



Ferrum Crescent Limited

A.C.N. 097 532 137

Annual Report

For the year ended

1 July 2012 to 30 June 2013

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate Directory

	Page No.
Corporate information	3
Directors' report	4
Review of operations and activities	18
Corporate governance statement	29
Consolidated statement of comprehensive income	40
Consolidated statement of financial position	41
Consolidated statement of cash flows	42
Consolidated statement of changes in equity	43
Notes to the financial statements	44
Directors' declaration	90
Independent auditor's report	91
Auditor's independence declaration	93
Additional ASX information	94
Additional JSE information	96

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate Directory

Directors:

Mr. Ed Nealon
Mr. Klaus Borowski
Mr. Grant Button
Mr. Kofi Morna
Mr. Ted Droste
Mr. Robert Hair

Company Secretary:

Andrew Nealon

Auditor:

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 AUSTRALIA
Telephone (+61 8) 9429 2222
Facsimile (+61 8) 9429 2436

Share Registry:

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000 AUSTRALIA
Telephone (+61 8) 9323 2000
Facsimile (+61 8) 9323 2033

Registered and Principal Office

Unit 2, Level 1, Churchill Court
331-335 Hay Street
Subiaco WA 6008 AUSTRALIA
Telephone (+61 8) 9380 9653
Facsimile (+61 8) 9481 5044
Website www.ferrumcrescent.com
Email info@ferrumcrescent.com

Stock Exchange Listing

Ferrum Crescent Limited shares are listed on the Australian Securities Exchange (ASX code: FCR), the London Stock Exchange (AIM code: FCR) and the JSE Limited (JSE: FCR).

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

The directors of Ferrum Crescent Limited ("Ferrum" or "the Company") present their report for the year 1 July 2012 to 30 June 2013.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Directors as at year end and until the date of this report:

Mr Ed Nealon (*Age 63*) *Chairman, Executive Officer*

Mr Nealon is a geologist with some 39 years' experience in the mining and exploration industry. After graduating in 1974, he commenced his career in South Africa with Anglo American Corporation, before moving to Australia in 1980 where he spent two years in exploration with the Rio Tinto Group. He founded his own consulting company in 1983 and has practised in most of the world's major mining centres. He holds a Masters degree in Geology and is a member of the Australasian Institute of Mining and Metallurgy. Mr Nealon was the founder of Aquarius Platinum Ltd (ASX: AQP) and is currently Non-executive chairman of Richland Resources Ltd (AIM: RLD). Mr Nealon was Non-executive director of Condoto Platinum NL (ASX: CPD) until his resignation on 21 October 2011. Otherwise, he has not been a director of a listed company in the last three years.

Mr Klaus Borowski (*Age 73*) *Non-Executive director*

Mr Borowski is a metallurgical engineer by background, having studied in his home country of Germany. He first arrived in South Africa in 1966, where he was Technical Director of Dunsward Steel until 1979. After a short period in Europe within the steel industry, he returned to South Africa in 1982 and subsequently held several positions in the iron and steel industry in South Africa, including as managing director of Krupp South Africa and as executive director of IMS. In 1998, Mr Borowski formed Applied Metallurgical Technologies, and, amongst other things, he was on the steering committee of Saldhana Steel and Duferco Steel Processing. Other than in the case of Ferrum, he has not been a director of a listed company in the last three years. Mr Borowski is chairman of the Company's Remuneration Committee and a member of the Company's Audit Committee.

Mr Grant Button (*Age 51*) *Non-Executive director*

Mr Button is a qualified accountant and has 22 years financial and other commercial management and transactional experience. Mr Button has 20 years' experience at a senior management level in the resources industry. He has acted as an executive director, managing director, finance director, CFO and company secretary of a range of publicly listed companies. He is also an executive director of Magnum Mining & Exploration Limited (ASX: MGU) and executive director of Sylvania Platinum Limited (AIM: SLP). Mr Button was non-executive chairman of Alamar Resources Limited (ASX: ALG) until his resignation on 11 April 2011 and non-executive chairman of Realm Resources Limited (ASX: RRP) until his resignation on 20 October 2011. He was also a director of the Company (then Washington Resources Limited) until his resignation on 1 December 2008. Otherwise, he has not been a director of a listed company in the last three years. Mr Button is chairman of the Company's Audit Committee and Nomination Committee and a member of the Company's Remuneration Committee and was appointed as Finance Director of the company during 2011.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Mr Robert Hair (*Age 60*) *Managing director*

Mr Hair is a lawyer with over 24 years' experience in the resources sector. He has held several roles in the MIM Group and smaller companies and has Australian and extensive international experience in legal, commercial, financial and organisational aspects of exploration, mining and processing operations. He has consulted to various companies in the resources and information technology sectors and is currently a non-executive director of ASX-listed Carpentaria Exploration Limited (ASX: CAP). Mr Hair resigned from his position as Company Secretary on 13 July 2011. He was a director of the Company (then Washington Resources Limited) until his resignation on 27 October 2008 and of Northern Minerals Limited (formerly Northern Uranium Limited, ASX: NTU) until his resignation on 2 June 2010. Otherwise, he has not been a director of a listed company in the last three years.

Mr Kofi Morna (*Age 54*) *Non-Executive director*

Mr Morna holds a Master of Business Administration degree from the London Business School and a Bachelor of Science degree from Princeton University. He is a non-executive director of Aquarius Platinum Limited (ASX: AQP) and is an Executive director of Savannah Resources (Pty) Ltd. He has a broad exposure to the iron ore industry in RSA and is a director of Mkhombi Investments (Pty) Ltd, the Company's BEE partner. Mr Morna is a member of the Nomination Committee of the Company. Otherwise, he has not been a director of a listed company in the last three years.

Mr Ted Droste (*Age 71*) *Non-Executive director*

Mr Droste is a chemical engineer by background, and after obtaining a BSc in Chemical Engineering in 1962 he worked at African Metals Corporation Limited (now known as Samancor) before joining Sentrachem Limited where he was promoted to the position of Research and Development Manager. After ten years with Sentrachem, he joined the Industrial Development Corporation of South Africa ("IDC") in 1974, in whose employ he remained until he took early retirement in 2001 to start his own business. Mr Droste held a number of positions at the IDC, including that of Senior General Manager – Projects Division. Mr Droste was chairman of Bay Precision and Mining (Pty) Limited until his resignation in December 2012. He consults to various companies through his investments holding company, TC Droste Investments (Pty) Ltd. Otherwise, he has not been a director of a listed company in the last three years. Mr Droste is a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee.

Company secretary at year end and until the date of this report:

Mr Andrew Nealon (*Age 29*)

Mr Nealon was appointed to the position of company secretary in March 2007. Mr Nealon has held similar roles with other mining and exploration companies.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of the company were:

	Number of ordinary Shares	Number of options over ordinary shares
Ed Nealon	6,434,532	-
Klaus Borowski	-	500,000
Kofi Morna	-	500,000
Ted Droste	-	500,000
Grant Button	1,436,000	-
Robert Hair	7,695,218	-

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Dividends

No dividend has been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal activities

The principal activity of the entities within the consolidated entity during the financial year was the exploration for minerals.

Review of operations and activities

Information on the operations and activities of the Group is set out in the company and project overview on pages 18 to 26 of this annual report. With extensive exploration already complete at Moonlight, during the course of the year Ferrum prioritised increasing the economic understanding of the existing mineralisation in order to provide the data needed to complete a Bankable Feasibility Study ("BFS") in the next 12 to 18 months. In addition to work being carried out directly at the Moonlight Deposit, detailed analysis of the infrastructure solutions for both the Moonlight open pit mine and pelletising plant have been underway with providers such as Transnet and Eskom. Located in the Limpopo Province of Northern South Africa, Moonlight is located near two major rail hubs that potentially will have the capacity to carry the project's iron ore pellets for export and to local steel producers. Given the high grade pellet product Ferrum is looking to produce, the last twelve months saw a detailed examination of the most efficient location for the plant in terms of power usage and ore versus pellet transportation costs. Limpopo Province sits well to the north of traditional iron ore mining operations in South Africa and is seeing a range of initiatives currently undertaken in the region to promote the economy. During the year, Ferrum and the infrastructure partners it is in consultation with have modelled a series of scenarios that derive benefit from such government infrastructure programmes.

In carrying out its operations during the period, the Group has incurred a loss after income tax for the period of 1 July 2012 to 30 June 2013 of \$1,901,288 (2012: profit \$4,479,716). The Group had net assets of \$1,865,492 as set out in the attached Statement of Financial Position. Subsequent to balance date the Group signed a letter of Intent with Anwar Asian Investments, a company resident in the Sultanate of Oman for them to invest in the group on condition that certain conditions precedent were completed by 30 November 2013. This agreement being successfully completed would allow the Group to continue to finance its progression of the Moonlight project.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated entity to the date of this report that have not been disclosed in other areas of this Annual Report other than stated directly hereunder.

Significant events after the balance date

At the board meeting held on 13 September 2013, the board resolved unanimously to waiver directors fees and consulting fees that had accrued up to 30 June 2013 for 3 directors as well as to defer any future directors fees and consulting fees until such time as agreed in a future board meeting. This measure has been put in place to assist the company with its ongoing financing issues.

On 21 September 2013 the Group signed a letter of Intent (LOI) with Anwar Asian Investments, a company resident in the Sultanate of Oman, for that company to invest in the group on condition that certain conditions precedent were completed by 30 November 2013.

On 24 September 2013 the Group accessed its Investment Portfolio with Momentum to cover the short term financial burden of the Group until the above LOI becomes unconditional.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Likely developments and expected results

The Group will continue to carry out its business plans, by:

- Exploring, evaluating and, if technically and economically feasible, developing the Moonlight Iron Ore Project in Limpopo Province, South Africa;
- Seeking strategic acquisition opportunities within the exploration and mining industry to enter into advanced projects that will add value to the Group; and
- Continuing to meet its statutory commitments relating to its exploration tenements and carrying out exploration of its exploration tenements in accordance with its stated strategy, conserving the Group's cash position to be able to take advantage of value adding opportunities.

There can be no guarantee either that further exploration of the Group's tenements will result in exploration success or that any strategic acquisition considered by the directors to be likely to add value to the Group or will become available to the Group.

Environmental regulation and performance

The Group's activities are subject to South African legislation relating to the protection of the environment. The Group is subject to significant environmental legal regulations in respect to its exploration and evaluation activities. There have been no known breaches of these regulations and principles.

Indemnification and Insurance of directors and officers

The Group has entered into deeds of access and indemnity with the officers of the Group, indemnifying them against liability incurred, including costs and expenses in successfully defending legal proceedings. The indemnity applies to a liability for costs and expenses incurred by the director or officer acting in their capacity as a director or officer.

Except in the case of a liability for legal costs and expenses, it does not extend to a liability that is:

- (a) owed to the Group or a related body corporate of the Group;
- (b) for a pecuniary penalty order under section 1317G or a compensation order under section 1317H or section 1317HA of the Corporations Act 2001; or
- (c) owed to someone other than the Group or a related body corporate of the Company where the liability did not arise out of conduct in good faith.

Similarly, the indemnity does not extend to liability for legal costs and expenses:

- (d) in defending proceedings in which the officer is found to have a liability described in paragraph (a), (b) or (c);
- (e) in proceedings successfully brought by the Australian Securities and Investments Commission or a liquidator; or
- (f) in connection with proceedings for relief under the Corporations Act 2001 in which the court denies the relief.

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers. The terms of the contract prohibit the disclosure of the details of the insurance contract and premiums paid.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Non-audit services

The Group may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor, Ernst & Young, for audit and non-audit services provided during the year are set out below.

	2013 \$	2012 \$
Remuneration of the auditor of the Company for Group and subsidiary statutory reporting:		
-auditing or reviewing the financial report	59,500	99,204
-other assurance related services	-	-
	59,500	99,204

Directors' meetings

Meetings of directors held and their attendance during the financial year were as follows:

Meetings of Committees

	Directors	Audit	Remuneration	Nomination
Number of Meetings held:	4	1	1	-
Number of Meetings attended:				
Ed Nealon	4			
Klaus Borowski	4	-	1	
Grant Button	4	1	1	-
Kofi Morna	4			-
Ted Droste	4	-	1	-
Robert Hair	4			

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Remuneration Report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, and includes directors of the Company.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The remuneration report is presented under the following sections:

1. Individual KMP disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-executive director remuneration arrangements
5. Executive remuneration arrangements
6. Executive contractual arrangements
7. Equity instruments disclosures

1. Individual key management personnel disclosures

(i) Directors:

Ed Nealon	Chairman and Executive Director	Appointed 9 March 2010 and 1 November 2010 respectively
Klaus Borowski	Non-Executive Director	Appointed 1 September 2010
Kofi Morna	Non-Executive Director	Appointed 15 October 2010
Ted Droste	Non-Executive Director	Appointed 15 October 2010
Grant Button	Alternate Director, Non-Executive Director	Appointed 15 June 2010 and 15 October 2010 respectively
Robert Hair	Managing Director	Appointed 13 July 2011

(ii) Executives:

Vernon Harvey	Chief Operating Officer	Resigned 21 August 2013
Scott Huntly	Strategic Development Manager	
Bev Gardner	Financial Controller	
Dave Richards	Compliance Manager	
Andrew Nealon	Company Secretary	
Lindsay Cahill	Consultant Geologist	

2. Remuneration at a glance

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value; and
- Provide significant portions of executive remuneration "at risk" through participation in incentive plans.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Remuneration report (audited) (continued)

Shares and options issued under the incentive plans provide an incentive to stay with the Group by aligning the financial success of the Company to the ultimate benefit received by the recipients. At this time, shares and options issued do not have performance criteria attached. This policy is considered to be appropriate for the Group, having regard to the current state of its development.

The Company during the reporting period established, subject to shareholder approval, a directors' and executives' salary sacrifice plan, under which individuals could elect for a nominated fixed period to sacrifice all or an agreed percentage of their salary or fees to be applied in the subscription for or on-market purchase of shares in the Company. As such shares may not be purchased or subscribed for during periods that are close periods or when individuals are in possession of inside information, the entitlement to subscribe for shares is determined by calculating the number of shares using the market price during that month. The plan was established to allow for the subsequent settlement of salary or fees since 1 April 2012, and two directors elected to participate in the plan with effect from that date, subject to shareholder approval. Shareholder approval for the plan and for the issue of shares under the plan was obtained on 8 August 2012, after the end of the reporting period.

The Company also recognises that, at this stage in its development, it is most economical to have only a few employees and to draw, as appropriate, upon a pool of consultants selected by the directors on the basis of their known management, geoscientific, engineering and other professional and technical expertise and experience. The Company will nevertheless seek to apply the principles described above to its directors and executives, whether they are employees of or consultants to the Company.

3. Board oversight of remuneration

Remuneration Committee Responsibilities

A Remuneration Committee was established on 14 January 2010 and reconstituted on 15 October 2010.

The Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive and executive director remuneration is separate and distinct.

4. Non-executive director remuneration arrangements

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by shareholders of the Company in a general meeting. An amount not exceeding the amount determined is then divided between the non-executive directors as agreed. The current aggregate limit of remuneration for non-executive directors is \$250,000 as approved at the 2010 Annual General Meeting of Shareholders.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Remuneration report (audited) (continued)

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst non-executive directors is reviewed annually. The Board may consider advice from external consultants, as well as the fees paid to non-executive directors of comparable companies, when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. No additional fee is paid for participating in Board Committees.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive directors of the Company may also participate in the share and option plans as described in this report.

One non-executive director who participated in the directors' and executives' salary sacrifice plan (Mr Grant Button) elected after the end of the reporting period to forego his entitlements to shares that had accrued under that plan but not been issued as at the end of the reporting period.

5. Executive remuneration arrangements

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Group, business team and individual performance;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

- At this time, the cash component of remuneration paid to executive directors, the company secretary and other senior managers is not dependent upon the satisfaction of performance conditions.
- It is current policy that some executives be engaged by way of consultancy agreements with the Company, under which they receive a contract rate based upon the number of hours of service supplied to the Company. There is provision for yearly review and adjustment based on consumer price indices. Such remuneration is hence not dependent upon the achievement of specific performance conditions. This policy is considered to be appropriate for the Company, having regard to the current state of its development.
- Executive directors are encouraged by the Board to hold shares in the Company (purchased on market or in accordance with the Company's salary sacrifice share plan and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The executive directors of the Company may also participate in the share and option plans as described in this report, including the salary sacrifice share plan described in this report.
- Three executive directors who participated in the directors' and executives' salary sacrifice plan (Mr Grant Button, Mr Edward Nealon and Mr Robert Hair) elected after the end of the reporting period to forego their entitlements to shares that had accrued under that plan but not been issued as at the end of the reporting period.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Remuneration report (audited) (continued)

Performance table

The following table details the net profit / (loss) of the Company from continuing operations after income tax, together with the basic earnings / (loss) per share since the incorporation of the parent:

	2013 \$	2012 \$	2011 \$
Net profit / (loss) from continuing operations after income tax	(1,901,288)	4,479,716	(8,141,794)
Basic earnings / (loss) per share in cents	(0.60)	(1.57)	(3.32)
Share Price in Cents	1	3	20

6. Directors' contractual arrangements

Mr. Edward Nealon was appointed executive chairman of the Company on 1 November 2010 and receives fees in relation to his services as executive chairman for the amount of \$80,000 per annum. He has elected to participate in the salary sacrifice plan described elsewhere in this report for a period of 12 months from 1 April 2012, which applies to 100% of his fees. He agreed at the board meeting held on 13 September 2013 to waive the right to any accrued fees or shares (totalling \$46,670 at 30 June 2013) until a decision is made at a future board meeting with respect of certainty as to the source of future funding to be obtained by the Company.

Mr. Robert Hair was appointed managing director of the Company on 13 July 2011 and resigned as company secretary of the Company on 13 July 2011. On 13 July 2011, the Company and a company associated with Mr. Hair entered into an agreement containing the terms and conditions under which the services of managing director are provided to the Company.

The agreement involves the payment to the Company associated with Mr Hair of an annual fee of \$264,000 plus GST (increasing by reference to the consumer price index each year) and reimbursement of expenses.

He elected to participate in the salary sacrifice plan described elsewhere in this report for a period of 12 months from 1 April 2012 until 31 March 2013 when he opted out, this applied to approximately 77.25% of his fees. He agreed at the board meeting held on 13 September 2013 to waive the right to any accrued fees or shares (totalling \$68,000 at 30 June 2013) until a decision is made at a future board meeting with respect of certainty as to the source of future funding to be obtained by the Company.

Mr. Klaus Borowski was appointed as a non-executive director on 1 September 2010 and receives fees in relation to his services as a non-executive director for the amount of \$40,000 per annum. On 3 November 2010 he entered into a consultancy agreement to provide services in relation to the company's projects.

The agreement involves the payment to the Company associated with Mr. Borowski of an annual fee of \$40,000 and reimbursement of expenses. He agreed at the board meeting held on 13 September 2013 to waive the right to any accrued fees or shares (totalling nil at 30 June 2013) until a decision is made at a future board meeting with respect of certainty as to the source of future funding to be obtained by the Company.

Mr. Kofi Morna was appointed as a non-executive director on 15 October 2010 and receives fees in relation to his services as a non-executive director for the amount of \$40,000 per annum. He agreed at the board meeting held on 13 September 2013 to waive the right to any accrued fees or shares (totalling nil at 30 June 2013) until a decision is made at a future board meeting with respect of certainty as to the source of future funding to be obtained by the Company.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Remuneration report (audited) (continued)

Mr. Ted Droste was appointed as a non-executive director on 15 October 2010 and receives fees in relation to his services as a non-executive director of \$40,000 per annum. In addition to fees that he receives as a non-executive director, the Company and a company associated with Mr. Droste entered into an agreement containing the terms and conditions under which technical and commercial consulting services are provided to the Company.

The agreement involves the payment to the Company associated with Mr. Droste of an annual fee of \$90,000 and reimbursement of expenses. He agreed at the board meeting held on 13 September 2013 to waive the right to any accrued fees or shares (totalling nil at 30 June 2013) until a decision is made at a future board meeting with respect of certainty as to the source of future funding to be obtained by the Company.

Mr. Grant Button was appointed as a non-executive director on 15 October 2010 and receives fees in relation to his services as a non-executive director for the amount of \$40,000 per annum. He has elected to participate in the salary sacrifice plan described elsewhere in this report for a period of 12 months from 1 February 2013, which applies to 100% of his fees. He agreed at the board meeting held on 13 September 2013 to waive the right to any accrued fees or shares (totalling \$8,181 at 30 June 2013) until a decision is made at a future board meeting with respect of certainty as to the source of future funding to be obtained by the Company.

7. Key management personnel contractual arrangements

Agreement with Chief Operating Officer

Mr. Vernon Harvey was appointed as chief operating officer on 1 April 2011 and left the Company effectively on 21 August 2013. His employment was subject to a standard form of employment contract, and he received an annual salary that was in accordance with his seniority and responsibilities.

Agreement with Strategic Development Manager

Mr. Scott Huntly was appointed as strategic development manager, effective on 4 March 2011. His employment is subject to a standard form of employment contract, and he receives an annual salary that is in accordance with his seniority and responsibilities. He has elected to participate in the salary sacrifice plan described elsewhere in this report for a period of 12 months from 1 July 2013 which applies to 33% of his fees.

Agreement with Compliance Manager

Mr. Dave Richards was appointed as compliance manager, effective on 4 April 2011. His employment is subject to a standard form of employment contract, and he receives an annual salary that is in accordance with his seniority and responsibilities.

Agreement with Company Secretary

On 1 February 2010, the Company and a company associated with Mr. Andrew Nealon entered into a new agreement containing the terms and conditions under which the services of company secretary are provided to the Company.

The agreement involves the payment to a company associated with Mr. Nealon of an annual fee of \$60,000 (increasing by reference to the consumer price index each year) and reimbursement of expenses.

He has elected to participate in the salary sacrifice plan described elsewhere in this report for a period of 12 months from 1 September 2012, which applies to 100% of his fees.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Remuneration report (audited) (continued)

Agreement with Financial Controller

Mrs. Beverley Gardner was appointed as project accountant, effective on 1 July 2011 and as financial controller effective on 1 December 2011. Her employment is subject to a standard form of employment contract, and she receives an annual salary that is in accordance with her seniority and responsibilities.

Agreement with Consultant Geologist

On 11 April 2011, the Company and a company associated with Mr. Lindsay Cahill entered into an agreement containing the terms and conditions under which the services of consultant geologist are provided to the Company.

The agreement involves the payment to a company associated with Mr. Cahill of an hourly fee and reimbursement of expenses.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Remuneration report (audited) (continued)

Remuneration of key management personnel of the Company and the Consolidated Entity

Table 1: Remuneration for the year ended 30 June 2012 and 30 June 2013

		Short-term benefits				Post-employment		Long - term benefits			Share-based payments	Termination payments	Total	Performance related
		Salary & fees	Cash bonus	Non Monetary Benefits	Other	Superannuation	Retirement benefits	Cash Incentives	Long Service Leave	Options				
		\$	\$	\$	\$	\$	\$	\$	\$	\$				
Non-executive directors														
Klaus Borowski	2013	71,500	-	-	-	-	-	-	-	-	-	71,500	-	
	2012	74,000	-	-	-	-	-	-	-	-	-	74,000	-	
Grant Button ⁽¹⁾	2013	28,516	-	-	-	3,303	-	-	-	8,181	-	40,000	-	
	2012	36,697	-	-	-	3,303	-	-	-	-	-	40,000	-	
Kofi Morna	2013	40,000	-	-	-	-	-	-	-	-	-	40,000	-	
	2012	40,000	-	-	-	-	-	-	-	-	-	40,000	-	
Ted Droste	2013	134,500	-	-	-	-	-	-	-	-	-	134,500	-	
	2012	130,000	-	-	-	-	-	-	-	-	-	130,000	-	
Executive directors														
Ed Nealon ⁽¹⁾	2013	-	-	-	-	-	-	-	-	80,000	-	80,000	-	
	2012	60,008 ⁽²⁾	-	-	-	-	-	-	-	-	-	60,008	-	
Robert Hair ⁽¹⁾	2013	60,000	-	-	-	-	-	-	-	153,000	-	213,000	-	
	2012	249,000 ⁽²⁾	-	-	-	-	-	-	-	-	-	249,000	-	
Subtotal	2013	334,516	-	-	-	3,303	-	-	-	241,181	-	579,000		
Subtotal	2012	589,705	-	-	-	3,303	-	-	-	-	-	593,008		

⁽¹⁾ These executive and non-executive directors have agreed at the board meeting held on 13th September 2013 to forego any share accruals as at 30 June 2013 until such time as agreed in a future board meeting. All the above executive and non-executive directors have agreed at the board meeting held on 13th September 2013 to forego any future fees or share accruals until such time as agreed in a future board meeting. The above measures have been put in place to assist the company with its ongoing financing issues.

⁽²⁾ Remuneration of \$20,000 and \$51,000 for Ed Nealon and Robert Hair respectively was accrued at 30 June 2012 and subsequent to balance date the directors elected to settle the obligation in shares in line with the Salary Sacrifice Scheme that was approved by shareholders in August 2012.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report

Remuneration report (audited) (continued)

Remuneration of key management personnel of the Company and the Consolidated Entity (continued)

Table 1: Remuneration for the year ended 30 June 2012 and 30 June 2013 (continued)

		Short-term benefits				Post-employment		Long - term benefits			Share-based payments	Termination payments	Total	Performance related
		Salary & fees	Cash bonus	Non Monetary Benefits	Other	Superannuation	Retirement benefits	Cash Incentives	Long Service Leave	Options				
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Other key management personnel														
Vernon Harvey ⁽¹⁾	2013	231,739	-	-	1,696	-	-	-	-	-	4,644	103,919	341,998	
	2012	240,243	-	-	-	-	-	-	-	-	-	-	240,243	-
Scott Huntly	2013	197,581	-	-	2,754	-	-	-	-	-	-	-	200,335	
	2012	217,742	-	-	-	-	-	-	-	-	-	-	217,742	-
Dave Richards	2013	78,688	-	-	411	-	-	-	-	-	-	-	79,099	
	2012	76,737	-	-	-	-	-	-	-	-	-	-	76,737	-
Andrew Nealon	2013	10,000	-	-	-	-	-	-	-	-	50,000	-	60,000	
	2012	60,000	-	-	-	-	-	-	-	-	-	-	60,000	-
Bev Gardner ⁽²⁾	2013	124,354	-	-	375	-	-	-	-	-	-	-	124,729	
	2012	78,083	-	-	-	-	-	-	-	-	-	-	78,083	-
Lindsay Cahill	2013	-	-	-	-	-	-	-	-	-	-	-	-	
	2012	29,756	-	-	-	-	-	-	-	-	-	-	29,756	-
Total executive KMP	2013	976,878	-	-	5,236	3,303	-	-	-	-	295,825	103,919	1,385,161	
Total executive KMP	2012	1292,266	-	-	-	3,303	-	-	-	-	-	-	1,295,569	

No remuneration is performance related for 2012.

⁽¹⁾ Termination fees included in Annual package

⁽²⁾ Moved from part time to full time employment

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Remuneration report (audited) (continued)

8. Equity Instruments disclosures

Table 2: Share options awarded and vested during the year (consolidated)

30 June 2013	Options awarded during the year No.	Terms and Conditions for each Grant during the year					Options vested during the year		
		Award date	Fair value per option at award date (\$)	Exercise price (\$)	Expiry date	First exercise date	Last exercise date	No.	%
Non-executive directors									
Klaus Borowski	-	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Grant Button	-	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Kofi Morna	-	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Ted Droste	-	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Total non-executive directors									
Executive directors									
Ed Nealon	-	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Robert Hair	-	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Other key management personnel									
Vernon Harvey	400,000	14 December 2012	\$0.0116	\$0.10	14 December 2015	N/a	N/a	400,000	100%
Totals	400,000	-	-	-	-	-	-	400,000	100%

Total value of options issued in 2013 was \$40,000, being 400,000 options with an exercise price of \$0.10 and a fair value at grant date of \$0.0116. The options represent 1.2% of Vernon's total remuneration.

No share options were awarded, exercised or lapsed during 2012

End of Remuneration Report

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 92 and forms part of this report.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Company and Project Overview

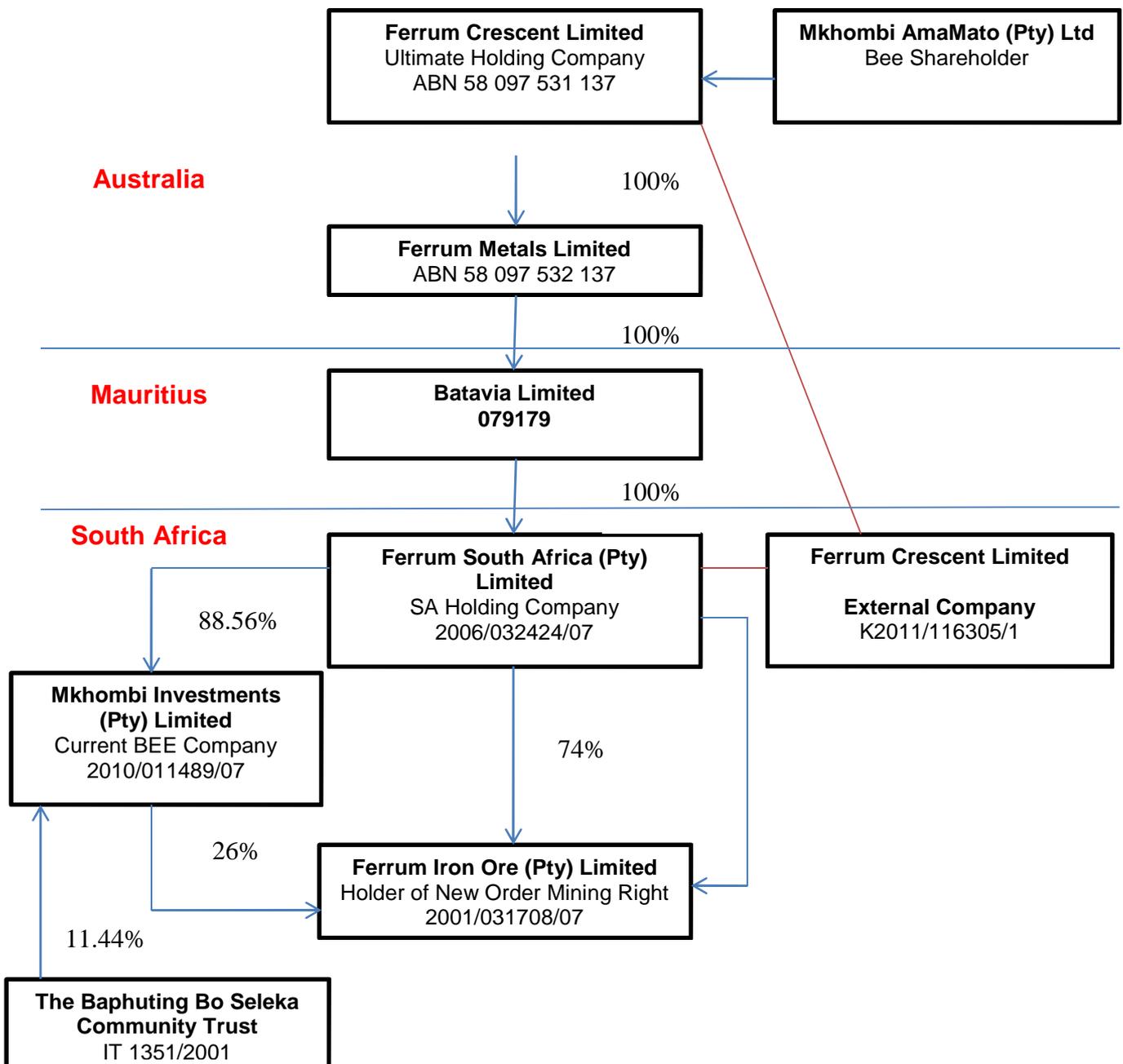
Introduction to the Group

Ferrum Crescent Limited ("Ferrum", "FCR" or the "Company") is an Australian company listed on the Australian Securities Exchange (ASX: FCR), the AIM market of the London Stock Exchange (AIM: FCR) and on the JSE Limited (JSE: FCR).

Ferrum's corporate structure is shown in Figure 1.

This reflects the beneficial ownership interests that have been accounted for as at 30 June 2013.

Figure 1: Ferrum Group Structure



Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Company and Project Overview (continued)

Ferrum seeks to capitalise on the future demand for iron and steel worldwide by producing iron products in the Republic of South Africa, for both the domestic and the export markets.

South Africa, a relatively under developed market, which was dominated historically by Iscor (part of which is now Kumba Iron Ore Limited) and now by Arcelor Mittal, has been largely overlooked, and FCR wishes to develop its Moonlight Iron Ore Project and pursue other opportunities in Southern Africa.

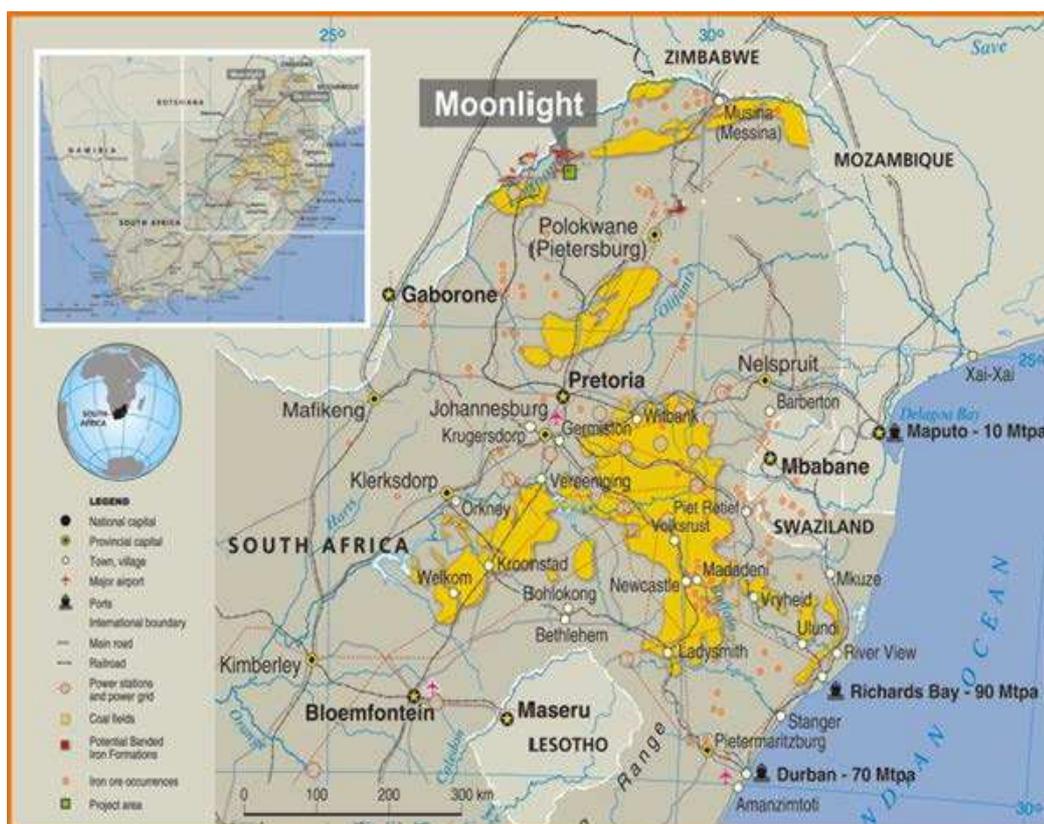


Figure 2: The Company's Projects located in Limpopo, South Africa

The Moonlight Deposit (upon which the Moonlight Iron Ore Project or "Moonlight" or the "Project" is based) is a magnetite deposit located on the farms Moonlight, Gouda Fontein and Julietta in Limpopo Province in the north of South Africa (see Figure 2) and it is the main operational focus for the Company. Iscor, which explored the Project in the 1980s and '90s, reported mineralisation, capable of producing a concentrate grading 68.7% iron. At the time, Iscor concluded that the deposit, which was described as comparable to the world's best, was easily mineable due to its low waste-to-ore ratio. The beneficiation attributes of Moonlight ore are extremely impressive, with low-intensity magnetic separation considered suitable for optimum concentration.

Metallurgical tests of Moonlight material, undertaken since by Ferrum, suggest that Iscor's results are conservative, that good metal recoveries can be achieved, and that the resulting concentrates have a high iron content and only negligible impurities, at grind sizes considered to be the industry standard (P80 of 75 microns).

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Company and Project Overview (continued)

Operational

Moonlight Deposit

The Company's operational focus is the Moonlight Iron Ore Project in Limpopo Province in the Republic of South Africa, which hosts iron ore occurrences that are magnetite bearing banded iron formations ("BIF") that have undergone varying intensities of metamorphic alteration. The BIFs are of Archaean age and located in the Limpopo Mobile Belt ("LMB") in the Limpopo Province, some 350 km north-east of Johannesburg.

It is anticipated that Moonlight will be developed as a contract, open-pit mine with onsite concentrate production. A slurry concentrate pipeline to a pelletising plant near railhead will be created, with return water to Moonlight (100 - 220km); current preferred sites are at Lephalale and Thabazimbi. A pelletising plant to produce iron ore pellets (68.5% Fe) for international and domestic markets is planned with production at 6Mtpa direct reduction iron and blast furnace pellets. With a high grade, pure product near existing rail infrastructure and producing steel mills, an offtake agreement for initial production has already been signed with Duferco SA.

With extensive exploration already complete at Moonlight, during the course of the year Ferrum prioritised increasing the economic understanding of the existing mineralisation in order to provide the data needed to complete a Bankable Feasibility Study ("BFS") for development of the project into near-term production. Focussed work was also undertaken to examine the expansion potential of Moonlight outside of the existing JORC delineation. With long lead times often involved in procuring relevant licensing for development, the Company also made it a clear objective to secure a full, granted mining licence over all of the Moonlight area. The Group's mining right has since been granted, executed and registered.

In addition to work being carried out directly at the Moonlight Deposit, detailed analysis of the infrastructure solutions for both the Moonlight open pit mine and pelletising plant have been underway with providers such as Transnet and Eskom. Located in the Limpopo Province of Northern South Africa, Moonlight is located near two major rail hubs that potentially will have the capacity to carry the project's iron ore pellets for export and to local steel producers. Given the high grade pellet product Ferrum is looking to produce, the last twelve months saw a detailed examination of the most efficient location for the plant in terms of power usage and ore versus pellet transportation costs. Limpopo Province sits well to the north of traditional iron ore mining operations in South Africa and is seeing a range of initiatives currently undertaken in the region to promote the economy. During the year, Ferrum and the infrastructure partners it is in consultation with have modelled a series of scenarios that derive benefit from such government infrastructure programmes.

During the 2012 financial year, Mineral Corporation Consultancy (Pty) Ltd of South Africa ("The Mineral Corporation") was commissioned by Ferrum to carry out an updated JORC compliant Mineral Resource estimate taking into account the results of the Phase 3 drilling and assays on the Moonlight Deposit ("the Report") that had been carried out in the previous financial year. Phase 3 consisted of 11 holes totalling 990m of diamond core drilling and 13 holes totalling 1,600m of RC drilling, and the final assay results for this drilling were received in July 2011.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Company and Project Overview (continued)

Table 4 below contains details of the results of the Phase 3 drilling.

Hole	East (m)	North (m)	Depth (m)	From (m)	To (m)	Interval (m)	Fe%	SiO ₂ %	AL ₂ O ₃ %	P ₂ O ₅ %	LOI
FCL087	-81226	-2572349	130	0	13	13	35.43	44.40	1.64	0.021	0.48
				25	31	6	32.41	48.37	2.17	0.019	1.34
FCL088	-80424	-2571500	150	96	139	43	31.34	45.16	2.63	0.054	0.70
FCL089	-80425	-2571699	138	64	73	9	36.86	38.92	1.73	0.087	0.07
				94	101	7	34.37	45.00	1.58	0.048	0.05
				104	132	28	33.97	45.01	1.66	0.065	0.08
FCL090	-80423	-2571894	105	22	32	10	37.14	43.42	1.06	0.050	0.35
				70	80	10	28.91	49.72	2.84	0.047	0.59
				87	98	11	32.99	43.21	3.25	0.076	0.75
FCL091	-80221	-2571706	160	79	92	13	33.20	45.76	2.06	0.056	0.09
				106	119	13	34.38	44.62	1.91	0.054	0.13
				135	145	10	29.38	47.67	2.39	0.054	1.33
FCL092	-80223	-2571498	170	82	87	5	33.92	45.20	1.64	0.115	0.21
				92	135	43	35.26	43.91	1.46	0.127	-0.66
				139	160	21	28.21	50.16	2.83	0.099	0.26
FCL093	-80022	-2571602	166	86	99	13	31.79	45.29	2.75	0.12	0.03
				108	113	5	32.89	44.14	1.90	0.17	0.30
				134	150	16	36.72	41.31	1.56	0.14	-0.49
FCL094	-80027	-2571803	80	30	38	8	34.66	43.27	2.09	0.060	0.57
				56	63	7	34.41	44.37	1.42	0.057	0.05
FCL095	-79825	-2571696	144	29	43	14	33.91	45.63	1.72	0.14	0.51
				69	74	5	34.29	41.52	1.72	0.14	0.82
				111	118	7	33.65	42.54	2.39	0.17	-0.53
FCL096	-79628	-2571756	105	76	95	19	27.13	49.93	3.15	0.11	0.31
FCL097	-79425	-2571804	95	38	43	5	27.06	50.80	3.54	0.108	2.84
				48	63	15	32.34	46.40	2.12	0.15	0.79
FCL098	-79228	-2571801	95	67	76	9	30.70	47.56	2.31	0.127	0.08

Table 4: Intercepts of iron mineralisation greater than or equal to 5m in width

The Mineral Corporation conducted a thorough re-interpretation of the geological structure of Moonlight, based on historical Iscor data collated and validated by the Group and the additional Group exploration results. Within the constraints of having a cut off grade of 16% iron, geological losses of 5% and a depth constraint of between 100m and 250m, depending upon dip and the number of mineralised zones present, the JORC compliant Mineral Resources at Moonlight are now estimated to be 307.8 million tonnes @ 26.9% Fe and are shown as follows:

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Company and Project Overview (continued)

Category	Gross					Net (attributable to Ferrum Crescent at 81.4%)				
	Tonne (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	Contained Metal (Mt)	Tonne (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	Contained Metal (Mt)
Inferred	172.1	25.3	51.2	4.8	43.5	140.1	25.3	51.2	4.8	35.4
Indicated	83.0	27.4	50.1	4.0	22.7	67.6	27.4	50.1	4.0	18.5
Measured	52.6	31.3	47.3	2.5	16.5	42.8	31.3	47.3	2.5	13.4
Total	307.8	26.9	50.3	4.2	82.8	250.5	26.9	50.3	4.2	67.4

Tonnes are rounded

Note: Ferrum Crescent subsidiary is the operator and owns 81.4% (the beneficial ownership interest as accounted for at 30 June 2013 is 97%) of the Moonlight Iron Ore Project

Based on these results, the Board believes that whilst the total average Fe grade has decreased slightly (previously estimated to be a JORC compliant resource of 74Mt @ 33% Fe in the Indicated Resource category and 225Mt @ 29% Fe in the Inferred Resource category), the tonnage has increased proportionately along with a substantial increase in the confidence and classification of the Mineral Resource. Furthermore, the Board is of the opinion that the depth constraint of 250m (maximum) is conservative, particularly as the previous estimation was not constrained in this way.

The revised structural interpretation presented by The Mineral Corporation also identified several targets south, east and west of the Moonlight Deposit, and the Company subsequently engaged The Mineral Corporation to provide interpretation of the geophysical data generated from a high resolution aeromagnetic survey conducted in June 2012. The report from The Mineral Corporation highlighted several magnetic targets, including targets that indicate the strong possibility of an extension of the iron ore mineralisation within Moonlight Farm itself and a target on Julietta Farm outside of the area previously planned to be drilled. However, given that the size of the resource is sufficient for in excess of 20 years of mining operations, management's attention remained primarily focused on finding definitive answers to logistical questions rather than on continued exploration. A summary of the Mineral Resource estimate parameters is set out below in Table 5.

Competent Persons' Statement:

The information that relates to Exploration Results and Mineral Resources in the report of which this statement is a summary, is based on information compiled by Stewart Nupen, who is registered with the South African Council for Natural Scientific Professionals (Reg. No. 400174/07) and is a member of the Geological Society of South Africa. Mr. Nupen is employed by The Mineral Corporation, which provides technical advisory services to the mining and minerals industry. Mr. Nupen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves' and as defined in the June 2009 Edition of the AIM Note for Mining and Oil and Gas Companies. Mr. Nupen consents to the inclusion in this statement of the matters based on his information in the form and context in which it appears.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Company and Project Overview (continued)

Table 5: Mineral Resource Estimation Details

Drilling Technique	Drilling data from Iscor and three phases of Ferrum Crescent exploration inform the estimates. The drilling comprised open hole, RC and diamond core drilling and was all vertical. A total of 122 RC holes and 89 diamond core holes were accepted for the estimates.
Sampling Technique	Limited information on the sampling techniques for the Iscor data is known. For the Ferrum Crescent exploration, industry standard sampling techniques were adopted. RC samples (1m-2m) were riffle split on site and diamond core samples were halved with a diamond saw. Primary samples and quality control samples were submitted for analysis to Genalysis Laboratory Services (Johannesburg) for analysis by Intertek Utama Services (Jakarta).
Drill Sample Recovery	Limited information on the sample recovery for the Iscor data is known. With the exception of surficial rubble, the sample recovery through the mineralised zones for the Ferrum Crescent exploration was acceptable.
Geological Logging	The Iscor data included electronic codes for the main lithological unit, certain sub-units, and the core bedding angles. All geological information during Ferrum Crescent exploration was logged in acceptable detail, and stored in an MS Access database. This included lithological, structural and geotechnical information.
Quality of Assay Data/QAQC	No information on the quality of assay data for the Iscor data was obtained. The Ferrum Crescent samples were analysed at an accredited laboratory (Genalysis / Intertek), and appropriate standards, blanks and duplicates inserted in the sample stream. The Mineral Corporation has reviewed the results from these control samples and considers the accuracy and reliability of the analyses to be acceptable.
Verification of Sampling and Assaying	The Iscor data was verified by means of the identification and re-surveying of borehole collars in the field, and by means of twin-drilling. On the basis of the twinning, the open-hole data from Iscor (142 holes) was considered unacceptable for Mineral Resource estimation. The remaining RC and diamond core drilling showed reasonably good correlation of mineralisation depth and abundance, and was considered acceptable.
Surveying	All Ferrum Crescent boreholes were surveyed by a registered surveyor. Of the Iscor holes, 127 collars were re-surveyed by a registered surveyor, and good correlation between the historical and Ferrum Crescent survey locations were found.
Auditing	No audits of the Iscor exploration results, with the exception of the verification described above have been undertaken. The Mineral Corporation reviewed the results of the first two phases of Ferrum Crescent's drilling prior to carrying out the estimates. Phase 3 of Ferrum Crescent's exploration was carried out by The Mineral Corporation.
Database Integrity	The compiled database for the estimates was housed in an MS Access database. In addition to the verification and QA/QC already described, validation of the sampling data for over-lapping sampling intervals, duplicate samples and spurious data was carried out.
Geological Interpretation	A thorough re-interpretation of the geological structure, and correlation between mineralised zones was carried out. Magnetite is interpreted to be hosted in four zones (Zone A to D), which have been subjected to folding, parallel to the regional (Limpopo Mobile Belt) orientation. Younger faulting, oriented parallel to and orthogonal to this trend are interpreted. The geological interpretation is considered appropriate for the level of estimates, and the Mineral Resource classification takes the confidence in the interpretation into account.
Dimensions	D Zone is approximately 200m x 400m x 30m C Zone (West) is approximately 1400m x 250m x 35m C Zone (East) is approximately 1100m x 700m x 30m B Zone is approximately 1500m x 800m x 25m A Zone is approximately 1600m x 1200m x 17m
Geological Modelling	Wireframes representing the geological interpretation were generated to constrain the block model.
Drillhole compositing Procedures	5m vertical borehole composites were utilised, informed by an assumed minimum mining height. These composites were not at right angles to the mineralised zones, but as the dips are shallow (7° to 30° and typically less than 20°) and a 3-dimensional block model was used, the use of vertical composites is unlikely to introduce any bias.
Variography	Variograms parallel to the dip of the mineralised zones were calculated and modelled. Vertical grade distribution utilised downhole variograms. Variograms of between 150m and 250m were obtained in the plane of the mineralised zone and between 7m and 30m downhole.

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Company and Project Overview (continued)

Table 5: Mineral Resource Estimation Details (continued)

<i>Drillhole Spacing</i>	The combination of Ferrum Crescent's exploration and the KIOL data has provided an acceptable drillhole spacing which ranges from 100m x 100m to 200m x 300m.
<i>Block Model</i>	Horizontal block dimensions were 50m x 50m and 5m in the vertical, informed by borehole spacing and a conceptual minimum mining unit. The block model was rotated to the average dip (12°).
<i>Grade Estimation Methodology</i>	Ordinary kriging was employed for grade estimates. A three stage search strategy was employed. A minimum of 5 and a maximum of 20 samples was used within the range of the variogram for the first search. The second search was twice the volume of the first, and the third extended to the limits of the mineralised zones. The search and variogram ellipse were oriented to local dip and strike variations using "Dynamic Anisotropy" in Datamine Studio v3.
<i>Accuracy and Confidence</i>	Plan and section plots were analysed to evaluate the adherence of the estimation methodology to the geological model. The methodology was found to honour the grade continuity trends, which are assumed to be parallel to the dip of the mineralised zones.
<i>Moisture</i>	Tonnage was calculated on a dry basis.
<i>Bulk Density</i>	The Iscor data included density measurements for all diamond core holes. No information was provided on the methodology used to obtain these density data. The diamond core data from Ferrum Crescent exploration included density measurements obtained by the 'water immersion' method. A strong correlation between density and Fe was observed, and used to estimate block density after grade estimation.
<i>Mining Factors</i>	A minimum mining unit of 50m x 50m x 5m aided in the selection of block size. Approximate stripping ratios were calculated to inform the maximum depth constraint for the Mineral Resources.
<i>Metallurgical Considerations</i>	On the basis of preliminary test work, The Mineral Corporation has assumed that the Fe can be extracted by means of comminution and magnetic separation to form a magnetite concentrate.
<i>Cut-off Parameters</i>	A cut-off of 16% Fe and a maximum depth of between 250m and 100m depending on dip and the number of mineralised zones was applied.
<i>Resource Classification</i>	The borehole spacing, surface mapping, structural interpretation, variography and kriging error estimates inform Mineral Resources which are classified as Inferred, Indicated and Measured. In areas of well-defined geological structure and modest grade variability, the 100m x 100m grid is sufficient for Measured Mineral Resources.
<i>Resource Reporting</i>	The Mineral Resource estimates have been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).

Directors' Report (continued)

Company and Project Overview (continued)

The Moonlight Deposit geological plan is set out in Figure 3.

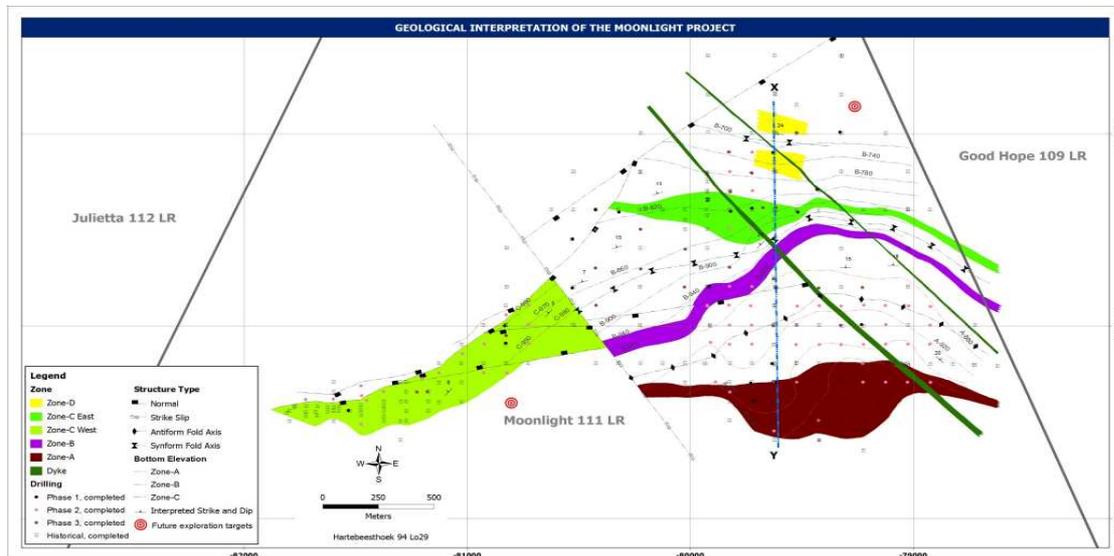


Figure 3: Moonlight Deposit Geological Plan

Company and Project Overview (continued)

The Group now has a granted Mining Right with associated mining environmental approvals. It has sufficient resources to carry out mining operations for 20 years or more and confidence from historical exploration records and from the Group's own airborne and ground magnetic programs that there is significant scope for expansion of the mineralisation within the Mining Right area.

Additionally, in February 2013, the Company announced that it had signed an agreement with (the 'Agreement') with DANIELI C. Officine Meccaniche S. p.A. ("Danieli"), one of the largest three suppliers of plant and equipment to the metals industry worldwide, for the Italian based group to fulfil the process engineering and associated technical services to be used for the BFS in process at the Moonlight Deposit.

As announced on 27 February 2013, the Agreement states that Danieli will carry out the role of process engineer in the BFS and in that capacity develop a full process engineering analysis, final study for the beneficiation plant and the pelletising plant build and other associated technical services including:

- Beneficiation plant design at proposed Moonlight open pit location comprising crushing, grinding and beneficiation, tailings storage
- Pelletising plant design, to produce DR grade pellets at a railhead for further conveyance
- Laboratory testing and process work on Moonlight iron ore to define and confirm the most suitable process configuration of the beneficiation and pelletising plant to produce high quality DR grade pellet (based on metallurgical testwork).

Additional engineering providers will be secured by Ferrum for other components of the BFS (such as mine design).

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Company and Project Overview (continued)

Ferrum has sufficient confidence that the various upgrades to infrastructure that have been announced by the South African government and by its statutory enterprises such as Transnet and Eskom will allow Ferrum to export its product through Richards Bay and be in production by 2018. In addition, initial scoping financial models of the entire project indicate an attractive business case which encourages the Company to progress completion of the BFS over the next 12 to 18 month period.

Moonlight Iron Ore Project Concept

Recognising that adding value within the country is a strategic preference for all mining operations within South Africa, Ferrum has consistently looked to planning the Project with beneficiation and other value-adding processes to take place within the country. Project concepts have previously included the production of pig iron at or near the Moonlight site. It has since been recognised by the Company, however, that the most sustainable development concept for the Project is likely to involve mining at site and the production there of an iron ore concentrate, which would be transported by way of slurry pipeline to a manufacturing facility located at a place near a railhead. High quality iron ore pellets (which would be a mixture of direct reduction iron ("DRI") quality pellets, which would be suitable for use in electric arc steel furnaces, and blast furnace pellets) would be transported by rail to local users and to a suitable port facility for export internationally.

Several pelletiser sites and rail and port combinations have been considered, and the Company has continued to seek confirmation from infrastructure providers (including rail, port and power suppliers) of allocation of capacity for the Company. During the 2012 financial year, the South African Government announced that significant capital would be applied in upgrading rail and port facilities that service the Waterberg Region, which is close to where the Moonlight Deposit is situated. These upgrades to rail and port in particular are strategically necessary to unlock the value of the Waterberg Region, where the country's most significant remaining coal reserves are situated. For this reason, rail, power, water and port facilities are all being upgraded as a matter of national priority.

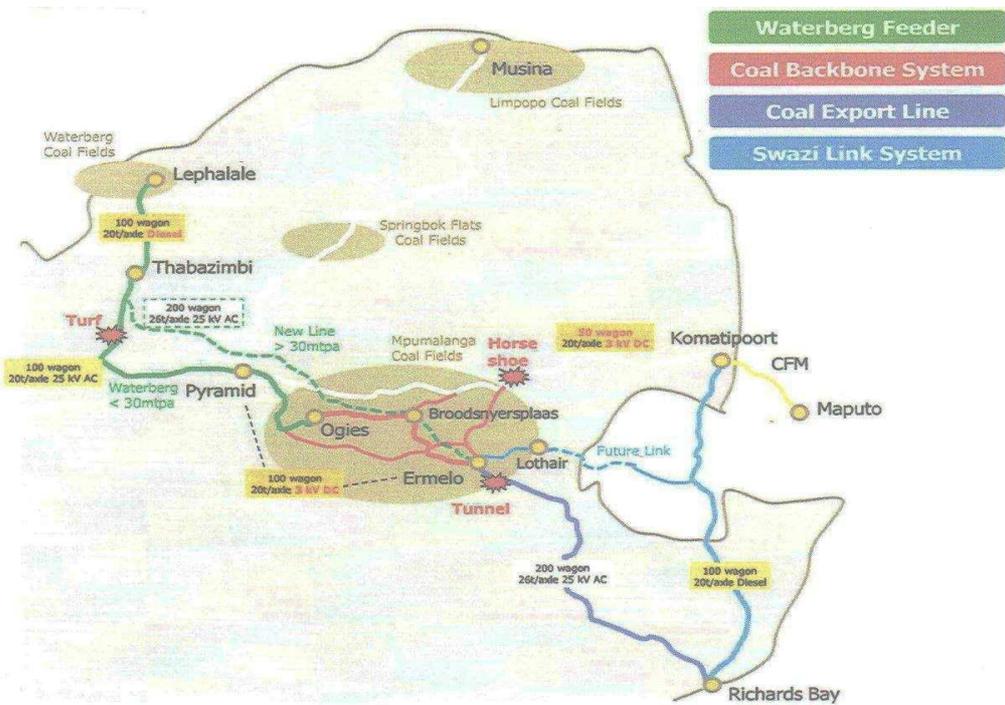


Figure 4: Proposed Rail Upgrades to Waterberg Coal Sources

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors' Report (continued)

Company and Project Overview (continued)

Figure 4 contains a map showing the planned upgrades to the rail infrastructure that is considered to be the most likely to be used for the Moonlight Project. The pelletising facility would be situated near rail at Thabazimbi, and export product would be railed to Richards Bay and shipped to customers in the Middle East and elsewhere.

The Company in June 2011 entered into an offtake agreement with Swiss based Duferco SA, a leading private company in the trading, mining, and end use of iron and steel products and raw materials for the steel industry. Following due diligence on the mineral assets of the Company, Duferco concluded that the Group should be able to produce direct reduction and/or blast furnace pellets equal to or better than current world best product.

The offtake agreement with Duferco SA covers up to 6 Mpta of anticipated iron ore pellet production from Ferrum Crescent's Moonlight Project. Under the agreement, Ferrum Crescent will sell Duferco all of their production available for export (in total 4.5 Mpta) and will give Duferco a first right of refusal over an additional 1.5 Mpta per year to the extent that the product is not sold domestically, thus allowing Ferrum Crescent to follow a growth strategy at its South African projects.

Corporate

Shareholder approval was obtained on 8 August 2012 for the BEE "flip" (effectively the swap of Black Economic Empowerment interest in the Moonlight Iron Ore Project from the Ferrum Iron Ore (Pty) Limited or project level for shares in Ferrum Crescent Limited.

Shareholder approval was also obtained during the year for the directors' and executives' salary sacrifice plan, and four officers elected to participate during the year in that plan.

By agreement dated 25 July 2013 with Mkhombi AmaMato (Pty) Ltd, the date by which tranche 2 of the "flip" is to occur was extended to 31 January 2013.

This report is made in accordance with a resolution of directors.



G Button
Finance Director
Perth
30 September 2013

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement

Introduction

Ferrum Crescent Limited (the "**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, second edition, incorporating the 2010 amendments ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Summary statement

	ASX P & R ¹	If not, why not ²		ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.2	✓	
Recommendation 1.2	✓		Recommendation 4.3	✓	
Recommendation 1.3	✓		Recommendation 4.4	✓	
Recommendation 2.1		✓	Recommendation 5.1	✓	
Recommendation 2.2		✓	Recommendation 5.2	✓	
Recommendation 2.3	✓		Recommendation 6.1	✓	
Recommendation 2.4	✓		Recommendation 6.2	✓	
Recommendation 2.5	✓		Recommendation 7.1	✓	
Recommendation 2.6	✓		Recommendation 7.2	✓	
Recommendation 3.1	✓		Recommendation 7.3	✓	
Recommendation 3.2	✓		Recommendation 7.4	✓	
Recommendation 3.3		✓	Recommendation 8.1	✓	
Recommendation 3.4	✓		Recommendation 8.2	✓	
Recommendation 3.5 ³	✓		Recommendation 8.3	✓	
Recommendation 4.1	✓		Recommendation 8.4	✓	

1 Indicates where the Company has followed the Principles & Recommendations

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not and explained.

Website disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.ferrumcrescent.com, under the section marked Corporate Governance.

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2013 financial year ("**reporting period**").

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the executive officer and to assist the executive officer in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the executive officer or, if the matter concerns the executive officer, then directly to the chairman or the lead independent director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The chairman, in consultation with the other Board members, is responsible for evaluating the senior executives. The performance evaluation of senior executives is undertaken by the chairman in the form of interviews.

Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

Disclosure:

During the reporting period a performance evaluation of senior executives did occur in accordance with the above disclosed process at Recommendation 1.2.

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The independent directors of the Board during the reporting period were Mr Klaus Borowski, Mr Ted Droste and Mr Grant Button. The non-independent directors of the Board during the reporting period were Mr Ed Nealon, Mr Robert Hair and Mr Kofi Morna.

The reason for the departure is that the current board structure is considered to have the best mix of corporate, technical and business expertise to oversee the development of a company with operations in South Africa. The board includes a nominee of the Group's black economic empowerment partner, Mkhombi Investments (Pty) Ltd (Mr Kofi Morna), as well as an Executive Chairman (Mr Ed Nealon, who is primarily accountable in an executive sense for the Company's investor relations) and the managing director (Mr Robert Hair). The number of non-independent directors is consequently the same as the number of independent directors. The board will review this situation on an ongoing basis.

Recommendation 2.2:

The Chairman should be an independent director.

Disclosure:

The role of chairman of the Company during the reporting period was held by Mr Ed Nealon (who is executive chairman).

Explanation for departure:

Given the business and organisational structure of the Company, the Board is strongly of the opinion that the role of chairman should be an executive position at this time. The Board continues to review this situation on a regular basis.

Recommendation 2.3:

The roles of the chairman and chief executive officer should not be exercised by the same individual.

Disclosure:

The roles of the chairman and chief executive officer are not exercised by the same individual.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

The Company has established a separate Nomination Committee. The Committee comprises Mr Grant Button (chairman), Mr Kofi Morna and Mr Ted Droste.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Principle 2 – Structure the board to add value (continued)

Disclosure:

The chairman is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

Evaluations are undertaken by way of round-table discussions and when appropriate by one to one interviews.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to Reporting on Principle 2*.

Disclosure:

Skills, experience, expertise and term of office of each director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of independent directors

The independent directors of the Company during the reporting period were Mr Klaus Borowski, Mr Ted Droste and Mr Grant Button. These directors were/are independent as they were/are non-executive directors who were/are not members of management and who were/are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's materiality thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter.

- Statement of financial position items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on statement of financial position or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Principle 2 – Structure the board to add value (continued)

Statement concerning availability of Independent professional advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Performance evaluation

During the reporting period the performance evaluations for the Board and individual directors did occur in accordance with the disclosed process in Recommendation 2.5. The Board did not separately evaluate the performance of the Audit Committee.

Selection and (re)appointment of directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the managing director must retire from office no later than the longer of the third annual general meeting of the company or 3 years following that director's last election or appointment. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

Disclosure:

The Company has established a Diversity Policy a copy of which is published on the Company website.

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Principle 3 – Promote ethical and responsible decision-making (continued)

Recommendation 3.3:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Disclosure:

The Company has not yet established measurable objectives for achieving gender diversity. The Company operates with a very small team of professionals, whose services are provided on the basis of their experience and professional qualifications. Establishing such measurable objectives will be addressed by the board when the Company's operations require the expansion of its personnel numbers.

Recommendation 3.4:

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The table in respect of this follows:

Gender	Total	Senior Management	Board
Female	2	1	0
Male	9	7	6
% Female	18.2%	14.3%	0%

Recommendation 3.5:

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1:

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee, but due to the number of directors and the make-up of the Board, the same members of the Board are members of the Audit Committee.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not chairman of the Board
- has at least three members.

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Principle 4 – Safeguard integrity in financial reporting (continued)

Recommendation 4.2: (continued)

Disclosure:

The Committee meets the stipulations set out in recommendation 4.2.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

Disclosure:

Details of each of the director's qualifications are set out in the Directors' Report.

All of the Audit Committee members consider themselves to be financially literate and have industry knowledge.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

Disclosure:

Please refer to the section above marked Website Disclosures.

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the Policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the Policy, the Board delegates day-to-day management of risk to the executive officer (or equivalent), who is responsible for identifying, assessing, monitoring and managing risks. The executive officer (or equivalent) is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the executive officer/managing director (or equivalent) may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems. The Audit

Committee reports any issues regarding the management of material business risks that it feels should be brought to the Board's attention.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Principle 7 – Recognise and manage risk (continued)

Recommendation 7.1: (continued)

- the Board has established authority limits for management which, if exceeded, will require prior Board approval; and
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations;

The key categories of risk of the Company, as reported on by management, include:

- cash management (including interest rate);
- financial reporting;
- ASX reporting compliance;
- project/tenement ownership retention;
- equity/security price risk
- maintain joint venture partnerships.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

During the reporting period the Company had an informal risk management system in place, including the policies and systems referred to in the disclosure in relation to Recommendation 7.1. Although the system was not fully documented, management acting through the executive officer was able to form the view that management of its material business risks during the reporting period was effective. Refer to note 25 for a more detailed review of risk management.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the executive officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The executive officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Principle 7 – Recognise and manage risk (continued)

Recommendation 7.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

Disclosure:

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

The Company throughout the financial year had a separate Remuneration Committee.

Recommendation 8.2:

The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members

Disclosure:

The Committee meets the stipulations set out in recommendation 8.2.

Recommendation 8.3:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Given the Company's stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unquoted options to non-executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. All of the directors' option holdings are fully disclosed.

Pay and rewards for executive directors and senior executives consist of a base pay and benefits (such as superannuation) as well as long term incentives through participation in employee share and option plans. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Ferrum Crescent Limited

A.C.N. 097 532 137

Corporate governance statement (continued)

Principle 8 – Remunerate fairly and responsibly (continued)

Recommendation 8.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The Board has adopted a Remuneration Committee Charter.

Ferrum Crescent Limited

A.C.N. 097 532 137

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

	Note	2013 \$	2012 \$
Revenue from continuing operations			
Revenue	3(a)	86,285	205,183
Other income	3(b)	326,711	4,330
		412,996	209,513
Administration expenses	3(c)	(1,592,352)	(2,323,292)
Occupancy expenses		(54,981)	(104,205)
Exploration expenditure		(826,983)	(1,620,768)
Profit on remeasurement of financial liability/asset	14	608,414	8,321,244
Foreign exchange gain / (loss)		(145,130)	407
Share based payments	20	(303,252)	(3,183)
Profit / (loss) before taxation		(1,901,288)	4,479,716
Income tax benefit / (expense)	5	-	-
Profit / (loss) for the year		(1,901,288)	4,479,716
Other comprehensive income			
<i>Other comprehensive income which may subsequently be recycled through profit and loss</i>			
Net exchange gain / (loss) on translation of foreign operation		4,738	11,872
Fair value of available for sale investments (net of tax effect)		25,803	-
Other comprehensive (loss) / income for the year net of tax		30,541	11,872
Total comprehensive profit / (loss) for the year		(1,870,747)	4,491,588
Net Profit / (loss) for the period attributable to:			
Owners of the parent		(1,901,288)	4,479,716
		(1,901,288)	4,479,716
Total comprehensive profit / (loss) for the period attributable to:			
Owners of the parent		(1,870,747)	4,491,588
		(1,870,747)	4,491,588
Earnings / (loss) per share		Cents per share	Cents per share
Basic profit / (loss) per share	8	(0.60)	1.53
Diluted profit / (loss) per share		(0.68)	(1.30)

Ferrum Crescent Limited

A.C.N. 097 532 137

Consolidated Statement of Financial Position As at 30 June 2013

		2013	2012
	Note	\$	\$
Assets			
Current assets			
Cash and short term deposits	9	548,265	3,340,076
Trade and other receivables	10	269,305	128,447
Other financial assets	12	549,043	39,469
Prepayments		51,548	158,584
Total current assets		1,418,161	3,666,576
Non-current assets			
Plant and equipment	11	73,488	110,325
Other financial assets	12	683,074	144,297
Total non-current assets		756,562	254,622
Total assets		2,174,723	3,921,198
Liabilities and equity			
Current liabilities			
Trade and other payables	13	282,174	1,212,832
Financial Liability	14	-	95,379
Provisions	15	27,057	20,320
Total current liabilities		309,231	1,328,531
Total liabilities		309,231	1,328,531
Equity			
Contributed equity	16	28,366,383	27,392,728
Accumulated losses	19	(17,939,306)	(16,038,018)
Reserves	18	(8,561,585)	(8,762,043)
Equity attributable to owners of the parent		1,865,492	2,592,667
Non-controlling Interest		-	-
Total equity		1,865,492	2,592,667
Total equity and liabilities		2,174,723	3,921,198

This Statement of Financial Position is to be read in conjunction with the accompanying notes.

Ferrum Crescent Limited

A.C.N. 097 532 137

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

		2013	2012
	Note	\$	\$
Cash flows from operating activities			
Interest received		86,285	209,513
Exploration and evaluation expenditure		(823,522)	(2,113,911)
Payments to suppliers and employees		(1,554,133)	(2,696,209)
Net cash flows used in operating activities	24	(2,291,370)	(4,600,607)
Investing activities			
Payments for plant and equipment		(1,105)	(25,166)
Payments for available – for - sale investments		(512,974)	-
Net cash flows (used in) / from investing activities		(514,079)	(25,166)
Financing activities			
Proceeds from issue of shares		780,000	-
Settlement of minority interest obligation		(780,000)	-
Costs of raising capital		(10,687)	-
Net cash flows (used in) / from financing activities		(10,687)	-
Net increase/ (decrease) in cash and cash equivalents held		(2,816,135)	(4,625,773)
Net foreign exchange difference		24,324	(150,160)
Cash and cash equivalents at beginning of the period		3,340,076	8,116,009
Cash and cash equivalents at 30 June 2013	9	548,265	3,340,076

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Ferrum Crescent Limited

A.C.N. 097 532 137

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

	Issued capital \$	Accumulated losses \$	Share based payment reserve \$	Option reserve \$	Foreign exchange reserve \$	Available for sale reserve \$	Equity reserve \$	Total equity \$
At 1 July 2011	27,392,728	(20,517,734)	(169,303)	1,404,425	113,852	-	(10,126,072)	(1,902,104)
Profit for the period	-	4,479,716	-	-	-	-	-	4,479,716
Other Comprehensive Income (net of tax)	-	-	-	-	11,872	-	-	11,872
Total comprehensive loss (net of tax)	-	4,479,718	-	-	11,872	-	-	4,491,590
Transactions with owners in their capacity as owners:								
Cost associated with shares issued under employee share incentive plan	-	-	3,183	-	-	-	-	3,183
At 1 July 2012	27,392,728	(16,038,018)	(166,120)	1,404,425	125,724	-	(10,126,072)	2,592,667
Loss for the period	-	(1,901,288)	-	-	-	-	-	(1,901,288)
Other Comprehensive Income (net of tax)	-	-	-	-	4,738	25,803	-	30,541
Total comprehensive loss (net of tax)	-	(1,901,288)	-	-	4,738	25,803	-	(1,870,747)
Transactions with owners in their capacity as owners:								
Shares issued during the year net of transaction costs	973,655	-	(204,340)	-	-	-	-	769,315
Share based payments	-	-	374,257	-	-	-	-	374,257
At 30 June 2013	28,366,383	(17,939,306)	3,797	1,404,425	130,462	25,803	(10,126,072)	1,865,492

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements For the year ended 30 June 2013

Note 1: Corporate information

The consolidated financial report of Ferrum Crescent for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of directors on 30 September 2013.

Ferrum Crescent Limited is a for profit company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX), the London Stock Exchange (AIM) and the JSE Limited (JSE).

The nature of operations and principal activities of the Group are described in the Directors' Report.

Note 2: Statement of significant accounting policies

(a) Basis of preparation

The Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Ferrum Crescent Limited and its subsidiaries.

The Financial Report has also been prepared on a historical cost basis, except for available-for-sale investments and derivative financial instruments which have been measured at fair value.

The Financial Report is presented in Australian dollars.

(b) Statement of compliance

The Financial Report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and complies with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

Note 2: Statement of significant accounting policies

(c) Adoption of new and revised standards

All new and amended Accounting Standards relevant to the operations of the Group have been adopted from 1 July 2012, including:

- AASB 2011-9 Amendments to AASB Presentation of Other Comprehensive Income [AASB 1,5,7,101,112,120,121,132,133,134, 1039 & 1049], requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not, effective 1 July 2012

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies

(d) Accounting Standards and Interpretations issued but not yet effected

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2013. Relevant Standards and Interpretations are outlined in the table below.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation – Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7 and AASB 2012-10.</p>	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	<p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly- controlled Entities – Non-monetary Contributions by Ventures</i>.</p> <p>AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.</p>	1 January 2013	1 July 2013

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies

(d) Accounting Standards and Interpretations issued but not yet effected

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	1 July 2013
AASB 119	Employee Benefits	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 July 2013

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies

(d) Accounting Standards and Interpretations issued but not yet effected

Reference	Title	Summary	Application date of standard	Application date for Group
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	<p>This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the “stripping activity asset”.</p> <p>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.</p> <p>Consequential amendments were also made to other standards via AASB 2011-12.</p>	1 January 2013	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	Principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position, when all the offsetting criteria of AASB 132 are met.	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	<p>AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:</p> <ul style="list-style-type: none"> • Repeat application of AASB 1 is permitted (AASB 1) • Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). 	1 January 2013	1 July 2013
AASBN 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 139 Substantive Enactment of Major Tax Bills in Australia.	1 January 2013	1 July 2013

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies

(d) Accounting Standards and Interpretations issued but not yet effected

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
Interpretation 21	Levies (The AASB have not yet issued the Australian equivalent of this Interpretation).	This interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies

(d) Accounting Standards and Interpretations issued but not yet effected

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Further amendments were made by AASB2012-6 which amends the mandatory effect to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restarting prior periods by amending AASB 7 to require additional disclosures on transaction to AASB 9 in some circumstances.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2015	1 July 2015

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies

(d) Accounting Standards and Interpretations issued but not yet effected

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:</p> <ul style="list-style-type: none"> (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced disclosure Requirements <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> (a) For-profit entities in the private sector that have public accountability (as defined in this standard) (b) The Australian Government and State, Territory and Local governments <p>The following entities apply either tier2 or Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local governments. <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7, and 2012-11.</p>		1 July 2013

The impact of the adoption of these new and revised standards and interpretations is not expected to have a material impact on the Group given its current operations and structure.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(e) Basis of consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Ferrum Crescent Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Where appropriate prior year disclosures have been reclassified for consistency with current year classifications. The re-classification has not impacted the net profit / (loss) for the prior year.

(f) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in Note 20.

Forward subscription agreement

During the 2011 financial year the Group entered into a forward subscription agreement as set out in Note 14. This agreement requires the Company to issue a variable number of shares in exchange for ZAR 15 million. The assumptions used in this estimation are discussed in Note 14.

Impairment of available-for-sale financial assets

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Derivatives

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes in its fair value are recognised immediately in profit or loss.

(g) Going concern

The Group incurred an operating loss after income tax of \$1,901,288 for the year ended 30 June 2013. In addition, the Group has net current assets of \$1,108,930, which includes the forward subscription agreement, as at 30 June 2013 and shareholders' equity of \$1,865,492. The Financial Report has been prepared on a going concern basis and this basis is predicated on a number initiatives being undertaken by the Group with respect to ongoing cost reductions and funding as set out below.

At the board meeting held on 13 September 2013, the board resolved unanimously to accept the waiver of directors' fees and consulting fees that had accrued up to 30 June 2013 for 3 directors as well as to defer any future directors' fees and consulting fees until such time as is agreed at a future board meeting. This measure has been put in place to assist the company with its ongoing financing issues. On 21 September 2013 the Group signed a legally binding letter of intent with Anvwar Asian Investment, a company resident in the Sultanate of Oman, for the company to invest in the group a total of \$10 million for a 35% effective interest in the project on condition that certain conditions precedent are satisfied or waived by 30 November 2013.

On 24 September 2013 the Group accessed its Investo Investment Portfolio with Momentum to cover the short term financial burden of the Group until the above letter of intent is converted into a binding contract

Notwithstanding the above, the Directors are cognisant that the Group is significantly impacted by the successful development of existing projects, reduction in expenditure commitments and / or the sourcing of additional funds and the ongoing support of its shareholders. In the event that the asset sell-down transaction to Anvwar Asian Investment does not complete or the Group is unable to raise additional funds to meet the Group's ongoing working capital requirements when required, there is significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(h) Foreign Currency Translation

Both the functional and presentation currency of the Company and its Australian controlled entity is Australian dollars (A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the foreign operations is South African Rand (ZAR) and United States dollars (US).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the parent Company's financial report are taken to profit or loss unless they relate to the translation of subsidiary related loans and borrowings which are considered part of the net investment and are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

As at the reporting date the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(i) Exploration and evaluation expenditure

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(j) Plant & equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication exists of impairment and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. 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.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(k) Income tax

Current tax assets and liabilities for the current period and prior periods are measured at amounts expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used for computations are enacted or substantively enacted by the balance date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(k) Income tax (continued)

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

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

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(l) GST/VAT

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(l) GST / VAT (continued)

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

(m) Provisions and employee benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

ii. Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(n) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(o) Receivables

Receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

(p) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Revenue

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(q) Contributed equity

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

The Group's own shares, which are re-acquired for later use in the employee share based payment arrangements, are deducted from equity.

(r) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(s) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Company adjusted for:

- costs of servicing equity (other than dividends),
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(t) Financial Instruments – Initial recognition and subsequent measurement

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets on initial recognition.

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designed as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under AASB 139 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(t) Financial Instruments – Initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Group did not have any held-to-maturity investments during the years ended 30 June 2012 and 2013.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs or loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(t) Financial Instruments – Initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(t) Financial Instruments – Initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets (continued)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, described as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(t) Financial Instruments – Initial recognition and subsequent measurement (continued)

(iii) Financial liabilities (continued)

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

During 2011 the Group entered into a forward subscription agreement as set out in Note 14. This forward subscription agreement is treated as a derivative financial instrument, as its value changes in response to the Company's share price. Based on the current valuation it is classified as a financial liability.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

(u) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(v) Share-based payment transactions

The Company provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in Note 20.

In valuing equity-settled transactions, no account is taken to any vesting conditions, other than conditions linked to the price of the shares of the Company if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity on the date the equity right is granted. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based arrangement, or is otherwise beneficial to the employee, as measured at the date of modification

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 8).

(w) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions the Group's operating and accounting policies and other pertinent condition as at the acquisition date. This includes the separation of the embedded derivatives in those contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in the profit or loss as a change to other comprehensive income. If contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 2: Statement of significant accounting policies (continued)

(x) Leases

The determination on whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased term, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are cognised in finance costs in the profit or loss.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(y) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowing.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(z) Government grants

Grants from the government including, Australian Research and Development Tax incentive, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all the attached conditions. Government grants related to depreciable assets are recognised by reducing the carrying amount of the asset. When the grant relates to an expense item it is recognised in income over the period necessary to receive the grant on a systematic basis.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 3: Revenue and expenses

Revenue and Expenses from Continuing Operations

	Note	2013 \$	2012 \$
(a) Revenue			
Finance revenue:			
Interest received		<u>86,285</u>	<u>205,183</u>
(b) Other income			
R&D Government grant income		326,711	-
Other income		-	4,330
		<u>362,711</u>	<u>4,330</u>
(c) profit and loss			
Other expenses include the following:			
Depreciation		29,394	38,322
Gain on disposal of plant and equipment		15	1,074
Bad debt expenses		-	-
Consulting services		599,211	698,863
Employment related			
- Directors fees		120,000	236,705
- Wages		224,552	231,137
- Superannuation		5,778	5,824
Corporate		240,725	524,046
Travel		128,279	223,276
Other		244,398	364,045
		<u>1,592,352</u>	<u>2,323,292</u>

Note 4: Segment information

Identification of Reportable Segments

The Group has based its operating segment on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The Group currently does not have production and is only involved in exploration. As a consequence, activities in the operating segment are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of the manager and country of expenditure. Information is reviewed on a whole of entity basis.

Based on these criteria the Group has only one operating segment, being exploration, and the segment operations and results are reported internally based on the accounting policies as described in Note 2 for the computation of the group's results presented in this set of financial statements.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 4: Segment information (continued)

	Note	Australia		South Africa		Consolidation	
		2013	2012	2013	2012	2013	2012
		\$	\$	\$	\$	\$	\$
Revenue from external customers		-	-	-	-	-	-
Non - current assets	11,12	674	1,089	755,888	253,533	756,562	254,622

Note 5: Income tax expense

	2013	2012
	\$	\$
Reconciliation of income tax expense/(income) to the pre-tax net loss		
Profit / (Loss) before income tax	1,901,288	4,479,716
Income tax calculated at 30% on loss before income tax	570,386	1,343,915
Add tax effect of: non-deductible expenses	104,949	(2,623,682)
Legal fees deduction	-	(4,859)
Unused tax losses and temporary differences not brought to account	(675,335)	1,284,626
Income tax expense/(income)	-	-

Analysis of deferred tax balances

	2013	2012
	\$	\$
<i>Deferred tax liabilities</i>		
Assessable temporary differences		
Prepayments	(3,752)	(47,575)
Financial asset	(153,911)	-
Deferred tax liabilities offset by deferred tax assets	157,663	47,575
Net deferred tax liabilities	-	-
<i>Deferred tax assets</i>		
Share issue expenses	251,511	380,726
Legal expense amortised	4,859	-
Payables and provisions	413	6,096
Financial liability	-	28,614
Unused tax losses	2,824,804	5,091,548
	3,081,587	5,506,984
Total unrecognised deferred tax assets	(2,923,924)	(5,459,409)
Deferred tax assets	157,663	47,575
Deferred tax assets offset by deferred tax liabilities	(157,663)	(47,575)
Net deferred tax assets	-	-

Unused tax losses set out above have not been recognised due to uncertainty of future taxable profit streams.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 6: Related party disclosures

(a) Compensation of Key Management Personnel

	2013	2012
	\$	\$
Short-term employee benefits	982,114	1,292,266
Post-employment benefits	3,303	3,303
Share based payments	295,825	-
Termination benefits	103,919	-
	<u>1,385,161</u>	<u>1,295,569</u>

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 6: Related party disclosures (continued)

(b) Share and option holdings

2013	Shares				Options/share rights					
	Balance	Received as	On Exercise	Net Change	Balance	Balance	Received as	Options/ rights exercised	Net Change	Balance
	1-July-2012	Remuneration	of Options	Other (i)	30-Jun-13	1-July-2012	Remuneration	Exercised	Other (i)	30-Jun-13
Directors										
Ed Nealon	3,145,000	-	612,197	427,334	4,184,531	-	3,688,149	(612,197)	-	2,648,617
Klaus Borowski	-	-	-	-	-	500,000	-	-	-	500,000
Kofi Morna	-	-	-	-	-	500,000	-	-	-	500,000
Ted Droste	-	-	-	-	-	500,000	-	-	-	500,000
Grant Button	1,436,000	-	-	-	1,436,000	-	552,504	-	-	552,504
Robert Hair	5,045,310	-	1,561,103	1,089,705	7,696,118	-	4,338,289	(1,561,103)	-	2,777,186
Executives										
Lindsay Cahill	832,500	-	-	-	832,500	-	-	-	-	-
Andrew Nealon	644,413	-	387,719	-	1,032,132	-	2,374,181	(387,719)	-	1,986,452
Scott Huntly	2,956,022	-	-	-	2,956,022	600,000	-	-	-	600,000
Vernon Harvey	-	-	-	-	-	-	400,000	-	-	400,000
Dave Richards	-	-	-	-	-	-	-	-	-	-
Beverley Gardner	-	-	-	-	-	-	-	-	-	-

*Issued under the employee share plan

- (i) Net change other includes:
- acquisitions and disposals on market
 - issue in settlement of fees
 - subscribed in share issue
 - subscription for options
 - sales / transfers
 - appointment / resignation as director
 - exchange of options for shares

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 6: Related party disclosures (continued)

(b) Share and option holdings (continued)

2012	Shares				Options					
	Balance	Received as	On	Net Change	Balance	Balance	Received as	Options	Net Change	Balance
	1-July-2011	Remuneration	Exercise	Other (i)	30-Jun-12	1-July-2011	Remuneration	Expired	Other (i)	30-Jun-12
Directors										
Ed Nealon	1,145,000	-	-	2,000,000	3,145,000	-	-	-	-	-
Klaus Borowski	-	-	-	-	-	500,000	-	-	-	500,000
Kofi Morna	-	-	-	-	-	500,000	-	-	-	500,000
Ted Droste	-	-	-	-	-	500,000	-	-	-	500,000
Grant Button	1,436,000	-	-	-	1,436,000	-	-	-	-	-
Robert Hair	4,665,310	-	-	380,000	5,045,310	-	-	-	-	-
Executives										
Lindsay Cahill	878,939	-	-	(46,439)	832,500	-	-	-	-	-
Andrew Nealon	644,413	-	-	-	644,413	-	-	-	-	-
Scott Huntly	4,447,007	-	-	(1,490,985)	2,956,022	-	600,000	-	-	600,000
Vernon Harvey	-	-	-	-	-	-	-	-	-	-
Dave Richards	-	-	-	-	-	-	-	-	-	-
Beverley Gardner	-	-	-	-	-	-	-	-	-	-

(ii) Net change other includes:

- acquisitions and disposals on market
- issue in settlement of fees
- subscribed in share issue
- subscription for options
- sales / transfers
- appointment / resignation as director
- exchange of options for shares

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 6: Directors' and executives' remuneration (continued)

(c) Number of employee shares (under non-recourse loan schemes) held by directors and executives:

2013

Directors	Balance 1-July-12	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-13
Ed Nealon	1,100,000	-	-	-	1,100,000
Robert Hair	1,000,000	-	-	-	1,000,000
Kofi Morna	-	-	-	-	-
Ted Droste	-	-	-	-	-
Grant Button	900,000	-	-	-	900,000
Klaus Borowski	-	-	-	-	-
Executives					
Lindsay Cahill	450,000	-	-	-	450,000
Vernon Harvey	-	-	-	-	-
Andrew Nealon	240,000	-	-	-	240,000
Scott Huntly	-	-	-	-	-
Dave Richards	-	-	-	-	-
Beverley Gardner	-	-	-	-	-

2012

Directors	Balance 1-July-11	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-12
Ed Nealon	1,100,000	-	-	-	1,100,000
Robert Hair	1,000,000	-	-	-	1,000,000
Kofi Morna	-	-	-	-	-
Ted Droste	-	-	-	-	-
Grant Button	900,000	-	-	-	900,000
Klaus Borowski	-	-	-	-	-
Executives					
Lindsay Cahill	450,000	-	-	-	450,000
Vernon Harvey	-	-	-	-	-
Andrew Nealon	240,000	-	-	-	240,000
Scott Huntly	-	-	-	-	-
Dave Richards	-	-	-	-	-
Beverley Gardner	-	-	-	-	-

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 7: Auditor's remuneration

	2013	2012
	\$	\$
Remuneration of the auditor of the Company for:		
-auditing or reviewing the financial report		
Ernst & Young Australia	32,500	55,000
Ernst & Young South Africa	27,000	44,204
	59,500	99,204
-other assurance related services		
Ernst & Young Australia	-	-
	59,500	99,204

Note 8: Earnings per share

	2013	2012
	\$	\$
Basic earnings/(loss) per share (cents per share)	(0.60)	1.53
Diluted earnings/(loss) per share (cents per share)	(0.68)	(1.30)
Net profit /(loss)	(1,901,288)	4,479,716
Profit / (loss) used in calculating basic earnings / (loss) per share	(1,901,288)	4,479,716
Adjustments to basic profit / (loss) used to calculate dilutive earnings /(loss) per share (2012 only, anti-dilutive in 2013)	(608,414)	(8,321,244)
Profit / (loss) used in calculating dilutive earnings / (loss) per share	(2,509,072)	(3,841,528)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share	315,876,561	292,246,705
Adjustments to weighted average number of ordinary shares used in the calculation of diluted earnings / (loss) per share– Add back potential shares related to financial asset/liability	51,303,500	2,890,273
Weighted average number of ordinary shares used in the calculation of diluted (loss)/earnings per share	367,180,061	295,136,978

There have been no transactions involving ordinary shares or potential shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Potential dilutive shares not included in dilutive earnings per share was 24,114,672 (2012: 24,446,727)

Note 9: Cash and cash equivalents

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

	2013	2012
	\$	\$
Cash at bank	548,265	3,340,076

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 10: Trade and other receivables

	2013	2012
	\$	\$
Current		
Sundry debtors	176,345	19,931
GST / VAT	92,960	108,516
	269,305	128,447

Non-trade debtors are non-interest bearing and are generally on 30-90 days terms. The carrying amounts of these receivables represent fair value and are not considered to be impaired.

Note 11: Plant and equipment

	Furniture, fittings and equipment	Motor vehicles	Leasehold improvements	Total
	\$	\$	\$	\$
Year ended 30 June 2012				
Opening net carrying value	35,220	88,296	23,397	146,913
Additions	25,166	-	-	25,166
Disposals	(1,074)	-	-	(1,074)
Depreciation charge for the year	(17,012)	(20,090)	(1,220)	(38,322)
Exchange differences	(7,974)	(10,719)	(3,665)	(22,358)
Closing net carrying amount	34,326	57,487	18,512	110,325
At 30 June 2012				
Cost	56,689	80,250	19,486	156,425
Accumulated depreciation	(22,363)	(22,763)	(974)	(46,100)
Net carrying value	34,326	57,487	18,512	110,325
Year ended 30 June 2013				
Opening net carrying value	34,326	57,487	18,512	110,325
Additions	2,041	-	-	2,041
Disposals	(392)	-	-	(392)
Depreciation charge for the year	(13,656)	(14,837)	(901)	(29,394)
Exchange differences	(2,734)	(4,776)	(1,582)	(9,092)
Closing net carrying amount	19,585	37,874	16,029	73,488
At 30 June 2013				
Cost	51,881	73,348	17,810	143,039
Accumulated depreciation	(32,296)	(35,474)	(1,781)	(69,551)
Net carrying value	19,585	37,874	16,029	73,488

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 12: Other financial assets

	2013 \$	2012 \$
Current assets		
Rental and Other Deposits	6,868	7,586
Rehabilitation Trust	29,140	31,883
Financial asset at fair value through profit and loss – forward subscription agreement (refer to note 14)	513,035	-
	<u>549,043</u>	<u>39,469</u>
Non- current assets		
Available for sale investments (at fair value)	683,074	144,297
	<u>683,074</u>	<u>144,297</u>

The available for sale investment is an Investo Linked Investment portfolio has been setup with Momentum Insurance from 1 April 2012 to cover the rehabilitation of all subsidiary mining activities in accordance with the requirements of the mining leases.

This portfolio has an initial savings term of 10 years with an automatic increase of 10% to the contributions on an annual basis. After the initial 10 years the investment automatically continues in periods of 5 years. After automatic continuation the investment will qualify for a loyalty bonus at the end of each 5 year period. The investment will be levied with allocation and management fees on a monthly basis.

Cash withdrawals may be made up to a restricted percentage of the net fund value at the time of the withdrawal. The withdrawn amounts will not be taken into consideration when calculating the loyalty bonus due on the portfolio. Withdrawals may be made at the discretion of the cessionary (CICL).

On 16th July 2012 a Deed of Surety and Indemnity was signed ceding this investment portfolio to Constantia Insurance Company Limited (CICL) in return for a guarantee to the Directorate Mineral Regulation (DMR) for the confirmed amount of R7,517,000.

R4,000,000 (approx. AUD432,144 at the prevailing AUD: ZAR exchange rate of 9.25618) was accessed on 25 September 2013 to assist the Group with it financial commitments until the Anwar Asian Investments deal set out above and the rights issue have been finalised. The session still stands and CICL gave written approval for this on condition that the Group continued to make its monthly contributions of R462,000 (approx. AUD49,913).

The fair value of the available for sale investment is based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 2).

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 13: Trade and other payables

	2013	2012
	\$	\$
Current		
Trade payables and other payables (i)	282,174	349,582
Minority interest obligation (ii)	-	863,250
	282,174	1,212,832

- (i) Trade and other payables are non-interest bearing and are normally settled on 30-day terms.
- (ii) During the 2011 financial year, various agreements were entered into in respect of the minority interest in the Moonlight Iron Ore Project.

A company, Mkhombi Investments (Pty) Ltd ("Mkhombi Investments"), which meets the requirements of applicable South African legislation in respect of historically disadvantaged persons (referred to in South Africa as being "BEE controlled"), entered into an agreement on 26 October 2010 with the then current holder of 26% of Ferrum Iron Ore (Pty) Ltd, previously Turquoise Moon Trading 157 (Pty) Ltd ("TMT") to purchase that holder's right, title and interest in TMT for ZAR30 million (then approximately AUD4.4 million) ("TMT Sale Agreement"). The South African Department of Mineral Resources expressed its support of the transaction.

Ferrum South Africa (Pty) Ltd, previously Nelesco 684 (Pty) Ltd ("FSA"), a wholly owned subsidiary of the Company, entered into agreements with Mkhombi Investments and its holding company, Mkhombi AmaMato (Pty) Ltd ("AmaMato"), the terms of which provide for the following to take place:

- a) FSA would be issued shares in Mkhombi Investments such that it holds an initial 32.17% interest in Mkhombi Investments, with the remaining 67.83% held by AmaMato;
- b) AmaMato lent the sum of ZAR 7.5 million to Mkhombi Investments, to be applied as part of the purchase price under the TMT Sale Agreement. The advance, which was made as at 31 December 2010, does not attract interest and is only repayable in certain circumstances (namely, the failure of the conditions precedent set out in the Subscription Agreement, as defined below);
- c) FSA lent the sum of ZAR 22.5 million to Mkhombi, to be applied as paying the balance of the purchase price under the TMT Sale Agreement. The advance, which was made as at 31 December 2010, does not attract interest and is repayable in certain circumstances (namely, the failure of the conditions precedent set out in the Subscription Agreement, as defined below);
- d) Mkhombi Investments would issue shares and/ or FSA will transfer some of its shares in Mkhombi Investments so that 11.54% of Mkhombi Investment's shares on issue are held by a trust representing the locally impacted community, with the resulting shareholdings being AmaMato 60%, Nelesco 28.46%, and the locally impacted community 11.54%; and
- e) AmaMato, subject to the conditions precedent to the Subscription Agreement, as defined below, sell its entire right, title and interest in, and all of its claims against, Mkhombi Investments to FSA for ZAR 7.5 million (2012: A\$863,250).

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 13: Trade and other payables (continued)

A subscription agreement was entered into between the Company and AmaMato on 4 November 2010 (the "Subscription Agreement"). On completion of the Subscription Agreement (subject to the fulfilment of the conditions precedent to that agreement), AmaMato will subscribe for such number of shares in the Company as is equal to 7.8% of the issued shares at that time (the "First Subscription"). The price payable for the subscription of the Shares under the First Subscription will be ZAR 7.5 million.

AmaMato was to, on or before the later of (i) the date falling 10 business days after the Closing Date (as defined in the Subscription Agreement and extension to the Subscription Agreement) and (ii) 30 November 2012 (the "Subscription Period"), which period will be extended by the Company for a period of 1 year in the event that it raises not less than ZAR7.5 million in 2011, subscribe for a further 7.8% of the issued shares of the Company (calculated by reference to the issued share capital of the Company at the time of the First Subscription adjusted for any subsequent share splits, consolidations or bonus capitalisations) for a further ZAR 7.5 million. This further subscription has been extended by mutual consent until 31 January 2014.

The conditions precedent to the Subscription Agreement, include no insolvency event occurring, the granting of a mining right in respect of the Project, necessary South African Reserve Bank approvals and shareholder and other approvals required under the Corporations Act and the AIM/ASX listing rules, including shareholder approval.

In the event that the conditions precedent to the Subscription Agreement were not fulfilled by 1 November 2012, then AmaMato will have the right, for 60 days, to require Nelesco to purchase all of AmaMato's rights, title and interest in, and all its claims against, Mkhombi Investments for the price of ZAR 12.5 million. The conditions precedent to the Subscription Agreement have been met.

Kofi Morna, a Director of Ferrum Crescent Limited ("Company"), is also a director of AmaMato and Mkhombi Investments. He became a Director of the Company during the 2011 financial year for the purposes of the above transaction. He holds an indirect non-controlling interest in AmaMato.

Upon completion of the Subscription Agreement, the Company will legally own directly and indirectly through its wholly owned subsidiary, Mkhombi Investments, 97% of Ferrum Iron Ore (Pty) Ltd with the remaining 3% held by the GaSeleka Community. AmaMato will own 15.6% of the Company.

In the opinion of the Directors, the conditions precedent to the Subscription Agreement are essentially procedural in nature, following the completion of the Company's capital raising of 10 million pounds Sterling ("GBP") (equal to approximately AUD 16 million) before expenses, completed on 16 December 2010. As such, while the Company's legal interest in the Moonlight Iron Ore Project increased from 74% to approximately 81.5%, the Directors hold an effective interest in the underlying project of 97% as at 31 December 2010 as a result of the minority purchase obligation.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 14: Financial liability

	2013	2012
	\$	\$
Current		
Financial liability at fair value through profit and loss – forward subscription agreement	-	95,379
	-	95,379

The above liability will be settled in the Company's shares and not in cash.

As described above, in the opinion of the Directors, the remaining procedural conditions precedent under the Subscription agreement will be fulfilled within one year from balance date. Under the Subscription Agreement, the Company has agreed to issue shares to AmaMato equal to 15.6% of the issued share capital of the Company for ZAR15 million. The above financial liability, measured at fair value through profit and loss, represents the Company's best estimate of the fair value of this contractual arrangement (incomplete 2nd tranche as at 30 June 2013). Refer to Note 25 for the Group's exposure to equity price risk on this amount. The gain on revaluation of the financial liability/asset during the period amounts to \$608,414 (financial asset – refer to note 12) (2012 of \$8,321,244) which has been recognised through the profit and loss. The valuation of the forward subscription agreement is \$513,035 at balance date due to variations in the AUD/ZAR exchange rate (30 June 2013: 9.506 RAND/AUD) and Ferrum Crescent Limited's share price (30 June 2013: AUD\$0.01).

Note 15: Provisions

	2013	2012
	\$	\$
Employee benefits	27,057	20,320

Note 16: Issued Capital

	2013	2012	2013	2012
	No. of shares	No. of shares	\$	\$
(a) Share Capital				
Ordinary Shares				
Ordinary shares fully paid	328,201,385	298,841,705	28,366,383	27,392,728
Employee share plan shares	(6,595,000)	(6,595,000)	(509,905)	(509,905)
	321,606,385	292,246,705	27,856,478	26,882,823

Capital management

When managing capital (which is defined as the Company's total equity), management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. As the equity market is constantly changing management may issue new shares to provide for future exploration and development activity. The Company is not subject to any externally imposed capital requirements.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 16: Issued Capital (continued)

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$
01 July 2011	Opening Balance	298,691,705	27,392,728
23 February 2012	Issued at 10 cents per share	150,000	-
30 June 2012	Closing Balance	298,841,705	27,392,728
28 November 2012	First tranche of BEE transaction	25,281,620	780,000
14 December 2012	Salary sacrifice share scheme issue	4,078,060	204,340
	Costs associated with share issues	-	(10,685)
30 June 2013	Closing Balance	328,201,385	28,366,383
	- Employee share plan shares on issue	(6,595,000)	(509,905)
		321,606,385	27,856,478

If, any time during the exercise period, an employee ceases to be the employee, all share options held by that employee will lapse one month after the employment end date. Therefore above employee shares are recognised in issued capital when issued to the employees.

(c) Movements in employee share plan shares issued with limited recourse employee loans

Date	Details	Number of shares	\$
1 July 2011	Opening balance	6,445,000	(509,905)
	Issued during 2012	150,000	-
30 June 2012	Closing balance	<u>6,595,000</u>	<u>(509,905)</u>
30 June 2013	Closing balance	<u>6,595,000</u>	<u>(509,905)</u>

No employee share plan shares were issued in the current financial year.

This account is used to record the value of shares issued under the Executive Share Incentive Plan (ESIP). The ESIP is accounted for as an "in-substance" option plan due to the limited recourse nature of the loan between employees and the Company to finance the purchase of ordinary shares. The total fair value of the "in substance" options issued under the plan is recognised as a share-based payment expense over the vesting period, with a corresponding increase in equity. Information on the valuation of shares issued under the ESIP during the period is disclosed in Note 19.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 17: Listed Options

	2013	2012
	No of Options	No of Options
Options		
At year end the following options were on issue:		
- 31 December 2013 Options exercisable at 40 cents per share	21,496,727	21,496,727
- 07 December 2013 Options exercisable at 10 cents per share	2,350,000	2,950,000
- 14 December 2015 Options exercisable at 10 cents per share	400,000	-
	<u>24,246,727</u>	<u>24,446,727</u>
Movements in 31 December 2013 Options		
Beginning of the financial year	21,496,727	21,496,727
Options issued during the year	-	-
Options cancelled during the year	-	-
End of the financial year	<u>21,496,727</u>	<u>21,496,727</u>
Movements in 7 December 2013 Options		
Beginning of the financial year	2,950,000	2,950,000
Options issued during the year	-	-
Options cancelled during the year	(600,000)	-
End of the financial year	<u>2,350,000</u>	<u>2,950,000</u>
Movements in 14 December 2015 Options		
Beginning of the financial year	-	-
Options issued during the year	400,000	-
Options cancelled during the year	-	-
End of the financial year	<u>400,000</u>	<u>-</u>

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 18: Reserves

	Share based payment reserve	Option Reserve	Foreign exchange reserve	Equity reserve	Available for sale reserve	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2011	(169,303)	1,404,425	113,852	(10,126,072)	-	(8,777,098)
Currency translation differences	-	-	11,872	-	-	11,872
Cost associated with Shares issued employee share incentive scheme	3,183	-	-	-	-	3,183
At 30 June 2012	(166,120)	1,404,425	125,724	(10,126,072)	-	(8,762,043)
Currency translation differences	-	-	4,738	-	-	4,738
Shares issued	(204,340)	-	-	-	-	(204,340)
Growth in investment portfolio	-	-	-	-	25,803	25,803
Share based payments [^]	374,257	-	-	-	-	374,257
At 30 June 2013	3,797	1,404,425	130,462	(10,126,072)	25,803	(8,561,585)

[^]This amount includes \$71,000 of remuneration in 2012 which was accrued and ultimately settled in shares under the Company's salary sacrifice scheme.

Nature and purpose of reserves

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees, consultants and directors as part of their remuneration.

Options reserve

This reserve is used to record the value of options issued, other than share-based payments to directors, employees and consultants as part of their remuneration.

Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Equity Reserve

The Equity reserve is used to record the acquisition of the non-controlling interest by the Group and to record differences between the carrying value of non-controlling interests and the consideration paid / received, where there has been a transaction involving non-controlling interests that do not result in a loss of control. The reserve is attributable to the equity of the parent.

Available-for-sale Reserve

Used to record changes in the fair value of the Group's available-for-sale financial assets.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 19: Accumulated losses

	2013	2012
	\$	\$
Accumulated losses at the beginning of the financial year	(16,038,018)	(20,517,734)
Net profit / (loss) for the reporting period	(1,901,288)	4,479,716
Accumulated losses at the end of the financial year	<u>(17,939,306)</u>	<u>(16,038,018)</u>

Note 20: Share Based Payments

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2013	2012
	\$	\$
Options issued in consideration for services (i)	4,644	-
Amounts expensed for shares issued under the Company's Executive Share Incentive Plan (ii)	7,427	3,183
Share based payment - in respect of Moonlight Iron Ore Project (refer note 12)	-	-
Shares based payment salary sacrifice scheme (iii)	291,181	-
	<u>303,252</u>	<u>3,183</u>

Included in the share based payment salary sacrifice scheme is AUD\$122,846 related to the directors remuneration that has been waived by the directors concerned subsequent to balance date (see remuneration report for breakdown).

(i) Options issued in consideration for services

Fair value of options granted

The fair value at grant date of options issued is determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The table below summarises the model inputs (post consolidation) for options granted during the period year ended 30 June 2013:

Options granted for no consideration	400,000
Exercise price (AUD cents)	10.00
Issue date	14 December 2012
Expiry date	14 December 2015
Underlying security spot price at grant date (AUD cents)	0.30
Expected price volatility of the Company's shares	100%
Expected dividend yield	0%
Expected life	3
Risk-free interest rate	2.81%
binomial model valuation per option (AUD cents per share)	1.16

The expected price volatility is based on the historic volatility of the Company's share price in the market.

There were no options issued in 2012

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 20: Share Based Payments (continued)

(ii) Shares issued under the Executive Share Incentive Plan (ESIP)

Executive Share Incentive Plan

Under the plan, eligible employees are offered shares in The Company at prices determined by the Board. The Board has the ultimate discretion to impose special conditions on the shares issued under the ESIP and can grant a loan to a participant for the purposes of subscribing for plan shares. Shares issued under loan facilities are held on trust for the benefit of the participant and will only be transferred into the participant's name once the loan has been fully repaid. ESIP participants receive all the rights associated with the ordinary shares.

Loans granted to participants are limited recourse and interest free unless otherwise determined by the Board. The loans are to be repaid via the application of any dividends received from the shares and/or the sale of the plan shares. Where the loan is repaid by the sale of shares, any remaining surplus on sale is remitted to the participant while any shortfall is borne by the Group.

During the prior reporting period, the Company issued the following shares under the ESIP:

1. 150,000 shares at 10 cents per share to Ms Jackie Barry, Administration Officer, on 23 February 2012 after shareholder approval.

If any time during the exercise period an employee ceases to be the employee, all options held by that employee vest immediately and will lapse one month after the employment end date. As such, there is not considered to be any service conditions attaching to the grant of shares under the ESIP, and the full expense is recognised at grant date.

Fair value of award granted

Shares granted under the ESIP are accounted for as "in-substance" options due to the limited recourse nature of the loan between the employees and the Company to finance the purchase of ordinary shares. The fair value at grant date for the various tranches of rights issued under the ESIP is determined using a binomial model using the following model inputs:

	2012
Shares issued	150,000
Loan price per share (AUD cents)	10.00
Valuation date	23 February 2012
Loan expiry date	25 February 2015
Underlying security spot price at valuation date (AUD cents)	10
Expected price volatility of the Company's shares	89%
Expected dividend yield	0%
Expected life	3.00
Risk-free interest rate	2.1%
binomial model valuation per share (AUD cents per share)	10.00

There were no shares issued under the ESIP in 2013.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 20: Share Based Payments (continued)

(iii) Shares issued under the Salary Sacrifice Scheme

Shareholder approvals were obtained on 8 August 2012 for the implementation of a salary sacrifice plan under which directors and executives may forego agreed fees and salary and subscribe for shares in the Company.

Four individuals have elected during the year to participate in the salary sacrifice plan, and the shares that have "accrued" or been "issued" (calculated on a monthly basis by way of volume weighted average share prices for Ferrum shares as traded)

	30 June 2013 Number of Shares rights	30 June 2013 Number of Shares rights exercised	30 June 2013 Number of rights outstanding	30 June 2013 \$ Total value of Share rights
E Nealon	3,260,814	1,039,532	2,648,617	80,005
RW Hair	4,338,289	2,650,808	2,777,186	153,000
A Nealon	2,374,181	387,719	1,986,452	50,000
G Button	552,504	-	552,504	8,181
Total	10,525,778	4,078,060	7,964,759	291,186

The value of the rights per tranche of rights issued are set out below:

The grant date of the share based payments is considered to be when the directors elect to have their compensation paid to them in the form of shares.

	E Nealon	RW Hair	A Nealon	G Button
Rights issued - Jul 2012	95,238	242,857	-	-
Value of rights issued - Jul 2012	\$0.07	\$0.07	\$0.07	-
Rights issued - Sep 2012	133,333	340,000	100,000	-
Value of rights issued - Sep 2012	\$0.05	\$0.05	\$0.05	-
Rights issued - Oct 2012	161,404	411,579	121,053	-
Value of rights issued - Oct 2012	\$0.04	\$0.04	\$0.04	-
Rights issued - Nov 2012	222,222	566,667	166,667	-
Value of rights issued - Nov 2012	\$0.03	\$0.03	\$0.03	-
Rights issued - Dec 2012	241,546	615,942	181,159	-
Value of rights issued - Dec 2012	\$0.03	\$0.03	\$0.03	\$0.00
Rights issued - Jan 2013	155,763	397,196	116,822	-
Value of rights issued - Jan 2013	\$0.04	\$0.04	\$0.04	-
Rights issued - Feb 2013	308,642	787,037	231,481	75,745
Value of rights issued - Feb 2013	\$0.02	\$0.02	\$0.02	\$0.02
Rights issued - Mar 2013	383,142	977,011	287,356	94,029
Value of rights issued - Mar 2013	\$0.02	\$0.02	\$0.02	\$0.02
Rights issued - Apr 2013	416,667	0	312,500	102,256
Value of rights issued - Apr 2013	\$0.02	\$0.02	\$0.02	\$0.02
Rights issued - May 2013	666,667	0	500,000	163,610
Value of rights issued - May 2013	\$0.01	\$0.01	\$0.01	\$0.01
Rights issued - Jun 2013	476,190	0	357,134	116,864
Value of rights issued - Jun 2013	\$0.01	\$0.01	\$0.01	\$0.01
Total rights	3,260,814	4,338,289	2,374,171	552,504
Exercised	612,197	1,561,103	387,719	-
Unexercised rights	2,648,617	2,777,186	1,986,452	552,504

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 21: Commitments

- (i) At this stage the Company has no minimum obligations with respect to tenements expenditure requirements.
- (ii) Operating lease commitments are as follows:

	2013	2012
	\$	\$
Within 1 year	31,170	34,780
2 to 3 years	24,753	60,865
Total	<u>55,923</u>	<u>95,645</u>

The Company disposed of its Australian tenements during 2011 and whilst the Company still holds tenements in South Africa, expenditure commitments in relation to these tenements have been met. The Company has converted their South African prospecting rights into mining rights and applied for new prospecting rights over adjacent land. The Company is subject to new commitments in relation to mining and prospecting expenditure.

A subsidiary of the Group entered into a 36 month commercial office lease on 01 April 2012, with an 8% annual escalation, for their head office in Johannesburg, South Africa. The value of the lease has been annualised over the life of the Lease agreement as per the above.

Note 22: Contingent liabilities

There are no contingent liabilities as at 30 June 2013.

Note 23: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Subsidiaries

The consolidated financial statements include the financial statements of Ferrum Crescent Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Beneficial Equity Interest	
		2013	2012
Ferrum Metals Pty Ltd	Australia	100	100
Batavia Ltd	Mauritius	100	100
Ferrum South Africa (Pty) Ltd, (previously, Nelesco 684 (Pty) Ltd)	South Africa	100	100
Ferrum Iron Ore (Pty) Ltd, (previously, Turquoise Moon Trading 157 (Pty) Ltd)	South Africa	97.14	97.14
Mkhombi Investments (Pty) Ltd	South Africa	88.46	88.46

Ferrum Crescent Limited is the ultimate Australian parent entity and the ultimate parent of the Group. Transactions between Ferrum Crescent Limited and its controlled entities during the year consisted of loan advances by Ferrum Crescent Limited. All intergroup transactions and balances are eliminated on consolidation.

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 23: Related party transactions (continued)

Loans to / (from) related parties

The following transactions were undertaken between the Company, executive officers and director-related entities during 2012 and 2013

	2013	2012
	\$	\$
Consulting secretarial fees were paid or accrued to Athlone International Consultants Pty Ltd, a company with which Andrew Nealon is associated	60,000	60,000
Consulting fees were paid or accrued to Camcove Pty Ltd, a company of which Robert Hair is a director and shareholder	264,000	249,000
Consulting fees were paid to T.C Droste Investments Pty Ltd, a company of which Ted Droste is a director and shareholder	94,500	90,000
Consulting fees were paid to Torbinup Resources Pty Ltd, a company of which Lindsay Cahill is a director and shareholder	-	29,756

Kofi Morna, a Director of the Company, is also a director and shareholder of Mkhombi AmaMato (Pty) Ltd, who, prior to entering into the BEE subscription agreement had a majority interest in Mkhombi Investments (Pty) Ltd. Upon completion of the subscription agreement detailed in the review of operations section and Note 12 above, Mkhombi AmaMato will directly own 15.6% or approximately 55,208,419 shares in the Company.

Note 24: Cash flow information

	2013	2012
	\$	\$
Reconciliation of cash flow from operations with (loss) / profit from ordinary activities after income tax		
Profit / (loss) from ordinary activities after income tax	(1,901,288)	4,479,716
Impairment of available for sale investments	-	-
Depreciation	15,286	38,322
Loss / (profit) on sale of plant and equipment	15	1,074
Profit on sale of available for sale financial assets	-	-
Loss / (profit) on remeasurement of financial liability	(608,414)	(8,321,244)
Share based payment compensation	303,252	3,183
Net exchange differences	(9,214)	11,140
<i>Changes in assets and liabilities</i>		
(Increase) / decrease in receivables	(140,831)	31,648
(Increase) / decrease in other operating assets	110,496	(144,297)
Increase / (decrease) in payables and provisions	(60,672)	(700,149)
Cash flows from operations	(2,291,370)	4,600,607

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 25: Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, short term deposits, held-for-trading and derivative instruments.

The main purpose of the financial instruments is to finance the Group's operations. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities, is set out in the following table. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The Group has not entered into any hedging activities to manage interest rate risk. In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

	Weighted Average Effective Interest Rate %	Interest Rate Risk Sensitivity							
		Floating Interest Rate \$	Fixed Interest Rate \$	Non Interest Bearing \$	Total \$	-10%		+10%	
		Profit \$	Equity \$	Profit \$		Equity \$			
2013									
Financial Assets									
Cash	2.36%	142,956	244,480	160,829	548,265	(9,143)	-	9,143	-
Trust deposits	0.00%	1,052	-	34,956	36,008	-	-	-	-
Receivables	0.00%	-	-	269,305	269,305	-	-	-	-
Investments	0.00%	683,074	-	-	683,074	-	-	-	-
Financial asset	0.00%	-	-	513,035	513,035	-	-	-	-
Total Financial Assets		827,082	244,480	978,125	2,049,687				
Financial Liabilities									
Trade and other payables		-	-	282,174	282,174	-	-	-	-
Financial liability ^(*)		-	-	-	-	-	-	-	-
Total Financial Liabilities		-	-	282,174	282,174				
2012									
Financial Assets									
Cash	3.06%	2,670,600	413,717	255,760	3,340,076	(20,951)	-	20,951	-
Trust deposits	0.11%	1,151	-	38,318	39,469	-	-	-	-
Receivables	0.54%	74,258	-	54,189	128,447	-	-	-	-
Investments	0.75%	144,297	-	-	144,297	-	-	-	-
Total Financial Assets		2,890,306	413,717	348,267	3,652,289				
Financial Liabilities									
Trade and other payables		-	-	1,182,208	1,182,208	-	-	-	-
Financial liability		-	-	95,379	95,379	-	-	-	-
Total Financial Liabilities		-	-	1,277,587	1,277,587				

(*)re-classified to equity in 2013

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 25: Financial risk management objectives and policies (continued)

(a) Interest Rate Risk (continued)

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A -10% sensitivity would move short term interest rates at 30 June 2013 from around 2.85% to 2.57% representing a 28 basis point downwards shift (19.60 basis points net of tax).

Based on the sensitivity analysis mainly interest revenue from variable rate deposits, cash balances and investment is impacted resulting in a decrease or increase in overall income.

(b) Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities required to meet the current exploration and administration commitments, through the continuous monitoring of actual cash flows.

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

	Less than 1 month %	1 – 3 months \$	3 months – 1 year \$	1 – 5 years \$	5+ years \$	Total \$
2013						
Liquid financial Assets						
Cash	548,265	-	-	-	-	548,265
Trust deposits	-	-	-	36,008	-	36,008
Receivables	-	269,305	-	-	-	269,305
Investments	-	-	-	683,074	-	683,074
	<u>548,265</u>	<u>269,305</u>	<u>-</u>	<u>719,082</u>	<u>-</u>	<u>1,536,652</u>
Financial liabilities:						
Non-interest bearing	-	(282,174)	-	-	-	(282,174)
	<u>-</u>	<u>(282,174)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(282,174)</u>
Net cash inflow / (outflow)	<u>548,265</u>	<u>(12,869)</u>	<u>-</u>	<u>719,082</u>	<u>-</u>	<u>1,254,478</u>
2012						
Liquid financial Assets						
Cash	3,340,076	-	-	-	-	3,340,076
Trust deposits	-	-	-	39,469	-	39,469
Receivables	-	128,447	-	-	-	128,447
Investments	-	-	-	144,297	-	144,297
	<u>3,340,076</u>	<u>128,447</u>	<u>-</u>	<u>183,766</u>	<u>-</u>	<u>3,652,289</u>
Financial liabilities:						
Non-interest bearing	-	(318,958)	(863,250)	-	-	(1,182,208)
Financial liability	-	-	-	(95,379)	-	(95,379)
	<u>-</u>	<u>(318,958)</u>	<u>(863,250)</u>	<u>(95,379)</u>	<u>-</u>	<u>(1,277,587)</u>
Net cash inflow / (outflow)	<u>3,340,076</u>	<u>(190,511)</u>	<u>(863,250)</u>	<u>88,387</u>	<u>-</u>	<u>2,374,702</u>

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 25: Financial risk management objectives and policies (continued)

(c) Credit Risk

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The Company is exposed to credit risk from its operating activities, financing activities including deposits with banks. The credit risk control procedures adopted by the Company is to assess the credit quality of the institution with whom funds are deposited or invested, taking into account its financial position and past experiences.

The maximum exposure to credit risk on financial assets of the Company which have been recognised on the statement of financial position is generally limited to the carrying amount.

Cash is maintained with National Australia Bank and the Standard Bank of South Africa.

(d) Foreign Exchange Risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows, excluding forward subscription agreement obligation the sensitivity for which is disclosed in section (e) below:

	Liabilities		Assets	
	2013 \$	2012 \$	2013 \$	2012 \$
Great British Pounds (GBP)	-	6,149	1,322	187,153
South African Rand (ZAR)	167,396	1,022,666	1,128,870	799,720
United States dollars (US)	3,160	4,806	-	-

Foreign currency sensitivity analysis

The Group is exposed to Great British Pound (GBP), United States (US) and South African Rand (ZAR) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar (AUD) against the relevant currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes cash balances held in GBP, external loans as well as loans to foreign operations within the Group held in ZAR and US but denominated and repayable in AUD which give rise to a foreign currency gain or loss on revaluation. A positive number indicates an increase in profit and other equity where the AUD strengthens against the ZAR. In relation to cash balances held in GBP a positive number indicates an increase in profit and other equity where the Australian Dollar strengthens against the respective currency. For a weakening Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

		2013		2012	
		Profit / (loss) \$	Equity increase / (decrease) \$	Profit / (loss) \$	Equity increase / (decrease) \$
AUD strengthens	- ZAR	(87,531)	87,531	22,395	(22,395)
10%	- GBP	(143)	143	(18,100)	18,100
	- US	351	(351)	481	(481)
AUD weakens	- ZAR	87,531	(87,531)	(22,395)	22,395
10%	- GBP	143	(143)	18,100	(18,100)
	- US	(351)	351	(481)	481

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 25: Financial risk management objectives and policies (continued)

Note: foreign currency gains or losses on intercompany loans are transferred to equity in accordance with Note 18. Therefore there is no impact on profit.

(e) Fair value

The fair value of a financial asset or financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of cash, trade and other receivables and trade and other payables approximate their carrying values, as a result of their short maturity or because they carry floating rates.

(i) Fair value of financial instruments measure at fair value

Last financial year the Group entered into a forward subscription agreement, details of which are provided in Note 12. This agreement requires the Company to issue a variable number of shares in exchange for ZAR 15 million. A change in the Group's share price impacts the value of the subscription agreement obligations and as a result the Group is exposed to equity price risk.

For financial instruments carried at fair value the Group adopts various methods in estimating fair value. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in an active market

Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as other relevant models used by market participants which may include inputs derived from quoted prices in an active market (Level 2). This valuation techniques use both observable and unobservable market inputs. The fair value of this the forward subscription agreement is based on this valuation technique so too is the investment classified as an available for sale investment with movements going through the equity reserve.

The following table details the Group's sensitivity to a 10% increase and decrease in the share price of the Company (AUD) against the forward subscription agreement obligation (2013: \$513,035 (asset);2012: \$95,379 (liability)), which is designated as "Level 2". 10% represents management's assessment of the possible change in the Company's share price. The sensitivity analysis includes only the forward subscription obligation which is equity settled and adjusts the obligation at the period end for a 10% change in the share price of the Company.

	2013		2012	
	Profit / (loss)	Equity increase / (decrease)	Profit / (loss)	Equity increase / (decrease)
	\$	\$	\$	\$
+ 10%	(27,596)	27,596	(182,187)	182,187
- 10%	27,596	(27,596)	182,187	(182,187)

The following table details the Group's sensitivity to a 10% increase and decrease in the AUD/ZAR exchange rate against the forward subscription agreement obligation. 10% represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only the forward subscription obligation which is equity settled and adjusts the obligation at the period end for a 10% change in foreign currency rates.

	2013		2012	
	Profit / (loss)	Equity increase / (decrease)	Profit / (loss)	Equity increase / (decrease)
	\$	\$	\$	\$
+ 10%	(71,727)	71,727	(156,953)	156,953
- 10%	71,727	(71,727)	156,953	(156,953)

Ferrum Crescent Limited

A.C.N. 097 532 137

Notes to the consolidated financial statements (continued) For the year ended 30 June 2013

Note 26: Parent Entity Information

	2013 \$	2012 \$
Current assets	505,417	2,869,355
Total assets	1,189,165	3,095,003
Current liabilities	292,617	281,460
Total liabilities	292,617	281,460
Issued capital	25,620,916	24,647,262
Retained earnings	(26,920,514)	(23,991,990)
Reserves	2,196,146	2,158,272
Total shareholders' equity	896,548	2,813,543
Profit / (loss) of the parent entity	2,928,525	10,907,638
Total comprehensive income	2,928,525	10,907,638

On 30 November 2009, Ferrum Crescent Limited (formerly Washington Resources Ltd) ("FCR") completed the legal acquisition of Ferrum Metals Limited (formerly Ferrum Crescent Limited) ("FML"). Under the terms of AASB 3 Business Combinations (Revised), FML was deemed to be the accounting acquirer in the business combination. The transaction was therefore accounted for as a reverse acquisition. The Parent entity therefore has issued capital of \$25,620,916 as opposed to the Group's consolidated issued capital of \$28,366,383. For further details please refer to the disclosures contained within the 30 June 2010 financial report.

There have been no guarantees entered into by the parent entity in relation to any debts of its subsidiaries.

The parent entity has no contingent liabilities as at 30 June 2012 (2011: Nil)

Note 27: Subsequent events

At the board meeting held on 13 September 2013, the board resolved unanimously to accept the waiver of directors' fees and consulting fees that had accrued up to 30 June 2013 for 3 directors as well as to defer any future directors' fees and consulting fees until such time as is agreed at a future board meeting. This measure has been put in place to assist the company with its ongoing financing issues.

On 21 September 2013 the Group signed a legally binding letter of intent with Anvwar Asian Investment, a company resident in the Sultanate of Oman, for the company to invest in the group a total of \$10 million for a 35% effective interest in the project on condition that certain conditions precedent are satisfied or waived by 30 November 2013.

On 24 September 2013 the Group accessed its Investo Investment Portfolio with Momentum to cover the short term financial burden of the Group until the above letter of intent is converted into a binding contract

Ferrum Crescent Limited

A.C.N. 097 532 137

Directors Declaration

In the opinion of the directors of Ferrum Crescent Limited :

- (a) the financial statements and notes set out on pages 38 to 92 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2 (b); and
- (c) subject to the matters discussed in Note 2(g), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ending 30 June 2013.

This declaration is made in accordance with a resolution of the directors.



G Button
Financial Director
Perth
30 September 2013

Independent auditor's report to the members of Ferrum Crescent Limited

Report on the financial report

We have audited the accompanying financial report of Ferrum Crescent Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b) the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included on page 93 of the financial report.

Opinion

In our opinion:

- a. the financial report of Ferrum Crescent Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Material uncertainty regarding continuation as a going concern

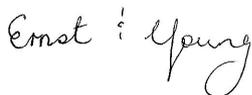
Without qualification to the audit opinion expressed above, we draw attention to Note 2(g) of the financial report. As a result of matters described in Note 2(g), there is material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 17 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Ferrum Crescent Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Fiona Drummond
Partner
Perth
30 September 2013



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Ferrum Crescent Limited

In relation to our audit of the financial report of Ferrum Crescent Limited for the financial year ended 30 June 2013 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Fiona Drummond
Partner
Perth
30 September 2013

ASX Requirements

Distribution schedules of shareholders and statements of voting rights are set out in Table 1, whilst the Company's top twenty shareholders are shown in Table 2. Substantial shareholder notices that have been received by the Company are set out in Table 3 and the tenement schedule as at 30 June 2012 is set out in Table 4:-.

Table 1
Shareholder spread

Ordinary shares, with right to attend meetings and vote personally or by proxy, through show of hands and, if required, by ballot (one vote for each share)

1-1,000	32
1,001-5,000	52
5,001-10,000	82
10,001-100,000	205
100,001 - and over	130
Total holders of ordinary shares	501
Total number of ordinary shares	328,201,385

Options, with no right to attend meetings or vote personally or by proxy

1-1,000	3
1,001-5,000	10
5,001-10,000	20
10,001-100,000	26
100,001 - and over	29
Total holders of options	88
Total number of options	24,246,727

Table 2
Top twenty shareholders

Shareholder	Number of shares	Percentage
1. Barclayshare Nominees Ltd	31,639,770	9.64%
2. Mkhombi Amamoto (Proprietary) Ltd	25,281,620	7.70%
3. Citicorp Nominees Pty Ltd	19,958,168	6.08%
4. Rathbone Nominees Ltd	13,922,823	4.24%
5. National Nominees Ltd	9,544,612	2.91%
6. Apollinax Inc	7,184,203	2.19%
7. The Bank of New York (Nominees) Ltd <UKREITS>	6,000,000	1.83%
8. TD Direct Investing Nominees (Europe) Ltd <SMKTNOMS>	5,560,730	1.69%
9. HSBC Custody Nominees (Australia) Ltd	5,220,248	1.59%
10. Padstock Ltd	4,809,763	1.46%
11. HSDL Nominees Ltd	4,745,109	1.44%
12. JP Morgan Nominees Australia Ltd <Cash Income A/C>	4,267,318	1.30%
13. Hargreaves Lansdown (Nominees) Ltd <15942>	3,865,943	1.18%
14. Beaufort Nominees Ltd <SSLNOMS>	3,816,000	1.16%
15. Reachage Pty Ltd	3,406,250	1.04%
16. Brewin Nominees (Channel Islands) Ltd <MESSE011>	3,354,000	1.02%
17. Hargreaves Lansdown (Nominees) Ltd <HLNOM>	3,164,674	0.96%
18. W B Nominees Ltd	3,106,239	0.95%
19. Mr Richard William Callanan	3,000,000	0.91%
20. Roy Nominees Ltd <441960>	2,807,000	0.85%

ASX Requirements (continued)

Table 3
Substantial shareholders

<i>Shareholder</i>	<i>Number of shares</i>	<i>Percentage</i>
1. Goldman Sachs Securities (Nominees) Ltd <ILSEG>	27,169,081	9.26%
2. Barclayshare Nominees Ltd	23,685,392	8.07%
3. National Nominees Ltd	18,428,390	6.28%

Voting Rights

The voting rights attached to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Table 4

Tenement schedule as at 30 June 2013:

Project	Tenement Number	Tenement Status	Holder	Percentage Interest
Moonlight	30/5/1/2/2/201 MR	Mining Right Granted	Ferrum Iron Ore (Pty) Ltd, previously Turquoise Moon Trading 157 (Pty) Ltd	81.4%
Moonlight	30/5/1/2/2/201MR	Prospecting Application	Ferrum Iron Ore (Pty) Ltd, previously Turquoise Moon Trading 157 (Pty) Ltd	81.4%

JSE Limited Requirements

Headline earnings reconciliation	2013	2012
	\$	\$
Profit / (loss) attributable to ordinary equity holders of the parent entity	(1,901,288)	4,479,716
Add back IAS 16 loss on the disposal of plant and equipment	15	1,074
Headline earnings/(loss)	(1,901,273)	4,480,790
Basic profit / (loss) per share	(1,901,288)	4,479,716
Weighted average shares in issue	315,876,561	292,246,705
Basic profit / (loss) per share (cents)	(0.60)	1.53
Headline profit / (loss)	(1,901,273)	4,480,790
Weighted average shares in issue	315,876,561	292,246,705
Headline profit / (loss) per share (cents)	(0.60)	1.53