

Ferrex Iron Limited had the following related party balance from financing activities:

	2014 £'000	2013 £'000
Ressources Equatoriales SARL		
- Loans and receivables (interest free)	860	-

25. Subsequent events

On 14 December 2014, the Company announced that it had agreed an unsecured short-term facility for £300,000 ('the Facility') with parties, including a Director, D Reeves

The Facility has been drawn down subsequent to the balance sheet date, carries interest at 10% per annum and is repayable at the Company's discretion.