

**For Immediate Release**

23 October 2009

General Manager  
The Company Announcements Office  
Australian Securities Exchange  
Electronic Lodgment System

Dear Sir/Madam

**ANNUAL REPORT 2009**

Please find attached a copy of the full Annual Report (complete with Chairman's Report and Managing Director's Report) for the year ended 30 June 2009.

For further information, please contact Gavin Bosch on 08 8232 0400.



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# **CENTREX METALS LIMITED**

**A.B.N. 97 096 298 752**

## **ANNUAL REPORT**

For the Financial Year Ended 30<sup>th</sup> June 2009

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**Chairman's Report**

**For the Year Ended 30th June 2009**

The year ended 30 June 2009 was very significant for the Company.

Not long after the third anniversary of listing (July 16 2006) the Company reached a very important milestone in its development. The culmination of over six months extensive negotiation was reached on July 20 2009 when the Company formally signed an iron ore agreement worth up to A\$186 million with China's third largest steel group, Wuhan Iron & Steel (Group) Co ('WISCO'). Finalisation of the joint venture agreements needs formal approval by government authorities. WISCO and Centrex are currently working through the requirements of the Foreign Investment Review Board in Australia.

The energetic team of management and staff, with direction from the board, has been responsible for a number of significant achievements in the 12 months ending 30 June 2009. In particular:-

- Following the submission of the Mine Lease Proposal for the Wilgerup project in October 2008, the Company was offered a Mining Lease in May 2009 by Primary Industries and Resources South Australia ('PIRSA'). The Company has reviewed the site specific lease conditions and believes they represent sound industry practices. Prior to mining commencing on the Wilgerup site, Centrex will finalise and submit a Mine and Rehabilitation Plan ('MARF') for approval by PIRSA. This is anticipated to be lodged on 2<sup>nd</sup> October 2009.
- The Company has also submitted a Development Application for approval to export hematite iron ore from the Wilgerup mine through Port Lincoln on the southern tip of Eyre Peninsula. The Development Application is has been reviewed and assessed by the Development Assessment Commission ('DAC'). The DAC gave a positive recommendation to the Minister for Urban Planning and Development who announced his decision to approve the Development Application for the Port Lincoln wharf on 6<sup>th</sup> October 2009.

Continued strong demand for iron ore from China gives the company a very optimistic feeling for the future.

Our statutory accounts for the year ended June 30 2009 show a loss of \$2,181,115. We incurred total expenditure of \$6,177,533 on our mineral tenements, and are of the view that the amount spent continues to increase our asset base.

During the year (20<sup>th</sup> October 2008) Mr Geoffrey Hill joined the board as a non-executive director. Mr Hill is a merchant banker based in Hong Kong. He has over 30 years experience in the Merchant Banking Industry.

For their dedication and commitment over the year I would like to thank our Managing Director, our small number of staff and my fellow directors.

Yours sincerely,

**David J Lindh OAM**  
**Chairman**

## **Managing Director's Report**

**For the Year Ended 30th June 2009**

### **Principal activities**

The principal activities of the Company during the course of the year were:

- Exploration for iron ore.
- Completion of the negotiations to form the Centrex / Wuhan Iron & Steel (Group) Corporation ("WISCO") magnetite Joint Venture over 5 of Centrex's southern Eyre Peninsula tenements.
- Completion of studies necessary to have the mine at Wilgerup approved including submission for and granting of a Mining Lease and completion of a Development Application to modify infrastructure at Port Lincoln for the purpose of exporting Wilgerup hematite.

### **EXPLORATION**

Exploration activities for the year focused on the Wilgerup, Bungalow, Carrow, Cockabidnie and Kimba Gap iron ore projects, on South Australia's Eyre Peninsula.

A total of 6,069.5 m was drilled across 3 tenements including 5,194.3 m at Bungalow, 610.9 m at Wilgerup and 264.3 m at Carrow.

All tenements are in good standing. Applications have been submitted for two new tenements. The first is a tenement that immediately adjoins the Wilgerup Exploration Licence to the southwest. The second is an application over a magnetite skarn deposit in Goulburn, New South Wales.

The airborne 3-D Full Tensor Gravity Gradient survey planned for the Mount Hill and Cockabidnie tenements experienced continued delays by the international contractor and finally commenced in late August 2009.

The final 2008 *Plan for Accelerating Exploration* ("PACE") report was submitted to the *Department of Primary Industries and Resources of South Australia* ("PIRSA") for the Stony Hill exploration drilling. A refund of \$100,000 was received.

Detailed budgets and schedules were developed for both the Wuhan Iron & Steel (Group) Corporation ("WISCO") and Baotou Iron & Steel Co., Ltd ("Baotou") Magnetite Joint Venture projects expected to commence in late 2009.

#### **Wilgerup**

Work undertaken at Wilgerup included updating the Resource model, geotechnical drilling, metallurgical assessment, low grade hematite beneficiation testing options, geological modelling and target generation.

Snowden Mining Industry consultants revised the Wilgerup North Resource model incorporating the latest assay results and included waste and weathering domains. The Wilgerup North Resource model was then used for pit optimisation, mine scheduling and pit design.

Geotechnical drilling consisting of HQ3 diamond coring was completed on the 23rd July 2008. The geotechnical drilling targeted the eastern hanging wall of the North Hematite Pod and all holes intersected hematite mineralisation.

Geotechnical consultants, Peter O'Brien and Associates, completed the geotechnical logging and reported on drill holes WD6, WD8, WD11 and WD12.

Sinclair Knight Merz completed a desktop study of potential backup water sources for Wilgerup. In anticipation of further water bore drilling a total of 8 water bore permits have been received from the Department of Water, Land, Diversity and Conservation.

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**Managing Director's Report**

For the Year Ended 30th June 2009

Indicated Mineral Resource October 2008							
Ore Type	Fe% Cut-off	Tonnage (Mt)	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	LOI	P
Massive Hematite	55	10.5	59.8	3.6	2.3	4.5	0.49
Hematite Carbonate	45	0.6	50.1	6.5	3.6	7.8	0.65
Hematite Clay	45	2.2	50.0	10.4	4.8	6.7	0.54
	<b>Total</b>	<b>13.3</b>	<b>57.7</b>	<b>4.8</b>	<b>2.8</b>	<b>5.0</b>	<b>0.51</b>

Inferred Mineral Resource October 2008							
Ore Type	Fe% Cut-off	Tonnage (Mt)	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	LOI	P
Massive Hematite	55	0.6	58.9	4.0	2.3	2.9	0.56
Hematite Carbonate	45	0.1	50.3	6.3	2.8	7.9	0.54
Hematite Clay	45	0.1	50.3	10.0	3.3	6.4	0.60
	<b>Total</b>	<b>0.8</b>	<b>56.6</b>	<b>5.2</b>	<b>2.5</b>	<b>4.0</b>	<b>0.57</b>

**Table 1 Wilgerup North Hematite Pod Indicated and Inferred Resources**

With Wilgerup progressing to the mining phase, a local mine grid was established resulting in a new database and block model. In addition, a regional stratigraphic model was developed and a lump and fines classification scheme established for the Wilgerup North Pod.

Regional exploration drilling has been limited due to the focus on delineating the now 13.3Mt Indicated Resource at Wilgerup. The Wilgerup tenement is highly prospective for additional iron ore Resources with exploration relying on drilling and geophysical survey data to "see through" the blanket of tertiary cover. New hematite and magnetite targets have been identified from combining the new geological model with geophysical survey data. The process of identifying iron ore drilling targets resulted in the application for a new tenement approximately 3km's SW of the Wilgerup deposit. The tenement application is expected to be approved in early FY2010 and contains a significant gravity anomaly that has yet to be drill tested.

The main exploration target at Wilgerup has been hematite however a significant intersection of magnetite was drilled in 2007. The drilling was designed to test a residual gravity target with one hole intersecting 40m of magnetite carbonate BIF at a grade of 30% Fe. In April 2009, two magnetite samples of RC drill chips were selected for petrological analysis. The petrology results were encouraging and confirmed an average of 35-40% magnetite. Additional follow up drilling and Davis Tube Recovery testwork is planned for FY2010.

### **Carrow**

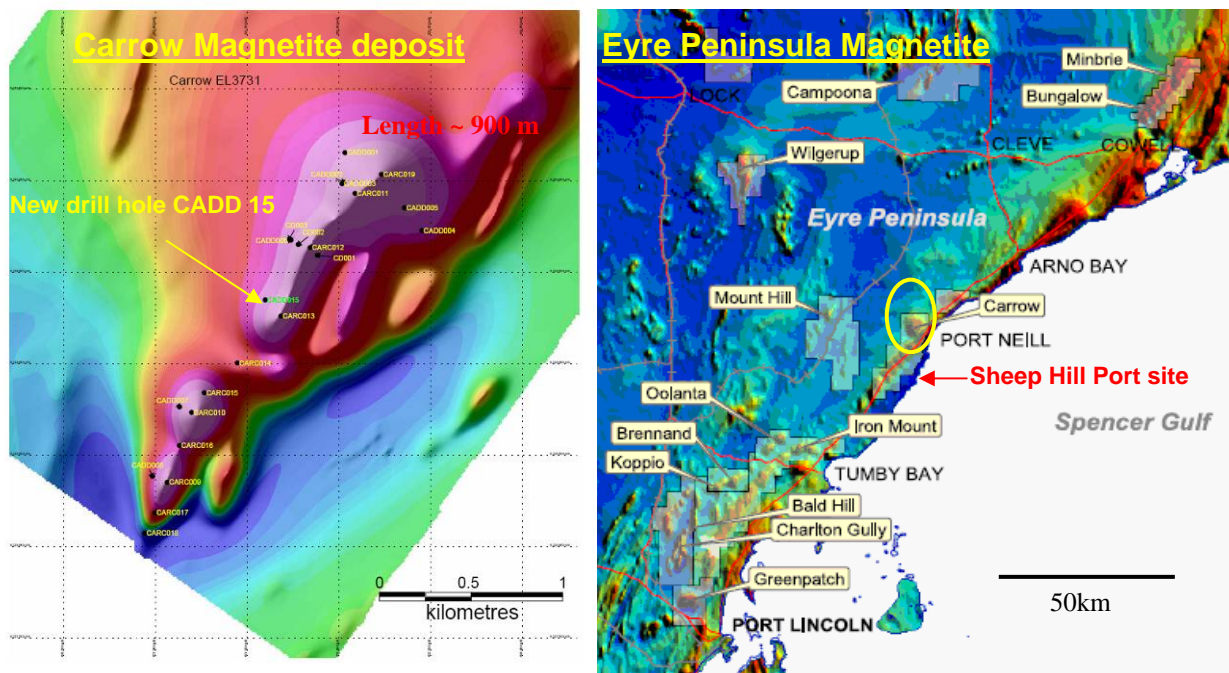
The Carrow magnetite deposit is located 20km's north of the proposed port site of Sheep Hill near Port Neill on the Eyre Peninsula of South Australia. Centrex has purchased the main property covering the Carrow deposit which simplifies access and provides a nearby site office, accommodation and core yard.

The Carrow Deposit is a coarse grained magnetite BIF and is one of the major tenements that form part of the WISCO Joint Venture. It is a priority project and the pre-feasibility stage drilling program and associated studies are planned for the second half of 2009.

Figure 1 below indicates the favourable coastal location of the Carrow deposit and the Company's planned deep water port site of Sheep Hill.

**Managing Director's Report**

**For the Year Ended 30th June 2009**



**Figure 1 Local and regional TMI images of the Carrow magnetite deposit in relation to the other magnetite deposits on the Eyre Peninsula.**

In 2008 Centrex announced an exploration target\* over Carrow of between 86-110Mt. This estimate was considered conservative for the following reasons;

- The target extended to 200m below the surface even though magnetite mineralisation was known regionally to extend far deeper and drilling to 200m depth at Carrow intersected steeply dipping magnetite BIF.
- The limb thicknesses for SAIOG resource estimates varied from 37.2m for the “Northern Limb” compared to 63.7m for the “Southern Limb”. SAIOG omitted a 29m intercept of magnetite BIF in the “Northern Limb” because of the low DTR Fe grades.
- The Exploration Target did not include potential resources from a known stratigraphic unit containing magnetite mineralisation to the East of the deposit due to limited drilling information.

\* Important note regarding the exploration target expressed above:

*The potential quantities and grades of exploration targets are conceptual in nature. There has been insufficient exploration to define an overall mineral resource and it is uncertain if further exploration will result in the determination of additional mineral resources other than those stated in the company prospectus.*

The following information is relevant to the exploration target disclosed for Carrow: 15 holes have been drilled with a total strike length of 602.5 metres; and based on the Davis Tube Recovery of 31.2% the estimated iron (Fe) grade range of concentrate is 63% to 70%.

Since the Exploration Target was announced a bulk sample of the “Northern Limb”, including the 29m intercept originally omitted, was sent for grind size testing to Engenium, a consultant metallurgical group. The result was a product recovery of 28% at a grade of 68% Fe when using a grind size of P80 < 75 micron. These results mean that the potential resources estimated for the “Northern Limb” may be increased to include the 29m intercept. This would increase the “Northern Limb” estimates by 52% and the overall estimate by 26%. In other words the maximum target range would be extended to 138Mt without any additional drilling.

CXM conducted a sensitivity analysis of the exploration target for Carrow to a 50m depth extension (e.g. 250m below surface) with the resulting change in the Target estimate of 114-145Mt. If the 26% increase from the North Limb is included then this becomes a maximum of 182Mt to a depth of 250m. Therefore a small extension in depth and the inclusion of the originally omitted material significantly increase the original Exploration Target.

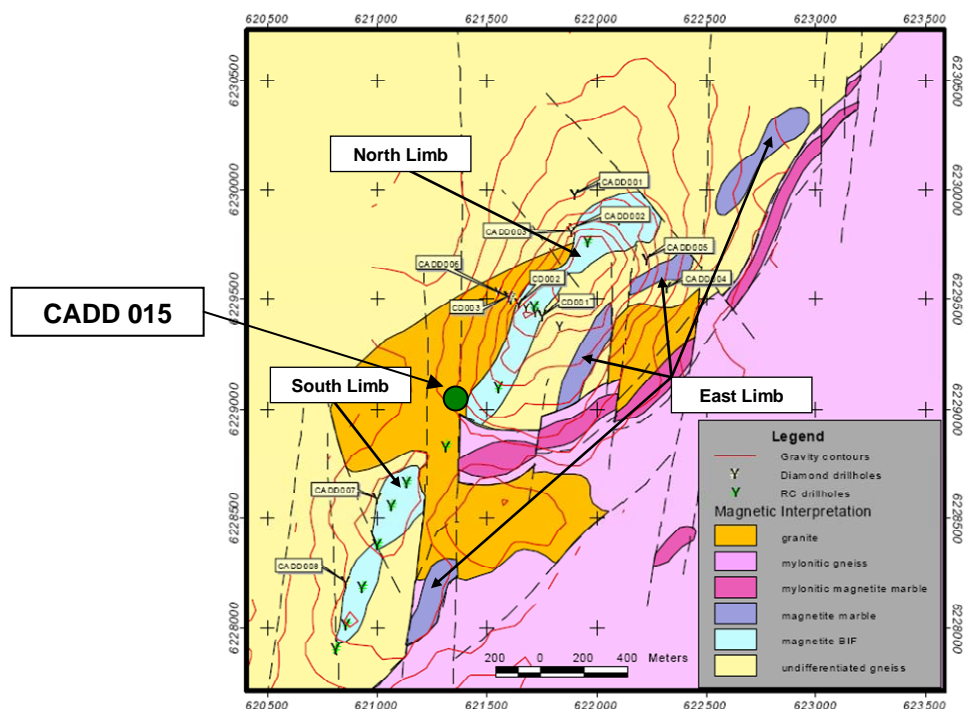


**Managing Director's Report**

**For the Year Ended 30th June 2009**

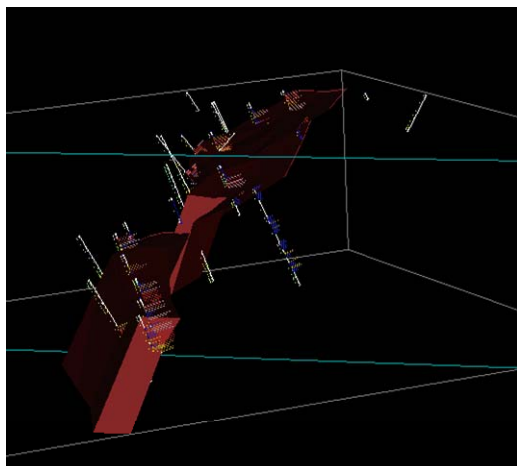
Diamond drill hole CADD 015 was located at the southern end of the North Limb as displayed in Figures 2 and 3. CADD 015 was drilled to a depth of 264.3m and confirmed the presence of a thicker than expected envelope of both high grade and low grade magnetite BIF. The apparent thickness of this envelope was >150m.

The mineralised intersection in CADD 015 confirms the strike extension of the magnetite BIF in the North Limb yet at the same time contradicts earlier geological interpretations. Earlier interpretations showed the North Limb magnetite BIF to be a 56m thick planar body of constant thickness dipping at 65 degrees to the west, parallel to a magnetite carbonate stratigraphic body (East Limb) directly to the east (see figure 2).

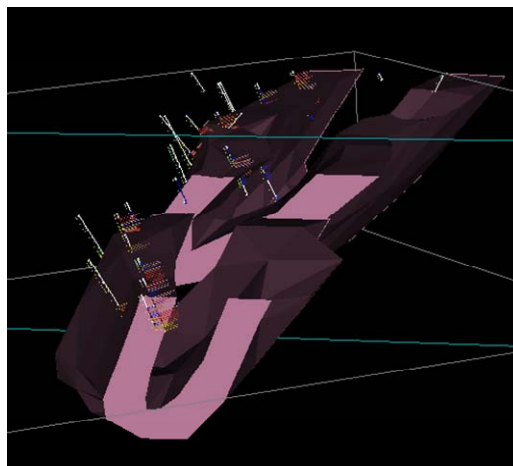


**Figure 2 SAIOG magnetic interpretation of stratigraphy.**

The apparent thickening of the mineralisation in CADD 015 can be interpreted to be limb repetition due to the presence of a fold hinge. This interpretation would have the magnetite carbonate body to the east being the right limb of a synform joining it to the main deposit stratigraphy (see figure 3). This interpretation, if correct, would mean that there is a strong possibility for significantly increasing the deposit resources by further investigating the eastern limb for extensions to the mineralization.



**SAIOG BIF Interpretation**



**CADD015 Based BIF Interpretation**

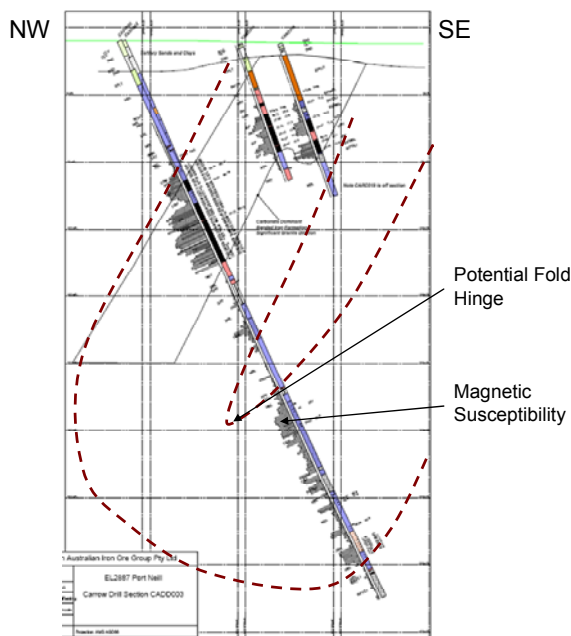
**Figure 3 Updated potential interpretation of Carrow BIF.**



**Managing Director's Report**

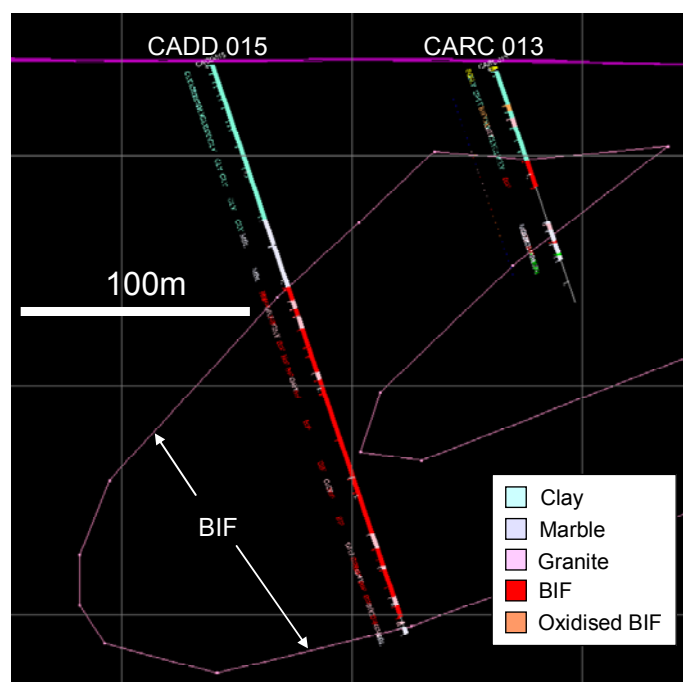
**For the Year Ended 30th June 2009**

This alternate interpretation can also be applied successfully to the intersected mineralisation of CADD 003 (see figure 4) that intersected a secondary magnetite-carbonate BIF at depth. The mineralisation of this second limb (thought to represent the depth extension of the eastern Carrow limb) showed low recovery grades, however if mineralisation at Carrow varies with depth as seen in a number of holes throughout the deposit, then economic mineralisation may be intersected on this limb higher in the profile.



**Figure 4 CADD 003 potential fold hinge interpretation.**

The drill core for CADD 015 has yet to be analysed by Davis Tube Recovery however from visual inspection the magnetite BIF envelope extends for 153.4m down hole of which 82% (125.4m) was logged as magnetite BIF (see figure 5).



**Figure 5 Logged CADD 015 drill hole section.**

**Managing Director's Report**

**For the Year Ended 30th June 2009**

Figure 6 displays an example of high grade siliceous magnetite mineralisation with regular bands of coarse grained massive magnetite.



**Figure 6 Example of coarse magnetite mineralisation in CADD 015 drill core.**

CADD015 intersected a wide zone of coarse grained magnetite BIF and in doing so highlighted the conservative earlier interpretation as applied to both the structure and depth extent. Centrex can now be confident that further drilling could demonstrate a robust magnetite ore body that is open at depth and to the east.

**Bungalow**

The Bungalow Magnetite Project is located approximately 9kms NNW of Cowell on the Eyre Peninsula. Since commencing a concept study for the project in February 2008, a number of milestones have been met in order to aid in the establishment of key physical, environmental and economic factors to assess the viability of the project including:

- 5,196m of diamond drilling completed in December 2008.
- Golder Associates completed an Environmental Scoping Study for the project. No major environmental concerns were identified.
- Metallurgical and plant design scoping studies were awarded to GRD Minproc, an engineering consulting group with proven magnetite project experience.

Preliminary metallurgical characterisation has been completed on selected diamond core samples from the recent drilling program. The results indicate that the deposit has an average Bond Work Index of 12.2kwh/tonne indicating that power costs for grinding should be favourable in comparison to similar magnetite projects in Western Australia.

The DTR procedure for Bungalow has been established with a grind size of 80% passing 32 micron. The average results from the recent drilling include both a 20% and 10% DTR cut-off. Using all samples from the 2007 and 2008 drilling campaigns, the average DTR results were:

- 20% DTR cut-off: 34.6% Recovery @ 70.2% Fe, 2.7% SiO<sub>2</sub>
- 10% DTR cut-off: 30.4% Recovery @ 69.9% Fe, 2.8% SiO<sub>2</sub>

## Managing Director's Report

### For the Year Ended 30th June 2009

The concept study is 50% complete with further drilling, Engineering, Metallurgical and Hydrological studies to be undertaken as part of the Bungalow Joint Venture with Baotou in the later part of 2009.

### Cockabidnie

The Cockabidnie project area is located around 25km's NW of Cleve on the Eyre Peninsula of South Australia and approximately 80km's by road from the Company's Wilgerup Hematite Deposit.

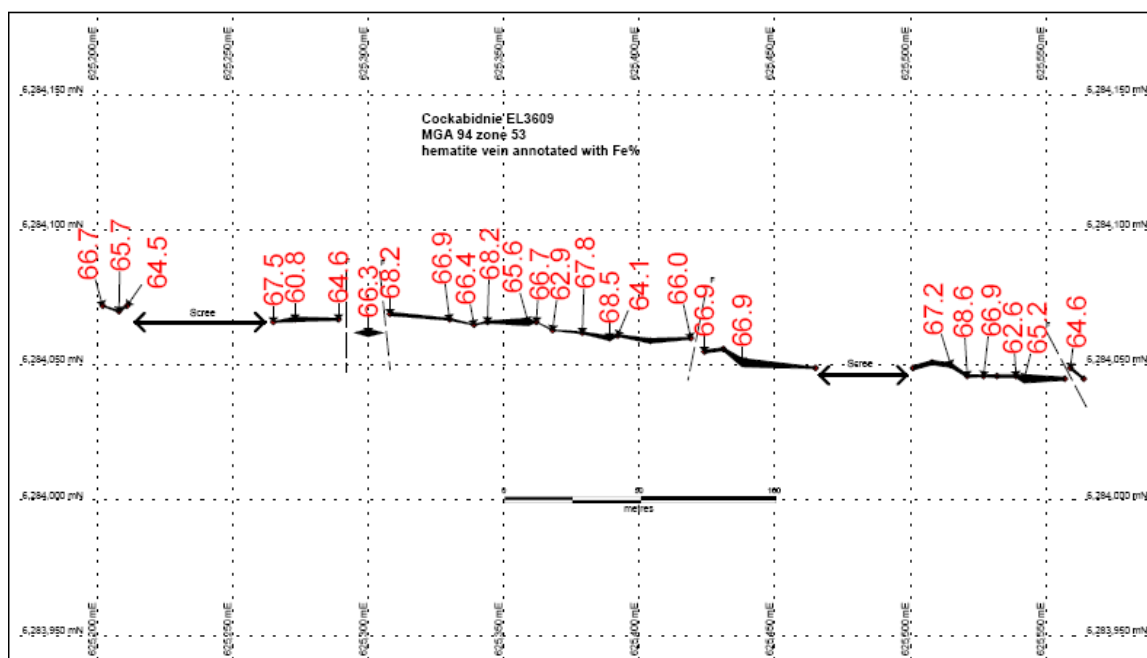
The local geology consists of a thin veneer of sand, clay and calcrete overlying the Middleback Subgroup and associated banded iron formation, schists, amphibolites and later granite intrusions. Mesoproterozoic sandstone and conglomerate of the Blue Range Beds unconformably overlies the Middleback subgroup.

Field mapping has identified an outcropping vein of high grade hematite mineralisation. The outcrop is sporadic and often covered by sand drift however where exposed the vein ranges to 4 metres in thickness. The hematite occurs as both earthy and metallic botryoidal forms within a steeply dipping E-W orientated structure.

Rock chip sampling was undertaken along the eastern 400m section of the ≈1,100m zone with assay results indicating high grade low impurity hematite – see Table 1. The remaining outcrop is poorly exposed however an old shaft located a further 200m along strike and hematite float indicates continuity of the hematite.

A literature review of the Cockabidnie project highlighted the potential for a number of narrow high grade hematite zones within the Cockabidnie tenement. Further rock chip sampling, an airborne 3D Full Tensor gravity survey and drilling will be undertaken in FY2010.

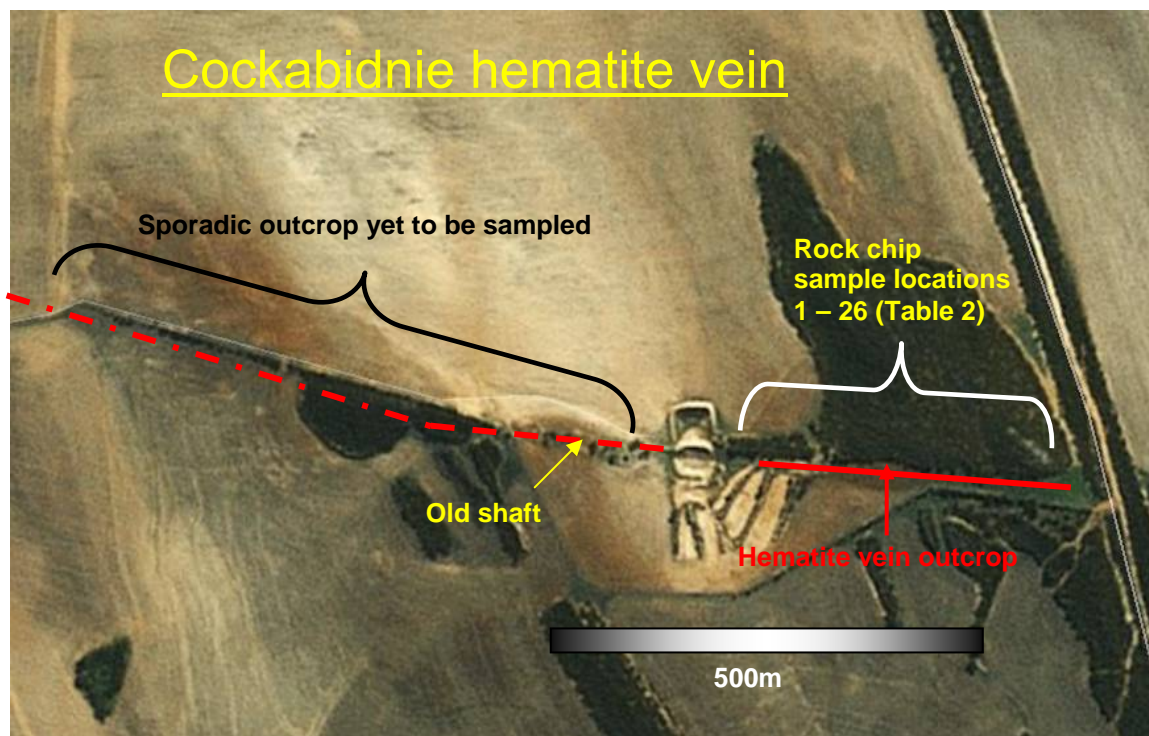
The following figures show the location and rock chip sampling results from the hematite vein at Cockabidnie.



**Figure 7 Hematite rock chip sampling locations showing samples grading > 60% Fe**

**Managing Director's Report**

For the Year Ended 30th June 2009



**Figure 8** Google Earth image showing location of high grade hematite vein at Cockabidnie.

**Table 2** Cockabidnie rock chip assay results.

SAMPLE	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P
1	68.5	1.08	0.29	0.004
2	64.1	6.21	0.64	0.006
3	67.8	1.88	0.41	0.006
4	62.9	7.48	1.10	0.007
5	66.7	2.88	0.55	0.008
6	65.6	4.93	0.41	0.006
7	68.2	1.54	0.44	0.005
8	66.4	3.92	0.42	0.004
9	66.9	3.12	0.44	0.004
10	68.2	1.42	0.36	0.003
11	66.3	2.61	0.99	0.019
12	64.6	5.52	0.83	0.007
13	60.8	10.25	1.17	0.023

SAMPLE	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P
14	67.5	1.80	0.64	0.016
15	64.5	5.56	0.75	0.009
16	65.7	2.82	1.22	0.010
17	66.7	2.76	0.58	0.008
18	66.0	4.07	0.57	0.008
19	66.9	3.22	0.32	0.008
20	66.9	3.08	0.40	0.005
21	67.2	3.03	0.34	0.009
22	68.6	1.14	0.33	0.005
23	66.9	3.05	0.51	0.006
24	62.6	8.60	0.45	0.019
25	65.2	4.89	0.69	0.010
26	64.6	6.03	0.43	0.024

At present there is not enough data to quantify the potential size and quality of the deposit however the high grade rock chip samples are very encouraging. This high grade hematite could present a number of opportunities for the Wilgerup project in terms of product blending.

An airborne gravity survey has been planned for some time over the main Cockabidnie magnetic anomaly – see Figure 9. The aeromagnetic results indicate a 5km strike length of the NNE-trending open syncline in the centre of the tenement with the fold closure extending into Lincoln Minerals Limited's Cockabidnie North tenement where Centrex has the iron ore rights.

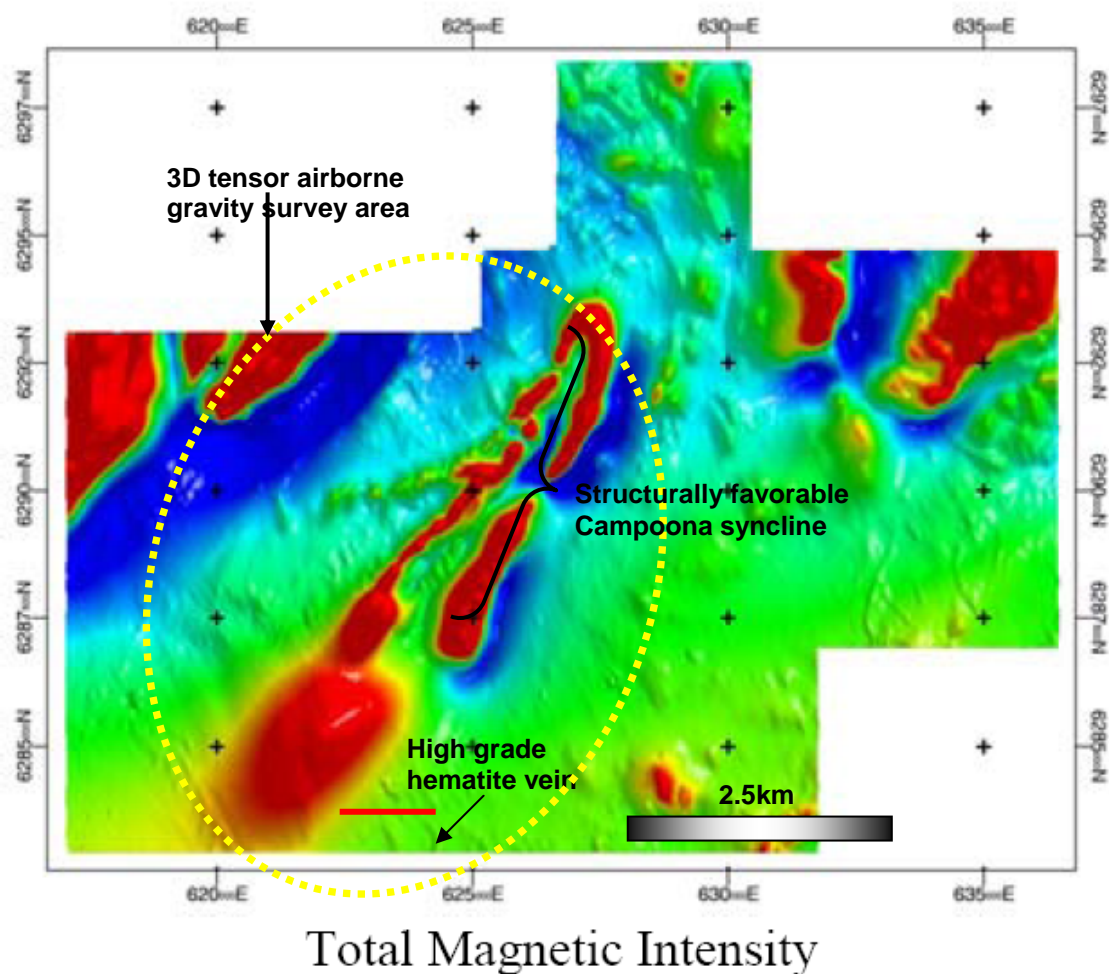


**Managing Director's Report**

**For the Year Ended 30th June 2009**

Reverse circulation drilling is planned to test targets identified from the combined magnetic and gravity data within the Campoona syncline and to test the depth, quality and continuity of the hematite vein.

## Cockabidnie Project



**Figure 9** Total magnetic intensity image showing the Campoona Syncline, 3D tensor airborne gravity survey area and the recent high grade hematite vein location.

### Kimba Gap

A geological review of the western Middleback tenements identified a number of prospective areas for hematite and magnetite mineralisation.

The Kimba Gap tenement contains a prominent jaspilite ridge that lies between the northern and southern Middleback Range with the OneSteel iron ore mines located along strike to the north and south. Field mapping and rock chip sampling from traverses across the jaspilite ridge has confirmed the presence of magnetite BIF and a significant NW structure – a key attribute for the development of hematite deposits.

Kimba Gap has potential for a significant magnetite resource especially considering that the jaspilite ridge has a strong aeromagnetic anomaly and strike length of 3.5 – 4km's. In addition, hematite and goethite BIF occurs locally in outcrop and a subtle gravity high to the north of the ridge has yet to be tested.

## **Managing Director's Report**

**For the Year Ended 30th June 2009**

### **Ironstone Hill and Ironstone Hut**

Limited historical exploration has been undertaken at Ironstone Hill or Ironstone Hut in the south western Middleback ranges. A recent literature review of the area has been completed and field mapping and reconnaissance has located magnetite BIF outcropping at Ironstone Hill.

### **Exploration Licence Applications**

The Department of Primary Industries and Resources of South Australia (PIRSA) has indicated that the Exploration Licence Application that abuts the SW corner of the Wilgerup tenement will be approved. The area is highly prospective for iron ore and contains a coincident magnetic and gravity anomaly immediately south west of the Wilgerup massive hematite deposit. Reverse circulation drilling is planned for 2009.

The New South Wales Department of Mines and Energy has indicated that approval will be granted for an Exploration Licence Application near Goulburn targeting a prominent magnetite skarn.

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

*The information in this report relating to Exploration Results is based on information compiled by Mr Gerard Anderson who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Anderson is Managing Director of Centrex Metals Limited. Mr Anderson has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Anderson consents to the inclusion in the report of the matters based on his information in the form and context in which it appear.*

## **DEVELOPMENT**

### **Wilgerup Mine**

The Mining Lease Proposal (MLP) for the Wilgerup Project was submitted to PIRSA on 15th October 2008. The submission started a minimum 25 week statutory approval process. Following approval of the MLP document by PIRSA, an Offer of a Mineral Lease was received for the Wilgerup project on 13th May 2009. Centrex met with PIRSA staff to discuss the proposed lease conditions which resulted in an amended offer of a Mineral Lease for Wilgerup being received on the 30th June. The amended Mineral Lease offer contained minor grammatical errors requiring PIRSA to update the lease offer. The corrected lease conditions were signed by Centrex in July 2009.

A rehabilitation cost estimate and payment schedule for the Wilgerup mine site was submitted to PIRSA in June 2009. Personnel from PIRSA and Centrex continue to review the rehabilitation cost schedule and it is now anticipated that an approved schedule will be agreed in October 2009.

Work continued on preparation of the final draft Mine and Rehabilitation Plan (MARF) document. A draft Occupational Health & Safety Management Plan including mine operating procedures, maintenance operating procedures and safety management plan is currently being reviewed for inclusion in the MARF document. Sinclair Knight Merz (SKM) continues to co-ordinate preparation of the MARF which is scheduled to be submitted to PIRSA for approval in August 2009 for review and approval.

An alternative road haulage route and rail siding location was investigated following discussions with the District Council of Elliston. The alternative road haulage route is the preferred option for the District Council and results in a lower capital costs for Centrex. Alternative rail siding locations were investigated, including haul truck access options, resulting in a preferred site being selected. Discussions have commenced with the land owner to secure a portion of the land for the term of the Wilgerup operation.



## **Managing Director's Report**

**For the Year Ended 30th June 2009**

**Work completed during the year included:**

### **Wilgerup Mine site**

- Mine dewatering and geotechnical assessment.
- Model developed to determine potential impact on ground water levels as a result of mining operations through to +500 year impacts as required by the Department of Water, Land and Biodiversity Conservation.
- Preliminary regional and local hydrological investigation.
- Potable water supply investigation including site water balance.
- Dust and noise modelling.
- Optimisation of pit design and waste dump requirements.
- Developed mining methodology and preferred equipment selection criteria.
- Developed mining capital and operating costs for inclusion into financial model.
- Mine site layout including office, workshop, explosives storage and water storage requirements.
- Crushing and screening plant process flow and layout designs.
- Installation of first dust monitoring instrument on the mine site to collect baseline data.

### **Road Haulage Route and Rail Siding**

- Road transport route assessment.
- Completed rail siding location and design in line with Wilgerup mine haulage route review.
- Initiated gazettal options for heavy road haulage route with the District Council of Elliston (DCE) and the Department of Transport Energy and Infrastructure.

### **Rail Haulage Route**

- Developed rail tracking models.
- Carried out review of below rail infrastructure and service provider capability.

### **Wilgerup Site – Kamballa Station**

Purchase and transfer of land title occurred on 18th December 2008. The vendor remained on the property until 31 January 2009 under standard commercial rental terms.

Agreement was reached with a neighbouring property owner to lease approximately 400 hectares of the property, not required as part of the mining operations, during April 2009. The lease agreement commenced on 1 April 2009 and is based on standard commercial terms for a period of up to 5 years.

The first of two planned dust monitoring stations was installed and commissioned on the Wilgerup site during June. The weather monitoring and dust analysis installation will provide baseline data prior to commencement of site establishment and mining activities and ongoing monitoring throughout the mine life.

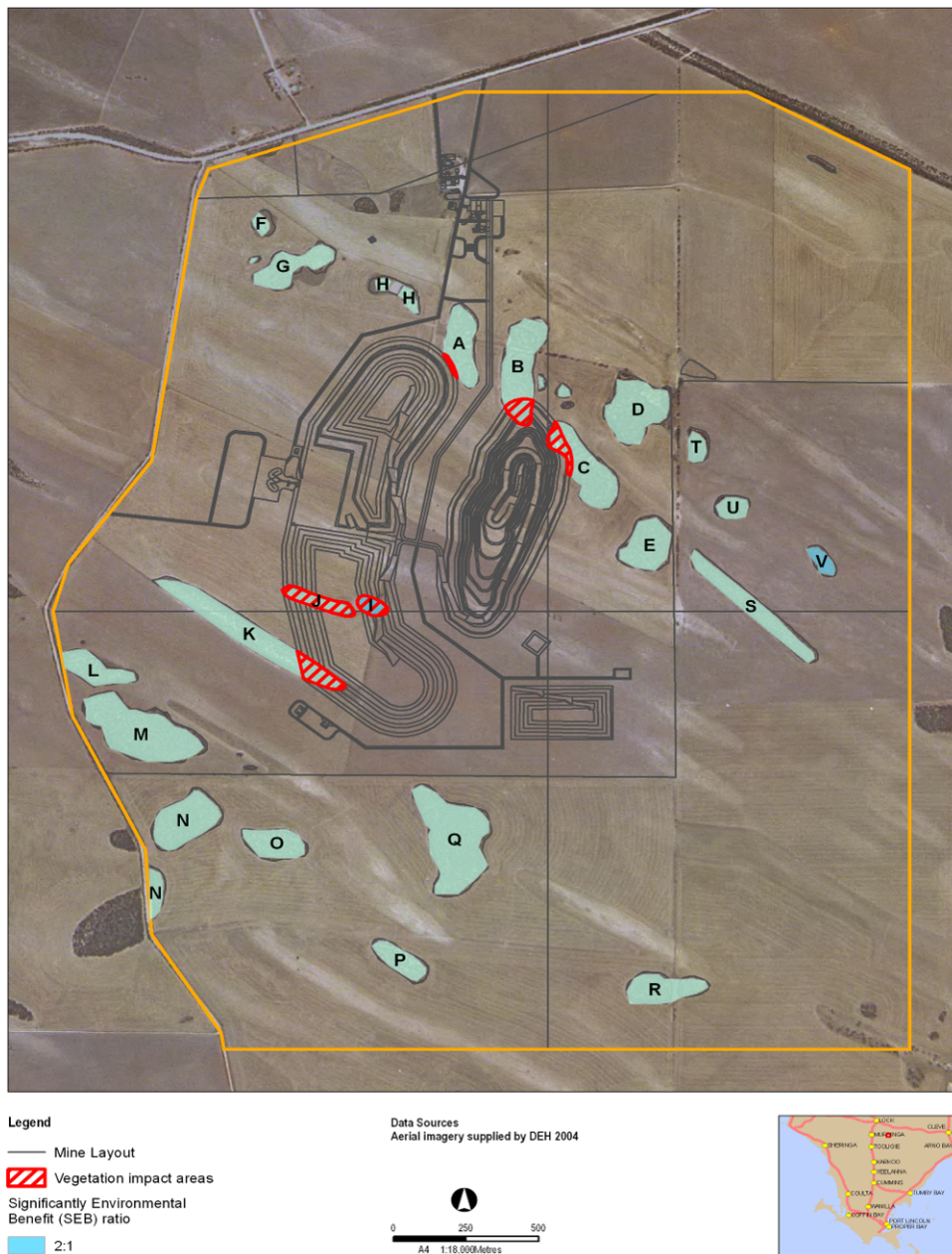
### **Wilgerup Mine Plan and Schedule**

Centrex has optimised the Wilgerup mine design, production schedule and operating and capital cost forecasts based on the revised resource model and updated geotechnical results completed in July 2008. The updated model reports on ore tonnes recovered, iron grade, a suite of contaminant percentage inclusions and total material movement for the current mine design.

An indicative transport schedule and shipping schedule has also been developed that feeds into the cost and revenue model. At this stage rail transport and port operating charges have been assumed and discussions continue with the current rail operator and ABB grain on rail access charges and operating charges at the port.

**Managing Director's Report**

For the Year Ended 30th June 2009



**Figure 10 Wilgerup Mine Site Layout Plan**

### Port Lincoln Wharf – Brennen Jetty

Port Lincoln wharf became the preferred export port following a visit by members of the Port Lincoln City Council and the Community Consultative Committee to Esperance, and in particular the Esperance Port Authority area in Western Australia during May 2008.

Sinclair Knight Merz (“SKM”) was awarded the contract to complete a Development Application for approval to export of product from the Wilgerup mine via Brennen Jetty in Port Lincoln. A detailed Development Application (DA) was completed and submitted on 16th February 2009 to the Development Application Commission (DAC) for approval to export from Brennen Jetty in Port Lincoln. The DA was submitted under section 49 of the

## **Managing Director's Report**

### **For the Year Ended 30th June 2009**

Development Act (1993) with the Department for Transport, Energy and Infrastructure (DTEI) as the sponsoring government department.

Following a public and stakeholder review period from February to May 2009, 6 stakeholder (government) groups responded, with five (5) providing support or conditional support for the proposal. The EPA initially raised concerns over Total Suspended Particles (TSP), respirable dust (PM10) and potential risk to the marine environment. A meeting was held with the EPA on 3rd June to discuss their submission and Centrex's response to the DPLG. The EPA conceded to review their submission based on further information provided by Centrex. As a result, Centrex requested that the DAC postpone preparing a recommendation to the Minister until the EPA revised their submission and amended their status of support for the DA.

The DAC held a public meeting in Port Lincoln on 11th June to allow public submissions to be presented in person to the DAC, with no recommendation to the Minister to be prepared following the meeting as per Centrex's request to delay a recommendation to the Minister pending a revised response from the EPA.

The EPA subsequently notified Centrex and the DAC that they revised their position and have no opposition to the Development Application.

The DAC met on 27<sup>th</sup> August 2009 to finalise its recommendation to the Minister for Mineral Resource Development. The Minister announced his decision to approve the Development Application on 6<sup>th</sup> October 2009.

Centrex continues to negotiate with ABB Grain Ltd to secure access to excess infrastructure on the port site including a rail unloader and storage facility. Discussions have advanced significantly and the framework for the License agreement and maintenance contracts are currently being drafted.

### **Community Consultation**

The Company has actively engaged local communities through the Community Consultative Committee, which it established, in order to receive feedback for the mine and port proposals. Public sentiment within Port Lincoln has been divided with a small core of vocal opposition being quite active throughout the year. However, there has been a shift in sentiment, with a significant amount of positive feedback received following presentations to the Port Lincoln City Council and also a public meeting organised by the Port Lincoln City Council held in Port Lincoln on 1<sup>st</sup> April 2009.

### **Work completed during the year included:**

#### **Port Lincoln wharf**

- Installation of the first dust monitoring instrument to collect baseline data prior to exports commencing.
- Preliminary engineering design and site layout plans for all infrastructure upgrade requirements and new infrastructure on the wharf including a new transfer conveyor and ship loader.
- Water Quality testing and iron ore solubility testing to ensure no risk to the marine environment.
- Refined Sinclair Knight Merz (SKM) conceptual engineering design.
- Develop capital and operating models for inclusion into Wilgerup financial model.
- Issued and completed recommendation for the "define" stage engineering for the project;
- Engaged WorleyParsons to initiate and lead "define" stage of engineering;
- Continued liaison of conceptual design for upgrade of facilities at the Port Lincoln Export facility with ABB Limited and Flinders Ports;
- Finalised and submitted conceptual engineering design for inclusion in the Development Application for the Port Lincoln Mineral Export facility; and
- Liaised with third party providers for supply of logistics and material handling hardware.

## Managing Director's Report

For the Year Ended 30th June 2009

## BUSINESS DEVELOPMENT

### WISCO Joint Venture

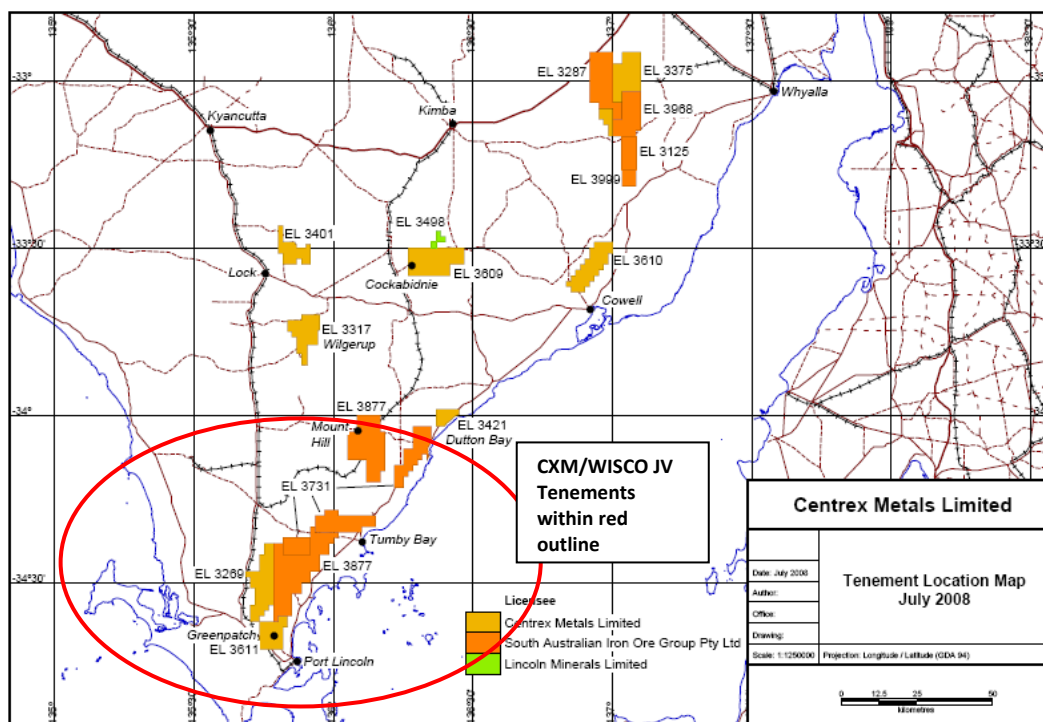
Centrex completed a Heads of Agreement on 17 December 2008 and signed binding agreements in Wuhan, China on 20 July 2009 covering the formation of an iron ore joint venture with WISCO on Exploration Licences 3269, 3421, 3611, 3731 and 3877 ("Tenements") occurring in southern Eyre Peninsula (refer Figure 12).

The agreements are conditional on receiving all government consents and permits.

The investment by WISCO must be approved by the Treasurer of Australia for two reasons:

1. Foreign Investment Policy – will apply as WISCO is a Chinese state owned enterprise thus the investment is one by the Chinese government in Australian assets; and
2. Legislation – the proposed iron ore joint venture includes a Subscription Agreement whereby WISCO will purchase 15% of Centrex's issued share capital by way of a share placement.

WISCO has applied for approval from the Australian Foreign Investment Review Board (FIRB).



**Figure 12 Map showing Centrex's Southern and South Central Tenements**

### About WISCO

WISCO is China's third largest steel producer with an annual capacity of 30 million tonnes of steel. The company's operations are mostly located in Wuhan in the Hubei province of central China. WISCO operates an integrated supply chain comprising mining, coking, sintering, pelletising, iron making, steel making and rolling operations. The company's assets were valued at 118 billion RMB (\$A26 billion) in 2007. WISCO has a 48.3% interest in the Kunming Iron and Steel Corp. which located in Yunnan province, and also has an 80% interest in the Guangxi Iron and Steel Group which currently has approval to construct a new 10 million tonne steel plant in the Guangxi port of Fangchenggang, with further plans to expand the facility to 50 million tonnes per annum by 2011.



## **Managing Director's Report**

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### **Nature of the Business Transaction**

Centrex and WISCO propose to establish an unincorporated joint venture to undertake exploration and resource definition drilling on the Tenements and to complete mine feasibility studies aimed at early development of iron ore operations.

The magnetite deposits and prospects on the Tenements are sparsely drilled but in aggregate could host an exploration target (to 250m depth) in excess of 2 billion tonnes of magnetite banded iron formation.

The key terms of the Joint Venture Agreements are as follows:

1. Acquisition Agreement – WISCO will acquire a 60% Participating Interest in the iron ore Mineral Rights by paying Centrex a total sum of up to A\$186,000,000 made up of:
  - a non refundable deposit of A\$500,000 (paid on 24<sup>th</sup> December 2008);
  - an up-front payment of A\$51,500,000 on the Completion Date;
  - A\$26,000,000 on the first anniversary of the Completion Date;
  - A\$27,000,000 if the total inferred resource of magnetite banded iron formation within the Tenements reaches 1,250 million tonnes;
  - A\$27,000,000 if the total inferred resource of magnetite banded iron formation within the Tenements reaches 1,500 million tonnes;
  - A\$27,000,000 if the total inferred resource of magnetite banded iron formation within the Tenements reaches 1,750 million tonnes;
  - A final payment of A\$27,000,000 if the total inferred resource of magnetite banded iron formation within the Tenements reaches 2,000 million tonnes.
  - WISCO will sole fund the first A\$75,000,000 in exploration and study costs.
  - WISCO to arrange project financing on behalf of Centrex.
  - If the base of 1,000Mt of Inferred Resources is not defined within 5 years, Centrex will make an additional tenement or tenements available to the Joint Venture.
2. Subscription Agreement – Centrex has agreed to place 40,399,599 ordinary shares representing 15% of the Company's issued capital to WISCO at A\$0.25 per share. Post issue WISCO will have approximately 13.04% of Centrex's issued share capital. The placement will be made under the 15% limit contained in ASX Listing Rule 7.1.

WISCO will be eligible to nominate a suitable candidate to the Board of Centrex.
3. Joint Venture Agreement – Upon acquiring its 60% Participating Interest in the iron ore mineral rights on the Tenements, Centrex and WISCO agree to form an unincorporated joint venture for the purpose of carrying out exploration and mining operations. Under the joint venture each company will receive and take its share of all mineral product in accordance with its Participating Interest.
4. Port – Centrex and WISCO agree to jointly develop a deep water port at Sheep Hill, located 20kms north of Tumby Bay, for the purpose of exporting mineral product.

### **Potential Importance for Eyre Peninsula, South Australia and Australia**

Despite the rapid expansion of mining industry in South Australia, Eyre Peninsula has only Onesteel Limited's Middleback Range iron ore mines in operation.

The economy of Eyre Peninsula is largely dependent on agriculture and fishing. Agriculture in particular has suffered from a continuing series of droughts and the long-term outlook, given the impacts of global warming,

## **Managing Director's Report**

### **For the Year Ended 30th June 2009**

suggests a continuing decline in productivity. Many farmers are under severe financial hardship and have or are expected to leave the industry in the short and medium-term. Other farmers have gained employment in the mining industry and run their farms on a part time basis to remain on the land.

The proposed iron ore joint venture with WISCO has the potential to significantly broaden and strengthen the economy of the region.

The joint venture will focus on exploration and early mine development. The priority target is the Carrow magnetite deposit located 5kms west of Port Neill on the central east coast.

The joint venture intends to spend \$40,000,000 by 2012 to complete a Bankable Feasibility Study for the development of a 5Mtpa Carrow magnetite concentrate operation. An additional \$30,000,000 is planned to be spent on exploration of nearby magnetite deposits and on design for the new deep water port at Sheep Hill, 20kms north of Tumby Bay.

Whilst it is too early to be overly accurate in predicting the impact that the first joint venture mine at Carrow would have on the local economy the following are estimates of the potential economic contribution of the operation:

- ≈300 direct mine and processing jobs.
- ≈900 indirect jobs assuming the typical employment multiplier.
- Operating expenditures of some \$250,000,000 per year of operation over a 10-15 year mine life.
- Initial capital of some \$560,000,000 for the Carrow mine and processing facility.
- ≈30 direct port jobs.
- ≈\$150,000,000 to develop a deep water port facility at Sheep Hill.
- Probable desalination plant.

The joint venture tenements host a number of magnetite deposits and the intent is to develop a minimum output level of 10Mtpa of magnetite concentrate. This medium-term production goal would require two mines to be running concurrently. The potential long-term contribution to the regional economy would be significant.

Centrex has developed policies that include:

- Employing locally wherever possible.
- Committing to spend locally and to encourage local business.

The intent of these policies is to ensure the communities in which we operate benefit most from the mining and processing operations.

In addition to jobs and encouraging local businesses, the operations will provide the state and Federal governments with significant revenues from taxes and royalties.

### **Sheep Hill Port Joint Venture**

Centrex and WISCO recognize that the joint venture must have access to a Cape capable port (160,000 – 240,000 dwt bulk carriers) and have agreed to jointly develop a deep water port at Sheep Hill, 20kms north of Tumby Bay on the central Eyre Peninsula coast. The Sheep Hill development site comprises a stretch of coastal land with access to 20m of water close to the shoreline.

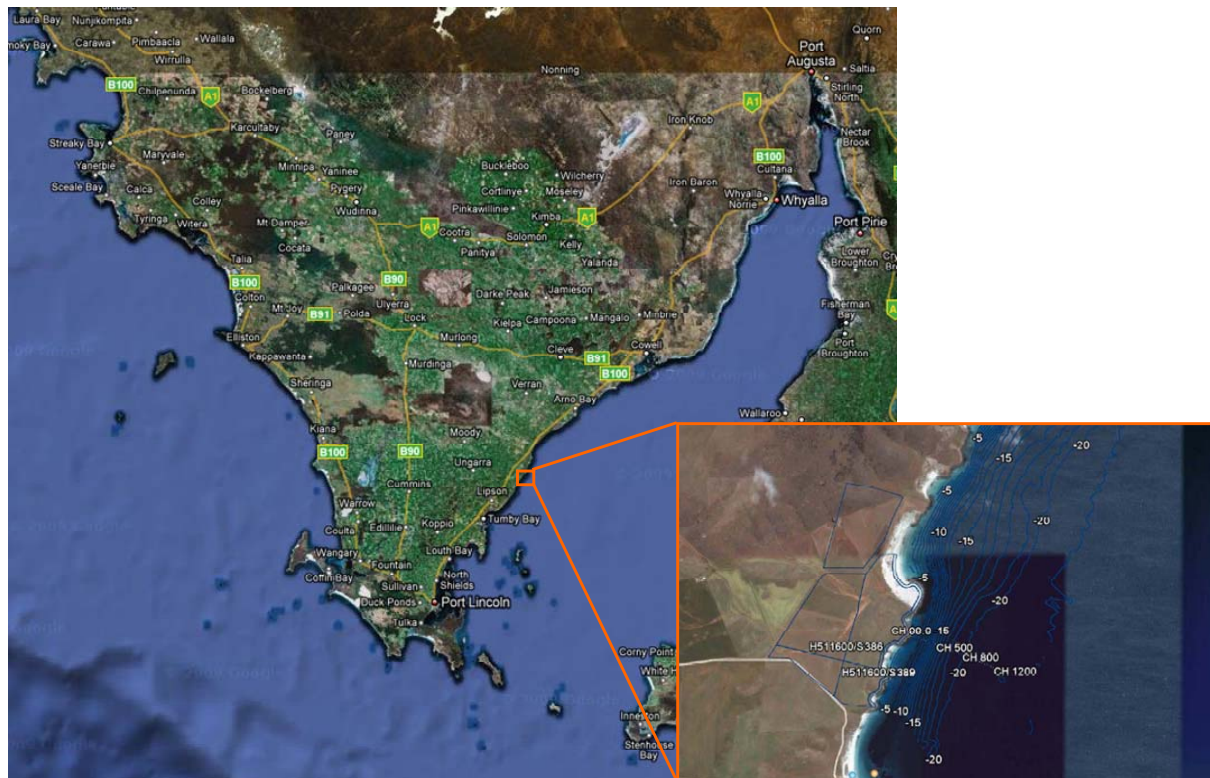
Centrex conducted a detailed bathymetric survey along a stretch of the east coast of Eyre Peninsula between Tumby Bay and Port Neill. This survey highlighted an area where ≈20m of water (at low tide) occurred within 450m of the coastline. This water depth can accommodate Cape sized vessels. Centrex then purchased 260 acres of land for the express purpose of developing a deep water export facility. The 260 acres was reduced to 225 acres during the land freehold process.



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For the Year Ended 30th June 2009

Centrex has discussed the port development with the government of South Australia which has provided “in principle” support for its development.



**Figure 13 Sheep Hill Port Location**

South Australia does not have a deep water minerals port capable of taking Cape sized (>160,000dwt) vessels. A number of planned iron ore developments are being delayed largely due to the lack of a suitable port.

For large scale bulk minerals operations, especially iron ore and coal, it is essential that product be efficiently (and economically) shipped to market. Such operations need a Cape capable port. Mineral explorer, Western Plains Resources, has a defined hematite resource but has no port from which to export. IMX Resources has proven iron ore deposits that are ready for export but similarly has no port. IMX recently completed a trail mining shipment that was railed 2,500 kilometres to Darwin because there was no viable alternative in South Australia.

BHP has announced that up to 1.5Mtpa of Olympic Dam ore would be railed to Darwin for export. Again the decision made was because there is no suitable port in South Australia.

Since September 2008, Centrex spent \$747,414 conducting baseline marine and terrestrial studies, groundwater assessments, geotechnical assessment and cultural heritage assessments as a forerunner to submitting a proposal to develop the port.

A conceptual design study for the Sheep Hill Port facility was carried out by URS and GRD Minproc in 2009 with the following design components;

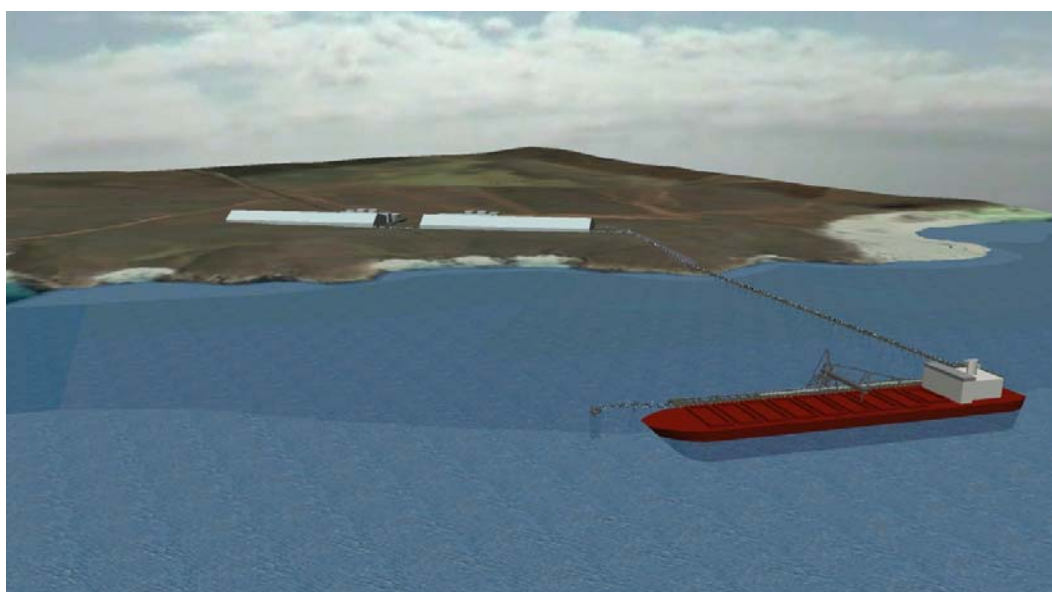
- Export facility capable of loading 20Mtpa of magnetite concentrate.
- A shiploader capable of 4,000 to 4,500tph.
- A jetty and wharf structure approximately 450m from the shoreline to reach water depth that can support the loading of full-size Cape class vessels (average 200,000t).
- On-shore storage capacity of 480,000t of concentrate.

## **Managing Director's Report**

### **For the Year Ended 30th June 2009**

- Filtration and conveyor systems to allow receipt of magnetite slurry via pipeline to the facility from mine sites.
- On-shore support facilities such as for maintenance and employee amenities.
- Associated operating infrastructure.
- Allowance in design for potential upgrades to infrastructure to accommodate 3<sup>rd</sup> party users and additional commodities.

These parameters may change on the basis of the requirements of the Centrex / WISCO Joint Venture and other potential third party port users.



**Figure 14 Sheep Hill Port schematic looking north west**

Other aspiring miners have expressed strong interest in gaining access to the Sheep Hill port. From the non-binding feedback it is clear that such a facility would cater for increasing export tonnages.

Sheep Hill will be constructed provided the joint venture is able to identify economic deposits of magnetite.

The South Australian Government recognizes the importance of port infrastructure to the State's mining sector and has stressed that the port would need to provide multi-user access. A 27km rail spur line from Ungarra would open the port up to the entire Eyre Peninsula. Improvements to the rail network, paid for by miners, could result in greater rail efficiencies and potentially lower charges to rural users.

### **Community Support for the Port**

Centrex has received overwhelming support from the Tumby Bay Council and strong support from the Tumby Bay community for the development of the Sheep Hill port. Both the Council and community believe that the proposed port and adjacent mines would significantly bolster the region's economy.

## **Managing Director's Report**

**For the Year Ended 30th June 2009**

### **Bungalow Joint Venture**

Centrex signed a Heads of Agreement with Baotou Iron & Steel Co., Ltd on 20 September 2007 covering a 50:50 joint venture over the Bungalow/Minbrie magnetite deposit located 9kms north of Cowell on Eyre Peninsula. Since signing the two parties have worked periodically to resolve differences of opinion regarding clauses contained in the detailed agreements.

Recent management changes within Baotou led to renewed discussions and compromise. The two companies agreed all of the terms and conditions of a Supplementary Agreement, Joint Venture Agreement, Management Agreement, Exploration Agreement and Shareholder Agreement in August 2009 and signed the agreements in Baotou on 27 August 2009.

The Joint Venture will be completed in 3 stages as follows:

- Stage 1 Baotou to pay \$8,000,000 into the joint venture to fund exploration and development studies to earn a 10% undivided interest in the iron ore rights to EL3610.
- Stage 2 Baotou to pay \$8,000,000 into the joint venture to fund further exploration and studies to earn an additional 10% undivided interest in the iron ore rights to EL3610.
- Stage 3 Baotou to pay \$24,000,000 into the joint venture to complete a Bankable Feasibility Study and in doing so to take its undivided interest in the iron ore rights to EL3610 to 50%.

Once the Joint Venture has received all government consents and permits, Centrex will receive approximately \$2,267,000 to reimburse exploration costs incurred by the Company since signing of the Heads of Agreement.

### **EXPLORATION PLAN FY2010**

The principal exploration objective for the FY2010 budget is to increase the Company's iron ore resources. The increased resources will in turn provide a platform for longer-term growth within the business beyond the Wilgerup deposit.

The FY2010 budget will focus on resource development in the WISCO and Baotou Joint Venture tenements, exploration for DSO hematite at Wilgerup and Tooligie Range, Cockabidnie, the Western Middleback tenements and Lock.

The Centrex/WISCO Joint Venture over the southern Eyre Peninsula tenements will be managed by Eyre Iron Pty Ltd. In FY2010, Eyre Iron plans to fast track the development of the Carrow magnetite deposit and to explore the Koppion magnetite trend, the Bald Hill - Charleton Gully trend and Mount Hill and White Flat deposits to identify the second mine proposal.

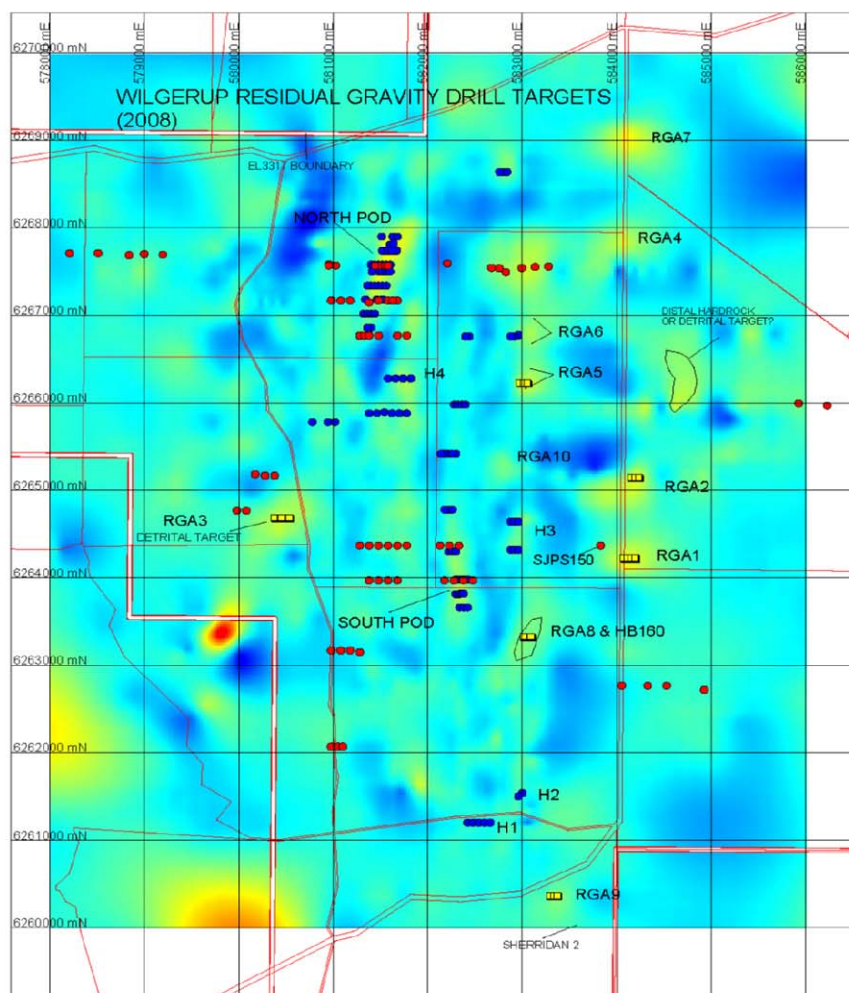
#### **Wilgerup**

Regional exploration drilling for both hematite and magnetite is planned for a number of targets identified from geophysics, drilling and geological modelling. Around 1,800m of RC drilling has been planned to test five hematite and 1 magnetite target identified from combining stratigraphic modelling with coincident gravity and magnetic geophysical anomalies.

In addition the Company is expected to be granted a new Exploration Licence in the Tooligie Range area. The new tenement abuts the south western corner of the Wilgerup tenement and contains a significant gravity anomaly.

**Managing Director's Report**

**For the Year Ended 30th June 2009**



**Figure 15 Wilgerup residual gravity targets**

**WISCO Southern Tenements Joint Venture**

In FY2010 the Eyre Iron Joint Venture under the management of Eyre Iron Pty Ltd will be accelerating development of the Carrow Magnetite Project through the commencement of a Pre-Feasibility Study for a 5Mtpa concentrate operation. This study will look in detail at several project development options in the areas of mining, processing, logistics as well as power and water. The study will recommend the optimum path for project development as a precursor to a Bankable Feasibility Study in FY2011.

As the Joint Venture has agreed on a Stage 1 production milestone of 10Mtpa, a further series of project evaluations outside of Carrow will be conducted to place the Joint Venture in a position by early FY2011 to select the next optimal project for development. These peripheral studies will include an update and revision of the Greenpatch Scoping Study, including diamond drilling to increase the current Inferred resources.



## **Managing Director's Report**

### **For the Year Ended 30th June 2009**

Exploration will also be carried out across Mount Hill, Charlton Gully and White Flat, each with 10's of kilometres of strike potential for iron mineralisation. The exploration program will include a number of air-borne geophysics surveys with follow up wide-spaced targeted drilling and preliminary metallurgical test work.

### **Baotou Bungalow Joint Venture**

The Bungalow deposit is located on the north-east coast of Eyre Peninsula approximately 9km's north-west of Cowell.

The Concept Study for the Bungalow magnetite deposit will continue into FY2010 upon the expected finalisation of the Bungalow joint venture with Baotou. The joint venture budget for FY2010 will comprise a further 8,000m of diamond drilling and a number of concept level studies including metallurgical testing for key plant characteristics, hydrological evaluation and an engineering assessment.

### **Cockabidnie**

The Cockabidnie tenement is located in the central east area of Eyre Peninsula, 10km SE of Darke Peak. The main aeromagnetic anomaly in the centre of the tenement is around 5km long, has outcropping BIF and is prospective for magnetite and hematite.

An airborne gravity survey commenced in late August 2009 and will be followed by around 1,800m of RC drilling to test the Campoona syncline and associated BIF and the recently identified high grade hematite veining.

### **Kimba Gap**

The Western Middleback tenements have had only limited exploration due to the Company's focus on developing the Wilgerup hematite deposit and advancing the magnetite Joint Ventures. A recent literature review has confirmed the highly prospective nature of the western Middleback tenements. The area contains numerous outcrops of magnetite BIF and is ideally situated in respect to infrastructure and resources.

Kimba Gap has outcrop of coarsely crystalline banded hematite and magnetite quartzite. The outcrop is associated with a strong aeromagnetic signature on the Cooyerdoo Banded Iron Formation (BIF) trend and it is of similar strength to many of the typical Middleback Ranges BIF. The tenement is prospective for both in situ hematite or magnetite mineralization and detrital hematite deposits. Two potential hematite targets have been identified based on geology, detailed aeromagnetic data and detailed gravity data.

Field mapping followed by 1,500m of RC drilling is planned to test the hematite and magnetite targets in the second half of FY2010.

### **Lock**

The Lock tenement is located around 30-40km's north of the Company's Wilgerup massive hematite deposit. The area has no outcrop and is covered by a blanket of Tertiary sand however nearby drilling has intersected magnetite gneiss. The tenement is prospective for iron ore and any discovery could benefit from the infrastructure and resources developed for the Wilgerup mine site.

Exploration in FY2010 will involve a ground gravity survey to be assessed in conjunction with the earlier reprocessed magnetics with a 1,000m RC drilling program planned to test identified geophysical targets.

## **Managing Director's Report**

**For the Year Ended 30th June 2009**

### **SUMMARY**

FY2009, like 2008 proved to be both rewarding and frustrating for the Company.

The WISCO Joint Venture was an especially important transaction for the Company. The Joint Venture will deliver significant cash to Centrex. More importantly however, Centrex has a major strategic partner that has significant financial and technical resources and a strong commitment to develop a number of mining operations on the Company's southern Eyre Peninsula tenements. The plan to build Stage 1 capacity of 10Mtpa of magnetite concentrate will transform Centrex from explorer to South Australia's premier iron ore producer.

The other important joint venture signed during the year was the Bungalow/Minbrie Joint Venture with Baotou. Dealings with Baotou were reinvigorated following the Bao Steel merger and a change in senior management. The agreements signed are essentially the same as those outlined in the September 2007 Heads of Agreement.

Progress on the approvals for Wilgerup and the Development Application for Port Lincoln whilst slow, was nonetheless significant. The key milestones were:

- A Draft Mine and Rehabilitation Plan was lodged and 4 Mineral Leases granted April 2008.
- Mine Lease Proposal lodged 15th October 2008.
- Mining Lease approved by the government 14th May 2009. MARP to be lodged August 2009.
- Mineral Lease granted 12 August 2009.
- Development Application for Main Wharf Port Lincoln received by Development Assessment Commission on 16th February 2009.
- All government agencies barring the Environment Protection Agency (EPA) gave support or conditional support for the Port Lincoln Development Application. The EPA's main concerns were the potential impact of any fugitive hematite dust on the marine environment (specifically the potential for hematite to stimulate phytoplankton growth giving rise to algal blooms). The EPA also required additional modelling and clarification on port stormwater management and Total Suspended Particle modelling. This work was conducted to the satisfaction of the EPA.
- Subsequent sampling which was endorsed by the EPA, demonstrated that there was no threat to the marine environment from accidental discharge of hematite and the EPA formally withdrew its opposition to Centrex's Development Application on 30 July 2009.
- The DAC made its final recommendations to the Minister for Urban Planning and Development in late August 2009. The Minister announced his decision to approve the Development Application on 6<sup>th</sup> October 2009.

Worley Parsons were appointed to complete the Front End Engineering Design component for the Port. The design was completed in August 2009.

On receipt of all the government consents and approvals, the plan is to finalise the port detailed design and to have the facility constructed in time for first shipments in August 2010.

Exploration was slowed during the latter half of 2009 awaiting the outcome of the magnetite joint venture negotiations. The long awaited Bellgeo Space airborne gravity survey was delayed due to equipment failures and commenced in August 2009. It is anticipated that data from the survey will be available in early October. During the slowdown in drilling the Company's geologists completed a strategic review of investment opportunities in both ferrous and non-ferrous minerals. This work has provided clear focus on metals to support and compliment the Company's iron ore position.

The management team was strengthened with the recruitment of Mr Tony Ford (General Manager Engineering). The Company now boasts a small but highly skilled and motivated group of senior mining professionals focussed on taking Centrex from explorer to miner.



## **Managing Director's Report**

### **For the Year Ended 30th June 2009**

FY2010 shapes up as a very exciting time for the Company as it finally makes the transition to miner at Wilgerup. Exploration and development studies for the two magnetite joint venture will be quickly accelerated. Exploration at Cockabidnie is expected to outline the high grade hematite resource potential of the area and drilling and mapping in the Western Middleback Range tenements is likely to identify further hematite targets.

### **Administration**

Centrex has a clear business plan to evaluate hematite and magnetite potential on the Company's tenements. The two joint ventures with WISCO and Baotou will place the Company in an enviable position of having major well-financed business partners with which to accelerate the development of the Company's significant magnetite resource potential. Key elements of the Business Plan are as follows:

## **BUSINESS PLAN**

**Business Objective:** To develop profitable iron ore mining operations on Eyre Peninsula, South Australia.

### **Business Strategies**

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

- Develop the Wilgerup hematite deposit into a 1.6-2.0Mtpa mining and exporting operation.
- Within the WISCO Joint Venture, develop 2 x 5Mtpa magnetite concentrate operations based on the Joint Venture as part of Stage 1 of an overall strategy building to 15-20Mtpa magnetite output.
- Within the Baotou Joint Venture develop a 5Mtpa magnetite concentrate operation based on the Bungalow/Minbrie magnetite deposit.
- Evaluate the hematite potential on all Centrex tenements including the recently discovered high grade hematite occurrences at Cockabidnie.
- Evaluate the potential to mine hematite, hematite-rich BIF or magnetite on the Company's Western Middleback tenements.
- Continually look for merger and / or acquisition opportunities within Australia and abroad.
- Port development.

### **DSO Hematite Strategy**

The key priority since listing has been exploration and resource definition drilling at Wilgerup. Exploration and studies since September 2006 have defined an economic project and the Company is finalising detailed designs in anticipation of first shipments in August 2010.

Prospectivity in the immediate Wilgerup area is high. Modelling of aeromagnetic and gravity surveys has highlighted several areas that have reduced magnetic response and high gravity response indicative of the presence of hematite.

The granting of an Exploration Licence immediately to the southwest Wilgerup covers potential residual gravity targets and is considered highly prospective for hematite.

In addition to Wilgerup many of the Company's tenements are prospective for hematite. Further geological and geophysical evaluation will be conducted on these areas followed by reconnaissance drilling in order to identify the best projects that warrant detailed evaluation.

## **Managing Director's Report**

**For the Year Ended 30th June 2009**

### **Magnetite Strategy**

The Company's tenements host several magnetite-rich BIF deposits and prospects that could support stand-alone magnetite concentrate operations.

The two joint ventures with WISCO (over Centrex's 5 southern Eyre Peninsula tenements) and with Baotou (over the Bungalow/Minbrie magnetite deposit) are a major step towards early development of the Company's substantial magnetite resources.

Centrex now has two long-term business partners that have significant financial and technical resources and a clear business plan to co-develop the magnetite deposits.

### **Hematite Exploration Outside Wilgerup**

Hematite mineralisation has been identified on a number of the Company's 15 tenements. Centrex will systematically evaluate the hematite potential on all of the Company's tenements over the next 5 years.

Centrex has developed a solid exploration model to "look through" the omnipresent alluvial/colluvial cover in order to better target drilling for hematite. The model uses a combination of aeromagnetics and gravity surveys to identify BIF, dislocations within BIF and areas that have reduced magnetic signatures and enhanced gravity responses highlighting possible hematite occurrences.

To improve target vectoring Centrex has contracted Bellgeo Enterprises Limited to fly airborne 3-D Full Tensor Gravity Gradient Surveys over 1280 line kilometres over prospective hematite targets at Mount Hill, Cockabidnie and Charleton Gully. After a series of setbacks in 2008 due to mechanical failures of equipment, the airborne survey commenced in August 2009 and data is expected to be available in October 2009. The exploration budget contains funds to drill the identified hematite targets.

### **Western Middleback Area**

The Company's Middleback Range tenements are prospective for both hematite and magnetite. The Middleback Ranges have hosted iron ore mining for over 100 years with mines operated initially by BHP Co. Ltd and now by OneSteel Ltd, having produced in excess of 200 million tonnes of high-grade hematite ore.

The Company's tenements including Stony Hill, Ironstone Mount and Ironstone Hut, are located immediately west of OneSteel's operations and are largely under-explored.

### **Merger and Acquisition**

Wilgerup will generate significant cash flows for the Company. These cash flows coupled with the payments by WISCO will permit Centrex to look into merger and acquisition opportunities within Australia and offshore.

### **Port Development**

The Sheep Hill land acquisition is likely to present significant opportunities to the Company to develop a standalone profit centre associated with the development of the Sheep Hill deep water port.

### **Outlook for Iron Ore**

Demand growth especially from China is increasing but will take time to fully recover from the 2009 Global Financial Crisis. The pricing mechanism for DSO hematite is under intense scrutiny and it is likely that the former Benchmark system will be progressively replaced with a quarterly indexed pricing mechanism. Prices for 2010 are likely to be influenced by supply pressure especially as demand improves. Higher spot prices indicate that the demand pressure is likely to support prices in the medium-term.

**Managing Director's Report**

**For the Year Ended 30th June 2009**

**Subsequent to Year End**

A number of material events occurred subsequent to year end. These were:

- Water quality testing by the Australian Water Quality Centre (AWQC) and iron bioavailability analysis and Phytoplankton growth impact in Boston Bay water conducted by Flinders University determined that there is no impact on phytoplankton as a result of iron ore exporting from Port Lincoln and therefore no risk of causing algal blooms in Boston Bay.
- Environmental Protection Authority (EPA) provided updated advice to the Development Assessment Commission (DAC) supporting the Development Application for exporting via Port Lincoln wharf;
- DAC provided a recommendation to the Minister for Mineral Resource Development to approve the Port Lincoln export Development Application;
- Offer of a Mineral Lease for the Wilgerup Project was received from the Minister for Mineral Resource Development and accepted by Centrex on 12 August 2009.
- Signed binding agreements in Wuhan, China on 20 July 2009 covering the formation of an iron ore joint venture with WISCO on Exploration Licences 3269, 3421, 3611, 3731 and 3877 ("Tenements") occurring in southern Eyre Peninsula. (See pages 18 to 22 for further detail).
- Signed binding agreements in Baotou, China on 27 August 2009 covering the formation of an iron ore joint venture with Baotou on Exploration Licence 3610 (known as Bungalow/Minbrie on the Eyre Peninsula. (See page 23 for further detail).
- Ore Sales agreement signed with Baotou Iron & Steel Co. Limited (Baotou) for 600,000 tonnes per annum for the life of the Wilgerup mine.
- Tooligie Range EL 4299 was granted on 19 August for a period of one (1) year. The tenement lies immediately southwest and abuts Wilgerup.
- The New South Wales Department of Primary Industries granted the rights to Exploration License 3675, located approximately 20km south of Goulburn (NSW) as announced 9 September 2009.
- WISCO withdrew and resubmitted its application to FIRB in order to provide FIRB with an additional 30 days to process the application (announced 14 September 2009).
- The Minister for Urban Planning and Development announced his decision to approve the Development Application for the Port Lincoln wharf on 6<sup>th</sup> October 2009.

**Gerard Anderson**  
**Managing Director**

**CENTREX METALS LIMITED**  
**A.B.N. 97 096 298 752**

**Directors' Report**

**For the Year Ended 30th June 2009**

The Directors present their report together with the financial report of Centrex Metals Limited ("the Company") and the financial report of the Group, being the Company and its controlled entities, for the financial year ended 30th June 2009 and the auditor's report thereon.

<b>Section</b>	<b>Contents of Directors' Report</b>
<b>1</b>	<b>Directors</b>
<b>2</b>	<b>Executives considered to be Key Management Personnel</b>
<b>3</b>	<b>Directors' meetings</b>
<b>4</b>	<b>Corporate governance statement</b>
<b>5</b>	<b>Remuneration report</b>
<b>5.1</b>	Principles of compensation- audited
<b>5.2</b>	Directors' and Executive Officers' remuneration- audited
<b>6</b>	<b>Principal activities</b>
<b>7</b>	<b>Operating and financial review</b>
<b>8</b>	<b>Dividends</b>
<b>9</b>	<b>Events subsequent to reporting date</b>
<b>10</b>	<b>Likely developments</b>
<b>11</b>	<b>Directors' interests and options</b>
<b>12</b>	<b>Share options</b>
<b>13</b>	<b>Indemnification and insurance of officers and auditors</b>
<b>14</b>	<b>Non-audit services</b>
<b>15</b>	<b>Lead auditor's independence declaration</b>

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**Directors' Report**

**For the Year Ended 30th June 2009**

**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, OAM, LLB, FAICD, FTIA.	Appointed 23/03/01	64	Non-Executive Director- Chairman Mr Lindh is a consultant in corporate and commercial matters, with over 30 years experience both as a lawyer and a company director. Mr Lindh is Chairman of Island Sky Australia Limited and also Chairman of Adelaide Equity Partners Ltd. Mr Lindh is also a director of various private companies and is a consultant with the Adelaide law firm, Minter Ellison.
Mr Gerard Anderson, Assoc Applied Geology, Grad Dip Bus, MSc	Appointed 11/04/06	54	Managing Director Geologist with 34 years of experience including 16 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, General Manager Golden Grove Operations for Normandy and Newmont, General Manager Joint Ventures for Newmont and Managing Director Croesus Mining NL (February 2005 to September 2005). Mr Anderson has over 10 years experience in iron ore, firstly as an exploration geologist with Mt Newman Mining Company then as a senior resource specialist with BHP Ltd working on several project developments including Koolan Island, Deepdale, Bungaroo Creek, BHP's Yandi Deposit and Mount Newman's Eastern Ore Bodies. Mr Anderson was appointed as a Non Executive Director of Archer Exploration Limited in July 2008.
Dr Norton Jackson, AM, FTSE, ME, Hon Doc	Appointed 23/03/01 Resigned 28/11/08	90	Independent Non-Executive Director Has worked in mining, milling, and minerals separation operations and applied research for 26 years. Has served on the Boards of mining companies and academic and research organisations for 21 years. Mr Jackson is a Non-Executive Director of Australasia Gold Limited an ASX listed company since 16 May 2003 and a Non-Executive Director of Energy Exploration Limited (previously 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, AO, FTSE, B.Tech, FIE Aust, FAus IMM, FAICD	Appointed 19/04/05	65	Independent Non-Executive Director Mr Klingberg has 34 years experience as a professional engineer including 10 years as CEO with Kinhill Limited managing professional engineering services to resource development and other industries. Retired recently as Chancellor of the University of South Australia after 10 years. Director of ASX Listed Codan Limited and E&A Limited. Director of Snowy Hydro Limited, Chairman of Barossa Infrastructure Limited and Chairman of the Premiers Climate Change Council.

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**Directors' Report**

**For the Year Ended 30th June 2009**

**1. Directors (continued)**

Name and Qualifications	Appointed /Resigned	Age	Position, Experience and special responsibilities
Mr Kiat Poh Dip C.E.	Appointed 21/05/08	55	<p>Independent Non-Executive Director</p> <p>Mr Poh is a Singaporean citizen, and has over 30 years experience at senior management level in the financial, engineering, real estate development, quarrying, manufacturing and construction industries. He was the Managing Director of SGX-listed Teamsphere Limited from 1998, heading the strategic management and business development of the company prior to Delong Steel's successful reverse acquisition of Teamsphere Limited in 2005. Since 2005, he has managed an investment advisory company in Singapore that focuses on participating in strategic stakes in listed companies.</p> <p>On 27<sup>th</sup> August 2009, Mr Poh was appointed as a director of Synergy Metals Ltd.</p>
Mr Geoffrey Hill, FCPA, FCDA, FSIA	Appointed 20/10/08	63	<p>Non-Executive Director</p> <p>Mr Hill is a merchant banker based in Hong Kong and is currently Chairman of International Pacific Securities Inc. and a former Director of Pitt Capital Asia Limited and Asian Property Investments Limited. He has over 30 years experience in the Merchant Banking Industry. Career highlights include the formation of Bancorp Holdings, appointment to the board of Morgan Grenfell and Co Plc and the merger of his merchant banking business to form Pitt Capital Partners, with Soul Pattinson Partners in 2002.</p> <p>Professional directorships include Hills Industries Limited, Brickworks Investments Limited, Huntley Investment Company Limited, Broken Hill Cobalt, Westralian Energy, Metals Finance Limited and Heritage Gold NZ Ltd.</p> <p>Mr Hill is also Managing Director of South Cove Ltd, an unlisted company, that is the largest shareholder in the Company. Accordingly, he is not considered to be "independent" for the purposes of the Company's corporate governance policies.</p>

**2. Executives considered to be Key Management Personnel**

**Chief Operating Officer**

The Chief Operating Officer, Kevin Malaxos, aged 45 was appointed 4 February 2008.

Mr Malaxos is a Mining Engineer with in excess of 23 years experience in open pit and underground mining operations. He holds a degree in Mining Engineering from the WA School of Mines in Kalgoorlie, and commenced his career in the underground gold mines in the region. More recently he has held senior management positions with a large underground mining contractor, Perilya at Broken Hill Silver, Lead, Zinc operations and was Chief Executive Officer of Mt Gibson Iron in Western Australia.



## Directors' Report

For the Year Ended 30th June 2009

### 2. Executives Considered To Be Key Management Personnel (continued)

#### Exploration Manager

The Exploration Manager, Mr Alastair Watts, aged 41 was appointed 15th March 2007.

Mr Watts is a Geologist with 18 years experience in mining and exploration geology and is a member of the Australian Institute of Mining and Metallurgy. He has worked extensively within a range of commodities and mine sites across Australasia including the gold mining regions near Kalgoorlie, Western Australia, Charters Towers, Queensland, the Solomon Islands, nickel laterite in Indonesia and phosphate in Queensland. More recently he held a 3 year position with BHP Iron Ore as the Superintendent of Geology and Quality Control at Newman, Western Australia.

Mr Watts holds a Bachelor of Science (Geology) from Flinders University of South Australia and a Diploma of Business (Front Line Management) from the Australian Institute of Management.

#### Company Secretary

The Company Secretary, Mr Gavin Bosch CPA, aged 33 was appointed 2 May 2008.

Mr Bosch is a member of CPA Australia and an affiliate of Chartered Secretaries Australia. He has over 12 years experience in the mining industry. Beginning as a graduate accountant for the Normandy Group (who later became Newmont Australia, after a takeover in 2002) in Tennant Creek he moved to more senior roles in Western Australia and then in the Adelaide head office. Along with his roles in management and financial accounting he held positions in both taxation and systems implementation.

### 3. Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Group during the year ended 30 June 2009 was:

	Board Meetings		Audit and Risk Management Committee Meetings		Safety and Environmental Committee*	
	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Mr D Lindh	16	16	3	3	16	16
Mr N Jackson	4	4	2	2	4	4
Mr D Klingberg	16	16	3	3	16	16
Mr G Anderson	16	16	3	3	16	16
Mr K Poh	16	16	3	3	16	16
Mr G Hill	13	12	1	1	13	12

\* The Safety and Environmental Committee comprise of the Board as a whole (as detailed in 4.2.2) and given the importance of the occupational health and safety and environmental issues it was decided in December 2006 that such meetings be incorporated into the regular Board Meetings as a separate agenda item.

## **Directors' Report**

**For the Year Ended 30th June 2009**

### **4. Corporate Governance Statement**

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 eight 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. Furthermore, the Company makes available all relevant corporate governance policies on its website, located at:

[http://www.centrexmetals.com.au/corporateinformation/corp\\_governance.html](http://www.centrexmetals.com.au/corporateinformation/corp_governance.html)

### **Principle 1: Lay solid foundations for management and oversight**

#### ***Role of the Board***

The Board has established the functions reserved for the Board and delegated certain functions to the Managing Director and senior executives of the Company. These functions are discussed in more detail below and are also contained in detail in the Board Charter which can be found in the corporate governance section of the Company website.

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 Group including formulating its strategic direction, approving and monitoring budgets including capital expenditure, setting remuneration for key executives, 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 and matters not expressly reserved to the Board to the Managing Director.

The performance of senior executives is reviewed annually (or more regularly as appropriate) by the Board in conjunction with the Managing Director. Wherever possible and meaningful, performance is measured against objective benchmarks including operational or financial milestones. Performance reviews for all senior executives were conducted during the period in the manner described above.

### **Principle 2: Structure the Board to add value**

#### ***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;
- a minimum of half independent Directors;
- a majority of Directors having extensive knowledge of the Company's industry;
- a Non-Executive Director as Chairman; and
- a minimum of one third of the Board will retire and be subject to election at the next Annual General Meeting of the Company.

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.

## **Directors' Report**

**For the Year Ended 30th June 2009**

### **4. Corporate Governance Statement (continued)**

#### ***Independence of Board members***

The Company considers an Independent Director to be 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; and
- 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.

Mr David Klingberg and Mr Kiat Poh are both considered to be independent by virtue of their meeting of the criteria outlined directly above.

The Chairman, Mr David Lindh is not considered to be independent due to his being a substantial shareholder. The Board have determined that Mr Lindh's experience as Chairman and in the exploration industry is invaluable to the Company. Mr Lindh's status is likely to change in the short term on account of a likely share placement (see subsequent events) that will reduce his interest to below 5% and as such he will cease to be a substantial shareholder.

It is noted that Mr Geoffrey Hill and Mr Gerard Anderson are not considered to be independent. Mr Hill is a director of South Cove Ltd, the largest single shareholder in the Company and Mr Anderson is an executive of the Company. As a consequence at 30 June 2009 the Board does not meet its defined objective of having a minimum of half independent Director representation. As outlined with Mr David Lindh (above), his status is likely to change in the short-term and so too will the level of independent Director representation such that the objective will be met.

#### ***Nomination, retirement and appointment of Directors***

The Board formally established a Remuneration and Nomination Committee on 28 July 2009. Prior to this time, the responsibilities of this committee were addressed by the Board as a whole as and when the need arose. The charter of the Remunerations and Nomination Committee and the process for selecting and appointing new Board members can be found in the corporate governance section on the Company website.

Where a vacancy exists, the Remuneration and Nomination Committee will recommend suitable candidates after having undertaken a review of the necessary and desirable competencies of the candidate and then report their findings to the Board as a whole. The Chairman of the Board will then make the necessary approach to any potential candidates.

## **Directors' Report**

**For the Year Ended 30th June 2009**

### **4. Corporate Governance Statement (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 Group'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.

#### ***Evaluation of the Board and its committees***

The Board has formally outlined the performance evaluation process for the Board and senior executives in a document titled "Performance Evaluation Process" which can be found in the corporate governance section of the Company website.

The Chairman is responsible for ensuring regular reviews of the Board, its committees and individual members. The process for which includes formal and informal interviews and surveys, the goals of which are to identify improvements to board processes and procedures. Two separate reviews of the Board were conducted during the year ended 30 June 2009 in accordance with the principles identified above.

### **Principle 3: Promote ethical and responsible decision making**

#### ***Code of conduct***

The Board has established a Code 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 Group. The Code of Conduct addresses matters such as compliance with laws, appropriate standards of behaviour, the management of conflicts of interest, environmental management and dealings with individuals in both employment and other contexts.

The Board reviews the Codes of Conduct regularly to ensure the highest standards of behaviour and professionalism. Further detail relating to the Codes of Conduct is available in the document titled "Board Charter and the Role of Management" which can be found in the corporate governance section of the Company website.

#### ***Share Trading Policy***

The Board has formulated a Share Trading Policy which applies to all directors, managers, employees and regular consultants. A complete version of the policy can be found in the corporate governance section of the Company website.

Among other things the policy establishes a procedure for notifying the Managing Director, Chairman or Company Secretary of intended trading activity of Company officers, employees or consultants in the securities of other companies in respect of which that person may have inside knowledge deriving from their position within the Company.

During the year the Company formally adopted a policy on share hedging and margin loans. This policy is applicable to all Directors and employees of the Company and effectively prohibits conduct that removes the "price risk" from unvested securities of the Company. The policy also requires disclosure to the Company of any third party interest affecting Company securities that they have an interest in.

## **Directors' Report**

**For the Year Ended 30th June 2009**

### **4. Corporate Governance Statement (continued)**

#### **Principle 4: Safeguard integrity in financial reporting**

##### ***Audit and Risk Management Committee***

The Board has established an Audit and Risk Management Committee, which 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 Group. The complete charter for the committee can be found in the corporate governance section of the Company website.

The Board policy is that the Audit and Risk Management Committee will comprise of all Non-Executive Board Members 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.

As identified in the commentary to Principle 2, Mr David Lindh and Mr Geoffrey Hill are not considered to be independent due to their direct and indirect substantial shareholdings. In terms of the composition of this committee there is not presently a majority of independent Directors as recommended by the ASX Corporate Governance Council. The Board considers this to be reasonable given that shortly Mr Lindh's status is likely to become independent after his interest in the Company reduces below the substantial level after the impending share placement (see subsequent events).

The Managing Director and Chief Accountant have both 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 2009 comply with accounting standards and present a true and fair view, in all material aspects, of the Company's financial condition and operational results. This statement is required annually.

The external auditor is invited to attend meetings of the Audit and Risk Management Committee at the discretion of the committee. An assessment of the performance of the external auditor is conducted on an annual basis at a minimum.

#### **Principle 5: Make timely and balanced disclosures**

##### ***Continuous Disclosure Policy***

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 disclosure to the market of any information in relation to the on-going exploration activities of the Company. A complete version of the policy can be found in the corporate governance section of the Company website.

#### **Principle 6: Respect the rights of shareholders**

The Board has established a formal policy in relation to Communications with Shareholders which aims to promote communication with shareholders in a form and language intended to be easily understandable, and which encourages effective participation at general meetings. All shareholders are encouraged to attend and be heard at the Company's annual general meeting, and shareholders may do this by lodging questions prior to the meeting date. The external auditor attends the Company's annual general meeting to respond to specific questions from shareholders.

A complete version of the policy relating to Communications with Shareholders can be found in the corporate governance section of the Company website.



## **Directors' Report**

**For the Year Ended 30th June 2009**

### **4. Corporate Governance Statement (continued)**

#### **Principle 7: Recognise and manage risk**

##### ***Audit and Risk Management Committee***

The Board has established an Audit and Risk Management Committee, which 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 Group. The complete charter for the committee can be found in the corporate governance section of the Company website.

In the context of the existing framework of internal control and risk management the Managing Director and Chief Accountant/Company Secretary manage the financial, legal and reputational risks of the Company on an ongoing basis.

The ongoing mitigation and management of material business risks is a standing item of business for the Audit and Risk Management Committee. During the year the committee received from management a report detailing the Company's material business risks and the internal controls in place to manage those risks. Both the committee and the Board as a whole are satisfied that those control mechanisms are appropriate at this point in time. The Company's material business risks are outlined in the document titled "Risk Factors", which is located in the corporate governance section of the Company website.

The financial reporting and internal control mechanisms are supported by declarations given by the Managing Director and Chief Accountant to the Audit and Risk Management Committee and the Board as a whole, which are in accordance with section 295A of the Corporations Act 2001.

#### **Principle 8: Remunerate fairly and responsibly**

##### ***Remuneration and Nomination Committee***

The Board formally established a Remuneration and Nomination Committee on 28 July 2009. Prior to this time, the responsibilities of this committee were addressed by the Board as a whole as and when the need arose. The charter of the Remunerations and Nomination Committee and the process for selecting and appointing new Board members can be found in the corporate governance section on the Company website.

Details pertaining to the structure of executive and non-executive remuneration can be found in section 5 of the Directors' Report; the Remuneration Report.

## **Directors' Report**

**For the Year Ended 30th June 2009**

### **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 Group 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; and
- 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.

#### **Non-Executive Directors**

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

For the year ended 30 June 2009, the Non-Executive Directors' compensation comprised Directors' base fees of \$90,000 per annum for the Chairman and \$55,000 per annum for the other Non-Executive Directors. In addition, \$10,000 per annum was paid for membership of the Audit and Risk Management Committee, with an additional \$2,500 for the Chairman of the Audit and Risk Management Committee.

Superannuation is paid on behalf of the Non-Executive Directors at the rate of 9% per annum, as is legislated, however neither Mr Jackson nor Mr Poh nor Mr Hill are paid superannuation benefits. Messer's Jackson, Poh and Hill are paid directly for the value of their superannuation entitlements.

#### **Executives**

On 11 June 2008 Mr Gerard Anderson, managing director, signed a revised contract of employment commencing 1 July 2008 and terminating after 5 years. Mr Anderson is entitled to receive: a base salary of \$385,000; plus 15% superannuation; and a car allowance of \$20,000, per annum. In addition Mr Anderson is entitled to participate in the annual Employee Share Option Plan (approved at the previous Annual General Meeting). Each year Mr Anderson is guaranteed a base allocation of 1,000,000 options and may receive up to 1,500,000 options, subject to meeting all personal and Company key performance indicators as set by the Board of Directors. The Company key performance indicators are composed of the following 5 equally weighted objectives:

- conducting the exploration program on time and budget;
- defining additional indicated resources as set by the Board annually;
- advance projects to a status as defined by the Board annually;
- share price to increase by 20% over prior year price; and
- maintain an LTI free workplace with no environmental breaches.

**Directors' Report**

**For the Year Ended 30th June 2009**

**5.1 Principles of compensation – audited (continued)**

The agreement may be terminated at any time by either party by giving three months notice in writing and the Group retains the right to terminate the contract immediately. If terminated by the Group prior to the expiry of the term, Mr Anderson is entitled to an amount equal to the salary and share options owing for the remainder of the Term plus an additional year's salary.

Pursuant to Mr Anderson's previous contract of employment he had 2,000,000 options outstanding. These were re-negotiated in 2008 as part of terms for extending his service such that he would be entitled to these options upon signing the new contract of employment, and 1,500,000 of the 2,000,000 options would be made available on the same terms as the Centrex Metals Limited Executive Option Plan contain, which is that the expiry date be set at 30 June 2011.

# CENTREX METALS LIMITED

A.B.N. 97 096 298 752

## Directors' Report

For the Year Ended 30th June 2009

### 5.2 Directors' and Executive Officers' remuneration (Company and Consolidated) – audited

Details of the nature and amount of each major element or remuneration of each director of the Company, each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are:

		Short-term				Post-employment	Other long term	Termination benefits	Share-based payments	Total	Proportion of remuneration performance based	Value of options as a proportion of remuneration	
		Salary & fees	STI cash bonus \$(A)	Non-monetary benefits \$	Total \$	Superannuation benefits \$			Options and rights				
													\$
<b>Directors</b>													
Mr D Lindh **	Non-exec	2009	100,000	-	-	100,000	9,000	-	-	-	109,000	-	-
		2008	75,000	-	-	75,000	6,750	-	-	-	81,750	-	-
Mr D Klingberg **	Non-exec	2009	67,500	-	-	67,500	6,075	-	-	-	73,575	-	-
		2008	55,000	-	-	55,000	4,950	-	-	-	59,950	-	-
Mr N Jackson **	Non-exec	2009	29,521	-	-	29,521	-	-	-	-	29,521	-	-
(resigned 28 November 2008)		2008	59,950	-	-	59,950	-	-	-	-	59,950	-	-
Mr K Poh **	Non-exec	2009	79,317	-	-	79,317	-	-	-	-	79,317	-	-
(appointed 21 May 2008)		2008	8,377	-	-	8,377	-	-	-	-	8,377	-	-
Mr G Hill **	Non-exec	2009	49,138	-	-	49,138	-	-	-	-	49,138	-	-
(appointed 20 October 2008)		2008	-	-	-	-	-	-	-	-	-	-	-
Mr G Anderson **, Managing Director		2009	385,000	120,750	-	505,750	56,196	-	-	448,973	1,010,919	20%	44.41%
		2008	355,000	-	-	355,000	45,000	-	-	450,036	850,036	20%	52.94%
<b>Executives</b>													
Mr K Malaxos **, Chief Operating Officer		2009	262,500	-	-	262,500	23,625	-	-	11,056	297,181	20%	3.72%
(appointed 4 February 2008)		2008	103,173	-	-	103,173	9,286	-	-	-	112,459	-	-
Mr A Watts **, Exploration Manager		2009	173,250	-	-	173,250	15,593	-	-	39,015	227,858	20%	17.12%
(appointed 15 March 2007)		2008	165,000	-	-	165,000	14,850	-	-	-	179,850	-	-
Mr G Bosch **, Company Secretary & Chief Accountant		2009	126,000	-	-	126,000	11,340	-	-	9,178	146,518	20%	6.26%
(appointed 29 January 2008)		2008	51,304	-	-	51,304	4,617	-	-	-	55,921	-	-
Total compensation: key management Personnel (consolidated)		2009	1,272,226	120,750	-	1,392,976	121,829	-	-	508,222	2,023,027		
		2008	872,804	-	-	872,804	85,453	-	-	450,036	1,408,293		
Total compensation: key management Personnel (company) **		2009	1,272,226	120,750	-	1,392,976	121,829	-	-	508,222	2,023,027		
		2008	872,804	-	-	872,804	85,453	-	-	450,036	1,408,293		

# CENTREX METALS LIMITED

A.B.N. 97 096 298 752

## Directors' Report

For the Year Ended 30th June 2009

### 5.2 Directors' and Executive Officers' remuneration (Company and Consolidated) – audited (continued)

#### Options

The Company issued the following options to Directors and Executive Officers during the year:

Director / Executive Officer		Note	Type	No. Options	Exercise Price	Expiry
Mr G Anderson	Managing Director	(i)	2008 'A' Class	500,000	\$0.20	31/12/2008
Mr G Anderson	Managing Director	(i)	2011 'A' Class	1,000,000	\$0.20	30/06/2011
Mr G Anderson	Managing Director	(i)	2011 Exec. Plan	1,500,000	\$0.20	30/06/2011
Mr G Anderson	Managing Director			3,000,000		
Mr K Malaxos	Chief Operating Officer		2011 Exec. Plan	165,000	\$0.20	30/06/2011
Mr A Watts	Exploration Manager		2011 Exec. Plan	275,000	\$0.20	30/06/2011
Mr G Bosch	Company Secretary & Chief Accountant		2011 Exec. Plan	135,000	\$0.20	30/06/2011

(i) Mr Gerard Anderson was granted the options at the annual general meeting held 28<sup>th</sup> November 2008.

### 6. Principal Activity

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

### 7. Operating and Financial Review

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

This is the eighth full year of operations for the Group, which was incorporated on 23 March 2001 and listed on 19 July 2006.

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net profit / (loss) after income tax	(2,181,115)	(1,246,394)	(2,387,115)	(1,246,394)

The Group incurred expenditure of \$6,187,725 (2008: \$5,400,515) on mineral tenements during the year. Further details can be found in Section 10 of this Director's Report and Note 9 to the financial statements.

### 8. Dividends

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



## **Directors' Report**

**For the Year Ended 30th June 2009**

### **9. Events subsequent to year end**

A number of material events occurred subsequent to year end. These were:

- Water quality testing by the Australian Water Quality Centre (AWQC) and iron bioavailability analysis and Phytoplankton growth impact in Boston Bay water conducted by Flinders University determined that there is no impact on phytoplankton as a result of iron ore exporting from Port Lincoln and therefore no risk of causing algal blooms in Boston Bay.
- Environmental Protection Authority (EPA) provided updated advice to the Development Assessment Commission (DAC) supporting the Development Application for exporting via Port Lincoln wharf;
- DAC provided a recommendation to the Minister for Mineral Resource Development to approve the Port Lincoln export Development Application;
- Offer of a Mineral Lease for the Wilgerup Project was received from the Minister for Mineral Resource Development and accepted by Centrex on 12 August 2009.
- Signed binding agreements in Wuhan, China on 20 July 2009 covering the formation of an iron ore joint venture with WISCO on Exploration Licences 3269, 3421, 3611, 3731 and 3877 ("Tenements") occurring in southern Eyre Peninsula. (See pages 18 to 22 for further detail).
- Signed binding agreements in Baotou, China on 27 August 2009 covering the formation of an iron ore joint venture with Baotou on Exploration Licence 3610 (known as Bungalow/Minbrie on the Eyre Peninsula. (See page 23 for further detail).
- Ore Sales agreement signed with Baotou Iron & Steel Co. Limited (Baotou) for 600,000 tonnes per annum for the life of the Wilgerup mine.
- Tooligie Range EL 4299 was granted on 19 August for a period of one (1) year. The tenement lies immediately southwest and abuts Wilgerup.
- The New South Wales Department of Primary Industries granted the rights to Exploration License 3675, located approximately 20km south of Goulburn (NSW) as announced 9 September 2009.

# CENTREX METALS LIMITED

A.B.N. 97 096 298 752

## Directors' Report

For the Year Ended 30th June 2009

### 10. Likely Developments

The mineral tenements currently held 100% by the Group and available for mineral exploration, have the following annual spending covenants to maintain exploration rights:

Tenement	Held by	Covenant \$	Expiry
<u>Northern Area</u>			
Gilles Downs EL 3375	CML(i)		7 July 2009 <sup>#</sup>
Bungalow/Minbrie EL 3610 previously EL 2817	CML(i)		13 August 2009 <sup>#</sup>
Kimba Gap ELA 07/453 previously 3018	SAIOG(ii)		4 November 2009
Ironstone Hut EL 3048	SAIOG(ii)		11 December 2008
Whyalla ('Ironstone Hill') EL 4185 prev. EL 3125	SAIOG(ii)		16 September 2009 <sup>#</sup>
Stony Hill EL 3287	SAIOG(ii)		1 December 2009
Total Northern Area covenant		395,000	
<u>Southern Area</u>			
Wanilla EL 3269	CML(i)		26 October 2009
Wilgerup EL 3317 previously EL 2676	CML(i)		9 March 2010
Greenpatch EL 3611 previously EL 2816	CML(i)		13 August 2009 <sup>#</sup>
Dutton Bay EL 3421	CML(i)		15 September 2009
Bald Hill EL 3877 previously EL 2905	SAIOG(ii)		5 August 2009 <sup>#</sup>
Carrow EL 3731 previously EL 2887	SAIOG(ii)		11 April 2010
Total Southern Area covenant		580,000	
<u>Other Areas</u>			
Lock EL 3401	CML(i)	110,000	18 August 2009 <sup>#</sup>
Cockabidnie EL 3609 previously EL 2815	CML(i)	215,000	13 August 2010
		<u>1,300,000</u>	

(i) Centrex Metals Limited ("CML")

(ii) South Australian Iron Ore Group Pty Limited ("SAIOG")

<sup>#</sup> These tenements are in the process of being renewed. The Company has no reason to suspect that renewals will be denied by PIRSA.

The covenants are subject to annual renegotiation and have not been provided for in the financial statements but rather disclosed as commitments in Note 20. At the time of preparing this report, the negotiations for the northern and southern areas had been completed however the "other areas" were still pending.

The Group proposes to continue exploration of its tenements during the coming year with the aim of increasing the Group's resource base of iron ore. The Group has also undertaken extensive work on a pre-feasibility study at Wilgerup (see the Managing Director's report for further detail).

The directors have assessed the status of all of the Group'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.

Lincoln Minerals Limited (previously Centrex Exploration Limited) has the right to explore for and exploit minerals other than iron ore on the above tenements held by Centrex Metals Limited.

#### Cockabidnie North EL3498

Centrex Metals Limited has the sole right to explore for and exploit iron ore on EL3498 which is held by Lincoln Minerals Limited (previously Centrex Exploration Limited) as per the Supplementary Agreement between Lincoln Minerals Limited and Centrex Metals Limited dated 21st March 2006.

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**Directors' Report**

**For the Year Ended 30th June 2009**

**11. Director's Interests in Shares and Options**

The relevant interest of each director in the shares or options over such instruments issued by the Company 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:

Name	No. of Shares held	No. of Options held	
		Number	Price/Expiry
Adelaide Equity Partners Limited (a company associated with Mr D Lindh)	500,000	-	-
Davan Nominees Pty Ltd (a company associated with Mr D Lindh)	14,126,335	-	-
Mr Norton Jackson (resigned 28 November 2008)	4,887,840	-	-
Patna Properties Pty Ltd (a company associated with Mr D Klingberg)	1,000,000	-	-
Anderson Gerard & Shane (an entity associated with Mr G Anderson)	2,500,000	2,500,000	\$0.20 / 30/6/2011
Mr Kiat Poh	1,918,880	-	-
Mr Geoffrey Hill	-	-	-

Other than transactions as detailed in Note 19, 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 Group 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 executives, directors and officers of the Company**

The options granted to executives, directors and officers of the Company have been disclosed at item 5.2 above.

The Centrex Metals Limited Executive Option Plan, to which executive directors and other officers of the company are eligible to participate, contain both personal and company key performance indicators which include the following 5 equally weighted objectives:

- conducting the exploration program on time and budget;
- defining additional indicated resources as set by the Board annually;
- advance projects to a status as defined by the Board annually;
- share price to increase by 20% over prior year price; and
- maintain an LTI free workplace with no environmental breaches.

# CENTREX METALS LIMITED

A.B.N. 97 096 298 752

## Directors' Report

For the Year Ended 30th June 2009

### 12. Share Options (continued)

#### Options granted to Directors and executives 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 executives of the Company:

Timing	Name	Exercise Date	Exercise Price	No. of options
<b><u>Executive Directors</u></b>				
28/11/2008	Mr G Anderson – Managing Director	31/12/2008	\$0.20	500,000
28/11/2008	Mr G Anderson – Managing Director	30/06/2011	\$0.20	1,000,000
28/11/2008	Mr G Anderson – Managing Director	30/06/2011	\$0.20	1,500,000
<b><u>Executives</u></b>				
16/12/2008	Mr K Malaxos, Chief Operating Officer	30/06/2011	\$0.20	165,000
16/12/2008	Mr A Watts, Exploration Manager	30/06/2011	\$0.20	275,000
16/12/2008	Mr G Bosch, Company Secretary & Chief Accountant	30/06/2011	\$0.20	135,000

#### Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option as detailed in Note 16 are:

Option class	Expiry date	Exercise price	No. of unissued shares at 30 June 2009	No. of options exercised since 30 June 2009	No. of unissued shares
2011 A Class	30 Jun 2011	\$0.20	1,000,000	-	1,000,000
2011 Exec Plan	30 Jun 2011	\$0.20	2,475,000	-	2,475,000

#### 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):

Timing	Amount paid on each share	No. of shares
No. of unissued shares at 30 June 2008		55,478,694
Shares issued on the exercise of options for the 12 months ending 30 June 2009	\$0.20	(7,766,423)
Shares issued on the exercise of options after 30 June 2009	\$0.20	-
New options issued	-	3,975,000
Expired options	-	(48,212,271)
No. of unissued shares at report date		3,475,000

### 13. Indemnification and insurance of officers:

Directors' and Officers' Liability Insurance has been secured to insure the Directors, officers and senior executives of the Group to the extent permitted by the Corporations Act 2001. The officers of the Company and the Group covered by the insurance policy include any person acting in the course of duties for the Company or the Group who is or was a Director, secretary or senior executive. The contract of insurance prohibits the disclosure of the nature of the insurance covered and the amount of the premium.

The Company agreed to indemnify the following current and former Directors at a meeting of shareholders held on 6 June 2005. Deeds of access, insurance and indemnity were executed for: Mr David Lindh; Mr David Klingberg; Mr Norton Jackson (resigned); Mr Gerard Anderson; and, Mr Graham Chrisp (resigned). The agreements: indemnify the current and former Directors to the extent permitted by law against certain liabilities and legal costs incurred by the Directors; require the Company to maintain and pay Directors' and Officers' Liability Insurance in respect of the Director; and, provide the Director with access to board papers and other documents. The indemnity extends from the time Director holds office and for a twelve year period after the Director ceases to be an officer of the Company.

## Directors' Report

**For the Year Ended 30th June 2009**

### 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 APES 110 Code of Ethics for Professional Accountants, 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 below.

	<b>Consolidated</b>	
	<u>2009</u>	<u>2008</u>
	\$	\$
Audit Services	39,000	32,965
Other services - taxation services	9,860	16,730
Other services - research & development	<u>15,000</u>	<u>7,500</u>
Auditor's of the company - KPMG	<u>63,860</u>	<u>57,195</u>

### 15. Lead Auditors' Independence Declaration

The Lead auditors' independence declaration is set out on page 21 and forms part of the Directors' Report for the financial year ended 30 June 2009.

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 2009.





***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

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 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

KPMG

A handwritten signature in blue ink, appearing to read 'Derek Meates', written over the printed name.

Derek Meates  
*Partner*

Adelaide

27 September 2009

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**Income Statements**

**For the Year Ended 30th June 2009**

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue - Interest income	2	769,426	585,135	769,426	585,135
Revenue – Other income	2	512,917	-	306,917	-
Office and administration expenses		(378,634)	(323,039)	(378,634)	(323,039)
Consultants and management expenses		(556,405)	(273,408)	(556,405)	(273,408)
Directors' fees		(325,434)	(189,950)	(325,434)	(189,950)
Employee benefit expenses	2	(1,463,134)	(1,071,856)	(1,463,134)	(1,071,856)
Depreciation expense	10	(99,326)	(43,779)	(99,326)	(43,779)
Research & Development	2	(747,414)	-	(747,414)	-
Other expenses		<u>(246,627)</u>	<u>(87,851)</u>	<u>(246,627)</u>	<u>(87,851)</u>
<b>Loss before income tax expenses</b>		(2,534,631)	(1,404,748)	(2,740,631)	(1,404,748)
Income tax (expense) / benefit	4(a)	<u>353,516</u>	<u>158,354</u>	<u>353,516</u>	<u>158,354</u>
<b>Net profit / (loss) after income tax</b>	15	<u>(2,181,115)</u>	<u>(1,246,394)</u>	<u>(2,387,115)</u>	<u>(1,246,394)</u>
<b>Earnings per share for loss attributable to the ordinary equity holders of the company:</b>		Cents per share	Cents per share		
Basic earnings per share	5	(0.0082)	(0.0056)		
Diluted earnings per share	5	(0.0082)	(0.0056)		

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

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**Statements of Recognised Income and Expense**

For the Year Ended 30th June 2009

	Note	Consolidated		Company	
		2009	2008	2009	2009
		\$	\$	\$	\$
Net income recognised directly in equity		0	0	0	0
(Loss) for the period		(2,181,115)	(1,246,394)	(2,387,115)	(1,246,394)
Total recognised income and expense for the period		<u>(2,181,115)</u>	<u>(1,246,394)</u>	<u>(2,387,115)</u>	<u>(1,246,394)</u>

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

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**Balance Sheets**

**For the Year Ended 30th June 2009**

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Assets</b>					
Cash and cash equivalents	6	7,486,164	18,885,031	7,486,164	18,885,031
Current tax assets	4(a)	353,516	-	353,516	-
Other receivables	7	76,752	442,723	76,752	442,723
<b>Total Current Assets</b>		<u>7,916,432</u>	<u>19,327,754</u>	<u>7,916,432</u>	<u>19,327,754</u>
Exploration and evaluation expenditure	9	14,581,640	8,493,915	13,470,571	7,746,798
Land and buildings	10	4,845,607	-	2,928,882	-
Plant and equipment	10	325,844	127,384	325,844	127,384
Investments in subsidiaries	8	-	-	262,344	-
Receivable from controlled entity	7	-	-	2,559,450	747,118
<b>Total Non-Current Assets</b>		<u>19,753,091</u>	<u>8,621,299</u>	<u>19,547,091</u>	<u>8,621,299</u>
<b>Total assets</b>		<u>27,669,523</u>	<u>27,949,053</u>	<u>27,463,523</u>	<u>27,949,053</u>
<b>Liabilities</b>					
Trade and other payables	11	353,659	666,377	353,659	666,377
Employee benefits	12	241,220	128,874	241,220	128,874
Interest bearing loans and borrowings	14	-	-	-	-
Deferred income tax liabilities	4(b)	-	-	-	-
<b>Total Current Liabilities</b>		<u>594,879</u>	<u>795,251</u>	<u>594,879</u>	<u>795,251</u>
Trade and other payables		-	-	-	-
<b>Total Non-Current Liabilities</b>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities</b>		<u>594,879</u>	<u>795,251</u>	<u>594,879</u>	<u>795,251</u>
<b>Net assets</b>		<u>27,074,644</u>	<u>27,153,802</u>	<u>26,868,644</u>	<u>27,153,802</u>
<b>Equity</b>					
Contributed equity	15	30,826,226	29,272,941	30,826,226	29,272,941
Share options issued	15	1,136,026	587,354	1,136,026	587,354
Accumulated losses	15	(4,887,608)	(2,706,493)	(5,093,608)	(2,706,493)
<b>Total equity</b>		<u>27,074,644</u>	<u>27,153,802</u>	<u>26,868,644</u>	<u>27,153,802</u>

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

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**Statements of Cash Flows**

For the Year Ended 30th June 2009

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Lease income		9,995	-	3,995	-
Payments to suppliers and employees		(3,155,090)	(1,592,055)	(3,155,090)	(1,592,055)
Income taxes (paid) / received		(10,217)	208,467	(10,217)	208,467
<b>Net cash from operating activities</b>	21(b)	(3,155,312)	(1,383,588)	(3,161,312)	(1,383,588)
<b>Cash flows from investing activities</b>					
Expenditure on mining tenements		(6,177,533)	(5,001,334)	(5,713,582)	(4,531,658)
Government grant received		100,000	-	-	-
Disposal of interest in tenements		500,000	-	300,000	-
Interest received		924,086	472,441	924,086	472,441
Acquisition of plant and equipment		(5,143,393)	(97,527)	(3,226,668)	(97,527)
<b>Net cash from investing activities</b>		(9,796,840)	(4,626,420)	(7,716,164)	(4,156,744)
<b>Cash flows from financing activities</b>					
Proceeds from the issue of share capital		1,553,285	16,986,703	1,553,285	16,986,703
Funds loaned to controlled entity		-	-	(2,074,676)	(469,676)
<b>Net cash from financing activities</b>		1,553,285	16,986,703	(521,391)	16,517,027
<b>Net increase / (decrease) in cash</b>		(11,398,867)	10,976,695	(11,398,867)	10,976,695
<b>Cash at the beginning of the year</b>		18,885,031	7,908,336	18,885,031	7,908,336
<b>Cash at the end of the year</b>	21(a)	7,486,164	18,885,031	7,486,164	18,885,031

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



**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Centrex Metals Limited (the 'Company') is a company domiciled in Australia. The registered office is Level 3, 100 Pirie Street Adelaide, SA 5000. The consolidated financial report of the Company for the financial year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the 'Group').

The financial report was authorised for issue by the directors on 27 September 2009.

**a) Statement of Compliance**

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

**b) Basis of Measurement and Presentation**

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.

A number of standards and amendments were available for early adoption however only one has been identified as being relevant to the Group.

Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

**c) Accounting estimates and judgements**

Management discussed with the Audit and Risk Management Committee the development, selection and disclosure of the Group'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(p)
- Shares and option compensation – Note 1(x)
- Provision for restoration and rehabilitation – Note 1(m)

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

**d) 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 2009 was a net loss of \$2,181,115 (2008: \$1,246,394) and the Group has net assets of \$27,074,644 (2008: \$27,153,802).

The Group's primary focus continues to be mineral exploration on the tenements to which it holds rights. As outlined at Note 24 in the Events Subsequent to Balance Date, the Company signed agreements with WISCO and Baotou regarding two joint ventures which are both subject to FIRB approval. The Group's level of activity will significantly increase if these agreements are approved.

Cash and cash equivalents at 30 June 2009 was \$7,486,164. As a result the Directors believe that the Group is a going concern and will continue to pay its debts as and when they fall due.

**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Principles of Consolidation**

The consolidated financial statements of the Group include the financial statements of the Company, being the parent entity, and its wholly owned subsidiaries:

- South Australia Iron Ore Group Pty Ltd.
- Flinders Pastoral Pty Ltd.
- Sturt Pastoral Pty Ltd.

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

**f) Revenue Recognition**

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

**g) Government Grants**

Grants that compensate the Group for exploration and evaluation expenditure incurred are offset against the exploration and evaluation capitalised asset in the same period in which the capitalised expenditure is recognised.

**h) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

**i) Comparatives**

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

**j) Income Tax**

Income tax expense 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 recognised 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 and its wholly owned Australian resident subsidiaries commenced being a tax consolidation group on 27 January 2005 and are therefore taxed as a single entity. The head entity within the tax consolidation group is Centrex Metals Limited.

**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k) 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 on the balance sheet when rights to tenure for the area of interest are current, and where the costs 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. Upon determination of recoverable reserves, exploration and evaluation assets are first tested for impairment and then reclassified as development assets. These costs will be depreciated 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 annually 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 (p)). 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.

**l) Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation that can be measured reliably 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.

**m) 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 no significant disturbance in relation to the Group's exploration activities has occurred. This policy is subject to annual review.

**n) Property, Plant and Equipment**

Property, plant and equipment is brought to account at cost, less where applicable any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of those assets (refer Note 1(o)).

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 is depreciated over their useful lives commencing from the date the assets are held ready for use.

**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**o) Depreciation**

With the exception of exploration, evaluation 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 plant and equipment. Exploration, evaluation and development assets will be depreciated on a unit of production basis over the life of the economically recoverable reserves, once production commences.

Land is not depreciated.

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
Buildings	50 years

**p) Impairment**

The carrying amounts of the Group's non-financial 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.

**q) 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 on a straight line basis over the lease terms except where an alternative basis would be more representative of the pattern of benefit to be derived for the leased asset.

**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**r) 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 presented in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable or payable to the ATO, are disclosed as operating cash flows.

**s) Investments**

***Controlled entities***

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

**t) 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.

**u) 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.

**v) Share capital**

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

**w) 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 Group's net obligation in respect of long-term service benefits, 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 Group'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 and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group 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 Group as the benefits are taken by the employees.

**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**x) Share and options compensation**

Where shares or share option are issued to employees or 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 recognised 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 for those that fail to vest due to market conditions not being met.

**y) Segmental reporting**

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

**z) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shares of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**aa) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is only capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. Other development expenditure is recognised in profit or loss as incurred.

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



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**Notes to the Financial Statements**

For the Year Ended 30th June 2009

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>2</b>	<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>				
	<b>Finance Income and Expense</b>				
Interest income on bank accounts		<u>769,426</u>	<u>585,135</u>	<u>769,426</u>	<u>585,135</u>
		<u>769,426</u>	<u>585,135</u>	<u>769,426</u>	<u>585,135</u>
	<b>Other Income</b>				
Lease Income		12,917	-	6,917	-
Disposal of interest in tenements		<u>500,000</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
		<u>512,917</u>	<u>-</u>	<u>306,917</u>	<u>-</u>
	<b>Employee Benefit Expenses</b>				
Wages and salaries		627,742	348,430	627,742	348,430
Contributions to defined contribution superannuation funds	1(v)	82,250	82,888	82,250	82,888
Leave liability additions / (reductions)		112,346	87,901	112,346	87,901
Equity settled share based payment transaction	15 & 16	793,812	450,036	793,812	450,036
Re-valued options granted in prior year	15 & 16	(245,140)	-	(245,140)	-
Other employee costs		<u>92,124</u>	<u>102,601</u>	<u>92,124</u>	<u>102,601</u>
		<u>1,463,134</u>	<u>1,071,856</u>	<u>1,463,134</u>	<u>1,071,856</u>
	<b>Research and Development</b>				
Preliminary study costs associated with Sheep Hill port site		<u>(747,414)</u>	<u>-</u>	<u>(747,414)</u>	<u>-</u>
		<u>(747,414)</u>	<u>-</u>	<u>(747,414)</u>	<u>-</u>
<b>3</b>	<b>AUDITOR'S REMUNERATION</b>				
Audit Fees		39,000	32,965	39,000	32,965
Other services - taxation services		9,860	16,730	9,860	16,730
Other services - research & development		<u>15,000</u>	<u>7,500</u>	<u>15,000</u>	<u>7,500</u>
Auditor's of the company - KPMG		<u>63,860</u>	<u>57,195</u>	<u>63,860</u>	<u>57,195</u>

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**Notes to the Financial Statements**

For the Year Ended 30th June 2009

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>4</b>	<b>TAXATION</b>				
<b>4(a)</b>	<b>Income Tax Expense</b>				
Current tax expense/(benefit)		(353,516)	(158,354)	(353,516)	(158,354)
Deferred tax expense/(benefit)		-	-	-	-
		<u>(353,516)</u>	<u>(158,354)</u>	<u>(353,516)</u>	<u>(158,354)</u>
Prima facie income tax expense/(benefit) calculated at 30% on the loss from continuing operations (2008: 30%)		(760,389)	(421,424)	(822,189)	(421,424)
Tax losses and temporary differences not brought to account		760,389	421,424	822,189	421,424
R&D refund		<u>(353,516)</u>	<u>(158,354)</u>	<u>(353,516)</u>	<u>(158,354)</u>
		<u>(353,516)</u>	<u>(158,354)</u>	<u>(353,516)</u>	<u>(158,354)</u>
<b>4(b)</b>	<b>Unrecognised deferred tax asset</b>				
Tax losses in current year		7,546,210	6,015,181	7,546,210	6,015,181
Tax losses in current year @ 30%		2,263,863	1,804,554	2,263,863	1,804,554
Tax losses brought forward @ 30%		2,727,220	1,009,041	2,727,220	1,009,041
Prior year overprovision @30%		<u>(129,748)</u>	<u>(86,375)</u>	<u>(129,748)</u>	<u>(86,375)</u>
Tax losses carried forward @ 30%		<u>4,861,335</u>	<u>2,727,220</u>	<u>4,861,335</u>	<u>2,727,220</u>

The net deferred tax asset not recognised (tax losses net of unrecognised temporary differences, relating mainly to the taxable temporary differences on capitalised Exploration Expenditure) is \$924,432.

Deferred tax assets have not been recognised in relation to temporary difference or tax losses as recovery is not probable.

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

- (i) The Group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) The Group continues to comply with the conditions for deductibility imposed by the law; and
- (iii) No changes in tax legislation adversely affect the Group in realising the benefit.

Tax losses do not expire under current tax legislation.

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**Notes to the Financial Statements**

For the Year Ended 30th June 2009

**5 EARNINGS PER SHARE**

**Basic earnings per share**

The calculation of basic earnings per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of \$2,181,115 (2008 \$1,246,394) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 265,266,878 (2008: 224,072,863), calculated as follows:

	Note	Consolidated 2009	2008
		\$	\$
<b>Profit / (Loss) attributable to ordinary shareholders</b>			
Profit / (Loss) for the period		(2,181,115)	(1,246,394)
Adjustments		-	-
Profit / (Loss) attributable to ordinary shareholders		<u>(2,181,115)</u>	<u>(1,246,394)</u>
<b>Weighted average number of ordinary shares</b>			
Issued ordinary shares at beginning of year		261,564,242	216,263,701
Effect of shares issued in the first quarter (to 30 September)		85,466	188,831
Effect of shares issued in the second quarter (to 31 December)		3,804,267	522,973
Effect of shares issued in the third quarter (to 31 March)		-	364,221
Effect of shares issued in the fourth quarter (to 30 June)		-	6,733,137
Weighted average number of ordinary shares at year end		<u>265,453,975</u>	<u>224,072,863</u>

**Earnings per share for continuing and discontinued operations**

Basic earnings per share	(0.0082)	(0.0056)
Diluted earnings per share	(0.0082)	(0.0056)

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

	Note	Consolidated 2009	2008	Company 2009	2008
		\$	\$	\$	\$
<b>6 CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalents		<u>7,486,164</u>	<u>18,885,031</u>	<u>7,486,164</u>	<u>18,885,031</u>

At the 30 June 2009, a total of \$5,329,344 was held in term deposits, on the following terms:

60 Day term deposit, maturing 10 <sup>th</sup> August 2009 at 3.25% p.a.	\$150,000
60 Day term deposit, maturing 6 <sup>th</sup> July 2009 at 3.50% p.a.	\$3,090,634
60 Day term deposit, maturing 3 <sup>rd</sup> August 2009 at 3.11% p.a.	\$88,710
90 Day term deposit, maturing 30 <sup>th</sup> July 2009 at 4.00% p.a.	\$1,000,000
120 Day term deposit, maturing 29 <sup>th</sup> August 2009 at 4.05% p.a.	<u>\$1,000,000</u>
	<u>\$5,329,344</u>

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**Notes to the Financial Statements**

For the Year Ended 30th June 2009

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>7</b>	<b>OTHER RECEIVABLES</b>				
	<b>Current</b>				
	Prepayments and other receivables	15,972	59,872	15,972	59,872
	Interest due on term deposits	28,309	182,969	28,309	182,969
	GST receivable	32,471	199,882	32,471	199,882
		<u>76,752</u>	<u>442,723</u>	<u>76,752</u>	<u>442,723</u>
	<b>Non-current</b>				
	Receivable from controlled entity	-	-	2,559,450	747,118
		<u>-</u>	<u>-</u>	<u>2,559,450</u>	<u>747,118</u>
	The amount receivable from all controlled entities is payable on demand. The Company has no intention of demanding payment in the next year.				
<b>8</b>	<b>INVESTMENTS IN SUBSIDIARIES</b>				
	Investments in subsidiaries	-	-	262,344	-
	Investments in subsidiaries	<u>-</u>	<u>-</u>	<u>262,344</u>	<u>-</u>
<b>9</b>	<b>EXPLORATION AND EVALUATION EXPENDITURE</b>				
	Cost at beginning of year	8,493,915	3,093,401	7,746,798	2,815,959
	Exploration expenditure	6,187,725	5,400,514	5,723,774	4,930,839
	Government grant received	(100,000)	-	-	-
	Cost at end of year	<u>14,581,640</u>	<u>8,493,915</u>	<u>13,470,572</u>	<u>7,746,798</u>

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**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**9 EXPLORATION AND EVALUATION EXPENDITURE (continued)**

The following mineral tenements are currently held 100% by the Group and are available for mineral exploration:

	Capitalised Costs <b>2009</b>	Capitalised Costs <b>2008</b>
	\$	\$
<i>Held by Centrex Metals Limited</i>		
Greenpatch EL 3611 (formerly EL 2816)	253,775	208,720
Cockabidnie EL 3609 (formerly EL 2815)	105,457	56,493
Bungalow EL 3610 (formerly EL 2817)	2,773,020	781,262
Wilgerup EL 3317	10,043,498	6,540,288
Wanilla EL 3269	87,056	41,461
Dutton Bay EL 3421	82,851	43,919
Lock EL 3401	35,836	16,448
Gilles Downs EL 3375	73,078	58,206
Cockabidnie North EL 3498	16,000	6,070
	13,470,571	7,752,867
<i>Held by SAI/OG</i>		
Mount Hill EL 3877 (formerly Bald Hill EL 2905)	179,444	101,149
Carrow EL 3731 (formerly EL 2887)	349,374	89,292
Kimba Gap EL 3968 (formerly EL 3018)	88,091	65,019
Lake Moolkra EL 2961	0	0
Ironstone Hill EL 3125 (formerly "Whyalla")	69,209	48,332
Ironstone Hut EL 3999 (formerly EL 3048)	54,137	33,865
Stony Hill EL 3287	370,814	403,391
	1,111,069	741,048
<i>Surrendered tenement written off:</i>		
Lake Moolkra EL 2961	0	0
<b>Total</b>	<b>14,581,640</b>	<b>8,493,915</b>

**Cockabidnie North EL3498**

Centrex Metals Limited has the sole right to explore for and exploit iron ore on EL3498 which is held by Lincoln Minerals Limited (previously Centrex Exploration Limited) as per the Supplementary Agreement between Lincoln Minerals Limited and Centrex Metals Limited dated 21st March 2006.

**Tenements**

The exploration and evaluation expenditure assets comprise of exploration expenditure incurred since acquiring the exploration 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 Wilgerup EL 3375 tenement has been explored and has an indicated resource of 13.2Mt of inferred massive hematite; however the technical feasibility study has not yet been completed. The consolidated entity's other tenements have still to be explored fully and therefore the economic/commercial viability are not yet known.

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**Notes to the Financial Statements**

For the Year Ended 30th June 2009

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>10</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>				
	<b>Land and buildings</b>				
	Balance at beginning of year	-	-	-	-
	Acquisitions	4,845,607	-	2,928,882	-
	Balance at end of year	<u>4,845,607</u>	<u>-</u>	<u>2,928,882</u>	<u>-</u>
	<b>Plant and Equipment - Cost</b>				
	Balance at beginning of year	197,075	99,548	197,075	99,548
	Additions	297,786	97,527	297,786	97,527
	Balance at end of year	<u>494,861</u>	<u>197,075</u>	<u>494,861</u>	<u>197,075</u>
	<b>Plant and Equipment - Depreciation</b>				
	Balance at beginning of year	69,691	25,912	69,691	25,912
	Charge for the year	99,326	43,779	99,326	43,779
	Balance at end of year	<u>169,017</u>	<u>69,691</u>	<u>169,017</u>	<u>69,691</u>
	<b>Plant and Equipment - Net book value</b>				
	Balance at beginning of year	127,384	73,636	127,384	73,636
	Additions/(Disposals)	297,786	97,527	297,786	97,527
	Depreciation charge for the year	(99,326)	(43,779)	(99,326)	(43,779)
	Balance at end of year	<u>325,844</u>	<u>127,384</u>	<u>325,844</u>	<u>127,384</u>
<b>11</b>	<b>TRADE AND OTHER PAYABLES</b>				
	<b>Current liabilities</b>				
	Trade payables	158,239	183,605	158,239	183,605
	Other trade payables and accruals	<u>195,420</u>	<u>482,772</u>	<u>195,420</u>	<u>482,772</u>
		<u>353,659</u>	<u>666,377</u>	<u>353,659</u>	<u>666,377</u>
	No interest is payable on trade payables.				
<b>12</b>	<b>EMPLOYEE BENEFITS</b>				
	<b>Current liabilities</b>				
	Annual leave provision	<u>241,220</u>	<u>128,874</u>	<u>241,220</u>	<u>128,874</u>
		<u>241,220</u>	<u>128,874</u>	<u>241,220</u>	<u>128,874</u>
<b>13</b>	<b>FINANCIAL GUARANTEES</b>				
	There are no financial guarantees at 30 June 2009 or 30 June 2008.				
<b>14</b>	<b>INTEREST-BEARING LOANS AND BORROWINGS</b>				
	There are no interest bearing loans or borrowings at 30 June 2009 or 30 June 2008.				



**CENTREX METALS LIMITED**  
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**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>15 CAPITAL AND RESERVES</b>					
<b>Contributed Equity</b>					
Issued ordinary shares at start of year 261,564,242 (2008: 216,263,701)		29,272,941	12,286,238	29,272,941	12,286,238
Shares issued in the first quarter (to 30 September)		19,000	43,165	19,000	43,165
Shares issued in the second quarter (to 31 December)		1,534,285	200,275	1,534,285	200,275
Shares issued in the third quarter (to 31 March)		-	276,403	-	276,403
Shares issued in the fourth quarter (to 30 June)		-	17,239,501	-	17,239,501
Share issue costs expensed		-	(772,641)	-	(772,641)
Issued ordinary shares at end of year 269,330,665 (2008: 261,564,242)		30,826,226	29,272,941	30,826,226	29,272,941
<b>Share Option Reserve</b>					
Value of options at start of year		587,354	137,318	587,354	137,318
Option expense		548,672	450,036	548,672	450,036
Value of options at end of year		1,136,026	587,354	1,136,026	587,354
<b>Accumulated Profits/(Losses)</b>					
Accumulated Profits/(Losses) at start of year		(2,706,493)	(1,460,099)	(2,706,493)	(1,460,099)
Net profit/(loss) for the year		(2,181,115)	(1,246,394)	(2,387,115)	(1,246,394)
Accumulated Profits/(Losses) at end of year		(4,887,608)	(2,706,493)	(5,093,608)	(2,706,493)
Total Equity		27,074,644	27,153,802	26,868,644	27,153,802

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.

The Company does not have authorised capital or par value in respect of its issued shares.

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**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**16 OPTIONS**

At 30 June 2009, there are the following options outstanding:

Details		2008 'A' Class Options	2011 'A' Class Options	2011 Exec Plan Options
	<b>Expiry date:</b>	31/12/2008	30/06/2011	30/06/2011
	<b>Exercise Price:</b>	\$0.20	\$0.20	\$0.20
Options on issue at start of year		55,478,694	-	-
Options issued during the year:				
Mr G Anderson	(i)	500,000	1,000,000	1,500,000
Centrex staff (Executive Option Plan)		-	-	975,000
Options exercised during the year:				
Options exercised in the first quarter	(ii)	(95,000)	-	-
Options exercised in the second quarter	(ii)	(7,671,423)	-	-
Options exercised in the third quarter	(ii)	-	-	-
Options exercised in the fourth quarter		-	-	-
Options cancelled (on expiry)		(48,212,271)	-	-
Options on issue at end of year		-	1,000,000	2,475,000

At 30 June 2008, there were the following options outstanding:

Details		2008 'A' Class Options	2011 'A' Class Options	2011 Exec Plan Options
	<b>Expiry date:</b>	31/12/2008	30/06/2011	30/06/2011
	<b>Exercise Price:</b>	\$0.20	\$0.20	\$0.20
Options on issue at start of year		57,283,056	-	-
Options issued during the year:				
Mr G Anderson		-	-	-
Centrex staff (Executive Option Plan)		-	-	-
Options exercised during the year:				
Options exercised in the first quarter	(ii)	(215,823)	-	-
Options exercised in the second quarter	(ii)	(1,001,375)	-	-
Options exercised in the third quarter	(ii)	(481,214)	-	-
Options exercised in the fourth quarter	(ii)	(105,950)	-	-
Options cancelled (on expiry)		-	-	-
Options on issue at end of year		55,478,694	-	-

- (i) Mr Gerard Anderson was granted the options listed above at the annual general meeting held 28<sup>th</sup> November 2008.
- (ii) The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2009 was \$0.22 (2008: \$0.45).

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**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**16 OPTIONS (continued)**

A share option expense of \$548,672 arose during the year (2008: \$450,036). The value for the current year includes a revaluation of the prior year options granted to Mr Gerard Anderson, whom was granted all of the prior year options at the annual general meeting held 28<sup>th</sup> November 2008, at which time the Company share price was trading below the exercise, reducing their value significantly. The individual components of the share option expense are shown below:

		<b>Consolidated</b>	
		<b>2009</b>	<b>2008</b>
		\$	\$
Options issued to Mr G Anderson	(i)	-	450,036
Revaluation of these options at grant date	(i)	(245,140)	-
Value brought to account for future entitlement for Mr G Anderson	(ii)	694,114	-
Value brought to account for future entitlement for Centrex staff (Executive Option Plan)	(iii)	99,698	-
Share option expense		<u>548,672</u>	<u>450,036</u>

- (i) Mr Gerard Anderson was granted the options at the annual general meeting held 28<sup>th</sup> November 2008.
- (ii) Mr Gerard Anderson entered into a revised contract of employment on 11 June 2008, commencing 1 July 2008 and terminating after 5 years. Part of this contract entitles Mr Anderson to a minimum 1,000,000 options annually.
- (iii) As noted on the previous page, 975,000 'Executive Option Plan' options were issued to Centrex staff. The value of these options is brought to account in line with the varying vesting dates that are applicable for each employee.

The fair value of the options expense identified above has been determined using the Black-Scholes option pricing model with the following variables (weighted average):

	<b>Key management personnel</b>	<b>Senior employees</b>	<b>Key management personnel</b>	<b>Senior employees</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
Fair value at grant date (cents)	6.4	4.0	22.5	Not
Share price (cents)	34.7	22.5	39.8	Applicable
Exercise price (cents)	34.6	20.0	20.0	
Expected volatility	100.0%	103.8%	6.2%	
Option life (years)	4.5	2.5	3.0	
Risk free interest rate	3.0%	3.0%	5.0%	

# CENTREX METALS LIMITED

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## Notes to the Financial Statements

For the Year Ended 30th June 2009

### 17 FINANCIAL INSTRUMENTS AND RISK EXPOSURES

#### (a) Financial risk management objectives

The Group does not enter into or trade financial instruments, for speculative purposes. As at 30 June 2009 the Group has no exposure to exchange rate risk and has no derivative exposures to commodity prices.

#### (b) Interest rate risk exposure

The Group has exposure to future interest rates on investments in variable-rate deposits. The Group does not use derivatives to mitigate these exposures.

##### *Sensitivity Analysis*

As the Group does not account for any financial assets and liabilities at fair value through profit and loss and does not use interest rate derivatives a change in interest rates at reporting date would have no effect on profit and loss. For the year ending 30 June 2009, a 1 percent increase in the effective interest rate would have resulted in an increase in profit of \$118,580.

#### (c) Credit risk exposures

The Group has no significant concentrations of credit risk.

The Group does not have significant credit exposure to outstanding receivables or investments due to the present nature of its operations. There have been no historical impairment losses.

#### (d) Capital management

The Board seeks to maintain a strong capital base sufficient to maintain the future development of the Group's business. The Board closely monitors the Group's level of capital so as to ensure it is appropriate for the Group's planned level of activities. There were no changes to the Group's approach to capital management during the year. Neither the Company nor its wholly owned subsidiaries are exposed to any externally imposed capital requirements.

#### (e) Liquidity Risk Management

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The following are the contractual maturities, including estimated interest payments:

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Trade and other payables</b>					
Carrying amount	10	353,659	666,377	353,659	666,377
Contractual cash flows		(353,659)	(666,377)	(353,659)	(666,377)
6 months or less		(353,659)	(666,377)	(353,659)	(666,377)
6 - 12 months		-	-	-	-
1 - 2 years		-	-	-	-
2 - 5 years		-	-	-	-

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**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**17 FINANCIAL INSTRUMENTS AND RISK EXPOSURES (continued)**

**(f) 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.

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

	<b>Consolidated</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	7,486,164	7,486,164	18,885,031	18,885,031
Other receivables	<u>76,751</u>	<u>76,751</u>	<u>442,723</u>	<u>442,723</u>
	7,562,915	7,562,915	19,327,754	19,327,754
<b>Financial liabilities</b>				
Trade and other payables	353,659	353,659	666,377	666,377
Employee benefits	<u>241,220</u>	<u>241,220</u>	<u>128,874</u>	<u>128,874</u>
	594,879	594,879	795,251	795,251

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.

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**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**18 OPERATING LEASES**

Non-cancellable operating lease rentals are payable/receivable as follows:

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>Receivable from third parties</b>					
Less than one year		35,495	-	16,875	-
Between one and five years		12,396	-	-	-
More than five years		-	-	-	-
<b>Payable to third parties</b>					
Less than one year		90,671	108,050	90,671	108,050
Between one and five years		184,625	268,075	184,625	268,075
More than five years		-	-	-	-

Operating lease income receivable relates to pastoral land under agistment.

Operating lease rentals relate to accommodation and a site office at two separate exploration locations.

**19 RELATED PARTIES**

The following were key management personnel of the Group 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 (resigned 28 November 2008)

Mr David Klingberg

Mr Kiat Poh

Mr Geoffrey Hill (appointed 20 October 2008)

***Executive Directors***

Mr Gerard Anderson (Managing Director)

***Executives***

Mr Kevin Malaxos (Chief Operating Officer)

Mr Alastair Watts (Exploration Manager)

Mr Gavin Bosch (Company Secretary & Chief Accountant)

Short-term key management personnel compensation is as follows:

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Short-term cash and non-cash benefits		1,514,805	958,257	1,514,805	958,257
Executive share options expensed		508,222	450,036	508,222	450,036
Short-term employee benefits		2,023,027	1,408,293	2,023,027	1,408,293



# CENTREX METALS LIMITED

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## Notes to the Financial Statements

For the Year Ended 30th June 2009

### 19 RELATED PARTIES (continued)

#### 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.

#### 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.

Entity	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$ (ex GST)	\$ (ex GST)	\$ (ex GST)	\$ (ex GST)
Adelaide Equity Partners Limited	(i)	221,461	336,622	221,461	336,622
Minter Ellison Lawyers	(ii)	354,856	194,152	354,856	194,152

- (i) Mr David Lindh is a director and shareholder of Adelaide Equity Partners Limited. The services provided by this entity include: corporate advisory; share placement brokerage (2008); administration services (accounting and secretarial); and general office related expenditures (rent, electricity, cleaning).
- (ii) Mr David Lindh is a consultant lawyer for Minter Ellison Lawyers. The legal services provided by this entity include: advice relating to the renounceable rights issue (2008); advice relating to the establishment of two joint ventures; and other matters including native title consultation.

As disclosed at point 5.1 of the Director's Report, Mr Gerard Anderson entered into a revised contract of employment on 11 June 2008, commencing 1 July 2008 and terminating after 5 years. Mr Anderson is entitled to receive: a base salary of \$385,000; plus 15% superannuation; and a car allowance of \$20,000, per annum. In addition Mr Anderson is entitled to participate in the annual Employee Share Option Plan (approved at the previous Annual General Meeting). Each year Mr Anderson is guaranteed a base allocation of 1,000,000 options and may receive up to 1,500,000 options, subject to meeting all personal and company key performance indicators as set by the Board of Directors. The Company key performance indicators are composed of 5 equally weighted objectives:

- conducting the exploration program on time and budget;
- defining additional indicated resources as set by the Board annually;
- advance projects to a status as defined by the Board annually;
- share price to increase by 20% over prior year price; and
- maintain an LTI free workplace with no environmental breaches.

**CENTREX METALS LIMITED**  
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**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**19 RELATED PARTIES (continued)**

The agreement may be terminated at any time by either party by giving three months notice in writing and the Group retains the right to terminate the contract immediately. If terminated by the Group prior to the expiry of the term, Mr Anderson is entitled to an amount equal to the salary and share options owing for the remainder of the term plus an additional year's salary.

Pursuant to Mr Anderson's previous contract of employment he had 2,000,000 options outstanding. These were re-negotiated in 2008 as part of terms for extending his service such that he would be entitled to these options upon signing the new contract of employment, and 1,500,000 of the 2,000,000 options would be made available on the same terms as the Centrex Metals Limited Executive Option Plan contain, which is that the expiry date be set at 30 June 2011.

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 existing at year-end.

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

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$

**Assets and liabilities arising from the above transactions**

Current payables

Trade creditors	41,260	-	41,260	-
Interest bearing loans and borrowings	-	-	-	-

**Key Management Personnel 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:

	Note	Holding at 30 June 08	Number Purchased	Number Sold	Holding at 30 June 09
Davan Nominees Pty Ltd	(i)	12,876,335	1,250,000	-	14,126,335
Mr Norton Jackson		7,582,930	-	2,695,090	4,887,840
Patna Properties Pty Ltd	(ii)	700,000	300,000	-	1,000,000
Mr Gerard Anderson		750,000	1,750,000	-	2,500,000
Mr Kiat Poh		-	1,918,880	-	1,918,880
Mr Geoffrey Hill		-	-	-	-
Mr Kevin Malaxos		-	-	-	-
Mr Alastair Watts		-	-	-	-
Mr Gavin Bosch		45,000	750,000	-	795,000

(i) Davan Nominees Pty Ltd is a company associated with Mr David Lindh.

(ii) Patna Properties Pty Ltd is a company associated with Mr David Klingberg.

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

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**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**19 RELATED PARTIES (continued)**

**Key Management Personnel 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:

	<b>Note</b>	Holding at 30 June 08	Issued (I) or Acquired (A)	Exercised (E) / Sold (S) or Expired (X)	Holding at at year 30 June 09
<b><u>2008 'A' Class Options</u></b>					
Expiring: 31/12/2008					
Exercise price: \$0.20					
Davan Nominees Pty Ltd	(i)	1,250,000	-	1,250,000 E	-
Davan Nominees Pty Ltd	(i)	3,218,880	-	3,218,880 S	-
Mr Norton Jackson		3,749,336	-	3,749,336 X	-
Patna Properties Pty Ltd	(ii)	-	300,000 A	300,000 E	-
Mr Gerard Anderson		1,000,000	250,000 A	1,250,000 E	-
Mr Gerard Anderson	(iii)	-	500,000 I	500,000 E	-
Mr Kiat Poh		-	1,918,880 A	1,918,880 E	-
Mr Geoffrey Hill		-	-	-	-
Mr Gavin Bosch		-	750,000 A	750,000 E	-
<b><u>2011 'A' Class Options</u></b>					
Expiring: 30/06/2011					
Exercise price: \$0.20					
Mr Gerard Anderson	(iii)	-	1,000,000 I	-	1,000,000
<b><u>2011 Exec Plan Options</u></b>					
Expiring: 30/06/2011					
Exercise price: \$0.20					
Mr Gerard Anderson	(iii)	-	1,500,000 I	-	1,500,000
Mr Kevin Malaxos		-	165,000 I	-	165,000
Mr Alastair Watts		-	275,000 I	-	275,000
Mr Gavin Bosch		-	135,000 I	-	135,000

(i) Davan Nominees Pty Ltd is a company associated with Mr David Lindh.

(ii) Patna Properties Pty Ltd is a company associated with Mr David Klingberg.

(iii) Mr Gerard Anderson was granted the options at the annual general meeting held 28<sup>th</sup> November 2008.

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

**Other related party transactions**

*Subsidiaries*

Loans are made by the Company to its wholly owned subsidiaries for capital purchases. The loans outstanding between the Company and its controlled entities have no fixed date of repayment (payable on demand) and are non-interest bearing. For the financial year ended 30 June 2009, such loans totalled \$2,559,450 (2008: \$747,118).

**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**20 CONTINGENT LIABILITIES**

*PIRSA Commitments*

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. The tenement commitments due within one year amount to \$1,300,000 (2008: \$1,265,000) are listed and discussed in Section 10 of the Directors' Report. The amounts due beyond one year vary as tenements are renewed.

*Other commitments*

At the 30 June 2009 the Group's other commitments related to Worley Parsons (Pt. Lincoln Front End Engineering Design) of \$300,000 (2008: \$182,000 related to Sinclair Knight Merz for Wilgerup pre feasibility study) payable within one year.

The company has no further capital commitments or contingent liabilities at 30 June 2009 (2008: \$nil).

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**Notes to the Financial Statements**

For the Year Ended 30th June 2009

**21 NOTES TO THE STATEMENT OF CASH FLOWS**

**21(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:

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash at bank and on hand		7,486,164	18,885,031	7,486,164	18,885,031

**21(b) Reconciliation of cash flows from operating activities**

Net profit / (loss)					
after income tax		(2,181,115)	(1,246,394)	(2,387,115)	(1,246,394)
Interest received (classified					
as investing)		(769,426)	(585,135)	(769,426)	(585,135)
Depreciation		99,326	43,779	99,326	43,779
Share options valuation		548,672	450,036	548,672	450,036
Proceeds on tenement disposal		(500,000)	-	(300,000)	-
(Increase)/decrease in debtors		211,312	(78,448)	211,312	(78,448)
(Increase)/decrease in other					
tax assets		(352,393)	80,211	(352,393)	80,211
Increase/(decrease) in payables		(211,688)	(47,637)	(211,688)	(47,637)
Net cash provided by/(used)					
in operating activities		(3,155,312)	(1,383,588)	(3,161,312)	(1,383,588)

**22 PARTICULARS IN RELATION TO CONTROLLED ENTITIES**

The Company holds 100% interest in the following controlled subsidiaries:

- South Australia Iron Ore Group Pty Ltd;
- Flinders Pastoral Pty Ltd;
- Sturt Pastoral Pty Ltd.

**23 SEGMENT REPORTING**

The Group operates in one business segment; iron ore exploration and one geographical segment; Australia.

**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

**24 EVENTS SUBSEQUENT TO BALANCE DATE**

A number of material events occurred subsequent to year end. These were:

- Water quality testing by the Australian Water Quality Centre (AWQC) and iron bioavailability analysis and Phytoplankton growth impact in Boston Bay water conducted by Flinders University determined that there is no impact on phytoplankton as a result of iron ore exporting from Port Lincoln and therefore no risk of causing algal blooms in Boston Bay.
- Environmental Protection Authority (EPA) provided updated advice to the Development Assessment Commission (DAC) supporting the Development Application for exporting via Port Lincoln wharf;
- DAC provided a recommendation to the Minister for Mineral Resource Development to approve the Port Lincoln export Development Application;
- Offer of a Mineral Lease for the Wilgerup Project was received from the Minister for Mineral Resource Development and accepted by Centrex on 12 August 2009.
- Signed binding agreements in Wuhan, China on 20 July 2009 covering the formation of an iron ore joint venture with WISCO on Exploration Licences 3269, 3421, 3611, 3731 and 3877 ("Tenements") occurring in southern Eyre Peninsula.

Key terms of the agreements are as follows:

1. Acquisition Agreement – WISCO will acquire a 60% Participating Interest in the iron ore Mineral Rights by paying Centrex a total sum of up to A\$186,000,000 made up of:
  - a non refundable deposit of A\$500,000 (paid on 24<sup>th</sup> December 2008);
  - an up-front payment of A\$51,500,000 on the Completion Date;
  - A\$26,000,000 on the first anniversary of the Completion Date;
  - A\$27,000,000 if the total inferred resource of magnetite banded iron formation within the Tenements reaches 1,250 million tonnes;
  - A\$27,000,000 if the total inferred resource of magnetite banded iron formation within the Tenements reaches 1,500 million tonnes;
  - A\$27,000,000 if the total inferred resource of magnetite banded iron formation within the Tenements reaches 1,750 million tonnes;
  - A final payment of A\$27,000,000 if the total inferred resource of magnetite banded iron formation within the Tenements reaches 2,000 million tonnes.
  - WISCO will sole fund the first A\$75,000,000 in exploration and study costs.
  - WISCO to arrange project financing on behalf of Centrex.
  - If the base of 1,000Mt of Inferred Resources is not defined within 5 years, Centrex will make an additional tenement or tenements available to the Joint Venture.
2. Subscription Agreement – Centrex has agreed to place 40,399,599 ordinary shares representing 15% of the Company's issued capital to WISCO at A\$0.25 per share. Post issue WISCO will have approximately 13.04% of Centrex's issued share capital. The placement will be made under the 15% limit contained in ASX Listing Rule 7.1.

WISCO will be eligible to nominate a suitable candidate to the Board of Centrex.
3. Joint Venture Agreement – Upon acquiring its 60% Participating Interest in the iron ore mineral rights on the Tenements, Centrex and WISCO agree to form an unincorporated joint venture for the purpose of carrying out exploration and mining



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**Notes to the Financial Statements**

**For the Year Ended 30th June 2009**

operations. Under the joint venture each company will receive and take its share of all mineral product in accordance with its Participating Interest.

4. Port – Centrex and WISCO agree to jointly develop a deep water port at Sheep Hill, located 20kms north of Tumby Bay, for the purpose of exporting mineral product.

- Signed binding agreements in Baotou, China on 27 August 2009 covering the formation of an iron ore joint venture with Baotou on Exploration Licence 3610 (known as Bungalow/Minbrie on the Eyre Peninsula).

The Joint Venture will be completed in 3 stages as follows:

- Stage 1 Baotou to pay \$8,000,000 into the joint venture to fund exploration and development studies to earn a 10% undivided interest in the iron ore rights to EL3610.
- Stage 2 Baotou to pay \$8,000,000 into the joint venture to fund further exploration and studies to earn an additional 10% undivided interest in the iron ore rights to EL3610.
- Stage 3 Baotou to pay \$24,000,000 into the joint venture to complete a Bankable Feasibility Study and in doing so to take its undivided interest in the iron ore rights to EL3610 to 50%.

Once the Joint Venture has received all government consents and permits, Centrex will receive approximately \$2,267,000 to reimburse exploration costs incurred by the Company since signing of the Heads of Agreement.

- Ore Sales agreement signed with Baotou Iron & Steel Co. Limited (Baotou) for 600,000 tonnes per annum for the life of the Wilgerup mine.
- Tooligie Range EL 4299 was granted on 19 August for a period of one (1) year. The tenement lies immediately southwest and abuts Wilgerup.
- The New South Wales Department of Primary Industries granted the rights to Exploration License 3675, located approximately 20km south of Goulburn (NSW) as announced 9 September 2009.
- WISCO withdrew and resubmitted its application to FIRB in order to provide FIRB with an additional 30 days to process the application (announced 14 September 2009).

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**Directors' Declaration**

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

- 1 (a) the financial statements and notes set out on pages 48 to 76, and the remuneration disclosures that are contained in sections 5.1 and 5.2 of the Remuneration report in the Directors' report 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 Group as at 30 June 2009 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) 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
  - (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 and Company Secretary for the financial year ended 30 June 2009 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 27<sup>th</sup> day of September 2009



## **Independent auditor's report to the members of Centrex Metals Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Centrex Metals Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 24 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

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

#### *Auditor's responsibility*

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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



### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Auditor's opinion*

In our opinion the financial report of Centrex Metals Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

### **Report on the remuneration report**

We have audited the Remuneration Report included in section 5 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Centrex Metals Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Derek Meates  
*Partner*

Adelaide

27 September 2009

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**ASX Additional Information (unaudited)**

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

**Substantial Shareholders of Ordinary and Escrow shares**

**14<sup>th</sup> September 2009**

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

Rank	Name	Units	% of Issued Capital
1.	SOUTH COVE LTD	80,876,005	30.03
2.	BAOTOU IRON & STEEL (GROUP) COMPANY LIMITED	21,900,000	8.13
3.	SEL HOLDINGS LIMITED	15,673,925	5.82
4.	UNITED IRON LIMITED	15,000,000	5.57
5.	DAVAN NOMINEES PTY LTD	14,126,335	5.24

**Distribution of equity holders**

**31<sup>st</sup> August 2009**

Category	Number of Equity Security Holders	
	Ordinary & Escrow Shares	Employee Option Plan Options
1 – 1,000	57	-
1,001 – 5,000	661	-
5,001 – 10,000	489	-
10,001 – 100,000	700	-
100,001 and over	110	8
	<b>2,017</b>	<b>8</b>

The number of shareholders holding a less than marketable parcel of: ordinary shares is 58 (2008: 134).

**Restricted Securities**

Security type	Restriction ends	Number of Options
CXM Executive Option Plan Options (exp 30/06/2011)	03/12/2009	150,000
CXM Executive Option Plan Options (exp 30/06/2011)	29/01/2010	135,000
CXM Executive Option Plan Options (exp 30/06/2011)	04/02/2010	215,000
CXM Executive Option Plan Options (exp 30/06/2011)	25/02/2010	40,000

**CENTREX METALS LIMITED**  
A.B.N. 97 096 298 752

**ASX Additional Information (unaudited)**

**Top 20 Holders of Ordinary and Escrow shares**

**14<sup>th</sup> September 2009**

<b>Rank</b>	<b>Name</b>	<b>Units</b>	<b>% of Issued Capital</b>
1.	SOUTH COVE LTD	80,876,005	30.03
2.	BAOTOU IRON & STEEL (GROUP) COMPANY LIMITED	21,900,000	8.13
3.	SEL HOLDINGS LIMITED	15,673,925	5.82
4.	UNITED IRON LIMITED	15,000,000	5.57
5.	DAVAN NOMINEES PTY LTD	14,126,335	5.24
6.	MR SIK ERN WONG	8,250,000	3.06
7.	CITICORP NOMINEES PTY LIMITED	8,184,699	3.04
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,058,913	2.99
9.	MR LIM EWE GHEE + MS CHARLENE YULING LIM	6,250,000	2.32
10.	KENG CHUEN THAM	5,000,000	1.86
11.	MISS LAY HONG GOH	4,110,000	1.53
12.	MR MELVIN BOON KHER POH	3,578,930	1.33
13.	MR NORTON JACKSON	3,500,000	1.30
14.	NATIONAL NOMINEES LIMITED	3,478,264	1.29
15.	COMMODITY TRADERS (NZ) LTD	2,617,327	0.97
16.	LODGE LIMITED	2,183,334	0.81
17.	LODGE LIMITED	2,183,333	0.81
18.	MR GERARD ANDERSON <SUPERANNUATION FUND A/C>	2,125,000	0.79
19.	MR KIAT POH	1,918,880	0.71
20.	ATORCH NOMINEES PTY LTD	1,828,850	0.68
<b>Top 20 holders of ORDINARY &amp; ESCROW SHARES as at 14 Sep 2009</b>		<b>210,843,795</b>	<b>78.28</b>

**ASX Additional Information (unaudited)**

**Company Directory**

**Company Secretary**

Gavin Mathew Bosch CPA

**Principal Registered Office**

Centrex Metals Limited  
Level 3, 100 Pirie Street  
Adelaide SA 5000  
08 8232 0400  
08 8232 0500  
[www.centrexmetals.com.au](http://www.centrexmetals.com.au)

**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:	<a href="mailto:Web.queries@computershare.com.au">Web.queries@computershare.com.au</a>
Website	<a href="http://www.computershare.com.au">www.computershare.com.au</a>

**Australian Securities Exchange**

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

**ASX Codes**

Shares:	CXM
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**Auditors**

KPMG  
Chartered Accountants  
151 Pirie Street  
Adelaide SA 5000