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## AUSTRALIAN SECURITIES EXCHANGE RELEASE

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FOR IMMEDIATE RELEASE

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

20 September 2011

Dear Sir/Madam

### ANNUAL REPORT 2011

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Please find attached the Annual Financial Report and Directors' Report for the year ended 30 June 2011.

Alison Evans  
Company Secretary  
Centrex Metals Limited

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For further information please contact:  
Jim White  
Managing Director  
Centrex Metals Limited  
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or

Alison Evans  
Company Secretary  
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# **CENTREX METALS LIMITED**

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

## **ANNUAL FINANCIAL REPORT**

For the Financial Year Ended 30 June 2011

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## **Chairman and Managing Director's Report**

Centrex Metals Limited has been focussed over the past year on accelerating the development of its three core iron ore projects on South Australia's Eyre Peninsula. Considerable progress has been made in resource drilling and definition on both the Bungalow and Eyre Iron Joint Ventures and very substantial additions of 582Mt<sup>1</sup> have been added to our resource estimate base. In parallel, work has also been undertaken on metallurgical testing, magnetite concentrator design and provision of services and support for the projects. Work is also well underway on environmental studies surrounding the proposed Eyre Peninsula mine sites. The associated proposed deep water port development has made rapid progress with work to support our Public Environment Report due to be finalised late this year.

As of July 2011, the Company continues to hold substantial cash reserves of A\$67.5 million (A\$81.9 million of current cash reserves less the current tax liability of A\$14.4 million). These reserves are more than adequate to support all current activities and can be directed to the expansion of our asset base, further exploration and acquisitions. The volatility of the market deems cash holding to be a prudent response to the uncertainties in global and local equities markets whilst allowing strategic growth options to be pursued when opportunities arise.

### **Eyre Iron Pty Ltd - The Centrex / WISCO magnetite Joint Venture – Eyre Peninsula**

Wuhan Iron and Steel Co Ltd ('WISCO') has made two payments to the Company totalling A\$77.5 million (A\$51.5 million on 7 July 2010 and A\$26 million on 11 July 2011) to secure the rights to 60% of any iron ore found in the JV tenements. WISCO continues to be very supportive of the project both locally via its direct involvement in the Eyre Iron JV and via extensive top level visits to site. Centrex's Chairman and Managing Director also visited China on several occasions during the year to continue to respect and reinforce this strategic relationship.

WISCO also made the first instalment payment to Eyre Iron Pty Ltd ('Eyre Iron') on 7 July 2010. A\$50 million was placed in the joint venture account. Eyre Iron is a 60/40 Joint Venture between Wugang Australian Resources Investment Pty Ltd, a WISCO subsidiary, and Centrex Metals. In addition, a subsequent payment of A\$25 million by WISCO to the JV account was received, on schedule, in July 2011. These funds have been directed to the rapid progress of exploration and evaluation of the potential of the magnetite contained in a 75km strike length of magnetic anomalies located on the eastern coast of Eyre Peninsula. This work is intended to identify the most economic location for a mine and magnetite concentrating plant. As at 31 August 2011 Eyre Iron has identified Inferred Resources to JORC standard of 478.6Mt<sup>1</sup>.

### **Centrex / Baogang magnetite Joint Venture – Eyre Peninsula**

The Centrex / Baotou Iron and Steel Group (Baogang) magnetite Joint Venture commenced in June 2010 and rapidly proceeded by June 2011 to the completion of Stage 1. Favourable progress on Stage 1 resulted in the bringing forward of Stage 2. Stage 2 involves the further commitment of A\$8 million to the project, bringing the total to date to A\$16 million. As a consequence, Baogang now has rights to 20% of any iron located on the Bungalow tenements. Stage 1 identified an Inferred resource of 103Mt<sup>1</sup> and substantial exploration targets. Work continued in parallel on engineering, processing and environmental studies. Stage 2 is expected to identify further magnetite resources and the indicative mine design and processing costs that will be required for a successful mining project.

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<sup>1</sup> Detailed information regarding the status of inferred resources for both joint ventures can be found in the next section, in the Managing Director's Report.

## **Chairman and Managing Director's Report**

### **Wilgerup – Eyre Peninsula**

Final approval from the South Australian Government has been received for mining at Wilgerup. The formal approval for the Program of Environmental Protection and Rehabilitation (PEPR) was given in July 2011. A review of development options for Wilgerup strongly favours the use of Port Spencer as the export port rather than earlier considerations of a separate development of export port infrastructure facilities in Port Lincoln.

### **Port Spencer**

Significant progress has been made towards the development of a deep water port at Port Spencer (formerly called Sheep Hill), 26 km north of Tumby Bay on the Eyre Peninsula. On 6 January 2011, South Australia's Minister for Planning and Urban Development declared the port to be a Major Project under State legislation. This status means that the Government appoints a central facilitator to guide the project through the various government approvals processes and to assist with the approvals process. Subsequently, the Development Assessment Commission (DAC) identified that a Public Environment Report is required and we expect to complete this report by the end of 2011.

This proposed port will be a multi user dry bulk export facility capable of handling magnetite, hematite and grain shipments to Cape size vessel capability. There is considerable interest from other mining companies and the agricultural industry to access the port and thus an economic case is likely to exist.

It is proposed that the port will also be a 50/50 Joint Venture with WISCO.

### **Senior Appointments**

The Board welcomes Mr Steve Brown and Ms Alison Evans to Centrex Metals. Mr Brown is an electrical engineer with recent program management experience in mine and process development with OneSteel and has an ideal background to oversee the Company's engineering developments as General Manager Engineering for both the magnetite plants and the port. Ms Evans assumes the role of Company Secretary and Legal Counsel, again with relevant practical experience in both areas.

### **Director Appointments**

The Board accepted the resignation of Mr Geoff Hill after 3 years of service to Centrex. Mr Hill has ably contributed to the development of the Company and the Board wishes him well in his new endeavours.

Mr John Den Dryver was appointed to the Board in March 2011. Mr den Dryver is a former Newmont Australia Executive General Manager – Technical, with extensive project development and operational management experience at a senior level in the mining industry, including taking projects in Australia and overseas from grassroots exploration through feasibility, financing and into implementation.

### **Finance**

The Group reported a profit for the year ended 30 June 2011 of A\$47,528,580 after tax with the substantial proceeds of the WISCO transaction having been recorded in the period. Expenditure of \$560,834 was recorded on the Group's wholly owned mineral tenements during the year.

**Chairman and Managing Director's Report**

**Outlook**

The Company has been focussed on progressing the development of the substantial iron ore exploration assets. Given the rapid and significant progress of our projects and our significant cash holding, we believe that the current share price significantly undervalues the Company.

We are exceptionally well placed for the future. The viability of our Eyre Peninsula magnetite projects and port will be established in the course of the coming year. The substantial progress on the port has engendered much interest and support from miners, developers, the grain industry and government. Our cash reserves mean that we can seek to expand our asset base, initiate evaluation of our Goulburn tenements in NSW, progress Wilgerup in line with the port and be able to withstand the pressures of a volatile local and global equities market.

We note that our joint venture partners have also been of significant support to Centrex and their enthusiasm for our joint projects is a critical factor in the Company's ability to maximise the value of its assets.

**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 has actively investigated and reviewed joint venture opportunities with third parties on the Eyre Peninsula and surrounding regions. None of these investigations has resulted in a project or acquisition that is considered to be positive for Centrex shareholders. However, we continue to seek any opportunities in our region and intend to look further afield in the coming year.

We 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, engineering, operations and financial expertise. Our thanks also go to management and our fellow Directors for their support and dedication to the Company.



Mr David Klingberg AO  
Chairman



Mr Jim White  
Managing Director

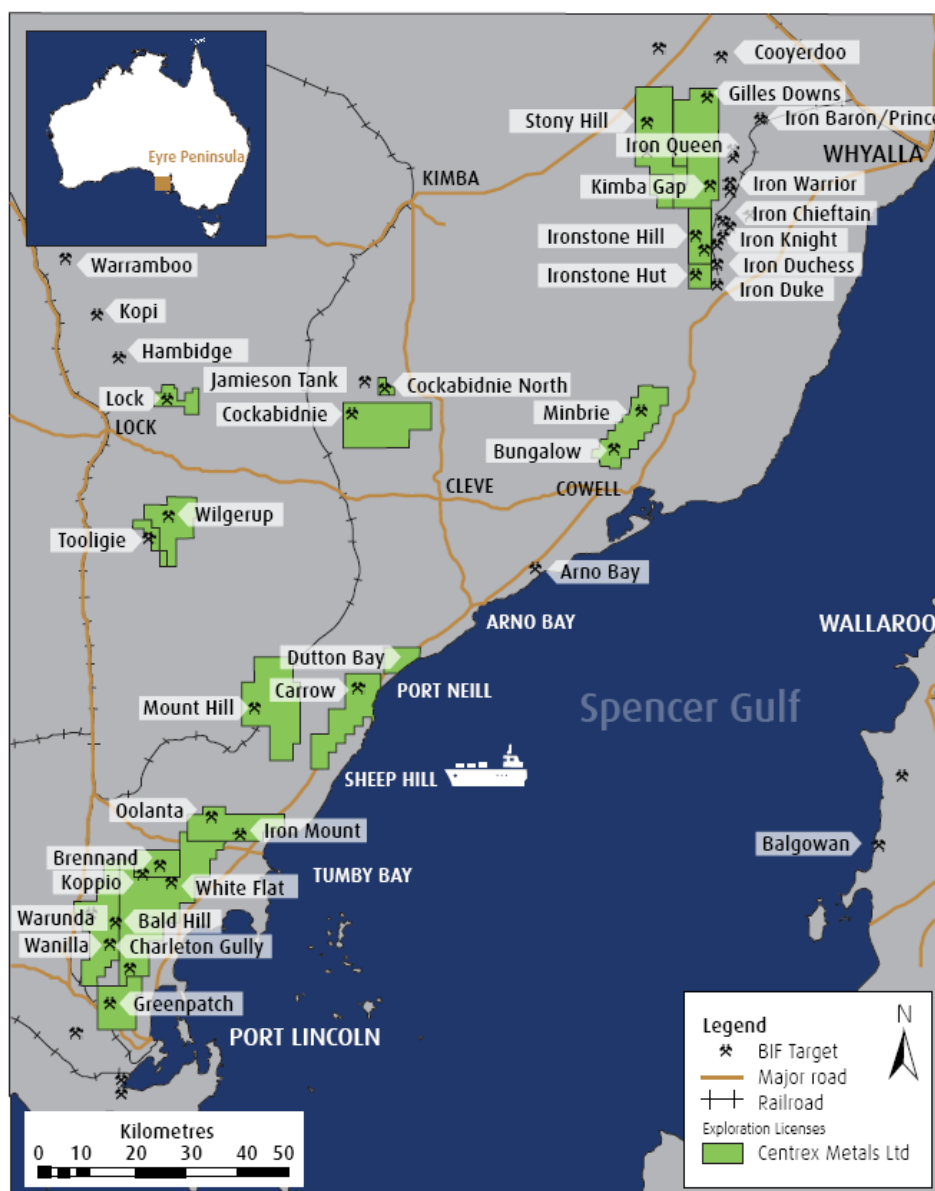
Dated at Adelaide this 20<sup>th</sup> day of September 2011

**Managing Director's Report**

**Principal activities**

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

- Exploration for iron ore on South Australia's Eyre Peninsula.
- Establishment of Eyre Iron Pty Ltd, the joint venture company with Wuhan Iron and Steel Group Ltd (WISCO) and commence scoping and feasibility studies for magnetite iron mines and processing plants to be located on Eyre Peninsula.
- Completion of a scoping study and commencement of further work on Eyre Peninsula on the Bungalow deposit joint venture with Baotou Iron and Steel Group Ltd (Baogang)
- Submission of a development application for a deep water bulk commodities export port to be located at Port Spencer on Eyre Peninsula and continuation of the studies required to support this application.
- Finalisation of the PEPR required to allow mining of the Wilgerup hematite deposit on Eyre Peninsula.



**Map of Centrex's relevant exploration licences and project locations**

**Managing Director's Report**

**PROGRAM REPORTS**

**1. EYRE IRON PTY LTD - The Centrex/WISCO Joint Venture**

Eyre Iron Pty Ltd ("Eyre Iron") the management company for the Eyre Peninsula Joint Venture ("EPJV") between Wugang Australian Resource Investments Pty Ltd ("Wugang") and Centrex Metals Limited ("Centrex") is currently undertaking exploration and development studies on five iron ore exploration licences on the Eyre Peninsula, South Australia. Since the EPJV commenced in July 2010, Eyre Iron has completed more than 50,000m of drilling, along with numerous environmental, metallurgical and engineering studies across three major projects; Carrow, Greenpatch and Fusion.

In June of this year, Eyre Iron released its first pass iron resource estimates, a 159Mt Inferred and Indicated mineral resource with an estimated magnetite recovery of 27.8% (Davis Tube Recovery ("DTR")) and concentrate grading 66.9% Fe at a coarse grind size of 75 $\mu$ m<sup>1</sup> derived from DTR test work. This resource estimate is for the Carrow area. Resource definition activities for the Fusion area, an amalgamation of five projects located in close geographical proximity, incorporating the magnetite deposits of Koppio, Brennand, Kapperna, Iron Mount and Oolanta, occurred during the year.

**Carrow – Pre-Feasibility Study ("PFS")**

Carrow is located just 25kms from the proposed Port Spencer (previously named "Sheep Hill" as an interim measure) deep water export facility that Centrex is also developing under a proposed separate JV with WISCO. Although Carrow is one of the smaller magnetic anomalies within the EPJV, its close proximity to a proposed export hub and its favourable relatively coarse grind size have seen Centrex and WISCO accelerate the Prefeasibility Study (PFS) for the project with the aim of completing the PFS in the first half of the 2012 financial year. Environmental and social baseline studies for the project have recently been completed and process test work, plant and infrastructure designs are being finalised.



**Diamond drilling rigs operating at Carrow.**

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<sup>1</sup> The information relating to Mineral Resources and current exploration targets for Carrow is based on and accurately reflects information compiled by Mr Alex Virisheff of Coffey Mining Limited who is a consultant and adviser to Eyre Iron Pty Ltd and who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Virisheff 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 Virisheff consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



## Managing Director's Report

As previously mentioned, Centrex announced an initial estimate of 159Mt Inferred and Indicated mineral resource estimate which is based on interim drilling results over the Carrow deposit. Future drilling should provide additions to the initial estimate as a further 40Mt to 60Mt of Exploration Target extensions are evaluated.

This estimate was also the first achieved among the five Centrex-WISCO iron prospective tenements on the southern Eyre Peninsula and which are the subject of the Joint Venture.

Carrow PFS level process and infrastructure design studies commenced in September 2010. The current study is based on a 10Mtpa ROM/3Mtpa of magnetite concentrate circuit design. Work completed during the year includes:

- Detailed metallurgical test work;
- Comminution circuit design and selection;
- Plant design and layout; and
- Slurry pipeline layout and preliminary design.

Option studies for the PFS are underway with filtration, tailings disposal, accommodation, logistics and modularisation investigations nearing completion. Final option designs are due for completion in September 2011 which will feed into the overall PFS, incorporating mine designs presently being prepared by Coffey Mining Pty Ltd. A decision to proceed will only be made after completion of the PFS and comparison with other opportunities within the EPJV tenements.

### Carrow Deposit Summary Mineral Resources & Exploration Targets

Mineral Resource Classification	Tonnage (Mt)	Head Grade		DTR (%)	Concentrate Grade	
		Fe (%)	SiO <sub>2</sub> (%)		Fe (%)	SiO <sub>2</sub> (%)
Indicated	72.4	27.3	40.1	28.7	68.5	3.31
Inferred	86.8	27.2	41.6	27.0	65.4	6.73
Total	159.2	27.2	41.0	27.8	66.9	5.18

### Exploration Target Extension<sup>(A)</sup>

Minimum	40.0	25.0		25.0		
Maximum	60.0	29.0		29.0		

\*DTR (percent weight recovery) and concentrate results were from Davis Tube test work performed at P80 passing -75µm

\*Mineral Resources and Exploration Target estimates were carried out following the guidelines of the JORC Code (2004) by Coffey Mining Ltd.

(A) The Exploration Targets quantities and grades presented are conceptual in nature, as there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of additional Minerals Resources other than those stated.

## Managing Director's Report

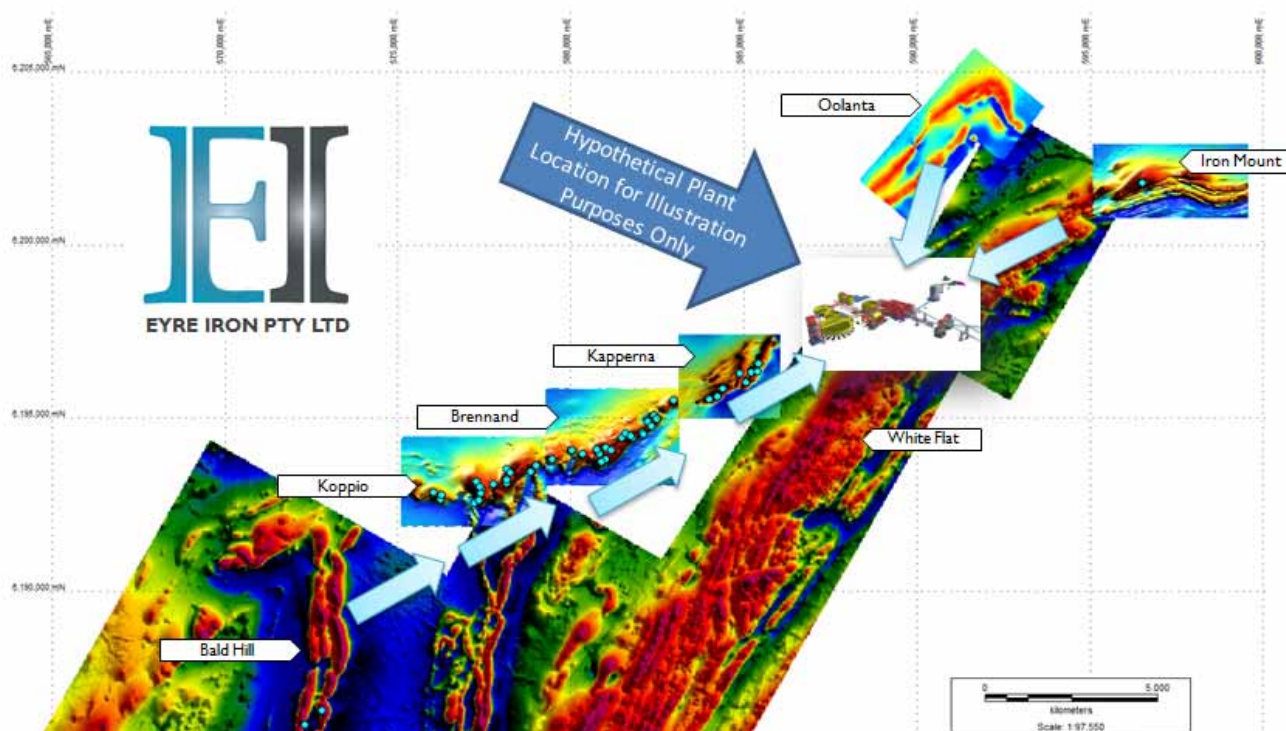
Additional work undertaken during the year for Carrow includes:

- Geochemistry results were received for ore, waste and tailings, indicating all three to be non-acid generating and the waste having good buffering capacity;
- Filtration test work results and reports were received showing both the ore and tailings have relative high rates of filtration, meaning belt filters were chosen for dewatering;
- Tailings options analysis was completed with dry-stack encapsulation being chosen as the lowest life-of-mine cost method with additional environmental benefits of not requiring a conventional tailings dam;
- Three water bores were drilled during the period and a pump test carried out in order to determine the subsurface water conditions that fed into the resulting hydrology and hydrogeology report;
- Power and water options studies were completed; and
- A detailed airborne topographic and imagery survey was completed over the proposed mine site, pipeline corridor and port site to aid in plant layout design.

### **Fusion – Scoping Study**

Fusion is an amalgamation of several projects located in close geographical proximity with the view to establishing a large-scale, long-life mining operation focusing on a centralised processing facility. The immediate goal of the project is to identify the optimal initial deposit to support the first 20 years of mine life.

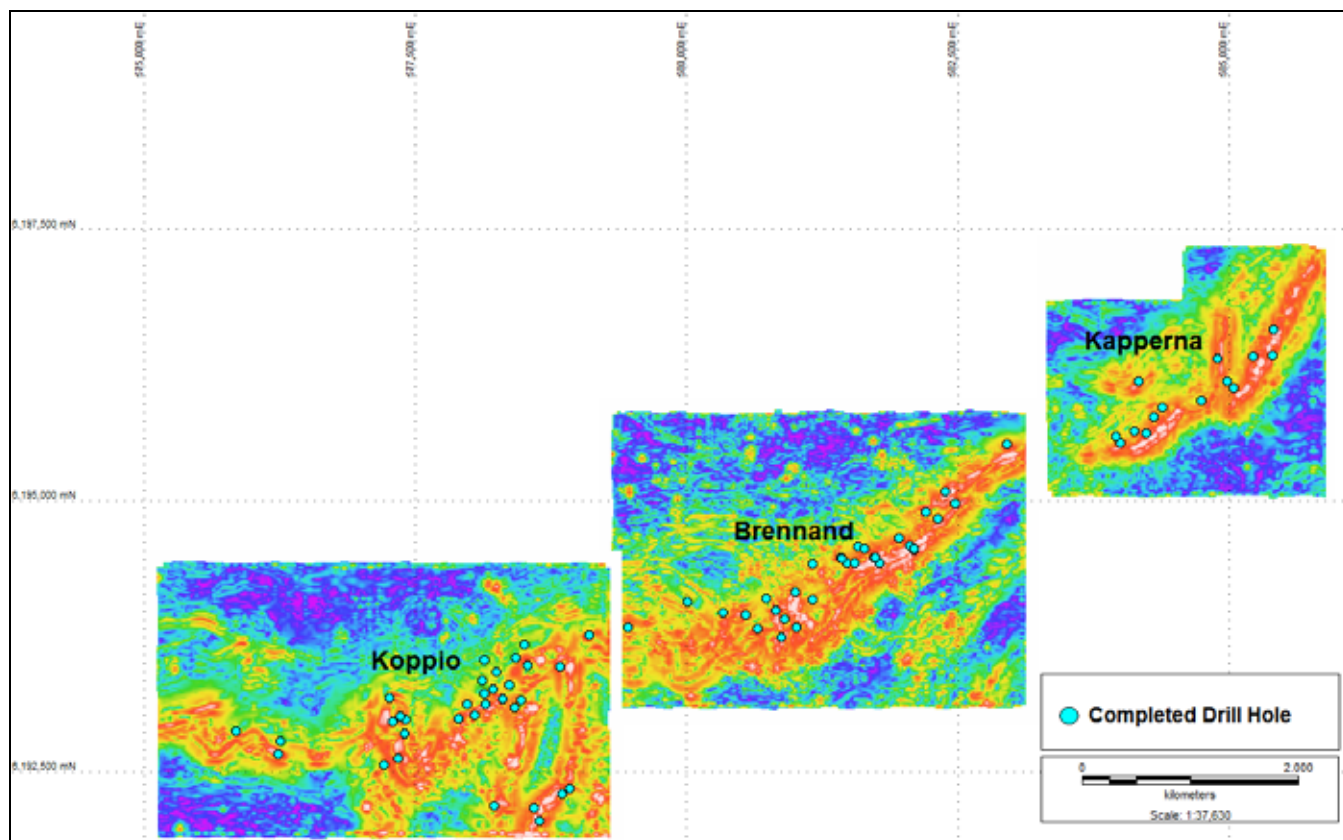
Work has been undertaken to develop an accelerated plan for the Fusion tenements that will speed up the process of selecting the most promising site for mine development.



**Location map of Fusion deposits shown against high-resolution magnetic images.**

**Managing Director's Report**

In 2011, Eyre Iron drilled five deposits within Fusion. Three of these five deposits, Koppio, Brennand and Kapperna are adjacent to one another and represent a single potential mining project. These deposits have a strike length of 10km. Iron Mount and Oolanta were the remaining deposits within Fusion that were drilled in 2011. Other areas have been identified for drilling late in 2011, including, White Flat and Charlton Gully.



**Location map of drill holes completed across Fusion's Koppio, Brennand and Kapperna deposits and shown against high-resolution magnetic images.**

**Managing Director's Report**

On 31 August 2011 the Company announced the results of the second resource evaluation completed for the Fusion project. The estimate was provided by Coffey Mining Ltd and was completed on a total of 91 diamond and RC drill holes (74 & 17 respectively). A summary of the results is shown directly below.

**Fusion Deposit Summary Mineral Resources & Exploration Targets**

Inferred Resource	Tonnage (Mt)	Head Grade		DTR (%)	Concentrate Grade	
		Fe (%)	SiO <sub>2</sub> (%)		Fe (%)	SiO <sub>2</sub> (%)
Kapperna	65.7	28.3	44.6	29.4	70.2	1.92
Brennand	122.4	24.1	51.0	21.3	67.3	4.97
Koppio	131.3	17.2	53.5	14.3	67.0	5.43
<b>Total</b>	<b>319.4</b>	<b>22.1</b>	<b>50.7</b>	<b>20.1</b>	<b>67.8</b>	<b>4.53</b>

**Exploration Target Extension<sup>(A)</sup>**

All Deposits						
Minimum	200	20		17		
Maximum	400	24		22		

\* DTR (percent weight recovery) and concentrate results were from Davis Tube test work performed at P80 passing -75µm

\* Mineral Resources and Exploration Target estimates were carried out following the guidelines of the JORC Code (2004) by Coffey Mining Ltd.

(A) The Exploration Targets quantities and grades presented are conceptual in nature, as there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of additional Minerals Resources other than those stated.

Work completed during the year for Fusion includes:

- 30,227m of drilling for the purposes of resource definition over the five deposits within Fusion.
- Metallurgical test work occurred within Koppio, Brennand, Kapperna and Iron Mount, with further composite core samples dispatched from site for analysis, with results in October 2011.
- Preliminary grind size establishment work was carried out on two bulk samples from Koppio showing at a relatively coarse grind size of 75µm, a very-high grade (>69%Fe) and low contaminant (<3% SiO<sub>2</sub>, <0.16% Al<sub>2</sub>O<sub>3</sub>) concentrate can be produced at around a 35% recovery.
- An Environmental & Social Scoping Study was completed on Fusion as a whole during the period.

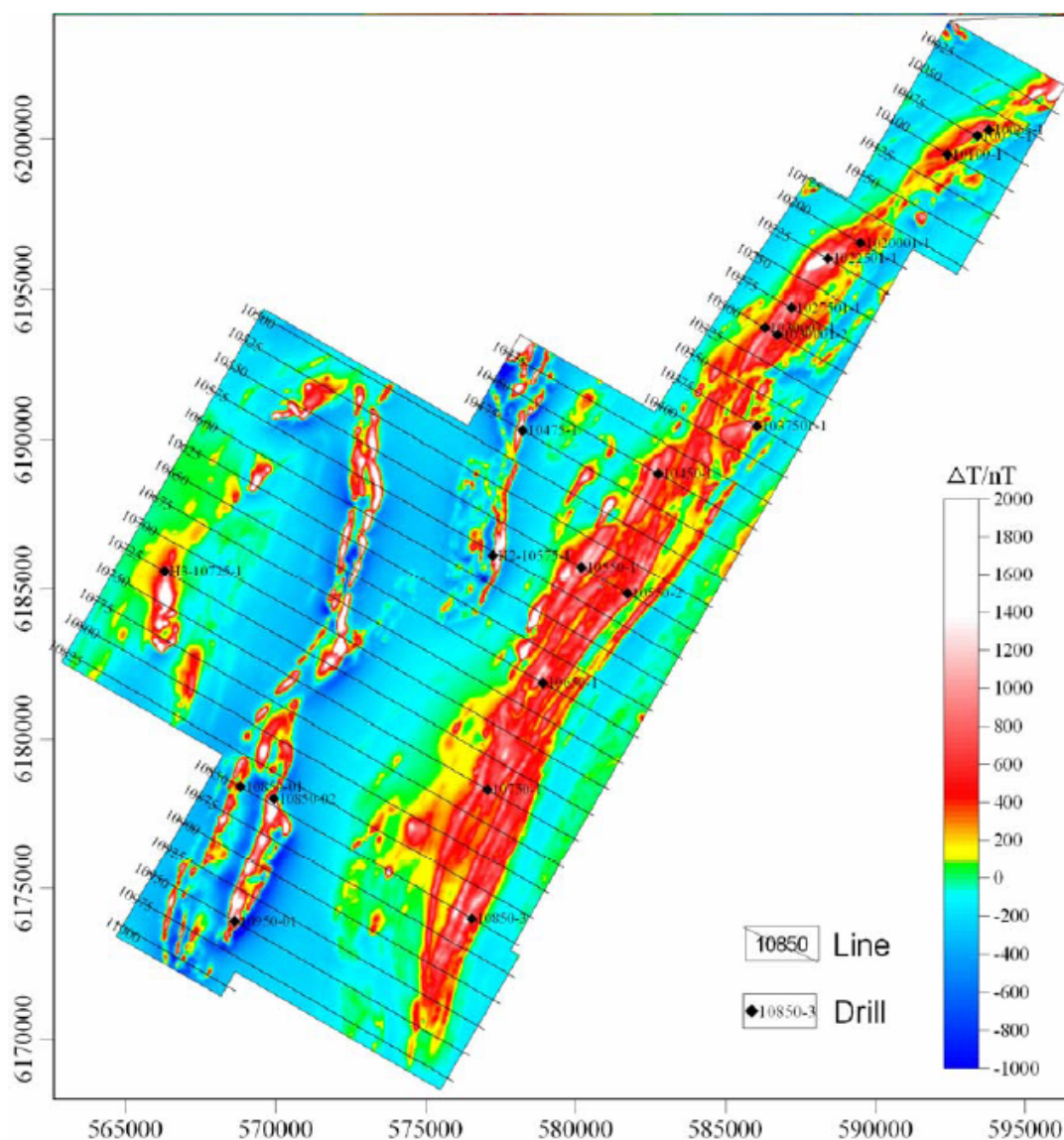
**Managing Director's Report**

**Greenpatch – Scoping Study**

A Scoping Level Study was commenced on Greenpatch during the year. The deposit lies just 10km NNW of Port Lincoln. 1,489m of diamond drilling was completed with the purpose of expanding the resources of the project and to provide composite core samples for preliminary metallurgical test work. An Environmental and Social Scoping Study was finished late in the year and the remaining mining, processing and infrastructure studies are expected to be closed out early in FY12.

**White Flat, Charleton Gully & Warunda – Exploration**

A major high-resolution airborne magnetic and radiometric survey was completed across Eyre Iron's White Flat, Charleton Gully and Warunda projects with 15,616 line kilometres flown. The JV engaged China University of Geoscience to complete modelling and interpretation of this data. Eight priority targets were identified with a program of 5,000m of diamond drilling to commence later in 2011 to follow up these targets.



**China University of Geosciences drill hole target plan shown against high-resolution magnetic image.**



**Managing Director's Report**

## **2. BUNGALOW, the Centrex/Baotou joint venture**

The Bungalow / Minbrie magnetite deposit is located 9 kilometres north of Cowell and around 90 kilometres from the proposed Port Spencer deep water export facility, 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.

In May of this year, Bungalow, our JV with Baotou Iron and Steel Group Ltd (Baogang), released an initial 103Mt Inferred Magnetite Resource grading 25.3% Fe head, 68.5% Fe concentrate with an estimated magnetite recovery of 29.4% Davis Tube Recovery (DTR)<sup>2</sup>. The Inferred mineral resources is reported at a 10% DTR cut-off and has been independently estimated by SRK Consulting (Australasia) Pty Ltd (SKR).

The latest drilling has also resulted in increasing the Exploration Target<sup>3</sup> for the combined Bungalow and Minbrie deposits with the revised Exploration Target being between 530Mt and 750Mt. Minbrie is adjacent to Bungalow.

The Inferred resource estimate is based on Stage 1 drilling over the southern portion of the Bungalow deposit. The remaining areas of the Bungalow deposit are currently being drilled as part of the Stage 2 drilling program with the aim of establishing a resource over the Central and Northern Bungalow Exploration Target areas.

The Inferred resource and Exploration Targets were determined from 81 diamond drill holes spread over the Bungalow and Minbrie deposits. The Inferred resource is only over a portion of the Bungalow deposit with the current drill program expected in the coming months to significantly increase the overall resource.

Stage 1 drilling was completed in December 2010 and added a further 81 holes to the project. The following is a summary of Stage 1:

- All of the outstanding metallurgical test work has been completed with only the results remaining to be collated and reported. The Bungalow deposit is a magnetite BIF-hosted Skarn style of mineralisation with a range of magnetite and hematite ore types.
- Stage 1 drilling was designed to provide a broad understanding of the exploration potential, metallurgical samples and to guide the subsequent drilling strategy. Considering that the Bungalow and Minbrie deposits are spread over an 18km strike length, significantly more drilling is required to evaluate the exploration target (see ASX announcement 10<sup>th</sup> May 2011).

Following analysis of the Stage 1 drilling, in February, our Chinese joint venture partner, Baogang, elected to commence Stage 2 ahead of schedule in order to advance the project. In addition, baseline environmental monitoring studies which were previously planned for Stage 3 commenced in August, 2011.

Stage 2 of the program gives Baogang a 20% interest in any iron ore found within the exploration tenement and commits the partners to undertake a Pre Feasibility study which is due for completion in the second half of the 2012 financial year.

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<sup>2</sup> The information relating to Mineral Resources and current exploration targets for Bungalow is based on and accurately reflects information compiled by Mr Bruce Sommerville of SKR Consulting (Australasia) Pty Ltd who is a consultant and adviser to Centrex Metals Limited and who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Sommerville 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 Sommerville consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

<sup>3</sup> The Exploration Targets quantities and grades presented are conceptual in nature, as there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of additional Minerals Resources other than those stated.

**CENTREX METALS LIMITED**  
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**Managing Director's Report**

The table below summarises the Inferred resource at a 10% DTR cut off followed by the Exploration Target domains as determined by SRK.

Bungalow Inferred Resources – 10% DTR cut off					
Domain	Tonnage (Mt)	Head Grade	DTR (%)	Concentrate Grade	
		Fe (%)		Fe (%)	SiO <sub>2</sub> (%)
Bungalow South	78	24.0	27.5	68.1	3.7
Zone 36	14	31.3	39.8	70.5	2.1
Bungalow Central	11	26.6	29.1	67.1	2.5
<b>Total</b>	<b>103</b>	<b>35.3</b>	<b>29.4</b>	<b>68.5</b>	<b>3.3</b>

Exploration Target Extension <sup>(A)</sup>				
Domain	Tonnage Range (Mt)		Head Grade Range Fe (%)	
Minbrie	250	350	26	32
Bungalow North	150	190	26	32
Bungalow Central	100	145	26	35
Bungalow South	20	40	23	27
Zone 36	10	25	28	32
<b>Total</b>	<b>530</b>	<b>750</b>	<b>25</b>	<b>32</b>

DTR (percent weight recovery) and concentrate results were from Davis Tube test work performed at -38µm

Tonnages are Dry Metric Tonnes and grades are reported on a dry mass percent basis.

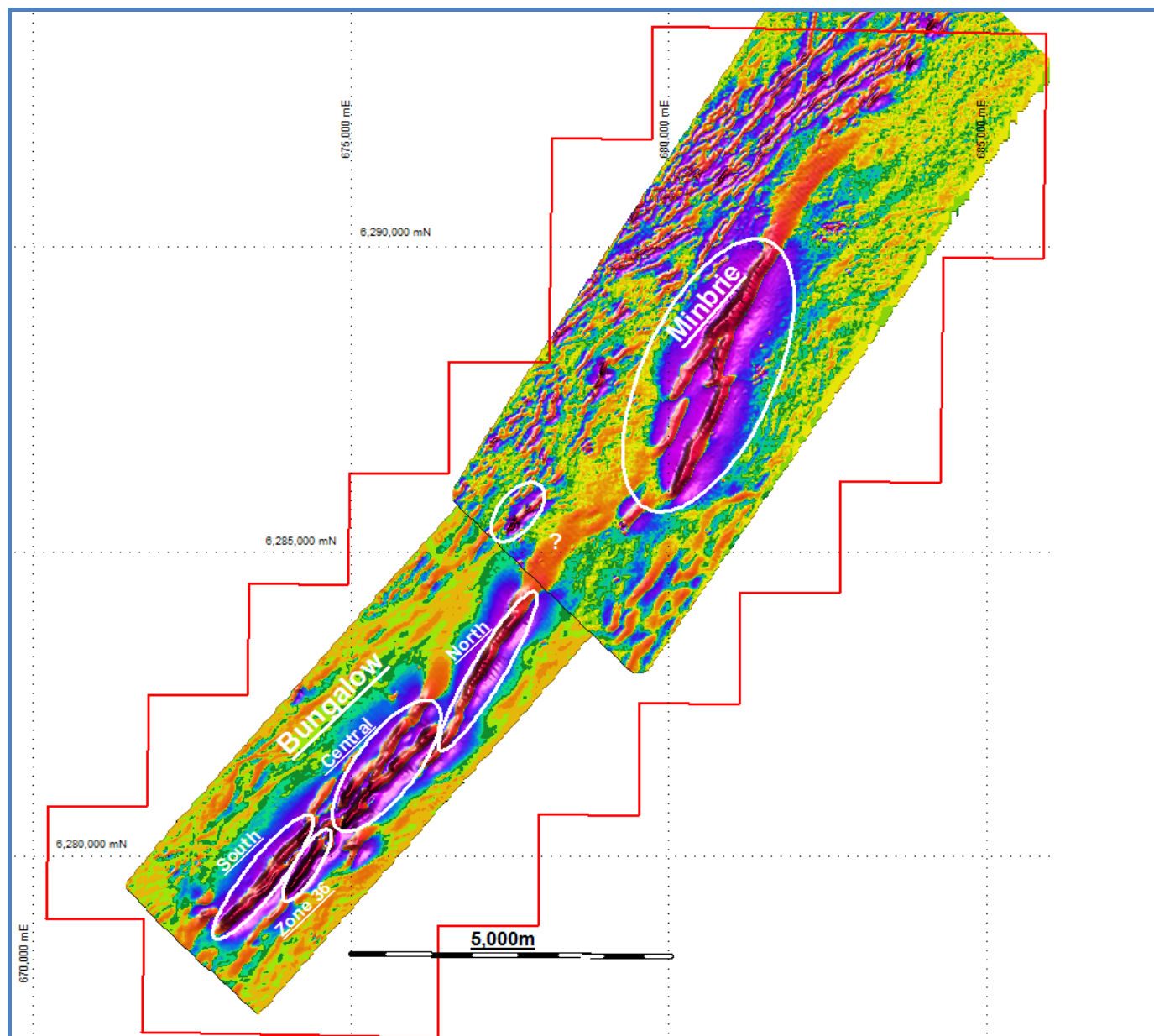
Mineral Resources and Exploration Target were reported in accordance with the guidelines of the JORC Code (2004) by SRK Consulting (Australasia) Pty Ltd.

(A) The Exploration Targets quantities and grades presented are conceptual in nature, as there has been insufficient exploration to define an overall Mineral Resource and it is uncertain if further exploration will result in the determination of additional Minerals Resources other than those stated.

**Managing Director's Report**

The Bungalow and Minbrie deposits are spread over a significant strike length of approximately 18kms, hence requiring a staged approach to the drilling to prove up the resource.

Figure 1 outlines the entire tenement area and the separate Bungalow and Minbrie deposits as highlighted by the reduced-to-pole (RTP) interpretation of the aero magnetics data.



**Figure 1: The Bungalow/Minbrie tenement displaying the various Bungalow domains and the separate Minbrie deposit as highlighted by the RTP interpretation.**

The Minbrie domain will not be the focus of the current phase of drilling. However, it remains an attractive target for future work. The Exploration Target range of 250Mt to 350Mt was determined from aeromagnetic data and 4 diamond drill holes from 2010 that all intersected significant magnetite BIF.

The Bungalow magnetite deposit has a range of ore types and associated metallurgical characteristics ranging from fine (-38µm) to coarse (-75µm) grained magnetite and DSO crystalline magnetite and hematite 'skarn' style of mineralisation.

The aim now is to refine the ore domain boundaries and proportions of the various ore types for geometallurgical modelling in order to optimise the ore processing model.



### **3. PORT SPENCER DEEP WATER PORT**

The proposed Port Spencer (previously named Sheep Hill as an interim measure) deep water port will be located on 91 hectares of land owned by Centrex, northeast of Port Lincoln on South Australia's Eyre Peninsula. Centrex proposes to develop a deep water, Cape-size vessel capable, bulk minerals and grain marine port at Port Spencer through a 50:50 joint venture between Centrex and China-based WISCO. The parties are currently in the final stages of negotiation of the joint venture documentation.

The Port Spencer deep water port proposal was declared by the South Australian Government in January 2011 to be an infrastructure proposal warranting "Major Project" status.

On 1 June, 2011, the South Australian Government issued formal notification that its Development Assessment Commission (DAC) had determined that Centrex must prepare a "Public Environment Report" (PER) about the port. The DAC provided detailed guidelines setting out the environmental, social and economic issues which Centrex must address in the PER and submit to both government and public scrutiny.

This level of assessment was considered appropriate by government given consideration of the unique project features including:

- The establishment of a large export shipping terminal in a rural coastal location;
- Potential economic benefits to the Eyre Peninsula region; and
- Potential impacts on the surrounding coastal and marine environment (including from shipping activities in the Spencer Gulf).

Centrex expects to submit the PER response document late in 2011. Centrex would then respond to public comments before the process moved to final determination by the South Australian Government, as to whether the port project is approved for development in 2012.

A seismic study of the proposed jetty and wharfhead locations was completed late last year. URS/Langkilde Engineering is undertaking structural and engineering requirements for the jetty and wharf and has also been commissioned to investigate alternate marine structure options of the jetty and wharf for various vessel sizes.

Two wind and wave monitoring programs were conducted during 2010 to collect information on tidal influences, water temperature, salinity, wind and wave impacts on the near shore marine environment and potential high energy wave impacts during winter months.

Golder Associates ('Golder') has completed an additional ecological study on the Rogers Beach and associated sand dunes adjacent the Port Spencer site. Golder has also undertaken baseline studies of the adjacent Lipson Island. While both these areas are outside the project boundary, Centrex has elected to undertake these studies to establish possible impacts the port may have on these areas and to include the results in the PER.

Parsons Brinckerhoff has completed a design feasibility study. The concept designs incorporate all site civil works, provision of services, roads and expected construction methodology for the site and jetty. This design work will also be presented as part of the PER.

## Managing Director's Report



**Managing Director's Report**

#### **4. EXPLORATION Report 2010/11**

Exploration resources and activities focussed on resource definition drilling at the Bungalow magnetite project.

Geos Mining continued to manage exploration of the Goulburn and Archer tenements in New South Wales.

All tenements are in good standing.

##### **Goulburn Skarn Project – EL 7503 and EL 7388**

An airborne gravity and magnetics survey over the Company's Goulburn project in the Lachlan Fold Belt region of New South Wales was undertaken in September 2010. The interpretation and assessment of the results was completed by geophysical consultancy, ASIS International. Independent geological consultancy, Geos Mining, reviewed these results in relation to the geological setting and potential for skarn style magnetite and base metal mineralisation. Skarn style iron mineralisation is common in many deposits in association with other economic elements such as gold, lead, zinc, tin and tungsten.

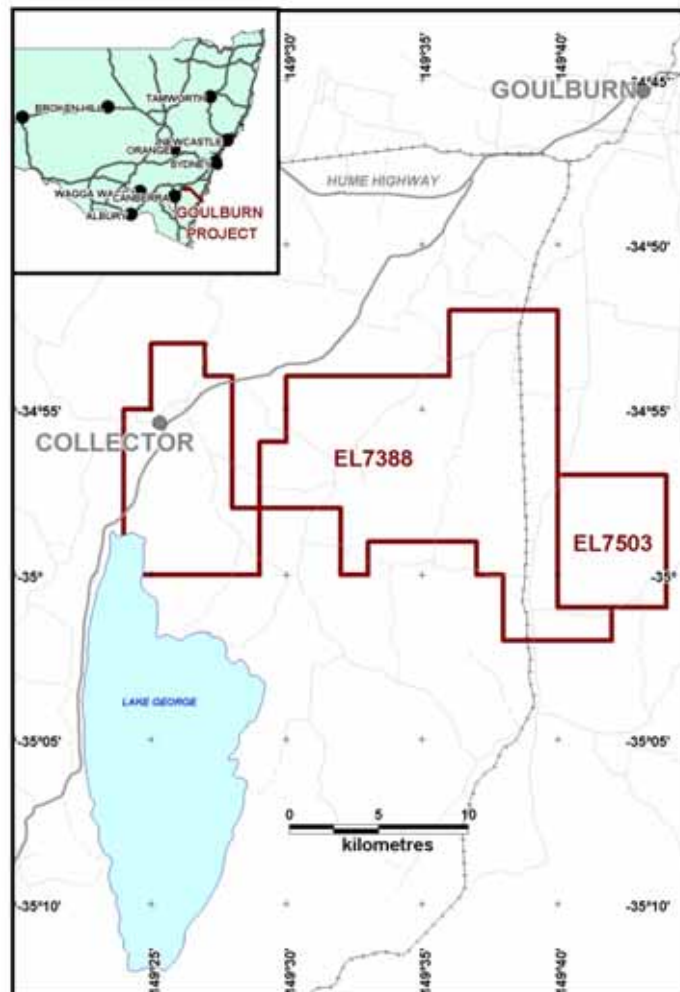
Using traditional geochemical and geophysical methods, the project has been extensively explored by a number of companies for volcanogenic massive sulphide base metal mineralisation. However, historical exploration has not specifically targeted iron rich skarn related mineralisation although a number of explorers noted the presence of skarns and magnetite. The regional geological setting is considered to represent a prime locality for locating significant iron and base metal rich skarn mineralisation, with features such as:

- Proximity to chemically favourable granites;
- Presence of skarn-related sediments and volcanics draping the granites;
- Structural preparation by way of specific folding and later developed cross-cutting faults; and
- Numerous iron and base metal occurrences some associated with skarns.

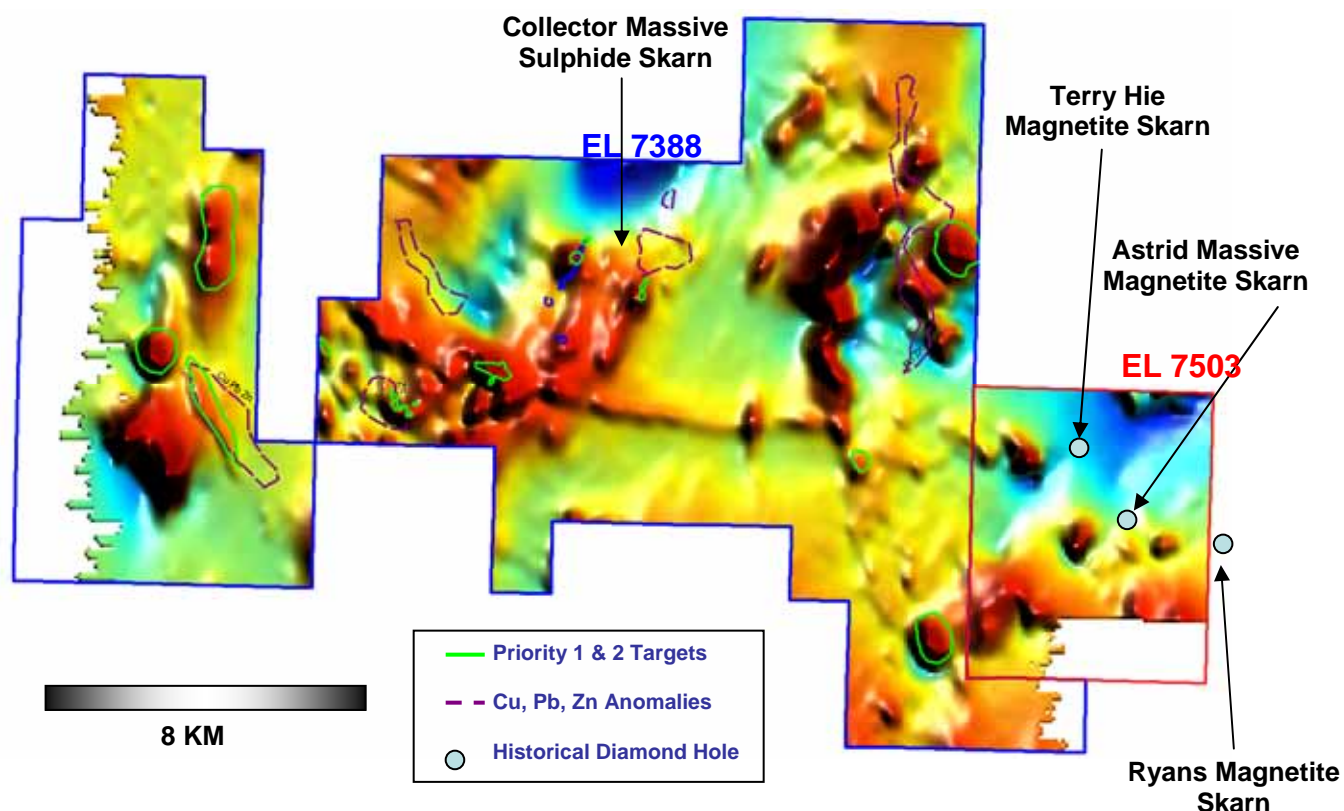
While historical exploration has been extensive, it has also been intensive specifically around the Collector Prospect. Here, skarn mineralisation has been identified with assays up to 4.5m @ 60.9% iron from 52-56.5m downhole.

ASIS identified nine targets for further investigation, including six priority targets, based on their geophysical characteristics. Geos Mining similarly assessed the data from a geological perspective and identified 14 anomalies, including five priority targets. Significantly, seven of these targets, including all the priority targets, have been separately identified by both consultant groups (Figure 2) as warranting ground investigation followed by drill testing, if appropriate. The anomalies show gravity and magnetic signatures consistent with those expected from base metal and magnetite mineralisation although this can only be verified by drilling. The top of the anomalies appears to be near surface (<50m below ground level) suggesting that shallow Reverse Circulation (RC) drilling would provide an effective test.

Geos Mining has commenced field reconnaissance to determine the possible source of the anomalies and to identify potential drill sites.



**Figure 1: Location of Goulburn Project**



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

### **Western Middleback Iron Ore Tenements (Eyre Peninsula, South Australia)**

Detailed field mapping in 2010 and 2011 has identified significant deposits of magnetite and hematite banded iron formation (BIF) in a number of locations throughout the tenements.

The Stony Hill and Kimba Gap project areas contain outcrops of iron ore magnetite and hematite BIF that have not been fully explored. The jaspilite ridge at Kimba Gap has a strong aeromagnetic anomaly and strike length of 3.5 – 4km. 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.

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**

## **5. EXPLORATION Plan FY2012**

The principal exploration objective for the FY2012 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 Fusion iron ore project areas.

### **Baotou Bungalow Joint Venture**

The Stage 2 Pre-Feasibility Study for the Bungalow magnetite deposit will continue into FY2012 as discussed earlier.

### **Goulburn Skarn Project**

The Goulburn magnetite skarn and base metal project will be a key focus for Centrex during the year.

A high resolution ground geophysical survey is intended over the main anomalies as identified by Geos Mining and ASIS International. The aim of the survey is to further define the boundaries of the target anomalies for sighting drill holes.

An initial broad spaced drill program to test the main anomalies has been tentatively planned for 2012.

### **Western Middlebacks**

The 2011 mapping and rock chip sampling exercise has identified a number of prospective magnetite targets within the Western Middleback tenements that are ideally situated in respect to infrastructure and resources.

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. Joint venture opportunities for third parties to explore and develop the magnetite deposits will be considered.

### **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.*

**Managing Director's Report**

## **6. 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 final major approval required before mining can commence is the approval of a Program for Environmental Protection and Rehabilitation (PEPR). This process was completed during the financial year and mining approval was received from the South Australian Government in July 2011.

A major review of the Company's strategy around development of the Wilgerup mine and the proposed export of hematite via Port Lincoln was conducted late in 2010. This review highlighted a number of economic and social issues that would need to be overcome to successfully export via Port Lincoln. Management recommended and the Board agreed that a more robust financial case and a socially more acceptable option for the development of Wilgerup was to defer development until the Company's Port Spencer port was available. Favourable transport and logistics exist for Port Spencer when compared to Port Lincoln and the additional tonnage assists the port operation and therefore Centrex Metal's other projects. In addition, there was wide spread local community opposition to the use of Port Lincoln's wharf facilities for hematite exports and a previous protest group, the local tuna fishing industry, is now a welcome supporter of the Port Spencer development.

Kamballa Station, incorporating the Wilgerup hematite ore body, is leased to an adjoining property owner 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.



Mr Jim White  
Managing Director

Dated at Adelaide this 20<sup>th</sup> day of September 2011.



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

**Directors' Report**

**For the Year Ended 30 June 2011**

The Directors present their report together with the consolidated financial report of Centrex Metals Limited ("Company") and its controlled entities ("Group"), for the financial year ended 30 June 2011 and the auditor's report thereon.

<b>Section</b>	<b>Contents of Directors' Report</b>
<b>1</b>	<b>Directors and the Company Secretary</b>
<b>1.1</b>	Directors
<b>1.2</b>	Company Secretary
<b>2</b>	<b>Executives considered to be Key Management Personnel</b>
<b>3</b>	<b>Directors' meetings</b>
<b>4</b>	<b>Corporate governance statement</b>
<b>5</b>	<b>Remuneration report (audited)</b>
<b>6</b>	<b>Principal activity</b>
<b>7</b>	<b>Operating and financial review</b>
<b>8</b>	<b>Dividends</b>
<b>9</b>	<b>Events subsequent to year end</b>
<b>10</b>	<b>Likely developments</b>
<b>11</b>	<b>Directors' interests and options</b>
<b>12</b>	<b>Share options</b>
<b>13</b>	<b>Indemnification and insurance of officers</b>
<b>14</b>	<b>Environmental regulation and performance</b>
<b>15</b>	<b>Non-audit services</b>
<b>16</b>	<b>Lead auditor's independence declaration</b>



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

**Directors' Report**

**For the Year Ended 30 June 2011**

**1.1 Directors**

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

<b>Name and Qualifications</b>	<b>Appointed /Resigned</b>	<b>Position, Experience and special responsibilities</b>
Mr David Klingberg, AO, FTSE, D UniSA, B.Tech, FIE Aust, FAus IMM, FAICD	Appointed 19/04/05  Chairman since 15/1/10	Independent Chairman  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. He is a former Chancellor of the University of South Australia, retiring in 2008 after holding the position for 10 years. Mr Klingberg is a director of ASX listed companies Codan Limited and E&A Limited. He is also director of Snowy Hydro Limited, Chairman of Barossa Infrastructure Limited and a former Chairman of the Premier's Climate Change Council.  Mr Klingberg is a member of the Company's Audit and Risk Management Committee and the Remuneration and Nomination Committee.
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 Director  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. He is also a director of Synergy Metals Ltd.  Mr Poh is a member of the Company's Audit and Risk Management Committee.
Mr Graham Chrisp, B Tech (CE)	Appointed 21/01/10	Non-Executive Director  Mr Chrisp has a degree in Civil Engineering and 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.  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.  Mr Chrisp is a member of the Company's Remuneration and Nomination Committee.

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

**Directors' Report**

**For the Year Ended 30 June 2011**

**1.1 Directors (continued)**

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

<b>Name and Qualifications</b>	<b>Appointed /Resigned</b>	<b>Position, Experience and special responsibilities</b>
Mr Xiaopeng Yin	Appointed 21/01/10	<p>Non-Executive Director</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 &amp; 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>
Mr Jim Hazel, B.Ec, F Fin, FAICD	Appointed 12/07/10	<p>Independent Non-Executive Director</p> <p>Mr Hazel has had an extensive career in banking and investment banking, including as Chief General Manager of Adelaide Bank Ltd and was formerly managing director of an ASX listed retirement village and aged care operation.</p> <p>He is now a professional Public Company Director and has served on the Board of Terramin Australia Limited and Becton Property Group Ltd. Mr Hazel is currently a Director of Bendigo and Adelaide Bank Limited, Rural Bank Limited, Impedimed Limited, Coopers Brewery Ltd and the Motor Accident Commission.</p> <p>Mr. Hazel chairs the Company's Audit and Risk Management Committee and the Remuneration and Nomination Committee.</p>
Mr John den Dryver BE (Mining), MSc, FAusIMM	Appointed 1/03/11	<p>Independent Non-Executive Director</p> <p>Mr den Dryver is a Mining Engineer with extensive project development and operational management experience at a senior level in the mining industry, including taking projects in Australia and overseas from grassroots exploration through feasibility, financing and into implementation. His role with Newmont Australia (formerly Normandy Mining Group) included detailed feasibility and development implementation of underground mining operations, assessment and acquisition of mineral projects in Ghana, as well as significant operational involvement with North Flinders Mines and The Granites gold mine in the Northern Territory.</p> <p>Mr den Dryver is a current director of Gascoyne Resources Ltd, Adelaide Resources Ltd, and Helix Resources Ltd. He is also a director of Eyre Iron Pty Ltd, the manager of the Centrex – WISCO joint venture.</p>

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

**Directors' Report**

**For the Year Ended 30 June 2011**

**1.1 Directors (continued)**

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

<b>Name and Qualifications</b>	<b>Appointed /Resigned</b>	<b>Position, Experience and special responsibilities</b>
Mr Gerard Anderson, Assoc Applied Geology, Grad Dip Bus, MSc	Appointed 11/04/06  Resigned 16/07/10	Former Managing Director (resigned 16 July 2010)  Mr Anderson is a geologist with 35 years' experience as a professional geologist and manager including 16 years in senior exploration and mine management roles.
Mr Geoffrey Hill, FCPA, FCDA, FSIA	Appointed 20/10/08  Resigned 22/02/11	Former Non-Executive Director (resigned 22 February 2011)  Mr Hill is a merchant banker based in Hong Kong. He has over 30 years' experience in the Merchant Banking Industry.  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.
Dr Liaowu Guo	Appointed 21/01/10  Resigned 12/11/10	Former alternate Non-Executive Director (resigned 12 November 2010)  Dr Guo has a PhD in mining and held the positions of Vice General Manager of Mineral Industry Corporation and Managing Director of Wugang Australian Resources Investment Pty Ltd. Dr Guo was an alternate to Mr Yin for the period he served as director. As the then Managing Director of Wugang Australian Resources Investment Pty Ltd, the Company's second largest shareholder, Dr Guo is not considered independent for the purposes of the Company's Corporate Governance policies.

**1.2 Company Secretary**

**Company Secretary and Legal Counsel**

The Company Secretary and Legal Counsel, Ms Alison Evans was appointed 3 February 2011.

Ms Evans is a lawyer with experience in corporate and commercial law, with a particular focus on the energy and resources sectors. Ms Evans has been a solicitor in top and mid-tier law firms as well as having in-house roles with electricity retailer AGL and most recently, as company secretary and legal counsel for a coal beneficiation technology provider.

## **Directors' Report**

**For the Year Ended 30 June 2011**

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

The executives considered to be key management personnel in office at any time during or since the end of the financial year are:

#### **Chief Operating Officer – Eyre Iron Joint Venture**

The Chief Operating Officer – Joint Ventures, Mr Ben Hammond was appointed 7 July 2010.

Mr Hammond is a geologist who has spent his career in bulk commodities with BHP Billiton. He commenced employment at Centrex Metals Limited in December 2007. His roles have spanned business development, project management, business improvement, mine geology and exploration. His operational experience extends beyond mining to ports, rail and maintenance.

#### **General Manager, Exploration**

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

Mr Watts is a Geologist with 20 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.

#### **General Manager, Engineering**

The General Manager, Engineering, Mr Steve Brown was appointed 4 January 2011.

Mr Brown is an electrical engineer with 28 years' experience in the iron ore, steel, water and construction industries. Previous roles include Manager Engineering for all capital works at OneSteel Whyalla and Client Construction Manager for Project Magnet iron ore development.

#### **General Manager, Finance**

The General Manager Finance, Mr Gavin Bosch, was appointed 29 January 2008.

Mr Bosch is a member of CPA Australia and Chartered Secretaries Australia. He has over 14 years experience in the mining industry. Beginning as a graduate accountant with Newmont Australia (formerly Normandy Mining Group) 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. Mr Bosch is also joint Company Secretary of the Company.

#### **Former Chief Operating Officer**

Kevin Malaxos, was appointed 4 February 2008 and resigned 10 December 2010.

Mr Malaxos is a Mining Engineer with in excess of 25 years experience in open pit and underground mining operations.

# CENTREX METALS LIMITED

A.B.N. 97 096 298 752

## Directors' Report

For the Year Ended 30 June 2011

### 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 2011 was:

	Board Meetings		Audit and Risk Management Committee Meetings		Remuneration and Nomination Committee***	
	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Mr D Klingberg	11	11	4	4	7	7
Mr J White	11	10	4	3**	7	6**
Mr K Poh	11	11	4	4	7	7
Mr G Chrisp	11	11	4	N/A	7	6
Mr Y Xiaopeng	11	4	4	N/A	7	4
*Dr L Guo	11	2	4	N/A	7	2
Mr J Hazel	11	10	4	4	7	7
Mr J d Dryver	11	4	4	N/A	7	N/A
Mr G Hill	11	6	4	1	7	6
Mr G Anderson	11	N/A	4	N/A	7	N/A

\*As alternate to Mr Y Xiaopeng

\*\*Attended by invitation

\*\*\* On 19 April 2011, the board decided to appoint a separate subcommittee comprising Mr D Klingberg, Mr G Chrisp and chaired by Mr J Hazel to form a separate Remuneration and Nomination subcommittee. One meeting of this committee was held during the year ended 30 June 2011. Prior to that, the Remuneration and Nomination Committee comprised the non-executive directors meetings and were incorporated into the regular board meetings.

### 4. Corporate Governance Statement

The Board is committed to the principles underpinning best practice in corporate governance and the Company has 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. All relevant corporate governance policies are also available on the Company's website located at:

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

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

##### *Role of the Board*

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

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Company and its subsidiaries 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.

## **Directors' Report**

### **For the Year Ended 30 June 2011**

The Board has delegated responsibility for operation and administration of the Company and matters not expressly reserved to the Board to the Managing Director.

The performance of senior executives is reviewed annually (or more regularly as appropriate) by the Board in conjunction with the Managing Director. The process for evaluating the performance of senior executives is for the Managing Director to measure performance against objective benchmarks including operational or financial milestones and report the performance to the Board. The performance of the Managing Director is also measured against objective benchmarks including operational or financial milestones and is undertaken by the Board. Performance reviews for all senior executives including the Managing Director were conducted during the period.

### **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.

#### ***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.

For the purposes of determining what is "material" in the above context, the Board considers, any Director-related business relationship to be material if it, or is likely in future to represent 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, Mr Jim Hazel and Mr John den Dryver are all considered to be independent by virtue of their meeting of the criteria outlined directly above.

Of the remaining current directors, Mr Graham Chrisp, Mr Yin Xiaopeng and Mr Jim White are not considered to be independent. Mr Chrisp is a director of South Cove Ltd, the largest single shareholder in the Company. Mr Yin is a director of Wugang Australian Resources Investment Company Pty Ltd, the second largest shareholder



## **Directors' Report**

### **For the Year Ended 30 June 2011**

in the Company. Mr Jim White is the Managing Director of the Company. As at 30 June 2011 the composition of the Board complies with its defined objectives.

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

The Board reviewed and changed the composition of its Remuneration and Nomination Committee in April 2011 and in doing so adopted a new charter on 24 May 2011. 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 Remuneration 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.

#### ***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. A formal review process was undertaken 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 Code of Conduct regularly to ensure the highest standards of behaviour and professionalism. Further detail relating to the Code 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.

## **Directors' Report**

### **For the Year Ended 30 June 2011**

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.

### ***Diversity***

The Group formally adopted a diversity policy during the reporting period. The Company is committed to providing an inclusive workplace and recognises the value that a workforce made up of individuals with diverse skills, values, backgrounds and experiences will bring to the Company. At the core of the Company's diversity policy is a commitment to equality and respect. The full diversity policy can be found in the corporate governance section of the Company website.

The Company has a strong commitment to gender diversity and female participation is sought in all areas. Decisions relating to promotion, leadership development and flexible work arrangements are all based on merit and reinforce the importance of equality in the workplace. The Company will establish measureable objectives for achieving gender diversity when the board considers that it has grown to a point where it is appropriate to do so.

Details of women employed by the Company as at 30 June 2011 are as follows:

<b>Level</b>	<b>Total</b>	<b>Women</b>
Board	7	0
Senior Executives	6	2
Company	12	4

### **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.

This committee consists only of independent directors thereby meeting the recommendation of consisting of a majority of independent Directors.

The Managing Director and General Manager Finance 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 2011 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 disclosed 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



## **Directors' Report**

### **For the Year Ended 30 June 2011**

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.

#### **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 General Manager Finance 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 reviewed and changed the composition of its Remuneration and Nomination Committee in April 2011 and in doing so adopted a new charter on 24 May 2011. Prior to this time, the responsibilities of this committee were addressed by the Board as a whole as and when the need arose.

The role of the Committee is to assist and advise the Board in relation to: the appointment of directors to the Board; the formulation of succession planning generally; and, the formulation and review of remuneration policies.

The charter of the Remuneration 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 2011**

### **5 Remuneration Report - audited**

#### **5.1 Principles of compensation**

The remuneration report provides details of the remuneration of the Company's directors and senior executives identified as those who had authority for planning, directing and controlling the Company's activities during the reporting period (key management personnel). In addition, the Company has provided details of the five Company executives who received the highest remuneration during the reporting period.

Total remuneration packages for directors and executives of the Group are competitively set to attract and retain appropriately qualified and experienced people. The Remuneration and Nomination Committee assists the Board in setting remuneration strategy. Furthermore, the Board has obtained independent advice from remuneration consultants during the current year on the appropriateness of the remuneration packages paid by the Group which takes account of trends in comparative companies and the objectives of the Group's remuneration strategy to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

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

Total compensation for all Non-Executive Directors, pursuant to the constitution must not exceed \$500,000 per annum. In March 2010 the Company obtained independent advice from Godfrey Remuneration Group in relation to the Non-Executive Directors' fees. Fees were set with reference to standard practice by comparator companies.

For the year ended 30 June 2011, 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, Mr Hill, Mr Chrisp, or Mr Yin were paid superannuation benefits. Messer's Poh, Hill, Chrisp and Yin were paid directly for the value of their superannuation entitlements.

#### **Managing Director and Company Executives**

Remuneration packages for the Managing Director and other Company executives include a mix of fixed and variable compensation, the variable compensation using short and long term incentives. The remuneration packages take into account independent advice and market practice of comparable organisations within the industry and reflect capability, role and experience of each executive.

The fixed remuneration component (cash, superannuation and fringe benefits) was set with utilising industry surveys with particular reference to the practices of companies in the lowest quartile of the survey (i.e. those with a similar market capitalisation and with a similar sized workforce). Total remuneration (base salary packages and variable remuneration) provides the opportunity for executives to reach compensation levels in the next quartile as outlined within the industry surveys through the following variable awards:

- the Short Term Incentive Plan, which awards a cash bonus of between 0% and 20% of base salary subject to individual and Company targets being met; and
- the Long Term Incentive Plan, under which the executive is granted incentive rights, some of which vest after an extended period of continuous employment (Retention Rights), the others vesting after an assessment of performance (Performance Rights).

#### **Mr Jim White**

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.

## **Directors' Report**

### **For the Year Ended 30 June 2011**

#### **5 Remuneration Report – 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 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 were approved by shareholders for the purposes of ASX Listing Rule 10.14 at the 2010 annual general meeting.

In accordance with the terms of his service agreement, Mr White's salary has been reviewed and increased for the 2011/2012 financial year to a base remuneration package of \$420,000. Mr White also has a short term incentive target for the financial year ended 30 June 2012, comprising a cash payment of up to 20% of the base package to be paid before 30 September 2012 based on the achievement of certain key performance targets. In addition, Mr White has been granted performance rights pursuant to the Centrex Executive Incentive Rights Option Plan relating to the 2011/2012 financial year, subject to the grant of those rights being approved by shareholders at the 2011 annual general meeting. The details of Mr White's performance rights are set out in item 9 of this directors' report under the heading "events subsequent to year end".

#### **Mr Gerard Anderson**

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 Executives considered to be 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 Alastair Watts                      General Manager Exploration
- Mr Ben Hammond                      Chief Operating Officer – Eyre Iron Joint Venture
- Mr Steve Brown                      General Manager Engineering
- Mr Gavin Bosch                      General Manager Finance
- Mr Kevin Malaxos                      Former Chief Operating Officer (resigned 10 December 2010)

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

#### **Service Agreements**

The Company has service contracts with each executive listed above, except Mr Malaxos who is no longer employed by the Company. 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.

On 12 July 2010 Mr Jim White signed an Executive Services Agreement with the Company. 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 Mr White for all or part of the notice period or pay an amount equal to the notice period not so retained.

# CENTREX METALS LIMITED

A.B.N. 97 096 298 752

## Directors' Report

For the Year Ended 30 June 2011

### Remuneration of Key Management Personnel and Highest Paid Company Executives (Consolidated)

Details of the nature and amount of each major element of remuneration of each of the key management personnel and highest paid Company executives are:

			Short-term				Super-annuation benefits	Other long term	Termination benefits	Share-based payments	Total	Performance related	Options / Rights related
			Salary & fees	STI cash bonus	Non-monetary benefits	Total							
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b><u>Current Directors</u></b>													
Mr D Klingberg	Non-exec	2011	100,000	-	-	100,000	9,000	-	-	-	109,000	-	-
		2010	81,250	-	-	81,250	7,313	-	-	-	88,562	-	-
Mr J White, (commenced 16 August 2010)	Managing Director	2011	321,595	61,539	5,165	388,299	28,943	1,964	-	43,447	462,653	13.30%	9.39%
		2010	-	-	-	-	-	-	-	-	-	-	-
Mr K Poh	Non-exec	2011	70,850	-	-	70,850	-	-	-	-	70,850	-	-
		2010	70,850	-	-	70,850	-	-	-	-	70,850	-	-
Mr G Chrisp	Non-exec	2011	53,108	-	-	53,108	-	-	-	-	53,108	-	-
		2010	31,425	-	-	31,425	-	-	-	-	31,425	-	-
Mr X Yin	Non-exec	2011	24,979	-	-	24,979	-	-	-	-	24,979	-	-
		2010	-	-	-	-	-	-	-	-	-	-	-
Mr J Hazel	Non-exec	2011	67,499	-	-	67,499	6,075	-	-	-	73,574	-	-
		2010	-	-	-	-	-	-	-	-	-	-	-
Mr J den Dryver (appointed 1 March 2011)	Non-exec	2011	21,667	-	-	21,667	1,950	-	-	-	23,617	-	-
		2010	-	-	-	-	-	-	-	-	-	-	-
<b><u>Former Directors</u></b>													
Mr D Lindh (resigned 21 January 2010)	Non-exec	2011	-	-	-	-	-	-	-	-	-	-	-
		2010	58,333	-	-	58,333	5,250	-	-	-	63,583	-	-
Mr G Anderson, (resigned 16 July 2010)	Managing Director	2011	13,968	-	494	14,462	-	-	-	-	14,462	-	-
		2010	385,000	90,000	-	475,000	71,250	-	709,486 <sup>#A</sup>	(694,114)	561,622	-	-
Dr L Guo (resigned 12 November 2010)	Non-exec	2011	-	-	-	-	-	-	-	-	-	-	-
		2010	27,083	-	-	27,083	-	-	-	-	27,083	-	-
Mr G Hill (resigned 22 February 2011)	Non-exec	2011	39,388	-	-	39,388	-	-	-	-	39,388	-	-
		2010	70,850	-	-	70,850	-	-	-	-	70,850	-	-
Total compensation: Directors		2011	713,054	61,539	5,659	780,252	45,968	1,964	-	43,447	871,631		
		2010	724,791	90,000	-	814,791	83,813	-	709,486	(694,114)	913,976		

<sup>#A</sup> The termination benefit paid to Mr Anderson comprised 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 2011

### Remuneration of Key Management Personnel and Highest Paid Company Executives

Details of the nature and amount of each major element of remuneration of each of the key management personnel and highest paid Company executives are:

		Short-term				Super-annuation benefits	Other long term	Termination benefits	Share-based payments	Total	Performance related	Options / Rights related
		Salary & fees	STI cash bonus	Non-monetary benefits	Total							
		\$	\$	\$	\$	\$	\$	%	%	\$	%	%
<b>Executives</b>												
Mr K Malaxos <b>Former Chief Operating Officer</b> (resigned 10 December 2010)	2011	168,681	58,362	2,639	229,682	20,434	-	-	836	250,952	23.26%	0.33%
	2010	262,500	13,125	-	275,625	24,806	-	-	170,426	470,857	2.79%	36.19%
Mr A Watts <b>General Manager Exploration</b>	2011	194,349	76,531 <sup>#B</sup>	5,278	276,158	20,993	15,419	-	91,837	404,407	18.92%	22.71%
	2010	173,250	6,930	-	180,180	16,216	-	-	121,189	317,585	2.18%	38.16%
Mr B Hammond <b>Chief Operating Officer - JV</b>	2011	225,000	83,849 <sup>#B</sup>	2,639	311,488	23,884	12,385	-	105,813	453,570	18.49%	23.33%
	2010	-	-	-	-	-	-	-	-	-	-	-
Mr S Brown <b>General Manager Engineering</b> (commenced 4 January 2011)	2011	94,246	18,128	5,278	117,652	8,482	561	-	-	126,695	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-
Mr G Bosch <b>General Manager Finance</b>	2011	171,824	76,375 <sup>#B</sup>	-	248,199	19,388	9,035	-	80,138	356,760	21.41%	22.46%
	2010	143,000	6,300	-	149,300	13,437	-	-	141,702	304,439	2.07%	46.55%
Total compensation: Executives	2011	854,100	313,245	15,834	1,183,179	93,181	37,400	-	278,624	1,592,384		
	2010	578,750	26,355	-	605,105	54,459	-	-	433,317	1,092,881		
Total compensation: Directors (see previous page)	2011	713,054	61,539	5,659	780,252	45,968	1,964	-	43,447	871,631		
	2010	724,791	90,000	-	814,791	83,813	-	709,486	(694,114)	913,976		
Total compensation: key management Personnel	2011	1,567,154	374,784	21,493	1,963,431	139,149	39,364	-	322,071	2,464,015		
	2010	1,303,541	116,355	-	1,419,896	138,272	-	709,486	(260,797)	2,006,857		

<sup>#B</sup> The STI cash bonus recorded in the current year remuneration includes the accrued (but not paid in the year ended 30 June 2011) performance incentive for 2011 as well as the performance incentive for 2010 (not determined until September 2010). Past awards of STI cash bonuses were not aligned with the reporting year due to the timing of performance reviews.

# CENTREX METALS LIMITED

A.B.N. 97 096 298 752

## Directors' Report

For the Year Ended 30 June 2011

### 5 Remuneration Report – audited (continued)

#### Consequences of performance on shareholder wealth

The variable components of the Company's executives' remuneration (the short and long term incentives) seek to encourage alignment of management performance and shareholders' interests by linking remuneration to performance of the Company as a whole.

The award of any short term or long term incentive is always at the discretion of the Board which will also take into account the following indices when assessing performance, although the board acknowledges that as an exploration company the use of such indices does not fully reflect Company performance.

	2011	2010	2009	2008	2007
Profit / (loss) attributable to owners of the company	\$47,528,580	(\$1,837,302)	(\$2,181,115)	(\$1,246,394)	(\$657,013)
Dividends paid	-	-	-	-	-
Share price	\$0.32	\$0.43	\$0.26	\$0.40	\$0.47

#### Short Term Incentive – Cash Bonus

Key performance indicators which must be achieved to be awarded the short term incentive (cash bonus) relate to overall company performance, business unit performance and individual performance set by the Board and the Managing Director for the relevant period. The key performance indicators relating to overall Company performance for the relevant period related to:

- Success of the Company's exploration program evidenced by the increase of mineral resources;
- Achieving operational milestones;
- Implementing the Company's stated strategic plan.

The Company paid and accrued the following cash bonuses for short term incentives to key management personnel and Company executives during the year:

<u>Company Executive</u>		<u>Amount Paid For Year Ended 30 June 2010</u>		
		<b>Awarded</b>	<b>Forfeited</b>	<b>Included in Remuneration</b>
		%	%	\$
Mr K Malaxos	Former Chief Operating Officer	100	-	58,362
Mr A Watts	General Manager Exploration	100	-	38,906
Mr B Hammond	Chief Operating Officer - JV	100	-	40,377
Mr G Bosch	General Manager Finance	100	-	43,600

<u>Director / Company Executive</u>		<u>Amount Accrued For Year Ended 30 June 2011</u>		
		<b>Awarded</b>	<b>Forfeited</b>	<b>Included in Remuneration</b>
		%	%	\$
Mr J White	Managing Director	87.5	12.5	61,539
Mr A Watts	General Manager Exploration	87.5	12.5	37,625
Mr B Hammond	Chief Operating Officer - JV	87.5	12.5	43,472
Mr S Brown	General Manager Engineering	87.5	12.5	18,128
Mr G Bosch	General Manager Finance	87.5	12.5	32,775

#### Long Term Incentive – Equity based

The Company's Long Term Incentive Plan is intended to reward efforts and results that promote long term growth in shareholder value. The key performance indicator which must be achieved for the vesting of Company executives' Performance Rights is the growth in the Company's share price. The Managing Director may be required to meet additional performance hurdles relating to the achievement of operational or other factors in order for his Performance Rights to vest.

# CENTREX METALS LIMITED

A.B.N. 97 096 298 752

## Directors' Report

For the Year Ended 30 June 2011

### 5 Remuneration Report – audited (continued)

The other component of the long term incentive plan is the grant of Retention Rights. Retention Rights vest on the completion of a period of service with the Company. The purpose of granting Retention Rights is to retain executives who over the time of their employment accumulate significant intellectual property of value to the Company, and to ensure the continuity of that knowledge and in turn promote a stable and efficient executive team. Note that it is not the Company's current policy to grant Retention Rights to the Managing Director.

#### Options

The Company issued the following options to key management personnel and highest paid Company executives during the year:

<u>Director</u>		<u>Type</u>	<u>Grant Date</u>	<u>No. Options</u>	<u>Fair value</u>	<u>Exercise Price</u>	<u>Vesting Date</u>	<u>Expiry</u>
Mr J White	<b>Managing Director</b>	2014 Exec. Plan	15/11/10	750,000	\$122,494	\$0.42	16/08/12	30/06/14

#### Rights

The Company issued the following rights to key management personnel and highest paid Company executives during the year:

<u>Company Executive</u>		<u>Retention Rights</u>	<u>Grant Date</u>	<u>No. Rights</u>	<u>Fair value</u>	<u>Exercise Price</u>	<u>Vesting Date</u>	<u>Expiry</u>
Mr A Watts	<b>GM Exploration</b>	2011 Ret Rights	20/10/10	108,313	\$43,000	\$0.00	01/07/11	30/08/11
Mr B Hammond	<b>C.O.O. – EI JV</b>	2011 Ret Rights	20/10/10	125,144	\$49,682	\$0.00	01/07/11	30/08/11
Mr G Bosch	<b>GM Finance</b>	2011 Ret Rights	20/10/10	94,352	\$37,458	\$0.00	01/07/11	30/08/11

<u>Company Executive</u>		<u>Performance Rights</u>	<u>Grant Date</u>	<u>No. Rights</u>	<u>Fair value</u>	<u>5VWAP</u>	<u>Vesting Date</u>	<u>Expiry</u>
Mr A Watts	<b>GM Exploration</b>	2011 Per Rights	20/10/10	216,625	\$48,556	\$0.44 #	01/07/11	30/08/11
Mr B Hammond	<b>C.O.O. – EI JV</b>	2011 Per Rights	20/10/10	250,287	\$56,102	\$0.44 #	01/07/11	30/08/11
Mr G Bosch	<b>GM Finance</b>	2011 Per Rights	20/10/10	188,703	\$42,298	\$0.44 #	01/07/11	30/08/11

# These rights did not vest on account of the 5VWAP not meeting the hurdle shown above.

The key features of the Company's Long Term Incentive Plan adopted by the board during the reporting period are as follows:

- Executives and other Company employees are eligible to participate in the plan however Non-executive Directors are not eligible;
- Incentive rights will be awarded annually and will be divided into Retention Rights and Performance Rights;
- Retention Rights will ordinarily vest after three years of continuous employment;
- In addition to the service period requirement, Performance Rights will have a share price hurdle to be met at vesting date. The share price hurdle will be set annually by the Board; and
- The Board has ultimate discretion over the operation of the Incentive Plan.

#### Hedging policy

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 2011**

### **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 tenth full year of operations for the Group, which was incorporated on 23 March 2001 and listed on 19 July 2006.

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Net profit / (loss) after income tax	47,528,580	(1,837,302)

The Group incurred expenditure of \$560,834 (2010: \$2,443,912) on mineral tenements during the year. Further details can be found in Section 10 of this Directors' Report and Note 8 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:

- Receipt of \$26 million paid directly to the Company on 12 July 2011 from Wugang Australian Resources Investment Pty Ltd as a second instalment for the purchase of the 60% of the iron ore rights to the southern tenements;
- \$25 million paid by Wugang Australian Resources Investment Pty Ltd to the Joint Venture Exploration Account on 12 July 2011 as the second instalment of its exploration work commitment; and
- Subject to shareholder approval, up to 1,000,000 Performance Rights were granted to the Managing Director on 23 August 2011 as part of the Company's Long Term Incentive Plan. These rights are subject to key performance indicators including share price performance in order to vest.
- On 31 August 2011 the Company announced the results of the second Eyre Iron resource estimate, for the Fusion project. The result showed a mineral resource of 319.4Mt at a magnetite recovery of 20.1% (DTR) and concentrate grading 67.8% Fe. See page 11 of the Managing Director's Report for more information.



**CENTREX METALS LIMITED**  
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**Directors' Report**

**For the Year Ended 30 June 2011**

**10. Likely Developments**

The mineral tenements currently held 100% by the Group and available for mineral exploration, have the following spending covenants for the 19 month period ending 31 January 2012 to maintain exploration rights:

<b>Tenement</b>	<b>Held by</b>	<b>Covenant \$</b>	<b>Expiry</b>
<u>Northern Area</u>			
Gilles Downs EL 4571 previously EL 3375	CXM(i)		4 October 2012
Bungalow/Minbrie EL 3610 previously EL 2817	(a) CXM(i)		13 August 2011 <sup>#</sup>
Kimba Gap EL 3968 previously EL 3018	SAIOG(ii)		4 November 2012
Ironstone Hut EL 3999 previously EL 3048	SAIOG(ii)		11 December 2012
Whyalla ('Ironstone Hill') EL 4185 prev. EL 3125	SAIOG(ii)		17 September 2012
Stony Hill EL 4451 previously EL 3287	SAIOG(ii)		14 March 2013
Total Northern Area covenant		770,000	
<u>Southern Area</u>			
Vanilla EL 4384 previously EL 3269	(b) CXM(i)		15 November 2012
Wilgerup EL 4467 previously EL 3317	CXM(i)		18 April 2013
Tooligie Range EL 4299	CXM(i)		18 August 2012
Greenpatch EL 3611 previously EL 2816	(b) CXM(i)		13 August 2011 <sup>#</sup>
Dutton Bay EL 4605 previously EL 3421	(b) CXM(i)		16 November 2012
Bald Hill EL 3877 previously EL 2905	(b) SAIOG(ii)		5 August 2011 <sup>#</sup>
Carrow EL 3731 previously EL 2887	(b) SAIOG(ii)		11 April 2012
Total Southern Area covenant		1,030,000	
		<u>1,800,000</u>	

(i) Centrex Metals Limited ("CXM")

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

(a) Boutou Iron and Steel (Group) Limited acquired 20% of the iron ore rights to this tenement on 2 May 2011 following the second phased payment to the Bungalow joint venture account.

(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 Group also holds 100% of the mineral tenements listed below with the following annual spending covenants to maintain exploration rights:

<b>Tenement</b>	<b>Held by</b>	<b>Covenant \$</b>	<b>Expiry</b>
<u>Other Areas</u>			
Lock EL 4588 previously EL 3401	CXM(iii)	70,000	1 November 2012
Cockabidnie EL 3609 previously EL 2815	CXM(iii)	180,000	13 August 2011 <sup>#</sup>
Goulburn (NSW) EL 7388	CXM(iii)	67,500	19 August 2011 <sup>#</sup>
Archer (NSW) EL 7503	CXM(iii)	28,000	7 April 2012
		<u>345,500</u>	
(iii) Centrex Metals Limited ("CXM")			
# 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.			

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 extension of tenement licences for northern and southern areas had been completed however the "other areas" were still pending.

# CENTREX METALS LIMITED

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## Directors' Report

For the Year Ended 30 June 2011

### 10. Likely Developments (continued)

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.

#### 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)	1,100,000	-	-
Mr Kiat Poh	1,918,880	-	-
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	-	-
Candlegrove Pty Ltd (a company associated with Mr Jim Hazel)	150,000	-	-
Mr Jim White	-	750,000	\$0.42 / June 2014
Mr John den Dryver	-	-	-

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**  
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**Directors' Report**

**For the Year Ended 30 June 2011**

**12. Share Options**

**Options and Rights granted to Directors and executives of the Group**

During or since the end of the financial year, the Company granted options and rights for no consideration over unissued ordinary shares in the Company to the following Directors and executives of the Group:

Timing	Name		Vesting Date	Exercise Price	No. of options
	<u>Directors</u>				
15/11/2010	Mr J White	Managing Director	16/08/2012	\$0.42	750,000

Timing	Name		Vesting Date	Exercise Price	No. Retention Rights
	<u>Executives</u>				
20/10/2010	Mr A Watts	General Manager Exploration	01/07/2011	\$0.00	108,313
20/10/2010	Mr B Hammond	Chief Operating Officer - JV	01/07/2011	\$0.00	125,144
20/10/2010	Mr G Bosch	General Manager Finance	01/07/2011	\$0.00	94,352

Timing	Name		Vesting Date	5VWAP needed to Vest	No. Performance Rights
	<u>Executives</u>				
20/10/2010	Mr A Watts	General Manager Exploration	01/07/2011	\$0.44	216,625
20/10/2010	Mr B Hammond	Chief Operating Officer - JV	01/07/2011	\$0.44	250,287
20/10/2010	Mr G Bosch	General Manager Finance	01/07/2011	\$0.44	188,703

**Unissued shares under options / rights**

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

Option / Right class	Expiry date	Exercise price	Unissued shares at 30 June 2011	No. cancelled since 30 June 2011	No. exercised since 30 June 2011	No. of unissued shares
2012 Exec Plan	30 Jun 2012	\$0.42	1,682,000	-	-	1,682,000
2014 Exec Plan	30 Jun 2014	\$0.42	750,000	-	-	750,000
2011 Retention Rights	30 Aug 2011	\$0.00	435,640	-	435,640	-
2012 Perform. Rights	30 Aug 2011	\$0.00	871,277	871,277	-	-

As identified in the events subsequent to year end (Note 9 of this Director's Report and Note 24 in the Notes to the Consolidated Financial Statements) on 23 August 2011 the Managing Director was awarded up to 1,000,000 Retention and Performance Rights which will be subject to shareholder approval.

**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 2010		4,797,000
New options issued	-	750,000
New rights issued	-	1,306,917
Shares issued on the exercise of options for the 12 months ending 30 June 2011	\$0.20	(3,075,000)
Shares issued on the exercise of options after 30 June 2011	-	-
Shares issued on the exercise of rights after 30 June 2011	\$0.00	(435,640)
Expired options / rights during the period	-	(911,277)
No. of unissued shares at report date		2,432,000

## **Directors' Report**

**For the Year Ended 30 June 2011**

### **13. Indemnification and insurance of Directors and 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's constitution provides that the Company indemnifies every person who is or has been an officer of the Company for any liability (other than for legal costs) incurred by that person as an officer of the Company and any subsidiary of the Company. Since November 2010, the Company has entered into deeds of access, insurance and indemnity with the current Directors of the Company. The agreements: indemnify the 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.

### **14. Environmental Regulation and Performance**

The Group is aware of its responsibility to impact as little as possible on the environment, and where there is any disturbance, to rehabilitate sites. During the period under review the majority of work carried out was on the Eyre Peninsula, South Australia and the Group followed procedures and pursued objectives in line with requirements published by Primary Industries and Resources SA (PIRSA) the relevant regulator. These requirements are quite detailed and encompass the impact on owners and land users, heritage, health and safety and proper restoration practices. The Group supports this approach and is confident that it properly monitors and adheres to these objectives, and any local conditions applicable. The Group and its partner companies have individuals with detailed job responsibilities in this area.

Each month the Board receives from management a report detailing the operations of the Group. The first section of this report contains matters of relevance to: environment; health; safety; and, the community.

The Board is unaware of any significant environmental breaches during the period covered by this report.

### **15. 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.

**CENTREX METALS LIMITED**  
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**Directors' Report**

**For the Year Ended 30 June 2011**

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

	<b>Consolidated</b>	
	<u>2011</u>	<u>2010</u>
	\$	\$
Audit Services	90,000	68,000
Other services - taxation services	58,385	15,770
Other services - research & development taxation services	<u>45,100</u>	<u>15,000</u>
Auditor's of the company - KPMG	<u>193,485</u>	<u>98,770</u>

**16. Lead Auditors' Independence Declaration**

The Lead auditors' independence declaration is set out on page 45 and forms part of the Directors' Report for the financial year ended 30 June 2011.

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



Mr David Klingberg AO



Mr Jim White

Dated at Adelaide this 20<sup>th</sup> day of September 2011.



***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 2011 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 dark ink, appearing to read 'Derek Meates', written in a cursive, flowing style.

Derek Meates  
*Partner*

Adelaide

20 September 2011

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

**Consolidated Statement of Comprehensive Income**

For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Other income	2	71,197,790	37,870
Office and administration expenses		(677,594)	(399,280)
Consultants and management expenses		(1,282,090)	(1,096,459)
Directors' fees		(370,867)	(312,709)
Employee benefit expenses	2	(1,676,840)	(1,610,150)
Depreciation expense	9	(162,439)	(111,414)
Port feasibility expenses	2	(1,103,235)	(743,982)
Exploration expenditure written off		-	(698,499)
Other expenses		(179,125)	(242,127)
<b>Results from operating activities</b>		<b>65,745,600</b>	<b>(5,176,750)</b>
Finance income	2	3,306,214	479,195
Finance costs	7	(1,001,525)	-
<b>Net finance costs</b>		<b>2,304,689</b>	<b>479,195</b>
<b>Profit / (Loss) before income tax</b>		<b>68,050,289</b>	<b>(4,697,555)</b>
Income tax (expense) / benefit	4	(20,521,709)	2,860,253
<b>Profit / (Loss) from continuing operations</b>		<b>47,528,580</b>	<b>(1,837,302)</b>
<b>Profit / (Loss) for the period</b>		<b>47,528,580</b>	<b>(1,837,302)</b>
Other comprehensive income		-	-
<b>Total Comprehensive Profit / (Loss) for the Period</b>		<b>47,528,580</b>	<b>(1,837,302)</b>
<b>Profit / (Loss) attributable to:</b>			
<b>Owners of the Company</b>		<b>47,528,580</b>	<b>(1,837,302)</b>
<b>Profit / (Loss) for the period</b>		<b>47,528,580</b>	<b>(1,837,302)</b>
<b>Earnings per share for profit / (loss) attributable to the ordinary equity holders of the company:</b>		<b>Cents per share</b>	<b>Cents per share</b>
<b>Basic profit / (loss) per share</b>	5	15.3184	(0.6249)
<b>Diluted profit / (loss) per share</b>	5	15.2454	(0.6249)

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



**CENTREX METALS LIMITED**  
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**Consolidated Statement of Changes in Equity**

**For the Year Ended 30 June 2011**

	Issued ordinary shares	Note	Contributed equity \$	Share Options reserve \$	Accumulated profits / (losses) \$	Total \$
<b><u>Current Period</u></b>						
Balance at 30 June 2010	310,090,264		40,594,129	1,090,701	(6,724,910)	34,959,920
Profit / (Loss) for the period			-	-	47,528,580	47,528,580
Other comprehensive income			-	-	-	-
<b>Total Comprehensive Profit / (Loss) for the Period</b>			-	-	47,528,580	47,528,580
<b>Contributions from/to equity owners</b>						
Contributions from equity holders	3,075,000		615,000	-	-	615,000
Share issue costs			121,199	-	-	121,199
Share-based payment transactions			-	413,470	-	413,470
Balance at 30 June 2011	<u>313,165,264</u>		<u>41,330,328</u>	<u>1,504,171</u>	<u>40,803,670</u>	<u>83,638,169</u>
<b><u>Prior Period</u></b>						
Balance at 30 June 2009	269,330,665		30,826,226	1,136,026	(4,887,608)	27,074,644
Profit / (Loss) for the period			-	-	(1,837,302)	(1,837,302)
Other comprehensive income			-	-	-	-
<b>Total Comprehensive Loss for the Period</b>			-	-	(1,837,302)	(1,837,302)
<b>Contributions from/to equity owners</b>						
Contributions from equity holders	40,759,599		10,171,899	-	-	10,171,899
			(403,996)	-	-	(403,996)
Share-based payment transactions			-	(45,325)	-	(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>

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 2011

	Note	As at 30 June 2011 \$	30 June 2010 \$
<b>Assets</b>			
Cash and cash equivalents	6	18,156,327	14,738,137
Term deposits	6	38,441,229	-
Receivables	7	26,582,512	62,925
<b>Total Current Assets</b>		83,180,068	14,801,062
Exploration and evaluation expenditure	8	13,964,659	14,335,377
Land and buildings	9	5,658,524	4,845,607
Plant and equipment	9	408,736	258,061
Receivables	7	4,938,475	-
Deferred tax asset	4	-	2,860,253
<b>Total Non-Current Assets</b>		24,970,394	22,299,298
<b>Total assets</b>		108,150,462	37,100,360
<b>Liabilities</b>			
Trade and other payables	10	6,783,595	1,885,015
Employee benefits	11	133,044	170,053
Current income tax liabilities		14,431,500	-
<b>Total Current Liabilities</b>		21,348,139	2,055,068
Deferred income tax liabilities	4	3,108,757	-
Employee benefits	11	55,397	85,372
<b>Total Non-Current Liabilities</b>		3,164,154	85,372
<b>Total Liabilities</b>		24,512,293	2,140,440
<b>Net assets</b>		83,638,169	34,959,920
<b>Equity</b>			
Contributed equity		41,330,328	40,594,129
Share Options Reserve		1,504,171	1,090,701
Accumulated profits / (losses)		40,803,670	(6,724,910)
<b>Total equity</b>		83,638,169	34,959,920

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

**CENTREX METALS LIMITED**  
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**Consolidated Statement of Cash Flows**

For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Lease income received		41,816	37,107
Payments to suppliers and employees		(5,199,928)	(3,553,685)
Income taxes (paid) / received		(13,557)	343,026
<b>Net cash from / (used in) operating activities</b>	20(b)	(5,171,669)	(3,173,552)
<b>Cash flows from investing activities</b>			
Expenditure on mining tenements		(1,046,851)	(2,182,819)
Reimbursement for Bungalow tenement	8	199,167	1,991,676
Expenditure on mining tenements - joint ventures		(3,682,561)	-
Reimbursements of expenditure on mining tenements - joint ventures		3,512,983	-
Stamp Duty	7	(5,940,000)	-
Proceeds on disposal of interest in tenements		51,500,000	-
Interest received		3,008,113	488,400
Acquisition of land and buildings and plant and equipment	9	(1,135,672)	(43,631)
Proceeds on disposal of plant and equipment		909	-
<b>Net cash from / (used in) investing activities</b>		46,416,088	253,626
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		615,000	10,171,899
<b>Net cash from / (used in) financing activities</b>		615,000	10,171,899
<b>Net increase / (decrease) in cash before transfers (to) / from term deposits</b>		<u>41,859,419</u>	<u>7,251,973</u>
Cash transferred (to) / from term deposits	(i)	(38,441,229)	-
<b>Net increase / (decrease) in cash</b>		<u>3,418,190</u>	<u>7,251,973</u>
<b>Cash at the beginning of the year</b>		14,738,137	7,486,164
<b>Cash at the end of the year</b>	6, 20(a)	18,156,327	14,738,137

(i) The weighted average term of all term deposits above 90 days is 151 days.

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 2011**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Centrex Metals Limited (the 'Company') is a company domiciled in Australia. The registered office is Level 11, 147 Pirie Street Adelaide, SA 5000. The consolidated financial report of the Company for the financial year ended 30 June 2011 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 20 September 2011.

**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.

**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**

*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).

*Provisions, other trade payables and accrued expenses*

Provisions, other trade payables and accrued expenses have been recorded based on the Group's best estimate of the expected outflow required to settle the obligation.

**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.

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

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

**d) Principles of Consolidation (continued)**

*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. To the extent that the Company is being "free-carried" in the jointly controlled assets it will not reflect a share of such expenditure.

Note 8, '*Mining Tenements*', contains a table disclosing the expenditure and financial position of the two "farm-in" joint venture projects that the Company has an interest in. As the Company is being "free-carried" in these jointly controlled assets it is not reflecting the expenditure or financial position in its accounts.

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

**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 and term deposits**

- (i) Cash and cash equivalents comprise cash balances and call deposits which can be readily accessed and have maturities of less than 90 days.
- (ii) Term deposits comprise cash deposits with maturities of more than 90 days.

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

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

**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 2011**

**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 (o)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.



**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**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 2011**

**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 to the statement of comprehensive income 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 2011**

**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 statement of comprehensive income 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.

The fair value of the employee share options and rights is measured using the Black-Scholes formula. Measurement inputs include the share price on measurement date, the exercise price of the instrument, expected volatility (based on the Company's historic volatility, particularly over the period commensurate with the expected term and the risk free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

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

**w) Segmental reporting**

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.

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.

**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 any convertible notes, share options, and rights 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 materially impacting the Group.

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>2 PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>		
<b>Finance Income and Costs</b>		
Interest income	3,306,214	479,195
	<u>3,306,214</u>	<u>479,195</u>
<b>Other Income</b>		
Lease income	38,908	37,870
Gain (loss) on asset sales	(8,733)	-
Disposal of interest in tenements, net of costs	71,167,615	-
	<u>71,197,790</u>	<u>37,870</u>
<b>Employee Benefit Expenses</b>		
Wages and salaries (i)	828,090	720,292
Termination benefits	-	699,825
Contributions to defined contribution superannuation funds	206,679	97,540
Leave liability additions / (reductions)	(66,984)	14,205
Equity settled share based payment transactions	413,470	648,789
Re-valued options granted in prior year	-	(694,114)
Other employee costs	295,585	123,613
	<u>1,676,840</u>	<u>1,610,150</u>
(i) In addition, wages and salaries of \$59,654 are capitalised into exploration and evaluation expenditure (Note 8) and wages and salaries of \$1,428,174 are on-charged to joint venture partners for work undertaken in those joint ventures.		
<b>Port Feasibility Expenses</b>		
Preliminary study costs associated with Sheep Hill port site	1,103,235	743,982
	<u>1,103,235</u>	<u>743,982</u>
<b>3 AUDITOR'S REMUNERATION</b>		
Audit Fees	90,000	68,000
Other services - taxation services	58,385	15,770
Other services - research & development taxation services	45,100	15,000
Auditor's of the company - KPMG	<u>193,485</u>	<u>98,770</u>

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**4 TAXATION**

The consolidated entity is recognising a deferred tax liability in 2011 of \$3,108,758 (2010: a deferred tax asset of \$2,860,253). Details of the current and deferred income tax expense is shown below:

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Current income tax expense/(benefit)</b>		
Current period	18,955,075	637,942
Adjustment for prior periods	522,611	(162,948)
Losses utilised	<u>(4,658,707)</u>	<u>-</u>
	14,818,979	474,994
<b>Deferred income tax expense/(benefit)</b>		
Origination and reversal of temporary differences	5,702,730	(2,138,448)
Recognition of previously unrecognised tax losses	<u>0</u>	<u>(1,196,799)</u>
	5,702,730	(3,335,247)
<b>Total income tax expense/(benefit)</b>	<u>20,521,709</u>	<u>(2,860,253)</u>
<b>Deferred Tax (assets)</b>		
Property, plant and equipment	(48,470)	(32,823)
Legal fees	(842,520)	(372,183)
Provisions and accrued expenses	(1,766,342)	(286,575)
Discount on stamp duty	(300,458)	-
Advance income	-	(1,810,578)
<b>Deferred Tax liabilities</b>		
Exploration and evaluation assets	4,189,398	4,300,613
Stamp duty	1,782,000	-
Interest receivable	<u>95,150</u>	<u>-</u>
<b>Net tax (assets) / liabilities</b>	3,108,758	1,798,454
Tax loss carry-forwards	<u>-</u>	<u>(4,658,707)</u>
<b>Deferred tax (asset) / liability</b>	<u>3,108,758</u>	<u>(2,860,253)</u>
<b>Reconciliation of effective tax rate</b>		
Profit / (Loss) for the year	47,528,580	(1,837,302)
Total income tax expense / (benefit)	<u>20,521,709</u>	<u>(2,860,253)</u>
Profit / (Loss) excluding income tax	<u>68,050,289</u>	<u>(4,697,555)</u>
Prima facie income tax calculated at 30%	20,415,087	(1,409,267)
Non-deductible expenses	129,825	(9,180)
Tax incentives	(387,479)	(82,059)
Recognition of previously unrecognised tax losses	-	(1,196,799)
Adjustment to prior period deferred tax position	(158,335)	-
Under (over) provided in prior years	<u>522,611</u>	<u>(162,948)</u>
<b>Total income tax expense / (benefit)</b>	<u>20,521,709</u>	<u>(2,860,253)</u>

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**Notes to the Consolidated Financial Statements**

For the Year Ended 30th June 2011

**5 EARNINGS PER SHARE**

**Basic earnings per share**

The calculation of basic earnings per share at 30 June 2011 was based on the profit attributable to ordinary shareholders of \$47,528,580 (2010 loss of \$1,837,302) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2011 of 310,270,260 (2010: 294,017,544), calculated as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
<b>Profit / (Loss) attributable to ordinary shareholders</b>		
Profit / (Loss) for the period	<u>47,528,580</u>	<u>(1,837,302)</u>
Profit / (Loss) attributable to ordinary shareholders	<u>47,528,580</u>	<u>(1,837,302)</u>
 <b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at beginning of year	310,090,264	269,330,665
Effect of shares issued in the first quarter (to 30 September)	156,219	-
Effect of shares issued in the second quarter (to 31 December)	-	24,571,811
Effect of shares issued in the third quarter (to 31 March)	-	115,068
Effect of shares issued in the fourth quarter (to 30 June)	<u>23,877</u>	<u>-</u>
Weighted average number of ordinary shares at year end	<u>310,270,360</u>	<u>294,017,544</u>

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

Basic earnings per share (cents)	15.3184	(0.6249)
Diluted earnings per share (cents)	15.2454	(0.6249)

Options on issue are considered to be potential shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of dilutive earnings per share.

	<u>2011</u>	<u>2010</u>
	\$	\$
<b>6 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS</b>		
Cash and cash equivalents	<u>18,156,327</u>	<u>14,738,137</u>

The Company also has term deposits of \$38,441,229 as at 30 June 2011.



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**Notes to the Consolidated Financial Statements**

For the Year Ended 30th June 2011

	Note	2011	2010
		\$	\$
<b>7 RECEIVABLES</b>			
<b>Current</b>			
WISCO tenement sale instalment	(i)	26,000,000	-
Eyre Iron Joint Venture		70,377	-
Bungalow Joint Venture		99,201	-
Prepayments and other receivables		71,614	43,821
Interest due on term deposits		317,165	19,104
GST Receivable		24,155	-
		<u>26,582,512</u>	<u>62,925</u>
<b>Non-current</b>			
Stamp duty	(ii)	5,940,000	-
Discount / amortisation on stamp duty (recorded as a finance cost)		<u>(1,001,525)</u>	<u>-</u>
		<u>4,938,475</u>	<u>-</u>

- (i) The WISCO tenement sale instalment was received on 12 July 2011. Refer to notes 2 and 8 for further information.
- (ii) Incorporated in the transaction documents for the Eyre Peninsula Joint Venture whereby the Group received income for the sale of 60% of the iron ore rights to 5 of its tenements (see Note 2, 'Other Income') which were finalised on 7 July 2010 was an agreement that the Company meet the stamp duty obligation on the resource incentive payments. The stamp duty (A\$5.9 million) has been levied on the commitment by 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).

The Eyre Peninsula Joint Venture transaction documents allow for the Company to recover this money from WISCO as each milestone is met. Should the milestone targets not be met the Company is entitled to apply to recover the stamp duty from RevenueSA, to whom the stamp duty was initially paid.

The Company has 5 years from the date the stamp duty was levied to request a refund. Accordingly the stamp duty is being treated as a financial asset recoverable 5 years from the date of payment (7 July 2010). As such the stamp duty is discounted at the risk free rate of interest over the same period and then the discount is amortised periodically such that on the five year anniversary the receivable balance is the same as the amount initially paid.

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**8 EXPLORATION AND EVALUATION EXPENDITURE**

		Cumulative Expenditure to 30 Jun 10	Expenditure 12 months to 30 Jun 11	Carrying cost of tenements sold - to 30 Jun 11	Refund from JV partner to 30 Jun 11	Cumulative Expenditure to 30 Jun 11
	Note	\$	\$	\$	\$	\$
<i>Held by Centrex Metals Limited</i>						
Greenpatch EL 3611	W	283,449	-	(170,069)	-	113,380
Cockabidnie EL 3609		-	12,132	-	-	12,132
Bungalow EL 3610	B	891,803	-	-	(199,167)	692,636
Wilgerup EL 4467		11,278,319	89,413	-	-	11,367,732
Wanilla EL 4384	W	119,193	-	(71,516)	-	47,677
Dutton Bay EL 4605	W	110,879	-	(66,528)	-	44,351
Lock EL 4588		-	6,312	-	-	6,312
Gilles Downs EL 4571		91,803	8,725	-	-	100,528
Cockabidnie North EL 4539		47,949	5,066	-	-	53,015
Tooligie Hill EL 4299		-	7,176	-	-	7,176
Goulburn NSW EL 7388		83,702	323,385	-	-	407,087
Archer NSW EL 7503		2,450	76,677	-	-	79,127
		12,909,547	528,886	(308,113)	(199,167)	12,931,153
<i>Held by South Australian Iron Ore Group Pty Ltd</i>						
Mount Hill EL 3877	W	317,005	-	(190,203)	-	126,802
Carrow EL 3731	W	390,117	-	(234,070)	-	156,047
Kimba Gap EL 3968		138,774	9,194	-	-	147,968
Ironstone Hill EL 4185		100,107	7,735	-	-	107,842
Ironstone Hut EL 3999		90,087	7,111	-	-	97,198
Stony Hill EL 4451		389,741	7,908	-	-	397,649
		1,425,831	31,948	(424,273)	-	1,033,506
Total		14,335,378	560,834	(732,386)	(199,167)	13,964,659

(B) Baotou Iron & Steel Group Company Limited ('Baotou') has earned a 20% 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 in June 2010 and a further \$8 million in May 2011.

(W) WISCO has acquired a 60% interest in the iron ore rights to the 5 tenements identified above as a consequence of the execution of all documents included in the Eyre Peninsula Joint Venture which covers the same tenements.

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.

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**For the Year Ended 30th June 2011**

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

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 arrangements

As noted in the Statement of Accounting Policies (note 1(d) – *Principles of Consolidation*), the Company is being "free-carried" in two joint ventures. As a consequence of the "free-carry" the Company is not recognising in its accounts its share of the expenditure and financial position of these jointly controlled assets.

Summary financial information for joint ventures, not adjusted for the percentage ownership held by Centrex Metals Limited at 30 June 2011 is shown below:

	<b>Eyre Iron JV</b>	<b>Bungalow JV</b>
	\$	\$
Centrex Metals Limited interest at reporting date	<b>40%</b>	<b>80%</b>
<b>JOINT VENTURE EXPENDITURE</b>		
Exploration expenditure	19,353,985	10,682,811
Capitalisation of exploration expenditure	(19,353,985)	(10,682,811)
Other Expenditure		
Administration expenses	1,415,756	6,907
Depreciation	207,807	-
Total Other Expenditure	1,623,563	6,907
Interest earned	(1,817)	(189,799)
Profit / (Loss)	(1,621,746)	182,892
<b>JOINT VENTURE FINANCIAL POSITION</b>		
Current Assets	32,392,956	6,699,639
Non-current Assets	20,471,661	10,682,811
<b>Total Assets</b>	52,864,617	17,382,450
Current Liabilities	4,486,363	1,199,559
<b>Total Liabilities</b>	4,486,363	1,199,559
<b>Net Assets</b>	48,378,254	16,182,892
<b>Equity</b>		
Cash call contributions – Joint Venture Partner	50,000,000	16,000,000
Cash call contributions - CENTREX	-	-
Retained profits / (losses)	(1,621,746)	182,892
Total Equity	48,378,254	16,182,892

The joint ventures did not have any capital commitments as at 30 June 2011.

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>9 PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Land and buildings</b>		
Balance at beginning of year	4,845,607	4,845,607
Additions	832,376	-
Depreciation charge for the year	(9,818)	-
Disposals / write-offs	(9,641)	-
Balance at end of year	<u>5,658,524</u>	<u>4,845,607</u>
<b>Plant and Equipment - Cost</b>		
Balance at beginning of year	538,492	494,861
Additions	303,296	43,631
Disposals / write-offs	(8,637)	-
Balance at end of year	<u>833,151</u>	<u>538,492</u>
<b>Plant and Equipment - Depreciation</b>		
Balance at beginning of year	280,431	169,017
Charge for the year	152,621	111,414
Disposals / write-offs	(8,637)	-
Balance at end of year	<u>424,415</u>	<u>280,431</u>
<b>Plant and Equipment - Net book value</b>		
Balance at beginning of year	258,061	325,844
Additions/(Disposals)	303,296	43,631
Depreciation charge for the year	(152,621)	(111,414)
Balance at end of year	<u>408,736</u>	<u>258,061</u>
<b>10 TRADE AND OTHER PAYABLES</b>		
<b>Current liabilities</b>		
Trade payables	539,450	457,888
Other trade payables and accruals	6,244,145	1,260,284
GST payable	-	166,843
	<u>6,783,595</u>	<u>1,885,015</u>
No interest is payable on trade payables.		

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**11 EMPLOYEE BENEFITS**

	2011	2010
<b>Current liabilities</b>		
Annual leave provision	<u>133,044</u>	<u>170,053</u>
	<u>133,044</u>	<u>170,053</u>
<b>Non-current liabilities</b>		
Long service leave provision	<u>55,397</u>	<u>85,372</u>
	<u>55,397</u>	<u>85,372</u>

**12 FINANCIAL GUARANTEES**

At 30 June 2011 there is one financial guarantee for \$28,000 relating to the lease of the Adelaide office (2010: there were no financial guarantees).

**13 INTEREST-BEARING LOANS AND BORROWINGS**

There are no interest bearing loans or borrowings at 30 June 2011 or 30 June 2010.

**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.

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**15 OPTIONS AND RIGHTS**

At 30 June 2011, there are the following options outstanding:

	<b>2011 'A'</b>	<b>2011</b>	<b>2012</b>	<b>2014</b>
	<b>Class</b>	<b>Exec Plan</b>	<b>Exec Plan</b>	<b>Exec Plan</b>
	<b>Options</b>	<b>Options</b>	<b>Options</b>	<b>Options</b>
<b>Expiry date</b>	30/06/2011	30/06/2011	30/06/2012	30/06/2014
<b>Exercise Price:</b>	\$0.20	\$0.20	\$0.20	\$0.42
Options on issue at start of year	1,000,000	2,115,000	1,682,000	-
Options issued during the year:				
Mr J White	-	-	-	750,000
Centrex staff (Executive Option Plan)	-	-	-	-
Options exercised during the year	(1,000,000)	(2,075,000)	-	-
Options cancelled (on expiry)	-	(40,000)	-	-
Options on issue at end of year	-	-	1,682,000	750,000

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

Options on issue at start of year	1,000,000	2,475,000	-	-
Options issued during the year:				
Mr G Anderson	-	-	-	-
Centrex staff (Executive Option Plan)	-	-	1,682,000	-
Options exercised during the year	-	(360,000)	-	-
Options cancelled (on expiry)	-	-	-	-
Options on issue at end of year	1,000,000	2,115,000	1,682,000	-

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**15 OPTIONS AND RIGHTS (continued)**

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
	2011	2011	2010	2010
Fair value at grant date (cents)	16.3	-	42.4	42.4
Share price (cents)	38.0	-	65.0	65.0
Exercise price (cents)	42.0	-	42.0	42.0
Expected volatility	55.9%	-	89.7%	89.7%
Option life (years)	3.6	-	2.5	2.5
Risk free interest rate	5.0%	-	5.0%	5.0%

At 30 June 2011, there are the following share rights outstanding:

	2012 Retention Rights	2012 Performance Rights
<b>Expiry date</b>	30/08/2011	30/08/2011
<b>Vesting date:</b>	1/07/2011	1/07/2011
<b>Share price required to vest:</b>	\$0.00	\$0.44
Options on issue at start of year	-	-
Options issued during the year:		
Centrex staff	435,640	871,277
Options exercised during the year	-	-
Options cancelled (on expiry)	-	-
Options on issue at end of year	435,640	871,277

At 30 June 2010, there were no share rights outstanding.



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**For the Year Ended 30th June 2011**

**15 OPTIONS AND RIGHTS (continued)**

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

	Key management personnel	Senior staff
	2011	2011
Fair value at grant date (cents)	28.2	28.2
Share price (cents)	39.7	39.7
Exercise price (cents)	N/A	N/A
Expected volatility	59.1%	59.1%
Option life (years)	0.9	0.9
Risk free interest rate	4.9%	4.9%

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**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 2011 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 2011 the Group had \$56,597,556 invested in such deposits (2010: \$14,738,137). 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 2011, a 1 percent increase in the effective interest rate would have resulted in an increase in profit of \$502,587 (2010: \$100,411).

**(c) Credit risk exposures**

The Group has no significant concentrations of credit risk. As at 30 June 2011 the Group was owed \$31,520,987 of which \$26,000,000 was received in July 2011 (2010: \$62,925).

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:

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Trade and other payables</b>		
Carrying amount	6,783,595	1,885,015
Contractual cash flows	(6,783,595)	(1,885,015)
12 months or less	(6,783,595)	(1,885,015)

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**Notes to the Consolidated Financial Statements**

For the Year Ended 30th June 2011

**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:

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	18,156,327	18,156,327	14,738,137	14,738,137
Term deposits	38,441,229	38,441,229	-	-
Receivables	<u>31,520,987</u>	<u>31,520,987</u>	<u>62,925</u>	<u>62,925</u>
	88,118,543	88,118,543	14,801,062	14,801,062
<b>Financial liabilities</b>				
Trade and other payables	<u>6,783,595</u>	<u>6,783,595</u>	<u>1,885,015</u>	<u>1,885,015</u>
	6,783,595	6,783,595	1,885,015	1,885,015

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

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**17 OPERATING LEASES**

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

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Receivable from third parties</b>		
Less than one year	38,109	12,396
Between one and five years	64,185	-
More than five years	-	-
<b>Payable to third parties</b>		
Less than one year	55,455	75,250
Between one and five years	308,188	110,775
More than five years	70,052	-

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:

Short-term employee benefits	1,963,431	1,558,168
Other long-term benefits	178,513	-
Termination benefits	-	709,486
Executive share options benefits	322,071	(260,797)
Employee benefits	2,464,015	2,006,857

**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:**

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

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

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

	<b>Note</b>	<b>2011</b>	<b>2010</b>
		\$ (ex GST)	\$ (ex GST)
AE Administration Services Pty Ltd	(i)	-	48,698
Adelaide Equity Partners Limited	(i)	-	102,229
Minter Ellison Lawyers	(ii)	-	528,439

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**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 \$nil (2010: \$17,172).

**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:

<b>30 June 2011</b>	<b>Note</b>	<b>Holding at 30 June 10</b>	<b>Number Purchased</b>	<b>Number Sold</b>	<b>Holding at 30 June 11</b>
Patna Properties Pty Ltd	(i)	1,000,000	100,000	-	1,100,000
Mr Gerard Anderson	(ii)	2,500,000	N/A	N/A	N/A
Mr Kiat Poh		1,918,880	-	-	1,918,880
South Cove Ltd	(iii)	80,876,005	-	-	80,876,005
SEL Holdings Ltd	(iii)	16,198,000	-	-	16,198,000
Lodge Ltd	(iii)	4,366,667	-	-	4,366,667
Wugang Australian Resources Investment Pty Ltd	(iv)	40,399,599	-	-	40,399,599
Candlegrove Pty Ltd	(v)	-	150,000	-	150,000
Mr John den Dryver		-	-	-	-
Mr Jim White		-	-	-	-
Mr Kevin Malaxos	(vi)	-	N/A	N/A	N/A
Mr Alastair Watts		-	225,000	(120,000)	105,000
Mr Ben Hammond		-	-	-	-
Mr Steven Brown		-	-	-	-
Mr Gavin Bosch		795,000	135,000	-	930,000

- (i) Patna Properties Pty Ltd is a company associated with Mr David Klingberg.
- (ii) Mr Gerard Anderson resigned effective 16 July 2010.
- (iii) South Cove Ltd, SEL Holding Ltd and Lodge Ltd are companies associated with Mr Graham Chrisp.
- (iv) Wugang Australian Resources Investment Pty Ltd is a company associated with Mr Xiaopeng Yin and Dr Liaowu Guo.
- (v) Candlegrove Pty Ltd is a company associated with Mr James Hazel.
- (vi) Mr Kevin Malaxos resigned effective 10 December 2010.

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

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**Notes to the Consolidated Financial Statements**

For the Year Ended 30th June 2011

**18 RELATED PARTIES (continued)**

**Key Management Personnel Holding of Shares (continued):**

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.

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**18 RELATED PARTIES (continued)**

**Key Management Personnel Holding of Options & Rights:**

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

<b>30 June 2010</b>	<b>Note</b>	Holding at 30 June 10	Issued	Exercised	Holding at 30 June 11
<b><u>2011 'A' Class Options</u></b>					
Expiring: 30/06/11, Exercise price: \$0.20					
Mr Gerard Anderson	(i)	1,000,000	N/A	N/A	N/A
<b><u>2011 Exec Plan Options</u></b>					
Expiring: 30/06/2011, Exercise price: \$0.20					
Mr Gerard Anderson	(i)	1,500,000	-	(1,500,000)	-
Mr Kevin Malaxos		165,000	N/A	N/A	N/A
Mr Alastair Watts		225,000	-	(225,000)	-
Mr Gavin Bosch		135,000	-	(135,000)	-
<b><u>2012 Exec Plan Options</u></b>					
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
<b><u>2014 Exec Plan Options</u></b>					
Expiring: 30/06/2014, Exercise price: \$0.42					
Mr Jim White	(ii)	-	750,000	-	750,000
<b><u>2011 Retention Rights</u></b>					
Expiring 30/08/2011, Exercise Price: \$0.00					
Mr Alastair Watts		-	108,313	-	108,313
Mr Ben Hammond		-	125,144	-	125,144
Mr Gavin Bosch		-	94,352	-	94,352
<b><u>2011 Performance Rights</u></b>					
Expiring 30/08/2011, Share Hurdle: \$0.44					
Mr Alastair Watts		-	216,625	-	216,625
Mr Ben Hammond		-	250,287	-	250,287
Mr Gavin Bosch		-	188,703	-	188,703

- (i) Mr Gerard Anderson was granted the options at the annual general meeting held 28<sup>th</sup> November 2008. Mr Anderson ceased to be a member of key management personnel from the effective date of his resignation, 16 July 2010.
- (ii) Mr Jim White was granted to the options at the annual general meeting held 15<sup>th</sup> November 2010.
- (iii) Mr Kevin Malaxos resigned effective 10 December 2010.

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



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**Notes to the Consolidated Financial Statements**

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**18 RELATED PARTIES (continued)**

**Key Management Personnel Holding of Options (continued):**

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

30 June 2010	Note	Holding at 30 June 09	Issued	Exercised	Holding at 30 June 10
<b><u>2011 'A' Class Options</u></b>					
Expiring: 30/06/11, Exercise price: \$0.20					
Mr Gerard Anderson	(i)	-	1,000,000	-	1,000,000
<b><u>2011 Exec Plan Options</u></b>					
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
<b><u>2012 Exec Plan Options</u></b>					
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

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

**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**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 nineteen months amount to \$2,145,500 (2010: \$1,315,500 for 12 months) are listed and discussed in Section 10 of the Directors' Report.

*Other commitments*

At 30 June 2011 the Group's other commitments related to Parsons Brinkerhoff (Engineering work for the Sheep Hill port development) of \$750,000 (2010: \$415,000 related to Fugro Airborne Surveys Pty Ltd (Aerial surveys of NSW tenements) 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 3 (\$24 million), Aussie Produce Pty Ltd is entitled to receive 3% of the funding paid into the joint venture bank account (\$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 in connection with intermediary fees in relation to the WISCO joint venture.

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. The matter is now proceeding to trial and is set to commence on 5 March 2012.

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**Notes to the Consolidated Financial Statements**

For the Year Ended 30th June 2011

**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	2011 \$	2010 \$
Cash and cash equivalents	6	18,156,327	14,738,137

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

Net profit / (loss) after income tax	47,528,580	(1,837,302)
Interest received	(3,306,214)	(479,195)
Depreciation	162,439	111,414
Share options valuation	413,470	(45,325)
Exploration expenditure written off	-	698,499
Net gain on disposal of tenements	(71,167,614)	-
Profit / (Loss) on disposal of plant and equipment	8,733	-
Discount and amortisation of financial asset	1,001,525	-
(Increase)/decrease in debtors	2,908	4,622
(Increase)/decrease in other tax assets	14,433,011	353,516
Increase/(decrease) in deferred tax assets / (liabilities)	5,969,010	(2,860,253)
Tax effect of share issue costs	121,198	-
Increase/(decrease) in payables	(338,715)	880,472
Net cash provided by/(used) in operating activities	(5,171,669)	(3,173,552)

**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.

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**Notes to the Consolidated Financial Statements**

**For the Year Ended 30th June 2011**

**23 PARENT ENTITY DISCLOSURES**

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

	<b>Company</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Result of the parent entity</b>		
Loss for the period	(10,513,368)	(1,855,922)
Other comprehensive income	-	-
Total comprehensive loss for the period	(10,513,368)	(1,855,922)
 <b>Financial position of the parent entity</b>		
Current assets	83,180,068	14,801,062
Total assets	104,532,214	36,875,740
 Current liabilities	21,348,139	2,055,068
Total liabilities	<u>79,160,613</u>	<u>2,140,440</u>
	25,371,601	34,735,300
 <b>Equity of the parent entity</b>		
Contributed equity	41,330,328	40,594,129
Share options issues	1,504,171	1,090,701
Accumulated losses	<u>(17,462,898)</u>	<u>(6,949,530)</u>
	25,371,601	34,735,300

**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:

- Receipt of \$26 million paid directly to the Company on 12 July 2011 from Wugang Australian Resources Investment Pty Ltd as a second instalment for the purchase of the 60% of the iron ore rights to the southern tenements;
- \$25 million paid by Wugang Australian Resources Investment Pty Ltd to the Joint Venture Exploration Account on 12 July 2011 as the second instalment of its exploration work commitment; and
- Subject to shareholder approval, up to 1,000,000 Performance Rights were granted to the Managing Director on 23 August 2011 as part of the Company's Long Term Incentive Plan. These rights are subject to key performance indicators including share price performance in order to vest.
- On 31 August 2011 the Company announced the results of the second Eyre Iron resource estimate, for the Fusion project. The result showed a mineral resource of 319.4Mt at a magnetite recovery of 20.1% (DTR) and concentrate grading 67.8% Fe. See page 11 of the Managing Director's Report for more information.

**CENTREX METALS LIMITED**  
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**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 46 to 78, and the Remuneration report in the Directors' Report, set out on pages 23 to 44, 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 2011 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 General Manager Finance for the financial year ended 30 June 2011 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 20<sup>th</sup> day of September 2011



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

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

We have audited the accompanying financial report of Centrex Metals Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, 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, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 of the financial report that gives a true and fair view 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, a true and fair 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 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

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

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Derek Meates  
*Partner*

Adelaide

20 September 2011



**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**

**19 September 2011**

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	25.79
2	WUGANG AUSTRALIAN RESOURCES INVESTMENT PTY LTD	40,399,599	12.88
3	BAOTOU IRON & STEEL (GROUP) COMPANY LIMITED	21,900,000	6.98
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,992,871	6.06
5	SEL HOLDINGS LIMITED	16,198,000	5.17

**Distribution of equity holders**

**31 August 2011**

Category	Number of Equity Security Holders	
	Ordinary & Escrow Shares	Employee Options / Rights Plan
1 – 1,000	136	-
1,001 – 5,000	652	-
5,001 – 10,000	458	-
10,001 – 100,000	638	-
100,001 and over	120	7
	<b>2,004</b>	<b>7</b>

The number of shareholders holding a less than marketable parcel of: ordinary shares is 216 (2010: 142).

**Restricted Securities**

Security type	Restriction ends	Number of Options
CXM Executive Option Plan Options (exp 30/06/2014)	16/08/2012	750,000

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

**ASX Additional Information (unaudited)**

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

**19 September 2011**

<b>Rank</b>	<b>Name</b>	<b>Units</b>	<b>% of Issued Capital</b>
1	SOUTH COVE LTD	80,876,005	25.79
2	WUGANG AUSTRALIAN RESOURCES INVESTMENT PTY LTD	40,399,599	12.88
3	BAOTOU IRON & STEEL (GROUP) COMPANY LIMITED	21,900,000	6.98
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,992,871	6.06
5	SEL HOLDINGS LIMITED	16,198,000	5.17
6	UNITED IRON LIMITED	15,000,000	4.78
7	MR SIK ERN WONG	8,250,000	2.63
8	DAVAN NOMINEES PTY LTD	6,389,398	2.04
9	MR MELVIN BOON KHER POH	5,300,000	1.69
10	NATIONAL NOMINEES LIMITED	4,785,565	1.53
11	KENG CHUEN THAM	4,395,300	1.40
12	LODGE LIMITED	4,366,667	1.39
13	NAVIGATOR AUSTRALIA LTD	4,148,900	1.32
14	MISS LAY HONG GOH	4,110,000	1.31
15	MR EWE GHEE LIM + MISS CHARLENE YULING LIM	3,750,000	1.20
16	MR NORTON JACKSON	3,000,000	0.96
17	COMMODITY TRADERS (NZ) LTD	2,617,327	0.83
18	MR YAM POEY CHEW	2,500,000	0.80
19	MR KIAT POH	1,918,880	0.61
20	MR KA FAI MARTIN WONG	1,801,991	0.57
<b>Top 20 holders of ORDINARY &amp; ESCROW SHARES as at 19 Sep 2011</b>		<b>250,700,503</b>	<b>79.94</b>

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

**ASX Additional Information (unaudited)**

**List of tenements in which the Group has an interest**

**20 September 2011**

<b>Tenement</b>	<b>Held by</b>	<b>Interest (%)</b>
<u>Northern Area</u>		
Gilles Downs EL 4571 previously EL 3375	CXM(i)	100
Bungalow/Minbrie EL 3610 previously EL 2817	(a) CXM(i)	80
Kimba Gap EL 3968 previously EL 3018	SAIOG(ii)	100
Ironstone Hut EL 3999 previously EL 3048	SAIOG(ii)	100
Whyalla ('Ironstone Hill') EL 4185 prev. EL 3125	SAIOG(ii)	100
Stony Hill EL 4451 previously EL 3287	SAIOG(ii)	100
<u>Southern Area</u>		
Wanilla EL 4384 previously EL 3269	(b) CXM(i)	40
Wilgerup EL 4467 previously EL 3317	CXM(i)	100
Tooligie Range EL 4299	CXM(i)	100
Greenpatch EL 3611 previously EL 2816	(b) CXM(i)	40
Dutton Bay EL 4605 previously EL 3421	(b) CXM(i)	40
Bald Hill EL 3877 previously EL 2905	(b) SAIOG(ii)	40
Carrow EL 3731 previously EL 2887	(b) SAIOG(ii)	40
<u>Other Areas</u>		
Lock EL 4588 previously EL 3401	CXM(i)	100
Cockabidnie EL 3609 previously EL 2815	CXM(i)	100
Goulburn (NSW) EL 7388	CXM(i)	100
Archer (NSW) EL 7503	CXM(i)	100

(i) Centrex Metals Limited ("CXM")

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

(a) Boutou Iron and Steel (Group) Limited acquired 20% of the iron ore rights to this tenement on 2 May 2011 following the second phased payment to the Bungalow joint venture account.

(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.

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

**ASX Additional Information (unaudited)**

**Company Directory**

**Joint Company Secretaries**

Alison Mireille Evans  
Gavin Mathew Bosch CPA

**Principal Registered Office**

Centrex Metals Limited  
Level 11, 147 Pirie Street  
Adelaide SA 5000  
08 8100 2200  
08 8232 0500  
[www.centrexmetals.com.au](http://www.centrexmetals.com.au)

**Locations of Share Registries**

**Adelaide**

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

**Abbotsford**

Computershare Limited Yarra Falls  
452 Johnston Street  
Abbotsford  
Vic 3067

Enquiries within Australia:	1300 556 161
Enquiries outside Australia:	61 3 9415 4000
Email:	<a href="mailto:Web.queries@computershare.com.au">Web.queries@computershare.com.au</a>
Website	<a href="http://www.computershare.com.au">www.computershare.com.au</a>

**Australian Securities Exchange**

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

**ASX Codes**

Shares: CXM

**Auditors**

KPMG  
Chartered Accountants  
151 Pirie Street  
Adelaide SA 5000