
CENTREX METALS LIMITED

A.B.N. 97 096 298 752

ANNUAL FINANCIAL REPORT

For the Financial Year Ended 30 June 2012

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Chairman's Letter to Shareholders

Dear Fellow Shareholders,

It has been a disappointing year for our share price but Centrex is not alone in suffering from the impacts of the current global economic climate. There are in excess of 100 stocks trading on the ASX at less than their cash backing. Macro economic events such as the European crisis and the slowing of growth in China have impacted significantly on junior resource stocks. The Australian market has been concerned with magnetite projects, construction costs and land access issues, factors which also impacted the share price.

Recently iron ore prices have fallen considerably. Centrex believes this to be a short term issue. Our projects are long term, with expected production lives in excess of twenty years. Over this period we would expect a number of cyclical swings in commodity prices, both up and down. A short term cyclical down trend has limited impact on our long term planning. Over time, the demand for steel and iron ore will be largely determined by population increases and increasing urbanisation in developing countries. These trends provide sound fundamentals for long term iron ore pricing.

Centrex achieved significant milestones during the year which in the Board's opinion, are not reflected in our share price. Our projects continue to be de-risked through resource definition and feasibility studies and as such we expect to see more recognition of value in the Company's existing assets as we move towards development and construction of our major projects. The Company has strengthened its resource base by increasing both the quantity and quality of our iron ore resources in both the Eyre Peninsula and Bungalow Joint Ventures. Further exploration drilling is expected to bolster the iron ore resources for Project Fusion. Importantly, our joint venture partners Wuhan Iron & Steel (Group) Co and Baogang continue to provide enthusiastic support.

Our major infrastructure project, the Port Spencer deep-water port also continues to make progress. During the year, agreements were signed with WISCO establishing another WISCO – Centrex joint venture, with the parties holding a 50:50 stake in Port Spencer Pty Ltd, the joint venture vehicle. The Port Spencer Stage 1 Public Environmental Report comprising 3 years of environmental studies was completed and submitted to government and released to community.

Unlike many of our peers, we are in the enviable position of having a strong balance sheet and we see this as a major opportunity which we intend to exploit in the coming year. Centrex's management team has been restructured internally and a devoted business development unit has been created, charged with the task of maximising value from our existing assets and identifying and building a pipeline of development opportunities for the Company.

We are actively pursuing opportunities to extract value from our existing assets. To complement the work undertaken on the Wilgerup project, Centrex is increasing its understanding of the Western Middleback tenements on the Eyre Peninsula. Further afield, we are currently taking steps to access the land on our existing

Chairman's Letter to Shareholders

Goulburn tenements in NSW for the next stage of exploration. The Goulburn project presents an exciting base metals opportunity for the Company. We are also examining interesting new proposals as we search for new projects from which we can extract value.

Jim White chose to resign as Managing Director at the end of the financial year. I would like to thank Jim for his commitment to the Company during a time when he was facing personal challenges with his health. I am pleased to say that Jim's health is improving and he will continue to participate in the Company. Phil Staveley has joined the Company and is the General Manager. Phil brings a wealth of commercial experience and we welcome him to the team.

On behalf of the Board, thank you to shareholders who continue to support the Company. I would also like to thank my fellow directors and staff for their efforts during the year.



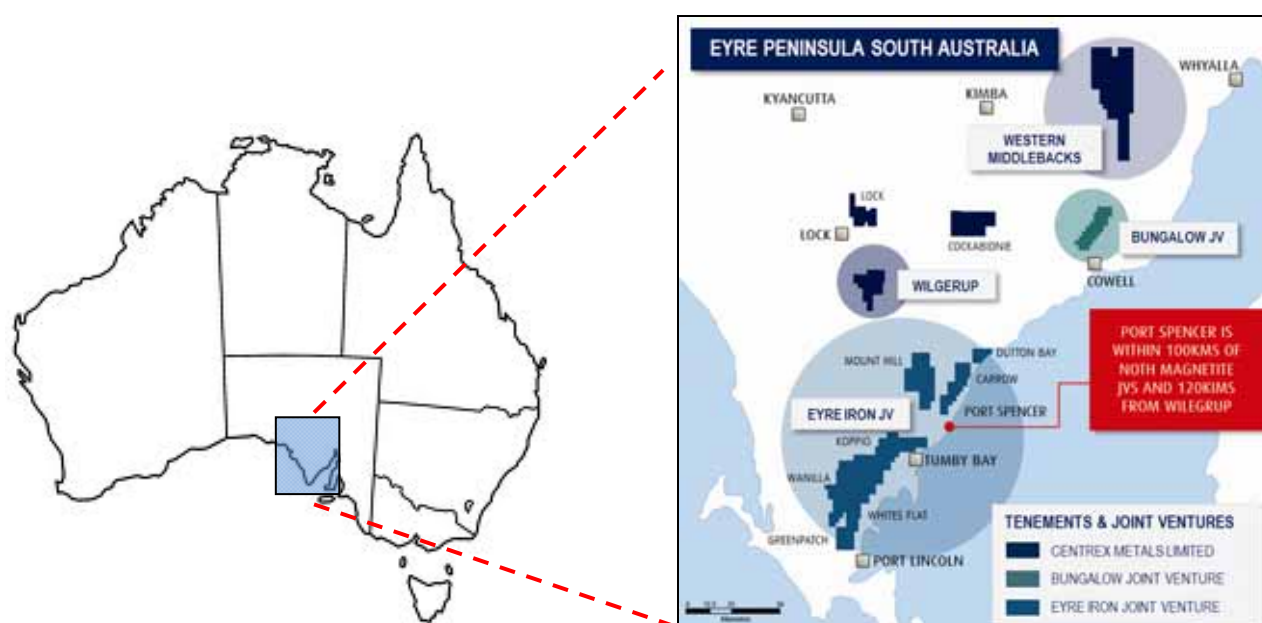
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David Klingberg AO,
Chairman of the Board

Operations Report

OVERVIEW

The principal projects in the Centrex Metals Limited (“Centrex”) portfolio are:

- **WISCO joint ventures (Eyre Iron: Centrex 40%, Port Spencer: Centrex 50%):** joint ventures with the world’s 4th largest steel group Wuhan Iron and Steel (Group) Co. (“WISCO”), pursuing the development of an integrated magnetite iron ore mining operation and deep water export facility on the lower Eyre Peninsula.
- **Bungalow joint venture (Centrex 70%):** a joint venture with Chinese steel major Baotou Iron and Steel Group Company Limited (“Baogang”), pursuing the development of a magnetite iron ore mine on the upper Eyre Peninsula.
- **Wilgerup (Centrex 100%):** a DSO hematite development on the Eyre Peninsula
- **Exploration (Centrex 100%)** projects in South Australia and New South Wales



Map of Centrex’s relevant exploration licences and project locations

HIGHLIGHTS

WISCO joint ventures

- 50/50 Port Spencer joint venture signed with WISCO
- Development Application submitted for South Australia’s first deep-water bulk commodities export facility at Port Spencer.
- Port Spencer Public Environmental Report released for public and regulatory comment, consultation period completed, submissions received and response report prepared.
- 46,927 metres of iron ore exploration and resource definition drilling completed by Eyre Iron with total joint venture resources lifted to 713 million tonnes⁽¹⁾.
- Preferred magnetite concentrate project for development selected at Fusion, located 40 kilometre by slurry pipeline from Port Spencer, and with 0.5 billion tonnes mixed Inferred/Indicated Mineral Resource defined for the project⁽²⁾⁽³⁾.
- Scoping Study completed for integrated mine and port project showing robust economics.
- \$45 million Definitive Feasibility Study (“DFS”) commenced for Fusion.

Operations Report

Bungalow joint venture

- 27,581 metres of Resource definition, geotechnical and water bore drilling completed.
- New combined Measured, Indicated and Inferred Mineral Resource of 338 million tonnes⁽⁴⁾.
- Prefeasibility study commenced.

Wilgerup DSO project

- Finalisation of the Program for Environmental Protection and Rehabilitation ("PEPR") required which allows mining of the Wilgerup DSO hematite deposit on Eyre Peninsula.

Exploration

- Goulburn: Independent geological review supports potential for the discovery of iron and base metal deposits.
- Land owner access discussions commenced.

Corporate

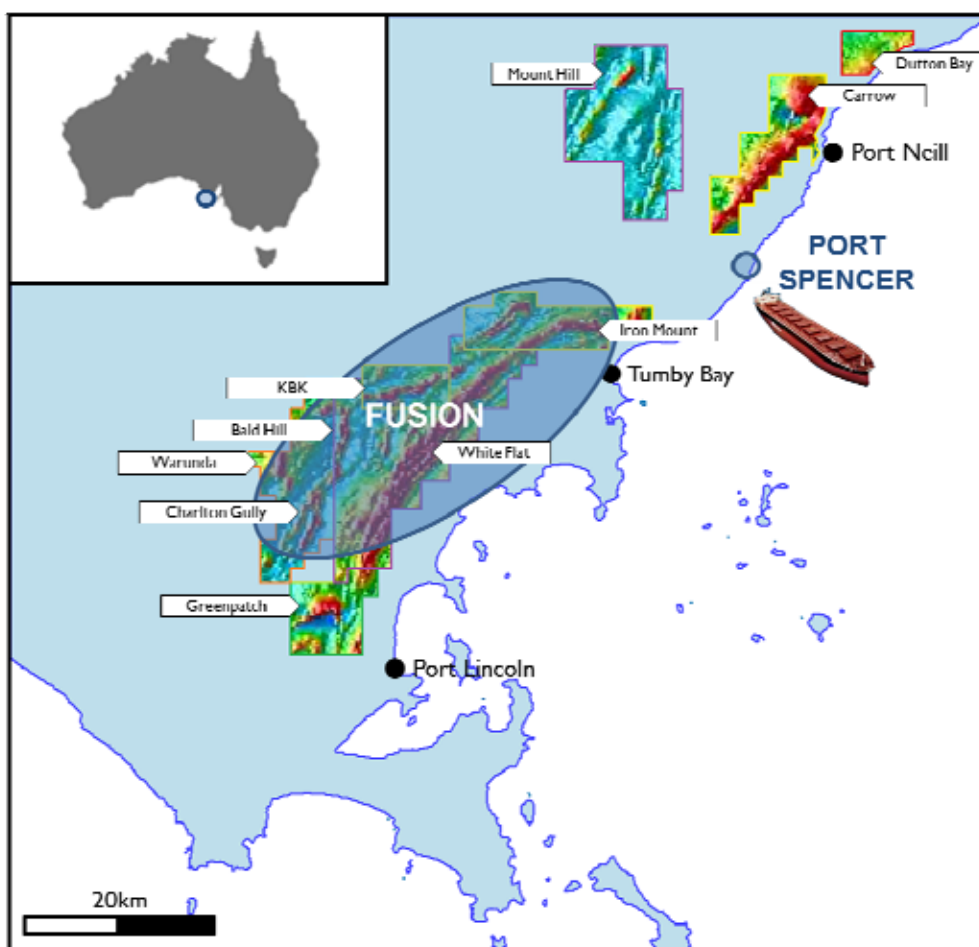
- At 30 June 2012 Centrex Metals held \$63.6 million in cash and term deposits.
- Centrex has no debt.
- All current feasibility studies are fully funded.

Operations Report

1. WISCO JOINT VENTURES

Centrex and WISCO continued to move forward in establishing an integrated magnetite iron ore mining operation and export facility on the lower Eyre Peninsula, with the Port Spencer 50/50 joint venture signed on 9 March 2012. The joint venture was signed with Wugang Australian Resource Investments Pty Ltd ("WARI"), a wholly owned subsidiary of WISCO. Work on a Definitive Feasibility Study for Port Spencer will commence on gaining of Chinese government approvals and the payment of \$4 million by WARI into the joint venture accounts, expected in late 2012.

Signing of the Port Spencer joint venture represented a major vote of confidence by WISCO in the already established Eyre Iron joint venture that aims to develop and export magnetite concentrate through Port Spencer from its flagship Fusion project.



Eyre Iron joint venture

The Eyre Iron joint venture through its management company Eyre Iron Pty Ltd ("Eyre Iron") completed evaluation drilling very early in the year for three potential magnetite projects at Fusion, Carrow and Greenpatch. In late 2011 Fusion was selected as the preferred project for first development given its superior resource base and future resource potential.

A total of 46,927 metres of mainly diamond drilling was completed throughout the financial year. The majority of drilling activities focused on resource definition of three deposits within Fusion, Koppio, Brennand and Kapperna ("KBK"). A number of resource estimations were completed for these deposits, along with Iron Mount which was drilled the previous year, culminating in a total of 0.5 billion tonnes of Mineral Resources established at Fusion by the end of the year.

Operations Report

Fusion Summary Mineral Resources						
Deposit	Tonnage (million tonnes)	Head Grade		DTR (%)	Concentrate Grade	
		Fe (%)	SiO ₂ (%)		Fe (%)	SiO ₂ (%)
Indicated Mineral Resources						
Koppio ⁽²⁾	54.5	24.1	52.3	19.3	68.2	4.1
Inferred Mineral Resources						
Koppio ⁽²⁾	121.8	24.4	52.2	19.6	68.7	3.5
Brennand ⁽³⁾	122.4	24.1	51.0	21.3	67.3	5.0
Kapperna ⁽³⁾	65.7	28.3	44.6	29.4	70.2	1.9
Iron Mount ⁽²⁾	135.0	25.5	36.7	29.3	62.1	9.1
Total Inferred	444.9	25.2	46.0	24.5	66.5	5.4
Combined Mineral Resources						
Total	499.4	25.1	46.7	23.9	66.7	5.2

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

While the focus of Fusion was on KBK and Iron Mount, the project comprises numerous prospective deposits spanning a 50 kilometre anomalous magnetic BIF trend. Fusion aims to establish a centralised processing facility just north of the town of Koppio to access all deposits within the project area and transport product approximately 40 kilometres by slurry pipeline to Port Spencer.

Eyre Iron/Port Spencer Scoping Study

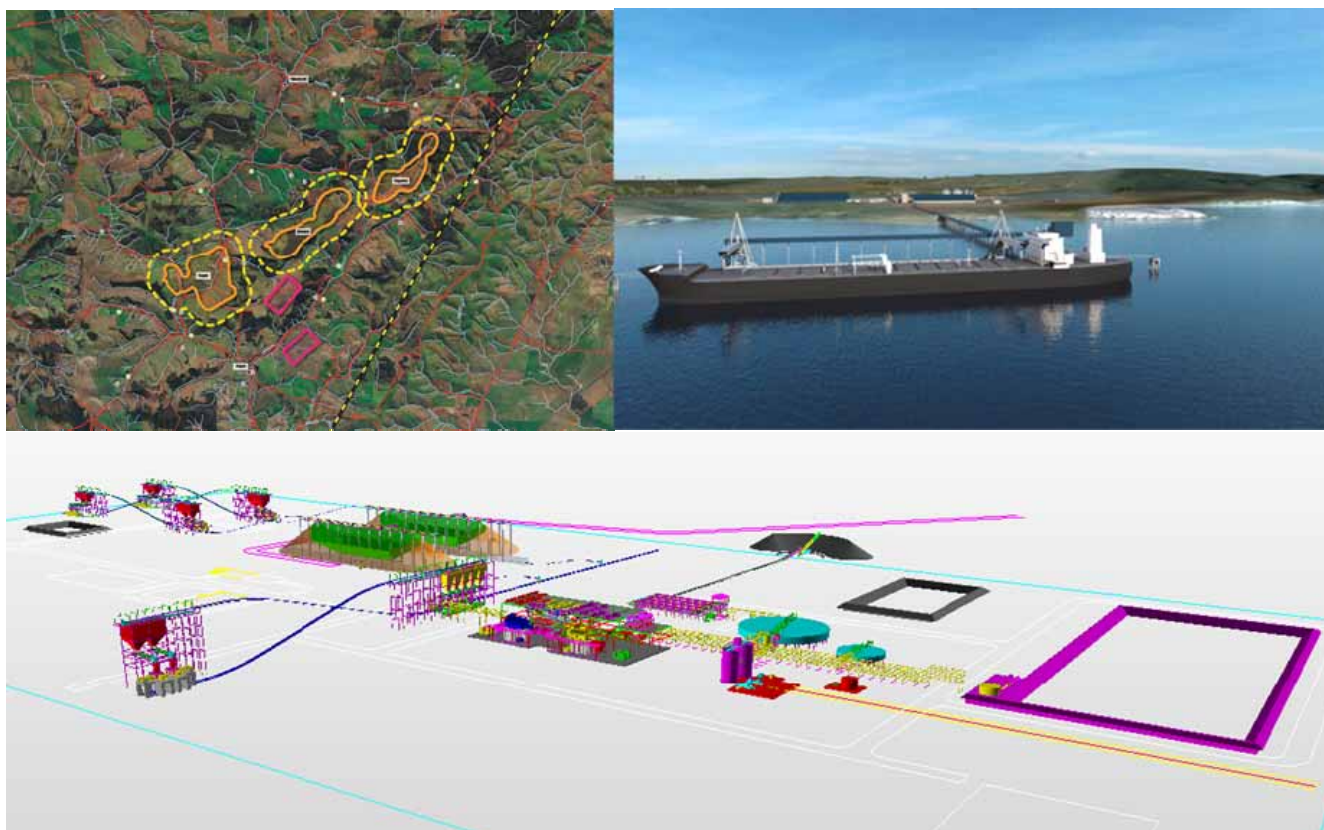
A combined project Scoping Study for Port Spencer and Fusion was completed in early 2012. The study focused on KBK as a basis for conceptual mining and processing designs with a further mine life extension option over Iron Mount. Designs were completed for a conceptual processing facility to be located at the mine site, along with a 40 kilometre slurry pipeline to Port Spencer along with desalination, dewatering and storage facilities at the port. Port Spencer infrastructure designs included in the study had an export capacity of 20 million tonnes per annum allowing for additional customers to use the facilities and enhance the investment returns even further from those in the study.

In order to decide whether to proceed to a DFS for Fusion the Scoping Study included estimates of the capital and operating costs for operations at Fusion and Port Spencer ranging from 5 to 10 million tonnes per annum of magnetite concentrate export. The export volumes were based on Inferred Resources and Exploration Targets rather than Indicated Resources meaning Ore Reserves could not be established and hence full results of the study could not be released. Broadly however the study work indicated that the combined mine and port project would have a Free-On-Board ("FOB") operating cost including royalties in the range of A\$65 to A\$71 per tonne. Required capital investment for the mine and port facilities would be in the order of A\$1.7 billion to A\$2.6 billion. These conceptual cost estimates would have an accuracy range between +/- 40-50%*.

Based on the results of the Scoping Study it was decided to commence an A\$45 million Definitive Feasibility Study for Fusion with completion expected in 2013.

* At this stage Centrex has not yet estimated an indicated resource and progressed the Modifying Factors (as defined on page 13) sufficiently. Accordingly the 5 to 10 million tonnes per annum assumed mine and plant capability, operating costs and capital investment indicated by the scoping study should not be used as a basis for investment decisions about shares in the company.

Operations Report



Port Spencer joint venture

The Port Spencer 50/50 joint venture agreement between Centrex and WARI was signed on 9 March 2012. This is a significant milestone for the Port Spencer project and represents a major vote of confidence by WISCO in the mining joint venture (Eyre Iron) and in the associated infrastructure development. Work on a definitive feasibility study will commence on completion of two conditions precedent, being Australian Foreign Investment Review Board and Chinese National Development and Reform Commission ("NDRC") approval.

FIRB approval was given by the federal government in April 2012. The final outstanding condition precedent to the formal commencement of the joint venture is approval by the NDRC in China. This approval is expected in October 2012.

As part of the State government assessment of the project under the "major development" provisions of the Development Act 1993, Centrex and Golder Associates have completed the Port Spencer Public Environment Report ("PER"). This was released for public comment on 9 March 2012 by SA's Minister of Planning, the Hon. John Rau. The public consultation period ran for 7 weeks, concluding on 27 April 2012.

Centrex received 12 submissions from a wide variety of stakeholders including the local community and government regulators. Centrex has now addressed all the questions raised in these submissions and is in the final review stages of its Response Report prior to formal submission to the Department of Planning, Transport and Infrastructure, expected in late September 2012.

An owner's team has been established to assist in the development of the port and this team includes:

- Parsons Brinckerhoff - Engineering support
- Golder Associates - Environmental support
- Free Eyre Limited - Grain handling
- Patrick - Port operation

Preparations have begun for the commencement of offshore drilling to confirm ground conditions for construction of the jetty. Licence applications are in the final stages of approval and, once obtained, this work is expected to commence following completion of the final remaining condition precedent to the joint venture.

Operations Report

2. BUNGALOW MAGNETITE JOINT VENTURE

The Bungalow Magnetite Project is a joint venture between Centrex (70%) and the Baotou Iron and Steel Group Ltd (Baogang) (30%).

The Bungalow / Minbrie magnetite deposit is located 9 kilometres north of the coastal town of Cowell on the Eyre Peninsula and around 100 kilometres from the Port Spencer joint venture site.

The pre-feasibility study commenced in early 2012 for a conventional open cut mine and processing facility to produce around 5 million tonnes per annum of magnetite concentrate. The other key aspects of the study include transporting the concentrate via a slurry pipeline to Port Spencer for dewatering and export. A return water pipeline will transport process water from a desalination plant at Port Spencer.

The Baogang joint venture partner is a significant iron ore and rare earth miner and prominent steel producer in China with plans of expanding steel output in 2015. The magnetite concentrate is required for pellet production and subsequent blast furnace feed for this increased expansion.

The joint venture is on schedule and budget to complete the pre-feasibility study by late 2012.

Independent AMC Consultants completed the interpretation and estimation of the new Mineral Resource model as announced on the 25th May. The new Resource model is the culmination of a significant body of work over the past 2 years and will form the basis of the pit optimisation study. Bungalow's combined Measured, Indicated and Inferred Mineral Resource is 338 million tonnes⁽⁴⁾ and is summarised in the table below at a 10% DTR cut off, as estimated by AMC Consultants Pty Ltd⁽⁴⁾.

Bungalow and Minbrie Mineral Resources Summary⁽⁴⁾

Resource Classification	Tonnage (million tonnes)	Head Grade		DTR (%) [*]	Concentrate Grade	
		Fe (%)	SiO ₂ (%)		Fe (%)	SiO ₂ (%)
Measured (Bungalow)	22.3	29.1	51.8	36.2	70.7	1.9
Indicated (Bungalow)	163.5	30.5	48.5	34.8	69.9	2.5
Inferred (Bungalow)	53.3	31.9	45.3	35.7	69.4	2.6
Total # (Bungalow)	239	30.7	48.1	35.2	69.8	2.4
Inferred (Minbrie)	99	27.0	54.8	32.2	69.2	3.2
Total Resources #	338	29.6	50.1	34.3	69.7	2.7

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

[#] Due to the effects of rounding, overall totals may not be able to be reproduced from individual classification totals.

The various activities of the pre-feasibility study have been listed below.

- Over 64 kilometres of drilling has now been completed at Bungalow and Minbrie with the bulk of this work being undertaken in the last 2 years. A combined Measured, Indicated and Inferred Mineral Resource, was independently estimated by AMC Consultants Pty Ltd (AMC) to be 338 million tonnes⁽⁴⁾. The estimated grades and mass recovery of the Mineral Resources are high with an average grade of 29.6% Fe head, 69.7% Fe concentrate and 34.3% Davis Tube Recovery (DTR).
- AMC Consultants has commenced work on the pit optimisation and mining study.
- Peter O'Brien & Associates has completed the geotechnical report and associated slope design parameters for mine design. The pit wall stability is predominantly influenced by the attitude and shear strength of geological structures. No further geotechnical drilling is required prior to mining.
- Frank Walsh drilling completed a production bore and a number of monitoring bores. A pumping test was successfully undertaken in November 2011. SGS Consultants then completed a ground water

Operations Report

report which indicated that from a dewatering perspective the amount of groundwater is not excessive. From a water supply perspective the ground water is not sufficient to support the mine and process water requirements. The proposed desalination plant at Port Spencer is the most likely process water option.

- WorleyParsons has managed the metallurgical test work program being conducted by Amdel laboratories in Adelaide and Perth. The bulk of the test work is now complete including the grind variability testing, dry cobbing, LIMS, WHIMS and silica and sulphide flotation on the various ore types. High Pressure Grinding Rolls (HPGR) test work was completed by Polysius in Perth with slurry rheology and dewatering testwork nearing completion with Outotec Laboratories, also in Perth.
- The environmental geochemical kinetic testing has commenced on selected samples as identified by the static testing. The kinetic testing is expected to continue for the next 6 months before a full assessment of the results can be made.
- Environmental baseline air quality and ground water monitoring is continuing.
- The Golder Associates ecology spring survey of the mine and pipeline route has been completed. Initial results have not indicated any environmental issues. This work has extended to assisting Centrex with the stakeholder consultation process whereby the first information sheet was distributed to local community stakeholders on Eyre Peninsula. Landowner consultation has commenced and community focus group meetings are planned for the next quarter.
- ElectraNet's electricity transmission group has completed the Connection Options Report which provided a high level assessment of the available connection options for the Bungalow project.

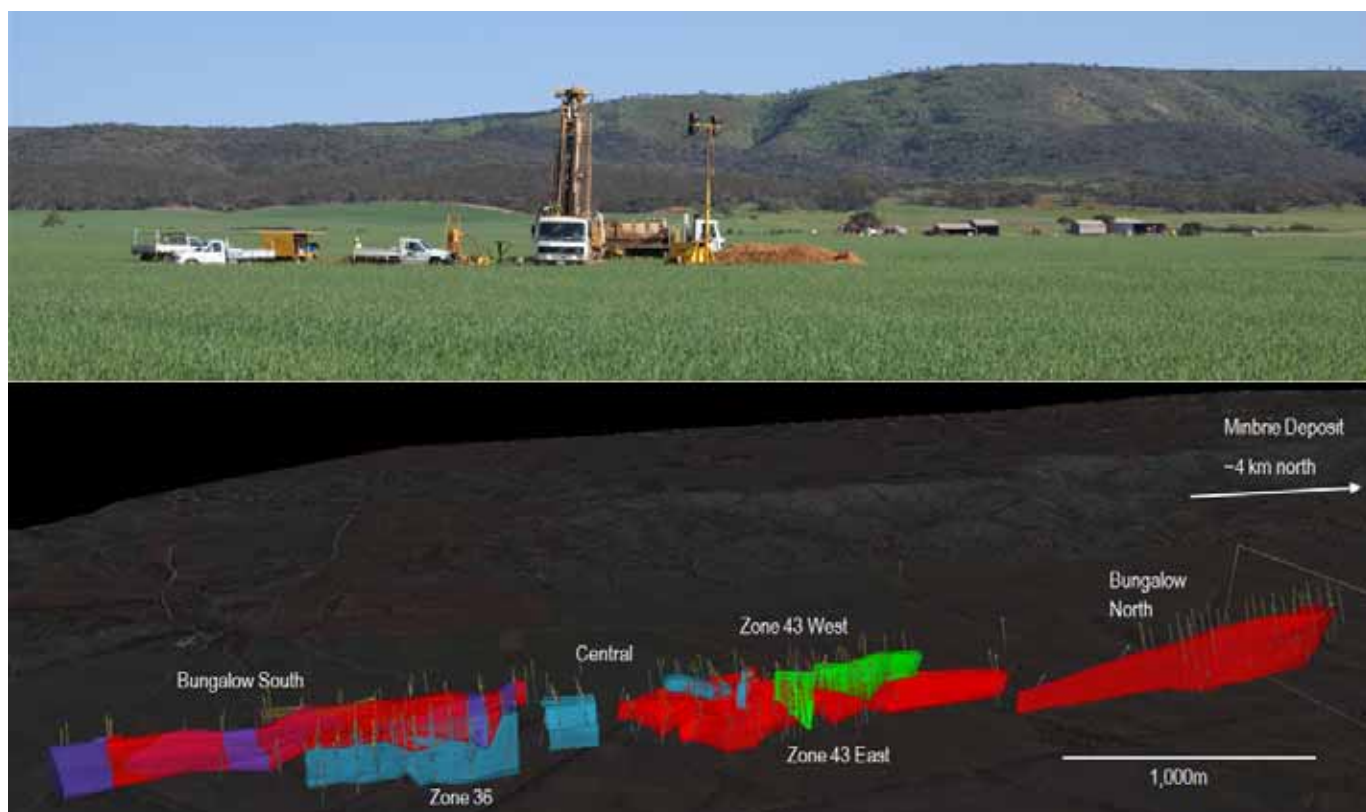


Figure 1: The Bungalow deposit geological model, geo-metallurgical domains and landscape.

Operations Report

3. 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 incorporating the 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 more socially 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.

4. EXPLORATION

Goulburn Project (base metals/gold – NSW) – EL 7503 and EL 7388

The Goulburn and Archer tenements cover an extensive area with a number of base metal, gold and iron deposits and occurrences. A geophysical review by ASIS international and Geosmining previously outlined a number of targets warranting ground investigation followed by drill testing.

An independent geological consultant ("GEM" Exploration Management Services), familiar with the Goulburn region and styles of mineralisation was engaged to review the project and 2012 exploration strategy. GEM supported the view of previous consultants and concluded that potential remained for the discovery of iron and base metal deposits within the Goulburn and Archer tenements.

In recent months Centrex has been developing land access arrangements with the relevant land owners. An exploration drilling program over a number of priority targets is planned for next year.

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 4 – 5 kilometres. 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 strong 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 Bungalow joint ventures.



Mr Phillip Staveley
General Manager

Dated at Adelaide this 18th day of September 2012.

Operations Report

Competent Persons' Statements

- 1 *The information in this report relating to Exploration Results is based on information compiled by Mr Ben Hammond who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Hammond is the Chief Operating Officer of Eyre Iron Pty Ltd and current Chief Development Officer of Centrex Metals Limited. Mr Hammond has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity 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 Hammond consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*
- 2 *The information in this report relating to Mineral Resources is based on and accurately reflects information compiled by Mr Alan Miller of Golder Associates who is a consultant and adviser to Eyre Iron Pty Ltd and who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Mr Miller has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Miller consents to the inclusion in the report of the matters based on his information in the form and context in which it appear.*
- 3 *The information in this report relating to Mineral Resources and current Exploration Targets 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 mineralization and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Virisheff consents to the inclusion in the report of the matters based on his information in the form and context in which it appear.*
- 4 *The information in this report relating to Mineral Resources is based on and accurately reflects information compiled by Ms Sharron Sylvester of AMC Consultants Pty Ltd who is a consultant and adviser to Centrex Metals Limited and who is a Member of the Australian Institute of Geoscientists (RPGeo). Ms Sylvester has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity she 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". Ms Sylvester consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

SCOPING STUDY RESULTS

In order to decide whether to continue with a DFS, the scoping study included estimates of the operating and capital costs for magnetite mines and processing plants with assumed production of between 5 and 10 million tonnes per annum and for the associated port costs. The volume targets used in the scoping study were based on Inferred Resources and Exploration Targets. Centrex has not yet estimated an indicated resource taking in to account mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (**the Modifying Factors**) sufficiently and the full results of the scoping study may not provide sufficient certainty for Centrex to be able to release to the market at this stage.

The assumed 5 to 10 million tonnes per annum mine and plant capability, operating costs and capital investment indicated by the scoping study should not be used as a basis for investment decisions about shares in the company. Centrex and the Eyre Peninsula joint venture will need to upgrade the Mineral resource quantities and status before it can provide production targets and financial information that can be relied on with any certainty.

Nonetheless, these numbers are important in informing the market as to why the decision to proceed to a DFS has been made.

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

Directors' Report

For the Year Ended 30 June 2012

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 2012 and the auditor's report thereon.

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

Directors' Report

For the Year Ended 30 June 2012

1.1 Directors

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

Name and Qualifications	Appointed /Resigned	Position, Experience and special responsibilities
Mr David Klingberg, AO, FTSE, D UniSA, B.Tech, FIE Aust, FAus IMM, FAICD	Appointed 19/4/05 Chairman since 15/1/10	<p>Independent Chairman</p> <p>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 (ASX: CDA) and E&A Limited (ASX: EAL). He is also director of Snowy Hydro Limited, Chairman of Barossa Infrastructure Limited and a former Chairman of the Premier's Climate Change Council.</p> <p>Mr Klingberg is on the Board of Eyre Iron Pty Ltd the manager of the Centrex – WISCO magnetite joint venture as well as Port Spencer Pty Ltd, the Centrex – WISCO joint venture to develop and operate Port Spencer.</p> <p>Mr Klingberg is a member of the Company's Audit and Risk Management Committee and the Remuneration and Nomination Committee.</p>
Mr Jim White, B.App. Sci(Met), FIEAust, CP Eng.	Appointed 16/8/10	<p>Managing Director (until 30 June 2012), Executive Director thereafter</p> <p>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 White stepped down from the role of managing director from 1 July 2012, and continues to work for the Company in a part time role.</p> <p>Mr White is on the Board of Eyre Iron Pty Ltd the manager of the Centrex – WISCO magnetite joint venture as well as Port Spencer Pty Ltd, the Centrex – WISCO joint venture to develop and operate Port Spencer. In addition, he is a Board member of SA Chamber of Mines and Energy (SACOME) and the Resources Industry Board (RIDB).</p> <p>As immediate past Managing Director and now working in an executive capacity for the Company, he is not considered to be "independent" for the purposes of the Company's corporate governance policies.</p>
Mr Kiat Poh Dip C.E.	Appointed 21/5/08	<p>Independent Non-Executive Director</p> <p>Mr Poh is a Singaporean citizen, and has over 30 years experience at senior management level in the financial, engineering, real estate development, quarrying, manufacturing and construction industries. He was the Managing Director of SGX-listed Teamsphere Limited from 1998, heading the strategic management and business development of the company prior to Delong Steel's successful reverse acquisition of Teamsphere Limited in 2005. Since 2005, he has managed an investment advisory company in Singapore that focuses on participating in strategic stakes in listed companies. He is also a director of Synergy Metals Ltd (ASX: SML).</p> <p>Mr Poh is a member of the Company's Audit and Risk Management Committee.</p>

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

Directors' Report

For the Year Ended 30 June 2012

1.1 Directors (continued)

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

Name and Qualifications	Appointed /Resigned	Position, Experience and special responsibilities
Mr Graham Chrisp, B Tech (CE)	Appointed 21/1/10	<p>Non-Executive Director</p> <p>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 (ASX: OUM) and is Managing Director of unlisted public company Energy Exploration Ltd and has numerous private interests.</p> <p>Mr Chrisp is also a Director of unlisted South Cove Ltd, the largest shareholder in the Company. Accordingly, he is not considered to be "independent" for the purposes of the Company's corporate governance policies.</p> <p>Mr Chrisp is a member of the Company's Remuneration and Nomination Committee.</p>
Mr Xiaopeng Yin	Appointed 21/1/10 Resigned 27/8/12	<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 & 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 12/7/10	<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 is a former director of Becton Property Group Ltd (ASX: BEC, 2006 – 2010). Mr Hazel is currently a Director of Bendigo and Adelaide Bank Limited (ASX: BEN), Rural Bank Limited, Impedimed Limited (ASX: IPD), Coopers Brewery Limited, Ingenia Communities Group (ASX: INA, Chairman), and the Motor Accident Commission.</p> <p>Mr. Hazel is Deputy Chairman of the Company and chairs the Company's Audit and Risk Management Committee and the Remuneration and Nomination Committee.</p>

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

Directors' Report

For the Year Ended 30 June 2012

1.1 Directors (continued)

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

Name and Qualifications	Appointed /Resigned	Position, Experience and special responsibilities
Mr John den Dryver BE (Mining), MSc, FAusIMM	Appointed 1/3/11	<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 (ASX: GCY), Adelaide Resources Ltd (ASX: ADN), and Helix Resources Ltd (ASX: HLX). He is also on the Board of Eyre Iron Pty Ltd, the manager of the Centrex – WISCO joint venture.</p>
Dr Chaoying Qi	Appointed 20/12/11 Resigned 27/8/12	<p>Alternate Non-Executive Director for Mr Xiaopeng Yin</p> <p>For the period Dr Qi acted as an alternate he was the former Managing Director of Wugang Australian Resources Investment Pty Ltd, the Company's second largest shareholder. He is also Managing Director of Eyre Iron Pty Ltd, the manager of the Centrex – WISCO joint venture.</p> <p>He holds a PhD in mineral processing and MBA/EMBA from Wuhan University and has specialised in mineral processing throughout his career.</p> <p>As former Managing Director of Wugang Australian Resources Investment Pty Ltd, Dr Qi is not considered to be "independent" for the purposes of the Company's corporate governance policies.</p>
Mr Zhao Haiming	Appointed 27/8/12 Resigned 27/8/12	<p>Alternate Non-Executive Director for Mr Xiaopeng Yin</p> <p>Mr Zhao is a qualified mining engineer with a masters degree in financial management, which has aided his transition into the commercial side of the industry. He is the Vice Managing Director of Wugang Australian Resources Investment Pty Ltd, the Company's second largest shareholder. He is also Chief Financial Officer of Eyre Iron Pty Ltd, the manager of the Centrex – WISCO joint venture. Prior to his role with Eyre Iron, Mr Zhao managed various overseas operations for Wuhan Iron & Steel (Group) Co including iron ore projects in Brazil and Canada.</p> <p>As Vice Managing Director of Wugang Australian Resources Investment Pty Ltd Mr Zhao is not considered to be "independent" for the purposes of the Company's corporate governance policies.</p>

CENTREX METALS LIMITED
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Directors' Report

For the Year Ended 30 June 2012

1.1 Directors (continued)

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

Name and Qualifications	Appointed /Resigned	Position, Experience and special responsibilities
Mr Bingqiang Lu	Appointed 18/9/12	<p>Non-Executive Director</p> <p>Mr Lu holds a Bachelor of Mining from Northeastern University of China and has over 20 years' experience in the mining industry.</p> <p>He has held a number of positions with Wuhan Iron & Steel (Group) Corp (WISCO) at WISCO's Jinshandian mine, an underground magnetite mine, in technical, research and infrastructure roles. Mr Lu is currently the Managing Director of Wugang Australian Resources Investment Pty Ltd, a wholly owned subsidiary of WISCO and a Director of Eyre Iron Pty Ltd, the manager of the Centrex – WISCO joint venture. Prior to his role with Eyre Iron, Mr Lu was the Managing Director of Jinshandian mine.</p> <p>As Managing Director of Wugang Australian Resources Investment Pty Ltd, Mr Lu is not considered to be "independent" for the purposes of the Company's corporate governance policies.</p>

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.

Mr Gavin Bosch, the General Manager, Finance is also joint Company Secretary of the Company.

Directors' Report

For the Year Ended 30 June 2012

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:

General Manager

The General Manager, Mr Phillip Staveley was appointed 1 July 2012 and was previously the General Manager, Commercial from 10 April 2012 to 30 June 2012.

Mr Staveley has over 25 years' experience in the resources sector. A qualified accountant, he has extensive experience in finance, supply, strategy and M&A and has lived and worked in Australasia, Asia, South America and Europe. From 1 July 2012, Mr Staveley has been appointed as General Manager to the Company.

Chief Development Officer

The Chief Development Officer, 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 22 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.

Project Director, Eyre Iron Joint Venture

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

Mr Brown is an electrical engineer with 30 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. As well as his role of General Manager Engineering for the Company, Mr Brown is intimately involved in the Company's joint ventures with WISCO, also holding the roles of Chief Executive Officer of Port Spencer Pty Ltd and Project Director for Project Fusion.

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 15 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.

CENTREX METALS LIMITED

A.B.N. 97 096 298 752

Directors' Report

For the Year Ended 30 June 2012

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 2012 was:

	Board Meetings		Audit and Risk Management Committee Meetings		Remuneration and Nomination Committee***	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
Mr D Klingberg	13	13	3	3	4	4
Mr J White	13	13	3	3**	4	4**
Mr K Poh	13	13	3	3	-	-
Mr G Chrisp	13	12	-	-	4	4
Mr Y Xiaopeng	13	-	-	-	-	-
*Dr Chaoying Qi	8	8	1	1**	-	-
Mr J Hazel	13	12	3	3	4	4
Mr J d Dryver	13	12	-	-	-	-

*As alternate to Mr Y Xiaopeng

**Attended by invitation

4. Corporate Governance Statement

The Board is committed to the principles underpinning best practice in corporate governance. The Company must comply with the ASX Listing Rules which require it to report annually on the extent to which it complied with the Corporate Governance Principles and Recommendations (Principles) as published by the ASX Corporate Governance Council. The Board believes that the Company has complied with the Principles for the current reporting period unless otherwise stated in this Corporate Governance Statement.

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

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/General Manager 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. It should be noted that from 1 July 2012 (outside of the relevant reporting period), Mr White stepped down from the role of Managing Director and Phillip Staveley was appointed General Manager. The General Manager has assumed responsibility for the operation and administration of the Company.

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.

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

Directors' Report

For the Year Ended 30 June 2012

Principle 2: Structure the Board to add value

Composition of the Board

The Constitution of the Company specifies that the number of directors shall be not less than three or more than eight. The Company changed its Constitution at the 2011 AGM to reduce the maximum number of directors from 10 to 8 directors. As at the date of this report, the Company has 7 directors which the Board considers appropriate given the size and nature of the Company. In making this determination, the Board gave consideration to the breadth of experience and skills on the Board, the total remuneration currently paid to directors and the total number of executives and other employees. The Board may at any time appoint a director to fill a casual vacancy.

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 regularly reviewed to ensure that it continues to have the right combination of experience, and competencies to fulfil its responsibilities effectively. The Board also considers that there should be a majority of Non-Executive Directors; at least half of the directors should be independent Directors; and that the Chairman must be a non-executive independent Director.

Independence of Board members

In determining the independent status of a Director, the Board considers whether the Director:

- is employed by the Company or has been employed by the Company within the previous three years in an executive capacity;
- is a substantial shareholder of the Company (ie holds at least five per cent of the voting shares of the Company) or is directly or indirectly associated with a substantial shareholder;
- has within the last three years been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- is a material supplier or customer of the Company or another group member, or directly or indirectly associated with a material supplier or customer;
- has a material contractual relationship with the Company or another group member other than as a Director of the Company; and
- has any interest or 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 represents, 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 the criteria outlined directly above.

Of the remaining current directors, Mr Graham Chrisp, Mr Haiming Zhao, Mr Bingqiang Lu 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 Lu and Mr Zhao are directors of Wugang Australian Resources Investment Company Pty Ltd (WARI), the second largest shareholder in the Company. Mr Jim White was until 1 July 2012 the Managing Director of the Company and continues to work in an executive capacity. As at 30 June 2011 the composition of the Board complies with its defined objectives.

Directors' Report

For the Year Ended 30 June 2012

Nomination, retirement and appointment of Directors

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.

The constitution of the Company and the ASX Listing Rules require that at each annual general meeting, one third of Directors (excluding the Managing Director) together with any director appointed since the last annual general meeting retire from office. Retiring directors offering themselves for re-election must confirm the director's on-going capacity and commitment to fulfil the role before acceptance of their offer by the Board.

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.

Performance Evaluation

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.

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 reporting period.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Board has established a Code of Conduct under which all directors, 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.

Directors' Report

For the Year Ended 30 June 2012

Among other things the policy establishes a procedure for notifying the Managing Director/General Manager, 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.

Diversity

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 has not at this time established measureable objectives for achieving gender diversity given the size of the team and the low staff turnover. Measurable objectives will be established when the Board considers that the Company has grown to a point where it is appropriate to do so.

Details of women employed by the Company as at 30 June 2012 are as follows:

Level	Total	Women
Board	7	0
Management	6	2
Company	12	3

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, which advises the Board on the establishment and maintenance of a framework of internal control, risk management and appropriate ethical standards for the management of the Group. The complete charter for the committee can be found in the corporate governance section of the Company website.

The members of the Committee are Mr Hazel (chairman), Mr Klingberg and Mr Poh, all of whom are independent non-executive directors. The Committee is responsible for:

- overseeing the integrity of the financial reporting process and ensuring that the financial statements adequately represent the Company's financial position, results of operations and cash flows;
- overseeing the Company's compliance with corporate policies that provide processes, procedures and standards to follow in accomplishing the Company's objectives;
- reviewing the Company's internal financial controls and internal control and risk management systems;
- making recommendations to the Board about the appointment of the Company's external auditor.

The Managing Director/General Manager, General Manager Finance and external auditor are invited to attend meetings of the Audit and Risk Management Committee at the discretion of the committee.

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. Information which could be seen to affect the shareprice and which must be released in accordance with ASX's continuous disclosure regime is immediately made available to the public as a release to the ASX. The release is also placed on the Company's website. The Company's continuous disclosure policy sets out the requirements and processes put in place by the

Directors' Report

For the Year Ended 30 June 2012

Company to ensure that its obligations to disclose relevant information are met and to ensure accountability at senior executive level for that compliance. 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. The external auditor attends the Company's annual general meeting to respond to specific questions from shareholders regarding financial matters.

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/General Manager 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/General Manager and General Manager Finance 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 has a Remuneration and Nomination Committee of which Mr Hazel (chairman), Mr Klingberg and Mr Chrisp are members. 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 2012

5 Remuneration Report - audited

5.1 Principles of compensation

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

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 had reference to *The Gold and General Mining Industry Remuneration Report* – No 49, April 2012 published by McDonald and Company (Australasia) Pty Ltd in determining the appropriateness of the remuneration packages paid by the Company which takes account of trends in comparative companies and the objectives of the Company'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. Fees were set with reference to standard practice by comparator companies. The Non-Executive Directors' fees remained unchanged for the current reporting period.

For the year ended 30 June 2012, 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 or for representation on the board of Eyre Iron Pty Ltd, 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 Chrisp, or Mr Qi were paid superannuation benefits. Messers Poh, Chrisp and Qi were paid directly for the value of their superannuation entitlements.

Managing Director and Company Executives

Remuneration packages for the Managing Director/General Manager 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 market practice of comparable organisations within the industry and reflect capability, role and experience of each executive and in the case of the Managing Director, independent advice from either Godfrey Remuneration Group or industry surveys published by McDonald and Company (Australasia) Pty Ltd.

The fixed remuneration component (cash, superannuation and fringe benefits) was set by 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 ("STI") 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 ("LTI") 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).

Directors' Report

For the Year Ended 30 June 2012

5.1 Principles of compensation (continued)

Mr Jim White

In accordance with the terms of his service agreement, Mr White's salary was reviewed and increased for the 2011/2012 financial year to a base remuneration package of \$420,000. In addition, Mr White had an opportunity to earn a short term incentive payment of up to 20% of the base package based on the achievement of certain key performance targets set by the Board. Mr White was not awarded an STI payment for the year.

In addition, Mr White was granted 1,000,000 rights pursuant to the Centrex Executive Incentive Rights Option Plan during the financial year, the grant of which was approved by shareholders at the 2011 annual general meeting. This number was considered by the Board to be appropriate taking into account an assessment of the probability of the incentive rights vesting and comparisons with long term incentives provided to comparable executives.

The period in which the performance conditions must be satisfied in order for the incentive rights to vest is the 3 year period from 1 July 2011 to 30 June 2014 (Measurement Period).

At the end of the Measurement Period, to the extent the performance conditions are satisfied, Mr White's incentive rights automatically vest and the Company will issue or procure the transfer to Mr White of one Centrex share for each incentive right which vests, for no further consideration.

The maximum number of incentive rights that can vest is 1,000,000. A lesser number may vest, depending on the achievement of the various performance hurdles set by the Board. The formula for determining the number of incentive rights which may vest is as follows:

A maximum of 500,000 incentive rights may vest on the Company's achievement of certain operational milestones which have been determined by the Board and which the directors believe will significantly enhance the value of the Company and in turn, value to shareholders. These operational milestones reflect the strategic plan of the Company, including the definition of JORC Resources.

A maximum of 500,000 incentive rights may vest relative to total shareholder return (TSR). TSR is calculated by reference to share price growth over the Measurement Period. If the volume weighted average share price (VWAP) for the 5 days trading prior to and including 30 June 2014 is \$1.00 or greater, then the maximum 500,000 incentive rights will vest. The number of shares that may vest will be scaled down relative to the share price until the VWAP is 75c in which case 250,000 incentive rights will vest. If the low end of the range of 75c per share is achieved at 30 June 2014, it means that the Company's TSR was 34.2% pa compound each year over the Measurement Period.

The determination of the extent to which the performance conditions were achieved will be made by the Board at the end of the Measurement Period.

The Company's remuneration consultants Godfrey Remuneration Group provided the Company with a letter confirming the reasonableness of Mr White's remuneration package. The remuneration received by Godfrey Remuneration Group for providing the advice was \$5,040 (exclusive of GST). The advice was sought by and provided directly to Mr Hazel, chair of the Remuneration and Nomination Committee. Godfrey Remuneration Group was directed in writing that if contact with key management personnel was required, then it should only be undertaken in consultation with Mr Klingberg or Mr Hazel and that any recommendation should be provided directly to the Remuneration and Nomination Committee. For the foregoing reasons, and in accordance with the section 300A(h) of the Corporations Act, the Board is satisfied that the remuneration recommendation was made free from undue influence from Mr White.

Mr White resigned from the position of Managing Director effective from 1 July 2012. Mr White continues to be employed by Company in an executive role and currently provides the Company with his experience and expertise in technical matters and government relations.

The Company is currently negotiating the terms of engagement for Mr White's new role.

Directors' Report

For the Year Ended 30 June 2012

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 Phillip Staveley General Manager
- Mr Alastair Watts General Manager Exploration
- Mr Ben Hammond Chief Development Officer
- Mr Steve Brown Project Director – Eyre Iron Joint Venture
- Mr Gavin Bosch General Manager Finance

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

On 10 April 2012 Mr Phillip Staveley was engaged by the Company as General Manager Commercial for a 6 month period, ending 9 October 2012. Mr Staveley participated in the Company's short term incentive scheme in respect of the reporting period but not the long term incentive scheme. On 1 July 2012, Mr Staveley took up the role of General Manager to oversee the management of the Company following Mr Jim White's resignation as Managing Director. The Company is currently negotiating the terms of the engagement for the General Manager role.

Service Agreements

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

CENTREX METALS LIMITED

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Directors' Report

For the Year Ended 30 June 2012

Remuneration of Key Management Personnel (Consolidated)

Details of the nature and amount of each major element of remuneration of each of the key management personnel 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							
			\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<u>Current Directors</u>													
Mr D Klingberg	Non-exec	2012	100,000	-	-	100,000	9,000	-	-	-	109,000	-	-
		2011	100,000	-	-	100,000	9,000	-	-	-	109,000	-	-
Mr J White,	Managing Director	2012	385,321	-	5,634	390,955	40,217	4,683	-	116,978	552,833	0.00%	21.16%
		2011	321,595	61,539	5,165	388,299	28,943	1,964	-	43,447	462,653	13.30%	9.39%
Mr K Poh	Non-exec	2012	70,850	-	-	70,850	-	-	-	-	70,850	-	-
		2011	70,850	-	-	70,850	-	-	-	-	70,850	-	-
Mr G Chrisp	Non-exec	2012	59,950	-	-	59,950	-	-	-	-	59,950	-	-
		2011	53,108	-	-	53,108	-	-	-	-	53,108	-	-
Mr X Yin / Mr Chaoying Qi	Non-exec	2012	54,954	-	-	54,954	-	-	-	-	54,954	-	-
		2011	24,979	-	-	24,979	-	-	-	-	24,979	-	-
Mr J Hazel	Non-exec	2012	67,500	-	-	67,500	6,075	-	-	-	73,575	-	-
		2011	67,499	-	-	67,499	6,075	-	-	-	73,574	-	-
Mr J den Dryver	Non-exec	2012	65,000	-	-	65,000	5,850	-	-	-	70,850	-	-
		2011	21,667	-	-	21,667	1,950	-	-	-	23,617	-	-
<u>Former Directors</u>													
Mr G Anderson,	Managing Director	2012	-	-	-	-	-	-	-	-	-	-	-
(resigned 16 July 2010)		2011	13,968	-	494	14,462	-	-	-	-	14,462	-	-
Mr G Hill	Non-exec	2012	-	-	-	-	-	-	-	-	-	-	-
(resigned 22 February 2011)		2011	39,388	-	-	39,388	-	-	-	-	39,388	-	-
Total compensation: Directors		2012	803,575	-	5,634	809,209	61,142	4,683	-	116,978	992,012		
		2011	713,054	61,539	5,659	780,252	45,968	1,964	-	43,447	871,631		

CENTREX METALS LIMITED

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Directors' Report

For the Year Ended 30 June 2012

Remuneration of Key Management Personnel

Details of the nature and amount of each major element of remuneration of each of the key management personnel 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							
		\$	\$	\$	\$	\$	\$	%	%	\$	%	%
Executives												
Mr P Staveley General Manager (from 1 July 2012)	2012	62,254	12,616	1,319	76,189	5,603	373	-	-	82,165	15.35%	0.00%
G.M. Commercial (from 10 April to 30 June 2012)	2011	-	-	-	-	-	-	-	-	-	-	-
Mr A Watts General Manager Exploration	2012	207,000	42,086	5,278	254,364	22,016	12,401	-	16,130	304,911	13.80%	5.29%
	2011	194,349	76,531	5,278	276,158	20,993	15,419	-	91,837	404,407	18.92%	22.71%
Mr B Hammond Chief Development Officer	2012	238,000	48,286	5,278	291,564	25,332	11,323	-	17,876	346,095	13.95%	5.17%
	2011	225,000	83,849	2,639	311,488	23,884	12,385	-	105,813	453,570	18.49%	23.33%
Mr S Brown Project Director - JV (commenced 4 January 2011)	2012	196,000	39,886	5,278	241,164	19,272	2,728	-	21,402	284,566	14.02%	7.52%
	2011	94,246	18,128	5,278	117,652	8,482	561	-	-	126,695	14.31%	0.00%
Mr G Bosch General Manager Finance	2012	183,000	23,790	-	206,790	19,420	6,676	-	12,704	245,590	9.69%	5.17%
	2011	171,824	76,375	-	248,199	19,388	9,035	-	80,138	356,760	21.41%	22.46%
Former Executives												
Mr K Malaxos Former Chief Operating Officer (resigned 10 December 2010)	2012	-	-	-	-	-	-	-	-	-	-	-
	2011	168,681	58,362	2,639	229,682	20,434	-	-	836	250,952	23.26%	0.33%
Total compensation: Executives	2012	886,254	166,664	17,153	1,070,071	91,643	33,501	-	68,112	1,263,327		
	2011	854,100	313,245	15,834	1,183,179	93,181	37,400	-	278,624	1,592,384		
Total compensation: Directors (see previous page)	2012	803,575	-	5,634	809,209	61,142	4,683	-	116,978	992,012		
	2011	713,054	61,539	5,659	780,252	45,968	1,964	-	43,447	871,631		
Total compensation: key management personnel	2012	1,689,829	166,664	22,787	1,879,280	152,785	38,184	-	185,090	2,255,339		
	2011	1,567,154	374,784	21,493	1,963,431	139,149	39,364	-	322,071	2,464,015		

Directors' Report

For the Year Ended 30 June 2012

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.

	2012	2011	2010	2009	2008
Profit / (loss) attributable to owners of the company	\$673,476	\$47,528,580	(\$1,837,302)	(\$2,181,115)	(\$1,246,394)
Dividends paid	-	-	-	-	-
Share price at 30 June	\$0.19	\$0.32	\$0.43	\$0.26	\$0.40

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/General Manager 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 accrued the following cash bonuses for short term incentives to key management personnel and Company executives during the year:

<u>Director / Company Executive</u>		<u>Amount Accrued For Year Ended 30 June 2012</u>		
		Awarded	Forfeited	Included in Remuneration
		%	%	\$
Mr J White	Managing Director	0	100	0
Mr P Staveley	General Manager	100	0	12,616
Mr A Watts	General Manager Exploration	100	0	42,086
Mr B Hammond	Chief Development Officer	100	0	48,286
Mr S Brown	General Manager Engineering	100	0	39,886
Mr G Bosch	General Manager Finance	65	35	23,790

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 was also required to meet additional performance hurdles relating to the achievement of operational or other factors in order for his Performance Rights to vest.

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Directors' Report

For the Year Ended 30 June 2012

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 post the issue of the retention rights noted in the table below, it is not the Company's current policy to grant Retention Rights to the Managing Director/General Manager.

Rights

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

<u>Directors / Company Executives</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 J White Managing Director	2012 Ret Rights	17/11/11	250,000 ^A	\$70,000	\$0.00	01/07/14	31/07/14
Mr J White Managing Director	2012 Ret Rights	17/11/11	250,000 ^B	\$70,000	\$0.00	01/07/14	31/07/14
Mr A Watts GM Exploration	2012 Ret Rights	24/10/11	140,000	\$42,000	\$0.00	01/07/14	31/07/14
Mr B Hammond Chief Development Officer	2012 Ret Rights	24/10/11	155,000	\$46,500	\$0.00	01/07/14	31/07/14
Mr S Brown GM Engineering	2012 Ret Rights	24/10/11	190,000	\$57,000	\$0.00	01/07/14	31/07/14
Mr G Bosch GM Finance	2012 Ret Rights	24/10/11	110,000	\$33,000	\$0.00	01/07/14	31/07/14

^A Subject to delivery of a viable Port Spencer Development Approval.

^B Subject to the inferred resource at the Eyre Iron project reaching between 500Mt to 750Mt by 30 June 2012.

<u>Directors / Company Executives</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 J White Managing Director	2012 Per Rights	17/11/11	250,000	\$31,641	\$0.75	01/07/14	31/07/14
Mr J White Managing Director	2012 Per Rights	17/11/11	50,000	\$6,030	\$0.80	01/07/14	31/07/14
Mr J White Managing Director	2012 Per Rights	17/11/11	100,000	\$10,989	\$0.90	01/07/14	31/07/14
Mr J White Managing Director	2012 Per Rights	17/11/11	100,000	\$10,054	\$1.00	01/07/14	31/07/14
Mr A Watts GM Exploration	2012 Per Rights	24/10/11	140,000	\$19,880	\$0.75	01/07/14	31/07/14
Mr B Hammond Chief Development Officer	2012 Per Rights	24/10/11	155,000	\$22,010	\$0.75	01/07/14	31/07/14
Mr S Brown GM Engineering	2012 Per Rights	24/10/11	190,000	\$26,980	\$0.75	01/07/14	31/07/14
Mr G Bosch GM Finance	2012 Per Rights	24/10/11	110,000	\$15,620	\$0.75	01/07/14	31/07/14

The key features of the Company's Long Term Incentive Plan adopted by the Board 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.

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Directors' Report

For the Year Ended 30 June 2012

6. Principal Activity

The principal activity of the Group during the reporting year was iron ore exploration on wholly owned tenements in conjunction with joint venture partners 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:

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

	Consolidated	
	2012	2011
	\$	\$
Net profit / (loss) after income tax	673,476	47,528,580

The Group incurred expenditure of \$359,662 (2011: \$560,834) 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:

- Effective 1 July 2012 Mr Jim White resigned as Managing Director of the Company but remains on the Board as an Executive Director.
- Effective 1 July 2012 Mr Phillip Staveley was appointed as General Manager of the Company.

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Directors' Report

For the Year Ended 30 June 2012

10. Likely Developments

The mineral tenements currently held 100% by the Group and available for mineral exploration, have the following spending covenants for the 24 month period ending 31 January 2014 to maintain exploration rights:

Tenement	Held by	Covenant \$	Expiry
<u>Northern Area</u>			
Gilles Downs EL 4571 previously EL 3375	CXM(i)		4 October 2012
Bungalow/Minbrie EL 4884 previously EL 3610	(a) CXM(i)		13 August 2013
Kimba Gap EL 3968	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		1,500,000	
<u>Southern Area</u>			
Wanilla EL 4384 previously EL 3269	(b) CXM(i)		15 November 2012
Wilgerup EL 4467 previously EL 3317	CXM(i)		18 April 2013
Greenpatch EL 4885 previously EL 3611	(b) CXM(i)		13 August 2013
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 2012 [#]
Carrow EL 3731 previously EL 2887	(b) SAIOG(ii)		11 April 2012 [#]
Total Southern Area covenant		1,520,000	
		<u>3,020,000</u>	

(i) Centrex Metals Limited ("CXM")

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

(a) Baotou Iron and Steel (Group) Limited acquired 30% of the iron ore rights to this tenement on 28 November 2011 following the third 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:

Tenement	Held by	Covenant \$	Expiry
<u>Other Areas</u>			
Lock EL 4588 previously EL 3401	CXM(iii)	70,000	1 November 2012
Cockabidnie EL 4883 previously EL 3609	CXM(iii)	180,000	13 August 2013
Goulburn (NSW) EL 7388	CXM(iii)	111,000	20 August 2013
Archer (NSW) EL 7503	CXM(iii)	28,000	7 April 2012 [#]
		<u>389,000</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 relevant department.			

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 2012

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 Operations 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)	1,347,000 ^A	-	-
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, Mr Chaoying Qi, Mr Haiming Zhao and Mr Bingqiang Lu).	40,399,599	-	-
Candlegrove Pty Ltd (a company associated with Mr Jim Hazel)	250,000	-	-
Mr Jim White	100,000	750,000 ^B	\$0.42 / June 2014
Mr John den Dryver	-	-	-

^A Includes the acquisition of 100,000 shares after 30 June 2012.

^B In addition to 750,000 Mr White also holds retention and performance rights as listed on page 36.

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.

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Directors' Report

For the Year Ended 30 June 2012

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:

<u>Directors / Company Executives</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 J White	Managing Director	2012 Ret Rights	17/11/11	250,000 ^A	\$70,000	\$0.00	01/07/14	31/07/14
Mr J White	Managing Director	2012 Ret Rights	17/11/11	250,000 ^B	\$70,000	\$0.00	01/07/14	31/07/14
Mr A Watts	GM Exploration	2012 Ret Rights	24/10/11	140,000	\$42,000	\$0.00	01/07/14	31/07/14
Mr B Hammond	Chief Dev. Officer	2012 Ret Rights	24/10/11	155,000	\$46,500	\$0.00	01/07/14	31/07/14
Mr S Brown	GM Engineering	2012 Ret Rights	24/10/11	190,000	\$57,000	\$0.00	01/07/14	31/07/14
Mr G Bosch	GM Finance	2012 Ret Rights	24/10/11	110,000	\$33,000	\$0.00	01/07/14	31/07/14

^A Subject to delivery of a viable Port Spencer Development Approval.

^B Subject to the inferred resource at the Eyre Iron project reaching between 500Mt to 750Mt by 30 June 2012.

<u>Directors / Company Executives</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 J White	Managing Director	2012 Per Rights	17/11/11	250,000	\$31,641	\$0.75	01/07/14	31/07/14
Mr J White	Managing Director	2012 Per Rights	17/11/11	50,000	\$6,030	\$0.80	01/07/14	31/07/14
Mr J White	Managing Director	2012 Per Rights	17/11/11	100,000	\$10,989	\$0.90	01/07/14	31/07/14
Mr J White	Managing Director	2012 Per Rights	17/11/11	100,000	\$10,054	\$1.00	01/07/14	31/07/14
Mr A Watts	GM Exploration	2012 Per Rights	24/10/11	140,000	\$19,880	\$0.75	01/07/14	31/07/14
Mr B Hammond	Chief Dev. Officer	2012 Per Rights	24/10/11	155,000	\$22,010	\$0.75	01/07/14	31/07/14
Mr S Brown	GM Engineering	2012 Per Rights	24/10/11	190,000	\$26,980	\$0.75	01/07/14	31/07/14
Mr G Bosch	GM Finance	2012 Per Rights	24/10/11	110,000	\$15,620	\$0.75	01/07/14	31/07/14

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 2012	No. cancelled since 30 June 2012	No. exercised since 30 June 2012	No. of unissued shares
2014 Exec Plan	30 Jun 2014	\$0.42	750,000	-	-	750,000
2012 Retention Rights	31 Jul 2014	\$0.00	1,300,000	-	-	1,300,000
2012 Perform. Rights	31 Jul 2014	\$0.75	1,050,000	-	-	1,050,000
2012 Perform. Rights	31 Jul 2014	\$0.80	50,000	-	-	50,000
2012 Perform. Rights	31 Jul 2014	\$0.90	100,000	-	-	100,000
2012 Perform. Rights	31 Jul 2014	\$1.00	100,000	-	-	100,000

Shares issued on exercise of options

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

Timing	Amount paid on each share	No. of shares
No. of unissued shares at 30 June 2011		2,432,000
New rights issued during the 12 months ending 30 June 2012	-	2,600,000
Shares issued on the exercise of rights for the 12 months ending 30 June 2012	\$0.00	(435,640)
Shares issued on the exercise of rights after 30 June 2012	\$0.00	-
New rights issued during the 12 months after 30 June 2012	-	-
Expired options / rights during the period	-	(2,553,277)
No. of unissued shares at report date		2,043,083

Directors' Report

For the Year Ended 30 June 2012

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. 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 DMITRE 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.

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.

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Directors' Report

For the Year Ended 30 June 2012

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

	Consolidated	
	<u>2012</u>	<u>2011</u>
	\$	\$
Audit Services	88,250	90,000
Other services - taxation services	20,839	58,385
Other services - research & development taxation services	<u>18,000</u>	<u>45,100</u>
Auditor's of the company - KPMG	<u>127,089</u>	<u>193,485</u>

16. Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 38 and forms part of the Directors' Report for the financial year ended 30 June 2012.

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



.....
Mr David Klingberg AO

Dated at Adelaide this 18th day of September 2012.



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 2012 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.

A stylized, handwritten signature of the KPMG firm, written in blue ink.

KPMG

A handwritten signature of Derek Meates, written in blue ink.

Derek Meates
Partner

Adelaide

18 September 2012

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

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Other income	2	1,788,883	71,197,790
Office and administration expenses		(518,590)	(677,594)
Consultants and management expenses		(985,217)	(1,282,090)
Directors' fees		(418,254)	(370,867)
Employee benefit expenses	2	(1,547,396)	(1,676,840)
Depreciation expense	9	(212,462)	(162,439)
Port feasibility expenses	2	(1,520,459)	(1,103,235)
Exploration expenditure written off		(11,974)	-
Other expenses		(318,749)	(179,125)
Results from operating activities		(3,744,218)	65,745,600
Finance income	2	4,534,022	3,306,214
Finance benefit / (costs)	7	233,319	(1,001,525)
Net finance income		4,767,341	2,304,689
Profit before income tax		1,023,123	68,050,289
Income tax (expense) / benefit	4	(349,647)	(20,521,709)
Profit from continuing operations		673,476	47,528,580
Profit for the period		673,476	47,528,580
Other comprehensive income		-	-
Total Comprehensive Profit for the Period		673,476	47,528,580
Profit attributable to:			
Owners of the Company		673,476	47,528,580
Profit for the period		673,476	47,528,580
Earnings per share for profit attributable to the ordinary equity holders of the company:		Cents per share	Cents per share
Basic earnings per share	5	0.2148	15.3184
Diluted earnings per share	5	0.2145	15.2454

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

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2012

	Issued ordinary shares	Contributed equity \$	Share Options reserve \$	Retained earnings \$	Total \$
<u>Current Period</u>					
Balance at 30 June 2011	313,165,264	41,330,328	1,504,171	40,803,670	83,638,169
Profit for the period		-	-	673,476	673,476
Other comprehensive income		-	-	-	-
Total Comprehensive Income for the Period		-	-	673,476	673,476
Contributions from/to equity owners					
Contributions from equity holders	435,640	-	-	-	-
Share issue costs		-	-	-	-
Share-based payment transactions		-	208,540	-	208,540
Balance at 30 June 2012	313,600,904	41,330,328	1,712,711	41,477,146	84,520,185
<u>Prior Period</u>					
Balance at 30 June 2010	310,090,264	40,594,129	1,090,701	(6,724,910)	34,959,920
Profit for the period		-	-	47,528,580	47,528,580
Other comprehensive income		-	-	-	-
Total Comprehensive Income for the Period		-	-	47,528,580	47,528,580
Contributions from/to equity owners					
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	313,165,264	41,330,328	1,504,171	40,803,670	83,638,169

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 2012

	Note	As at 30 June 2012 \$	As at 30 June 2011 \$
Assets			
Cash and cash equivalents	6	1,852,376	18,156,327
Term deposits	6	61,771,160	38,441,229
Receivables	7	1,061,099	26,582,512
Total Current Assets		64,684,635	83,180,068
Exploration and evaluation expenditure	8	14,312,347	13,964,659
Land and buildings	9	5,638,499	5,658,524
Plant and equipment	9	347,471	408,736
Receivables	7	5,171,794	4,938,475
Total Non-Current Assets		25,470,111	24,970,394
Total assets		90,154,746	108,150,462
Liabilities			
Trade and other payables	10	572,849	6,783,595
Employee benefits	11	177,527	133,044
Current income tax liabilities		-	14,431,500
Total Current Liabilities		750,376	21,348,139
Deferred income tax liabilities	4	4,772,176	3,108,757
Employee benefits	11	112,009	55,397
Total Non-Current Liabilities		4,884,185	3,164,154
Total Liabilities		5,634,561	24,512,293
Net assets		84,520,185	83,638,169
Equity			
Contributed equity		41,330,328	41,330,328
Share options reserve		1,712,711	1,504,171
Retained earnings		41,477,146	40,803,670
Total equity		84,520,185	83,638,169

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

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

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Lease income received		38,813	41,816
Payments to suppliers and employees		(9,446,758)	(5,199,928)
Income taxes (paid) / received		(13,135,597)	(13,557)
Net cash from / (used in) operating activities	20(b)	(22,543,542)	(5,171,669)
Cash flows from investing activities			
Expenditure on mining tenements	8	(359,662)	(1,046,851)
Reimbursement for Bungalow tenement	8	-	199,167
Expenditure on mining tenements - joint ventures		(1,829,710)	(3,682,561)
Reimbursements of expenditure on mining tenements - joint ventures		1,738,149	3,512,983
Stamp Duty	7	-	(5,940,000)
Proceeds on disposal of interest in tenements		26,000,000	51,500,000
Interest received		4,126,915	3,008,113
Acquisition of land and buildings and plant and equipment	9	(141,020)	(1,135,672)
Proceeds on disposal of plant and equipment		34,850	909
Net cash from / (used in) investing activities		29,569,522	46,416,088
Cash flows from financing activities			
Proceeds from the issue of share capital		-	615,000
Net cash from / (used in) financing activities		-	615,000
Net increase / (decrease) in cash before transfers (to) / from term deposits		<u>7,025,980</u>	<u>41,859,419</u>
Cash transferred (to) / from term deposits	(i)	(23,329,931)	(38,441,229)
Net increase / (decrease) in cash		<u>(16,303,951)</u>	<u>3,418,190</u>
Cash at the beginning of the year		18,156,327	14,738,137
Cash at the end of the year	6, 20(a)	1,852,376	18,156,327

(i) The weighted average term of all term deposits above 90 days is 159 days (2011: 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 30 June 2012

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 2012 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for profit entity and is primarily involved in minerals exploration in Australia.

The financial report was authorised for issue by the directors on 18 September 2012.

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 complies 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 cost 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 accordance with accounting policy 1(o).

d) Principles of Consolidation

Subsidiaries

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

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. The properties were 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 90 days or less.
- (ii) Term deposits comprise cash deposits with maturities of more than 90 days.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

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 profit or loss 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 30 June 2012

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 30 June 2012

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Provisions

A provision is recognised in the statement of financial position 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 profit or loss 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 30 June 2012

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 charged to profit or loss, 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 profit or loss over the period of the borrowings on an effective interest basis.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

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 the 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 option 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 30 June 2012

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/General Manager, who is the Group's chief operating decision maker.

The Managing Director/General Manager 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 are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group, except for *AASB 9 Financial Instruments*, which becomes mandatory for the Group's 2014 financial statements and could change the classification and measurement of financial assets and *AASB 11 Joint Arrangements*, which may change the presentation of joint arrangements. The Group does not plan to adopt these standards early and the extent of their impact has not been determined.

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

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

	2012	2011
	\$	\$
2 PROFIT FROM CONTINUING OPERATIONS		
Finance Income and Costs		
Interest income	4,534,022	3,306,214
	<u>4,534,022</u>	<u>3,306,214</u>
Other Income		
Lease income	39,684	38,908
Gain (loss) on asset sales	25,002	(8,733)
Disposal of interest in tenements, net of costs	1,724,197	71,167,615
	<u>1,788,883</u>	<u>71,197,790</u>
Employee Benefit Expenses		
Wages and salaries (i)	643,848	828,090
Contributions to defined contribution superannuation funds	253,252	206,679
Leave liability additions / (reductions)	101,095	(66,984)
Equity settled share based payment transactions	208,540	413,470
Other employee costs	340,661	295,585
	<u>1,547,396</u>	<u>1,676,840</u>
(i) In addition, wages and salaries of \$202,736 (2011: \$59,654) are capitalised into exploration and evaluation expenditure (Note 8); wages and salaries of \$1,684,242 (2011: \$1,428,174) are on-charged to joint venture partners for work undertaken in those joint ventures; and, wages and salaries of \$75,930 (2011: \$60,238) incurred undertaking work on the Port Spencer Feasibility study.		
Port Feasibility Expenses		
Preliminary study costs associated with Port Spencer port site (i)	1,520,459	1,103,235
	<u>1,520,459</u>	<u>1,103,235</u>
(i) The Port Spencer Joint Venture (50:50) was signed by Centrex and Wugang Australia Resources Investment Pty Ltd on 9 March 2012. At the time of this report not all of the conditions precedent had been met and the Joint Venture agreement is not in force although the Joint Venture management company has been established in anticipation of the commencement of feasibility study work related to the port site.		
3 AUDITOR'S REMUNERATION		
Audit Fees	88,250	90,000
Other services - taxation services	20,839	58,385
Other services - research & development taxation services	18,000	45,100
Auditor's of the company - KPMG	<u>127,089</u>	<u>193,485</u>

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

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

4 TAXATION

The consolidated entity is recognising a deferred tax liability in 2012 of \$4,772,176 (2011: \$3,108,758). Details of the current and deferred income tax expense is shown below:

	2012	2011
	\$	\$
Current income tax expense/(benefit)		
Current period	(104,713)	18,955,075
Adjustment for prior period income tax payable	(1,313,773)	522,611
Losses utilised	-	(4,658,707)
	<u>(1,418,486)</u>	<u>14,818,979</u>
Deferred income tax expense/(benefit)		
Origination and reversal of temporary differences	479,669	5,861,065
Adjustment for prior period deferred tax	1,288,464	(158,335)
	<u>1,768,133</u>	<u>5,702,730</u>
Total income tax expense/(benefit)	<u>349,647</u>	<u>20,521,709</u>
Deferred Tax (assets)		
Property, plant and equipment	(64,565)	(48,470)
Legal fees	-	(842,520)
Provisions and accrued expenses	(1,121,070)	(1,766,342)
Discount on stamp duty	(230,462)	(300,458)
Deferred Tax liabilities		
Exploration and evaluation assets	4,293,704	4,189,398
Stamp duty	1,782,000	1,782,000
Interest receivable	217,282	95,150
Net tax (assets) / liabilities	<u>4,876,889</u>	<u>3,108,758</u>
Tax loss carry-forwards	(104,713)	-
Deferred tax (asset) / liability	<u>4,772,176</u>	<u>3,108,758</u>
Reconciliation of effective tax rate		
Profit / (Loss) for the year	673,476	47,528,580
Total income tax expense / (benefit)	<u>349,647</u>	<u>20,521,709</u>
Profit / (Loss) excluding income tax	<u>1,023,123</u>	<u>68,050,289</u>
Prima facie income tax calculated at 30%	306,937	20,415,087
Non-deductible expenses	68,019	129,825
Tax incentives	-	(387,479)
Adjustment for prior period deferred tax	1,288,464	(158,335)
Adjustment for prior period income tax payable	(1,313,773)	522,611
Total income tax expense / (benefit)	<u>349,647</u>	<u>20,521,709</u>

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5 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of \$673,476 (2011: \$47,528,580) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 313,567,485 (2011: 310,270,260).

	2012	2011
	\$	\$
Profit / (Loss) attributable to ordinary shareholders		
Profit / (Loss) for the period	673,476	47,528,580
Profit / (Loss) attributable to ordinary shareholders	673,476	47,528,580

Weighted average number of ordinary shares

Issued ordinary shares at beginning of year	313,165,264	310,090,264
Effect of shares issued in the first quarter (to 30 September)	402,221	156,219
Effect of shares issued in the second quarter (to 31 December)	-	-
Effect of shares issued in the third quarter (to 31 March)	-	-
Effect of shares issued in the fourth quarter (to 30 June)	-	23,877
Weighted average number of ordinary shares at year end	313,567,485	310,270,360

Earnings per share for continuing and discontinued operations

Basic earnings per share (cents)	0.2148	15.3184
Diluted earnings per share (cents)	0.2145	15.2454

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. For the year ended 30 June 2012 the weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 after adjustment for the effects of all dilutive potential ordinary shares was 313,953,056 (2011: 311,756,838).

	2012	2011
	\$	\$
6 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS		
Cash and cash equivalents	1,852,376	18,156,327

The Company also has term deposits of \$61,771,160 as at 30 June 2012 (\$38,441,229 as at 30 June 2011).

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For the Year Ended 30 June 2012

	Note	2012	2011
		\$	\$
7 RECEIVABLES			
Current			
WISCO tenement sale instalment		-	26,000,000
Eyre Iron Joint Venture		176,444	70,377
Bungalow Joint Venture		23,979	99,201
Port Spencer Joint Venture		60,716	-
Prepayments and other receivables		75,688	71,614
Interest due on term deposits		724,272	317,165
GST Receivable		-	24,155
		<u>1,061,099</u>	<u>26,582,512</u>
Non-current			
Stamp duty	(i)	5,940,000	5,940,000
Discount / amortisation on stamp duty (recorded as a finance cost)		<u>(768,206)</u>	<u>(1,001,525)</u>
		<u>5,171,794</u>	<u>4,938,475</u>

- (i) 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 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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For the Year Ended 30 June 2012

8 EXPLORATION AND EVALUATION EXPENDITURE

		Cumulative Expenditure to 30 Jun 11	Expenditure 12 months to 30 Jun 12	Tenements relinquished to 30 Jun 12	Refund from JV partner to 30 Jun 12	Cumulative Expenditure to 30 Jun 12
	Note	\$	\$	\$	\$	\$
<i>Held by Centrex Metals Limited</i>						
Greenpatch EL 4885	W	113,380	-	-	-	113,380
Cockabidnie EL 4883		12,132	15,176	-	-	27,308
Bungalow EL 4884	B	692,636	-	-	-	692,636
Wilgerup EL 4467		11,367,732	99,773	-	-	11,467,505
Wanilla EL 4384	W	47,677	-	-	-	47,677
Dutton Bay EL 4605	W	44,351	-	-	-	44,351
Lock EL 4588		6,312	13,033	-	-	19,345
Gilles Downs EL 4571		100,528	13,853	-	-	114,381
Cockabidnie North EL 4185		53,015	12,213	-	-	65,228
Tooligie Hill EL 4299		7,176	4,798	(11,974)	-	-
Goulburn NSW EL 7388		407,087	103,302	-	-	510,389
Archer NSW EL 7503		79,127	44,081	-	-	123,208
		12,931,153	306,229	(11,974)	-	13,225,408
<i>Held by South Australian Iron Ore Group Pty Ltd</i>						
Mount Hill EL 3877	W	126,802	-	-	-	126,802
Carrow EL 3731	W	156,047	-	-	-	156,047
Kimba Gap EL 3968		147,968	13,482	-	-	161,450
Ironstone Hill EL 4185		107,842	13,025	-	-	120,867
Ironstone Hut EL 3999		97,198	13,030	-	-	110,228
Stony Hill EL 4451		397,649	13,896	-	-	411,545
		1,033,506	53,433	-	-	1,086,939
Total		13,964,659	359,662	(11,974)	-	14,312,347

(B) Baotou Iron & Steel Group Company Limited ('Baotou') has earned a 30% interest in the iron ore rights of the Bungalow tenement (EL 3610) as a consequence of remitting \$24 million into the joint venture bank account in three staged payments.

(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 30 June 2012

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 2012 is shown below:

	Eyre Iron JV	Bungalow JV
	\$	\$
Centrex Metals Limited interest at reporting date	40%	70%
JOINT VENTURE EXPENDITURE	Year ended 30/6/2012	
Exploration expenditure	25,570,689	11,077,164
Capitalisation of exploration expenditure	(25,570,689)	(11,077,164)
Other Expenditure		
Administration expenses	1,568,892	18,555
Depreciation	304,039	-
Total Other Expenditure	1,872,931	18,555
Interest earned	(118)	(237,193)
Other income	(1,073)	-
Profit / (Loss)	(1,871,740)	218,638
JOINT VENTURE FINANCIAL POSITION	As at 30/6/2012	
Current Assets	31,563,580	3,021,245
Non-current Assets	48,226,277	21,759,974
Total Assets	79,789,857	24,781,219
Current Liabilities	8,266,089	379,689
Non-current Liabilities	17,254	-
Total Liabilities	8,283,343	379,689
Net Assets	71,506,514	24,401,530
Equity		
Cash call contributions – Joint Venture Partner	75,000,000	24,000,000
Cash call contributions - Centrex	-	-
Retained profits / (losses)	(3,493,486)	401,530
Total Equity	71,506,514	24,401,530

The Eyre Iron joint venture did not have any capital commitments as at 30 June 2012. The Bungalow joint venture had commitments of \$1,425,886 as at 30 June 2012 relating to pre-feasibility studies (2011: \$nil).

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

	2012	2011
	\$	\$
9		
PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Balance at beginning of year	5,658,524	4,845,607
Additions	10,714	832,376
Depreciation charge for the year	(30,739)	(9,818)
Disposals / write-offs	-	(9,641)
Balance at end of year	<u>5,638,499</u>	<u>5,658,524</u>
Plant and Equipment - Cost		
Balance at beginning of year	833,151	538,492
Additions	130,306	303,296
Disposals / write-offs	(46,643)	(8,637)
Balance at end of year	<u>916,814</u>	<u>833,151</u>
Plant and Equipment - Depreciation		
Balance at beginning of year	424,415	280,431
Charge for the year	181,723	152,621
Disposals / write-offs	(36,795)	(8,637)
Balance at end of year	<u>569,343</u>	<u>424,415</u>
Plant and Equipment - Net book value		
Balance at beginning of year	408,736	258,061
Additions/(Disposals)	120,458	303,296
Depreciation charge for the year	(181,723)	(152,621)
Balance at end of year	<u>347,471</u>	<u>408,736</u>
10		
TRADE AND OTHER PAYABLES		
Current liabilities		
Trade payables	25,986	539,450
Other trade payables and accruals	543,340	6,244,145
GST payable	3,523	-
	<u>572,849</u>	<u>6,783,595</u>
No interest is payable on trade payables.		

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For the Year Ended 30 June 2012

11 EMPLOYEE BENEFITS

	<u>2012</u>	<u>2011</u>
	\$	\$
Current liabilities		
Annual leave provision	<u>177,527</u>	<u>133,044</u>
	<u>177,527</u>	<u>133,044</u>
Non-current liabilities		
Long service leave provision	<u>112,009</u>	<u>55,397</u>
	<u>112,009</u>	<u>55,397</u>

12 FINANCIAL GUARANTEES

At 30 June 2012 there is one financial guarantee for \$28,000 relating to the lease of the Adelaide office (2011: \$28,000).

13 INTEREST-BEARING LOANS AND BORROWINGS

There are no interest bearing loans or borrowings at 30 June 2012 or 30 June 2011.

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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15 OPTIONS AND RIGHTS

At 30 June 2012, there are the following options outstanding:

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

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

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

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

	Key	Senior	Key	Senior
	management	staff	management	staff
	personnel		personnel	
	2012	2012	2011	2011
Fair value at grant date (cents)	-	-	16.3	-
Share price (cents)	-	-	38.0	-
Exercise price (cents)	-	-	42.0	-
Expected volatility	-	-	55.9%	-
Option life (years)	-	-	3.6	-
Risk free interest rate	-	-	5.0%	-

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For the Year Ended 30 June 2012

15 OPTIONS AND RIGHTS (continued)

At 30 June 2012, there are the following share rights outstanding:

	2012	2012	2014	2014
	Retention	Performance	Retention	Performance
	Rights	Rights	Rights	Rights
Expiry date	30/08/2011	30/08/2011	31/07/2014	31/07/2014
Vesting date:	1/07/2011	1/07/2011	1/07/2014	1/07/2014
Share price required to vest:	\$0.00	\$0.44	\$0.00	various
Options on issue at start of year	435,640	871,277	-	-
Options issued during the year:				
Share price required to vest: \$0.00	n/a	n/a	1,300,000	n/a
Mr J White – vesting price: \$0.75	n/a	n/a	n/a	250,000
Mr J White - vesting price: \$0.80	n/a	n/a	n/a	50,000
Mr J White - vesting price: \$0.90	n/a	n/a	n/a	100,000
Mr J White - vesting price: \$1.00	n/a	n/a	n/a	100,000
Centrex staff - vesting price: \$0.75	n/a	n/a	n/a	800,000
Options exercised during the year	(435,640)	-	-	-
Options cancelled (on expiry)	-	(871,277)	-	-
Options on issue at end of year	-	-	1,300,000	1,300,000

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

Options on issue at start of year	-	-	n/a	n/a
Options issued during the year:				
Mr J White	-	-	n/a	n/a
Centrex staff (Executive Option Plan)	435,640	871,277	n/a	n/a
Options exercised during the year	-	-	n/a	n/a
Options cancelled (on expiry)	-	-	n/a	n/a
Options on issue at end of year	435,640	871,277	n/a	n/a

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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	Key management personnel	Senior staff
	2012	2012	2011	2011
Fair value at grant date (cents)	21.1	22.1	28.2	28.2
Share price (cents)	29.1	30.0	39.7	39.7
Exercise price (cents)	39.4	37.5	N/A	N/A
Expected volatility	72.0%	71.4%	59.1%	59.1%
Option life (years)	2.7	2.8	0.9	0.9
Risk free interest rate	4.7%	4.7%	4.9%	4.9%

Notes to the Consolidated Financial Statements

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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 2012 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 2012 the Group had \$63,623,536 invested in such deposits (2011: \$56,597,556). 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 2012, a 1 percent increase in the effective interest rate would have resulted in an increase in profit of \$759,348 (2011: \$502,587).

(c) Credit risk exposures

The Group has no significant concentrations of credit risk. As at 30 June 2012 the Group was owed \$6,232,893 (2011: \$31,520,987, of which \$26,000,000 was received in July 2011).

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:

	2012	2011
	\$	\$
Trade and other payables		
Carrying amount	572,849	6,783,595
Contractual cash flows	(572,849)	(6,783,595)
12 months or less	(572,849)	(6,783,595)

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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:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	1,852,376	1,852,376	18,156,327	18,156,327
Term deposits	61,771,160	61,771,160	38,441,229	38,441,229
Receivables	<u>6,232,893</u>	<u>6,232,893</u>	<u>31,520,987</u>	<u>31,520,987</u>
	69,856,429	69,856,429	88,118,543	88,118,543
Financial liabilities				
Trade and other payables	<u>572,849</u>	<u>572,849</u>	<u>6,783,595</u>	<u>6,783,595</u>
	572,849	572,849	6,783,595	6,783,595

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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17 OPERATING LEASES

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

	2012	2011
	\$	\$
Receivable from third parties		
Less than one year	37,385	38,109
Between one and five years	26,800	64,185
More than five years	-	-
Payable to third parties		
Less than one year	97,168	55,455
Between one and five years	281,072	308,188
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	1,879,280	1,963,431
Other long-term benefits	190,969	178,513
Termination benefits	-	-
Executive share options benefits	185,090	322,071
Employee benefits	2,255,339	2,464,015

Individual directors and executives compensation disclosures

Information regarding key management personnel compensation is provided in the Remuneration Report in section 5 of the Directors' Report.

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

With the exception of the information provided in the Remuneration Report in section 5 of the Directors' Report, there were no other transactions between entities associated with key management personnel.

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 (2011: \$nil).

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Notes to the Consolidated Financial Statements

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18 RELATED PARTIES (continued)

Key Management Personnel Holding of Shares:

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

30 June 2012	Note	Holding at 30 June 11	Number Purchased	Number Sold	Holding at 30 June 12
Patna Properties Pty Ltd	(i)	1,100,000	147,000	-	1,247,000
Mr Kiat Poh		1,918,880	-	-	1,918,880
South Cove Ltd	(ii)	80,876,005	-	-	80,876,005
SEL Holdings Ltd	(ii)	16,198,000	-	-	16,198,000
Lodge Ltd	(ii)	4,366,667	-	-	4,366,667
Wugang Australian Resources Investment Pty Ltd	(iii)	40,399,599	-	-	40,399,599
Candlegrove Pty Ltd	(iv)	150,000	100,000	-	250,000
Mr John den Dryver		-	-	-	-
Mr Jim White		-	100,000	-	100,000
Mr Phillip Staveley	(v)	N/A	-	-	-
Mr Alastair Watts		105,000	108,313	(96,214)	117,099
Mr Ben Hammond		-	125,144	(125,144)	-
Mr Steven Brown		-	-	-	-
Mr Gavin Bosch		930,000	94,352	(94,352)	930,000

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

(ii) South Cove Ltd, SEL Holding Ltd and Lodge Ltd are companies associated with Mr Graham Chrisp.

(iii) Wugang Australian Resources Investment Pty Ltd is a company associated with Mr Xiaopeng Yin, Mr Chaoying Qi, Mr Haiming Zhao and Mr Bingqiang Lu.

(iv) Candlegrove Pty Ltd is a company associated with Mr James Hazel.

(v) Mr Phillip Staveley commenced employment 10 April 2012.

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

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18 RELATED PARTIES (continued)

Key Management Personnel Holding of Shares (continued):

30 June 2011	Note	Holding at 30 June 10	Number Purchased	Number Sold	Holding at 30 June 11
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.

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

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

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:

30 June 2012	Note	Holding at 30 June 11	Issued	Exercised (E) or Expired (X)	Holding at 30 June 12
<u>2012 Exec Plan Options</u>					
Expiring: 30/06/2012, Exercise price: \$0.42					
Mr Alastair Watts		287,500	-	(287,500) X	-
Mr Gavin Bosch		312,500	-	(312,500) X	-
<u>2014 Exec Plan Options</u>					
Expiring: 30/06/2014, Exercise price: \$0.42					
Mr Jim White		750,000	-	-	750,000
<u>2011 Retention Rights</u>					
Expiring 30/08/2011, Exercise Price: \$0.00					
Mr Alastair Watts		108,313	-	(108,313) E	-
Mr Ben Hammond		125,144	-	(125,144) E	-
Mr Gavin Bosch		94,352	-	(94,352) E	-
<u>2011 Performance Rights</u>					
Expiring 30/08/2011, Share Hurdle: \$0.44					
Mr Alastair Watts		216,625	-	(216,625) X	-
Mr Ben Hammond		250,287	-	(250,287) X	-
Mr Gavin Bosch		188,703	-	(188,703) X	-
<u>2014 Retention Rights</u>					
Expiring 31/07/2014, Exercise Price: \$0.00					
Mr Jim White (i)		-	250,000	-	250,000
Mr Jim White (ii)		-	250,000	-	250,000
Mr Alastair Watts		-	140,000	-	140,000
Mr Ben Hammond		-	155,000	-	155,000
Mr Steven Brown		-	190,000	-	190,000
Mr Gavin Bosch		-	110,000	-	110,000
<u>2014 Performance Rights</u>					
Expiring 31/07/2014, Share Hurdle: \$0.75					
Mr Jim White (iii)		-	250,000	-	250,000
Mr Alastair Watts		-	140,000	-	140,000
Mr Ben Hammond		-	155,000	-	155,000
Mr Steven Brown		-	190,000	-	190,000
Mr Gavin Bosch		-	110,000	-	110,000
Share hurdle:					
Mr Jim White \$0.80 (iii)		-	50,000	-	50,000
Mr Jim White \$0.90 (iii)		-	100,000	-	100,000
Mr Jim White \$1.00 (iii)		-	100,000	-	100,000

- (i) Mr Jim White was granted to the rights at the annual general meeting held 17 November 2011. An additional vesting requirement (Inferred Resources to increase by 250Mt) attaches to these rights.
- (ii) Mr Jim White was granted to the rights at the annual general meeting held 17 November 2011. An additional vesting requirement (Port Spencer PER approval) attaches to these rights.
- (iii) Mr Jim White was granted to the rights at the annual general meeting held 17 November 2011.

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

CENTREX METALS LIMITED
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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

18 RELATED PARTIES (continued)

Key Management Personnel Holding of Options (continued):

30 June 2011	Note	Holding at 30 June 10	Issued	Exercised	Holding at 30 June 11
<u>2011 'A' Class Options</u>					
Expiring: 30/06/11, Exercise price: \$0.20					
Mr Gerard Anderson	(i)	1,000,000	N/A	N/A	N/A
<u>2011 Exec Plan Options</u>					
Expiring: 30/06/2011, Exercise price: \$0.20					
Mr Gerard Anderson	(i)	1,500,000	-	(1,500,000)	-
Mr Kevin Malaxos		165,000	N/A	N/A	N/A
Mr Alastair Watts		225,000	-	(225,000)	-
Mr Ben Hammond		150,000	-	(150,000)	-
Mr Gavin Bosch		135,000	-	(135,000)	-
<u>2012 Exec Plan Options</u>					
Expiring: 30/06/2012, Exercise price: \$0.42					
Mr Kevin Malaxos		375,000	-	-	375,000
Mr Alastair Watts		287,500	-	-	287,500
Mr Ben Hammond		200,000	-	-	200,000
Mr Gavin Bosch		312,500	-	-	312,500
<u>2014 Exec Plan Options</u>					
Expiring: 30/06/2014, Exercise price: \$0.42					
Mr Jim White	(ii)	-	750,000	-	750,000
<u>2011 Retention Rights</u>					
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
<u>2011 Performance Rights</u>					
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 28th 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 15th November 2010.
- (iii) Mr Kevin Malaxos resigned effective 10 December 2010.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

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 tenements. The tenement commitments due to the end of January 2014 are \$3,020,000 (2011: \$2,145,500 for 19 months) are listed and discussed in Section 10 of the Directors' Report.

Other commitments

At 30 June 2012 the Group had other commitments of \$nil (2011: \$750,000 related to Parsons Brinkerhoff (Engineering work for the Sheep Hill port development) 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 3B (\$16 million), Aussie Produce Pty Ltd is entitled to receive 3% of the funding paid into the joint venture bank account (\$480,000 for stage 3B).

The Bungalow joint venture had commitments of \$1,425,886 as at 30 June 2012 relating to pre-feasibility studies (2011: \$nil).

CENTREX METALS LIMITED
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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

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	2012 \$	2011 \$
Cash and cash equivalents	6	1,852,376	18,156,327

20(b) Reconciliation of cash flows from operating activities

Net profit / (loss) after income tax	673,476	47,528,580
Interest income	(4,534,022)	(3,306,214)
Depreciation	212,462	162,439
Share options valuation	208,540	413,470
Exploration expenditure written off	11,974	-
Net gain on disposal of tenements	-	(71,167,614)
Profit / (Loss) on disposal of plant and equipment	(25,002)	8,733
Discount and amortisation of financial asset	(233,319)	1,001,525
(Increase)/decrease in debtors	(870)	2,908
(Increase)/decrease in other tax assets	(14,433,011)	14,433,011
Increase/(decrease) in deferred tax assets / (liabilities)	1,663,419	5,969,010
Tax effect of share issue costs	-	121,198
Increase/(decrease) in payables	(6,087,189)	(338,715)
Net cash provided by/(used) in operating activities	(22,543,542)	(5,171,669)

21 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

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

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

22 SEGMENT REPORTING

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

CENTREX METALS LIMITED
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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2012

23 PARENT ENTITY DISCLOSURES

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

	Company	
	2012	2011
	\$	\$
Result of the parent entity		
Profit / (Loss) for the period	657,501	(10,513,368)
Other comprehensive income	-	-
Total comprehensive profit / (loss) for the period	<u>657,501</u>	<u>(10,513,368)</u>
 Financial position of the parent entity		
Current assets	64,684,635	83,180,068
Total assets	86,483,066	104,532,214
 Current liabilities	750,376	21,348,139
Total liabilities	<u>60,245,424</u>	<u>79,160,613</u>
Net assets	<u>26,237,642</u>	<u>25,371,601</u>
 Equity of the parent entity		
Contributed equity	41,330,328	41,330,328
Share options issues	1,712,711	1,504,171
Accumulated losses	<u>(16,805,397)</u>	<u>(17,462,898)</u>
	<u>26,237,642</u>	<u>25,371,601</u>

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:

- Effective 1 July 2012 Mr Jim White resigned as Managing Director of the Company but remains on the Board as an Executive Director; and
- Effective 1 July 2012 Mr Phillip Staveley was appointed as General Manager of the Company.

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

Directors' Declaration

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

- 1 (a) the consolidated financial statements and notes set out on pages 39 to 71, and the Remuneration report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 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 2012 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

Dated at Adelaide this 18th day of September 2012



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 2012, 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 2012 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 in section 5 of the directors' report for the year ended 30 June 2012. 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 2012 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Derek Meates
Partner

Adelaide

18 September 2012

CENTREX METALS LIMITED
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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

7 September 2012

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	16,714,324	5.33
5	SEL HOLDINGS LIMITED	16,198,000	5.17

Distribution of equity holders

31 August 2012

Category	Number of Equity Security Holders	
	Ordinary & Escrow Shares	Employee Options / Rights Plan
1 – 1,000	131	-
1,001 – 5,000	646	-
5,001 – 10,000	431	-
10,001 – 100,000	610	-
100,001 and over	122	7
	1,940	7

The number of shareholders holding a less than marketable parcel of: ordinary shares is 438 (2011: 216).

CENTREX METALS LIMITED
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ASX Additional Information (unaudited)

Top 20 Holders of Ordinary and Escrow shares

7 September 2012

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	16,714,324	5.33
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	6,379,526	2.03
9	MR MELVIN BOON KHER POH	5,300,000	1.69
10	KENG CHUEN THAM	4,395,300	1.40
11	LODGE LIMITED	4,366,667	1.39
12	NAVIGATOR AUSTRALIA LTD	4,198,900	1.34
13	MISS LAY HONG GOH	4,110,000	1.31
14	MR EWE GHEE LIM + MISS CHARLENE YULING LIM	3,750,000	1.20
15	ESTATE LATE NORTON JACKSON	3,000,000	0.96
16	JP MORGAN NOMINEES AUSTRALIA LIMITED	2,787,501	0.89
17	COMMODITY TRADERS (NZ) LTD	2,617,327	0.83
18	MR YAM POEY CHEW	2,500,000	0.80
19	MR KA FAI MARTIN WONG	2,430,035	0.77
20	CITICORP NOMINEES PTY LIMITED	2,232,884	0.71
Top 20 holders of ORDINARY & ESCROW SHARES as at 7 Sep 2012		247,406,068	78.89

CENTREX METALS LIMITED
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ASX Additional Information (unaudited)

List of tenements in which the Group has an interest

18 September 2012

Tenement	Held by	Interest (%)
<u>Northern Area</u>		
Gilles Downs EL 4571 previously EL 3375	CXM(i)	100
Bungalow/Minbrie EL 4884 previously EL 3610	(a) CXM(i)	70
Kimba Gap EL 3968	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
Greenpatch EL 4885 previously EL 3611	(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 4883 previously EL 3609	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) 28 November 2011 following the third 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
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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

Locations of Share Registries

Adelaide

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

Abbotsford

Computershare Limited Yarra Falls
452 Johnston Street
Abbotsford
Vic 3067

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

Australian Securities Exchange

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

ASX Codes

Shares: CXM

Auditors

KPMG
Chartered Accountants
151 Pirie Street
Adelaide SA 5000