



CENTREX METALS
LIMITED

For Immediate Release

22 September 2010

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

Dear Sir/Madam

ANNUAL REPORT 2010

Please find attached the Annual Financial Report and Directors' Report for the year ended 30 June 2010.

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CENTREX METALS LIMITED

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ANNUAL FINANCIAL REPORT & DIRECTORS' REPORT

For the Financial Year Ended 30 June 2010

CONTENTS

Directors' Report

Lead Auditor's Independence Declaration

Statement of Comprehensive Income

Statement of Changes in Equity

Statements of Financial Position

Statements of Cash Flows

Notes to the Financial Statements

Directors' Declaration

Independent Auditor's Report

ASX Additional Information

Chairman's Report

For the Year Ended 30 June 2010

The past year was an extremely successful year for the Company as it progresses on its path to become a significant mining entity. Final unconditional agreements were signed with the Wuhan Iron and Steel Company (WISCO) in Wuhan, China in April 2010 which resulted in a cash payment of \$51.5 million (out of a guaranteed \$78 million) to the Company at financial close which was reached early in July 2010. The profit on this transaction will be significant, and will be booked in the 2010/2011 fiscal year. During the year financial close was also reached with the Baotou Iron and Steel Group Company Limited (Baotou) for the Bungalow Joint Venture farm-in which reimbursed the Company for \$2.2 million for past expenses incurred.

Both Joint Ventures have now commenced significant magnetite exploration and engineering study activities on the Eyre Peninsula tenements with cash injections by WISCO of a further \$50 million (out of a guaranteed \$75 million) and by Baotou of \$8 million (out of a scheduled \$40 million) into the respective Joint Venture companies.

In July 2010 the Company held cash of \$60 million to further progress its Wilgerup Hematite project approvals, obtain Development Approval for its Eyre Peninsula Port Joint Venture and explore its other tenements as well as investigate possible acquisitions of new property.

The year was also a year of structural transition with the appointment in January 2010 of the undersigned as Chairman following the resignation of Mr David Lindh OAM. Mr Graham Chrisp was elected as a Director at the January 2010 Annual General Meeting. Mr Chrisp, with his relevant interests in South Cove Ltd, Lodge Ltd and SEL Holdings Ltd is a major shareholder in the Company. Mr Xiaopeng Yin (General Manager of Mineral Industry Corporation and Chairman of Wugang Australian Resources Investment Pty Ltd, the Company's second largest shareholder) also joined the Board during the year with his alternate Dr Liaowu Guo attending a number of meetings. The Managing Director Mr Gerard Anderson tendered his resignation from the Company early in July 2010 following the successful financial close of the WISCO and Baotou Joint Ventures and Mr Jim White, a former General Manager of OneSteel's operations at Whyalla was appointed as Managing Director and Chief Executive Officer and commenced in August.

Given the progress made over the year and the successful Board and management transition, the Company is totally focussed on progressing the Company's assets. We believe that the current share price significantly undervalues the Company, and we will be making increased efforts to present our strategy and progress to the market.

Centrex WISCO Magnetite Joint Venture

Wugang Australian Resources Investment Pty Ltd (Wugang) (a wholly owned subsidiary of WISCO) received Foreign Investment Review Board approval on 5 November 2009 to proceed with the 60:40 joint venture with the Company and Wugang became a significant shareholder in the Company by subscribing \$10,099,899 for 40,399,599 shares (13.04%) at the pre agreed price of 25 cents per share on 28 November 2009. Both Wugang and the Company then worked to resolve a number of outstanding issues related to the Lincoln Minerals Limited interests in the non ferrous rights to the Eyre Peninsula joint venture tenements and final documentation of all conditions precedent was signed in China on 27 April 2010. The first instalment payment of \$51.5 million to the Company (following the initial \$0.5 million deposit paid in December 2008) was received on 7 July 2010 after Stamp Duty negotiations with the State Government were concluded. The second instalment payment of \$26 million is due on 7 July 2011 and up to a further potential \$108 million will be paid depending on resource definition. Title to 60% of the iron ore rights to five Centrex tenements was passed to Wugang at a ceremony hosted by the Minister for Mineral Resources Development; The Hon Paul Holloway MLC on 7 July 2010. In addition to the funds paid directly to the Company, Wugang also paid \$50 million out of a total of \$75 million into the Eyre Peninsula Joint Venture bank account to progress the exploration and studies activities. Work commenced immediately and progress will be reported at the November 2010 Annual General Meeting.

Centrex WISCO Sheep Hill Port Joint Venture

On 27 April 2010 the Company also signed a 50:50 Joint Venture Heads of Agreement (HOA) with WISCO to develop a bulk Port Export Facility at Sheep Hill, some 26km North East of Tumby Bay on the Eyre Peninsula. The potential Port site has unusually close access to deep water capable of accommodating Cape size vessels without dredging and the Company has acquired 91 hectares of adjacent land sufficient for Port terminal and storage activities. The final joint venture agreements are expected to be finalised during the fourth quarter of 2010. In the meantime, the Company is progressing with critical activities associated with the State Government Development Approval process.

Chairman's Report

For the Year Ended 30 June 2010

Centrex Baotou Magnetite joint Venture

The Centrex Baotou Magnetite Joint Venture reached financial close on 18 June 2010 and Baotou paid \$8 million out of a potential \$40 million to commence further exploration and engineering study work at the Bungalow tenement on the Eyre Peninsula. The first payment earns Baotou a 10% interest and the full potential payment of \$40 million will earn Baotou a 50% interest in the Bungalow tenement. Exploration and metallurgical process investigation activities commenced immediately and progress will be reported at the November 2010 Annual General Meeting. Some \$2.2 million was reimbursed to the Company for pre joint venture activities and expenditure.

Wilgerup

Final approval from the State Government is expected shortly for the Wilgerup Hematite project MARP. Negotiations continue over rail access and port and haulage charges. The Company is also undertaking an analysis comparing an option to export via the Sheep Hill Port versus Brennan Jetty at Pt Lincoln.

New Managing Director

The Board welcomes Mr Jim White as its Managing Director and Chief Executive Officer. Mr White commenced duties on 16 August 2010. Mr White is a former General Manager of OneSteel's Whyalla Steelworks and General Manager of Business Sustainability. He is a metallurgist who has spent his past career with BHP and OneSteel with a focus on steelmaking, exploration and major project development. His background and experience are ideal for the Company's future plans.

New Director Appointments

The Board also welcomes 3 new Directors. Mr Graham Chrisp who is the founder of the Company joined at the AGM in January 2010, Mr Xiopeng Yin with alternate Dr Liaowu Guo joined in February 2010 and Mr Jim Hazel joined in July 2010.

Mr Xiopeng Yin is General Manager of Mineral Industry Corporation and Chairman of Wugang Australian Resources Investment Pty Ltd. His alternate Dr Liaowu Guo is Managing Director of Wugang Australian Resources Investment Pty Ltd and a former General Manager of Chengchao Iron Ore Mine (Chengchao). Chengchao has annual production of 1.2 Mt of iron ore concentrate and has 5,000 employees.

Mr Hazel is a professional Public Company Director and former banking executive who has served on the Board of Terramin Australia Limited and is currently a Director of Bendigo and Adelaide Bank Limited, Rural Bank Limited and Impedimed Limited. Mr Hazel will chair the Company's Audit and Risk Committee following on from Mr Colin Dunsford who will complete the Company's appointment in September 2010.

Finance

The Company reports a loss for 2009/2010 of \$1,837,302 after tax which includes \$698,499 for impairment of exploration tenement assets. We incurred total expenditure on exploration tenements during the year of \$2,443,912.

The substantial proceeds from the finalisation of the WISCO transaction (\$77.5 Million before costs and tax) have been recorded in the Financial Year 2010/2011 when the title to the iron ore rights was passed to Wugang.

Chairman's Report

For the Year Ended 30 June 2010

Outlook

The Company is exceptionally well placed for the future. Our management team is first class. At the time of writing this report, cash reserves are significant and we are optimistic about the opportunity through the WISCO and Baotou Joint Ventures to become a substantial shareholder in major magnetite mining operations which could commence project implementation in 2013/2014. The foothold obtained on the Sheep Hill Port site on the Eyre Peninsula is strategically significant and would not only benefit the Company but would enable other mining and export industries economic access to shipping.

Considerable work is being undertaken by management and the Board to further optimise our ongoing strategy and this will be presented at the AGM. The Company has engaged Gryphon Partners to assist in this work.

The Board wishes to thank Mr Lindh OAM and Mr Anderson for their dedicated services to the Company in leading the Company through its successful IPO and ASX listing in 2006, and leading our exploration programs and initiating and progressing negotiations with our Chinese partners over several years. We wish them well in their future endeavours.

I would also like to thank our staff for their endeavour and loyalty during the year. The Company is fortunate to retain a small but extremely well qualified team with excellent management, geological, mining, operations and financial expertise. My thanks also go to my fellow Directors for their dedication to the Company.



Mr David Klingberg AO
Chairman

Dated at Adelaide this 22nd day of September 2010

Managing Director's Report

For the Year Ended 30 June 2010

This is my first report as MD and I am pleased to be able to comment on what was a successful year, from an operational and corporate perspective, for Centrex Metals Limited (Centrex). This result has been delivered by the previous MD, Mr. Gerard Anderson, and the management team. The major successes have been reported in the Chairman's Report and I direct readers to the project reports that follow later for more detail on these individual items.

SAFETY

Centrex and its contractors reported no lost time injuries for the year, no medical treatment injuries and one high potential incident. This is a strong result that will require a continued focus and effort in the coming year to ensure that we maintain a safe work place for all contractors and employees as we ramp up our exploration and development activities. This challenge includes our JV partners and the Eyre Iron JV activities. We have external assistance from the South Australian Chamber of Mines and Energy (SACOME) to establish procedures and practices for both JV operations, and Centrex management personnel have safety performance linked to incentive payments.

ENVIRONMENT

There were no breaches of environmental regulation and no reportable incidents for the year.

Onsite environmental management is carried out in conjunction with safe systems of work practices and our intention is to rehabilitate all drill sites on time and in accordance with plans and conditions agreed with the department of Primary Industries and Resources SA (PIRSA) and the landholders. PIRSA imposes strict conditions and engage in ongoing monitoring to ensure compliance, and success is measured by no orders from PIRSA and no formal complaints lodged by landholders. We maintain a practice of continual communication with landholders.

COMMUNITY ENGAGEMENT

We operate in areas where the communities are generally not familiar with exploration and mining activities and in areas where communities are sensitive to mining and infrastructure development. Our program for any activity includes a community engagement strategy and a policy of early and open communication with all interested parties. To this end we have specialist advisors to assist our engineers and operational personnel. Senior staff commit to follow up all community concerns.

During 2009/10 formal sessions were held with the communities and councils in the areas we operate, PIRSA, the Environmental Protection Authority of South Australia (EPA) and personal responses to groups and individuals were also undertaken.

Most significant concerns arose around the possibility of exporting ore through the Port Lincoln wharf and ongoing dialogue has occurred with community groups and the EPA.

BUSINESS PLAN

Our objective is to be a profitable iron ore producer and developer

Centrex has the necessary building blocks to deliver our objective. We have:

- **An experienced team, with a track record of project delivery.**
 - **Jim White, Managing Director.** 36 years experience with OneSteel and BHP including mining and steelworks projects and operations at Whyalla
 - **Kevin Malaxos, Chief Operating Officer.** 25 years experience in open pit and underground mining with WMC, Perilya Ltd and most recently with Mt Gibson Iron
 - **Alastair Watts, Manager Exploration** 19 years experience in mining and exploration with BHP Iron Ore, WMC, Ross Mining and Lynch Mining.
 - **Ben Hammond, Business Development Manager and then Chief Operating Officer Eyre Iron** 7 years industry experience including roles in business planning and operations with BHP Billiton.
 - **Gavin Bosch, Company Secretary and General Manager Finance.** 14 years experience in the mining industry

Managing Director's Report

For the Year Ended 30 June 2010

- **Two iron ore projects that have the potential to be large scale operations producing magnetite concentrate.**
 - High quality, high Fe content, magnetite concentrate is being increasingly sought by Chinese steel producers and there are a number of magnetite projects under construction in Western Australia to support this demand.
 - The potential of the Eyre Peninsula region for magnetite production is demonstrated by the existing OneSteel magnetite operation on the Peninsula.
- **Other tenements on the Eyre Peninsula, with the potential for hematite and magnetite.**
 - We will continue to evaluate these during the 2011 financial year.
- **Ownership of a port site that could provide a regional infrastructure hub for our projects and others in the area.**
 - This port would be Cape size capable, low capital relative to other sites, with no dredging required and limited local impacts.
- **Two strong JV partners for our main projects.**
 - Our Chinese partners, WISCO and Baotou, have a strong desire to participate in the SA iron ore development program and are financially committed to fund the projects to Bankable Feasibility Stage. Both are current magnetite producers and consumers in China and have a strong technical understanding of the production of magnetite concentrate with access to the finance required to deliver these projects. WISCO has committed to assist Centrex in financing the JV project, if required.
- **Funding to pursue our current projects and to expand our activities beyond these projects**

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 negotiations to form the Centrex / Baotou Iron & Steel (Company) Limited ("Baogang") magnetite Joint Venture over Centrex's Bungalow Tenement on Central Eyre Peninsula.
- 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.
- Commencement of studies necessary to complete a Development Application for the State Government for approval to develop a Cape class capable wharf on land purchased 65km north of Port Lincoln on the southern Eyre Peninsula.

FUTURE PLAN

Our current focus has been on the Eyre Peninsula, however our balance sheet strength will allow Centrex to pursue other opportunities in the iron ore sector and possibly outside this sector. Centrex will actively investigate and review joint venture opportunities with third parties and consider investment opportunities within the resource sector, including industry consolidation on the Eyre Peninsula and surrounding regions.

We will actively seek these opportunities.

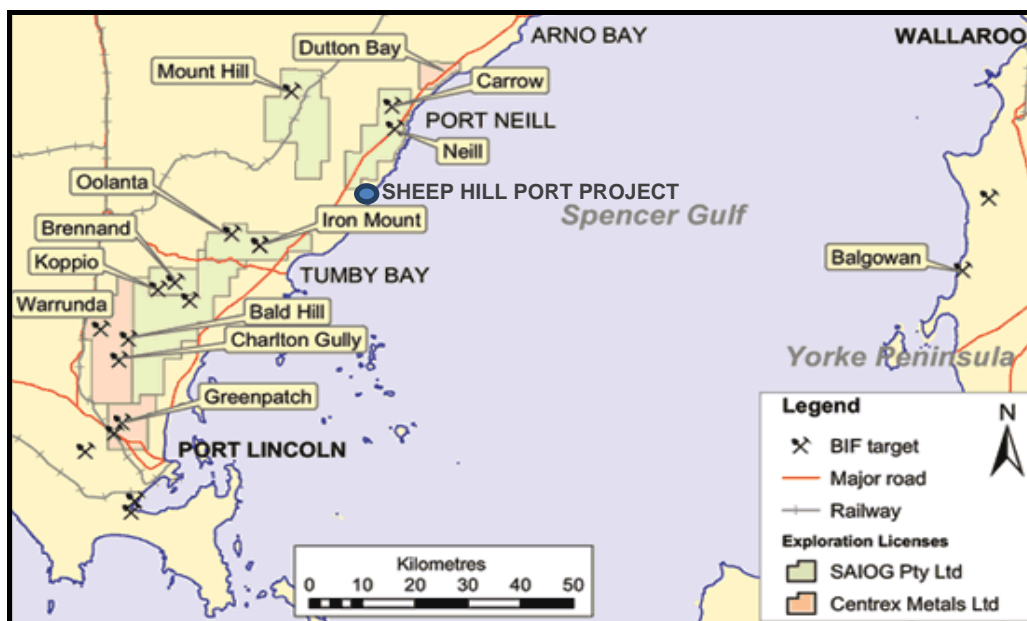
Managing Director's Report

For the Year Ended 30 June 2010

PROGRAM REPORTS

1. EYRE IRON, the Centrex/WISCO Joint Venture

This year has seen the completion of negotiations for the joint venture with WISCO for the purchase of a 60% interest in the iron ore rights over five of the Company's exploration licences. Final signing occurred in July 2010.



Map of EPJV relevant exploration licences and project locations: EL3731 Tumby Bay (includes the Carrow, Neill, Iron Mount, Oolanta, Koppio and Brennand projects); EL3421 Dutton Bay; EL3611 Greenpatch; EL4384 Wanilla (includes the Charlton Gully and Warrunda projects); and EL3877 Mount Hill (includes Bald Hill project).

On 7 July 2010 WISCO, through its subsidiary Wugang paid the first instalment of \$51.5 million to Centrex (a \$0.5 million deposit was already paid by WISCO in December 2008) and \$50.0 million to the newly formed Eyre Peninsula Joint Venture ("EPJV"). Further unconditional instalments of \$26.0 million to Centrex and \$25.0 million to the EPJV are to be made by WISCO in July 2011. Under the agreement WISCO are also obliged to pay Centrex a further four instalments of \$27 million if the EPJV magnetite iron ore Inferred resources reach 1.25, 1.5, 1.75 and 2.0 billion tonnes respectively.



(Left) Centrex Chairman David Klingberg AO receives the cheques for the first instalments from Wugang Managing Director and Centrex Non-Executive Director Dr. Guo Liaowu with Mineral Resources Minister Paul Holloway.

Managing Director's Report

For the Year Ended 30 June 2010

A new incorporated joint venture management company, Eyre Iron Pty Ltd ("Eyre Iron" owned 40% Centrex / 60% WISCO) was formed by the partners to undertake exploration and development on the EPJV tenements. The partners have agreed to aim for development and production of 10Mpta of magnetite iron ore concentrate

From two projects within the EPJV with targeted project execution of the first Carrow operation in 3-4 years. A second project will be chosen from within the remaining EPJV assets to follow the Carrow development with a one year lag.

Eyre Iron has established its operations office at Carrow and is currently establishing its new head office in Adelaide. Drilling operations commenced in August 2010 and Eyre Iron has already recruited a competent Resource Definition Team of fifteen staff to undertake evaluation of the iron ore assets.



Exploration commencement ceremony at Carrow.

Two diamond drilling rigs are currently operating at Carrow with plans for three additional reverse circulation drilling rigs to commence in November 2010 in order to define the resources and carry out geotechnical and metallurgical characterisation studies. Contracts have also been awarded to internationally recognised consultants WorleyParsons and Coffey for key component studies to fully evaluate the development options for the projects. Further diamond drilling is scheduled to commence at the end of 2010 on the Greenpatch and Koppio projects to form the basis of evaluation for Scoping Level Studies over these two projects.

Eyre Iron has committed funds from WISCO of \$75.0 million (first & second EPJV instalments) to be spent on evaluation and development of Carrow and a second project to a Bankable Feasibility Study Level (BFS), as well as additional regional exploration to identify further possible project targets and resources. WISCO has agreed to aid Centrex in arranging capital finance should the mining operations proceed.

Managing Director's Report

For the Year Ended 30 June 2010

2. BUNGALOW, the Centrex/Baotou joint venture

The Bungalow / Minbrie magnetite deposit is located 9 kilometres north of Cowell on the east coast of Eyre Peninsula. Bungalow / Minbrie has the exploration potential to support a 5 Mtpa magnetite concentrate operation and is well funded and supported by Joint Venture partner Baotou Iron & Steel Co., Ltd.

The Stage 1 diamond drilling program commenced on 1 August 2010 and is designed to assess the entire 18 km strike length of the Bungalow / Minbrie deposit including the estimation of an Inferred Resource and provide diamond drill core for a metallurgical evaluation of the deposit. A total of 20 diamond drill holes were completed in 2008 which focused on the southern 6 kilometres of the deposit. This next phase of drilling will add a further 30 + holes to the project and identify the optimal area for the next phase of Resource definition drilling.

The Financial Close for the Bungalow Joint Venture was completed on 18 June 2010 and since this time a number of key milestones have been achieved to rapidly progress the Stage 1 Scoping Study including:

- An 8,000m diamond drilling program commenced on 1 August 2010 to complement the previous 5,200m drilled in 2008 and 800m in 2007.
- AMEC Minproc has commenced the metallurgical assessment, process engineering and plant design scoping studies. The DTR results from the previous drilling program indicate that a high grade magnetite concentrate product can be produced as summarised below. AMEC Minproc is an internationally credentialled engineering consulting group with significant magnetite project experience.
- SRK Consulting has been awarded the magnetite Resource modelling and grade estimation packages for the project. The aim is to produce an Inferred Resource as per JORC guidelines.
- In 2008 Golder Associates completed an Environmental Scoping Study for the project and no major environmental concerns were identified.

The A\$8M budget for Stage 1 now provides the opportunity for a broad assessment of the entire Bungalow / Minbrie magnetite deposit with the aim of completing the Scoping Study in quarter 2 of 2011. The Stage 2 Pre-Feasibility phase of the project is scheduled to follow on from the successful completion of Stage 1.

Managing Director's Report

For the Year Ended 30 June 2010

3. EXPLORATION Report 2009/10

Exploration activities for the year focused on the Wilgerup, Cockabidnie and Western Middleback iron ore projects, on South Australia's Eyre Peninsula and the two recently acquired iron ore and base metal tenements in New South Wales.

All tenements are in good standing. A total of three (3) new tenements were acquired during the year including EL 4299 Tooligie South Australia and two tenements EL 7503 and EL 7388 located within the prospective Lachlan Fold belt region near Goulburn in New South Wales.

Fugro Airborne Surveys Pty Ltd has been awarded the contract to conduct an airborne gravity and magnetics survey over the two new tenements near Goulburn in New South Wales.

An airborne 3-D Full Tensor Gravity survey was undertaken over the Mount Hill and Cockabidnie tenements in South Australia by Bell Geospace in late August 2009. In addition a ground gravity survey was undertaken over a portion of the Wilgerup and Tooligie tenements and also a separate ground gravity survey was conducted over the Lock tenement.

A total of 3,531 m was drilled across 2 tenements including 1,125 m at Wilgerup and 2,406 m at Cockabidnie. The reverse circulation drilling by Boart Longyear intersected hematite and magnetite at Cockabidnie and magnetite at Wilgerup.

A significant amount of geological resources were involved in the successful negotiations and associated preparation of budgets and schedules to secure the Company's two (2) iron ore Joint Ventures with Chinese partners WISCO and Baotou.

The PACE Geochronology application for the Western Middleback and Bungalow tenements has been approved by PIRSA.

Wilgerup

The Wilgerup tenement remains prospective for additional discoveries of iron ore. Boart Longyear completed a total of 16 RC drill holes for 1,125m in February and March 2010 resulting in the discovery of two new zones of magnetite Banded Iron Formation (BIF). The significant assay results are tabulated below.

Hole ID	From	To	Interval (m)	Fe	SiO ₂	Al ₂ O ₃	P
WRGA 15A	90	104	14	24.2	48.6	3.6	0.088
WRGA 1D	10	28	18	23.0	53.3	1.2	0.238
WRGA 6C	36	112	76	27.7	44.7	3.6	0.189

The most encouraging result was the down hole intercept of 76m @ 27.7% Fe of hematite and magnetite BIF. This discovery is only 1.3km east of the 13.5 Mt Indicated Resource of the North Pod. The extent of the hematite and magnetite BIF remains untested although the aeromagnetics image outlines a 1.2 km NE trending zone with a similar orientation to the North Pod. Further drilling is required to establish the exploration potential of the iron mineralisation.

Drill hole WRGA 1D intersected 18m @ 23% Fe of magnetite BIF that was targeting magnetite discovered in 2007 from WRGA 1C (38m @ 27.7% Fe). A total of 6 holes were drilled on this anomaly and all were plagued by difficult ground conditions and cavities resulting in sample contamination. The extent of the contamination was such that only the assay results from WRGA 1D can be reported. The magnetite mineralisation however occurs from a shallow depth of 10m and has a strike extent of ~ 500m as indicated from the aeromagnetics.

A third area of magnetite BIF was discovered to the south of the tenement in drill hole WRGA 15A with 14m @ 24.2% Fe. The drill hole was stopped short due to poor ground conditions, whilst still in iron mineralisation. Unfortunately this was the last hole to be drilled before Boart Longyear was required at another contract.

Managing Director's Report

For the Year Ended 30 June 2010

Magnetite has now been discovered at 3 locations to the west and south of the Wilgerup North Pod. The tenement therefore remains highly prospective for magnetite and hematite with a number of untested targets remaining.

A ground gravity survey was undertaken in January 2010 over a portion of the Tooligie Range tenement and the south western corner of the Wilgerup tenement. The survey was undertaken at 200m line spacing's with 40m stations and was designed to validate 2 residual gravity anomalies identified from wide spaced historical data. The results indicated that the historical data is of poor quality and therefore drill targets for hematite were restricted to the high resolution gravity survey area. A high resolution gravity survey to cover the remaining 60% of the tenement is being investigated.

The geophysical image in Figure 1 below outlines in white the high resolution gravity area surrounded by the aeromagnetics over the Wilgerup and Tooligie tenements.

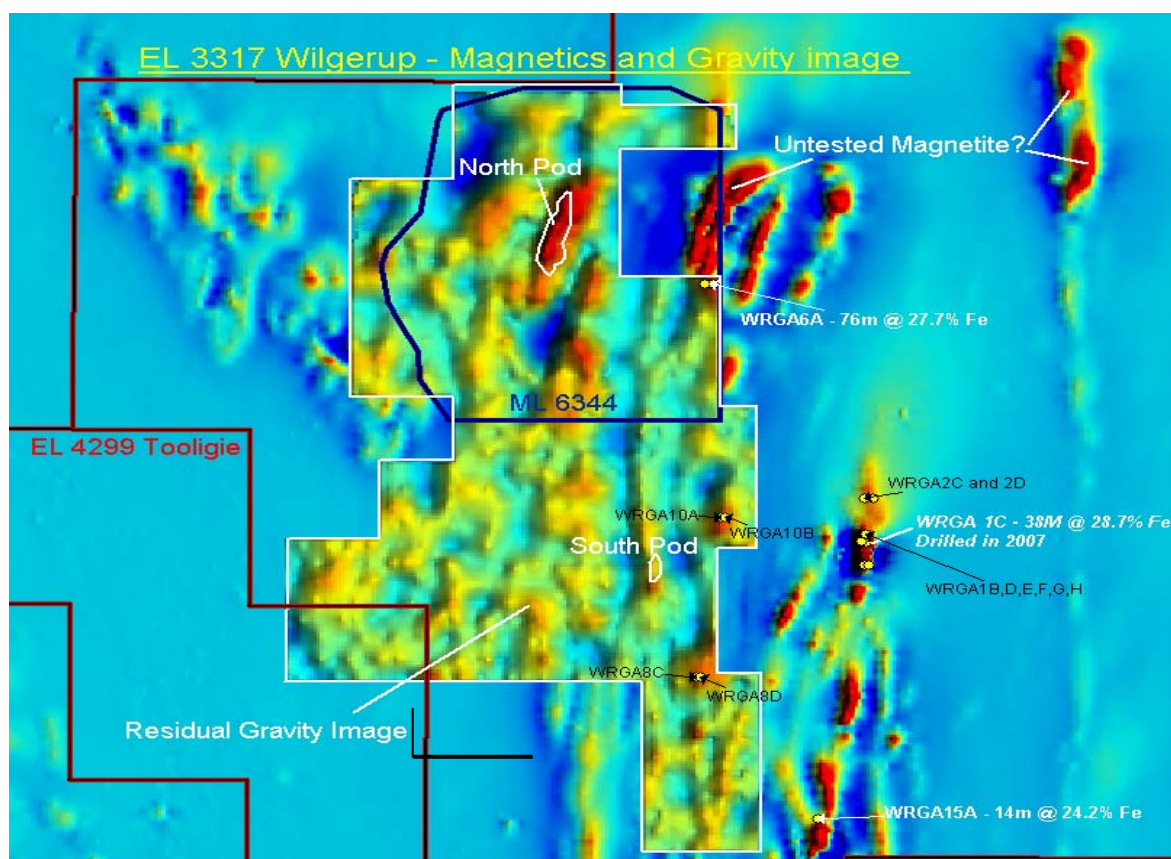


Figure 1: EL 3317 Wilgerup Residual Gravity Image (centre) surrounded by the aeromagnetics.

Goulburn Skarn Project – EL 7503 and EL 7388

In 2009, Centrex completed a wide ranging desktop review of NSW for iron ore in the magnetite skarn style of mineralisation. The Lachlan Fold Belt region has a rich mining history principally focussing on gold and base metals whereby magnetite skarns, as a source of iron ore has not been the principal target for exploration. The Company viewed this as an opportunity which culminated in the application for and granting of the two (2) exploration licences EL 7503 and EL 7388 – Figure 2.

Managing Director's Report

For the Year Ended 30 June 2010

Overall the Goulburn skarn project area contains numerous discrete magnetic anomalies that are thought to potentially host economic iron ore mineralisation including the highly prospective Collector, Archer, Astrid, Terry Hie and Ryans prospects. Additional to this there is also potential for base metal rich sulphide skarns. Historical exploration of the Collector Prospect by Platinum Search NL with shallow RAB drilling, for targeting base metals encountered massive goethite-hematite gossans, which from follow up diamond drilling were shown to have formed over massive goethite-sulphide skarns. Although this drilling did not intersect massive magnetite skarns the magnetic anomalies tested were some of the weakest in the area. It is thought that the higher magnetic anomalies in the prospect may represent potential magnetite skarns given the large amount of iron demonstrated to be in the geological system, as shown by the iron rich gossans and massive goethite.

Past diamond drilling by CRA Exploration Pty Ltd encountered skarn style mineralisation at the Archer Prospect, with a massive pyrite skarn intersected at the Terry Hie anomaly and a massive magnetite skarn intersected at the Astrid anomaly. Importantly this exploration was targeting base metals and was not reviewed in detail for the potential of economic iron ore deposits in the area.

Centrex engaged a New South Wales based geological consulting firm 'GeosMining' to undertake the initial geological assessment of the project area. The aim was to identify and prioritise magnetite targets via a two stage process. Stage 1 involved an extensive literature review, geological evaluation and the compilation of land use and landowner data. Stage 2 included ground truthing of the various prospects and a series of ground magnetic surveys over the Priority 1 and 2 anomalies identified in Stage 1. The Stage 2 report subsequently recommended a number of prospective magnetite and base metal targets for follow up. At time of writing an airborne gravity and magnetics survey has been completed by Fugro Airborne Surveys in September 2010.

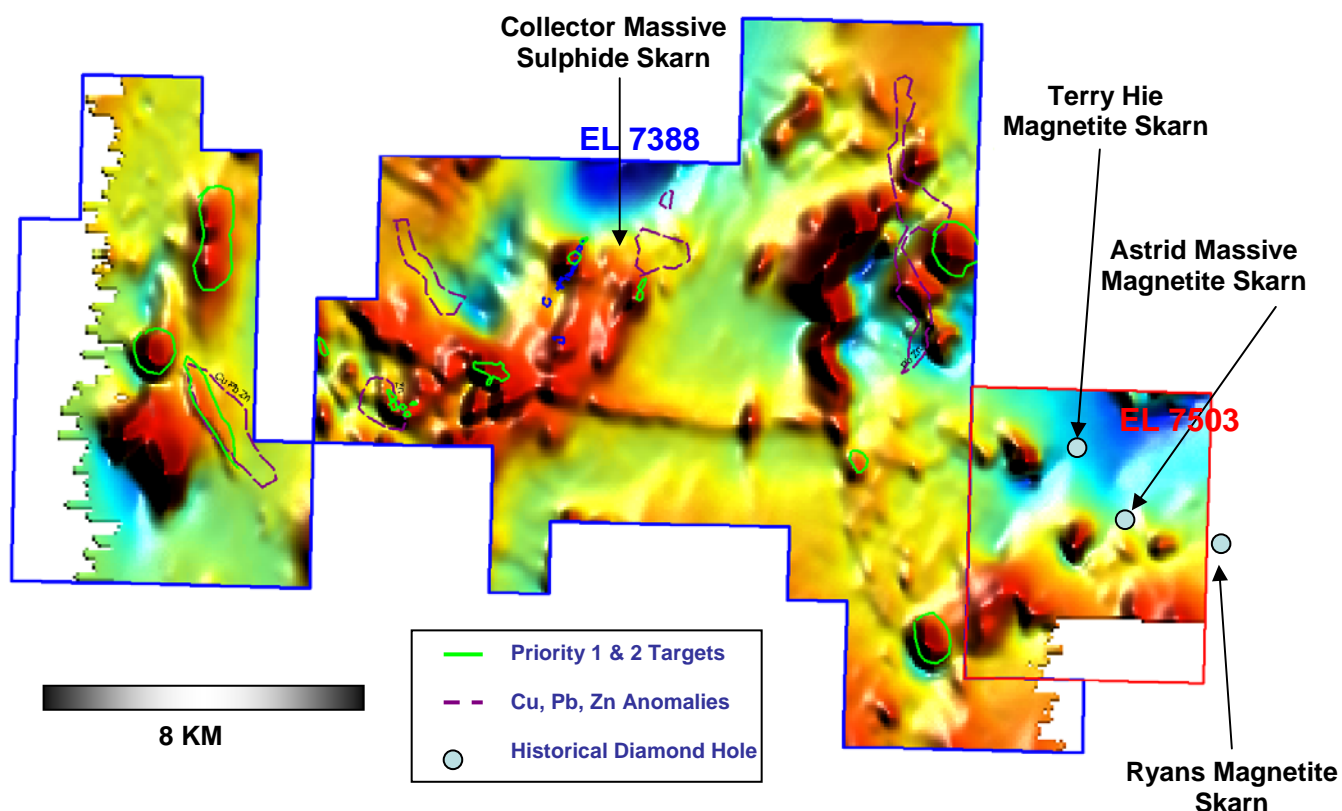


Figure 2 Magnetic intensity image and targets of EL 7388 and EL 7503.

Managing Director's Report

For the Year Ended 30 June 2010

Cockabidnie

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

The project is dominated by the Campoona Syncline. Synclines are a key structural feature common to many major iron ore deposits in Australia. Aeromagnetic data indicates a NNE-trending open syncline with an approximate 5km strike length. The fold closure extends into Lincoln Minerals Limited's Cockabidnie North tenement where Centrex has the iron ore rights.

In late 2009 Centrex conducted a high resolution Full Tensor Gravity (FTG) survey over the Campoona Syncline. Intrepid Geophysics completed the analysis and interpretation of the FTG survey. The results were encouraging and a number of targets were identified within the Campoona syncline and from coincident magnetic and gravity targets over the banded iron formation.

Boart Longyear subsequently completed a total of 26 reverse circulation drill holes for 2,406m over a number of targets (FTG 1 – 3) identified from the 2009 FTG gravity survey and surface mapping of outcropping hematite veins – see Figure 3. The drilling was completed on 23 February 2010 before the drill rig was mobilised to Wilgerup.

The hematite veining was a key focus as a potential low tonnage deposit with holes designed along the length of the surface outcrops. A number of short intervals of hematite were intersected beneath the hematite veins however the veining is not consistent along strike or down dip and the hit and miss nature of the drilling of the veins reflects this. The best intercepts were 6m @ 55.8% Fe and 6m @ 52.3% Fe, and the resource was not considered commercially viable – see table below.

Hole ID	From	To	Interval (m)	Fe	SiO2	Al2O3	P
COR16	52	58	6	52.3	23.1	1.1	0.012
COR01	46	52	6	55.8	14.8	2.2	0.046

The main FTG Targets 1 - 3 as outlined in Figure 3 below were drilled on a broad spacing for a first pass assessment of the underlying geology and gravity anomalies. Ferruginous meta-sediments, schists and amphibolite were common within the oxide and primary zones however significant hematite mineralisation was not encountered. Magnetite mineralisation was common and could explain some of the gravity anomalies however magnetite was not a primary target. The best magnetite intercept was 10m @ 22.5% Fe.

Further exploration upside exists to the north west of the tenement which was not included in the FTG survey. Outcropping banded iron formation and associated hematite veining makes the area a prospective target for follow up ground gravity and or drilling proposed for 2011.

Managing Director's Report

For the Year Ended 30 June 2010

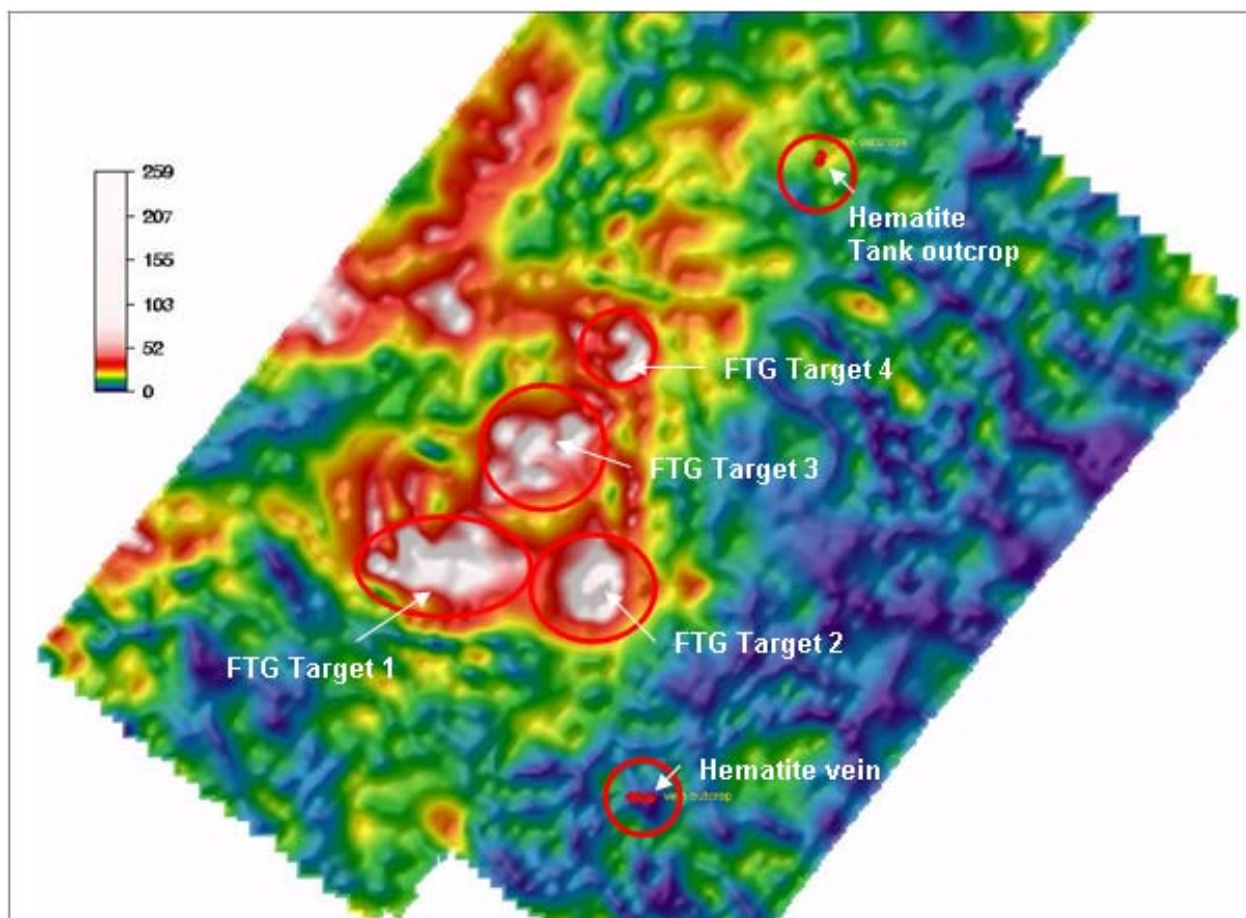


Figure 3 Cockabidnie Project - Tensor Analytical Signal Z-scale in Eotvos (0.1 mGal/km)

Western Middleback Iron Ore Tenements

A renewed focus on the Company's Western Middlebacks tenements has emphasised the prospective nature of the area for iron ore. Magnetite and hematite banded iron formation (BIF) outcrops in a number of locations throughout the tenements.

The western Middleback tenements have a number of magnetite and hematite BIF occurrences however only limited field mapping and ground truthing has been undertaken until now. An extensive regional 1:25,000 mapping and prospect evaluation exercise over the ~ 490 km² area has now been completed in order to prioritise the numerous BIF outcrops throughout the tenements. The mapping exercise has so far identified extensive discrepancies when compared to the published maps of the area. This includes the discovery of both additional BIF outcrops and BIF misinterpreted as granite (presumably from air photos).

The Kimba Gap iron ore project in particular has potential for a significant magnetite deposit especially considering that the jaspilite ridge has a strong aeromagnetic anomaly and strike length of 3.5 – 4km's. Field mapping from traverses across the jaspilite ridge has confirmed the presence of siliceous magnetite BIF and a significant NW structure. 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 drill tested. An Exploration Target for magnetite BIF has yet to be assessed by time of writing.

The Western Middlebacks tenements are 100% owned by Centrex and are not included in the Company's WISCO or Baotou Iron Ore Joint Ventures.

Managing Director's Report

For the Year Ended 30 June 2010

Lock

A ground gravity survey was undertaken in August 2009 by Haines Survey over the most prospective areas of the Lock tenement. The targets include hematite BIF similar to Wilgerup, and magnetite BIF. The survey was performed at 200m line spacing and 40m station spacing.

A geophysical assessment of the gravity survey and regional magnetics over selected areas of the Lock tenement was undertaken by ASIS International. The results of the gravity survey did not indicate any obvious hematite targets for immediate drill testing. The tenement is not considered commercially viable for hematite, however it remains prospective for magnetite in the north western area of the tenement.

4. EXPLORATION Plan FY2011

The principal exploration objective for the FY2011 budget is to rapidly progress the Company's two iron ore joint ventures at the Bungalow magnetite deposit and with Eyre Iron at the Carrow and Greenpatch magnetite deposits.

The exploration program and budget are still to be agreed by the Board and the following review should be viewed in that context as it may be subject to change.

Baotou Bungalow Joint Venture

The Stage 1 Scoping Study for the Bungalow magnetite deposit will continue into FY2011 as discussed earlier.

Goulburn Skarn Project

The Goulburn magnetite skarn and base metal project will be a key focus for Centrex during the year. An airborne gravity and magnetics survey will be completed by Fugro Airborne Surveys in September 2010. The results will be assessed and interpreted by Geophysical consultants ASIS International.

Depending on results the intention is to test the top three priority targets with a nominal 6 diamond drill holes.

Wilgerup

The Wilgerup tenement remains under explored outside of the Wilgerup hematite Resource area and remains highly prospective for additional iron ore discoveries to the east and south of the Wilgerup hematite Resource.

A detailed ground gravity survey has been designed for the remaining areas of the tenement which has already been surveyed by airborne magnetics. Depending on timing in relation to the completion of the Stage 1 Bungalow drilling program the Wilgerup ground gravity survey should be completed in the second half of the year followed by reverse circulation drilling of identified targets.

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.

A ground gravity survey has been proposed for the NW portion of the tenement and an assessment will be made at that time on the overall prospectivity of the tenement.

Western Middlebacks

The recent mapping exercise has identified a number of prospective magnetite targets within the Western Middleback tenements that are ideally situated in respect to infrastructure and resources.

Managing Director's Report

For the Year Ended 30 June 2010

Although the region has significant areas of outcropping BIF no drilling has been planned for next year due to the Company's focus on the WISCO and Baotou joint ventures. Additional follow up mapping and rock chip sampling however is planned over the more prospective areas at Kimba Gap and Stony Hill.

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.

The ground gravity survey in 2009 over selected areas of the tenement did not indicate any targets for drilling. The tenement still remains prospective for magnetite in the NW section of the tenement however no significant exploration is planned for FY2011.

Competent Person's Statement

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

5. DEVELOPMENT

Wilgerup Mine

A Mineral Lease for Wilgerup was signed by Centrex on 27 July 2009. The Mineral Lease was officially granted by the Minister effective from 12 August 2009 for a period of 10 years with an automatic right of renewal.

The Mine and Rehabilitation Plan (MARF) was completed and submitted to PIRSA in September 2009. Discussions have been held with PIRSA staff to improve sections of the document including life-of-mine dewatering requirements and post mining rehabilitation plans. Approval is anticipated in the December quarter 2010.

The rehabilitation cost estimate and payment schedule for the Wilgerup mine site was submitted to PIRSA in June 2009. Following discussions with PIRSA representatives, the rehabilitation cost schedule including progress payments based on the extent of ground disturbance and progressive rehabilitation of the waste dump was accepted by PIRSA for the Wilgerup project and incorporated into the MARF.

Kamballa Station, incorporating the Wilgerup hematite orebody, was leased to an adjoining property owner during the period to ensure the land is maintained in good standing. The Lessee is responsible for weed and vermin control on the property and maintaining fences and fire control breaks in good condition. The lease agreement is based on standard agricultural commercial terms and was renewed for a further 4 years, excluding the area allocated to mining and waste rock disposal.

Negotiations continued with Genesee & Wyoming Australia (G&WA) throughout the term for rail access and haulage rates for transport of Wilgerup ore from the private rail siding to Port Lincoln. Several variations were evaluated to achieve realistic rail haulage charges. Negotiations are ongoing at this stage.

Installation of the first of two planned baseline dust and weather monitoring stations on the Wilgerup site was completed in June 2009 and commissioned in July 2009. 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.

Managing Director's Report

For the Year Ended 30 June 2010

Wilgerup Mine Plan and Schedule

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

A detailed road and rail 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 Viterria on rail access charges and operating charges at Port Lincoln.

Work completed during the year included:

- 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.
- Optimisation of pit design and waste dump requirements.
- Installation of first dust monitoring instrument on the mine site to collect baseline data.

Figure 4 Wilgerup Mine Site Layout Plan

Port Lincoln Wharf – Brennen Jetty

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

The Minister announced his decision to approve the Development Application on 6 October 2009.

There are 12 conditions applicable to the Development Approval, including restricting rail operating hours within the port precinct and tenure of 10 years for the operating license from the date of first shipment. Centrex continues to negotiate with the Environmental Protection Authority (EPA) to ensure that satisfactory Operating License Conditions are applied to the operations.

Centrex commenced negotiations with Viterria to secure access to existing 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 were drafted for review.

Managing Director's Report

For the Year Ended 30 June 2010

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 over the proposed export of ore via the Brennen jetty, with some members of the local community being active throughout the year. However, there has been a shift in sentiment, with positive feedback received following presentations to the Port Lincoln City Council and approval granted by the Minister to export Wilgerup product via Brennen jetty. Engagement and consultation with the Port Lincoln community will continue and gaining broad community support for the export facility remains a high priority.

Work completed during the year included:

- Detailed water quality baseline testing and ongoing monitoring of the marine environment. Two marine Sondes and DGT samplers were installed in Boston Bay (Port Lincoln) in January 2010.
- Ongoing monitoring of baseline data from the dust monitoring instrument collecting data prior to exports commencing.
- Updated 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.
- Continued liaison of detailed design for upgrade of facilities at the Port Lincoln Export facility with Viterra and Flinders Ports.

Sheep Hill Port Joint Venture

Centrex and WISCO acknowledge that access to a Cape capable port (160,000 – 240,000 dwt bulk carriers) is critical to the success of the JV and 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 was selected by Centrex after conducting a bathymetric survey along a stretch of coastline from Tumby Bay to Port Neill that identified a section of land with access to 20m depth of water within 500 metres of the shoreline. Centrex purchased 91 hectares of freehold land coastal land, with a first right of purchase of additional freehold land should additional ground be required for expansion in future.

Negotiations for the Deep water port Joint venture were conducted concurrently with the WISCO magnetite JV negotiations. Draft documents are currently undergoing a review by WISCO before final amendments and sign-off by both parties occurs.

Centrex began data collection and marine and terrestrial environmental assessment studies on the site in preparation for a Development Application to construct the port and associated infrastructure. Golder Associates (Golder) were awarded the contract to collect all environmental and geotechnical data required for the completion of the DA and completion of the documentation ready for submission to the South Australian Government. An exhaustive list of proposed studies was prepared to ensure all data required by State and Federal agencies were collected as early as possible to facilitate early completion and approval of the DA.

Spring flora and fauna studies, terrestrial and marine sediment core samples were collected and a transport route assessment completed in preparation for the final development application submission.

Managing Director's Report

For the Year Ended 30 June 2010



Environmental Scientist inspects Rocky outcrops along shoreline



Marine Ecologists collect samples from the waters off the coast of Sheep Hill.

Figure 5 Marine studies undertaken at Sheep Hill Port Location

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

Centrex and Golder have undertaken a first round of preliminary discussion with relevant state government departments to brief them on the location of the proposed port, the status of data collection and to ensure all departmental expectations and required information are assessed and reported in the DA.

A Cultural Heritage survey of the coastal strip (owned by the State) adjacent to the Centrex land on Eyre Peninsula was conducted by the Traditional Owners of the land, the Barngarla and Nauo people in September 2008 and no physical artefacts were identified. The land was identified as part of the dreaming trail of the traditional owners, but this should not represent an obstacle to development. Centrex greatly appreciated the commitment of the survey team in undertaking the cultural heritage survey, which included elders from both the Barngarla and Nauo people.

Managing Director's Report

For the Year Ended 30 June 2010

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 ship loader capable of 4,500 to 5,000tph.
- A jetty and wharf structure approximately 500m 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.
- Filtration and conveyor systems to allow receipt of magnetite slurry via pipeline to the facility from mine sites.
- On-shore support facilities such as offices for maintenance and employee amenities.
- Allowance in design for potential upgrades to infrastructure to accommodate 3rd party users and additional commodities.

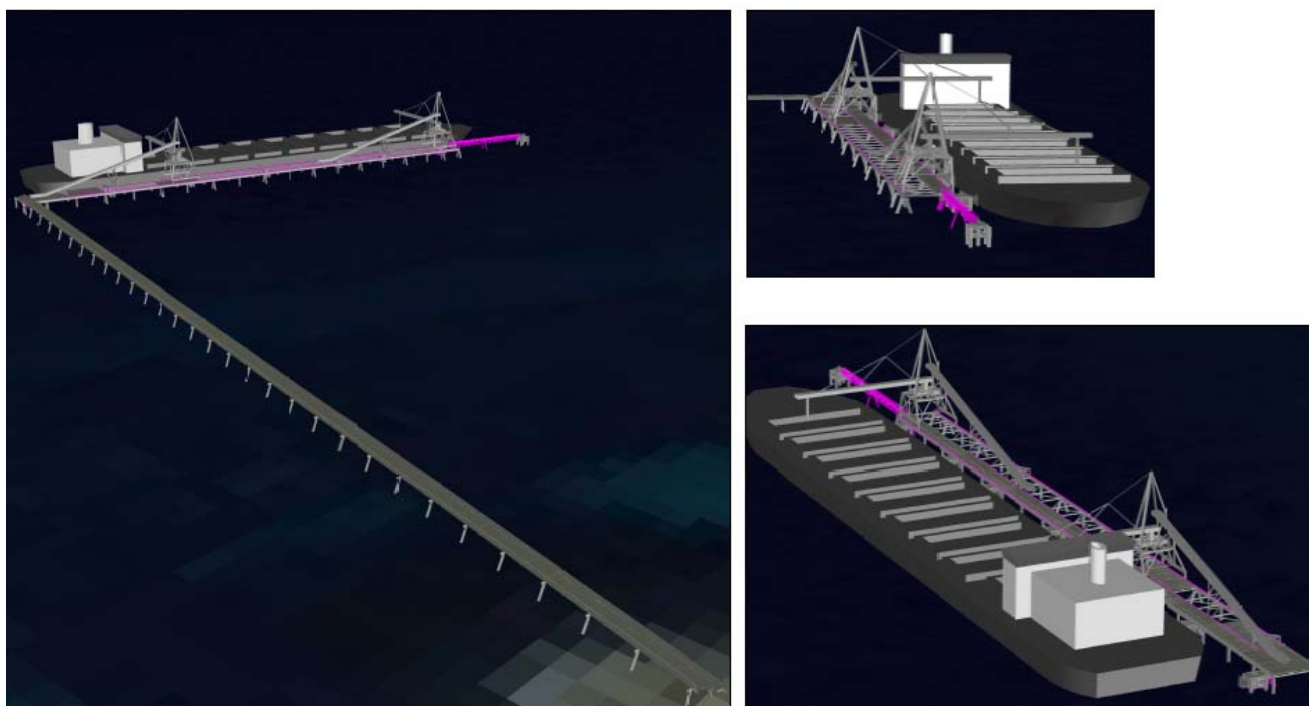


Figure 6 Schematic of proposed Sheep Hill Jetty and ship loading facilities

These preliminary parameters may change on the basis of the requirements of the Centrex / WISCO Joint Venture and other potential third party port users as further details become apparent.

Managing Director's Report

For the Year Ended 30 June 2010



Figure 7 Sheep Hill Port proposed layout plan

Preliminary discussions have been completed with other potential users with potential operations on Eyre Peninsula and with grain marketing groups. Discussions to date have been positive, with the potential to secure significant 3rd party export tonnes from one or more of these explorers.

Community Support for the Port

Centrex has received support from the Tumby Bay Council and strong support from the Tumby Bay community for the development of the Sheep Hill port. The Council believes that the proposed port and adjacent mines would significantly bolster the region's economy and provide much needed employment opportunities for the region. As with any major development, there is concern from some community members over the proposed port and a community engagement plan and the formation of a community consultation group will form an important part of the program for 2011.

Jim White

Mr Jim White
Managing Director

Dated at Adelaide this 22nd day of September 2010.

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

Directors' Report

For the Year Ended 30 June 2010

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 30 June 2010 and the auditor's report thereon.

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

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

Directors' Report

For the Year Ended 30 June 2010

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	Position, Experience and special responsibilities
Mr David Klingberg, AO, FTSE, D UniSA, B.Tech, FIE Aust, FAus IMM, FAICD	Appointed 19/04/05	Independent Non-Executive Director- Chairman (from 15 January 2010) 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 Premier's Climate Change Council.
Mr Jim White, B.App. Sci(Met), FIEAust, CP Eng.	Appointed 16/08/10	Managing Director Mr. White is a metallurgist who has spent his career with BHP and OneSteel, with a focus on steelmaking, exploration and major project development. His involvement in the successful OneSteel Project Magnet iron ore export development and in government and community liaison is particularly relevant to the Company's plans for the Eyre Peninsula.
Mr Kiat Poh Dip C.E.	Appointed 21/05/08	Independent Non-Executive 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. On 27 August 2009, Mr Poh was appointed as a director of Synergy Metals Ltd.
Mr Geoffrey Hill, FCPA, FCDA, FSIA	Appointed 20/10/08	Non-Executive 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. Professional directorships include Hills Industries Limited, Broken Hill Prospecting Ltd, Metals Finance Limited, Outback Metals Limited and Heritage Gold NZ Ltd. Mr Hill was previously a director of Brickworks Investments Limited, Huntley Investment Company Limited and Westralian Energy. Mr Hill is also Managing Director of unlisted South Cove Ltd, the largest shareholder in the Company. Accordingly, he is not considered to be "independent" for the purposes of the Company's corporate governance policies.

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

Directors' Report

For the Year Ended 30 June 2010

1. Directors (continued)

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

Name and Qualifications	Appointed /Resigned	Position, Experience and special responsibilities
Mr Graham Chrisp, B Tech (CE)	Appointed 21/01/10	<p>Non-Executive</p> <p>Mr Chrisp has a degree in Civil Engineering & has substantial experience in numerous aspects of business operations, including design and construction of roads and other earthworks, mineral exploration and property development. He was a founding director of Centrex Metals Limited (having previously served as its Managing Director) and Lincoln Minerals Ltd. He is a director of the listed company Outback Metals Limited and is Managing Director of unlisted public company Energy Exploration Ltd and has numerous private interests.</p> <p>Mr Chrisp is also a Director of unlisted South Cove Ltd, 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>
Mr Xiaopeng Yin	Appointed 21/01/10	<p>Non-Executive</p> <p>Mr Yin is General Manager of Mineral Industry Corporation and Chairman of Wugang Australian Resources Investment Pty Ltd, the Company's second largest shareholder. Both are wholly owned subsidiaries of Wuhan Iron & Steel (Group) Co (WISCO). Mr Yin has many years experience working in the mining industry.</p> <p>He is presently a director of Consolidated Thompson Mines Ltd (Canada) and was the General Manager of Daye Iron Ore Mine (located in Hubei province, China) which has 5,000 employees and produces 1.1Mt of iron ore concentrate per annum.</p> <p>As Chairman of Wugang Australian Resources Investment Pty Ltd, an unlisted company that is the second largest shareholder in the Company, Mr Yin is not considered to be "independent" for the purposes of the Company's corporate governance policies.</p>
Dr Liaowu Guo	Appointed 21/01/10	<p>Non-Executive, alternate Director to Mr Yin</p> <p>Dr Guo has a PhD in mining and is the Vice General Manager of Mineral Industry Corporation and Managing Director of Wugang Australian Resources Investment Pty Ltd, the Company's second largest shareholder. Both are wholly owned subsidiaries of WISCO. Dr Guo has resided in Adelaide from April in anticipation of the commencement of joint venture activities between Centrex Metals Limited and WISCO and will be WISCO's delegate to the Company.</p> <p>Dr Guo also has significant experience in the iron ore industry having been General Manager of Chengchao Iron Ore Mine (Chengchao). Chengchao has annual production of 1.2 Mt of iron ore concentrate and has 5,000 employees. Dr Guo was also responsible for the construction of a 5mtpa pellet plant which is the largest in Asia and the 6th largest in the world.</p> <p>As Managing Director of Wugang Australian Resources Investment Pty Ltd, an unlisted company that is the second largest shareholder in the Company, Dr Guo is not considered to be "independent" for the purposes of the Company's corporate governance policies.</p>

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

Directors' Report

For the Year Ended 30 June 2010

1. Directors (continued)

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

Name and Qualifications	Appointed /Resigned	Position, Experience and special responsibilities
Mr Jim Hazel, B.Ec, F Fin, FAICD	Appointed 12/07/10	<p>Non-Executive</p> <p>Mr. Hazel has had an extensive career in banking and investment banking, including as Chief General Manager of Adelaide Bank Ltd. Until recently he was managing director of an ASX listed retirement village and aged care operation.</p> <p>He is a professional Public Company Director and has served on the Board of Terramin Australia Limited and Becton Property Group Ltd and is currently a Director of Bendigo and Adelaide Bank Limited, Rural Bank Limited, Impedimed Limited and the Motor Accident Commission.</p> <p>Mr. Hazel will chair the Company's Audit and Risk Management Committee from September 2010.</p>
Mr Gerard Anderson, Assoc Applied Geology, Grad Dip Bus, MSc	Appointed 11/04/06 Resigned 16/07/10	<p>Managing Director</p> <p>Geologist with 34 years experience as a professional geologist and manager including 16 years in senior exploration and mine management roles. Mr Anderson has held senior management roles including Exploration Superintendent at the Boddington Gold Mine, Chief Geologist at the Bronzewing Gold Mine and at Kalgoorlie Consolidated Gold Mines, General Manager Golden Grove Operations (Normandy and Newmont), General Manager Joint Ventures (Newmont) and Managing Director Croesus Mining NL.</p> <p>Non Executive Director of Archer Exploration Limited.</p>
Mr David J Lindh, OAM, LLB, FAICD, FTIA.	Appointed 23/03/01 Retired 21/01/10	<p>Non-Executive Director- Chairman (to 15 January 2010)</p> <p>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.</p>

Committee Advisers

Mr Colin Dunsford, Retired Partner, Assurance at Ernst & Young

The Board of Centrex Metals Limited has appointed Mr Colin Dunsford to the Audit and Risk Management Committee in an advisory capacity. Mr Jim Hazel will succeed Mr Dunsford as Chair of the Audit and Risk Management Committee following the completion of the annual report.

The Audit and Risk Management Committee reviewed and approved this report while Mr Dunsford was chair of the committee.

Directors' Report

For the Year Ended 30 June 2010

2. Executives considered to be Key Management Personnel

Chief Operating Officer

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

Mr Malaxos is a Mining Engineer with in excess of 24 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.

Exploration Manager

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

Mr Watts is a Geologist with 19 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 and General Manager Finance

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

Mr Bosch is a member of CPA Australia and Chartered Secretaries Australia. He has over 13 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 2010 was:

	Board Meetings		Audit and Risk Management Committee Meetings		Remuneration and Nomination Committee* & Safety and Environmental Committee Meetings*	
	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Mr D Klingberg	17	16	3	3	17	16
Mr J White	-	-	-	-	-	-
Mr K Poh	17	17	3	3	17	17
Mr G Hill	17	16	3	2	17	16
Mr G Chrisp	7	7	2	2	7	7
Dr L Guo	6	5	2	2	6	5
Mr J Hazel	1	1	-	-	1	1
Mr D Lindh	10	10	1	1	10	10
Mr G Anderson	17	17	3	3	17	17

* The Safety and Environmental Committee comprise of the Board as a whole and the Remuneration and Nomination Committee comprise the non-executive members of the Board. Given the importance of matters relevant to these committees, such meetings are incorporated into the regular Board Meetings as a separate agenda items.

Directors' Report

For the Year Ended 30 June 2010

4. Corporate Governance Statement

The Board is committed to the principles underpinning best practice in corporate governance and the Group 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

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 Group 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;
- a majority of 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.

Directors' Report

For the Year Ended 30 June 2010

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.

The Chairman, Mr David Klingberg, Mr Kiat Poh and Mr Jim Hazel are all considered to be independent by virtue of their meeting of the criteria outlined directly above.

It is noted that Mr Geoffrey Hill, Mr Graham Chrisp, Dr Liaowu Guo (alternate for Mr Yin) and Mr Jim White are not considered to be independent. Mr Hill and Mr Chrisp are directors of South Cove Ltd, the largest single shareholder in the Company. Dr Guo and Mr Yin are directors of Wugang Australian Resources Investment Company Pty Ltd, the second largest shareholder in the Company. Mr Jim White is the Managing Director of the Company. As a consequence, at 30 June 2010 the Board does not meet its defined objective of having a minimum of half independent Director representation.

The Board considers it important to distinguish independence from conflict of interest which can arise in some circumstances from the kinds of additional connections listed in the ASX definition of independence. The Board has in place protocols to deal with any conflict when it arises, including excluding any conflicted director from materials and deliberations on the topic.

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 30 June 2010

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. No review of the Board was conducted during the year ended 30 June 2010, however a formal review process was commenced in July 2010 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.

The Group has 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 30 June 2010

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 Colin Dunsford, a now retired partner of accounting firm Ernst & Young. The Chair will be assumed by Mr Jim Hazel, an Independent Non-Executive director, following the completion of the annual report. The qualifications and experience of the Directors have been included in Section 1 of this Directors' Report.

In terms of the composition of this committee and the guidance from the ASX Corporate Governance Council; the Board has decided from July 2010 that this committee will consist only of the directors defined as independent thereby meeting the recommendation of consisting of a majority of independent Directors.

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 2010 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 30 June 2010

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 Remuneration and Nomination Committee comprise the non-executive members of the Board. Matters relevant to the committee are included as part of the agenda for directors' meetings, with non-members of the committee leaving the meeting for that part of the discussion.

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 30 June 2010

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 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 Board did obtain independent advice regarding compensation packages during the year. It has charged management with responsibility of implementing the advice provided regarding short-term and long-term incentive plans.

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 2010, 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 Poh nor Mr Hill nor Mr Chrisp are paid superannuation benefits. Messer's Poh, Hill and Chrisp are paid directly for the value of their superannuation entitlements.

Executives

Mr Jim White

On 12 July 2010 Mr Jim White signed an Executive Services Agreement with the Company. Mr White's remuneration package for 2010/2011 includes a base remuneration package of \$400,000 (inclusive of government mandated and (if applicable) salary sacrificed, superannuation contributions), and a short term incentive target for the financial year ended 30 June 2011, comprising a cash payment of up to 20% of the base package to be paid before 30 September 2011 based on the achievement of certain key performance targets.

The short term incentive for each financial year after the financial year ended 30 June 2011 will be determined by the Board before the commencement of that financial year, having regard to the recommendations made by remuneration consultants. The short term incentive for each of those financial years will provide at least the same incentive benefit to Mr White as that set out above for the financial year ended 30 June 2011.

Directors' Report

For the Year Ended 30 June 2010

5.1 Principles of compensation – audited (continued)

The remuneration package also includes a long term incentive component, comprising an allocation of 750,000 options under the existing Centrex Executive Option Plan. These options will have a strike price at 5% above the closing market price of Centrex's shares on ASX on 30 June 2010, will vest once Mr White has completed 2 years employment with Centrex and will expire on 30 June 2014. The issue of the options will be subject to shareholder approval under ASX Listing Rule 10.14. Depending on the performance of the Company the options could add a value of up to 60% to the base remuneration package.

Mr White will also be eligible to participate in any other longer term incentive plan that is adopted by the Board.

If Mr White's employment is terminated without cause, he will be entitled to 6 months written notice (or payment of salary in lieu of) and any accrued but not yet paid salary and leave entitlements. He will also be entitled to any right or entitlement accrued under an incentive scheme (provided all necessary approvals have been obtained in relation to that right or entitlement before cessation of employment).

If Mr White's employment is terminated due to a failure to provide the services required under the agreement, he will be entitled to 3 months written notice (or payment of salary in lieu of). In certain other situations where Mr White's employment is terminated with cause, notice of termination will be effective immediately without payment of any amount or the provision of any benefit, other than salary and leave entitlements accrued to the date of termination and not yet paid.

Mr White may terminate the agreement by giving six months written notice at which time the Company may either retain the Mr White for all or part of the notice period or pay an amount equal to the notice period not so retained.

Mr Gerard Anderson

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 was 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 was entitled to participate in the annual Employee Share Option Plan.

On 12 July 2010 Mr Gerard Anderson and the Company signed a deed of resignation which ended Mr Anderson's employment effective from 16 July 2010. In lieu of the remaining period of Mr Anderson's Executive Service Agreement an amount of \$645,000 was paid in July 2010 as complete consideration of any outstanding non-statutory entitlements. In addition to this \$64,486 was paid for his annual leave entitlement. A provision for this amount was brought to account in the period ended 30 June 2010.

Other Key Management Personnel

In addition to the Non-Executive Directors and executives listed above, the following persons are considered to be key management personnel of the Group:

- Mr Kevin Malaxos Chief Operating Officer
- Mr Alastair Watts Exploration Manager
- Mr Gavin Bosch Company Secretary and General Manager Finance

The experience of these persons has been listed at section 2 of this Directors' Report.

The Company has service contracts with each key management person listed above. Each contract is for an unlimited term, but can be terminated by either party by giving up to three months written notice. The Company reserves the right to terminate the contract without notice in the event of misconduct or dishonesty.

CENTREX METALS LIMITED

A.B.N. 97 096 298 752

Directors' Report

For the Year Ended 30 June 2010

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

Details of the nature and amount of each major element or remuneration of each director of the Company, each of the 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 remun. based	Value of options as a proportion of remuneration
			Salary & fees	STI cash bonus	Non-monetary benefits	Total	Super-annuation benefits			Options and rights			
			\$	\$	\$	\$	\$	\$	\$	\$	\$		
Directors													
Mr D Lindh	Non-exec	2010	58,333	-	-	58,333	5,250	-	-	-	63,583		
(resigned 21 January 2010)		2009	100,000	-	-	100,000	9,000	-	-	-	109,000		
Mr D Klingberg	Non-exec	2010	81,250	-	-	81,250	7,313	-	-	-	88,562		
		2009	67,500	-	-	67,500	6,075	-	-	-	73,575		
Mr N Jackson	Non-exec	2010	-	-	-	0	-	-	-	-	0		
(resigned 28 November 2008)		2009	29,521	-	-	29,521	-	-	-	-	29,521		
Mr K Poh	Non-exec	2010	70,850	-	-	70,850	-	-	-	-	70,850		
		2009	79,317	-	-	79,317	-	-	-	-	79,317		
Mr G Hill	Non-exec	2010	70,850	-	-	70,850	-	-	-	-	70,850		
(appointed 20 October 2008)		2009	49,138	-	-	49,138	-	-	-	-	49,138		
Mr G Chrisp	Non-exec	2010	31,425	-	-	31,425	-	-	-	-	31,425		
(appointed 21 January 2010)		2009	-	-	-	0	-	-	-	-	0		
Dr L Guo	Non-exec	2010	27,083	-	-	27,083	-	-	-	-	0		
(appointed 21 January 2010)		2009	-	-	-	0	-	-	-	-	0		
Mr J Hazel	Non-exec	2010	-	-	-	0	-	-	-	-	0		
(appointed 12 July 2010)		2009	-	-	-	0	-	-	-	-	0		
Mr J White,	Managing Director	2010	-	-	-	0	-	-	-	-	0		
(commenced 16 August 2010)		2009	-	-	-	0	-	-	-	-	0		
Mr G Anderson,	Managing Director	2010	385,000	90,000	-	475,000	71,250	-	709,486 ^{#1}	(694,114)	561,622		
(resigned 16 July 2010)		2009	385,000	120,750	-	505,750	56,196	-	-	448,973	1,010,919	20%	44.41%
Total compensation: Directors		2010	724,791	90,000	-	814,791	83,813	-	709,486	(694,114)	913,976		
		2009	710,476	120,750	-	831,226	71,271	-	-	448,973	1,351,470		

^{#1} The termination benefit paid to Mr Anderson included an ex gratia payment of \$645,000 and a statutory entitlement for annual leave of \$64,486.

CENTREX METALS LIMITED

A.B.N. 97 096 298 752

Directors' Report

For the Year Ended 30 June 2010

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

Details of the nature and amount of each major element or remuneration of each director of the Company, each of the 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 remun. performance based	Value of options as a proportion of remuneration	
		Salary & fees	STI cash bonus	Non-monetary benefits	Total	Super-annuation benefits			Options and rights				
						\$			\$				\$
Executives													
Mr K Malaxos	Chief Operating Officer	2010	262,500	13,125	-	275,625	24,806	-	-	170,426	470,857	50%	36.19%
		2009	262,500	-	-	262,500	23,625	-	-	11,056	297,181	20%	3.72%
Mr A Watts	Exploration Manager	2010	173,250	6,930	-	180,180	16,216	-	-	121,189	317,585	50%	39.01%
		2009	173,250	-	-	173,250	15,593	-	-	39,015	227,858	20%	17.12%
Mr G Bosch	Co. Secretary & G.M. Finance	2010	143,000	6,300	-	149,300	13,437	-	-	141,702	304,439	50%	46.55%
		2009	126,000	-	-	126,000	11,340	-	-	9,178	146,518	20%	6.26%
Total compensation: Executives		2010	578,750	26,355	-	605,105	54,459	-	-	433,317	1,092,881		
		2009	561,750	-	-	561,750	50,558	-	-	59,249	671,557		
Total compensation: Directors (see previous page)		2010	724,791	90,000	-	814,791	83,813	-	709,486	(694,114)	913,976		
		2009	710,476	120,750	-	831,226	71,271	-	-	448,973	1,351,470		
Total compensation: key management Personnel		2010	1,303,541	116,355	-	1,419,896	138,272	-	709,486	(260,797)	2,006,858		
		2009	1,272,226	120,750	-	1,392,976	121,829	-	-	508,222	2,023,027		

CENTREX METALS LIMITED

A.B.N. 97 096 298 752

Directors' Report

For the Year Ended 30 June 2010

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

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Remuneration and Nomination Committee uses the following Company key performance indicators, which are composed of the following 5 equally weighted objectives to assess performance:

- 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.

The Remuneration and Nomination Committee also give reference to the following indices when assessing performance, although the committee acknowledges that as an exploration company the use of such indices does not fully reflect Company performance.

	2010	2009	2008	2007	2006
Profit / (loss) attributable to owners of the company	(\$1,837,302)	(\$2,181,115)	(\$1,246,394)	(\$657,013)	(\$632,922)
Dividends paid	-	-	-	-	-
Share price	\$0.43	\$0.26	\$0.40	\$0.47	\$0.20

In reaching a decision to award short term incentives (cash bonuses) and options for the year ended 30 June 2009, the Remuneration and Nomination Committee assessed that 4 of the 5 objectives identified above had been met for the year, with the share price increase having not been met.

Options

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

Director / Executive Officer	Type	Grant Date	No. Options	Fair value	Exercise Price	Vesting Date	Expiry
Mr K Malaxos Chief Operating Officer	2012 Exec. Plan	23/12/09	375,000	\$158,909	\$0.42	01/07/10	30/06/12
Mr A Watts Exploration Manager	2012 Exec. Plan	23/12/09	287,500	\$121,831	\$0.42	01/07/10	30/06/12
Mr G Bosch Co. Sec & G.M. Finance	2012 Exec. Plan	23/12/09	312,500	\$132,425	\$0.42	01/07/10	30/06/12

The Group has 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.

Short term incentive – cash bonus

The Company paid the following cash bonus for short term incentives to Directors and Executive Officers during the year:

Director / Executive Officer	Amount Paid
Mr G Anderson Managing Director	\$90,000
Mr K Malaxos Chief Operating Officer	\$13,125
Mr A Watts Exploration Manager	\$6,930
Mr G Bosch Co. Secretary & G.M. Finance	\$6,300

Directors' Report

For the Year Ended 30 June 2010

6. Principal Activity

The principal activity of the Group during the reporting year was iron ore exploration on wholly owned tenements and the establishment of joint venture projects with Wuhan Iron & Steel (Group) Co. ("WISCO") and Baotou Iron & Steel (Group) Co. ("Baotou").

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 ninth 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	
	2010	2009
	\$	\$
Net profit / (loss) after income tax	(1,837,302)	(2,181,115)

The Group incurred expenditure of \$2,443,912 (2009: \$6,187,725) on mineral tenements during the year. Further details can be found in Section 10 of this Directors' 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.

9. Events subsequent to year end

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

- Financial close for the joint venture with WISCO occurred 7 July 2010. The principal terms of the Eyre Peninsula Joint Venture are;
 - WISCO acquires a 60% interest in the iron ore rights to five of Centrex's exploration tenements on the Eyre Peninsula, South Australia.
 - WISCO paid Centrex A\$ 51.5 million at the financial close (A\$ 0.5 million deposit already paid) and will pay a further A\$ 26 million on the first anniversary of the completion (total A\$ 78 million).
 - WISCO to pay four further payments of A\$ 27 million if and when the JORC Inferred Resources for the project reach 1.25Bt, 1.5Bt, 1.75Bt and 2.0Bt respectively (up to an additional A\$ 108 million).
 - WISCO to additionally sole fund the first A\$ 75 million of exploration for the Joint Venture.
 - WISCO to assist with project financing for construction of the processing plant.
 - 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.
- On 12 July 2010 Mr Jim Hazel was appointed to the Board as a Non-Executive Director.
- On 12 July 2010 Mr Jim White was appointed as Managing Director (commencing 16 August 2010). Details of Mr White's Executive Services Agreement can be found at item 5 of this report.
- On 12 July 2010 Mr Gerard Anderson and the Company signed a deed of resignation which ended Mr Anderson's employment effective from 16 July 2010. In lieu of the remaining period of Mr Anderson's Executive Service Agreement an amount of \$645,000 was paid in July 2010 as complete consideration of any outstanding non-statutory entitlements. In addition to this \$64,486 was paid for his annual leave entitlement.
- On 10 September 2010 the Company signed a contract for the acquisition of two blocks of land at Lipson Cove (known as Sheep Hill), immediately to the south of land already owned. The combined area is approximately 33 hectares and the contract value is \$339,000.

CENTREX METALS LIMITED

A.B.N. 97 096 298 752

Directors' Report

For the Year Ended 30 June 2010

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	CXM(i)		7 July 2010 [#]
Bungalow/Minbrie EL 3610 previously EL 2817	(a) CXM(i)		13 August 2010 [#]
Kimba Gap EL 3968 previously EL 3018	SAIOG(ii)		4 November 2010
Ironstone Hut EL 3999 previously EL 3048	SAIOG(ii)		11 December 2010
Whyalla ('Ironstone Hill') EL 4185 prev. EL 3125	SAIOG(ii)		17 September 2010 [#]
Stony Hill EL 4451 previously EL 3287	SAIOG(ii)		14 March 2011
Total Northern Area covenant		395,000	
<u>Southern Area</u>			
Wanilla EL 4384 previously EL 3269	(b) CXM(i)		15 November 2010
Wilgerup EL 4467 previously EL 3317	CXM(i)		18 April 2011
Greenpatch EL 3611 previously EL 2816	(b) CXM(i)		13 August 2010 [#]
Dutton Bay EL 3421	(b) CXM(i)		15 September 2010 [#]
Bald Hill EL 3877 previously EL 2905	(b) SAIOG(ii)		5 August 2010 [#]
Carrow EL 3731 previously EL 2887	(b) SAIOG(ii)		11 April 2011
Total Southern Area covenant		580,000	
<u>Other Areas</u>			
Tooligie Range EL 4299	CXM(i)	30,000	18 August 2010 [#]
Lock EL 3401	CXM(i)	35,000	18 August 2010 [#]
Cockabidnie EL 3609 previously EL 2815	CXM(i)	180,000	13 August 2010
Goulburn (NSW) EL 7503	CXM(i)	28,000	7 April 2012
Cockabidnie EL 3609 previously EL 2815	CXM(i)	67,500	20 August 2011
		<u>1,315,500</u>	
(i)	Centrex Metals Limited ("CXM")		
(ii)	South Australian Iron Ore Group Pty Limited ("SAIOG")		
(a)	Boutou Iron and Steel (Group) Limited acquired 10% of the iron ore rights to this tenement on 18 June 2010 following financial close of the Bungalow joint venture agreement.		
(b)	Wuhan Iron and Steel (Group) Limited acquired 60% of the iron ore rights to these tenements on 7 July 2010 following financial close of the Eyre Peninsula joint venture agreement.		
#	These tenements are in the process of being renewed. The Company has no reason to suspect that renewals will be denied by the department of Primary Industries and Resources SA (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 19. 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 in the Northern Area and Southern Area listed above.

CENTREX METALS LIMITED

A.B.N. 97 096 298 752

Directors' Report

For the Year Ended 30 June 2010

10. Likely Developments (continued)

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.

11. Directors' 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
Patna Properties Pty Ltd (a company associated with Mr D Klingberg)	1,000,000	-	-
Mr Kiat Poh	1,918,880	-	-
South Cove Ltd (a company associated with Mr Geoffrey Hill)	80,876,005	-	-
South Cove Ltd (a company associated with Mr Graham Chrisp)	80,876,005	-	-
SEL Holding Ltd (a company associated with Mr Graham Chrisp)	16,198,000	-	-
Lodge Ltd (a company associated with Mr Graham Chrisp)	4,366,667	-	-
Wugang Australian Resources Investment Pty Ltd (a company associated with Mr Xiaopeng Yin)	40,399,599	-	-
Wugang Australian Resources Investment Pty Ltd (a company associated with Dr Liaowu Guo)	40,399,599	-	-
Mr Jim Hazel	-	-	-
Mr Jim White	-	-	-

Other than transactions as detailed in Note 18 to the financial statements, 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.

CENTREX METALS LIMITED

A.B.N. 97 096 298 752

Directors' Report

For the Year Ended 30 June 2010

12. Share Options

Options granted to Directors and executives of the Group

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 Group:

Timing	Name	Exercise Date	Exercise Price	No. of options
	Executives			
23/12/2009	Mr K Malaxos, Chief Operating Officer	30/06/2012	\$0.42	375,000
23/12/2009	Mr A Watts, Exploration Manager	30/06/2012	\$0.42	287,500
23/12/2009	Mr G Bosch, Company Secretary & Chief Accountant	30/06/2012	\$0.42	312,500

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option as detailed in Note 15 to the financial statements are:

Option class	Expiry date	Exercise price	No. of unissued shares at 30 June 2010	No. of options exercised since 30 June 2010	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	2,115,000	170,000	1,945,000
2012 Exec Plan	30 Jun 2012	\$0.42	1,682,000	-	1,682,000

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 2009		3,475,000
Shares issued on the exercise of options for the 12 months ending 30 June 2009	\$0.20	(360,000)
Shares issued on the exercise of options after 30 June 2009	\$0.20	(170,000)
New options issued	-	1,682,000
Expired options	-	-
No. of unissued shares at report date		4,627,000

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 (resigned); Mr David Klingberg; Mr Norton Jackson (resigned); Mr Gerard Anderson (resigned); and, Mr Graham Chrisp. 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 30 June 2010

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 and Risk Management 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.

	Consolidated	
	2010	2009
	\$	\$
Audit Services	68,000	39,000
Other services - taxation services	15,770	9,860
Other services - research & development taxation services	15,000	15,000
Auditor's of the company - KPMG	98,770	63,860

15. Lead Auditors' Independence Declaration

The Lead auditors' independence declaration is set out on page 43 and forms part of the Directors' Report for the financial year ended 30 June 2010.

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



Mr David Klingberg AO



Mr Jim White

Dated at Adelaide this 22nd day of September 2010.



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 2010 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'.

Derek Meates
Partner

Adelaide

22 September 2010

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

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
Other income	2	37,870	512,917
Distribution expenses		(399,280)	(378,634)
Consultants and management expenses		(1,096,459)	(556,405)
Directors' fees		(312,709)	(325,434)
Employee benefit expenses	2	(1,610,150)	(1,463,134)
Depreciation expense	9	(111,414)	(99,326)
Port feasibility expenses	2	(743,982)	(747,414)
Exploration expenditure written off	8	(698,499)	0
Other expenses		(242,127)	(246,627)
Results from operating activities		(5,176,750)	(3,304,057)
Finance income	2	479,195	769,426
Finance costs		0	0
Net finance costs		479,195	769,426
Loss before income tax		(4,697,555)	(2,534,631)
Income tax (expense) / benefit	4(a)	2,860,253	353,516
Loss from continuing operations		(1,837,302)	(2,181,115)
Loss for the period		(1,837,302)	(2,181,115)
Other comprehensive income		0	0
Total Comprehensive Loss for the Period		(1,837,302)	(2,181,115)
Loss attributable to:			
Owners of the Company		(1,837,302)	(2,181,115)
Loss for the period		(1,837,302)	(2,181,115)
Earnings per share for loss attributable to the ordinary equity holders of the company:		Cents per share	Cents per share
Basic loss per share	5	(0.6249)	(0.8217)
Diluted loss per share	5	(0.6249)	(0.8217)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial report.

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2010

	Issued ordinary shares	Note	Contributed equity \$	Share Options reserve \$	Accumulated losses \$	Total \$
<u>Current Period</u>						
Balance at 30 June 2009	269,330,665		30,826,226	1,136,026	(4,887,608)	27,074,644
Loss for the period			0	0	(1,837,302)	(1,837,302)
Other comprehensive income			0	0	0	0
Total Comprehensive Loss for the Period			0	0	(1,837,302)	(1,837,302)
Contributions from/to equity owners						
Contributions from equity holders	40,759,599		10,171,899	0	0	10,171,899
Share issue costs			(403,996)	0	0	(403,996)
Share-based payment transactions			0	(45,325)	0	(45,325)
Balance at 30 June 2010	<u>310,090,264</u>		<u>40,594,129</u>	<u>1,090,701</u>	<u>(6,724,910)</u>	<u>34,959,920</u>
<u>Prior Period</u>						
Balance at 30 June 2008	261,564,242		29,272,941	587,354	(2,706,493)	27,153,802
Loss for the period			0	0	(2,181,115)	(2,181,115)
Other comprehensive income			0	0	0	0
Total Comprehensive Loss for the Period			0	0	(2,181,115)	(2,181,115)
Contributions from/to equity owners						
Contributions from equity holders	7,766,423		1,553,285	0	0	1,553,285
Share-based payment transactions			0	548,672	0	548,672
Balance at 30 June 2009	<u>269,330,665</u>		<u>30,826,226</u>	<u>1,136,026</u>	<u>(4,887,608)</u>	<u>27,074,644</u>

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial report.

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

Consolidated Statement of Financial Position

As at 30 June 2010

	Note	As at 30 June 2010 \$	30 June 2009 \$
Assets			
Cash and cash equivalents	6	14,738,137	7,486,164
Current tax assets	4(a)	0	353,516
Other receivables	7	62,925	76,752
Total Current Assets		14,801,062	7,916,432
Exploration and evaluation expenditure	8	14,335,377	14,581,640
Land and buildings	9	4,845,607	4,845,607
Plant and equipment	9	258,061	325,844
Deferred tax asset	4(a)	2,860,253	0
Total Non-Current Assets		22,299,298	19,753,091
Total assets		37,100,360	27,669,523
Liabilities			
Trade and other payables	10	1,885,015	353,659
Employee benefits	11	170,053	241,220
Total Current Liabilities		2,055,068	594,879
Employee benefits	11	85,372	0
Total Non-Current Liabilities		85,372	0
Total Liabilities		2,140,440	594,879
Net assets		34,959,920	27,074,644
Equity			
Contributed equity		40,594,129	30,826,226
Share Options Reserve		1,090,701	1,136,026
Accumulated losses		(6,724,910)	(4,887,608)
Total equity		34,959,920	27,074,644

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial report.

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Lease income received		37,107	9,995
Payments to suppliers and employees		(3,553,685)	(3,155,090)
Income taxes (paid) / received		343,026	(10,217)
Net cash from / (used in) operating activities	20(b)	(3,173,552)	(3,155,312)
Cash flows from investing activities			
Expenditure on mining tenements		(2,182,819)	(6,177,533)
Reimbursement for Bungalow tenement	8	1,991,676	0
Government grant received		0	100,000
Disposal of interest in tenements		0	500,000
Interest received		488,400	924,086
Acquisition of plant and equipment	9	(43,631)	(5,143,393)
Net cash from / (used in) investing activities		253,625	(9,796,840)
Cash flows from financing activities			
Proceeds from the issue of share capital		10,171,899	1,553,285
Net cash from / (used in) financing activities		10,171,899	1,553,285
Net increase / (decrease) in cash		<u>7,251,973</u>	<u>(11,398,867)</u>
Cash at the beginning of the year		7,486,164	18,885,031
Cash at the end of the year	20(a)	14,738,137	7,486,164

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial report.

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

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 2010 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in minerals exploration in Australia.

The financial report was authorised for issue by the directors on 22 September 2010.

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. The consolidated financial statements of the Group comply with International Financial Reporting Standards ('IFRSs') and interpretations adopted by the International Accounting Standards Board ('IASB').

b) Basis of Measurement and Presentation

The financial report is presented in Australian dollars, which is the Group's functional currency.

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

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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.

Estimates and assumptions

Recognition criteria for sale of interest in mineral exploration tenements – Note 1(e)

The Group has chosen to recognise the sale of the iron ore rights in the mineral tenements relating to the WISCO joint venture (see Events Subsequent to Balance Date in this report) only when the legal title to the rights has been transferred.

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Accounting estimates and judgements (continued)

Exploration, evaluation and development assets – Note 1(j)

Determining the recoverability of exploration, evaluation and development expenditure capitalised in accordance with the Group's accounting policy (refer Note 1(j)), requires estimates and assumptions as to future events and circumstances in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration, evaluation and development assets. If, after having capitalised the expenditure under policy 1(j), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with accounting policy 1(o).

d) Principles of Consolidation

Subsidiaries

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.

Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Jointly controlled operations and assets

The interest of the consolidated entity in jointly controlled operations (including unincorporated joint ventures) and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services produced by the joint venture.

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Revenue Recognition

Revenue and expenses are brought to account on an accrual basis.

Interest income

Interest income is recognised as it accrues and is included in finance income.

Lease income

The Group receives lease income from the properties which it has purchased for the purpose of evaluating the potential recoverability of resources. This income is recognised as it accrues.

Gain or loss on disposal of interest in mineral tenements

The Group recognises a gain or loss on disposal of interest in mineral tenements as the difference between the carrying amount of the asset at the time of the disposal and the proceeds of disposal, less any direct costs. This income is recognised when the risks and rewards of ownership have passed to the buyer.

f) 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.

g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

h) Comparatives

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

i) 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. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective area of interest will be achieved. This includes estimates and judgements about commodity prices, ore reserves, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

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 Consolidated Financial Statements

For the Year Ended 30th June 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Exploration, Evaluation and Development Expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting mineral resources are demonstrable.

Costs associated with exploration, evaluation and development expenditure will be accumulated in respect of each separate 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- (a) The rights to tenure of the area are current; and
- (b) At least one of the following conditions is also met:
 - i. The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
 - ii. Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets. Assets that are classified as tangible include: piping and pumps; and, vehicles and drilling equipment. Assets that are intangible include: acquired rights to explore; and, exploratory drilling costs.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to being reclassified.

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.

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

l) Provision for Restoration and Rehabilitation

No provision has been made in the accounts for restoration and rehabilitation of areas from which natural resources are extracted on the basis that no significant disturbance in relation to the Group's exploration activities has occurred. This policy is subject to annual review.

m) 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.

n) 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. Following the re-classification of Exploration and evaluation assets as development assets, they are 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 of plant and equipment in the current and comparative periods are as follows:

Motor vehicles	3-5 years
Fixtures and fittings	3-5 years
Other plant and equipment	3-5 years
Buildings	50 years

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) 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.

p) Leased Assets

Leases of plant and equipment are classified as operating leases where the lessor retains substantially all the risks and benefits of ownership. Minimum lease payment are charged against profits 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.

q) Goods and Services Tax

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

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

Cash flows are 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.

r) 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.

s) 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.

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Share capital

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

u) 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 and non-monetary benefits

Liabilities for employee benefits for wages, salaries, and annual 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.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic probability of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

v) Share and options compensation

Where shares or share options 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 or non vesting conditions not being met.

w) Segmental reporting

As of 1 July 2009, the Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*.

The Managing Director receives information internally based on the geographical location of the Group's assets. It has been determined that as all of the assets are in one country (Australia), it is appropriate to have one operating segment.

As determined previously under AASB 114 *Segment Reporting*, the Group also had one operating segment. As such no restatement of comparative data is required.

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) 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.

y) 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.

z) New standards and interpretations

A number of new standards and interpretations have been issued. None of these were identified as impacting the Group.

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

		Note	2010	2009
			\$	\$
2	PROFIT/(LOSS) FROM CONTINUING OPERATIONS			
	Finance Income and Costs			
	Interest income on cash and cash equivalents		479,195	769,426
			<u>479,195</u>	<u>769,426</u>
	Other Income			
	Lease Income		37,870	12,917
	Disposal of interest in tenements		0	500,000
			<u>37,870</u>	<u>512,917</u>
	Employee Benefit Expenses			
	Wages and salaries		720,292	627,742
	Termination benefits		699,825	0
	Contributions to defined contribution superannuation funds	1(w)	97,540	82,250
	Leave liability additions / (reductions)		14,205	112,346
	Equity settled share based payment transactions	15	648,789	793,812
	Re-valued options granted in prior year	15	(694,114)	(245,140)
	Other employee costs		123,613	92,124
			<u>1,610,150</u>	<u>1,463,134</u>
	Port Feasibility Expenses			
	Preliminary study costs associated with Sheep Hill port site		743,982	747,414
			<u>743,982</u>	<u>747,414</u>
3	AUDITOR'S REMUNERATION			
	Audit Fees		68,000	39,000
	Other services - taxation services		15,770	9,860
	Other services - research & development taxation services		15,000	15,000
	Auditor's of the company - KPMG		<u>98,770</u>	<u>63,860</u>

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

		Note	2010	2009
			\$	\$
4	TAXATION			
4(a)	Income Tax Expense			
	Current tax expense/(benefit)			
	Current period		637,942	(353,516)
	Adjustment for prior periods		(162,948)	0
			<u>474,994</u>	<u>(353,516)</u>
	Deferred tax expense/(benefit)			
	Origination and reversal of temporary differences		(2,138,448)	(1,196,799)
	Recognition of previously unrecognised tax losses		(1,196,799)	0
	Deferred tax expense not brought to account		0	1,196,799
			<u>(3,335,247)</u>	<u>0</u>
	Total income tax expense/(benefit)		<u>(2,860,253)</u>	<u>(353,516)</u>
4(b)	Deferred tax asset			
	Deferred tax assets and liabilities are attributable to the following:			
	Tax assets			
	Property, plant and equipment		32,823	20,604
	Legal fees		372,183	344,620
	Provisions and accrued expenses		286,575	72,367
	Advance income		1,810,578	0
	Tax (liabilities)			
	Exploration and evaluation assets		(4,300,613)	(4,374,493)
	Net tax (liabilities)		<u>(1,798,454)</u>	<u>(3,936,902)</u>
	Tax loss carry-forwards		4,658,707	5,133,701
	Deferred tax asset not recognised		0	(1,196,799)
	Deferred tax asset		<u>2,860,253</u>	<u>0</u>

The Group is recognising a net deferred tax asset in 2010 of \$2,860,253. Previously it had not recognised a deferred tax asset as it did not consider the likelihood of utilising existing tax losses as sufficiently probable. With the finalisation of the WISCO joint venture, the Group believes it is certain to utilise those tax losses and accordingly it is appropriate to recognise them.

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

5 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of \$4,161,744 (2009 \$2,181,115) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 294,017,544 (2009: 265,266,878), calculated as follows:

	Note	2010	2009
		\$	\$
Profit / (Loss) attributable to ordinary shareholders			
Profit / (Loss) for the period		(1,837,302)	(2,181,115)
Adjustments		<u>0</u>	<u>0</u>
Profit / (Loss) attributable to ordinary shareholders		<u>(1,837,302)</u>	<u>(2,181,115)</u>
 Weighted average number of ordinary shares			
Issued ordinary shares at beginning of year		269,330,665	261,564,242
Effect of shares issued in the first quarter (to 30 September)		0	85,466
Effect of shares issued in the second quarter (to 31 December)		24,571,811	3,804,267
Effect of shares issued in the third quarter (to 31 March)		115,068	0
Effect of shares issued in the fourth quarter (to 30 June)		<u>0</u>	<u>0</u>
Weighted average number of ordinary shares at year end		<u>294,017,544</u>	<u>265,453,975</u>

Earnings per share for continuing and discontinued operations

Basic earnings per share (cents)	(0.6249)	(0.8217)
Diluted earnings per share (cents)	(0.6249)	(0.8217)

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

	Note	2010	2009
		\$	\$
 6 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		<u>14,738,137</u>	<u>7,486,164</u>

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

		Note		
			2010	2009
			\$	\$
7	OTHER RECEIVABLES			
	Current			
	Prepayments and other receivables		43,821	15,972
	Interest due on term deposits		19,104	28,309
	GST receivable		0	32,471
			<u>62,925</u>	<u>76,752</u>
8	EXPLORATION AND EVALUATION EXPENDITURE			
	Cost at beginning of year		14,581,640	8,493,915
	New exploration expenditure		2,443,912	6,187,725
	Government grant received		0	(100,000)
	Reimbursement for Bungalow JV Expenditure from Baotou		(1,991,676)	0
	Disposals/write-offs		<u>(698,499)</u>	<u>0</u>
	Cost at end of year		<u>14,335,377</u>	<u>14,581,640</u>

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

	Note	Capitalised Costs	
		2010	2009
		\$	\$
8 EXPLORATION AND EVALUATION EXPENDITURE (continued)			
<i>Held by Centrex Metals Limited</i>			
Greenpatch EL 3611 (formerly EL 2816)		283,449	253,775
Cockabidnie EL 3609 (formerly EL 2815)		0	105,457
Bungalow EL 3610 (formerly EL 2817)		891,803	2,773,020
Wilgerup EL 3317		11,278,319	10,043,498
Vanilla EL 3269		119,193	87,056
Dutton Bay EL 3421		110,879	82,851
Lock EL 3401		0	35,836
Gilles Downs EL 3375		91,803	73,078
Cockabidnie North EL 3498		47,949	16,000
Tooligie Hill EL 4299		0	0
Goulburn NSW EL 7388		83,701	0
Archer NSW EL 7503		2,450	0
		<u>12,909,546</u>	<u>13,470,571</u>
<i>Held by SAIOG</i>			
Mount Hill EL 3877 (formerly Bald Hill EL 2905)		317,005	179,444
Carrow EL 3731 (formerly EL 2887)		390,117	349,374
Kimba Gap EL 3968 (formerly EL 3018)		138,774	88,091
Ironstone Hill EL 3125 (formerly "Whyalla")		100,107	69,209
Ironstone Hut EL 3999 (formerly EL 3048)		90,087	54,137
Stony Hill EL 3287		389,741	370,814
		<u>1,425,831</u>	<u>1,111,069</u>
		<u>14,335,377</u>	<u>14,581,640</u>

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.

Farm-out arrangement

Baotou Iron & Steel Group Company Limited has earned a 10% interest in the iron ore rights of the Bungalow tenement (EL 3610) as a consequence of remitting \$8 million into the joint venture bank account on 18 June 2010.

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

	Note	2010	2009
		\$	\$
9	PROPERTY, PLANT AND EQUIPMENT		
	Land and buildings		
	Balance at beginning of year	4,845,607	0
	Additions	0	4,845,607
	Balance at end of year	<u>4,845,607</u>	<u>4,845,607</u>
	Plant and Equipment - Cost		
	Balance at beginning of year	494,861	197,075
	Additions	43,631	297,786
	Balance at end of year	<u>538,492</u>	<u>494,861</u>
	Plant and Equipment - Depreciation		
	Balance at beginning of year	169,017	69,691
	Charge for the year	111,414	99,326
	Balance at end of year	<u>280,431</u>	<u>169,017</u>
	Plant and Equipment - Net book value		
	Balance at beginning of year	325,844	127,384
	Additions/(Disposals)	43,631	297,786
	Depreciation charge for the year	(111,414)	(99,326)
	Balance at end of year	<u>258,061</u>	<u>325,844</u>
10	TRADE AND OTHER PAYABLES		
	Current liabilities		
	Trade payables	457,888	158,239
	Other trade payables and accruals	1,260,284	195,420
	GST payable	166,843	0
		<u>1,885,015</u>	<u>353,659</u>
	No interest is payable on trade payables.		
11	EMPLOYEE BENEFITS		
	Current liabilities		
	Annual leave provision	170,053	241,220
		<u>170,053</u>	<u>241,220</u>
	Non-current liabilities		
	Long service leave provision	85,372	0
		<u>85,372</u>	<u>0</u>

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

12 FINANCIAL GUARANTEES

There are no financial guarantees at 30 June 2010 or 30 June 2009.

13 INTEREST-BEARING LOANS AND BORROWINGS

There are no interest bearing loans or borrowings at 30 June 2010 or 30 June 2009.

14 CAPITAL AND RESERVES

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.

15 OPTIONS

At 30 June 2010, there are the following options outstanding:

	2008 'A'	2011 'A'	2011	2012
	Class	Class	Exec Plan	Exec Plan
	Options	Options	Options	Options
Expiry date	31/12/2008	30/06/2011	30/06/2011	30/06/2012
Exercise Price:	\$0.20	\$0.20	\$0.20	\$0.42
Options on issue at start of year	0	1,000,000	2,475,000	0
Options issued during the year:				
Mr G Anderson	0	0	0	0
Centrex staff (Executive Option Plan)	0	0	0	1,682,000
Options exercised during the year	0	0	(360,000)	0
Options cancelled (on expiry)	0	0	0	0
Options on issue at end of year	<u>0</u>	<u>1,000,000</u>	<u>2,115,000</u>	<u>1,682,000</u>

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

Options on issue at start of year	55,478,694	0	0	0
Options issued during the year:				
Mr G Anderson	500,000	1,000,000	1,500,000	0
Centrex staff (Executive Option Plan)	0	0	975,000	0
Options exercised during the year	(7,766,423)	0	0	0
Options cancelled (on expiry)	(48,212,271)	0	0	0
Options on issue at end of year	<u>0</u>	<u>1,000,000</u>	<u>2,475,000</u>	<u>0</u>

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

15 OPTIONS (continued)

A share option credit of \$45,325 arose during the year (2009: expense of \$548,672). The individual components of the share option expense are shown below:

	Note	2010	2009
		\$	\$
Options issued to Mr G Anderson		0	0
Revaluation of these options at grant date		0	(245,140)
Value brought to account for future entitlement for:			
Mr G Anderson	(i)	(694,114)	694,114
Centrex staff (Executive Option Plan)		648,789	99,698
Share option expense		<u>(45,325)</u>	<u>548,672</u>

- (i) The deed of resignation signed 12 July 2010 removed any obligation for the company to issue options to Mr Anderson. Accordingly the entitlement for future options was reversed in the period.

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

	Key management personnel	Senior staff	Key management personnel	Senior staff
	2010	2010	2009	2009
Fair value at grant date (cents)	42.4	42.4	6.4	4.0
Share price (cents)	65.0	65.0	34.7	22.5
Exercise price (cents)	42.0	42.0	34.6	20.0
Expected volatility	89.7%	89.7%	100.0%	103.8%
Option life (years)	2.5	2.5	4.5	2.5
Risk free interest rate	5.0%	5.0%	3.0%	3.0%

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

16 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 2010 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 fixed and variable-rate deposits. As at 30 June 2010 the Group had \$14,738,137 invested in such deposits (2009: \$7,486,164). 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 2010, a 1 percent increase in the effective interest rate would have resulted in an increase in profit of \$100,411 (2009: \$118,580).

(c) Credit risk exposures

The Group has no significant concentrations of credit risk. As at 30 June 2010 the Group was owed \$62,925 (2009: \$76,752).

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.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(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 both the expected payments and contractual maturities, including estimated interest payments:

	Note	2010	2009
		\$	\$
Trade and other payables			
Carrying amount		1,885,015	353,659
Contractual cash flows		(1,885,015)	(353,659)
6 months or less		(1,885,015)	(353,659)

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

16 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, other debtors and accounts payable 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:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	14,738,137	14,738,137	7,486,164	7,486,164
Other receivables	<u>62,925</u>	<u>62,925</u>	<u>76,751</u>	<u>76,751</u>
	14,801,062	14,801,062	7,562,916	7,562,916
Financial liabilities				
Trade and other payables	<u>1,885,015</u>	<u>1,885,015</u>	<u>353,659</u>	<u>353,659</u>
	1,885,015	1,885,015	353,659	353,659

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.

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

17 OPERATING LEASES

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

	Note	2010	2009
		\$	\$
Receivable from third parties			
Less than one year		12,396	34,945
Between one and five years		0	12,396
More than five years		0	0
Payable from third parties			
Less than one year		75,250	90,671
Between one and five years		110,775	184,625
More than five years		0	0

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.

18 RELATED PARTIES

The key management personnel compensation is as follows:

Cash and non-cash benefits	1,558,169	1,514,805
Termination benefits	709,486	0
Executive share options issued	<u>(260,797)</u>	<u>508,222</u>
Employee benefits	2,006,858	2,023,027

Individual directors and executives compensation disclosures

Information regarding key management personnel 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.

	Note	2010	2009
		\$ (ex GST)	\$ (ex GST)
AE Administration Services Pty Ltd	(i)	48,698	26,044
Adelaide Equity Partners Limited	(i)	102,229	195,417
Minter Ellison Lawyers	(ii)	528,439	354,856

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

18 RELATED PARTIES (continued)

- (i) Mr David Lindh (retired 21 January 2010) is a director and shareholder of AE Administrative Services Pty Ltd and Adelaide Equity Partners Limited. The services provided by this entity include: corporate advisory; administration services (accounting and secretarial); and general office related expenditures (rent, electricity, cleaning).
- (ii) Mr David Lindh (retired 21 January 2010) is a consultant lawyer for Minter Ellison Lawyers. The legal services provided by this entity include: advice relating to the establishment of two joint ventures; and other matters including native title consultation.

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 \$17,172 (2009: \$41,260).

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:

30 June 2010	Note	Holding at 30 June 09	Number Purchased	Number Sold	Holding at 30 June 10
Davan Nominees Pty Ltd	(i)	14,126,335	-	-	14,126,335
Patna Properties Pty Ltd	(ii)	1,000,000	-	-	1,000,000
Mr Gerard Anderson	(iii)	2,500,000	-	-	2,500,000
Mr Kiat Poh		1,918,880	-	-	1,918,880
South Cove Ltd	(iv)	80,876,005	-	-	80,876,005
SEL Holdings Ltd	(v)	16,198,000	-	-	16,198,000
Lodge Ltd	(v)	4,366,667	-	-	4,366,667
Wugang Australian Resources Investment Pty Ltd	(vi)	-	40,399,599	-	40,399,599
Mr Kevin Malaxos		-	-	-	-
Mr Alastair Watts		-	50,000	50,000	-
Mr Gavin Bosch		795,000	-	-	795,000

- (i) Davan Nominees Pty Ltd is a company associated with Mr David Lindh (retired 21 January 2010). The balance represents the holding at the date of retirement.
- (ii) Patna Properties Pty Ltd is a company associated with Mr David Klingberg.
- (iii) Mr Gerard Anderson resigned effective 16 July 2010.
- (iv) South Cove Ltd is a company associated with Mr Geoffrey Hill and Mr Graham Chrisp.
- (v) SEL Holding Ltd and Lodge Ltd are companies associated with Mr Graham Chrisp.
- (vi) Wugang Australian Resources Investment Pty Ltd is a company associated with Mr Xiaopeng Yin and Dr Liaowu Guo.

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

18 RELATED PARTIES (continued)

Key Management Personnel Holding of Shares (continued):

30 June 2009	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	(ii)	7,582,930	-	2,695,090	4,887,840
Patna Properties Pty Ltd	(iii)	700,000	300,000	-	1,000,000
Mr Gerard Anderson	(iv)	750,000	1,750,000	-	2,500,000
Mr Kiat Poh		-	1,918,880	-	1,918,880
South Cove Ltd	(iv)	80,876,005	-	-	80,876,005
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 (retired 21 January 2010).

(ii) Mr Norton Jackson resigned 28 November 2008.

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

(iv) Mr Gerard Anderson resigned effective 16 July 2010.

(v) South Cove Ltd is a company associated with Mr Geoffrey Hill.

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:

30 June 2010	Note	Holding at 30 June 09	Issued	Exercised	Holding at at year 30 June 10
<u>2011 'A' Class Options</u>					
Expiring: 30/06/11, Exercise price: \$0.20					
Mr Gerard Anderson	(i)	-	1,000,000	-	1,000,000
<u>2011 Exec Plan Options</u>					
Expiring: 30/06/2011, Exercise price: \$0.20					
Mr Gerard Anderson	(i)	-	1,500,000	-	1,500,000
Mr Kevin Malaxos		-	165,000	-	165,000
Mr Alastair Watts		-	275,000	50,000	225,000
Mr Gavin Bosch		-	135,000	-	135,000
<u>2012 Exec Plan Options</u>					
Expiring: 30/06/2012, Exercise price: \$0.42					
Mr Kevin Malaxos		-	375,000	-	375,000
Mr Alastair Watts		-	287,500	-	287,500
Mr Gavin Bosch		-	312,500	-	312,500

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

18 RELATED PARTIES (continued)

Key Management Personnel Holding of Options (continued):

- (i) Mr Gerard Anderson was granted the options at the annual general meeting held 28th November 2008. Mr Anderson ceased to be a member of key management personnel from the effective date of his resignation, 16 July 2010.

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

30 June 2009	Note	Holding at 30 June 08	Issued (I) or Acquired (A)	Exercised (E) / Sold (S) or Expired (X)	Holding at at year 30 June 09
<u>2008 'A' Class Options</u>					
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	-
<u>2011 'A' Class Options</u>					
Expiring: 30/06/2011					
Exercise price: \$0.20					
Mr Gerard Anderson	(iii)	-	1,000,000 I	-	1,000,000
<u>2011 Exec Plan Options</u>					
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 (retired 21 January 2010).
- (ii) Patna Properties Pty Ltd is a company associated with Mr David Klingberg.
- (iii) Mr Gerard Anderson (resigned effective 16 July 2010) was granted the options at the annual general meeting held 28 November 2008.

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

19 COMMITMENTS AND CONTINGENT LIABILITIES

PIRSA Commitments

In order to maintain its right of renewal of tenements (reviewed on a regular basis), the Group 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 \$1,315,500 (2009: \$1,300,000) 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 30 June 2010 the Group's other commitments related to Fugro Airborne Surveys Pty Ltd (Aerial surveys of NSW tenements) of \$415,000 (2009: \$300,000 related to Worley Parsons (Pt. Lincoln Front End Engineering Design) payable within one year.

Bungalow joint venture

The Company has entered into an agreement with Aussie Produce Pty Ltd to provide intermediary services in relation to the Bungalow joint venture. Should the Bungalow joint venture proceed to stage 2 (\$8 million) and stage 3 (\$24 million), Aussie Produce Pty Ltd is entitled to receive 3% of the funding paid into the joint venture bank account (\$240,000 for stage 2 and \$720,000 for stage 3).

Intermediary fees

On 7 July 2010, IMF Australia Ltd (litigation funders) announced to the market that they were funding a claim by Kimberley Global Pty Ltd against the Company.

As the Company announced in its response on 8 July 2010, the Company rejects the claims made by Kimberley Global Pty Ltd. At the date of this report a formal mediation session had been held which did not result in a settlement.

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

20 NOTES TO THE STATEMENT OF CASH FLOWS

20(a) Reconciliation of Cash

For the purposes of the Consolidated 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 Consolidated Statements of Cash Flows, is reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	Note	2010	2009
		\$	\$
Cash at bank and on hand		14,738,137	7,486,164

20(b) Reconciliation of cash flows from operating activities

Net profit / (loss) after income tax	(1,837,302)	(2,181,115)
Interest received	(479,195)	(769,426)
Depreciation	111,414	99,326
Share options valuation	(45,325)	548,672
Exploration expenditure written off	698,499	0
Proceeds on Tenement Disposal	0	(500,000)
(Increase)/decrease in debtors	4,622	211,312
(Increase)/decrease in other tax assets	353,516	(352,393)
Increase/(decrease) in deferred tax assets	(2,860,253)	0
Increase/(decrease) in payables	880,472	(211,688)
Net cash provided by/(used) in operating activities	(3,173,552)	(3,155,312)

21 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.

22 SEGMENT REPORTING

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

23 PARENT ENTITY DISCLOSURES

As at and throughout the year the parent company of the Group was Centrex Metals Limited.

	Note	Company 2010	2009
		\$	\$
Result of the parent entity			
Loss for the period		(1,855,922)	(2,387,115)
Other comprehensive income		0	0
Total comprehensive loss for the period		(1,855,922)	(2,387,115)
Financial position of the parent entity			
Current assets		14,801,062	7,916,432
Total assets		36,875,740	27,463,523
Current liabilities		2,055,068	594,879
Total liabilities		2,140,440	594,879
		34,735,300	26,868,644
Equity of the parent entity			
Contributed equity		40,594,129	30,826,226
Share options issues		1,090,701	1,136,026
Accumulated losses		(6,949,530)	(5,093,608)
		34,735,300	26,868,644

Commitments and contingent liabilities of the parent entity

The commitments and contingent liabilities of the parent entity are the same as those identified at note 19 with one exception. The PIRSA commitments for the parent entity exclude the commitments made on behalf of the wholly owned South Australian Iron Ore Group Pty Ltd. These commitments are part of an amalgamated expenditure agreement undertaken with PIRSA which makes the separation of commitments between the two entities not practicable.

24 EVENTS SUBSEQUENT TO BALANCE DATE

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

- Financial close for the joint venture with WISCO occurred 7 July 2010. The principal terms of the Eyre Peninsula Joint Venture are;
 - WISCO acquires a 60% interest in the iron ore rights to five of Centrex's exploration tenements on the Eyre Peninsula, South Australia.
 - WISCO paid Centrex A\$ 51.5 million at the financial close (A\$ 0.5 million deposit already paid) and will pay a further A\$ 26 million on the first anniversary of the completion (total A\$ 78 million).

Notes to the Consolidated Financial Statements

For the Year Ended 30th June 2010

24 EVENTS SUBSEQUENT TO BALANCE DATE (continued)

- WISCO to pay four further payments of A\$ 27 million if and when the JORC Inferred Resources for the project reach 1.25Bt, 1.5Bt, 1.75Bt and 2.0Bt respectively (up to an additional A\$ 108 million).
- WISCO to additionally sole fund the first A\$ 75 million of exploration for the Joint Venture.
- WISCO to assist with project financing for construction of the processing plant.
- 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.

As a consequence of this transaction occurring after balance date, the Group will report this transaction for the first time in the interim accounts for the period ended 31 December 2010. At this time the following elements of the transaction will be recognised:

- A gain on sale (before income tax) of the interest in the iron ore rights of \$77.5 million less costs of sale including \$732,386, being for capitalised exploration and evaluation asset brought to account and any intermediary fees (if any); and
- The net present value of stamp duty paid (\$5.94 million) by the Group, receivable in five years.

As noted above there are four potential payments of \$27 million if and when JORC inferred resources reach the levels shown. The Group has taken a view that there is currently insufficient probability that these inferred resource milestones will be reached and as such is not recording this element of the transaction.

As announced to the Australian Securities Exchange on 20 April 2010, the Group signed a Coordination Agreement with Lincoln Minerals Limited which details the protocols for interaction of ferrous and non-ferrous minerals exploration over the relevant licences, of which the WISCO joint venture is included.

- On 12 July 2010 Mr Jim Hazel was appointed to the Board as a Non-Executive Director.
- On 12 July 2010 Mr Jim White was appointed as Managing Director (commencing 16 August 2010). Details of Mr White's Executive Services Agreement can be found at item 5 of this report.
- On 12 July 2010 Mr Gerard Anderson and the Company signed a deed of resignation which ended Mr Anderson's employment effective from 16 July 2010. In lieu of the remaining period of Mr Anderson's Executive Service Agreement an amount of \$645,000 was paid in July 2010 as complete consideration of any outstanding non-statutory entitlements. In addition to this \$64,486 was paid for his annual leave entitlement; and
- On 10 September 2010 the Company signed a contract for the acquisition of two blocks of land at Lipson Cove (known as Sheep Hill), immediately to the south of land already owned. The combined area is approximately 33 hectares and the contract value is \$339,000;

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

Directors' Declaration

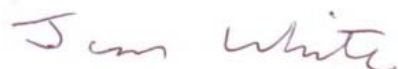
In the opinion of the Directors of Centrex Metals Limited ('the Company'):

- 1 (a) the consolidated financial statements and notes set out on pages 44 to 73, and the Remuneration report in the Directors' Report, set out on pages 23 to 42, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The Directors have been given the declarations by the Managing Director and Company Secretary for the financial year ended 30 June 2010 pursuant to Section 295A of the Corporations Act 2001.
- 3 The Directors draw attention to Note 1(a) of the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Mr David Klingberg AO



Mr Jim White

Dated at Adelaide this 22nd day of September 2010



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

Report on the financial report

We have audited the accompanying financial report of the Group comprising Centrex Metals Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a statement of significant accounting policies and other explanatory notes 1 to 24 and the directors' declaration.

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. In note 1 the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 Group's financial position and of its 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:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its 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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

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 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Derek Meates
Partner

Adelaide

22 September 2010

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

20 September 2010

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	26.07
2	WUGANG AUSTRALIAN RESOURCES INVESTMENT P/L	40,399,599	13.02
3	BAOTOU IRON & STEEL (GROUP) COMPANY LIMITED	21,900,000	7.06
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,569,225	5.99
5	SEL HOLDINGS LIMITED	15,673,925	5.05

Distribution of equity holders

31st August 2010

Category	Number of Equity Security Holders	
	Ordinary & Escrow Shares	Employee Option Plan Options
1 – 1,000	101	-
1,001 – 5,000	657	-
5,001 – 10,000	472	-
10,001 – 100,000	627	-
100,001 and over	112	7
	1,969	7

The number of shareholders holding a less than marketable parcel of: ordinary shares is 142 (2009: 58).

Restricted Securities

Security type	Restriction ends	Number of Options
2011 A Class Options (exp 30/06/2011)	15/12/2008	1,000,000
CXM Executive Option Plan Options (exp 30/06/2011)	04/02/2010	1,945,000
CXM Executive Option Plan Options (exp 30/06/2012)	01/07/2010	1,682,000

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

ASX Additional Information (unaudited)

Top 20 Holders of Ordinary and Escrow shares

20 September 2010

Rank	Name	Units	% of Issued Capital
1	SOUTH COVE LTD	80,876,005	26.07
2	WUGANG AUSTRALIAN RESOURCES INVESTMENT P/L	40,399,599	13.02
3	BAOTOU IRON & STEEL (GROUP) COMPANY LIMITED	21,900,000	7.06
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,569,225	5.99
5	SEL HOLDINGS LIMITED	15,673,925	5.05
6	UNITED IRON LIMITED	15,000,000	4.83
7	MR SIK ERN WONG	8,250,000	2.66
8	DAVAN NOMINEES PTY LTD	8,041,035	2.59
9	MR LIM EWE GHEE + MS CHARLENE YULING LIM	6,250,000	2.01
10	KENG CHUEN THAM	4,545,300	1.46
11	LODGE LIMITED	4,366,667	1.40
12	MR MELVIN BOON KHER POH	4,188,930	1.35
13	MISS LAY HONG GOH	4,110,000	1.32
14	NATIONAL NOMINEES LIMITED	3,218,871	1.04
15	MR NORTON JACKSON	3,000,000	0.97
16	RBC DEXIA INVESTOR SERVICES AUSTRALIA	2,633,900	0.85
17	COMMODITY TRADERS (NZ) LTD	2,617,327	0.84
18	MR KIAT POH	1,918,880	0.62
19	ANZ NOMINEES LIMITED	1,828,655	0.59
20	ATORCH NOMINEES PTY LTD	1,728,850	0.56
Top 20 holders of ORDINARY & ESCROW SHARES as at 20 Sep 2010		249,117,169	80.28

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

Locations of Share Registries

Adelaide

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

Abbotsford

Computershare Limited Yarra Falls
452 Johnston Street
Abbotsford
Vic 3067

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

Australian 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