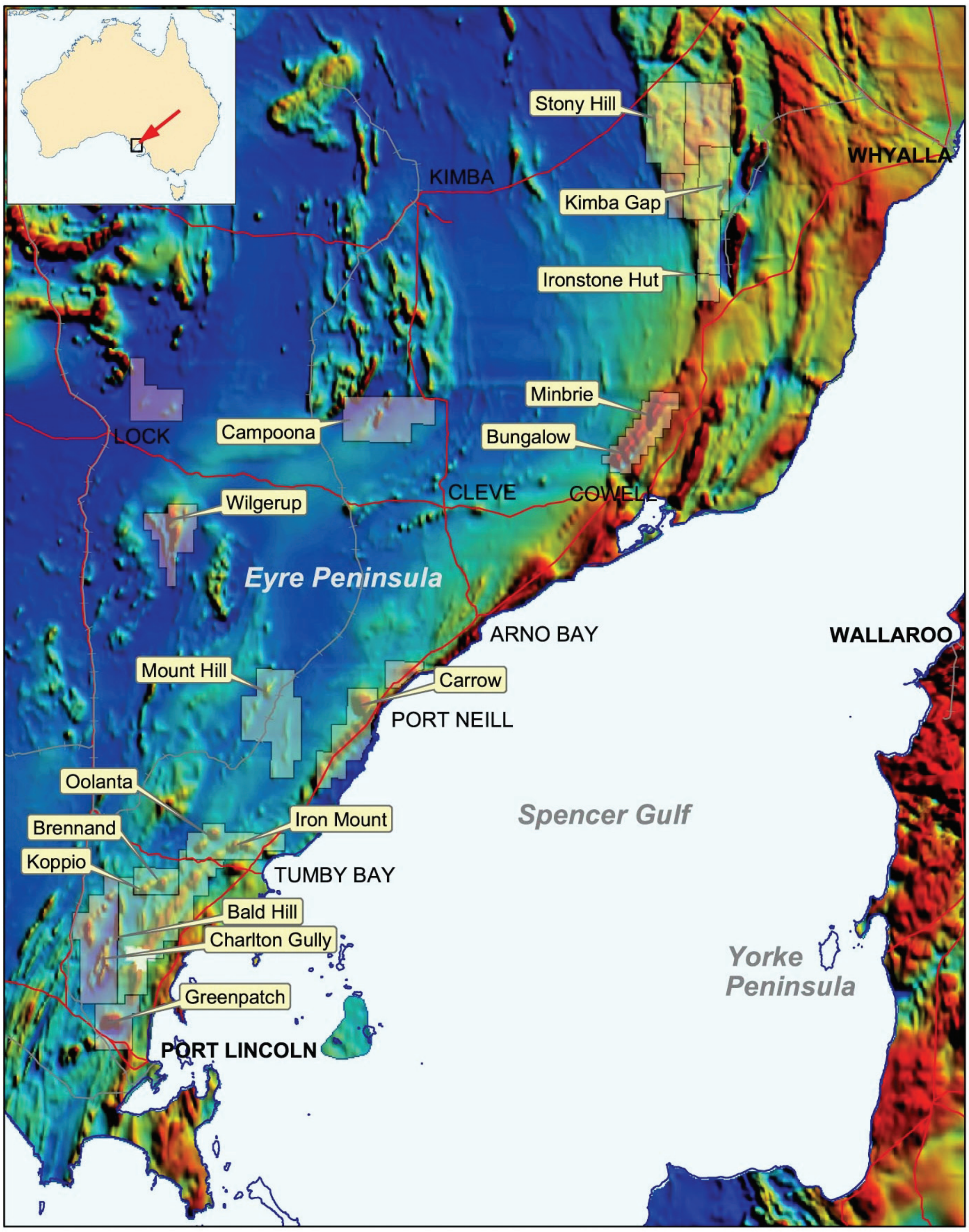
CENTREX METALS
LIMITED
ACN 096 298 752

ANNUAL REPORT 2006



CONTENTS

Chairman's Report

For the Year Ended 30th June 2006

Please find attached the first Annual Report of Centrex Metals Limited as a listed company. The Company's I.P.O. successfully raised the sum of $8,152,086.00 and the Company listed on the 17th July 2006.

Prior to listing, the Company agreed to raise a further $4,380.000.00 by way of placement of shares with Baotou Iron & Steel (Group) Company Limited at twenty cents each.

However, the accounts (being to 30th June 2006) do not reflect the capital raised through the I.P.O. and the placement other than through the notes on Events subsequent to Balance Date.

Since Balance Date and the Company's listing, we have made solid progress in commencing our drilling program on the Wilgerup deposit and by the time of our Annual General Meeting in November 2006, we should have completed around 10,000 metres of drilling and have available for discussion the results of a substantial part of that program.

This is an exciting period in the history of our company and I look forward to the next twelve months development in the hope that Centrex will become only the second iron ore producer in the state of South Australia.

Finally, I would like to thank all of those who contributed to the successful float of Centrex Metals Limited.

Yours sincerely,
Centrex Metals Limited

David Lindh
Chairman

Managing Director's Report

For the Year Ended 30th June 2006

Principal activities

The principal activity of the consolidated entity during the course of the year was exploration for iron ore. The Company made significant progress towards completing an IPO culminating with the lodgement of the Prospectus with ASIC on 1 May 2006 and the IPO opening on 15 May 2006.

Subsequent to year end, Centrex Metals Limited listed on the Australian Stock Exchange on 17th July 2006 with securities traded from 19 July 2006.

Exploration by key areas was as follows:

Wilgerup

The deposit which has an Inferred Resource of 7.9 million tonnes grading 59.8% Fe identified in two lenses, has only been sparsely drilled and the mineralization is open along strike. In addition to the known hematite lenses, the Company has identified over 30 geophysical anomalies that may indicate the presence of hematite occurrences from a combination of aeromagnetic and gravity surveys.

Wilgerup lies beneath 20 metres of Tertiary sand cover. Indeed most of the Eyre Peninsula is covered by a blanket of cover that effectively masks the underlying basement rocks. Exploration for iron ore relies heavily on using geophysics especially magnetic and gravity surveys to "see through" the cover and provide information on the underlying rocks, their indicative chemistry, structural deformation and the depth of burial.

Work conducted during the year included:

- Detailed lithological logging (1:50 and 1:100 scales) of 958 m of diamond core from 17 holes drilled by previous companies on the deposit.
- Magnetic susceptibility readings taken on core, nominally at 10 cm intervals.
- All core photographed at core tray scale and close-up.
- Detailed high resolution low level (100 m line spacing, 30 m flight height) aeromagnetic survey carried out over the entire license area.
- Processing and interpretation of new aeromagnetic data.
- Structural and stratigraphic analysis and interpretation of new the aeromagnetic data.
- Compensation Agreements enabling year-round exploration signed by landowners and Waiver of Exemption forms signed.

Detailed inspection of available core from Wilgerup indicated that the Wilgerup iron formation is very similar to those seen in the Middleback Ranges. In particular the hematite carbonate lithology that typifies the northern hematite lens is visually similar to that seen at OneSteel's Iron Duke mine. The carbonate-rich host parent lithology is thought to be significant as this succession is present in the footwall of many of the world's premier high grade hematite deposits.

The newly acquired high resolution magnetic data dramatically improved the resolution of magnetic anomalies, gave greater information on the stratigraphy and structural deformation and revealed the presence of subtle structural features not seen before.

The structural and stratigraphic analysis and interpretation was used as a basis for the 2006/2007 Exploration Plan which will include drilling of some of the most prospective geophysical hematite targets as well as infill and strike extension drilling of the two known lenses.

Managing Director's Report

For the Year Ended 30th June 2006

Southern Eyre Peninsula

Activities centred on analysis and interpretation of high resolution magnetic surveys and detailed section modelling of the magnetic data. To test the section modelling technique, 22 slimline reverse circulation drill holes were completed at Greenpatch, Koppio and Bald Hill for a total of 1,926 metres of drilling.

Magnetite hosted in carbonate-diopside-magnetite rock and silica-magnetite rock was encountered in previously un-drilled areas and along strike from past intersections. The results prove that in the study area detailed analysis and modelling of high resolution magnetic data is effective at outlining magnetite host lithologies and that loosely inferred estimations of bulk tonnage can be based on the detailed modelling and the extent of host lithologies as outlined by the magnetic data.

Information obtained from the drilling program also indicates potential for hematite mineralisation in the area and further exploration is warranted, particularly detailed gravity surveys and further drilling.

Stony Hill

Summary of work:

- Detailed high resolution low level (100 m line spacing, 30 m flight height) aeromagnetic survey carried out over the entire license area.
- Processing and interpretation of new aeromagnetic data by geophysicist.
- Structural and stratigraphic analysis and interpretation of new aeromagnetic data.

The newly acquired high resolution magnetic data dramatically improved the resolution of magnetic anomalies, stratigraphy and structures, as well as highlighting subtle features not seen before. Hematite and magnetite targets have been identified.

Bungalow

Summary of work:

- Reprocessing of available high resolution magnetic data.
- Structural and stratigraphic analysis and interpretation of reprocessed magnetic data.

With magnetite mineralisation well established from previous drilling at Bungalow, the reprocessed high resolution magnetic data has been used to plan further drilling.

Cockabidnie

Summary of work:

- Reprocessing of available regional magnetic data.

A detailed high resolution aeromagnetic survey is scheduled for late October, 2006.

Managing Director's Report

For the Year Ended 30th June 2006

Exploration Activities 1 July – 19 September 2006

During this period efforts were directed towards the Wilgerup hematite deposit and preparation for the planned drilling program.

The main activities included:

- Establishing an exploration office at Wilgerup. This included establishing communications, installing computer hardware and the purchase of exploration software.
- Securing signed compensation agreements from the requisite landowners permitting year round exploration.
- Purchasing of exploration 4WD vehicles and sampling supplies required for the 14,000m program.
- The hiring of three experienced "iron ore" geologists.

Drilling commenced on the north hematite lens on 6 September 2006. At the time of writing this summary no assay results were to hand however hematite was visually recorded over wide intervals on the first two drill lines.

Administration

Throughout the year the Company made preparations to list on the Australian Stock Exchange. By year end the Prospectus had been written, the Independent Geologist's Report received, verification completed by Minter Ellison and audited accounts completed by KPMG.

The Company listed on the Australian Stock Exchange on 17 July 2006 and trading of securities commenced on 19 July 2006.

Centrex has a clear business plan to evaluate hematite and magnetite potential on the Company's tenements and if successful to develop mining operations based on those deposits. Key elements of the Business Plan are as follows:

BUSINESS OBJECTIVE

To explore for iron ore on the Company's tenements on Eyre Peninsula, South Australia and to develop profitable iron ore mining based on identified economic reserves.

BUSINESS STRATEGIES

Three strategies will form the pillars to achieving the business objective. These strategies are:

1. Explore for hematite at Wilgerup near Lock on Eyre Peninsula and if successful to develop a 2Mtpa "direct shipping" grade hematite mining and export operation.
2. Systematic evaluation and drill screening of the Company's magnetite-rich BIF deposits and prospects to identify the best standalone development project and to develop a >3Mtpa magnetite concentrate exporting operation.
3. Evaluate the potential to mine hematite and/or hematite-rich BIF on the Company's Western Middleback tenements.

Managing Director's Report

For the Year Ended 30th June 2006

COMPARATIVE ADVANTAGES

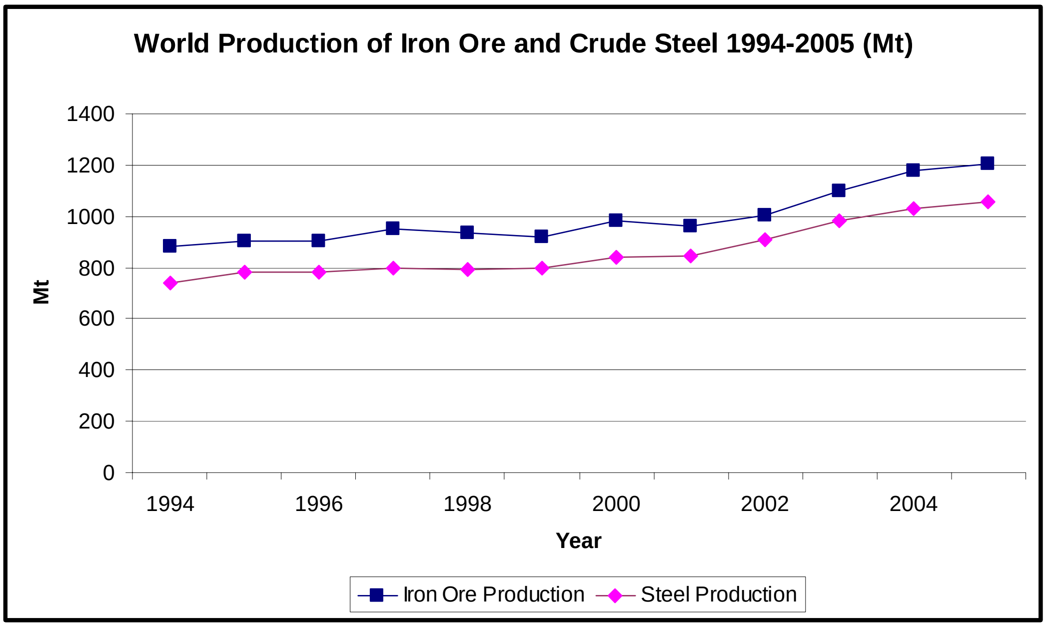
Centrex Metals Limited has a significant tenement portfolio of over 2000km^2 on Eyre Peninsula South Australia that covers extensive highly prospective iron formation.

The Company has several very important key comparative advantages. These are:

1. Prospective tenement portfolio with known magnetite deposits and at least one hematite deposit.
2. Good potential of defining sufficient hematite reserves to support an iron ore mining and exporting operation based on the Wilgerup hematite deposit.
3. Existing road infrastructure will provide all-weather access for operations support.
4. Rail infrastructure in place for Wilgerup.
5. Proximity of most deposits close to the deep water port at Port Lincoln or close to potential deep water port sites along the east coast of Eyre Peninsula. Limited capital to upgrade facilities.
6. Deep water will enable exporting of product in Cape-sized vessels (120,000t capacity).
7. Electricity for operations is available at Lock (11kv) and Cleve (66kv).
8. Magnetite deposits lie within 20kms of the coast.
9. Most deposits and prospects occur on freehold land or Crown Lease land convertible to freehold.
10. Town sites including Port Lincoln, Cummins, Lock, Port Neill, Cowell, Tumby Bay and Whyalla will assist employee recruitment, permit local recruitment and reduce camp requirements.
11. Eyre Peninsula offers prospective employees a unique lifestyle with good social amenity.
12. The Government of South Australia is very supportive of new mining ventures.

IRON ORE AND STEEL MARKETS

World production of both iron ore and crude steel has increased significantly since 2002 in response to burgeoning demand throughout the majority of the markets in the world.

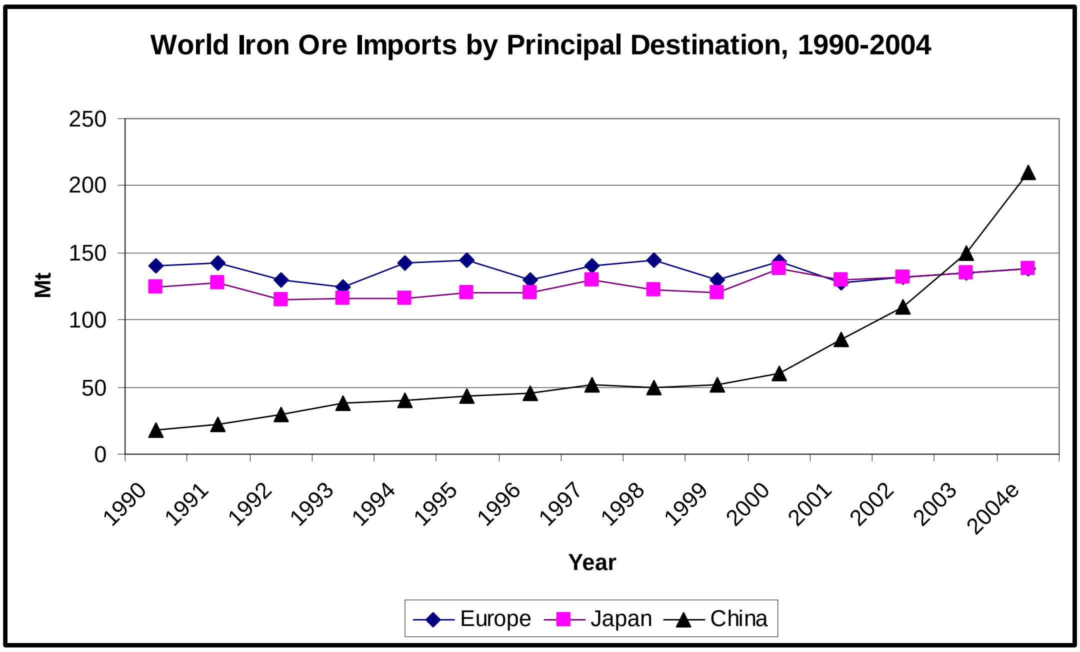


Managing Director's Report

For the Year Ended 30th June 2006

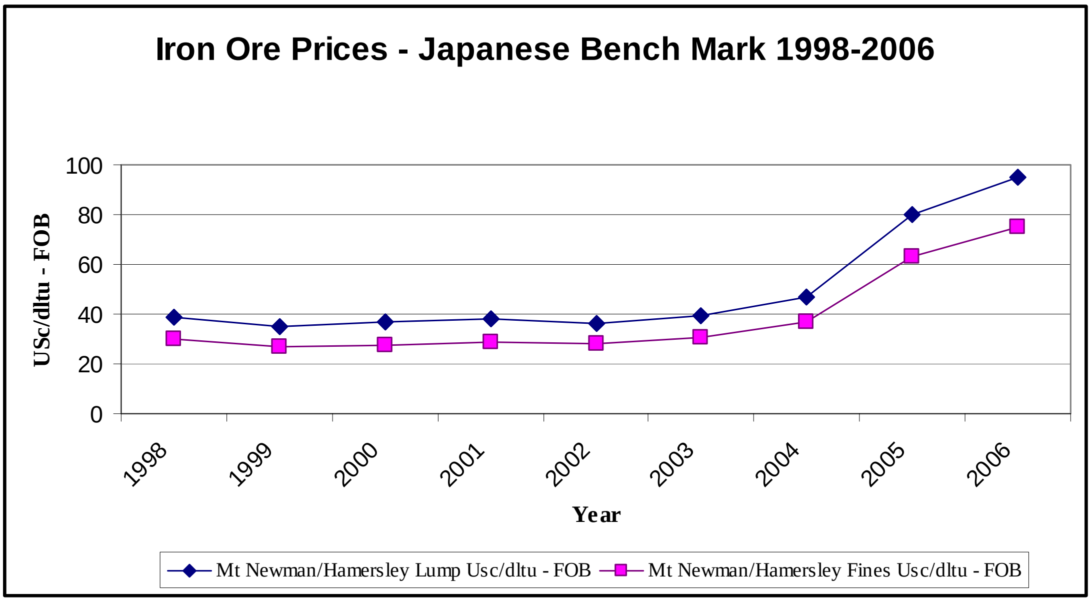
Three companies, BHP Billiton, Rio Tinto and CVRD, dominate world seaborne iron ore supply. All three companies have proposed substantial capital investment to increase supply capacity.

There are significant barriers to entry into the iron ore market. The major barriers are sufficient ore reserves of saleable product, size of operations and the substantial capital investment required to develop mines and associated infrastructure.



Source: Baffinland

China's rapid growth in steel making and its growing demand for imported iron ore has dramatically shortened the market and shifted the bargaining power to the suppliers.



Source: Baffinland

Managing Director's Report

For the Year Ended 30th June 2006

Whilst the "big three" will continue to dominate the world iron ore business, there are two key events that have made conditions right for Centrex Metals to be a new industry entrant supplying iron ore as a "boutique" supplier.

First is the rapid and burgeoning growth in demand for iron ore in Asia generally, but more specifically China. Chinese demand has been especially significant since 2002. Estimates of future Chinese iron ore consumption vary widely as to specific annual requirements but all predict the continuing strong growth of the Chinese steel industry. Importantly the Chinese are keen to secure additional supply and are encouraging new entrants by either soliciting off-take agreements or by direct investment in emerging producers.

The second key event is the dramatic rise in iron ore prices that has been experienced over the last two years. Prices rose by around 19% in 2003/2004, by 71.5% in 2004/2005 and by 19% in 2005/2006. Strong ongoing demand is likely to maintain price pressure into the future.

The two factors of demand growth and substantial price rise for iron ore, has presented Centrex with unprecedented opportunities to develop iron ore deposits (hematite and magnetite).

Exploration Plan for 2006/2007

Plans are well advanced to undertake a significant exploration program during 2006/2007. Budgeted expenditure is expected to be over $4,050,000 with $3,500,000 allocated to direct exploration of the Company's numerous iron ore deposits and prospects. These monies do not include additional funds that may be required to fast track the Wilgerup hematite deposit into a bankable feasibility study. Key elements of the plan include:

Wilgerup Hematite Deposit

The Wilgerup hematite deposit has been sparsely drilled. Prior to the planned 2006 drilling it is proposed to undertake a closer spaced modern gravity survey over the tenement to refine drill targeting for hematite.

The current Inferred resource may be conservative due to;

a) The northern hematite lens is open along strike;

b) The density used in the resource estimate was 2.7 gm/cc against a "typical" hematite density of 3.3 gm/cc;

c) Geophysics has identified over 30 geophysical anomalies with signatures suggesting the presence of hematite.

The Company has taken out a lease on a Wilgerup farm house that will double as an office and accommodation for the exploration team. Communications have been established and office equipment including computer hardware and software ordered. An experienced senior iron ore exploration geologist has been appointed as Principal Geologist and two additional geologists and a field assistant have been contracted.

$1,500,000 is planned to be spent at Wilgerup from July – December 2006.

Managing Director's Report

For the Year Ended 30th June 2006

Centrex secured the services of a drill contractor and drilling at Wilgerup commenced on 6 September 2006. The planned drilling program is substantial. Some 14,000 metres of reverse circulation drilling will be drilled over 3-4 months. The drilling will target the following:

i) A fence of drill holes on the northern hematite lens to confirm stratigraphy and structure.

ii) Systematic resource definition drilling of the northern hematite lens by drilling the known lens and strike extensions both north and south on 160m x 40m drill centres.

iii) 160m x 40m infill drilling of the southern hematite lens and strike extension to the north and south.

iv) Infill drilling to 80m x 40m of the northern and southern hematite lenses to support the estimation of an Indicated Resource.

v) Initial fences of drilling to test the main geophysical targets.

vi) Diamond drilling to recover representative samples for physical and metallurgical testwork.

Drilling at Wilgerup is expected to be completed in December 2006. If drilling warrants further evaluation, the Company will engage and work with a suitable consultancy to perform both resource and reserve estimation during December 2006.

If the drilling supports an economic mining operation, a Supplementary Budget covering a bankable feasibility study will be submitted to the Board of Directors early in 2007.

Western Middlebacks

The Company has a strategic tenement holding that runs for almost 60 kilometres along the western margin of Onesteel's mining tenements. Middleback Range iron ore mining first by BHP and more recently Onesteel, has seen over 200 million tonnes of high grade hematite ore mined over the last 100 years. Onesteel recently announced a $350 million investment to mine magnetite from its Iron Duke deposit.

EL 3287 Stony Hill hosts a 6 kilometre x 90-180m wide magnetic anomaly. The area is immediately west of Onesteel's Middleback Range mining operations and is considered prospective for both hematite and magnetite.

A high resolution aeromagnetic survey will be conducted over EL 3018 Kimba Gap and El 3408 Ironstone Hut to improve the quality of data and a gravity survey conducted over EL 3125 Ironstone Hill. Both surveys are designed to improve the definition of drill targets for both hematite and magnetite deposits. 2,100 metres of reverse circulation hammer drilling will target the best of the targets defined from the geophysics.

Bungalow Magnetite Deposit

The Bungalow magnetite deposit is situated 9 kilometres north of Cowell on the central east coast of Eyre Peninsula. The deposit occurs as a broad (>800 metre) wide, 18 kilometre long intense magnetic anomaly. The magnetics indicate repetition of the magnetite-rich banded iron formation though folding.

Previous drilling by the South Australian Iron Ore Group showed that a high grade magnetite concentrate could be produced by grinding to finer than 75 micron. Test work indicated an average DTS recovery was a high 38%.

Managing Director's Report

For the Year Ended 30th June 2006

Bungalow has been independently assessed as having and exploration potential of >250Mt to a depth of 200m.

Bungalow is favoured to support the Company's first magnetite mining and exporting operation. 5,600 metres of reverse circulation hammer drilling will be drilled following the summer harvest (to remove the risk of fire in crops) as part of a two-year program to systematically drill the deposit and enable an Indicated resource to be calculated.

Other Exploration

Exploration will also be conducted on the Company's other tenements. Detailed high resolution aeromagnetic surveys will be flown over EL 3609 Cockabidnie, El 3375 Gilles Downs and EL 3401 Lock.

Close-spaced detailed gravity surveys will be conducted on EL 3611 Greenpatch and EL 3269 Wanilla as an aid to targeting drilling for hematite.

3,000 metres of reverse circulation hammer drilling is planned at Mount Hill.

Summary

The coming year will be a very busy time for the Company. We believe that the exploration focus is balanced and that the planned program will define the exploration potential of the key hematite and magnetite deposits and prospects.

Gerard Anderson
Managing Director

Directors' Report

For the Year Ended 30th June 2006

The Directors present their report together with the financial report of Centrex Metals Ltd ("the Company") and the financial report of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30th June 2006 and the auditor's report therein.

Directors' Report

For the Year Ended 30th June 2006

1. Directors

The names of the directors in office at any time during or since the end of the financial year are:

Name and Qualifications	Appointed /Resigned	Age	Position, Experience and special responsibilities
Mr David J Lindh, LLB	Appointed 23/03/01	61	Non-Executive Directors- Chairman Consultant lawyer in corporate and commercial matters, with over 30 year experience both as a lawyer and a company director, including a number of mining and energy related companies. Currently Chairman of four public companies, various private companies, and ASX listed Enterprise Energy NL and Primary Resources Ltd and previously Chairman of Ellex Medical Lasers Limited.
Mr Gerard Anderson, Assoc Applied Geology, Grad Dip Bus, MSc	Appointed 11/04/06	51	Managing Director Geologist with 32 years of experience including 15 years in senior exploration and mine management roles including Exploration Superintendent at the Boddington Gold Mine for Worsley Alumina, Chief Geologist at the Bronzewing Gold Mine and at KCGM, mine General Manager of Golden Grove operations for Normandy and Newmont, General Manager Joint Ventures for Newmont and Managing Director Croesus Mining NL.
Mr Graham M Chrisp, B.Tech	Appointed 23/03/01 Resigned 27/04/06	59	Ex-Managing Director Has a wide range of experience in structural and civil engineering and has been involved in base metal and gold exploration and mining over 25 years. Brings strong commercial experience in project identification, deal making, and management to the Board. Mr Chrisp is also a founding Non-Executive Director of Australasia Gold Limited.
Mr Norton Jackson, BE (Metallurgy), ME, AM	Appointed 23/03/01	87	Independent Non-Executive Has worked in mining, milling, and minerals separation operations and applied research for 25 years. Has served on the Boards of mining companies and academic and research organisations for 20 years. Mr Jackson is a Non-Executive director of Australasia Gold Limited an ASX listed company and a Non-Executive director of Centrex Resources Limited a public unlisted company. Has served as Chairman of the Board of Bathurst Coal and Power Limited, a public unlisted company until de-registered in 2005.
Mr David Klingberg, AM, FTSE, B.Tech, FIE Aust, FAus IMM	Appointed 19/04/05	62	Independent Non-Executive Retired as CEO of Kinhill Limited in 1998 after 34 years experience in the management of professional engineering services to resource development industries. Director of Snowy Hydro Limited and Codan Limited, as well as positions to various other organisations.

Directors' Report

For the Year Ended 30th June 2006 – (continued)

2. Company Secretary

On 1 May 2006, Mr Graham Chrisp resigned and Mrs Victoria Allinson FCCA was appointed as Company Secretary.

Mrs V Allinson is an affiliate of the Chartered Secretaries Australia and a fellow of The Association of Chartered Certified Accountants. She has extensive commercial and public practice experience that includes being Chief Accountant for an ASX listed manufacturing company and an Audit Manager for Deloitte, Touche Tohmatsu.

3. Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the consolidated entity during the year ended 30 June 2006 was:

	Board Meetings	
	Number Attended	Number Held
Mr D J Lindh	18	18
Mr G M Chrisp (resigned 27 April 2006)	15	15
Mr N Jackson	16	18
Mr D Klingberg	16	18
Mr G Anderson (appointed 11 April 2006)	2	2

As part of the listing process, the Board established an Audit and Risk Management Committee and a Safety and Environmental Committee. At 30 June 2006 the Audit and Risk Management Committee and the Safety and Environmental Committee had not held any meetings.

Directors' Report

For the Year Ended 30th June 2006

4. Corporate Governance Statement

This statement outlines the main corporate governance practices that were developed and implemented since the ASX listing process. The Company listed on ASX on 17 July 2006.

4.1 Board of directors

The Board is committed to the principles underpinning best practice in corporate governance and the Company had adopted, to the extent that they are relevant to the organisation, the Ten Corporate Governance Principles and Best Practice Recommendations as published by the ASX Corporate Governance Council. A description of the Company's main corporate governance practices are set out below.

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring budgets including capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Company to the Chief Executive Officer.

Board processes

Due to the small size of the Board and Company, the Board will meet as a committee of the whole to deal with these matters (see sections 4.2 below).

The committees are in the process of writing mandates and operating procedures, which will be reviewed on a regular basis. The Board is also establishing a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds at least ten scheduled meetings each year, plus any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman, Chief Executive Officer and Company Secretary. Standing items include the Chief Executive Officer's report, financial reports, strategic matters, Directors' interest, continuous disclosure matters, governance and compliance. Submissions are circulated in advance. Directors have other opportunities, including visits to business operations, for contact with a wider group of employees and contractors.

4.1 Board of directors (continued)

Independent professional advice and access to company information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of the Board

The names, qualifications and experience of the Directors of the Company in office at the date of this report are set out in Section 1 of this Directors' Report. The composition of the Board is determined using the following principles:

- a minimum of three Directors, with a broad range of business expertise both nationally and internationally
- majority Non-Executive Directors
- half independent Non-Executive Directors
- a majority of Directors having extensive knowledge of the Company's industry
- a Non-Executive Director as Chairman
- a minimum of one third of the Board will retire and be subject to election at the next Annual General Meeting of the Company.

The Chairman, Mr David Lindh is not independent due to his being a substantial shareholder. The Board has determined that Mr Lindh's experience as Chairman and in the exploration industry is invaluable to the company and given the Board and Company's size there are no plans to appoint an independent Non-Executive Director.

Due to a number of factors including the Board's considerable experience and membership of other Boards and the small size of the Company, the Board has not considered it necessary to appoint a Director with specific expertise in auditing and financial reporting. The Board will use independent professional advisors as required.

An Independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another group member
- is not a material* supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer
- has no material* contractual relationship with the Company or another group member other than as a Director of the Company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Company.

* the Board considers, 'material', in this context, to be where any Director-related business relationship has represented, or is likely in future to represent the lesser of at least 10% per cent of the relevant segment's or the Director-related business's revenue. The Board considered the nature of the relevant industries' competition and the size and nature of each Director-related business relationship, in arriving at this threshold.

Directors' Report

For the Year Ended 30th June 2006

4.1 Board of Directors (continued)

4.2 Committees

The Board has established an Audit and Risk Management Committee and a Safety and Environmental Committee to assist in the execution of its responsibilities. Each committee has a specific function that has been detailed in a charter.

The Board has not established a separate Nomination Committee to oversee the procedures for the selection, appointment and induction of new directors. The Board will oversee this function when the need arises. Given the size of the Board and the Company, the Board does not consider that a separate committee would deal with this function more efficiently.

The Board has not established a separate Remuneration Committee to oversee the policy and procedures for the Directors' remuneration packages. The Board will oversee this function when the need arises. Given the size of the Board and the Company, the Board does not consider that a separate committee would deal with this function more efficiently.

4.2.1 Audit and Risk Management Committee

The Audit and Risk Management Committee advises the Board on the establishment and maintenance of a framework of internal control, risk management and appropriate ethical standards for the management of the consolidated entity.

The Board policy is that the Audit and Risk Management Committee will comprise of the Board due to the size of the Board and Company. The Managing Director will attend by invitation. The Chairman of the Audit and Risk Management Committee is Mr David Klingberg, an Independent Non-Executive director. The qualifications and experience of the Directors have been included in Section 1 of this Directors' Report.

The external auditor is invited to Audit Committee meetings at the discretion of the committee.

The Chief Executive Officer declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended 30 June 2006 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The Audit and Risk Management Committee may also undertake other special duties as requested by the Board.

The responsibilities of the Audit Committee include:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Equivalents to International Reporting Standards (AIFRS), and assessing whether the financial information is adequate for shareholder needs
- assessing corporate risk assessment processes
- reviewing the Company's policies and procedures for convergence with Australian Equivalents to International Reporting Standards (AIFRS) for reporting periods beginning on 1 July 2005
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001

Directors' Report

For the Year Ended 30th June 2006

4.2.1 Audit and Risk Management Committee (continued)

- assessing the adequacy of the internal control framework and ethical standards
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The audit committee reviews the performance of the external auditors on an annual basis. The Audit Committee met with external auditors in September 2006 and in the future plans to meet with them during the year to:

- discuss the external audit and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results
- review the draft annual and half-year financial report, and recommend board approval of the financial report
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

4.2.2 Safety and Environmental Committee

The Company recognises the importance of occupational health and safety and environmental issues. The Company is committed to compliance with all relevant laws and regulations.

The Company intends to use contractors extensively. Contractors will be required to submit their safety, environmental and disaster recovery procedures as part of the due diligence prior to letting a contract.

The Safety and Environmental Committee advises the Board on the occupational health and safety and environmental issues of the consolidated entity. The committee is expected to commence regular meetings once drilling has commenced.

The Board policy is that the Committee will comprise of the whole of the Board due to the size of the Board and Company.

The main role of the Safety and Environmental Committee is to:

- review the adequacy of the compliance with regulatory requirement in respect of the environment and occupational health and safety;
- monitor the management of identified risks, highlight new risks and review the actions to be taken for their control;
- support the culture of safe working practices and concern for the environment throughout the Company;
- review any serious injury or major environmental incident; and
- ensure proper practices are followed by all contractors.

4.3 Ethical standards

As part of the post listing process, the Board is establishing codes of conduct under which all directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

The Board will review the codes of conduct regularly to ensure the highest standards of behaviour and professionalism.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned will not participate in the meeting whilst the item is considered. Details of director related entity transactions with the Company and consolidated entity are set out in note 16 to the financial statements.

Code of conduct

The consolidated entity has advised each director, manager and employee that they must comply with the codes of conduct. The code of conduct covers the following:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives
- fulfilling responsibilities to shareholders by delivering shareholder value
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure
- employment practices such as occupational health and safety, employment opportunity, the community activities, sponsorships and donations
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution
- conflicts of interest
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain
- confidentiality of corporate information
- fair dealing
- protection and proper use of the Company's assets
- compliance with laws
- reporting of unethical behaviour.

For the Year Ended 30th June 2006

4.3 Ethical standards (continued)

Trading in general Company securities by directors and employees

The key elements of the Trading in General Company Securities by Directors and Employees Policy set out in the code of conduct are:

- identification of those restricted from trading - directors and senior executives may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
    - except during a four week period commencing immediately after either the release of the Company's half-year and annual results to the Australian Stock Exchange ('ASX'), the annual general meeting or any major announcement
    - whilst in possession of price sensitive information not yet released to the market
- raising the awareness of legal prohibitions including transactions with colleagues and external advisers
- requiring details to be provided of intended trading in the Company's shares
- requiring details to be provided of the subsequent confirmation of the trade
- identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

Any trading outside these periods/terms can only be conducted with the prior approval of the Chairman.

4.4 Continuous disclosure

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with ASX listing rules and the Corporations Act 2001. At each Board Meeting specific consideration is given as to whether any matters should be disclosures under the Company's continuous disclosure policy. The Managing Director, in conjunction with all directors, is charged with the day to day disclose to the market of any information in relation to the on-going exploration activities of the Company.

4.5 Communication with Shareholders

The Directors aim to ensure that the shareholders are informed of all information necessary to access the performance of the Company.

Information on all major development affecting the Company is to be communicative to the shareholders through:

- the Annual Report
- quarterly and half yearly reports
- the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate. All shareholders who are unable to attend these meeting will be encouraged to communicate issues or ask questions by writing to the Company;
- other announcements in accordance with the Company's continuous disclosure policy; and
- the Company's website at www.centrexmetals.com.au

The external auditor will be requested to attend the Annual General Meeting and answer shareholders' questions.

4.6 Summary

The Board will consider on an ongoing basis its Corporate Governance procedures and whether they are sufficient given the Company's nature of operations and size.

Directors’ Report

For the Year Ended 30th June 2006

5 Remuneration Report

5.1 Principles of compensation – audited

Remuneration of directors and executives is referred to as compensation as defined in AASB 124.

Compensation levels for key management personnel and secretaries of the Company, and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may, as required obtain independent advice on the appropriateness of compensation packages of both the Company and consolidated group given trends in comparative companies both locally and internationally and the objectives of the Company’s compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel’s ability to meet key performance indicators

Compensation packages include a mix of fixed and variable compensation and short- and long-term performance-based incentives.

5.2 Directors’ and executive officers’ remuneration-audited

Non-Executive Directors

Total compensation for all Non-Executive Directors, pursuant to the constitution must not exceed $500,000 per annum.

The Non-Executive Directors’ compensation comprises of fixed Directors fees of $55,000 per year for Mr David Lindh (as Chairman of the Board) and $40,000 per year for each of Mr Norton Jackson and Mr David Klingberg. Superannuation is paid at 9% of the fixed compensation for Mr Lindh and Mr Klingberg. Mr Jackson does not receive any superannuation payments.

Mr Klingberg received 250,000 2008 A Class Options as remuneration on 15 July 2005 as part of his Service Agreement signed on 17 April 2005.

Directors' Report

For the Year Ended 30th June 2006

5.2 Directors' and executive officers' remuneration-audited (continued)

Executives

On 21 March 2006 Mr Gerard Anderson signed a three year service agreement, which replaced the agreement dated 23 January 2006. Mr Anderson is entitled to receive salary of $300,000 plus 15% superannuation, a car allowance of $20,000 and an accommodation allowance of $35,000 per annum. In addition Mr Anderson is entitled to receive 1,000,000 2008 A Class Options and 30% of his total salary as an annual bonus subject to key performance indicators as set by the Board of Directors. The agreement may be terminated at any time by either party by giving three months notice in writing and the consolidated entity retains the right to terminate the contract immediately, by making payment equal to four months pay in lieu of notice.

Mr Anderson was appointed as a director on 11 April 2006 under a three year service agreement dated 21 March 2006 (replacing 23 January 2006 agreement) and is entitled to receive director's fees of $69,231 for the period from 11 April 2006 to 30 June 2006.

Mr Anderson's compensation for consultancy services before taking office on 11 April 2006 amounted to $61,346.

Mr Anderson was issued 750,000 shares at 10c each on 27 April 2006 in lieu of consultancy fees and directors remuneration for the three months ended 23 April 2006.

There are no other executives in the Company at 30 June 2006.

Directors and Executives compensation:

Directors	**Salaries & fees $**	**Other benefits $**	**Super-annuation Contributions $**	**Share Based Payments Options & rights $**	**Total $**	**Proportion of remuneration performance based %**	**Value of Options as a proportion of remuneration %**
Non-Executives							
Mr David Lindh	55,000	-	4,950	-	59,950	0%	0%
Mr David Klingberg	40,000	-	3,600	-	43,600	0%	0%
Mr Norton Jackson	40,000	-	-	-	40,000	0%	0%
Executives							
Mr Gerard Anderson (appointed 11 Apr 2006)	69,231	6,060	6,231	-	81,522	0%	0%
Mr Graham Chrisp (resigned 27 Apr 2006)	10,444	-	-	-	10,444	0%	0%
Total	**214,675**	**6,060**	**14,781**	**-**	**235,516**		

The fair value of the options held by the directors is nil. The directors determined that the intrinsic fair value of the options at the date of issue is $nil, as a result of the lack of historical market value data and that the Company did not list until 17 July 2006. The fair value of future options will be calculated at the date of grant and allocated to each reporting period evenly over the period from grant to vesting date. The value disclosed is the proportion of the fair value allocated to this period. In valuing the options, market conditions have been taken into account. Further details of the options can be found on section 11 and 12 of this directors' report.

Directors’ Report

For the Year Ended 30th June 2006

6. Principal Activity

The principal activity of the consolidated entity during the reporting year was iron ore exploration.

7. Operating and Financial Review

A review of the operations of the consolidated entity during the year and the results of those operations are as follows:

This is the fifth full year of operations for the consolidated entity, which was incorporated on 23 March 2001.

The net loss for the reporting year, after providing for income tax was:

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Net loss after income tax	632,922	276,696	626,007	273,339

The consolidated entity incurred expenditure of $402,005 on mineral tenements during the year. Further details can be found in Section 10 of this Director’s Report.

8. Dividends

No dividends were paid or declared during the year and no recommendation is made as to dividends.

9. Events subsequent to year end

Centrex Metals Limited listed on the ASX on 17 July 2006 and the shares and options were quoted on 19 July 2006, raising $8,152,086 from the issue 40,760,432 shares for $0.20 per share.

On 17 July 2006 3,500,000 2008 Options were issued in accordance with the prospectus. Further details are disclosed in note 12.

Since the year end the Company and Baotou Iron and Steel (Group) Company Limited (“Baotou”) have signed a letter of agreement whereby Baotou will invest $4,380,000 and have the right to purchase 1 million tonnes of hematite product from the Wilgerup deposit and the right to purchase 50% of production increase over the anticipated 2 million tonnes per annum production. Following the approval by the Foreign Investment Review Board, on the 6 September 2006 21,900,000 shares were issued to Baotou for $0.20 per share. Baotou has signed a voluntary escrow agreement whereby it agrees not to dispose of, or offer to dispose of any shares prior to 19 July 2007.

Drilling commenced at Wilgerup on 6 September 2006.

Directors' Report

For the Year Ended 30th June 2006

10. Likely Developments

The mineral tenements currently held by the consolidated entity and available for mineral exploration have the following annual spend covenants to maintain exploration rights:

	Covenants ($)
Held by Centrex Metals Ltd	
GREENPATCH EL 2816	55,000
COCKABIDNIE EL 2815	50,000
BUNGALOW EL 2817	40,000
WILGERUP EL 2676 (3317)	120,000
WANILLA EL 3269	55,000
DUTTON BAY EL 3421	35,000
LOCK EL 3401	40,000
GILLES DOWNS EL 3375	45,000
Held by South Australian Iron Ore Group Pty Limited	
BALD HILL EL2905	375,000
CARROW EL2887	60,000
KIMBA GAP EL3018	40,000
WHYALLA EL 3125	60,000
IRONSTONE HUT EL3048	45,000
STONY HILL EL3287	45,000
TOTAL MINING TENEMENTS	1,065,000

The covenant may be subject to renegotiation, be farmed out or may be relinquished and have not been provided for the financial statements.

The consolidated entity proposes to continue exploration of its tenements during the coming year with the aim of increasing the consolidated entity's resource base for iron ore.

The consolidated entity is continuing with plans to complete exploration for hematite and commenced drilling on 6 September 2006.

The directors have assessed the status of all of the consolidated entity's tenements and believe all tenements have sufficient remaining mineral potential to warrant continued exploration. Tenement exploration will continue to be prioritised aimed to maximise the benefit to be received from exploration.

The directors of the Company plan to considerably increase the level of exploration expenditure in the next year following the listing on the Australian Stock Exchange on the 17 July 2006.

Directors' Report

For the Year Ended 30th June 2006 – (continued)

11. Director's Interests and Options

The relevant interest of each director in the shares or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	No. of Shares held	No. of Options held	
Name		Number	Price/Expiry
Adelaide Equity Partners Limited (a company associated with Mr David Lindh)	-	1,000,000	$0.20/31 Dec 08
Davan Nominees Pty Ltd (a company associated with Mr Lindh)	12,876,335	992,220 4,468,880	$1.05/31 Dec 06 $0.20/31 Dec 08
Mr N Jackson	7,582,930	812,334 3,749,336	$1.05/31 Dec 06 $0.20/31 Dec 08
Patna Nominees Pty Ltd (a company associated with Mr David Klingberg)	450,000	250,000	$0.20/31 Dec 08
Anderson Gerard & Shane (an entity associated with Mr G Anderson)	750,000	-	-

Other than transactions as detailed in Note 16, no director has received or become entitled to receive, during or since the end of the reporting year, a benefit because of a contract made by the consolidated entity or a related body corporate with a director, a firm of which a director is a member or a Company in which a director has a substantial financial interest.

12. Share Options

Options granted to directors and officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following Directors and to the following of the five most highly remunerated officers of the Company as part of their remuneration:

	No. of options granted	Exercise price	Grant date	Expiry date
Directors				
Patna Nominees Pty Ltd (a company associated with Mr D Klingberg)	250,000 2008 A Class Options	$0.20	15 Jul 2005	31 Dec 2008

The fair value per option at grant date was $nil.

All options were granted during the financial year. No options have been granted since the end of the financial year.

During the financial year, no shares were issued on the exercise of options previously granted as compensation.

Directors' Report

For the Year Ended 30th June 2006

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option as detailed in note 12 are:

Expiry date	Exercise price	No. of unissued shares At 30 June 2006	No. of unissued shares since 30 June 2006	No. of unissued shares
31 December 2006	$1.05	9,971,987	-	9,971,987
31 December 2008	$0.20	52,803,056	3,500,000	56,303,056
		62,775,043	3,500,000	66,275,043

Mr G Anderson is entitled to receive 1,000,000 2008 A Class Options per year of service under his service agreement dated 21 March 2006 that replaced the agreement dated 23 January 2006.

The 2008 A Class Options were quoted on the ASX on 19 July 2006. The 2006 Options remain unlisted.

Shares issued on exercise of options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Option	Amount paid on each share	Number of shares
2008 A Class Options	$0.20	150,000

The following options were issued on 17 July 2006:

	Number	Expiry Date	Exercise Price
South Cove Ltd	500,000	31.12.08	$0.20
Adelaide Equity Partners Ltd (i)	1,000,000	31.12.08	$0.20
Taylor Collison Ltd (via Taycol Nominees Pty Ltd)	2,000,000	31.12.08	$0.20
	3,500,000		

(i) Mr David Lindh is Chairman and a shareholder of Adelaide Equity Partners Limited.

13. Indemnification and insurance of officers and auditors:

Pursuant to the shareholders' meeting on 6 June 2005, the Directors' Deed of Access and Indemnity, which were approved by the shareholders' meeting, have now been executed.

During the financial year, the consolidated entity did not pay any premiums on behalf of the company in respect of directors' and officers' liability and legal expenses insurance contracts. Since the financial year, the consolidated entity has agreed to pay on behalf of the company, premiums in respect of such insurance contracts for the year ending 30 June 2007.

Directors' Report

For the Year Ended 30th June 2006

14. Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit and risk management committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1*Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or accrued to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 3 to the Financial Statements.

15. Lead Auditors' Independence Declaration

The Lead auditors' independence declaration is set out on page 29 and forms part of the directors' report for the financial year ended 30 June 2006.

Signed in accordance with a Resolution of the Board of Directors:

…………………………………
Mr David J Lindh

…………………………………
Mr Gerard Anderson

Dated at Adelaide this 27th day of September 2006.

Lead Auditor's Independence Declaration under Section 307 of the Corporations Act 2001 to the directors of Centrex Metals Limited

To the directors of Centrex Metals Limited.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Peter Robertson
Partner

Adelaide
27 September 2006

Income Statements

For the Year Ended 30th June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Interest income		30	-	30	-
Exploration expenses written off		(6,915)	(125,670)	-	(125,670)
Office and administration expenses		(99,233)	(71,755)	(99,233)	(71,755)
Consultants and management expenses		(284,080)	(25,000)	(284,080)	(25,000)
Employee benefit expenses	2	(190,615)	(9,247)	(190,615)	(9,247)
Depreciation expense		(3,670)	-	(3,670)	-
Finance costs – loan interest		(20,056)	(1,200)	(20,056)	(1,200)
Listing expenses	12	8,503	(13,000)	8,503	(13,000)
Other expenses from ordinary activities		(36,886)	(17,442)	(36,886)	(17,442)
Loss from continuing operations before related income tax expense	2	(632,922)	(263,314)	(626,007)	(263,314)
Income tax (expense) / benefits	4(a)	-	(13,382)	-	(10,025)
Net loss attributable to members of the parent entity	13	(632,922)	(276,696)	(626,007)	(273,339)
Earning per share for loss attributable to the ordinary equity holders of the company:					
		Cents per share	Cents per share		
Basic earning per share from continuing operations in cents	5	(0.42)	(1.59)		

The Income Statements are to be read in conjunction with the Notes to the Financial Statements.

Statements of Recognised Income and Expenses

For the Year Ended 30th June 2006

	Note	Consolidated 2006	2005	Company 2006	2005
Net income recognised directly in equity		-	-	-	-
Loss for the period		(632,922)	(276,696)	(626,007)	(273,339)
Total recognised income and expense for the period	13	(632,922)	(276,696)	(626,007)	(273,339)
Attributable to:					
Equity holders of the parent		(632,922)	(276,696)	(626,007)	(273,339)
Minority interest		-	-	-	-
Total recognised income and expense for the period	13	(632,922)	(276,696)	(626,007)	(273,339)

Other movements in equity arising from transactions with owners as owners are set out in notes 12 and 13.

The Statements of Recognised Income and Expenditure are to be read in conjunction with the Notes to the Financial Statements.

Balance Sheets

As at 30th June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Assets					
Cash Assets	6	17,775	27,191	17,775	27,191
Other receivables	7	33,437	12,450	33,437	12,450
Total Current Assets		51,212	39,641	51,212	39,641
Mining Tenements – at cost	8	532,404	137,314	362,576	79,854
Plant and equipment	9	19,515	-	19,515	-
Receivable from controlled entities	7	-	-	176,743	57,460
Total Non-Current Assets		551,919	137,314	558,834	137,314
Total assets		603,131	176,955	610,046	176,955
Liabilities					
Trade and other payables	10	1,042,458	150,512	1,042,458	150,512
Interest bearing loans and borrowings	11	288,112	183,223	288,112	183,223
Deferred income tax liabilities	4(b)	13,382	13,382	10,025	10,025
Total Current Liabilities		1,343,952	347,117	1,340,595	343,760
Trade and other payables		-	-	-	-
Total Non-Current Liabilities		-	-	-	-
Total liabilities		1,343,952	347,117	1,340,595	343,760
Net liabilities		(740,821)	(170,162)	(730,549)	(166,805)
Equity					
Contributed equity	12	62,265	2	62,265	2
Accumulated losses	13	(803,086)	(170,164)	(792,814)	(166,807)
Total equity attributable to equity holders of the parent		(740,821)	(170,162)	(730,549)	(166,805)

The Balance Sheets are to be read in conjunction with the Notes to the Financial Statements.

Statements of Cash Flows

For the Year Ended 30th June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flows from operating activities					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(390,520)	(155,326)	(390,520)	(155,326)
GST Received		62,643	-	62,643	-
Interest paid		(6,670)	(1,200)	(6,670)	(1,200)
Net cash from operating activities	19(b)	(334,547)	(156,526)	(334,547)	(156,526)
Cash flows from investing activities					
Expenditure on mining tenements		(364,714)	(97,194)	(245,431)	(47,863)
Interest received		30	-	30	
Acquisition of plant and equipment		(23,185)	(-)	(23,185)	(-)
Net cash from investing activities		(387,869)	(97,194)	(268,586)	(47,863)
Cash flows from financing activities					
Funds received from Centrex Resources Ltd		91,503	280,900	91,503	280,900
Proceeds from the issue of share capital		751,167		751,167	
Payment of issue of share capital costs		(129,670)		(129,670)	
Funds loaned to controlled entity (SAIOG)		-	-	(119,283)	(49,331)
Net cash from financing activities		713,000	280,900	593,717	231,569
Net increase/(decrease) in cash and cash equivalents		(9,416)	27,180	(9,416)	27,180
Cash and cash equivalents at the beginning of the financial year		27,191	11	27,191	11
Cash and cash equivalents at the end of the financial year	19(a)	17,775	27,191	17,775	27,191

The Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

For the Year Ended 30th June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Centrex Metals Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 27 September 2006.

a) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ('AASBs') and the *Corporations Act* 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 23.

b) Basis of preparation

The financial report is presented in Australian dollars.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006

- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The consolidated entity plans to adopt AASB 2005-9 and AASB 2005-10 in the 2007 financial year. The initial application is not expected to have a material impact on the financial results of the Company and the consolidated entity.

Notes to the Financial Statements

For the Year Ended 30th June 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.
The accounting policies have been applied consistently by all entities in the consolidated entity.

c) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated result for the year ended 30 June 2006 was a net loss of $632,922 (2005: $276,696) and the consolidated entity has a net deficiency of $740,821 (2005: net deficiency of $170,162).

The consolidated entity's primary focus continues to be mineral exploration on the tenements to which it holds rights. The company listed on the 17 July 2006 raising $8,152,086, as a result the Directors believe that the consolidated entity is a going concern and will continue to pay its debts as and when they fall due. Refer note 12 for share issue details and note 22 for recent developments regarding further funds raising.

d) Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entity, South Australia Iron Ore Group Pty Ltd.

The balances and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

In 2004, Centrex Metals Ltd was 100% owned by Centrex Resources Ltd and consolidated by Centrex Resources Ltd for reporting purposes. On 27 January 2005, Centrex Metals Ltd was de-merged from the consolidated group through the issuance of a proportionate number of shares in Centrex Metals Ltd to the shareholders of Centrex Resources Ltd. This effectively eliminated the direct ownership of Centrex Metals Ltd by Centrex Resources Ltd and Centrex Metals Ltd was thus not consolidated with Centrex Resources Ltd as at 30 June 2005 and 30 June 2006.

e) Revenue Recognition

Revenue and expenses are brought to account on an accrual basis. Interest Income is recognised as it accrues.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes to the Financial Statements

For the Year Ended 30th June 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Comparatives

Where applicable, prior year amounts have been adjusted to place them on a comparable basis with current year amounts.

h) Income Tax

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The company is no longer part of a tax-consolidated group. No agreement has been reached at reporting date to tax-consolidate its wholly-owned subsidiary, South Australia Iron Ore Group Pty Ltd.

i) Mining Tenements

Mining tenements are recorded at cost. The carrying amount is reviewed regularly by the Directors and is dependent upon the discovery and exploitation of commercially viable mineral deposits, the generation of sufficient income therefrom or sale of tenements for at least their book value. Depreciation will not be charged until production commences.

Notes to the Financial Statements

For the Year Ended 30th June 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Exploration, Evaluation and Development Expenditure

Costs associated with exploration, evaluation and development expenditure will be accumulated in respect of each separate area of interest.

These costs will be carried forward where they are expected to be recouped through the sale or successful development of the area of interest, or where activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. These costs will be depreciation on a unit of production basis over the life of the economically recoverable reserves once production commences.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (o)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

k) Provision

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

l) Provision for Restoration and Rehabilitation

No provision has been made in the accounts for restoration and rehabilitation of areas from which natural resources are extracted on the basis that significant exploration has not yet commenced. This policy will be subject to annual review.

m) Property, Plant and Equipment

Property, plant and equipment will be brought to account at cost, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment will be reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount will be assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

The gain or loss on disposal of fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax in the year of disposal.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated over their useful lives commencing from the time the asset is held ready for use.

Notes to the Financial Statements

For the Year Ended 30th June 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Depreciation

With the exception of mining property and development assets, depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Mining property and development assets are depreciated on a units of production basis over the life of the economically recoverable reserves, depreciation will not be charged until production commences.

The estimated useful lives in the current and comparative periods are as follows:

Motor vehicles	3-5 years
Fixtures and fittings	3-5 years
Plant and equipment	3-5 years

o) Impairment

The carrying amounts of the consolidated entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of other assets is the greater of their 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. 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.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

For the Year Ended 30th June 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Leased assets

Leases of plant and equipment are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership. Minimum lease payment are charged against profits over the accounting periods covered by the lease terms except where an alternative basis would be more representative of the pattern of benefit to be derived for the leased asset.

q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

r) Investments

Controlled entities

Investments in controlled entities are carried in the Company’s financial statements at the lower of cost and recoverable amount.

s) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

Notes to the Financial Statements

For the Year Ended 30th June 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Interest bearing liabilities

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

Comparative period policy:
Interest-bearing borrowings are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in payables.

Debentures, bills of exchange and notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

u) Share capital

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

v) Employee benefits

Defined contribution superannuation funds
Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

Long-term service benefits
The consolidated entity’s net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity’s obligations

Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees’ services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as housing and cars, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Notes to the Financial Statements

For the Year Ended 30th June 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Share and options compensation

Where shares or share option are issued to a directors as remuneration for past services, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. Unless otherwise stated, the fair value of the options granted is measured using an option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

x) Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Mining tenements -exploration and evaluation costs – Note 1(j)

Provision for restoration and rehabilitation – Note 1(l)

y) Segmental reporting

The Company operates in one business segment: iron ore exploration and one geographical segment: Australia.

Notes to the Financial Statements

For the Year Ended 30th June 2006

		Consolidated		Company	
		2006	2005	2006	2005
		$	$	$	$
2	**PROFIT/(LOSS) FROM CONTINUING OPERATIONS**				
	Employee benefit expenses				
	Wages and salaries	173,092	9,247	173,092	9,247
	Contributions to defined contribution superannuation funds (note 1(v))	17,523	-	17,523	-
		190,615	9,247	190,615	9,247
3	**AUDITOR'S REMUNERATION**				
	Audit services	10,000	5,500	10,000	5,500
	Other services –share issue costs (note 12)	7,500	7,500	7,500	7,500
	Other services –taxation services	2,500	-	2,500	-
	Auditors of the company – KPMG	20,000	13,000	20,000	13,000
4	**TAXATION**				
4(a)	**Income tax expense**				
	Current tax expense	-	-	-	-
	Deferred tax expense	-	13,382	-	10,025
		-	13,382	-	10,025
	Prima facie income tax expense/(benefit) calculated at 30% on the profit from continuing operations (2005 – 30%)	(189,877)	(78,994)	(187,802)	(78,994)
	Previously recognised tax losses lost on demerger from Centrex Resources Limited	-	13,382	-	10,025
	Tax losses not brought to account	189,877	78,994	187,802	78,994
	Income tax expense on operating profit / (loss)	-	13,382	-	10,025

Notes to the Financial Statements

For the Year Ended 30th June 2006

4(b) Deferred income tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
Consolidated Entity						
Capitalised exploration expenditure	-	-	(159,721)	(41,194)	(159,721)	(41,194)
Tax value of loss carry-forwards recognised	146,339	27,812	-	-	146,339	27,812
Net tax asset/liability	146,339	27,812	(159,721)	(41,194)	(13,382)	(13,382)
Company						
Capitalised exploration expenditure	-	-	(108,773)	(23,956)	(108,773)	(23,956)
Tax value of loss carry-forwards recognised	98,748	13,931	-	-	98,748	13,931
Net tax asset/liability	98,478	13,931	(108,773)	(23,956)	(10,025)	(10,025)

Prior to 2005, the Company was part of a tax consolidated group. The Company de-merged from the consolidated group in 2005, but its tax losses to the date of de-merger remain within the group, see note 23 for further details.

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Unrecognised deferred tax asset				
Tax losses carried forward	268,871	78,994	266,796	78,994

Deferred tax assets have not been recognised as the recovery of tax losses is not probable.

The potential future income tax benefit will only be obtained if:

(i) The company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) The relevant company and/or consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) No changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

Notes to the Financial Statements

For the Year Ended 30th June 2006

5 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2006 was based on the loss attributable to ordinary shareholders of $632,922 (2005: $276,696) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 149,698,226 (2005: 17,402,158), calculated as follows:

Loss attributable to ordinary shareholders

	Consolidated 2006 $	Consolidated 2005 $
Loss for the period	632,922	276,696
Adjustments	-	-
Profit attributable to ordinary shareholders	632,922	276,696

Weighted average number of ordinary shares

	Note	2006	2005
Issued ordinary shares at beginning of year	12	146,237,360	2
Effect of shares issued on 15 July 2005	12	28,040	-
Effect of shares issued on 24 November 2005	12	89,589	-
Effect of shares issued on 8 December 2005	12	2,552,329	-
Effect of shares issued on 27 April 2006	12	455,891	-
Effect of shares issued on 27 June 2006	12	335,017	-
Effect of shares issued on 27 January 2005	12	-	9,224,063
Effect of shares issued on 6 June 2005	12	-	8,178,093
Weighted average number of ordinary shares at end of year		149,698,226	17,402,156

Earnings per share for continuing and discontinued operations

Basic earnings per share
In AUD

	2006	2005
From continuing operations	(0.0042)	(0.0159)

The diluted earning per share is the same as the basic earning per share due to losses being incurred in the period.

6 CASH ASSETS

Cash at bank and on hand	17,775	27,191	17,775	27,191

		Consolidated		Company	
		2006	2005	2006	2005
		$	$	$	$
7	**OTHER RECEIVABLES**				
	Current				
	Prepayments and other receivables	9,297	-	9,297	-
	GST receivable	24,140	12,450	24,140	12,450
		33,437	12,450	33,437	12,450
	Non-current				
	Receivable from South Australian Iron Ore Group Pty Ltd	-	-	176,743	57,460

The amount receivable from South Australian Iron Ore Group Pty Ltd is payable on demand. The Company has no intention of demanding payment in the next year.

		Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
8	**MINING TENEMENTS**				
	Cost at beginning of the year	137,314	40,120	79,854	31,991
	Expenditure incurred during year	402,005	97,194	282,722	47,863
	Acquisitions	-	-	-	-
	Disposals/write-offs	(6,915)	-	-	-
	Cost at end of the year	532,404	137,314	362,576	79,854

The following mineral tenements are currently held by the consolidated entity and available for mineral exploration:

	Capitalised Costs	Capitalised Costs
Held by Centrex Metals Ltd		
Greenpatch EL 2816	177,750	11,004
Cockabidnie EL 2815	8,290	8,290
Bungalow EL 2817	47,599	34,954
Wilgerup EL 3317	108,504	18,996
Wanilla EL 3269	15,141	6,610
Dutton Bay EL 3421	2,882	-
Lock EL 3401	410	-
Gilles Downs EL 3375	2,000	-
	362,576	79,854
Held by SAIOG		
Bald Hill EL 2905	62,398	17,800
Carrow EL 2887	52,188	6,610
Kimba Gap EL 3018	9,259	6,610
Lake Moolkra EL 2961	6,915	6,610
Whyalla EL 3125	9,477	6,610
Ironstone Hut EL 3048	9,129	6,610
Stony Hill EL 3287	27,377	6,610
	176,743	57,460
Surrendered tenement written off:		
Lake Moolkra EL 2961	(6,915)	-
Total	532,404	137,314

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$

8. MINING TENEMENTS (continued)

The Mining tenement assets comprise of exploration expenditure incurred since acquiring the licenses. The expenditure is capitalised on a tenement by tenement (“area of interest) basis.

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. The consolidated entities’ tenements have still to be explored and therefore the results are not yet know. consolidated entities will assess the assets for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying value amount exceeds the recoverable amount (see note 1(j). For the purpose of impairment testing, the assets are allocated to cash-generating units consisting with the determination of reportable segments.

9 PLANT AND EQUIPMENT

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cost				
Balance at beginning of year	-	-	-	-
Additions	23,185	-	23,185	-
Disposals	-	-	-	-
Balance at end of year	23,185	-	23,185	-
Depreciation				
Balance at beginning of year	-	-	-	-
Disposals	-	-	-	-
Charge for the year	(3,670)	-	(3,670)	-
Balance at end of year	(3,670)	-	(3,670)	-
Net book value				
Balance at beginning of year	-	-	-	-
Additions	23,185	-	23,185	-
Depreciation charge for the year	(3,670)	-	(3,670)	-
Balance at end of year	19,515	-	19,515	-

Notes to the Financial Statements

For the Year Ended 30th June 2006

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$

10 TRADE AND OTHER PAYABLES

Current liabilities				
Trade payables	645,393	116,265	645,393	116,265
Other trade payables and accruals	40,349	-	40,349	-
Directors fees payable	181,716	9,247	181,716	9,247
Management fees payable	175,000	25,000	175,000	25,000
	1,042,458	150,512	1,042,458	150,512

The Directors resolved that Directors fees payable and Management fees payable owed to a Director-related entity would not be paid until the economic entity has raised sufficient funds from external sources, this has occurred since the year end. Refer Directors Remuneration Note 16.

No interest is payable on trade payables or management fees payable.

11 INTEREST-BEARING LOANS AND BORROWINGS

Current liabilities				
Loan from Centrex Resources Ltd	288,112	183,223	288,112	183,223

Interest accrues on amounts owing to Centrex Resources Ltd at a rate of 5% per annum. The balance above includes $13,386 (2005: $1,200) in interest payable accrued in current year. Loan was repayable on demand and was repaid since the year end with proceeds from the capital raising.

12 CONTRIBUTED EQUITY

Share Capital

194,343,701 (2005: 146,237,360) ordinary shares, fully paid	62,265	2	62,265	2

Notes to the Financial Statements

For the Year Ended 30th June 2006

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
12 CONTRIBUTED EQUITY (continued)				
Movements during the year				
Balance at beginning of year 146,237,360 (2005: 2) shares	2	2	2	2
Movement during 2006				
29,242 shares issued on 15 Jul 2005	4,500	-	4,500	-
150,000 shares issued from 2008 A Class Options on 24 Nov 2005	30,000	-	30,000	-
4,566,667 shares issued on 8 Dec 2005	456,667	-	456,667	-
2,600,000 shares issued on 27 Apr 2006	260,000	-	260,000	-
40,760,432 shares allotted on 27 Jun 2006 $8,152,086 held in trust until the Company was quoted on the ASX (i)	-	-	-	-
Share issue costs	(688,904)	-	(688,904)	-
Movement during 2005				
21,862,228 shares issued as a result of demerger of the Company from Centrex Resources Ltd	-	-	-	-
7,385,242 shares issued as compensation for raising outstanding options' exercise price in preparation for share split	-	-	-	-
116,989,888 shares issued as a result of 5:1 share split (subsequent to demerger from Centrex Resources Ltd)	-	-	-	-
On issue at end of the year –fully paid 194,343,701 (2005: 146,237,360) shares	62,265	2	62,265	2

(i) On 17 July 2006 the company listed on the ASX and in the process raised $8,152,086 from issuing 40,760,432 shares. The shares were quoted from 19 July 2006.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up of the company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

12 CONTRIBUTED EQUITY (continued)

At 30 June 2006, there are the following options outstanding:

	Number	Expiry Date	Exercise Price
2006 Options			
At the beginning of the year			
Options outstanding at time of demerger from Centrex Resources Ltd	9,846,987	31.12.06	$1.05 (at time of demerger, options priced at $0.25 each, but raised after the reconstruction approved 6/06/05)
Options issued on 8 December 2005	125,000	31.12.06	$1.05
At the end of the year	9,971,987	31.12.06	$1.05
2008 A Class Options			
At the beginning of the year			
Options arising on share split and granted to Directors pursuant to approval by shareholders at shareholders' meeting 6 June 2006	42,637,948	31.12.08	$0.20
Options exercised on 24 November 2006	(150,000)	31.12.08	$0.20
Options issued on 8 December 2005	125,000	31.12.08	$0.20
Options issued on 27 June 2006	10,190,108	31.12.08	$0.20
At the end of the year	52,803,056	31.12.08	$0.20
Total Options at beginning of year	52,484,935		
Total Options at end of year	62,775,043		
The following options were issued on 17 July 2006:			
South Cove Ltd	500,000	31.12.08	$0.20
Adelaide Equity Partner Ltd (i)	1,000,000	31.12.08	$0.20
Taylor Collison Ltd (via Taycol Nominees Pty Ltd)	2,000,000	31.12.08	$0.20

(i) Mr D Lindh is the Chairman and a shareholder of Adelaide Equity Partners Limited.

Mr G Anderson is entitled to receive 1,000,000 2008 A Class Options per year of service under his service agreement dated 21 March 2006 (earlier agreement 23 January 2006).

The 2008 A Class Options were quoted on the ASX on 19 July 2006. The 2006 Options remain unlisted.

Notes to the Financial Statements

For the Year Ended 30th June 2006

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
13 CAPITAL AND RESERVES				
Share Capital at the beginning of the year (note 12)	2	2	2	2
Issued (note 12)	751,167	-	751,167	-
Share issue costs (note 12)	(688,904)	-	(688,904)	-
Share Capital at the end of the year	62,265	2	62,265	2
Accumulated profit/(loss) at the beginning of the year	(170,164)	106,532	(166,807)	106,532
Net profit/(loss) for the year	(632,922)	(276,696)	(626,007)	(273,339)
Accumulated loss at the end of the year	(803,086)	(170,164)	(792,814)	(166,807)
Total Equity	(740,821)	(170,162)	(730,549)	(166,805)

14 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives
The consolidated entity does not enter into or trade financial instruments, including speculative financial instruments, for speculative purposes.

(b) Interest rate risk exposure
The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Effective Interest rate	Interest free	Variable Interest rate	Fixed Interest rate less than one year	Total
Consolidated					
2006					
Cash	-	-	17,775	-	17,775
Loan from Centrex Resources Limited	5%	-	-	(288,112)	(288,112)
2005					
Cash	-	-	27,191	-	27,191
Loan from Centrex Resources Limited	5%	-	-	(183,223)	(183,223)

Notes to the Financial Statements

For the Year Ended 30th June 2006

14 FINANCIAL INSTRUMENTS (continued)

	Effective Interest rate	Interest free	Variable Interest rate	Fixed Interest rate less than one year	Total
Company					
2006					
Cash	-	-	17,775	-	17,775
Receivable from controlled entity	-	176,743	-	-	176,743
Loan from Centrex Resources Limited	5%	-	-	(288,112)	(288,112)
2005					
Cash	-		27,191	-	27,191
Receivable from controlled entity	-	57,460	-	-	57,460
Loan from Centrex Resources Limited	5%	-	-	(183,223)	(183,223)

(c) Credit risk exposures
Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the consolidated entity, which have been recognised on the balance sheet, is the carrying amount.

(d) Net fair values of financial assets and liabilities
Net fair values of financial assets and liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, trade debtors, term debtors, other debtors, bank overdraft, accounts payable, bank loans and lease liabilities approximate net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

14 FINANCIAL INSTRUMENTS (continued)

The carrying amount and net fair value of financial assets and liabilities as at the reporting date are as follows:

	Consolidated			
	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$	$	$	$
Financial assets				
Cash Assets	17,775	17,775	27,191	27,191
Other receivables	33,437	33,437	12,450	12,450
Investments	-	-	-	-
	51,212	51,212	39,641	39,641
Financial liabilities				
Trade and other payables	1,042,458	1,042,458	150,512	150,512
Interest bearing loans and borrowings	288,112	288,112	183,223	183,223
	1,330,570	1,330,570	333,735	333,735

Cash assets are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

(e) Liquid Risk Management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

15 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

Less than one year	18,200	-	18,200	-
Between one and five years	3,378	-	3,378	-
More than five years	-	-	-	-

Notes to the Financial Statements

For the Year Ended 30th June 2006

16 KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-Executive Directors
Mr David Lindh (Chairman)
Mr Norton Jackson
Mr David Klingberg

Executive Directors
Mr Gerard Anderson (Managing Director appointed 11 April 2006)
Mr Graham Crisp (Managing Director resigned 27 April 2006)

Executives
None

The key management personnel compensation included in 'personnel expenses' (see note 2) and Consultant and Management Expenses are as follows:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Short-term employee benefits	$235,516	$9,247	$235,516	$9,247

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the directors' report in Section 5.

Centrex Resources Ltd was a related party of Centrex Metals Ltd due to common control until the company demerged on 27 January 2005. In the prior year $55,000 was accrued by Centrex Resources Ltd for its directors who are common to Centrex Metals Ltd.

The Remuneration Report in Section 5 of the Directors Report includes details of the Directors' remuneration agreements.

Pursuant to shareholders' resolution on 6 June 2005, Directors fees for Centrex Metals Ltd are accrued at $55,000 per year for Mr David Lindh (as Chairman of the Board) and $40,000 per year for each of Mr Norton Jackson and Mr David Klingberg. The total Directors fees accrued for the year ended 30 June 2006 was $143,685 (including superannuation) as at the year end 2006. The pro-rated amount of these Directors fees for the period 6-30 June 2005 was $9,247 and this has been accrued as at year-end 2005 and 2006. It has been resolved that Directors fees payable would not be paid until the Company has raised additional capital or achieved Stock Exchange Listing. The Directors fees accrued were paid subsequent to listing.

Notes to the Financial Statements

For the Year Ended 30th June 2006

16 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

On 21 March 2006 Mr Anderson signed a three year service agreement, which replaced the agreement dated 23 January 2006. Mr Anderson is entitled to receive salary of $300,000 plus 15% superannuation, a car allowance of $20,000 and an accommodation allowance of $35,000 per annum. In addition Mr Anderson is entitled to receive 1,000,000 2008 A Class Options and 30% of his total salary as an annual bonus subject to key performance indicators as set by the Board of Directors. The agreement may be terminated at any time by either party by giving three months notice on writing and the consolidated entity retains the right to terminate the contract immediately, by making payment equal to four months pay in lieu of notice.

Mr Gerard Anderson was appointed as a director on 11 April 2006 under a three year service agreement dated 21 March 2006 (replacing 23 January 2006 agreement) and is entitled to receive director's fees of $69,231 for the period from 11 April 2006 to 30 June 2006.

Mr Anderson's compensation for consultancy services before taking office on 11 April 2006 amounted to $61,346.

Other key management personnel transactions with the Company or its controlled entities:

The following payments and/or liabilities have been included in the financial statements:

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

			Consolidated & The Company	
In AUD excluding GST		***Note***	**2006**	**2005**
Key management persons	**Transaction**			
Mr David Lindh	Rundle Capital Partners Limited's corporate advisory services relating to the listing process	(i)	30,000	4,000
Mr David Lindh	Adelaide Equity Partners Limited's corporate advisory services relating to the listing process	(ii)	44,000	-
Mr David Lindh	Adelaide Equity Partners Limited's reimbursed expenses	(iii)	16,090	-
Mr David Lindh	Rundle Capital Partners Limited's reimbursed expenses	(iv)	3,969	5,091
Mr David Lindh	Minter Ellison's legal services relating to the listing process	(v)	118,042	63,993
Mr Graham Crisp*	Management Fees	(vi)	150,000	25,000
Mr Graham Crisp*	Softwood Plantations Pty Ltd reimbursed expenses	(vii)	58,071	63,468
Mr Graham Crisp*, Mr Norton Jackson, & Mr David Lindh	Centrex Resources Ltd loan Interest	(viii)	13,369	1,200

* resigned 27 April 2006

Notes to the Financial Statements

For the Year Ended 30th June 2006

16 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(i) Payments to a total of $30,000 (2005: $4,000) were made to Rundle Capital Partners Ltd, of which Mr Lindh is a Director, for corporate advisory services relating to the listing process.

(ii) Payments to a total of $44,000 (2005: $nil) were made to Adelaide Equity Partners Ltd, of which Mr Lindh is a Director and shareholder, for corporate advisory services relating to the listing process.

(iii) Payments to a total of $16,090 (2005: $nil) were made to Adelaide Equity Partners Ltd, of which Mr Lindh is a Director and shareholder, for reimbursement of general office expenditure on behalf of consolidated entity.

(iv) Payments to a total of $3,969 (2005: $5,091) were made to Rundle Capital Partners Ltd, of which Mr Lindh is a Director, for reimbursement of general office expenditure on behalf of consolidated entity.

(v) Payments to a total of $118,042 (2005: $63,993) were made to Minter Ellison, of which Mr Lindh is a consultant, for legal services relating to the listing process.

(vi) The company accrued a payment of $150,000 (2005: $25,000) during the year to Farmtell Management Services Pty Ltd, of which Mr Chrisp is a Director, for management of consolidated entity.

(vii) Payments to a total of $58,071 (2005: $63,468) were made to Softwood Plantations Pty Ltd and its controlled entities of which Mr Chrisp is a Director, for reimbursement of general office expenditure on behalf of consolidated entity.

(viii) Payments to a total of $13,369 (2005: $1,200) were made to Centrex Resources Ltd of which Mr Chrisp, Mr N Jackson and Mr David Lindh are Directors, for interest on a loan to the consolidated entity (see note 11)

In 2006 Mr Gerard Anderson became a Director on 11 April 2006; there were no other permanent employees of the Company. In 2005 there were no employees of the company. During 2005 and 2006 the operations of the company were maintained through contracted clerical staff and managed through Softwood Plantation Pty Ltd and Farmtell Management Services Pty Ltd.

Under an agreement between the company and Farmtell Management Services Pty Ltd, a company associated with former director, Mr Graham Crisp, the Company agreed to grant certain Options if certain performance criteria were met, see Options section of this note for further details.

Apart from the details disclosed in this note, no director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving Directors’ interests subsisting at year-end.

Notes to the Financial Statements

For the Year Ended 30th June 2006

16 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Amounts receivable from and payable to key management personnel at reporting date arising from these transactions were as follows:

	Consolidated & The Company	
In AUD including GST	**2006**	**2005**
Assets and liabilities arising from the above transactions		
Current payables		
Trade creditors	520,648	29,000
Interest bearing loans and borrowings	288,112	183,223

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

Directors Holding of Shares:

The movement during the reporting period in the number of ordinary shares in Centrex Metals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	No. held at 30 June 05	No. Purchased	No. sold	No. held at 30 June 2006
Davan Nominees Pty Ltd (a company associated with Mr D Lindh)	12,876,335	-	-	12,876,335
Mr N Jackson	7,582,930	-	-	7,582,930
Patna Properties Pty Ltd (a company associated with Mr D Klingberg)	-	450,000	-	450,000
Mr G Anderson (i)	-	750,000	-	750,000

(i) On 27 April 2006, 750,000 shares were issued at $0.10 to Mr G Anderson in lieu of accrued consultancy fees and directors remuneration.

No other shares were granted to key personnel during the reporting period as compensation.

Notes to the Financial Statements

For the Year Ended 30th June 2006

16 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Director's Holding of Options

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Number of Options Held		Vested and exercisable	
Name	**No. held at 30 June 05**	**Granted as compensation**	**No. held at 30 June 06**	**Price/Expiry**
Davan Nominees P / L (a company associated with Mr D Lindh)	992,220	-	992,220	$1.05/31 Dec 06
	4,468,880		4,468,880	$0.20/31 Dec 08
Mr N Jackson	812,334	-	812,334	$1.05/31 Dec 06
	3,749,336		3,749,336	$0.20/31 Dec 08
Patna Properties Pty Ltd (a company associated with Mr D Klingberg)	250,000	-	250,000	$0.20/31 Dec 08
Mr G Anderson	-	-	-	-

No options held by key management personnel are vested but not exercisable.

In the prior year the following options were granted to Directors or Director-related entities on their behalf (subsequent to demerger and share split) pursuant to 6 June 2005 shareholders' meeting:

	Number	Expiry Date	Exercise Price
Mr David Lindh	500,000	31.12.08	$0.20
Mr Norton Jackson	500,000	31.12.08	$0.20
Mr David Klingberg	250,000	31.12.08	$0.20
Mr Gerard Anderson	-	-	-
Total	1,250,000		

Mr David Lindh is the Chairman and a shareholder of Adelaide Equity Partners Limited, to which 1,000,000 Class A 2008 share options were issued on the 17 July 2006.

These options were deemed to have a value of nil (2005 nil) given the unlisted status of the company and the exercise price of the granted options being on par with the bulk of other outstanding options. The granting of these options to Directors therefore has been recorded as a nil effect on reported profit in prior year.

Notes to the Financial Statements

For the Year Ended 30th June 2006

16 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Mr G Anderson is entitled to receive 1,000,000 2008 A Class Options exercisable at $0.20 per year of service under his service agreement dated 21 March 2006. The options will be valued at the date of grant as set out in Section 5 of the Directors' Report.

Under an agreement between the company and Farmtell Management Services Pty Ltd, a company associated with a formed director, Mr Graham Crisp, the Company agreed to grant certain Options if certain performance criteria were met. Pursuant to the agreement 500,000 2008 A Class Options were issued to South Cove Ltd on 17 July 2006 (see note 12) as instructed by Mr Chrisp.

17 NON-KEY MANAGEMENT PERSONAL DISCLOSURES

The consolidated entity has a related party relationship with its subsidiary and with its key management personnel (see note 16).

Other related party transactions

Subsidiaries
Loans are made by the Company to wholly owned subsidiaries for capital purchases. The exception of the specific transactions noted below, loans outstanding between the Company and its controlled entities have no fixed date of repayment (payable on demand) and are non-interest bearing. During the financial year ended 30 June 2006, such loans to subsidiaries totalled $176,743 (2005: $57,460).

18 CAPITAL COMMITMENTS & CONTINGENT LIABILITIES

In order to maintain its right of renewal of tenements (reviewed on a regular basis), the company is required to meet exploration expenditures as defined at the time of the granting of the tenement. These tenement commitments are listed and discussed in the Directors' Report.

19 NOTES TO THE STATEMENT OF CASH FLOWS

19(a) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts. Cash at the end of the financial year, as shown in the Statements of Cash Flows, is reconciled to the related items in the Balance Sheets as follows:

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Cash at bank and on hand	17,775	27,191	17,775	27,191

Notes to the Financial Statements

For the Year Ended 30th June 2006

19(b) Reconciliation of cash flows from operating activities.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Loss from ordinary activities after income tax	(632,922)	(276,696)	(626,007)	(273,339)
Interest received	(30)	-	(30)	-
Depreciation	3,670	-	3,670	-
(Increase)/decrease in debtors	(20,987)	(10,520)	(20,987)	(10,520)
(Increase)/decrease in other assets	-	750	-	750
Increase/(decrease) in deferred income tax liabilities	-	13,382	-	10,025
Increase/(decrease) in amounts payable to Softwood Plantations Pty Ltd	150,000	-	150,000	-
Increase/(decrease) in payables	165,722	116,558	158,807	116,558
Net cash provided by/(used) in operating activities	**(334,547)**	**(156,526)**	**(334,547)**	**(156,526)**

20 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

The Company holds 100% interest in its controlled subsidiary, South Australian Iron Ore Group Pty Ltd (SAIOG), a company incorporated in Australia.

21 **SEGMENT REPORTING**

The consolidated entity operates predominantly in mineral exploration in South Australia.

22 EVENTS SUBSEQUENT TO BALANCE DATE

Centrex Metals Limited listed on the ASX on 17 July 2006 and the shares and options were quoted on 19 July 2006, raising $8,152,086 from the issue 40,760,432 shares for $0.20 per share.

On 17 July 2006 3,500,000 2008 Options were issued in accordance with the prospectus. Further details are disclosed in note 12.

Since the year end the Company and Baotou Iron and Steel (Group) Company Limited (“Baotou”) have signed a letter of agreement whereby Baotou will invest $4,380,000 and have the right to purchase 1 million tonnes of hematite product from the Wilgerup deposit and the right to purchase 50% of production increase over the anticipated 2 million tonnes per annum production. Following the approval by the Foreign Investment Review Board, on the 6 September 2006 21,900,000 shares were issued to Baotou for $0.20 per share. Baotou has signed a voluntary escrow agreement whereby it agrees not to dispose of, or offer to dispose of any shares prior to 19 July 2007.

Drilling commenced at Wilgerup on 6 September 2006.

Notes to the Financial Statements

For the Year Ended 30th June 2006

23 EXPLANATION OF THE TRANSITION TO AIFRS

Balance Sheets	Consolidated at 30 June 2005			Company at 30 June 2005		
	Previous GAAP	Effect of transition to AIFRS	AIFRS	Previous GAAP	Effect of transition to AIFRS	AIFRS
	$	$	$	$	$	$
Assets						
Cash Assets	27,191	-	27,191	27,191	-	27,191
Other receivables	12,450	-	12,450	12,450	-	12,450
Total Current Assets	39,641	-	39,641	39,641	-	39,641
Mining Tenements	137,314		137,314	79,854		79,854
Plant and equipment	-		-	-		-
Receivable from controlled entities	-		-	57,460		57,460
Total Non-Current Assets	137,314		137,314	137,314		137,314
Total assets	176,955		176,955	176,955		176,955
Liabilities						
Trade and other payables	150,512		150,512	150,512		150,512
Interest bearing loans and borrowings	183,223		183,223	183,223		183,223
Deferred income tax liability	-	13,382	13,382	-	10,025	10,025
Total Current Liabilities	333,735	13,382	347,117	333,735	10,025	343,760
Total Non-Current Liabilities	-		-	-		-
Total liabilities	333,735	13,382	347,117	333,735	10,025	343,760
Net liabilities	(156,780)	(13,382)	(170,162)	(156,780)	(10,025)	(166,805)
Equity						
Contributed equity	2		2	2		2
Accumulated losses	(156,782)	(13,382)	(170,164)	(156,782)	(10,025)	(166,807)
Total equity attributable to equity holders of the parent	(156,780)	(13,382)	(170,162)	(156,780)	(10,025)	(166,805)

Notes to the Financial Statements

For the Year Ended 30th June 2006

23 EXPLANATION OF THE TRANSITION TO AIFRS (continued)

Reconciliation of Profit for 2005

	Consolidated			Company		
	Previous GAAP	**Effect of transition to AIFRS**	**AIFRS**	**Previous GAAP**	**Effect of transition to AIFRS**	**AIFRS**
	$	**$**	**$**	**$**	**$**	**$**
Interest Revenue	-	-	-	-		-
Exploration expenses written off	(125,670)	-	(125,670)	(125,670)	-	(125,670)
Office and administration expenses	(71,755)	-	(71,755)	(71,755)	-	(71,755)
Consultants and management expenses	(25,000)	-	(25,000)	(25,000)	-	(25,000)
Employee benefit expenses	(9,247)	-	(9,247)	(9,247)	-	(9,247)
Finance costs – loan interest	(1,200)	-	(1,200)	(1,200)	-	(1,200)
Listing expenses	(13,000)	-	(13,000)	(13,000)	-	(13,000)
Other expenses from ordinary activities	(17,442)	-	(17,442)	(17,442)	-	(17,442)
Loss from continuing operations before related income tax expense	(263,314)	-	(263,314)	(263,314)	-	(263,314)
Income tax (expense) / benefits	-	(13,382)	(13,382)	-	(10,025)	(10,025)
Net loss attributable to members of the parent entity	(263,314)	(13,382)	(276,696)	(263,314)	(10,025)	(273,339)
Earning per share for loss attributable to the ordinary equity holders of the company:						
	Cents per share		Cents per share			
Basic earning per share from continuing operations in cents	(1.51)		(1.59)			

Notes to the Financial Statements

For the Year Ended 30th June 2006

23 EXPLANATION OF THE TRANSITION TO AIFRS (continued)

As stated in significant accounting policies note 1(a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the preceding tables and the notes below. There is no effect on the opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

Notes to the reconciliation of equity

The lone AIFRS adjustment relates to tax losses incurred by Centrex Metals Limited that were lost upon demerger from Centrex Resources Limited. These entities were part of a tax consolidated group, headed by Centrex Resources Limited, and all losses incurred by entities to the time of demerger remained with the tax consolidated group (i.e. Centrex Resources Limited). The transition to AIFRS effective 1 July 2004 resulted in Centrex Metals Limited recognising deferred tax assets and liabilities that had not been recognised under previous GAAP. These deferred tax assets and liabilities were off-setting at the transition date. Upon demerger, however, the deferred tax asset associated with the tax losses incurred to date had to be de-recognised as the tax losses were no longer available to Centrex Metals Limited for future use. This de-recognition of the deferred tax asset resulted in a net deferred tax liability position as at 30 June 2005.

Directors' Declaration

In the opinion of the directors of Centrex Metals Limited ('the Company'):

1 a) the financial statements and notes, including the remuneration disclosures that are contained in sections 5.1 and 5.2 of the Remuneration report in the Directors' report, set out on pages 27 to 59, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the remuneration disclosures that are contained in sections 5.1 and 5.2 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures* and ASIC Class Order 06/105 *Calculation of director and executive remuneration/* Corporations Act Regulation 2M.6.04

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations by the managing director for the financial year ended 30 June 2006 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:

…………………………………
Mr David J Lindh

…………………………………
Mr Gerard Anderson

Dated at Adelaide this 27th day of September 2006

Independent audit report to members of Centrex Metals Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of recognised income and expense, balance sheets, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for both Centrex Metals Limited (the "Company") and its Controlled Entities (the "Consolidated Entity"), for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in section 5 of the directors' report and not in the financial report.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

In our opinion:

(1) the financial report of Centrex Metals Limited is in accordance with:

a) the *Corporations Act 2001*, including:

i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and;

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia; and

(2) the remuneration disclosures that are contained in section 5 of the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures.*

KPMG

Peter Robertson
Partner

Adelaide
27 September 2006

ASX Additional information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings as at 11 September 2006

Substantial shareholders of Ordinary and Escrow shares
The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	%	Number
South Cove Ltd	37.40	80,876,005
Baotou Iron & Steel (Group) Company Limited	10.13	21,900,000
SEL Holdings Limited	7.25	15,673,925
United Iron Limited	7.03	15,205,932
Davan Nominees Pty Ltd	5.95	12,876,335

Options
Refer to note 12 in the financial statements

Distribution of equity security holders

	NUMBER OF EQUITY SECURITY HOLDERS		
Category	**Ordinary and Escrow shares**	**Listed 2008 Options**	**Unlisted 2006 Options**
1 - 1,000	1,010	-	-
1,001 - 5,000	161,597	457,375	-
5,001 - 10,000	1,368,069	667,000	26,666
10,000 - 100,000	13,950,539	3,652,960	407,999
100,000 and over	200,762,486	51,525,721	9,537,322
	216,243,701	56,303,056	9,971,987

The number of shareholders holding less than a marketable parcel of ordinary shares is 27 (2005 nil).

	NUMBER OF RESTRICTED:		
Date Escrow period ends	**Escrow shares**	**Listed 2008 Options**	**Unlisted 2006 Options**
8 December 2006	2,058,334	125,000	125,000
27 April 2007	925,000	-	-
5 July 2008	117,610,195	40,399,288	8,912,322
	120,593,529	40,524,288	9,037,322

Auditors
KPMG
Chartered Accountants
151 Pirie Street
Adelaide SA 5000

Stock Exchange
The Company listed on the Australian Stock Exchange on 17 July 2006. The Home exchange is Adelaide.

ASX Additional information (continued)
Top 20 holders of Ordinary and Escrow shares at 11 September 2006

Rank	Name	Units	% of Issued Capital
1	SOUTH COVE LTD	80,876,005	37.40
2	BAOTOU IRON & STEEL (GROUP) COMPANY LIMITED	21,900,000	10.13
3	SEL HOLDINGS LIMITED	15,673,925	7.25
4	UNITED IRON LIMITED	15,205,932	7.03
5	DAVAN NOMINEES PTY LTD	12,876,335	5.95
6	MR NORTON JACKSON	7,582,930	3.51
7	ALIMTER PTY LTD (ASHLEY ZIMPEL FAMILY A/C)	2,955,000	1.37
8	PFA HOLDINGS PTY LTD	2,915,670	1.35
9	ATORCH NOMINEES PTY LTD	2,750,000	1.27
10	COMMODITY TRADERS (NZ) LTD	2,339,995	1.08
11	LODGE LIMITED	2,183,334	1.01
12	LODGE LIMITED	2,183,333	1.01
13	TRAIST PTY LTD (INNES FAMILY A/CS)	1,880,000	0.87
14	MR PAUL TEISSEIRE & MRS JOYCE KAY WOODY	1,822,500	0.84
15	HFT NOMINEES PTY LTD (SUPERANNUATION FUND A/C)	1,750,000	0.81
16	DOWNER EDI LIMITED	1,250,000	0.58
17	MALUNA INVESTMENTS PTY LTD	1,068,335	0.49
18	DELBAIRN PTY LTD	1,066,665	0.49
19	MR MARCUS DALLAS LA VINCENTE & MRS ROSALIE MOYA LA VINCENTE (MDL SUPER A/C)	927,500	0.43
20	MR EDWIN JOCK WHITE & MRS VERONICA ELLEN WHITE	906,720	0.42
	TOP 20 HOLDERS OF ORDINARY & ESCROW SHARES	**180,114,179**	**83.29**

ASX Additional information (continued)
Top 20 holders of Listed 2008 A Class Options at 11 September 2006

Rank	Name	Units	% of Issued Capital
1	SOUTH COVE LTD	23,737,072	42.16
2	SEL HOLDINGS LIMITED	5,194,000	9.23
3	DAVAN NOMINEES PTY LTD	4,468,880	7.94
4	UNITED IRON LIMITED	3,801,483	6.75
5	MR NORTON JACKSON	3,749,336	6.66
6	LODGE LIMITED	2,000,000	3.55
7	TAYCOL NOMINEES PTY LTD	2,000,000	3.55
8	TRAIST PTY LTD (INNES FAMILY A/C)	2,000,000	3.55
9	ALIMTER PTY LTD (ASHLEY ZIMPEL FAMILY A/C)	1,181,250	2.10
10	ADELAIDE EQUITY PARTNERS LTD	1,000,000	1.78
11	ATORCH NOMINEES PTY LTD	400,000	0.71
12	COMMODITY TRADERS (NZ) LTD	277,332	0.49
13	PATNA PROPERTIES PTY LTD	250,000	0.44
14	MR PAUL TEISSEIRE & MRS JOYCE KAY WOODY	216,000	0.38
15	KELCAM HOLDINGS PTY LTD (KELCAM SUPER FUND A/C)	187,500	0.33
16	DIXTRU PTY LIMITED	125,000	0.22
17	MR CHRISTOPHER JOSEPH GAUGHAN	125,000	0.22
18	MR JOHN HARRIS (NATIONAL MARGIN LENDING A/C)	125,000	0.22
19	MINING & CIVIL AUSTRALIA PTY LTD	125,000	0.22
20	YARRAANDOO PTY LTD (YARRAANDO SUPER FUND A/C)	125,000	0.22
	TOP 20 HOLDERS OF LISTED & ESCROW 2008 A CLASS OPTIONS	**51,087,853**	**90.72**

ASX Additional information (continued)
Top 20 holders of Unlisted 2006 Options at 11 September 2006

Rank	Name	Units	% of Issued Capital
1	SOUTH COVE LTD	4,657,768	46.71
2	SEL HOLDINGS LIMITED	2,450,000	24.57
3	DAVAN NOMINEES PTY LTD	992,220	9.95
4	MR NORTON JACKSON	812,334	8.15
5	TRAIST PTY LTD (INNES FAMILY A/C)	500,000	5.01
6	MR CHRISTOPHER JOSEPH GAUGHAN	125,000	1.25
7	ATORCH NOMINEES PTY LTD	100,000	1.00
8	COMMODITY TRADERS (NZ) LTD	69,333	0.70
9	MALUNA INVESTMENT PTY LTD	66,667	0.67
10	MR PAUL DESMOND TEISSEIRE & MRS JOYCE KAY WOODY	54,000	0.54
11	MS MARGARET ELIZABETH PANK	26,800	0.27
12	MR MARCUS DALLAS LA VINCENTE & MRS ROSALIE MOYA LA VINCENTE (MDL SUPER A/C)	26,000	0.26
13	YESIR PTY LTD	24,533	0.25
14	MAYURA PTY LTD	21,333	0.21
15	MR RALPH DAVID OCKENDEN	19,333	0.19
16	DORICA NOMINEES PTY LTD	10,000	0.10
17	MRS NANCY OCKENDEN	10,000	0.10
18	MR GREGORY DAVID OCKENDEN	6,666	0.07
	TOP 20 HOLDERS OF UNLISTED 2006 OPTIONS	**9,971,987**	**100.00**

ASX Additional information (continued)
Offices and officers

Company Secretary

Victoria Marie Allinson FCCA

Principal Registered Office

Centrex Metals Limited
Level 3, 100 Pirie Street
Adelaide SA 5000
08 8232 0400
08 8232 8811

Locations of Share Registries

Adelaide
Computershare Investors Pty Ltd
Level 5
115 Grenfell Street
Adelaide SA 5000

Abbotsford
Computershare Limited Yarra Falls
452 Johnston Street
Abbotsford
Vic 3067

Enquiries within Australia:	1300 556 161
Enquiries outside Australia:	61 3 9415 4000
Email:	Web.queries@computershare .com.au
Website	www.computershare.com.au

Australian Stock Exchange

The Company listed on the Australian Stock Exchange on 17 July 2006. The Home exchange is Adelaide.

ASX Codes:	Shares: CXM Options: CXMO

Auditors

KPMG
Chartered Accountants
151 Pirie Street
Adelaide SA 5000