



FERRUM CRESCENT LIMITED

**Ferrum Crescent Limited**  
ACN 097 532 137

**Half-Yearly Financial Report**  
**for the period**  
**1 July 2010 to 31 December 2010**

**Ferrum Crescent Limited**  
ACN 097 532 137

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# Ferrum Crescent Limited

ACN 097 532 137

## Directors' report

Your directors present their report on Ferrum Crescent Limited ("Ferrum", "the Company" or, together with its controlled entities, "the Group") for the half-year from 1 July 2010 to 31 December 2010.

### Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Ed Nealon  
Adrian Griffin (resigned 1 September 2010)  
Matodzi Nesongozwi (resigned 28 October 2010)  
Scott Huntly (resigned 2 March 2011)  
Fanie Botha (appointed 28 July 2010, resigned 2 March 2011)  
Klaus Borowski (appointed 1 September 2010)  
Kofi Morna (appointed 15 October 2010)  
Ted Droste (appointed 15 October 2010)  
Grant Button (appointed 15 October 2010)

The directors of the Company as at the date of this report are:

Ed Nealon  
Klaus Borowski (appointed 1 September 2010)  
Kofi Morna (appointed 15 October 2010)  
Ted Droste (appointed 15 October 2010)  
Grant Button (appointed 15 October 2010)

### Review and results of operations

#### Operating Results

During the half-year 1 July 2010 to 31 December 2010, the Group recorded a net loss after tax of \$3,471,317 (1 March to 31 December 2009: net loss of \$4,736,484).

#### Principal Activities

##### Moonlight Iron Ore Project

During the half-year, the Company developed and defined the resource potential of the Moonlight Iron Ore Project ("the Project") (Ferrum interest approximately 81.5%) in Limpopo Province of South Africa. Moonlight has a JORC compliant resource of 74Mt in the Indicated Resource category and 225Mt in the Inferred Resource category at a grade of 30% iron. Beneficiation testwork of Moonlight mineralisation indicates that a simple process of low intensity magnetic separation is suitable for optimum concentration. Separation at a grind size of 80% passing 150 µm achieved a mass recovery of 50% with final product grades of 69.7% Fe, 2.05% SiO<sub>2</sub>, and 0.40% Al<sub>2</sub>O<sub>3</sub>.

# Ferrum Crescent Limited

## Directors' report (continued)

The Company considered a number of possible routes for the commercialisation and development of the Moonlight magnetite deposit, including the:

- Production of iron ore pellets for supply via existing rail networks to domestic customers;
- Supply of magnetite concentrate by rail for shipment to the international market;
- Supply of merchant pig iron or granulated iron to domestic and international markets;
- Export of directly reduced iron; and
- Supply of semi-finished steel products to the domestic and regional market.

Following a consideration of these possible development routes, the Company engaged AMEC Minproc SA ("AMEC") to undertake a definitive feasibility study on the development of a pellet plant for the production of iron ore pellets for the South African market, with magnetite concentrate delivered to the plant via a slurry pipe from Moonlight.

The Group also holds the Moletsi Iron Ore Prospect (formerly called "De Loskop"). This prospect has potential as a target\* for magnetite mineralisation of 200Mt to 1,000Mt, which is non-JORC compliant at a grade of 30-40 per cent Fe.

*\* The term "target" should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve*

### **Strategy**

The Company intends to develop its evaluation of the Project, in order to advance towards commercial production. This will involve completion of the first phase of the definitive feasibility study advised by AMEC. The planned programme is to be financed and implemented in discrete stages extending into 2012. It is intended that the deposit will be mined by conventional open pit methods followed by crushing, grinding and magnetic separation to produce a suitable concentrate. The mine pit optimisation work indicates an average strip ratio of 1:1 for the first 24 years of mine production. For transport requirements, the Project is serviced by South Africa's mature road and rail transport network. There is access to a sealed national highway within 10 km and rail within 170 km of the Project. The local rail authority, Transnet, has committed substantial investment over the near term to upgrade and maintain the rail network and rolling stock. In addition, the governments of Botswana and Mozambique signed a Memorandum of Understanding to develop a deep water port at Techobanine Point, south of Maputo, and connect it to Botswana Railway's network. This means that there could be an alternative rail access approximately 128 km to the east that would overcome any possible congestion problems of railways and ports in South Africa.

### **Capital Raising**

During September 2010, the Company successfully raised \$1.2 million by private placements in order to carry out further capital raising in conjunction with a London AIM listing.

During December 2010, the Company was admitted to trading on the AIM Market of the London Stock Exchange and completed a capital raising of 10 million pounds Sterling ("GBP") (equal to approximately AUD16 million) before expenses, via a placement of shares (the "Placing").

Pursuant to the Placing, by Ocean Equities Limited, the Company issued 100 million new shares at 10 pence per share ("Placing Price") to a broad base of institutional and other investors. Ambrian Partners Limited is the Company's Nominated Adviser and Ocean Equities Limited is the Company's broker.

# Ferrum Crescent Limited

## Directors' report (continued)

### **Use of Proceeds**

The net Placing proceeds, of approximately GBP8.8 million (approximately AUD 15.4 million), were raised to:

- Upgrade the JORC compliant Resource at the Moonlight Deposit ("Moonlight");
- Acquire an additional indirect interest in Moonlight;
- Conduct further metallurgical testwork;
- Complete environmental, social and labour studies; and
- Carry out a definitive feasibility study on the development of a pellet plant at the Moonlight project to determine whether this is the most appropriate value adding process.

### **Option Cancellation**

The Company before the beginning of the half-year commenced a process by which the holders of listed options to acquire shares in the Company were offered one fully paid ordinary share for every ten options held by them. This process was completed in July 2010, the offer having closed with acceptances representing approximately 78.85% of listed options. The closure of the offer resulted in the issue of 8,012,005 new shares in the Company.

### **Completion of Black Economic Empowerment (BEE) Transaction**

During the half-year, various agreements were entered into in respect of the minority interest in the Moonlight Iron 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 Turquoise Moon Trading 157 (Pty) Ltd ("TMT") to purchase that holder's right, title and interest in TMT for ZAR30 million (approximately AUD4.4 million) ("TMT Sale Agreement"). The South African Department of Mineral Resources expressed its support of the transaction.

In addition, Nelesco 684 (Pty) Ltd ("Nelesco"), 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 provided for the following to take place:

- a) Nelesco would be issued shares in Mkhombi Investments such that it would initially hold a 32.17% interest in Mkhombi Investments, with the remaining 67.83% held by AmaMato;
- b) AmaMato would lend the sum of ZAR7.5 million to Mkhombi Investments, to be applied as part of the purchase price under the TMT Sale Agreement. The advance, which has been 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) Nelesco would lend the sum of ZAR22.5 million to Mkhombi, to be applied as payment of the balance of the purchase price under the TMT Sale Agreement. The advance, which has been 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 Nelesco would 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

## **Ferrum Crescent Limited**

### **Directors' report (continued)**

- e) AmaMato would, 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 Nelesco for ZAR 7.5 million.

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 for the Shares under the First Subscription will be ZAR7.5 million.

AmaMato will also, on or before the later of (i) the date falling 10 business days after the Closing Date (as defined in the Subscription Agreement) and (ii) 30 November 2011 (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 ZAR 7.5 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 ZAR7.5 million.

The conditions precedent to the Subscription Agreement which must be fulfilled by 21 December 2011, 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 are not fulfilled by 21 December 2011, 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 ZAR12.5million.

Kofi Morna, a Director of the Company, is also a director of AmaMato and of Mkhombi Investments. He became a Director of the Company during the period 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 TMT, with the remaining 3% held by the locally impacted 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 AUD16 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 the date of this report as a result of the minority purchase obligation.

#### **Sale of Australian exploration assets**

The Company during the half-year entered into and completed an agreement with Northern Uranium Limited ("Northern") (ASX:NTU) to dispose all of its Australian minerals exploration interests for a cash sum of \$600,000. The offer from Northern was subject to both due diligence on the Company's tenement interests and the consent where relevant of joint venturers. Due diligence was concluded favourably, and a pre-emptive right was exercised, with the result that the Group's Australian exploration assets were all sold during the half-year.

The sale of these Australian exploration interests has enabled the Company and its management to focus on developing its iron ore interests in Southern Africa and in particular to concentrate on progressing Moonlight Iron Ore Project and finalising the mining right application process in respect of the Moonlight Deposit.

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## Directors' report (continued)

### Corporate

During the half-year there were several changes to the composition of the Board of the Company. Mr Adrian Griffin and Mr Matodzi Nesongozwi resigned as Directors and Messrs Klaus Borowski, Kofi Morna, Ted Droste and Grant Button joined the Board as Non-executive Directors.

Dr Fanie Botha joined the Board as a Non-executive Director in July 2010 before accepting the role of Operations Director in November of the same year. Subsequent to the reporting period Dr Botha has resigned from the Board but remains with the Company as a consultant.

Mr Scott Huntly accepted the role of Strategic Development Manager on 4 March 2011, resigning as Managing Director on the same date.

During the half-year and subsequent to the end of the reporting period, Mr Ed Nealon assumed the role of Executive Chairman, Mr Vernon Harvey was appointed as Chief Operating Officer and Mr Bob Van Der Laan accepted the position of Joint Company Secretary along with Mr Robert Hair and Mr Andrew Nealon. Mr Van Der Laan is also the Chief Financial Officer of the Company.

### Events subsequent to reporting date

#### **Mining Right Application**

Subsequent to the reporting period, the Company announced that the South African Department of Mineral Resources ("DMR") accepted a revised mining right application in respect of the Moonlight magnetite deposit ("Moonlight Deposit").

The Company's subsidiary, Turquoise Moon Trading 157 (Pty) Ltd ("Turquoise Moon"), holds Ferrum's interests in both the Moonlight Deposit and the Moletsi Iron Ore Project (formerly De Loskop). Previously, these were both held under a single mining right application. The DMR allowed Moletsi to be excluded from the mining right application, with the result that Turquoise Moon can concentrate wholly on developing Moonlight as a mining project while allowing Moletsi to be treated as a prospecting area. Administratively and practically, due to the distance between the project areas, it was considered advantageous to deal with the two areas separately. Should Turquoise Moon wish to conduct mining activities in the Moletsi project area, a separate mining right application would need to be submitted.

#### **Drilling**

The Company during February 2011 commenced a programme of reverse circulation ("RC") and diamond core drilling at the Moonlight Iron Ore Project. The drilling will provide additional geological understanding in important areas of the deposit and provide bulk sample for the first stage of an ongoing metallurgical test work programme.

Moonlight contains a JORC compliant resource of 74Mt in the Indicated Resource category and 225Mt in the Inferred Resource category.

The drilling programme follows a review of the project resources by AMEC Minproc ("AMEC"), Ferrum's Feasibility Study Manager. AMEC believes the current resource model is adequate for preliminary planning purposes. However, additional sampling needs to be completed to ensure that adequate Measured and Indicated Resources are defined to support project financing.

The proposed RC drilling of some 12 holes for 1500m will largely provide additional confidence in areas of the central part of the deposit. A deeper hole in the south-west of the deposit is planned to test for repetition of mineralisation at depth in a zone dominated by shallow drilling.

# Ferrum Crescent Limited

## Directors' report (continued)

Eleven HQ diamond core holes for a total 1000m will provide more detailed geological information on the mineralisation and further verify the use of historical drill data and checks on bulk density measurements. Importantly the core holes have been located to provide bulk material for a detailed phase of metallurgical testing that will commence at the conclusion of the drilling. The metallurgical programme is the first stage of an investigation aimed at developing a process flow sheet that will result in the production of a concentrate of the quality required for the production of DRI grade pellets.

The Company anticipates that an upgraded resource statement will be available for release in the second quarter of 2011.

### **Competent Person's Statement:**

*The information in this report is based on information compiled by Lindsay Cahill, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Cahill has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Cahill is a consultant to Ferrum Crescent Limited and the mining industry. This report is issued with Mr Cahill's consent as to the form and context in which the exploration results appear.*

### **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 9.

Dated at Perth this 16 day of March 2011

Signed in accordance with a resolution of the Directors.

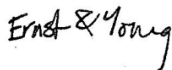


Ed Nealon  
Chairman



## Auditor's independence declaration to the directors of Ferrum Crescent Limited

In relation to our review of the half-year financial report of Ferrum Crescent Limited for the half-year ended 31 December 2010, 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'J C Palmer'.

J C Palmer  
Partner  
Perth  
16 March 2011

# Ferrum Crescent Limited

## Consolidated Statement of Comprehensive Income

For the half-year from 1 July 2010 to 31 December 2010

	Note	6 months to 31 December 2010 \$	10 months to 31 December 2009 \$
<b>Revenue from continuing operations</b>			
Revenue	3(i)	16,956	2,321
		16,956	2,321
Other income	3(ii)	1,265,242	-
Write-off of goodwill on consolidation		-	(2,019,188)
Foreign exchange loss		(854,059)	(1,151,375)
Other expenses	3(iii)	(3,899,456)	(1,605,742)
		(3,471,317)	(4,773,984)
<b>Loss before income tax</b>		(3,471,317)	(4,773,984)
Income tax benefit		-	37,500
		-	37,500
<b>Net loss for the period</b>		<b>(3,471,317)</b>	<b>(4,736,484)</b>
<b>Other comprehensive income</b>			
Foreign exchange translation		(786,380)	1,164,575
Net fair value gains on available for sale investments		665,242	125,000
Income tax on items of other comprehensive income		(199,573)	(37,500)
Release of unrealised gains reserve on disposal of available for sale investments (net of tax)		(465,669)	-
		(465,669)	-
<b>Other comprehensive income for the period, net of tax</b>		<b>(786,380)</b>	<b>1,252,075</b>
<b>Total comprehensive loss for the period</b>		<b>(2,684,937)</b>	<b>(3,484,409)</b>
Loss for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		(3,471,317)	(4,736,484)
		(3,471,317)	(4,736,484)
Total comprehensive loss for the period attributable to:			
Non-controlling interest		-	-
Owners of the parent		(2,684,937)	(3,484,409)
		(2,684,937)	(3,484,409)
		Cents per share	Cents per share
- basic loss per share		(1.47)	(4.71)
- diluted loss per share		(1.47)	(4.71)

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes*

# Ferrum Crescent Limited

## Consolidated Statement of Financial Position

As at 31 December 2010

	Note	31 December 2010 \$	30 June 2010 \$
<b>Current Assets</b>			
Cash and cash equivalents		11,415,384	529,225
Trade and other receivables		255,610	141,790
Available-for-sale-investments	5	-	909,678
<b>Total Current Assets</b>		<b>11,670,994</b>	<b>1,580,693</b>
<b>Non-current Assets</b>			
Plant and equipment		60,530	7,578
<b>Total Non-current Assets</b>		<b>60,530</b>	<b>7,578</b>
<b>Total Assets</b>		<b>11,731,524</b>	<b>1,588,271</b>
<b>Current Liabilities</b>			
Trade and other payables	6	1,606,809	550,024
Provisions		7,474	10,474
Financial liability	7	8,444,675	-
Loans and borrowings		-	11,246
<b>Total Current Liabilities</b>		<b>10,058,958</b>	<b>571,744</b>
<b>Total Liabilities</b>		<b>10,058,958</b>	<b>571,744</b>
<b>NET ASSETS</b>		<b>1,672,566</b>	<b>1,016,527</b>
<b>Equity</b>			
Contributed equity	8	27,576,238	12,146,950
Reserves		(11,148,980)	1,245,517
Accumulated losses		(15,847,257)	(12,375,940)
<b>PARENT INTEREST</b>		<b>580,001</b>	<b>1,016,527</b>
NON-CONTROLLING INTEREST		1,092,565	-
<b>TOTAL EQUITY</b>		<b>1,672,566</b>	<b>1,016,527</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Ferrum Crescent Limited**  
**Consolidated Statement of Changes in Equity**  
For the half-year from 1 July 2010 to 31 December 2010

	Employee		Foreign	Unrealised					
	Issued	Share Incentive	Accumulated	Option	Exchange	Gains	Equity	Non	
	Capital	Reserve	Losses	Reserve	Reserve	Reserve	Reserve	controlling	
	\$	\$	\$	\$	\$	\$	\$	Interest	
								\$	
								\$	
<b>At 1 March 2009</b>	3,387,874	-	(4,971,394)	1,136,062	82,903	-	-	-	<b>(364,555)</b>
Loss for the period	-	-	(4,736,484)	-	-	-	-	-	<b>(4,736,484)</b>
Other comprehensive income (net of tax)	-	-	-	-	1,164,575	87,500	-	-	<b>1,252,075</b>
<b>Total comprehensive loss (net of tax)</b>	-	-	<b>(4,736,484)</b>	-	<b>1,164,575</b>	<b>87,500</b>	-	-	<b>(3,484,409)</b>
<b>Transactions with owners in their capacity as owners</b>									
Shares issued	8,886,721	-	-	-	-	-	-	-	<b>8,886,721</b>
Transaction costs on shares issued	(120,000)	-	-	-	-	-	-	-	<b>(120,000)</b>
<b>At 31 December 2009</b>	<b>12,154,595</b>	-	<b>(9,707,878)</b>	<b>1,136,062</b>	<b>1,247,478</b>	<b>87,500</b>	-	-	<b>4,917,757</b>
<b>At 1 July 2010</b>	12,146,950	-	(12,375,940)	1,136,062	109,455	-	-	-	<b>1,016,527</b>
Loss for the period	-	-	(3,471,317)	-	-	-	-	-	<b>(3,471,317)</b>
Other comprehensive income	-	-	-	-	786,380	-	-	-	<b>786,380</b>
<b>Total comprehensive loss (net of tax)</b>	-	-	<b>(3,471,317)</b>	-	<b>786,380</b>	-	-	-	<b>(2,684,937)</b>
<b>Transactions with owners in their capacity as owners</b>									
Shares issued	16,619,411	-	-	-	-	-	-	-	<b>16,619,411</b>
Shares issued under employee share incentive plan	579,150	-	-	-	-	-	-	-	<b>579,150</b>
Transaction costs on shares issued	(1,769,273)	-	-	-	-	-	-	-	<b>(1,769,273)</b>
Acquisition of non controlling interest	-	-	-	-	-	-	(12,884,340)	-	<b>(12,884,340)</b>
Share based payments	-	(564,901)	-	268,364	-	-	-	-	<b>(296,537)</b>
Share based payment to locally impacted community	-	-	-	-	-	-	-	1,092,565	<b>1,092,565</b>
<b>At 31 December 2010</b>	<b>27,576,238</b>	<b>(564,901)</b>	<b>(15,847,257)</b>	<b>1,404,426</b>	<b>895,835</b>	-	<b>(12,884,340)</b>	<b>1,092,565</b>	<b>1,672,566</b>

# Ferrum Crescent Limited

## Consolidated Statement of Cash Flows

For the period 1 July 2010 to 31 December 2010

	Note	6 months to 31 December 2010 \$	10 months to 31 December 2009 \$
<b>Cash flows from operating activities</b>			
Interest received		16,956	2,321
Proceeds received from sale of tenements		600,000	-
Cash payments in the course of operations		(2,370,414)	(399,913)
Payments for exploration costs		(440,663)	(22,040)
		<u>(2,194,121)</u>	<u>(419,632)</u>
<b>Net cash flows used in operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from the sale of shares and options	3(ii)	1,574,820	-
Payments for plant and equipment		(59,557)	-
Payment to acquire non controlling interest		(3,237,830)	-
Acquisition of subsidiary, net of cash	1(b)	-	877,942
		<u>(1,722,567)</u>	<u>877,942</u>
<b>Net cash flows (used in) / from investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		16,619,411	1,540,995
Costs of capital raising		(1,769,273)	(115,897)
		<u>14,850,138</u>	<u>1,425,098</u>
<b>Net cash flows from financing activities</b>			
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		529,225	50,563
Effect of foreign exchange on cash		(47,291)	-
		<u>11,415,384</u>	<u>1,933,971</u>
<b>Cash and cash equivalents at end of period</b>			

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

# Ferrum Crescent Limited

## Notes to the financial statements

For the period 1 July 2010 to 31 December 2010

### 1 Basis of preparation of half-year report

This general purpose condensed financial report for the interim reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by the Company during the half-year ended 31 December 2010 in accordance with the continuous disclosure requirements of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

#### (a) Changes in Accounting Policy

The following amending Standards relevant to the operations of the Group and effective 1 July 2010 have been adopted from 1 July 2010. Adoption of these Standards did not have any effect on the financial position or performance of the Group.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2]
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139]
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The Group has not elected to early adopt any new standards or amendments.

# Ferrum Crescent Limited

## Notes to the financial statements

For the period 1 July 2010 to 31 December 2010

### 1 Basis of preparation of half-year report (continued)

#### (b) Comparatives

On 30 November 2009, Ferrum Crescent Limited (formerly Washington Resources Ltd) ("FCL") 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 has therefore been accounted for as a reverse acquisition.

Accordingly, the consolidated financial statements of the FCL group have been prepared as a continuation of the business and operations of FML. FML, as the deemed acquirer, has accounted for the acquisition of the FCL from 30 November 2009. Refer to the Company's 30 June 2010 annual report for further details.

The implications of the application of AASB 3 on each of the attached comparative financial statements are as follows:

#### *Statement of Comprehensive Income*

- The comparative 2009 Statement of Comprehensive Income comprises 10 months of FML and 1 month of FCL to 31 December 2009.

#### *Statement of Financial Position*

- The comparative 30 June 2010 Statements of Financial Position represent the combination of FCL and FML.

#### *Statement of Changes in Equity*

- The comparative 2009 Statement of Changes in Equity comprises:
  - o The equity balance of FML at the beginning of the period (1 March 2009).
  - o The total comprehensive loss and transactions with equity holders for the period, being 10 months of FML and 1 month of FCL, ended 31 December 2009.
  - o The equity balance of the combined FML and FCL at the end of the period (31 December 2009).

#### *Statement of Cash Flows*

- The comparative 2009 Statement of Cash Flows comprises:
  - o The cash balance of FML at the beginning of the period (1 March 2009).
  - o The transactions for the period, being 10 months of FML and 1 month of FCL, ended 31 December 2009.
  - o The cash balance of the combined FML and FCL at the end of the period (31 December 2009).

# Ferrum Crescent Limited

## Notes to the financial statements

For the period 1 July 2010 to 31 December 2010

### 2 Segment information

For management purposes, the Group is organised into one main operating segment, which involves mining exploration for iron ore in South Africa. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

### 3 Revenue and expenses

The loss for the half-year includes the following items that are unusual because of their nature, size or incidence:

		2010 \$	2009 \$
<b>(i) Revenue</b>			
Interest	(a)	16,956	2,321
<b>Total Revenue</b>		<b>16,956</b>	<b>2,321</b>
<b>(ii) Other Income</b>			
Sale of available for sale investments	(b)	665,242	-
Sale of tenements		600,000	-
		<u>1,265,242</u>	<u>-</u>
<b>(iii) Other expenses</b>			
Other expenses include the following:			
- Depreciation		4,347	1,815
- Disposal of plant and equipment		2,258	-
- Bad debt expense		-	23,439
- Consulting Services		398,692	39,900
- Employment related services		698,622	66,850
- Other		979,697	1,451,698
- Exploration expenditure		440,663	22,040
- Share based payments	(c)	1,375,177	-

- (a) During the period Ferrum Crescent Limited entered into and completed an agreement with Northern Uranium Limited ("Northern") (ASX:NTU) to dispose all of its Australian minerals exploration interests for a cash sum of \$600,000. The offer from Northern was subject to both due diligence on the Company's tenement interests and the consent where relevant of joint venturers. Due diligence was concluded favourably, and a pre-emptive right was exercised, with the result that the Group's Australian exploration assets were all sold during the half-year.

The sale of these Australian exploration interests has enabled the Company and its management to focus on developing its iron ore interests in Southern Africa and in particular to concentrate on progressing Moonlight Iron Ore Project and finalising the mining right application process in respect of the Moonlight Deposit.



(b) In August and September 2010, the Group disposed of its interest in 12,460,071 shares and 1,873,667 options held in Northern Uranium for \$1,574,920. These financial assets were designated as available for sale, with all prior gains on such investments taken to equity. The fair value change of the financial assets of \$665,242 from 1 July 2010 to the date of sale was taken to the available for sale reserve. The above amount represents the release of the unrealised gains reserve upon sale (gross of tax).

(c) Refer to note 9 for details.

#### **4 Dividends**

No dividends were paid or proposed during the period (2009: nil).

#### **5 Available-for-sale investments**

The Group disposed of its entire shareholding in Northern Uranium Limited for net sale proceeds of approximately \$1.58 million. Refer to note 3(ii) for further details.

# Ferrum Crescent Limited

## Notes to the financial statements

For the period 1 July 2010 to 31 December 2010

### 6 Trade and other payables

	Dec 2010	Jun 2010
	\$	\$
<b>Current</b>		
Trade and other payables	493,326	550,024
Minority purchase obligation (i)	1,113,483	-
	1,606,809	550,024

(i) During the half-year, various agreements were entered into in respect of the minority interest in the Moonlight Iron 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 Turquoise Moon Trading 157 (Pty) Ltd (“TMT”) to purchase that holder’s right, title and interest in TMT for ZAR30 million (approximately AUD4.4 million) (“ TMT Sale Agreement”). The South African Department of Mineral Resources expressed its support of the transaction.

Nelesco 684 (Pty) Ltd (“Nelesco”), 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) Nelesco 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 would lend the sum of ZAR7.5 million to Mkhombi Investments, to be applied as part of the purchase price under the TMT Sale Agreement. The advance, which has been 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) Nelesco would lend the sum of ZAR22.5 million to Mkhombi, to be applied as paying the balance of the purchase price under the TMT Sale Agreement. The advance, which has been 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 Nelesco 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 will, 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 Nelesco for ZAR7.5 million (A\$1,113,483).

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 for the Shares under the First Subscription will be ZAR7.5 million.

AmaMato will also, on or before the later of (i) the date falling 10 business days after the Closing Date (as

defined in the Subscription Agreement) and (ii) 30 November 2011 (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 ZAR7.5 million.

The conditions precedent to the Subscription Agreement which must be fulfilled by 21 December 2011, 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 are not fulfilled by 21 December 2011, 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 ZAR12.5 million.

Kofi Morna, a Director of the Company, is also a director of AmaMato and of Mkhombi Investments. He became a Director of the Company during the period 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 TMT, with the remaining 3% held by the locally impacted community. AmaMato will own 15.6% of the Group.

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.

## 7 Financial liability

	Dec 2010	Jun 2010
	\$	\$
<b>Current</b>		
Financial liability at fair value through profit and loss – forward subscription agreement	8,444,675	-
	8,444,675	-
	8,444,675	-

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.

# Ferrum Crescent Limited

## Notes to the financial statements

For the period 1 July 2010 to 31 December 2010

### 8 Contributed equity

Movements in ordinary shares on issue of the legal parent are:

	<b>Dec 2010 Number</b>
<b>Movements in shares on issue</b>	
Beginning of the financial period	
- Ordinary shares	173,884,699
- Employee share plan shares on issue	3,870,000
Issued 10 pence pursuant to the AIM Listing	110,000,000
Issued at 12 cents per shares under a Prospectus (i)	8,012,005
Issued under the ESIP scheme	2,925,000
<b>End of the financial period</b>	<b>298,691,704</b>
- Employee share plan shares on issue	(6,795,000)
	<b>291,896,704</b>
	<b>Dec 2010 \$</b>
<b>Movements in share capital</b>	
Beginning of the financial period	12,146,950
Issued at 12 cents per shares under a Prospectus	1,200,000
Issued at 10 pence pursuant to AIM Listing	15,419,411
Issued under the ESIP scheme	579,150
Capital raising costs	(1,769,273)
<b>End of the financial period</b>	<b>27,576,238</b>
- Ordinary shares	27,576,238
- Employee share plan shares on issue	(579,150)
	<b>26,997,088</b>

(i) Pursuant to a Prospectus, dated 4 June 2010, the Company offered the 10,161,673 listed option holders one fully paid share for every ten options held by them in return for the cancellation of their options. The closure of this offer resulted in the issue of 8,012,005 new shares for nil consideration.

	<b>No.</b>	<b>\$</b>
<b>Shares Reserved for Executive Share Incentive Plan</b>		
At 1 July 2010	3,870,000	-
Executive Share Incentive Plan issue on 30 November 2010	2,925,000	579,150
Amounts expensed for shares issued to executives	-	(14,249)
At 31 December 2010	<u>6,795,000</u>	<u>564,901</u>

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 9.

	<b>\$</b>
<b>Options Reserve</b>	
At 1 July 2010	1,136,062
Options issued during the period	<u>268,363</u>
At 31 December 2010	<u><u>1,404,425</u></u>

Information on the valuation of these options is disclosed in Note 9.

The Options Reserve is used to recognise the fair value of all options issued.

# Ferrum Crescent Limited

## Notes to the financial statements

For the period 1 July 2010 to 31 December 2010

### 9 Share Based Payments

#### Expenses arising from share-based payment transactions

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

	<b>Dec 2010</b>	<b>Dec 2009</b>
	\$	\$
Options issued in consideration for services (i)	268,363	-
Amounts expensed for shares issued under the Company's Executive Share Incentive Plan (ii)	14,249	-
Share based payment - in respect of unspecified services (refer note 10)	1,092,565	-
	<b>1,375,177</b>	<b>-</b>

#### (i) Options issued in consideration for services

On 30 November 2010, the Company issued 2,950,000 options with an exercise price of 19.8 cents to employees as approved by shareholders meeting held on 30 November 2010. There are no voting rights attached to the options and they may be exercised at any time on or before 7 December 2014.

#### Fair value of options granted

The fair value at grant date of options issued is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable 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 ended 31 December 2010:

Options granted for no consideration	2,950,000
Exercise price (AUD cents)	19.8
Issue date	30 November 2010
Expiry date	7 December 2013
Underlying security spot price at grant date (AUD cents)	18
Expected price volatility of the Company's shares	92.0% - 95.0%
Expected dividend yield	0%
Risk-free interest rate	4.80% - 4.85%
Black-Scholes valuation per option (AUD cents per share)	7.8 – 9.3

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

# Ferrum Crescent Limited

## Notes to the financial statements

For the period 1 July 2010 to 31 December 2010

### 9 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 reporting period, the Company issued the following shares under the ESIP:

1. 350,000 shares at 19.8 cents per share to Mr Robert Van der Laan, Chief Financial Officer, on 30 November 2010 after shareholder approval.
2. 350,000 shares at 19.8 cents per share to Mr Lindsay Cahill, Mine Services Manager, on 30 November 2010 after shareholder approval.
3. 500,000 shares at 19.8 cents per share to Mr Grant Button, Non-executive Director, on 30 November 2010 after shareholder approval.
4. 75,000 shares at 19.8 cents per share to Ms Theresa Miloskeski, Administration Officer, on 30 November 2010 after shareholder approval.
5. 500,000 shares at 19.8 cents per share to Mr Robert Hair, Company Secretary, on 30 November 2010 after shareholder approval.
6. 350,000 shares at 19.8 cents per share to Mr Christian Kunze, Engineering Manager, on 30 November 2010 after shareholder approval.
7. 200,000 shares at 19.8 cents per share to Mr Andrew Nealon, Joint Company Secretary, on 30 November 2010 after shareholder approval.
8. 600,000 shares at 19.8 cents per share to Mr Ed Nealon, Non-Executive Chairman, on 30 November 2010 after shareholder approval.

The above shares vest as follows:

- one third of shares vest after 12 months;
- one third of shares vest after 24 months; and
- one third of shares vest after 36 months.

If any time during the exercise period an employee ceases to be the employee, all options held by that employee will lapse one month after the employment end date.

# Ferrum Crescent Limited

## Notes to the financial statements

For the period 1 July 2010 to 31 December 2010

### 9 Share Based Payments (continued)

#### Fair value of shares 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 shares issued under the ESIP is determined using a Black-Scholes model using the following model inputs:

Shares issued	2,925,000
Loan price per share (AUD cents)	19.8
Valuation date	7 December 2010
Loan expiry date	7 December 2014
Underlying security spot price at valuation date (AUD cents)	18
Expected price volatility of the Company’s shares	89%
Expected dividend yield	0%
Risk-free interest rate	4.95%
Black-Scholes valuation per share (AUD cents per share)	11.6

### 10 Non-controlling Interest

	Dec 2010 \$	Jun 2010 \$
Beginning of the financial period	-	-
Non-controlling interest on acquisition (refer note 9)	1,092,565	-
Non-controlling interest portion of the loss for the period	-	-
	<b>1,092,565</b>	<b>-</b>

As described in note 6, during the half-year, various agreements were entered into in respect of the minority interest in the Moonlight Iron Project.

As a result of the above, at 31 December 2010, the Company has accounted for the impact of the Subscription and other related agreements in the preparation of these financial statements. This has had the impact of recognising a minority interest in respect of the fair value of the equity provided to the locally impacted community as part of this transaction.



# **Ferrum Crescent Limited**

## **Notes to the financial statements**

For the period 1 July 2010 to 31 December 2010

### **11 Operating Segment Reporting**

For management purposes the Group has been organised into one main operating segment, exploration for iron ore. The Group operates in one geographical location, being South Africa, where the exploration activities are conducted. All of the company's activities are interrelated, and financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

### **12 Contingencies and commitments**

The group has committed to rental payments on office premises in Perth and Johannesburg. The current commitment to the end of the lease period (i.e. 30 June 2011) is \$31,500.

There are no minimum expenditure requirements in South Africa, however the Company must undertake sufficient work to maintain the licence in good standing. The Company has met all commitments to date.

### **13 Events occurring subsequent to the reporting date**

#### **Mining Right Application**

Subsequent to the reporting period, the Company announced that the South African Department of Mineral Resources ("DMR") accepted a revised mining right application in respect of the Moonlight magnetite deposit ("Moonlight Deposit").

The Company's subsidiary, Turquoise Moon Trading 157 (Pty) Ltd ("Turquoise Moon"), holds Ferrum's interests in both the Moonlight Deposit and the Moletsi Iron Ore Project (formerly De Loskop). Previously, these were both held under a single mining right application. The DMR allowed Moletsi to be excluded from the mining right application, with the result that Turquoise Moon can concentrate wholly on developing Moonlight as a mining project while allowing Moletsi to be treated as a prospecting area. Administratively and practically, due to the distance between the project areas, it was considered advantageous to deal with the two areas separately. Should Turquoise Moon wish to conduct mining activities in the Moletsi project area, a separate mining right application would need to be submitted.

# Ferrum Crescent Limited

## Notes to the financial statements

For the period 1 July 2010 to 31 December 2010

### 13 Events occurring subsequent to the reporting date (continued)

#### Drilling

The Company during February 2011 commenced a programme of reverse circulation ("RC") and diamond core drilling at the Moonlight Iron Ore Project. The drilling will provide additional geological understanding in important areas of the deposit and provide bulk sample for the first stage of an ongoing metallurgical test work programme.

Moonlight contains a JORC compliant resource of 74Mt in the Indicated Resource category and 225Mt in the Inferred Resource category.

The drilling programme follows a review of the project resources by AMEC Minproc ("AMEC"), Ferrum's Feasibility Study Manager. AMEC believes the current resource model is adequate for preliminary planning purposes. However, additional sampling needs to be completed to ensure that adequate Measured and Indicated Resources are defined to support project financing.

The proposed RC drilling of some 12 holes for 1500m will largely provide additional confidence in areas of the central part of the deposit. A deeper hole in the south-west of the deposit is planned to test for repetition of mineralisation at depth in a zone dominated by shallow drilling.

Eleven HQ diamond core holes for a total 1000m will provide more detailed geological information on the mineralisation and further verify the use of historical drill data and checks on bulk density measurements. Importantly the core holes have been located to provide bulk material for a detailed phase of metallurgical testing that will commence at the conclusion of the drilling. The metallurgical programme is the first stage of an investigation aimed at developing a process flow sheet that will result in the production of a concentrate of the quality required for the production of DRI grade pellets.

The Company anticipates that an upgraded resource statement will be available for release in the second quarter of 2011.

Other than the above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to effect:

- (i) The Group's operations in future financial periods; or
- (ii) The results of those operations in future financial periods; or
- (iii) The Group's state of affairs in future financial periods.

**Ferrum Crescent Limited**  
ACN 097 532 137

**Directors' declaration**

In accordance with a resolution of the directors of Ferrum Crescent Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the period 1 July 2010 to 31 December 2010 of the Company; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Ed Nealon  
Chairman

Perth  
16 March 2011

## To the members of Ferrum Crescent Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ferrum Crescent Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the period.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2011. As the auditor of Ferrum Crescent Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

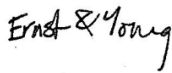
### Independence

In conducting our review, 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 in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ferrum Crescent Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, likely belonging to J C Palmer.

J C Palmer  
Partner  
Perth  
16 March 2011