



ACN 009 468 099



CentaurusMetals
Limited

Corporate Directory

Directors

Mr D M Murcia B.Juris, LL.B
Non-Executive Chairman

Mr D P Gordon B.Bus, CA, FFin, ACIS, MAICD
Managing Director

Mr P E Freund FAusIMM(CP), F.AIM
Executive Director

Mr K G McKay BSc (Hons), FAusIMM, MAICD
Non-Executive Director

Mr G T Clifford B.Bus, FCPA, FCIS
Non-Executive Director

Mr R G Hill B.Juris, LLB., B.Sc. (Hons), FFin
Non-Executive Director

Secretary

Mr G A James B.Bus, CA, ACIS

Share Register

Advanced Share Registry Limited
150 Stirling Highway

Nedlands WA 6009
(08) 9389 8033

Auditors

KPMG
Chartered Accountants
235 St Georges Terrace
Perth WA 6000

Bankers

National Australia Bank
1232 Hay Street
West Perth WA 6005

Stock Exchange Listing

Centaurus Metals Limited shares are
listed on the Australian Securities Exchange

Ordinary fully paid shares (ASX code: CTM)

Principal Registered Office in Australia

Level 1, 16 Ord Street
West Perth WA 6005
(PO Box 975, West Perth WA 6872)

| | |
|-----------|-----------------------|
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Statistics

\$839 billion

Amount of the Brazilian government stimulus package.

\$24 billion

Amount of money steel producers have publicly committed to their Brazilian expansion packages.

380 million tonnes

Brazil's annual iron ore production.



CHAIRMAN'S LETTER

Dear shareholder,

I am pleased to present Centaurus Metals' 2010 Annual Report and to report on what has been a year of exciting change and activity, highlighted by the successful merger of Glengarry Resources Limited and Centaurus Resources Limited in January 2010.

Following that transaction, we have further strengthened our successful teams in both Brazil and in Australia, building on our strong track record of integrity and excellence established in both countries. Our tenement position in south-eastern Brazil's "Iron Quadrangle" region has also been enhanced, with a number of projects now reaching the final stages of resource development in readiness for feasibility studies and, ultimately, production.

Brazil – which is home to the world's largest iron ore miner, Vale – is renowned as having some of the highest quality iron products in the global market place. Perhaps not as well known is the fact that Brazil also hosts a large and growing domestic steel industry, particularly in the "Iron Quadrangle" in the State of Minas Gerais – where our portfolio of emerging iron ore projects is located. As Brazil continues to implement a massive US\$800 billion infrastructure program over the coming decade, and hosts large one-off events such as the FIFA Soccer World Cup in 2014 and the Olympics in 2016, domestic demand for steel is predicted to continue to grow significantly.

Centaurus has implemented a dual development strategy, initially to establish a substantial domestic iron ore business supplying Brazil's growing steel-making industry followed in the longer term by the establishment of a long-term international iron ore export business to capitalise on the high level of international demand for high-quality Brazilian ores. The first part of this development strategy is to achieve annualised production within Brazil of at least 3 million tonnes per annum (mtpa) of iron ore grading +63% Fe by the end of 2013. The significant progress achieved over the past 12 months means that we are well on track to achieve this goal.

Following an aggressive exploration program over our lead projects at Jambreiro, Passabem and Itambé, each of these projects is now well placed to be able to contribute strongly towards our domestic production goals and generate strong cash flows for Centaurus.

Internationally, the rapidly declining availability and quality of high grade 'Direct Shipping Ore' lump has driven steel producers to far greater dependence on prepared feeds, especially sinter. This, together with the worldwide push to reduce carbon footprints, is driving steel producers to demand higher quality raw materials. There is little doubt that the highest grade and lowest silica sinter feed will come from Brazil, which hosts what are probably the largest known resources in the world.

The second component of the Company's business plan is to develop a resource base capable of producing 12-15mtpa of 64-69% Fe product for a minimum project life of 10 years, and work is underway to identify such a project.

To assist with the achievement of our strategic objectives, we announced a number of important corporate developments subsequent to the end of the financial year. In September 2010, we announced the appointment of experienced Australian iron ore executive, Mr George Jones, as strategic consultant to the Company, and I would like to welcome him to the Centaurus team. George is one of Australia's most accomplished mining executives, with more than 35 years experience in the mining, banking and finance industries. His knowledge and experience is certain to be of value as we move towards production from our extensive iron ore portfolio in Brazil.

Most recently, we completed a significant capital raising through a share placement that received strong institutional support, and a Share Purchase Plan, which was made available to all shareholders. The \$18.2 million raised has placed us in a strong financial position to achieve our stated objectives going forward.

The 12 months ahead promises to be a very exciting time for Centaurus. We are well funded following the recent capital raising, and several of our projects are about to be upgraded with new JORC resources ahead of the commencement of feasibility studies. We are firmly on track to achieve our objective of becoming a significant iron ore producer in Brazil's "Iron Quadrangle".



In conclusion, I would like to thank my fellow Directors, the senior management team and all staff and employees of Centaurus – all of whom have worked tirelessly over the past 12 months to achieve our goals. A lot of hard work lies ahead, but with a portfolio of advanced projects moving rapidly towards production, strong cash reserves and an experienced and dedicated team of professionals, I look forward to the coming year with great enthusiasm and confidence.



Didier Murcia
Chairman B.Juris, LLB



Building on our strong track record of integrity and excellence.

OPERATIONS REVIEW

Review

The 2009/10 financial year has certainly been one of two very different halves. During the first half, the Company – then still named Glengarry Resources – devoted its activities towards finding an asset that would allow it to progress to a production scenario within an 18-24 month period. Consistent with this objective, in November 2009 Glengarry announced a proposed merger, by way of an off-market takeover, with ASX-listed iron ore company Centaurus Resources Limited to create a well-funded international resource company.

The merger of Glengarry and Centaurus allowed shareholders of both companies to benefit from the combination of Glengarry's strong cash position and Board with Centaurus' emerging portfolio of near-term production iron ore assets located in the world-class Iron Quadrangle region of south-eastern Brazil – one of the world's major iron ore provinces.

By early 2010 over 95% of Centaurus Resources shareholders had accepted the takeover offer from Glengarry, and the name of the Company was subsequently changed to Centaurus Metals Limited to reflect its new direction and focus.

Following completion of the merger and with a strengthened Board and management team with extensive iron ore experience, Centaurus Metals has quickly gone about developing and implementing its Brazilian Iron Ore strategy. Since the merger was completed, the Company has undertaken drilling campaigns at several of its Iron Ore Projects, announced a significant resource upgrade at the Passabem Iron Ore Project, exercised its option over the Jambreiro Iron Ore Project, and recently completed a major capital raising.

Developing a Brazilian Iron Ore Business

Centaurus Metals has a dual development strategy in Brazil to build a substantial new international iron ore production company, making it one of the few ASX-listed companies offering direct exposure to the rapid development and growth of Brazil.

With a population of approximately 200 million, Brazil is becoming the key manufacturing centre for all South American countries. This manufacturing

base, together with the growth in construction ahead of the 2014 FIFA Soccer World Cup and 2016 Olympic Games, supports the International Monetary Fund's recent forecast that Brazil's economy is anticipated to grow at 7.5% in 2010 and 4.1% in 2011.

As recently as late March 2010, the Brazilian Government announced a US\$830 billion infrastructure investment plan that should be carried out by the President Lula's chosen successor, Cabinet Chief Dilma Rousseff, should she win the country's October presidential election.

Domestic Iron and Steel Business

The first limb of the Company's business in Brazil is the Domestic Iron & Steel Business ("Domestic Business"), which is based on achieving targeted annualised production of at least 3mtpa of iron ore grading +63% Fe by the end of 2013 which will be sold into the substantial domestic steel industry in Brazil.

The Iron Quadrangle's proximity to the Domestic Steel Industry in Brazil is analogous to having a "Pilbara" on the Korean Peninsula or in the Japanese archipelago. Being located in the midst of a growing 40mtpa Brazilian steel customer base allows Centaurus Metals to differentiate itself from many other Australian-listed iron ore companies, which face the significant barriers to market entry of extensive and costly infrastructure.

Some of the biggest global steel producers, and potential customers, are located within 100 kilometres of the Company's Brazilian projects and extensive tenement portfolio.

The State of Minas Gerais, in which Centaurus Metals' projects are located, accounts for over 60%, or 170Mtpa of Brazil's iron ore production. Significant investment has already been committed to the region with three of the country's largest steelmakers – Gerdau, Arcelor Mittal and Usiminas – recently commencing multi-billion dollar expansions of their capacity in the immediate vicinity of the Iron Quadrangle.

Centaurus Metals' projects are strategically located close to the heart of this world-class industry, enabling the Company to sell its suite of proposed products at the mine gate, without incurring large capital costs on infrastructure such as rail, port, power and

water. The Company's objective is to initially produce iron ore for the domestic market at an operating margin of at least US\$40/tonne.

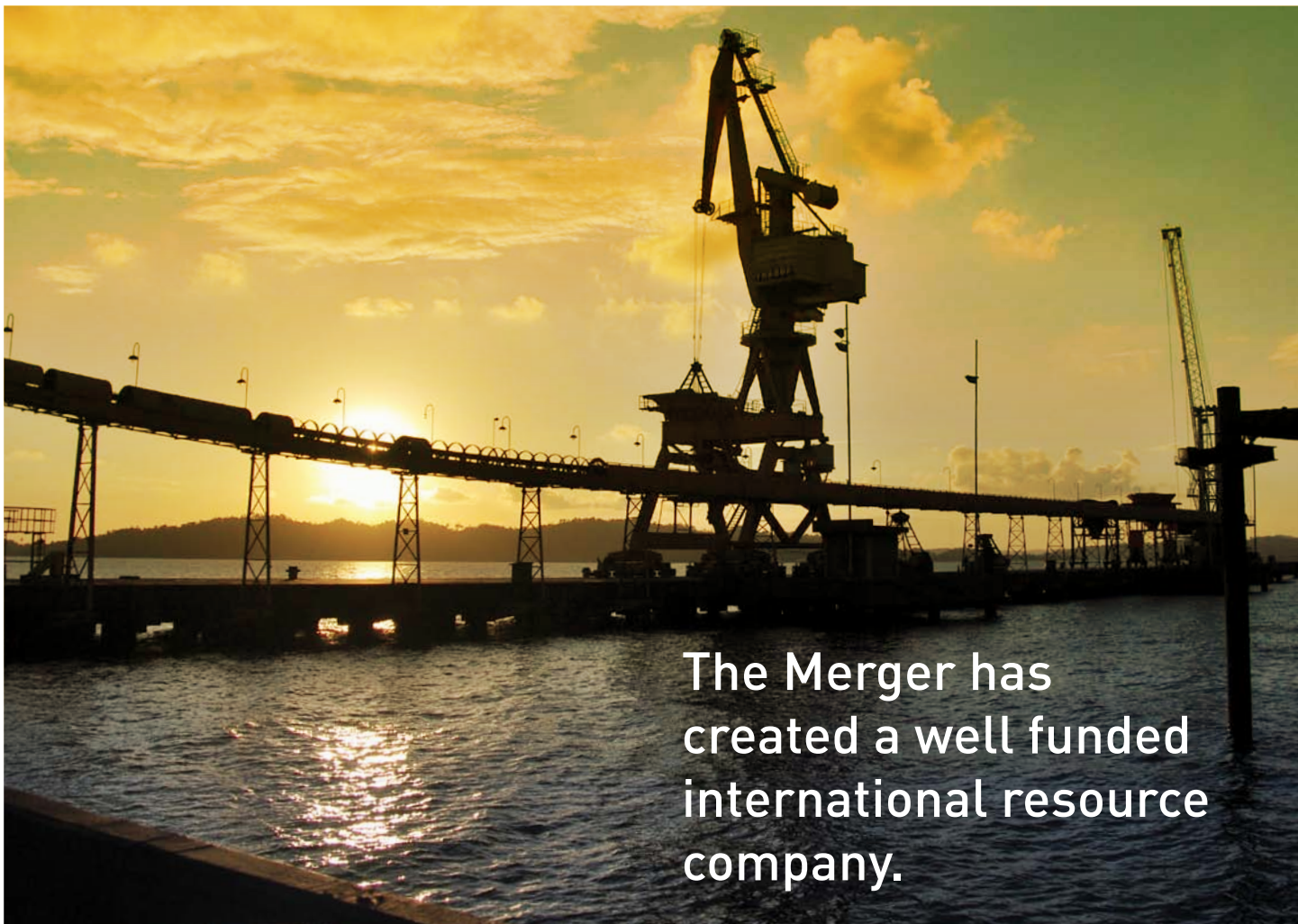
Centaurus Metals anticipates moving quickly and efficiently towards production to generate strong cash flows which will underpin its growth in the short-to-medium term.

Export Market Business

Another important factor differentiating Brazil, and hence Centaurus Metals, is the very high quality of iron ore products produced in the country, which supports the Company's medium term intention to develop an Export Market Business.










The rapidly declining availability and quality of high-grade Direct Shipping Ore (DSO) lump worldwide has driven steel producers to a far greater level of dependence on prepared feeds, especially sinter. This, together with the worldwide push to reduce carbon footprints, is driving steel producers to demand higher quality raw materials. The highest grade, lowest silica sinter feed will come out of Brazil.

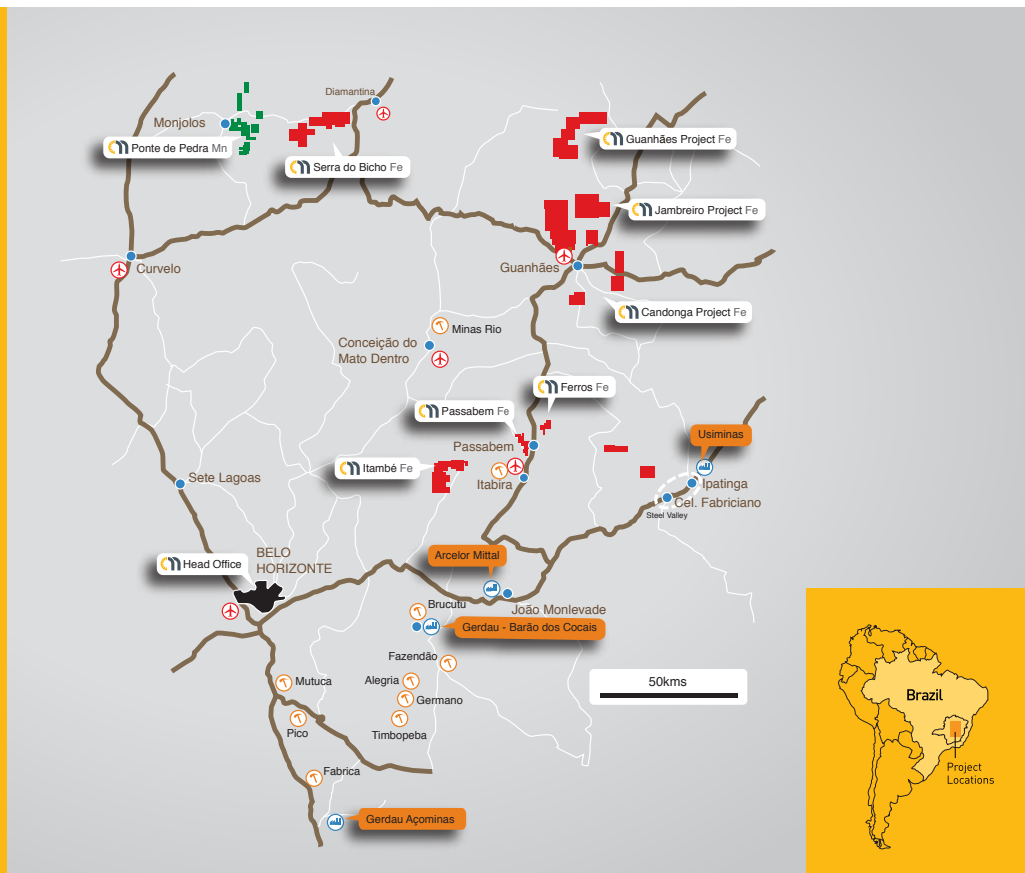
As part of the planned development of its Export Market Business – which will leverage off the cash flow to be generated by Centaurus Metals' Domestic Business – the Company aims to acquire or develop from its existing asset base a project capable of producing 12-15mtpa of 64-69% Fe product for a minimum project life of 10 years.



The Merger has created a well funded international resource company.

Project Map

-  Large City
-  Town
-  Highway
-  Road
-  Airport
-  Centaurus Project (Fe)
-  Centaurus Project (Mn)
-  Major Iron Ore Mine
-  Smelter



The Jambreiro Iron Ore Project

In early February 2010, the Company reached agreement with a leading public Brazilian forestry company, Celulose Nipo-Brasileira S.A. “Cenibra”, to take an option over an extensive portfolio of iron ore exploration tenements in south-east Brazil. The portfolio comprised 63 prospective iron ore tenements, covering an area of 1,014 square kilometres in the State of Minas Gerais, around Brazil’s “Iron Quadrangle” where many of the country’s world-class iron ore mines are located.

The Cenibra tenements are logistically well placed within the State of Minas Gerais and most of the known iron ore occurrences lie on tenements with road access to the city of Ipatinga, which is located in the heart of the “Steel Valley” where one of the largest steel-makers in Brazil, Usiminas, has plans to expand its production capacity to 12mtpa.

Under the agreement with Cenibra, Centaurus Metals has:

- conducted an initial evaluation over three key regional tenement groups; and
- exercised its option over two of the regional tenement groups by making a payment of US\$30,000. All Exploration Licences are now due to be transferred to Centaurus (100%).

Should Centaurus wish to progress any of the tenements to a Mining Lease from the current stage of exploration, a payment of US\$50,000 per regional group is to be made upon approval by the Department of Mines (DNPM) of the initial documentation required for the Mining Lease (up to a maximum payment of US\$100,000 should Centaurus Metals decide to apply for a Mining Lease in both remaining tenement groups).

Future resource-based payments are then to be made on the in-situ Measured and Indicated Mineral Resources as defined in the Plan of Economic Exploitation (PAE), which is equivalent to a feasibility study and is required to be completed and lodged with the DNPM prior to the grant of a mining lease.

Importantly, with Cenibra owning all of the surface rights for its plantations, future development is not expected to encounter any landowner issues and should also enjoy significantly reduced environmental approvals. The fast and simple licensing requirements will make the Cenibra tenements an attractive development proposition, should sufficient resources be defined.

In June 2010, Centaurus exercised its option to acquire a 100% interest in the Jambreiro Iron Ore Project, which represents a potential cornerstone for Centaurus' domestic iron ore business in Brazil.

An Exploration Target¹ for the Jambreiro Iron Ore Project of **40 to 60 million tonnes grading 30-40% Fe** was estimated based on the dimensions of the mapped iron formation, the size and strength of the ground magnetic signature, logging of the previous drilling and assay results from recent rock chip sampling.

A seven-hole diamond drilling program previously completed by Cenibra at Jambreiro had intersected friable iron ore mineralisation from surface to a depth of 90 metres vertically below surface.

The Company has received assay results from re-sampling of these seven historical vertical diamond drill holes with significant intersections of mineralisation encountered in most of the holes, including **85.8 metres of iron mineralisation** in Hole JAM003. Significant intersections included:

| | |
|-------------|--|
| Hole JAM001 | 18.4 metres @ 33.1% Fe, 3.66% Al₂O₃ and 0.03% P from surface 33.1 metres @ 35.8% Fe, 2.99% Al₂O₃ and 0.05% P from 20.4 metres |
| Hole JAM002 | 25.5 metres @ 34.2% Fe, 1.06% Al₂O₃ and 0.01% P from surface |
| Hole JAM003 | 85.8 metres @ 32.0% Fe, 4.20% Al₂O₃ and 0.03% P from surface |
| Hole JAM006 | 21.6 metres @ 30.3% Fe, 1.24% Al₂O₃ and 0.02% P from 2.4 metres |
| Hole JAM007 | 37.3 metres @ 27.5% Fe, 2.74% Al₂O₃ and 0.04% P from 51.3 metres |

The mineral encountered in the drilling was predominantly coarse-grained friable itabirite. Itabirite is a term used to describe metamorphosed iron formation composed of iron oxides. The ore at Jambreiro and other Centaurus Metals projects comprise principally of hematite.

The Company has also recently completed a 3,500 metre resource definition drill program at Jambreiro comprising both reverse circulation (RC) and diamond drilling.

The drilling has confirmed the presence of laterally extensive and thick zones of itabirite-hosted iron mineralisation over several prospect areas which will form the basis of the maiden JORC Resource estimate targeted for completion by the end of October 2010.

¹ Note: It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resources have not been used in this context. The potential quantity and grade range is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

OPERATIONS REVIEW

Significant drilling intercepts received to date include:

Tigre Prospect

98.2 metres @ 29.8% Fe, 3.9% Al₂O₃ and 0.05% P from 28 metres in Hole JBR-DD-002

93.8 metres @ 31.5% Fe, 5.5% Al₂O₃ and 0.04% P from 9 metres in Hole JBR-DD-003

70.0 metres @ 31.8% Fe, 3.3% Al₂O₃ and 0.03% P from 41 metres in Hole JBR-DD-001

62.5 metres @ 32.2% Fe, 2.0% Al₂O₃ and 0.03% P from 0.5 metres in Hole JBR-DD-011

53.0 metres @ 31.2% Fe, 3.5% Al₂O₃ and 0.03% P from 38 metres in Hole JBR-RC-020

Cruzeiro Prospect

31.0 metres @ 34.4% Fe, 1.4% Al₂O₃ and 0.02% P from surface in Hole JBR-RC-024

27.8 metres @ 30.4% Fe, 1.3% Al₂O₃ and 0.03% P from 10.9 metres in Hole JBR-DD-007

Galo Prospect

14.0 metres @ 35.1% Fe, 2.0% Al₂O₃ and 0.02% P from 56 metres in Hole JBR-RC-011

13.0 metres @ 31.2% Fe, 2.9% Al₂O₃ and 0.03% P from 12.3 metres in Hole JBR-DD-005

Importantly, many of the intersections encountered form part of thicker mineralised zones.

The Tigre Prospect

Some of the thickest and most significant intersections encountered in the drilling program were at the Tigre Prospect, which is located in the central zone of the Jambreiro Project. The drilling combined with detailed geological mapping has identified a laterally continuous zone of itabirite mineralisation over a strike length of some 1.1 kilometres and with a true width of 70 to 80 metres (see Figure 1).

The coarse-grained friable itabirite mineralisation identified at surface generally continues to a depth of approximately 50 metres before the material becomes more compact.

The Cruzeiro Prospect

At the Cruzeiro Prospect, the itabirite mineralisation has been mapped over a strike length of some 500 metres and drilling has confirmed that the friable nature of the mineralisation and grade tenor is consistent with the other Prospects at Jambreiro.

The Galo Prospect

Exploratory drilling completed at the Galo Prospect, located to the north of the Tigre Prospect, has also returned encouraging intersections of itabirite mineralisation. The recent drilling and previous mapping of the Galo Prospect indicates the extensive nature of the friable itabirite over a strike length of some 1.5 kilometres.

All three Prospect areas will form an integral part of the resource estimation and potential future development of the Jambreiro Iron Ore Project.

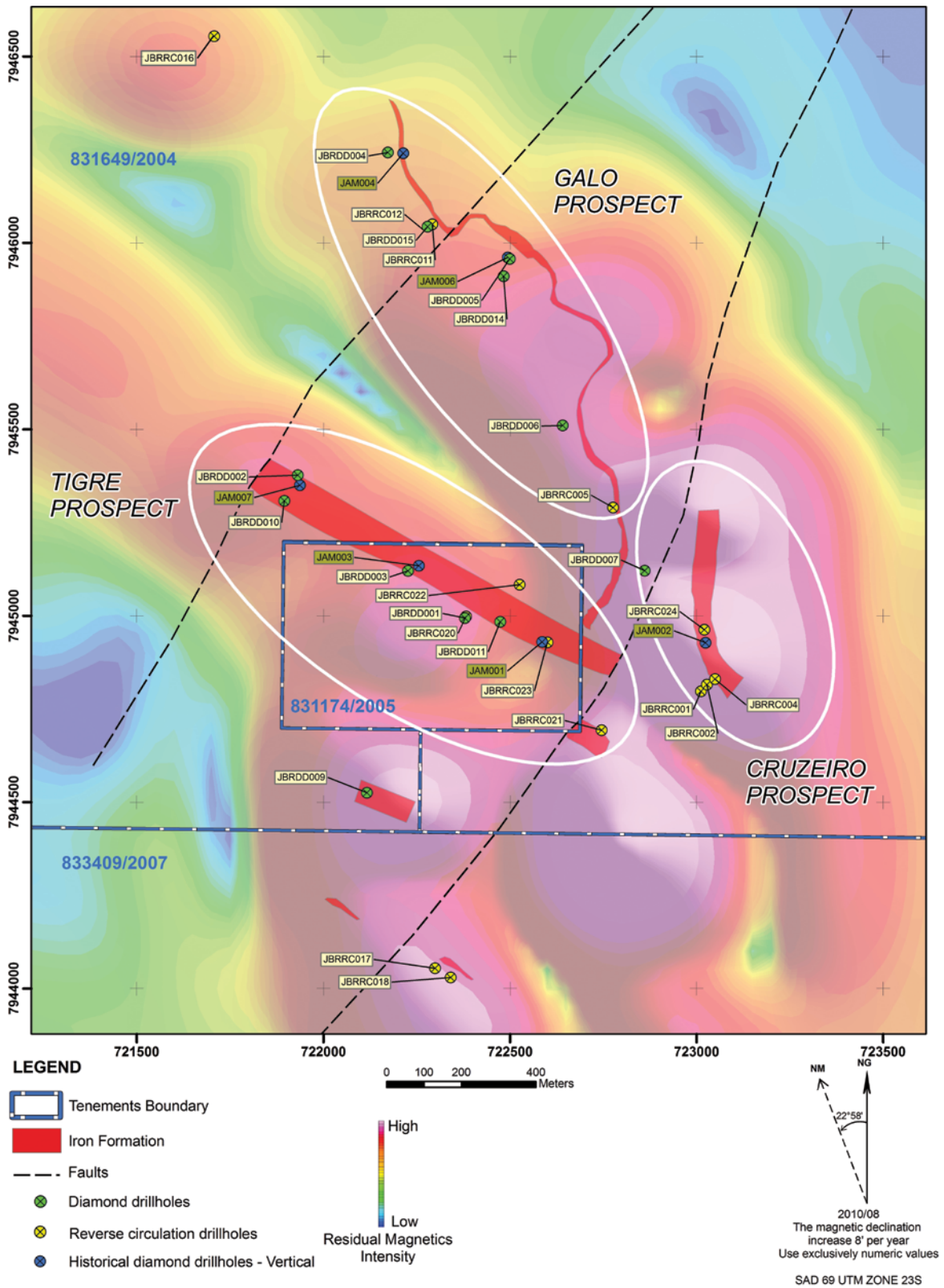


Figure 1 – Jambreiro Iron Ore Project Showing Drill Hole Locations and Prospects over Initial Ground Magnetic Survey

OPERATIONS REVIEW

The positive results from the initial beneficiation test work – which show that a **+63% Fe coarse sinter hematite product** can be produced from Jambreiro mineralisation – and the excellent widths evident from re-sampling of historical drill core, together with the recent drilling, will pave the way for the maiden JORC resource estimate for the Jambreiro Project which is expected to be completed in October 2010.

Centaurus' recent initial beneficiation test work, using a simple gravity separation process, has been

performed on a 200kg sample of the friable itabirite at Jambreiro.

The average iron grade of the sample collected was 32.6% Fe, from which the low cost gravity upgrade process (spirals) produced a 63% Fe final sinter product with very low levels of phosphorus and alumina (See Table 1). In addition, a better than 93% Fe metal recovery to concentrate was achieved, highlighting the purity of the hematite in the Jambreiro mineralisation.

Table 1 – Initial Gravity Separation Results - Jambreiro

| | Fe % | S _i O ₂ % | Al ₂ O ₃ % | P% |
|---------------------|------|---------------------------------|----------------------------------|------|
| Head Grade | 32.6 | 51.1 | 1.67 | 0.02 |
| Beneficiated Sample | 63.0 | 8.2 | 0.68 | 0.01 |



Tenements in Guanhões Region

In addition to the three tenements that make up the Jambreiro Project, Centaurus has exercised its option to acquire a further 15 prospective iron ore tenements under the innovative arrangement with Cenibra.

The new tenements – most of which are located immediately west of the recently acquired Jambreiro Project in the Guanhões Group of tenements – further enhance Centaurus' project portfolio in the State of Minas Gerais, around the "Iron Quadrangle" region of south-eastern Brazil.

Two of the tenements were selected from the Ipatinga Group, located near the major Brazilian steel-maker Usiminas.



OPERATIONS REVIEW

The Passabem Iron Ore Project

The Passabem Iron Ore Project will form part of the Company's domestic iron ore business in Brazil. The Project is located 25 kilometres from Vale's 40Mtpa Itabira operations and is well located in relation to the existing steel-making regions of Ipatinga and João Monlevade, where Brazilian steel makers Usiminas and Arcelor Mittal are respectively located.

During the last quarter of the financial year, the Company completed a 13-hole diamond drilling program at Passabem aimed at extending the initial JORC compliant Inferred Resource of 2.6Mt, which was defined

over a 500 metre zone within a much larger 5.2 kilometre long mapped itabirite iron formation.

The drill campaign intersected itabirite mineralisation over the entire 5 kilometre strike extent of the mapped iron formation, enabling a substantially increased mineral resource to be calculated.

The new Indicated and Inferred Resource of 39.0Mt grading 31.0% Fe (Table 2) represents a fifteen-fold increase on the previously reported Inferred Resource of 2.6Mt grading 31.3% Fe. The drilling has also allowed an upgrade of some of the deposit to Indicated Resource status.

Table 2 – Passabem Resource Summary

| | Tonnes (Mt) | Fe% | S _i O ₂ % | Al ₂ O ₃ % | P% | Mn% | LOI% |
|-----------|-------------|------|---------------------------------|----------------------------------|------|------|------|
| Indicated | 2.8 | 33.0 | 48.8 | 1.90 | 0.03 | 0.10 | 0.64 |
| Inferred | 36.2 | 30.9 | 54.0 | 0.74 | 0.07 | 0.06 | 0.09 |
| TOTAL | 39.0 | 31.0 | 53.6 | 0.82 | 0.07 | 0.06 | 0.13 |

Note: Estimate calculated using Inverse Distance Squared technique with a cut off of 27% Fe applied.

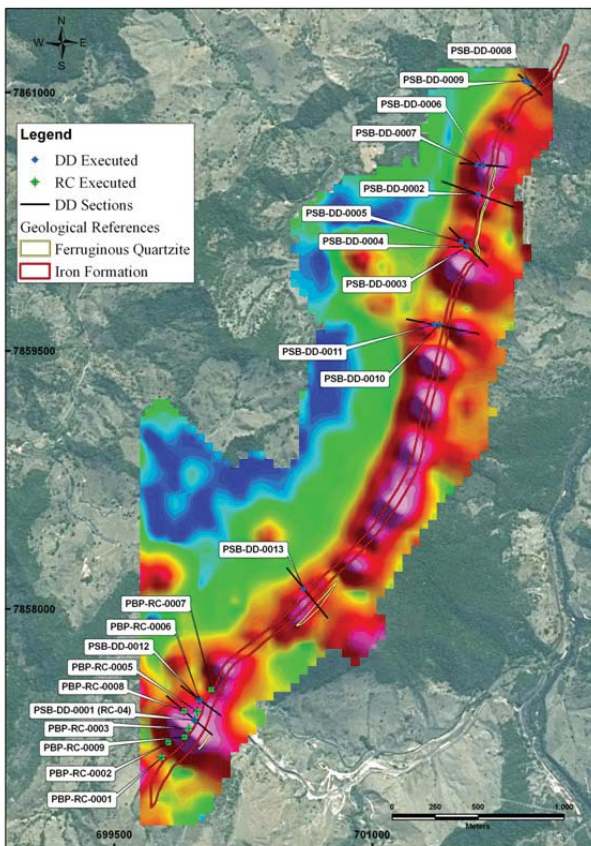


Figure 2 – Diamond Drill Hole Locations at Passabem with Magnetics and Mapped Iron Formation

Previous beneficiation testwork completed on the Passabem mineralisation in 2009 showed that a 28.5% Fe head grade sample could be upgraded to a high-grade iron product (+66% Fe) using a simple, low-intensity magnetic separation process. Further beneficiation tests are currently being conducted on the core collected from the recently completed drilling program, with the results of this testwork expected during the second quarter of 2010/11 financial year.

The resource upgrade confirms that the Passabem Project has the potential to form an important part of Centaurus' domestic iron ore production business in Brazil together with its other assets in south-eastern Brazil's "Iron Quadrangle".

Following the resource upgrade, further in-fill drilling will now be planned to upgrade the resource to Measured and Indicated status. Additionally, further bench-scale metallurgical work needs to be conducted to facilitate the commencement of a Feasibility Study.



**39 million tonne
resource defined
at Passabem.**

OPERATIONS REVIEW

The Itambé Iron Ore Project

In August 2009, Centaurus announced an initial JORC Inferred Mineral Resource estimate of 15.5Mt grading 37.2% Fe (refer Table 3) for the Itambé-1 tenement within the 100%-owned Itambé Iron Ore Project, located near Belo Horizonte in Brazil's Iron Quadrangle.

Previous beneficiation testwork indicates that the friable Itambé ore can be upgraded to a high grade (68% Fe) iron product via a simple and low cost magnetic separation process.

The Inferred Resource for the Itambé-1 tenement was estimated by Centaurus in conjunction with Prominas, an independent Brazilian geological and mining consultancy group. The resource model incorporates data collected from previously reported

diamond drilling, historical adit channel sampling which tested the itabirite formations, surface rock chip sampling and geological mapping.

The modelled mineralisation lies within a gently dipping, highly friable weathered itabirite zone with intervals up to 15 metres wide.

Since this resource estimate, additional work programs including a Scoping Study have been undertaken to meet planned development and production timeframes for the Itambé Project in line with the development plan for Centaurus' portfolio of iron ore projects in the Iron Quadrangle.

Further infill drilling at Itambé commenced in August 2010.

The approvals process at Itambé continued throughout the year.

Table 3 – Itambé Mineral Resource Statement

| Tonnes (Mt) | Fe% | S ₁ O ₂ % | Al ₂ O ₃ % | P% | Mn% | LOI% |
|-------------|------|---------------------------------|----------------------------------|-------|------|------|
| 15.5 | 37.2 | 39.9 | 3.7 | 0.055 | 0.07 | 2.04 |

Note: Estimate calculated using Inverse Distance Squared technique with no iron grade Lower Cut off applied.



Regional Export Projects

Centaurus Metals holds a number of highly prospective tenement packages with the potential to host resources of sufficient size to allow the Company to establish an iron ore export business from Brazil.

Since the merger most activity has focused on the Domestic Iron and Steel Business with minimal work undertaken on the Company's regional projects.

The Company expects to complete significant work programs on the regional export orientated projects over the coming year.



OPERATIONS REVIEW

Australian Gold Assets

Centaurus has entered into an agreement to divest some of its non-core gold and base metals assets in Australia to Southern Crown Resources Ltd ('Southern Crown'), which is planning an Initial Public Offering (IPO) by 31 December 2010.

The agreement covers the Dish Gold Project in New South Wales and Percyvale Gold Project in Queensland, both of which are to be sold to Southern Crown for 1,562,500 shares in the IPO. This will represent approximately 5% of the post-IPO issued capital of that Company.

In addition, Centaurus will be issued with 2 million performance options, of which 1 million will vest upon the definition of a resource of 250,000 gold equivalent ounces at the Dish and 1 million of which will vest upon the definition of a resource of 250,000 gold equivalent ounces at Percyvale.

It is expected that Centaurus Metals shareholders will receive a priority offer in the IPO.

At the Citadel Project, no active field work has been undertaken, although the company has actively pursued a divestment of this project to realise value for shareholders.

South Brazil Copper/Gold Assets

In 2010, the Company agreed to farm out its copper/gold assets in Southern Brazil to Mining Ventures do Sul Pesquisa e Mineração Ltda. Under the joint venture agreement, Mining Ventures will spend up to US\$4.25 million to earn up to a 90% interest in the assets. Mining Ventures is a private company majority owned by Denham Capital, a US private equity firm focused on energy and commodities with over US\$4.3 billion of assets under management.

Competent Person's Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Ian Cullen who is a Member of the AusIMM. Ian Cullen is a permanent employee of Centaurus Metals Limited. Ian Cullen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ian Cullen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Capital Raising

In October 2010, Centaurus completed a capital raising of A\$18.2 million to fund the Company's ongoing iron ore work programs in Brazil.

The raising comprised a share placement of A\$14.4 million and a Share Purchase Plan of \$3.8 million, both of which were completed at 7.5 cents per share.

The placement was undertaken to institutional and sophisticated clients of Hartleys Ltd and Southern Cross Equities Ltd in two tranches.

Appointment of Strategic Consultant

Also in September 2010, Centaurus was able to secure the services of Mr George Jones, one of Australia's leading iron ore executives, as a strategic consultant to the Company.

Mr Jones will provide advice in respect to the development of strategic relationships for Centaurus' future export plans in Brazil, access to new capital markets, current market conditions in the global iron ore market and future off-take arrangements and associated project development funding.

Centaurus Metals Limited

ABN 40 009 468 099

(formerly known as Glengarry Resources Limited)

And its controlled entities

**Financial Report
30 June 2010**

Directors' Report

For the year ended 30 June 2010

The directors present their report together with the consolidated financial statements of Centaurus Metals Limited ("Company"), being the Company and its subsidiaries, for the financial year ended 30 June 2010 and the auditor's report thereon.

1. Directors

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

| | |
|------------------------|--|
| Mr Didier M Murcia | Non-Executive Chairman |
| Mr Darren P Gordon | Managing Director |
| Mr Keith G McKay | Non-Executive Director |
| Mr Peter E Freund | Executive Director (appointed 28 January 2010) |
| Mr Geoffrey T Clifford | Non-Executive Director |
| Mr Richard G Hill | Non-Executive Director (appointed 28 January 2010) |

Unless otherwise disclosed, all directors held their office from 1 July 2009 until the date of this report.

2. Directors and Officers

Mr Didier M Murcia, B.Juris, LL.B

Non-Executive Chairman Age 47

Experience and expertise

Independent non-executive director appointed 16 April 2009 and appointed Chairman 28 January 2010. Lawyer with over 25 years legal and corporate experience in the mining industry. He is currently Honorary Australian Consul for the United Republic of Tanzania and a director of London listed Aminex plc. He is Chairman and founding director of Perth-based legal group Murcia Pestell Hillard.

Other directorships

During the last three years Mr Murcia held directorships in the following ASX listed companies:

- Gindalbie Metals Limited (appointed 2 February 1998, resigned 31 January 2010)
- Gryphon Minerals Limited (appointed 28 July 2006)
- Target Energy Limited (appointed 1 September 2006, resigned 31 December 2009)

Special responsibilities

- Chairman of the Board
- Chairman of the Remuneration Committee
- Member of the Audit Committee

Directors' Report

For the year ended 30 June 2010

2. Directors and Officers (continued)

Mr Darren P Gordon, B.Bus, CA, FFin, ACIS, MAICD

Managing Director Age 38

Experience and expertise

Managing Director appointed 4 May 2009. Chartered Accountant with over 15 years experience in the mining industry as a senior finance and resources executive. Former Chief Financial Officer and Company Secretary for Gindalbie Metals Limited.

Other directorships

During the last three years Mr Gordon held directorships in the following ASX listed companies:

- Centaurus Resources Limited (appointed 13 June 2008, resigned 6 November 2009). Centaurus Resources Limited was acquired by Centaurus Metals Limited and was delisted from the ASX on 1 March 2010.

Special responsibilities

- Managing Director

Mr Peter E Freund, FAusIMM(CP), F.AIM

Executive Director Age 64

Experience and expertise

Operations director appointed 28 January 2010. Mechanical Engineer with 40 years operational and project development experience in the mining industry with expertise in all aspects of iron ore mining, processing and other steel-making minerals. Former General Manager of the Karara Joint Venture between Gindalbie Metals Limited and Ansteel.

Other directorships

During the last three years Mr Freund held directorships in the following ASX listed companies:

- Centaurus Resources Limited (appointed 16 October 2009, resigned 28 January 2010). Centaurus Resources Limited was acquired by Centaurus Metals Limited and was delisted from the ASX on 1 March 2010.

Special responsibilities

- Operations Director

Directors' Report

For the year ended 30 June 2010

2. Directors and Officers (continued)

Mr Keith G McKay, BSc (Hons), FAusIMM, MAICD

Non-Executive Director Age 64

Experience and expertise

Independent non-executive director appointed 26 August 2004. Geologist with 40 years technical and corporate experience in the mining industry as a senior executive, director and chairman. Former Chairman of Glengarry Resources Limited and Gindalbie Metals Limited and former Managing Director of Gallery Gold Limited and Battle Mountain (Aust.) Inc.

Other directorships

- Mr McKay held no other directorships of ASX listed companies during the last three years.

Special responsibilities

- Member of the Remuneration Committee
- Member of the Audit Committee

Mr Geoffrey T Clifford, B.Bus, FCPA, FCIS

Non-Executive Director Age 60

Experience and expertise

Independent non-executive director appointed 22 August 2008. Accountant with over 30 years experience in senior accounting, finance, administration and company secretarial roles in the mining, retail and wholesale industries. He is currently a Member of the West Australian State Council of Chartered Secretaries Australia. Former non-executive director of Aztec Resources Limited and former Chairman of Sino Gas and Energy Limited. Former General Manager Administration and Company Secretary of Portman Limited.

Other directorships

During the last three years Mr Clifford held directorships in the following ASX listed companies:

- Atlas Iron Limited (appointed 20 August 2007)
- Fox Resources Limited (appointed 17 April 2007)
- RMA Energy Limited (appointed 15 February 2007, resigned 15 April 2010)

Special responsibilities

- Member of the Remuneration Committee
- Chairman of the Audit Committee

Directors' Report

For the year ended 30 June 2010

2. Directors and Officers (continued)

Mr Richard G Hill, B.Juris, LLB., B.Sc. (Hons), FFin

Non-Executive Director Age 42

Experience and expertise

Independent non-executive director appointed 28 January 2010. Geologist and Solicitor with nearly 20 years experience in the mining industry. Founder of two ASX-listed mining companies.

Other directorships

During the last three years Mr Hill held directorships in the following ASX listed companies:

- Centaurus Resources Limited (appointed 11 October 2006). Centaurus Resources Limited was acquired by Centaurus Metals Limited and was delisted from the ASX on 1 March 2010.
- YTC Resources Limited (appointed 28 April 2006)

Special responsibilities

- Member of the Audit Committee

Mr Geoffrey A James, B.Bus, CA, ACIS

Company Secretary Age 44

Experience and expertise

Mr James was appointed as Company Secretary on 19 March 2007. Mr James is a Chartered Accountant and a member of Chartered Secretaries Australia. He has over 20 years experience and was previously the Group Financial Accountant with Clough Limited.

Special responsibilities

- Company Secretary
- Chief Financial Officer

Directors' Report

For the year ended 30 June 2010

3. Directors' Meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2010 and the number of meetings attended by each director were:

| | Meetings of Directors | | Meetings of Committees | | | |
|-----------------|-----------------------|-----------------|------------------------|----------|--------------|----------|
| | Held | Attended | Audit | | Remuneration | |
| | | | Held | Attended | Held | Attended |
| Mr D M Murcia | 14 | 14 | 1 | 1 | 1 | 1 |
| Mr D P Gordon | 14 | 13 [#] | n/a | n/a | n/a | n/a |
| Mr K G McKay | 14 | 14 | 2 | 2 | 1 | 1 |
| Mr P Freund | 4 | 4 | n/a | n/a | n/a | n/a |
| Mr G T Clifford | 14 | 14 | 2 | 2 | 1 | - |
| Mr R G Hill | 4 | 4 | 1 | 1 | n/a | n/a |

Held – denotes the number of meetings held during the time the director held office or was a member of the committee during the year.
[#] Mr D P Gordon did not attend due to a conflict of interest regarding the takeover of Centaurus Resources Limited.

The Company does not have a formal Nomination Committee. This function is performed by the full Board.

4. Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated. Disclosure is made at the end of this statement of areas of non-compliance with the Recommendations.

Further details of the various charters, policies, codes and procedures that document the Company's corporate governance practices are set out in the Company's website at www.centaurus.com.au.

4.1 Board of Directors

The relationship between the Board and senior management is critical to the Group's long term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and to ensure the Group is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

The Board operates in accordance with the broad principles set out in its Charter which is available from the corporate governance information section of the Company's website at www.centaurus.com.au. The Charter details the Board's composition and responsibilities.

Board Members

Details of the members of the Board, their skills, experience, expertise, qualifications, term of office and independence status are set out in the Directors' Report under the heading "Directors and Officers" (section 2). There are four independent non-executive directors and two executive directors at the date of signing the Directors' Report.

Directors' Report

For the year ended 30 June 2010

4. Corporate Governance Statement (continued)

4.1 Board of Directors (continued)

Directors' Independence

The Board has adopted specific principles in relation to directors' independence and these are set out in its Charter. The names of the directors considered to be independent are set out in the Directors' Report.

The principles adopted by the Board employ the concept of materiality. Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Group or 5% of the individual director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the director's performance.

Term of Office

The Company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting following their last election. Where eligible, a director may stand for re-election.

Responsibilities of Management

The Board Charter sets out the responsibilities of management and details are available on the Company's website.

Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld. A copy of the advice received by the director is made available to all other members of the Board.

Director and Executive Education

The Group has a process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has a process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Performance Assessment

The Board charter sets out the process to undertake an annual self assessment of the Board's collective performance, the performance of the Chairman and of its committees. The self assessment involves a questionnaire process to review performance attributes.

The performance of senior executives is assessed by the Managing Director. The assessment involves an annual review of performance and development and the results of the review are formally documented.

Nomination Committee

The Nomination Committee consists of the full Board and it operates in accordance with its Charter which is available on the Company's website. The responsibilities of the Committee include the annual review of the membership and performance of the Board, reviewing candidates for vacancies and succession planning.

Directors' Report

For the year ended 30 June 2010

4. Corporate Governance Statement (continued)

4.2 Remuneration Committee

The Remuneration Committee operates in accordance with its Charter which is available on the Company's website. The Committee shall consist of at least three non-executive directors with relevant expertise and experience in the industries in which the Group operates. The Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs an employment contract at the time of their appointment covering a range of matters, including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the Remuneration Committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration is set out in the Remuneration Report.

Executive remuneration and other terms of employment is reviewed annually by the Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary and compulsory superannuation, remuneration packages may include retirement and termination entitlements, performance-related bonuses and fringe benefits. Non-executive directors and executives are eligible to participate in the Employee Share Option Plan which provides for the issue of options in the Company.

Details of the qualifications of directors of the Remuneration Committee and their attendance at Committee meetings are set out in the Directors' Report.

4.3 Remuneration Report – audited

4.3.1 Principles of Remuneration – audited

The primary objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linked executive compensation;
- transparency; and
- capital management.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation to ensure:

(i) *Alignment to shareholders' interests:*

- focuses on the creation of shareholder value and returns; and
- attracts and retains high calibre executives.

Directors' Report

For the year ended 30 June 2010

4.3 Remuneration Report – audited (continued)

4.3.1 Principles of Remuneration – audited (continued)

(iii) *Alignment to program participants' interests:*

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The remuneration framework currently consists of fixed salaries and long-term incentives through participation in the Employee Share Option Plan.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. Over the past 5 years, the Group was involved in mineral exploration and therefore growth in earnings is not considered relevant. No dividends have been paid. Shareholder wealth is dependent upon exploration success and has fluctuated accordingly. During the same period, average executive remuneration has been maintained in accordance with industry standards. The performance of the Group in respect of the current financial year and the previous four financial years is set out below:

| | 2010 \$ | 2009 \$ | 2008 \$ | 2007 \$ | 2006 \$ |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| Net profit/(loss) | (3,918,654) | (1,265,869) | (3,505,630) | 3,553,405 | (1,927,436) |
| Change in share price | \$0.01 | \$0.00 | (\$0.06) | \$0.07 | \$0.02 |
| Market capitalisation | \$42.3 million | \$17.2 million | \$17.2 million | \$29.9 million | \$10.4 million |

During the years stated above, there were no other returns of capital made by the company to shareholders.

The executive pay and reward framework has three components:

- base pay and benefits;
- long-term incentives through participation in the Employee Share Option Plan; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

- *Base pay*

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any senior executive contracts.

- *Cash Bonuses*

The Board at its discretion may approve the payment of cash bonuses to executives for meeting or exceeding performance targets.

Directors' Report

For the year ended 30 June 2010

4.3 Remuneration Report – audited (continued)

4.3.1 Principles of Remuneration – audited (continued)

- *Expatriate benefits*
Executives located in Brazil receive expatriate benefits including housing and relocation costs.
- *Retirement benefits*
Directors and employees are permitted to nominate a superannuation fund of their choice to receive superannuation contributions.
- *Long term incentives*
Long term incentives are comprised of share options, which are granted from time to time to encourage exceptional performance in the realisation of strategic outcomes and growth in shareholder wealth. Options are granted for no consideration and do not carry voting or dividend entitlements. Information on the Employee Share Option Plan is set out in section 4.3.2.

Employment Agreements

Remuneration and other terms of employment for executives are formalised in employment agreements. The agreements provide for the provision of other benefits and participation, when eligible, in the Employee Share Option Plan.

Other major provisions of the agreements relating to remuneration are set out below:

D P Gordon - Managing Director

- Term of agreement – commenced on 4 May 2009 for a term of 2 years. Mr Gordon may terminate the agreement by giving 2 months notice. The Company may terminate the agreement by giving 2 months notice and in addition, pay on termination, an amount equal to 6 months of salary.
- Base salary is \$350,000, reviewed annually. Provision of four weeks annual leave.

P E Freund - Operations Director

- Term of agreement – commenced on 1 February 2010 with no set term. Mr Freund or the Company may terminate the agreement by giving 2 months notice.
- Base salary, inclusive of superannuation is \$300,000, reviewed annually. Provision of four weeks annual leave.

M Papendieck – General Manager, Commercial

- Term of agreement – commenced on 1 February 2010 with no set term. Mr Papendieck or the Company may terminate the agreement by giving 2 months notice.
- Base salary, inclusive of superannuation is \$250,000, reviewed annually. Provision of four weeks annual leave.

G A James - Chief Financial Officer/Company Secretary

- Term of agreement – commenced on 19 March 2007 with no set term. Mr James or the Company may terminate the agreement by giving 2 months notice.
- Base salary, inclusive of superannuation is \$196,200, reviewed annually. Provision of four weeks annual leave.

Directors' Report

For the year ended 30 June 2010

4.3 Remuneration Report – audited (continued)

4.3.1 Principles of Remuneration – audited (continued)

I Cullen – General Manager, Exploration and Evaluation

- Term of agreement – commenced on 1 February 2010 with no set term. Mr Cullen or the Company may terminate the agreement by giving 2 months notice.
- Base salary, inclusive of superannuation is \$190,000, reviewed annually. Provision of four weeks annual leave.
- Expatriate benefits including accommodation and relocation expenses are provided for living in Brazil.

K Petersen – Country Manager, Brazil

- Term of agreement – commenced on 1 February 2010 with no set term. Mr Petersen or the Company may terminate the agreement by giving 2 months notice.
- Base salary, inclusive of superannuation is \$180,000, reviewed annually. Provision of four weeks annual leave.
- Expatriate benefits including accommodation, relocation expenses and education fees are provided for living in Brazil.

Non-Executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board also has obtained the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Non-executive directors' remuneration consists of set fee amounts and statutory superannuation. The current base remuneration was last reviewed with effect from 15 February 2010. The level of fees for non-executive directors is set at \$50,000 per annum and \$75,000 per annum for the non-executive Chairman. Directors do not receive additional committee fees. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at \$300,000. There is no provision for retirement allowances for non-executive directors.

Non-executive directors are eligible to be granted with options to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Group. The Board considers the issue of options to be reasonable in the circumstances, to assist the Company in attracting and retaining the highest calibre of non-executive directors to the Company, whilst maintaining the Group's cash reserves.

4.3 Remuneration Report – audited (continued)

4.3.2 Directors' and Executive Officers' Remuneration – audited

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

| | | Short Term Benefits | | | Post-employment benefits | Termination benefits | Share-based payments ⁽³⁾ | Total \$ | S300A(1)(e)(i) Proportion of remuneration performance related % | S300A(1)(e)(vi) Value of options as proportion of remuneration % |
|---|-------------|---------------------|-----------------------|----------------------------------|--------------------------|----------------------|-------------------------------------|------------------|---|--|
| | | Salary & fees \$ | Cash Bonus \$ | Other Benefits ⁽²⁾ \$ | | | | | | |
| Non-Executive Directors | | | | | | | | | | |
| Mr D M Murcia | 2010 | 57,500 | - | - | - | - | 54,289 | 111,789 | - | 48.6% |
| | 2009 | 11,224 | - | - | - | - | - | 11,224 | - | - |
| Mr K G McKay | 2010 | 17,499 | - | - | 44,167 | - | 54,464 | 116,130 | - | 46.9% |
| | 2009 | - | - | - | 88,333 | - | 36,678 | 125,011 | - | 29.3% |
| Mr G T Clifford | 2010 | 21,791 | - | - | 25,294 | - | 31,131 | 78,216 | - | 39.8% |
| | 2009 | 12,614 | - | - | 37,780 | - | 11,602 | 61,996 | - | 18.7% |
| Mr R G Hill (appointed 28 January 2010) | 2010 | 19,113 | - | - | 1,720 | - | 45,681 | 66,514 | - | 68.9% |
| Mr W F Manning (terminated 29 May 2009) | 2009 | 50,459 | - | - | 4,541 | 45,000 | (5,138) | 94,862 | - | [5.4%] |
| Executive Directors | | | | | | | | | | |
| Mr D P Gordon | 2010 | 268,335 | - | - | - | - | 156,254 | 424,589 | - | 36.8% |
| | 2009 | 35,000 | - | - | - | - | - | 35,000 | - | - |
| Mr P E Freund (appointed 28 January 2010) | 2010 | 114,679 | - | - | 10,321 | - | 224,708 | 349,708 | - | 64.3% |
| Mr D R Richards (terminated 16 April 2009) | 2009 | 193,486 | - | - | 39,549 | 301,142 | - | 534,180 | - | - |
| Executives | | | | | | | | | | |
| Mr M Papendieck (appointed 1 February 2010) | 2010 | 95,566 | - | - | 8,601 | - | 50,291 | 154,458 | - | 32.6% |
| Mr G A James | 2010 | 171,330 | 18,000 ⁽¹⁾ | - | 17,040 | - | 35,705 | 242,075 | 7.4% | 14.8% |
| | 2009 | 165,138 | - | - | 14,862 | - | 6,819 | 186,819 | - | 3.6% |
| Mr I Cullen (appointed 1 February 2010) | 2010 | 79,167 | - | 26,960 | 4,890 | - | 42,851 | 153,868 | - | 27.8% |
| Mr K Petersen (appointed 1 February 2010) | 2010 | 75,000 | - | 47,437 | 4,479 | - | 28,553 | 155,469 | - | 18.4% |
| Mr K M Seymour (terminated 1 July 2009) | 2009 | 188,255 | - | - | 13,745 | 104,026 | - | 306,026 | - | - |
| Total | 2010 | 919,980 | 18,000 | 74,397 | 116,512 | - | 723,927 | 1,852,816 | | |
| Total | 2009 | 656,179 | - | - | 198,810 | 450,168 | 49,961 | 1,355,118 | | |

⁽¹⁾ 100% of the cash bonus vested during the year on achievement of meeting performance targets. ⁽²⁾ Other benefits include expatriate benefits for executives located in Brazil. ⁽³⁾ The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. ⁽⁴⁾ There are no other personnel who meet the criteria of s300A executive disclosure.

Directors' Report

For the year ended 30 June 2010

4.3 Remuneration Report – audited (continued)

4.3.3 Equity Instruments

Options are granted under the Employee Share Option Plan (Plan) which was approved by shareholders at the 2007 annual general meeting. Employees are eligible to participate in the Plan (including executive and non-executive directors) unless the Board in its absolute discretion determine otherwise. Options are granted from time to time under the Plan for no consideration and are granted for a period of up to 5 years. The vesting and exercise conditions of options granted are determined by the Board in its absolute discretion. Options may also be granted by the Company outside of the Plan, but under similar terms and conditions.

The Group has a policy that prohibits directors and employees who are granted share options as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases.

Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted as remuneration to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

Directors' Report

For the year ended 30 June 2010

4.3 Remuneration Report – audited (continued)

4.3.3 Equity Instruments (continued)

| | Number of options granted during 2010 | Grant Date | Fair value per option at grant date (\$) | Exercise price per option (\$) | Expiry date | Number of options vested during 2010 |
|-------------------|---------------------------------------|------------|--|--------------------------------|-------------|--------------------------------------|
| Directors | | | | | | |
| Mr D M Murcia | 500,000 | 17/07/2009 | 0.0467 | 0.075 | 17/07/2014 | 500,000 |
| | 500,000 | 17/07/2009 | 0.0439 | 0.100 | 17/07/2014 | - |
| | 500,000 | 17/07/2009 | 0.0420 | 0.120 | 17/07/2014 | - |
| Mr D P Gordon | 1,000,000 | 17/07/2009 | 0.0503 | 0.050 | 17/07/2014 | 1,000,000 |
| | 1,000,000 | 17/07/2009 | 0.0467 | 0.075 | 17/07/2014 | 1,000,000 |
| | 2,000,000 | 17/07/2009 | 0.0439 | 0.100 | 17/07/2014 | - |
| | 2,000,000 | 31/03/2010 | 0.0670 | 0.080 | 31/03/2015 | - |
| Mr K G McKay | 500,000 | 17/07/2009 | 0.0467 | 0.075 | 17/07/2014 | 500,000 |
| | 500,000 | 17/07/2009 | 0.0439 | 0.100 | 17/07/2014 | - |
| Mr P E Freund | 16,000,000 ⁽¹⁾ | 19/01/2010 | 0.0493 | 0.070 | 31/10/2014 | 4,000,000 |
| Mr G T Clifford | 500,000 | 17/07/2009 | 0.0467 | 0.075 | 17/07/2014 | 500,000 |
| Mr R G Hill | 500,000 | 31/03/2010 | 0.0673 | 0.080 | 31/03/2015 | 500,000 |
| | 500,000 | 31/03/2010 | 0.0645 | 0.100 | 31/03/2015 | - |
| | 500,000 | 31/03/2010 | 0.0621 | 0.120 | 31/03/2015 | - |
| Executives | | | | | | |
| Mr M Papendieck | 4,000,000 | 15/02/2010 | 0.0359 | 0.080 | 15/02/2015 | 1,000,000 |
| Mr G A James | 250,000 | 17/07/2009 | 0.0467 | 0.075 | 17/07/2014 | 250,000 |
| | 250,000 | 17/07/2009 | 0.0439 | 0.100 | 17/07/2014 | - |
| | 500,000 | 17/07/2009 | 0.0420 | 0.120 | 17/07/2014 | - |
| | 750,000 | 15/02/2010 | 0.0359 | 0.080 | 15/02/2015 | - |
| Mr I Cullen | 4,000,000 ⁽¹⁾ | 19/01/2010 | 0.0481 | 0.070 | 30/06/2014 | 2,000,000 |
| Mr K Petersen | 2,400,000 ⁽¹⁾ | 19/01/2010 | 0.0446 | 0.080 | 31/12/2013 | 600,000 |
| | 1,000,000 | 15/02/2010 | 0.0359 | 0.080 | 15/02/2015 | - |

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

⁽¹⁾ These options were issued as replacement awards pursuant to the takeover of Centaurus Resources Limited.

Directors' Report

For the year ended 30 June 2010

4.3 Remuneration Report – audited (continued)

4.3.3 Equity Instruments (continued)

Analysis of options and rights over equity instruments granted as compensation - audited

Details of vesting profiles of the options granted as remuneration to each key management person of the Group and each of the five named Company executives and Group executives are detailed below:

| | Option granted | | | | Financial years in which grant vests |
|-------------------|----------------|------------|------------------|---------------------|--------------------------------------|
| | Number | Date | % vested in year | % forfeited in year | |
| Directors | | | | | |
| Mr D M Murcia | 500,000 | 17/07/2009 | 100 | - | 2010 ⁽¹⁾ |
| | 500,000 | 17/07/2009 | - | - | 2011 ⁽¹⁾ |
| | 500,000 | 17/07/2009 | - | - | 2012 ⁽¹⁾ |
| Mr D P Gordon | 2,000,000 | 17/07/2010 | 100 | - | 2010 ⁽¹⁾ |
| | 2,000,000 | 17/07/2010 | - | - | 2011 ⁽¹⁾ |
| | 1,000,000 | 31/03/2010 | - | - | 2012 ⁽²⁾ |
| | 1,000,000 | 31/03/2010 | - | - | 2013 ⁽³⁾ |
| Mr K G McKay | 500,000 | 17/07/2009 | 100 | - | 2010 ⁽¹⁾ |
| | 500,000 | 17/07/2009 | - | - | 2011 ⁽¹⁾ |
| Mr P E Freund | 4,000,000 | 19/01/2010 | 100 | - | 2010 ⁽⁴⁾ |
| | 4,000,000 | 19/01/2010 | - | - | 2011 ⁽⁴⁾ |
| | 8,000,000 | 19/01/2010 | - | - | 2012 ⁽⁴⁾ |
| Mr G T Clifford | 500,000 | 17/07/2009 | 100 | - | 2010 ⁽¹⁾ |
| Mr R G Hill | 500,000 | 31/03/2010 | 100 | - | 2010 ⁽¹⁾ |
| | 500,000 | 31/03/2010 | - | - | 2011 ⁽¹⁾ |
| | 500,000 | 31/03/2010 | - | - | 2012 ⁽¹⁾ |
| Executives | | | | | |
| Mr M Papendieck | 1,000,000 | 15/02/2010 | 100 | - | 2010 ⁽¹⁾ |
| | 1,500,000 | 15/02/2010 | - | - | 2012 ⁽²⁾ |
| | 1,500,000 | 15/02/2010 | - | - | 2013 ⁽³⁾ |
| Mr G A James | 250,000 | 17/07/2009 | 100 | - | 2010 ⁽¹⁾ |
| | 250,000 | 17/07/2009 | - | - | 2011 ⁽¹⁾ |
| | 500,000 | 17/07/2009 | - | - | 2012 ⁽¹⁾ |
| | 350,000 | 15/02/2010 | - | - | 2012 ⁽²⁾ |
| | 400,000 | 15/02/2010 | - | - | 2013 ⁽³⁾ |
| Mr I Cullen | 2,000,000 | 19/01/2010 | 100 | - | 2010 ⁽⁴⁾ |
| | 2,000,000 | 19/01/2010 | - | - | 2011 ⁽⁴⁾ |
| Mr K Petersen | 600,000 | 19/01/2010 | 100 | - | 2010 ⁽⁴⁾ |
| | 600,000 | 19/01/2010 | - | - | 2011 ⁽⁴⁾ |
| | 1,200,000 | 19/01/2010 | - | - | 2012 ⁽⁴⁾ |
| | 500,000 | 15/02/2010 | - | - | 2012 ⁽²⁾ |
| | 500,000 | 15/02/2010 | - | - | 2013 ⁽³⁾ |

⁽¹⁾Options vest on completion of service period.

⁽²⁾Options vest on commencement of iron ore production on a Mining Lease from the Company's iron ore projects in Brazil. [Estimated 30/6/2012].

⁽³⁾Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 250,000 tonnes per month over a consecutive 3 month period. [Estimated 30/6/2013].

⁽⁴⁾These options were issued as replacement awards pursuant to the takeover of Centaurus Resources Limited and vest on completion of service period.

Directors' Report

For the year ended 30 June 2010

4.3 Remuneration Report – audited (continued)

4.3.3 Equity Instruments (continued)

Modification of terms of equity-settled share-based payment transactions– audited

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as compensation – audited

During the reporting period, no shares were issued on the exercise of options previously granted as remuneration.

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2010 financial year.

Analysis of movements in options – audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and each of the five named Company executives and relevant Group executives is detailed below.

| | Employee options \$ | Replacement Awards Options | | Total value granted in the year \$(A) | Value of options exercised in year \$(B) | Lapsed in year \$(C) |
|-------------------|------------------------|-------------------------------------|--------------------|---|--|----------------------------|
| | | Consideration for takeover \$ | Remuneration \$ | | | |
| Directors | | | | | | |
| Mr D M Murcia | 66,300 | - | - | 66,300 | - | - |
| Mr D P Gordon | 318,800 | - | - | 318,800 | - | - |
| Mr K G McKay | 45,300 | - | - | 45,300 | - | - |
| Mr P E Freund | - | 216,543 | 571,916 | 788,459 | - | - |
| Mr G T Clifford | 23,350 | - | - | 23,350 | - | - |
| Mr R G Hill | 96,950 | - | - | 96,950 | - | - |
| | | | | | | |
| Executives | | | | | | |
| Mr M Papendieck | 143,600 | - | - | 143,600 | - | - |
| Mr G A James | 70,575 | - | - | 70,575 | - | - |
| Mr I Cullen | - | 101,243 | 91,059 | 192,302 | - | - |
| Mr K Petersen | 35,900 | 47,438 | 59,610 | 142,948 | - | - |

^(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 1 July 2009 to 30 June 2015).

^(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

^(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved.

Directors' Report

For the year ended 30 June 2010

4.4 Audit Committee

The Audit Committee operates in accordance with its Charter which is available on the Company's website. The Committee shall consist of at least three non-executive directors with appropriate financial expertise and working knowledge of the industries in which the Group operates.

The responsibilities of the Committee include the review, assessment and approval of the annual report, the half-year financial report and all other financial information published by the Group or released to the market. The Committee assists the Board in reviewing the effectiveness of the organisation's internal control environment covering the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Committee oversees the effective operation of the risk management framework.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year.

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the financial records of the Group for the financial year have been properly maintained, the Group's financial reports for the financial year comply with accounting standards and present a true and fair view of the Group's financial position and operational results; and
- the above statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Group's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The *Corporations Act 2001* requires the rotation of the audit engagement partner at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in Note 32 to the financial statements. The external auditors are required to provide an annual declaration of their independence to the Audit Committee. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Details of the qualifications of directors of the Audit Committee and their attendance at Committee meetings are set out in the Directors' Report.

4.5 Risk Management

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Company's website. In summary, the Group's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is a framework with clearly drawn lines of accountability and delegation of authority. Adherence to the Group's Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Directors' Report

For the year ended 30 June 2010

4.5 Risk Management (continued)

The Group's risk management policy is managed by the full Board. The Audit Committee, via its Charter, oversees the effective operation of the risk management framework. The Board conducts an annual corporate strategy workshop which reviews the Group's strategic direction in detail and includes specific focus on the identification of the key material business and financial risks which could prevent the Group from achieving its objectives. The Board is required to ensure that appropriate controls are in place to effectively manage those risks.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, information technology security, compliance and other risk management issues. The Board requires that each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies. The Group has in place an insurance program which is reviewed periodically by the Board. The Board receives regular reports on budgeting and financial performance. A system of delegated authority levels has been approved by the Board to ensure business transactions are properly authorised and executed.

Senior management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. A detailed questionnaire process is completed by senior management on a six monthly basis to facilitate the reporting of risk management to the Board. The Managing Director and Chief Financial Officer have certified to the Board that the risk management and internal control systems to manage the Group's material business risks have been assessed and found to be operating effectively.

Environment, Health and Safety Management

The Group recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the Board facilitates the systematic identification of environmental and OH&S issues and ensures they are managed in a structured manner. This system allows the Group to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues;
- work with trade associations representing the entity's business to raise standards;
- use energy and other resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

To manage OH&S issues, the Board has approved a number of procedure documents including a Safety Management Plan, Radiation Safety Manual, Environmental Procedures Manual and an Emergency Procedures and Response Plan. It is a condition of employment for all employees to follow these procedures. Reporting on OH&S issues is a standard agenda item at regular Board Meetings.

Information on compliance with significant environmental regulations is set out in the Directors' Report.

Directors' Report

For the year ended 30 June 2010

4.6 Ethical Standards

The Group has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity. In summary, the Code requires that at all times, all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies.

The purchase and sale of the Company's securities by directors and employees is not permitted within two business days after the release to the market of market sensitive information, or when otherwise privy to information not yet released. The Chairman must be advised prior to any proposed transaction in the Company's securities by directors. Directors, officers and employees must not partake in short-term trading of the Company's securities which is defined as less than a 30 day period.

The Group has a policy that prohibits directors and employees who are granted share options as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases. The Group requires all directors and key management personnel to sign annual declarations of compliance with this policy.

This Code and the Group's trading policy are discussed with each new employee as part of their induction training. The Code requires employees who are aware of unethical practices within the Group or breaches of the Group's trading policy to report these to the Group. This can be done anonymously. The directors are satisfied that the Group has complied with the principles of proper ethical standards, including trading in securities.

A copy of the Code and the Share Trading Policy are available on the Company's website.

4.7 Continuous Disclosure and Shareholder Communication

The Group has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Group has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing, in conjunction with the Managing Director and Chairman, information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website on the same day it is released to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website prior to the presentation made. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

The Group seeks to provide opportunities for shareholders to participate through electronic means. All Company announcements, media briefings, details of Company meetings, press releases, and financial reports are available on the Company's website.

Directors' Report

For the year ended 30 June 2010

4.8 Non-Compliance Statement

The Company has not followed all of the Recommendations set out in Australian Securities Exchange Limited Listing Rule 4.10.3. The Recommendations that have not been followed and the explanation of any departures are as follows:

- A formal Board performance assessment was not undertaken during the year, however, a review was undertaken of the composition of the Board due to changes in the Group's strategy. The review assessed the skills, qualifications and performance of the individual Board members which resulted in significant changes to the composition of the Board.
- Non-executive directors should not receive options. Non-executive directors are eligible to participate in the Employee Share Option Plan to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Group. The Board considers the issue of options to be reasonable in the circumstances, to assist the Company in attracting and retaining the highest calibre of non-executive directors to the Company, whilst maintaining the Group's cash reserves and delivering on the Group's agreed strategy of securing a new advanced exploration or development asset.
- A separate Nomination Committee has not been formed. The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits are gained by establishing a separate Nomination Committee.

5. Principal Activities

During the year the principal activities of the Group consisted of project generation and exploration for iron ore mineral resources. There were no other significant changes in the nature of the activities of the Group during the year.

6. Operating and Financial Review

A summary of consolidated results is set out below:

| | 2010 \$ | 2009 \$ |
|--|--------------------|--------------------|
| Interest income | 381,689 | 545,314 |
| Other income | - | 3,345,278 |
| | 381,689 | 3,890,592 |
| Loss before income tax expense | (3,918,654) | (1,265,869) |
| Income tax expense | - | - |
| Loss attributable to members of Centaurus Metals Limited | (3,918,654) | (1,265,869) |

Financial Position

At the end of the financial year the Group had net cash balances of \$4,920,035 (2009: \$9,673,582) and net assets of \$30,843,241 (2009: \$9,525,664). Total liabilities amounted to \$5,268,224 (2009: \$272,495) and were limited to trade and other creditors, employee benefits and deferred tax liabilities.

Directors' Report

For the year ended 30 June 2010

6. Operating and Financial Review (continued)

Exploration

Following a change in strategy in the previous financial year, the Group concentrated its activities on reviewing new project opportunities during the first half of the year. A number of projects were reviewed in detail.

Following the takeover of Centaurus Resources Limited in January 2010, the Group focussed its exploration activities on the Brazilian iron ore projects acquired. At the Itambe Iron Ore Project, the Group commenced a resource upgrade drilling program. The aim of the program is to upgrade the established Inferred Resource to a Measured and Indicated status in advance of completion of a feasibility study. At the Passabem Iron Ore Project, the Group completed a resource definition drilling program. Centaurus completed an extensive review of the Cenibra tenement package. Following this review, the Group exercised its option over a number of tenements in the package and then commenced a resource drilling program on the Jambreiro Iron Ore Project.

In respect of the Group's wholly owned Australian Citadel, Percyvale and Dish gold and base metal exploration projects, no active field activities were undertaken during the year. The Group is actively marketing these Projects to realise value for the Company.

Exploration work was carried out at several of the Group's joint venture projects in Australia. In the Mt Isa region in Queensland, activities were completed by both Ivanhoe Australia Limited on the Snake Creek Project and MM Mining Plc on the Mt Guide Project.

Corporate

On 11 November 2009, the Company and Centaurus Resources Limited (CUR) announced that they had reached agreement to merge to create a well funded Brazilian focussed iron ore group. Under the terms of the takeover offer, CUR shareholders were offered eight (8) shares for every one (1) CUR share they held. A separate offer was made to CUR optionholders, with the consideration being equivalent options on terms consistent with the Share Offer. Both the Share and Option Offer were conditional upon a number of conditions, including a 90% minimum acceptance level.

The Company announced on 19 January 2010 that all of the conditions for the takeover offer had either been met or waived and the Share and Option Offers were declared unconditional. The takeover offer closed on 29 January 2010 and the compulsory acquisition process to acquire the remaining shares and options for which acceptances had not been received was completed on 19 March 2010.

Significant changes in the state of affairs

In the opinion of directors, other than as outlined in this report, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

7. Dividends

No dividend was declared or paid by the Company during the current or previous year.

8. Events Subsequent to Reporting Date

On 6 August 2010 the Group entered into a Farm Out agreement with a Brazilian-based mining company covering its two non-core Brazilian Copper-Gold Projects. Under the terms of the agreement, Mining Ventures Do Sul Pesquisa e Mineração Ltda will spend up to US\$4.25 million on the Project areas to earn up to a 90% interest.

Directors' Report

For the year ended 30 June 2010

8. Events Subsequent to Reporting Date (continued)

On 16 August 2010 the Group announced it had been awarded damages totalling A\$2 million against its former joint venture partner in the Liberdade Iron Ore Project in Brazil. The Group is in the process of enforcing the judgement.

On 8 September 2010 the Company announced a capital raising to raise up to \$18 million through a share placement and a Share Purchase Plan ("Plan"). On 20 September 2010 the Company completed Tranche 1 of the placement raising \$6.63 million. Tranche 2 of the share placement will be completed on obtaining shareholder approval at a meeting of shareholders to take place on 20 October 2010. The Plan closed on 28 September 2010 with the amount of shares to be allotted not yet determined as at the date of this report.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. Likely Developments

Other than likely developments contained in the "Operating and Financial Review", further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

10. Environmental Regulation

The Group is subject to environmental laws and regulations under both Australian and Brazilian (State and Federal) legislation depending on the activities undertaken. Compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve. There were no known significant breaches of these regulations during the year.

11. Directors' Interests

The relevant interest of each director in the shares and options over such shares issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

| | Ordinary shares | Employee options | Bid options issued on takeover of Centaurus Resources Limited | Total number of options over ordinary shares |
|------------------|-----------------|---------------------------|---|--|
| Directors | | | | |
| Mr D M Murcia | 9,373,902 | 1,500,000 | - | 1,500,000 |
| Mr D P Gordon | 52,358,328 | 6,000,000 | 1,600,000 | 7,600,000 |
| Mr P E Freund | 200,000 | 16,000,000 ⁽¹⁾ | - | 16,000,000 |
| Mr K G McKay | 2,419,000 | 2,000,000 | - | 2,000,000 |
| Mr G T Clifford | 1,000,000 | 1,500,000 | - | 1,500,000 |
| Mr R G Hill | 8,555,440 | 1,500,000 | 8,177,720 | 9,677,720 |

⁽¹⁾These options were issued as replacement awards pursuant to the takeover of Centaurus Resources Limited.

Directors' Report

For the year ended 30 June 2010

12. Share Options

Options granted to directors and executives of the Company

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

| | Number of options granted | Exercise price | Expiry date |
|-------------------|---------------------------|----------------|-------------|
| Directors | | | |
| Mr D M Murcia | 500,000 | 0.075 | 17/07/2014 |
| | 500,000 | 0.100 | 17/07/2014 |
| | 500,000 | 0.120 | 17/07/2014 |
| Mr D P Gordon | 1,000,000 | 0.050 | 17/07/2014 |
| | 1,000,000 | 0.075 | 17/07/2014 |
| | 2,000,000 | 0.100 | 17/07/2014 |
| | 2,000,000 | 0.080 | 31/03/2015 |
| Mr K G McKay | 500,000 | 0.075 | 17/07/2014 |
| | 500,000 | 0.100 | 17/07/2014 |
| Mr P E Freund | 16,000,000 ⁽¹⁾ | 0.070 | 31/10/2014 |
| Mr G T Clifford | 500,000 | 0.075 | 17/07/2014 |
| Mr R G Hill | 500,000 | 0.080 | 31/03/2015 |
| | 500,000 | 0.100 | 31/03/2015 |
| | 500,000 | 0.120 | 31/03/2015 |
| Executives | | | |
| Mr M Papendieck | 4,000,000 | 0.080 | 15/02/2015 |
| Mr G A James | 250,000 | 0.075 | 17/07/2014 |
| | 250,000 | 0.100 | 17/07/2014 |
| | 500,000 | 0.120 | 17/07/2014 |
| | 750,000 | 0.080 | 15/02/2015 |
| Mr I Cullen | 4,000,000 ⁽¹⁾ | 0.070 | 30/06/2014 |
| Mr K Petersen | 2,400,000 ⁽¹⁾ | 0.080 | 31/12/2013 |
| | 500,000 | 0.080 | 15/02/2015 |
| | 500,000 | 0.080 | 15/02/2015 |

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

⁽¹⁾ These options were issued as replacement awards pursuant to the takeover of Centaurus Resources Limited.

Directors' Report

For the year ended 30 June 2010

12. Share Options (continued)

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

| Expiry date | Exercise price | Employee Options (including replacement options) | | Bid Options | Total number of shares under option |
|--------------|----------------|---|-------------------|-------------------|---|
| | | Vested | Unvested | Vested | |
| 31/12/2010 | \$0.220 | 1,200,000 | - | - | 1,200,000 |
| 27/11/2011 | \$0.125 | - | - | 12,000,000 | 12,000,000 |
| 6/01/2012 | \$0.125 | - | - | 3,519,392 | 3,519,392 |
| 19/03/2012 | \$0.115 | 250,000 | - | - | 250,000 |
| 19/03/2012 | \$0.135 | 500,000 | - | - | 500,000 |
| 4/08/2012 | \$0.03125 | - | - | 30,000,000 | 30,000,000 |
| 20/11/2012 | \$0.205 | 500,000 | - | - | 500,000 |
| 20/11/2012 | \$0.245 | 500,000 | - | - | 500,000 |
| 20/11/2012 | \$0.285 | 500,000 | - | - | 500,000 |
| 14/02/2013 | \$0.100 | - | - | 16,000,000 | 16,000,000 |
| 29/08/2013 | \$0.125 | 50,000 | - | - | 50,000 |
| 29/08/2013 | \$0.150 | 50,000 | - | - | 50,000 |
| 29/08/2013 | \$0.175 | 100,000 | - | - | 100,000 |
| 15/12/2013 | \$0.100 | 250,000 | - | - | 250,000 |
| 15/12/2013 | \$0.120 | 250,000 | - | - | 250,000 |
| 15/12/2013 | \$0.140 | - | 500,000 | - | 500,000 |
| 31/12/2013 | \$0.080 | 1,200,000 | 1,200,000 | - | 2,400,000 |
| 31/12/2013 | \$0.150 | 1,400,000 | 1,200,000 | - | 2,600,000 |
| 30/06/2014 | \$0.070 | 2,000,000 | 2,000,000 | - | 4,000,000 |
| 17/07/2014 | \$0.050 | 1,000,000 | - | - | 1,000,000 |
| 17/07/2014 | \$0.075 | 2,825,000 | - | - | 2,825,000 |
| 17/07/2014 | \$0.100 | 3,325,000 | - | - | 3,325,000 |
| 17/07/2014 | \$0.120 | - | 1,150,000 | - | 1,150,000 |
| 31/10/2014 | \$0.070 | 4,000,000 | 12,000,000 | - | 16,000,000 |
| 15/02/2015 | \$0.080 | 1,150,000 | 5,350,000 | - | 6,500,000 |
| 31/03/2015 | \$0.080 | 500,000 | 2,000,000 | - | 2,500,000 |
| 31/03/2015 | \$0.100 | - | 500,000 | - | 500,000 |
| 31/03/2015 | \$0.120 | - | 500,000 | - | 500,000 |
| 19/02/2015 | \$0.095 | - | 700,000 | - | 700,000 |
| Total | | 21,550,000 | 27,100,000 | 61,519,392 | 110,169,392 |

These options do not entitle the holder to participate in any share issue of the Company.

Directors' Report

For the year ended 30 June 2010

12. Share Options (continued)

Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

13. Indemnification and Insurance of Officers and Auditors

During the financial year, Centaurus Metals Limited paid insurance premiums to insure the directors, executive officers and secretary of the Group. The amount of premiums paid has not been disclosed due to confidentiality requirements under the contract of insurance.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

14. Non-audit Services

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

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid 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.

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
| Audit services: | | |
| <i>Auditors of the Company</i> | | |
| Audit and review of financial reports (KPMG Australia) | 25,500 | 27,500 |
| Services other than statutory audit: | | |
| Other services | | |
| Taxation compliance services (KPMG Australia) | 50,595 | 13,987 |

Directors' Report

For the year ended 30 June 2010

15. Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 43 and forms part of the directors' report for the financial year ended 30 June 2010.

This report is signed in accordance with a resolution of the directors.



D P Gordon
Managing Director, Perth, Western Australia

30 September 2010

Lead Auditor's Independence Declaration



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

To: the directors of Centaurus Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

A handwritten signature in black ink, appearing to read 'T R Hart', written over the printed name and title.

KPMG

T R Hart
Partner

Perth

30 September 2010.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

| | Notes | 2010 \$ | 2009 \$ |
|---|-------|--------------------|--------------------|
| Other income | 8 | 38,549 | 3,188,728 |
| Personnel expenses | 9 | (1,781,918) | (1,183,564) |
| Depreciation and amortisation | 15 | (57,901) | (23,551) |
| Exploration and evaluation expenses | | (455,309) | (382,079) |
| Project generation expenses | | (492,526) | - |
| Merger and acquisition expenses | | (842,206) | - |
| Impairment loss | | - | (2,432,410) |
| Other expenses | | (688,484) | (476,405) |
| Results from operating activities | | (4,279,795) | (1,309,281) |
| Finance income | | 381,689 | 701,864 |
| Finance expenses | | (20,548) | (658,452) |
| Net finance income | 10 | 361,141 | 43,412 |
| Loss before income tax | | (3,918,654) | (1,265,869) |
| Income tax expense | 11 | - | - |
| Loss for the period | | (3,918,654) | (1,265,869) |
| Other comprehensive income | | | |
| Net change in fair value of available-for-sale financial assets | | (100,000) | (658,452) |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss | | - | 658,452 |
| Foreign currency translation difference for foreign operation | | 606,706 | - |
| Income tax on other comprehensive income | | - | - |
| Other comprehensive income for the period, net of income tax | | 506,706 | - |
| Total comprehensive income for the period | | (3,411,948) | (1,265,869) |
| Earnings per share | | | |
| Basic loss per share | 22 | Cents (0.92) | Cents (0.44) |
| Diluted loss per share | 22 | (0.92) | (0.44) |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

For the year ended 30 June 2010

| | Notes | 2010 \$ | 2009 \$ |
|--|-------|-------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | 12(a) | 4,920,035 | 9,673,582 |
| Other receivables and prepayments | 13 | 595,973 | 86,229 |
| Total current assets | | 5,516,008 | 9,759,811 |
| Non-current assets | | | |
| Other investments, including derivatives | 14 | 495,417 | - |
| Property, plant and equipment | 15 | 624,146 | 38,348 |
| Exploration and evaluation assets | 16 | 29,475,894 | - |
| Total non-current assets | | 30,595,457 | 38,348 |
| Total assets | | 36,111,465 | 9,798,159 |
| Current liabilities | | | |
| Trade and other payables | 17 | 783,839 | 257,697 |
| Employee benefits | 18 | 99,407 | 14,798 |
| Total current liabilities | | 883,246 | 272,495 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 19 | 4,384,978 | - |
| Total non-current liabilities | | 4,384,978 | - |
| Total liabilities | | 5,268,224 | 272,495 |
| Net assets | | 30,843,241 | 9,525,664 |
| Equity | | | |
| Share capital | | 36,553,428 | 15,544,255 |
| Reserves | | 4,425,149 | 351,380 |
| Accumulated losses | | (10,135,336) | (6,369,971) |
| Total equity | | 30,843,241 | 9,525,664 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

| | Issued Capital \$ | Share-based payment reserve \$ | Translation reserve \$ | Available-for-sale investments revaluation reserve \$ | Accumulated losses \$ | Total Equity \$ |
|---|----------------------|-----------------------------------|---------------------------|--|--------------------------|--------------------|
| Balance at 1 July 2008 | 15,544,255 | 296,595 | - | - | (5,104,102) | 10,736,748 |
| Total comprehensive income for the period | | | | | | |
| Loss for the period | - | - | - | - | (1,265,869) | (1,265,869) |
| Other comprehensive income | | | | | | |
| Net change in fair value of available-for-sale financial assets, net of tax | - | - | - | (658,452) | - | (658,452) |
| Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax | - | - | - | 658,452 | - | 658,452 |
| Total other comprehensive income for the period | - | - | - | - | (1,265,869) | (1,265,869) |
| Total comprehensive income for the period | - | - | - | - | (1,265,869) | (1,265,869) |
| Transactions with owners, recorded directly in equity | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | |
| Share-based payment transactions | - | 54,785 | - | - | - | 54,785 |
| Total transactions with owners | - | 54,785 | - | - | - | 54,785 |
| Balance at 30 June 2009 | 15,544,255 | 351,380 | - | - | (6,369,971) | 9,525,664 |

The amounts recognised directly in equity are disclosed net of tax.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity (continued)

For the year ended 30 June 2010

| | Issued Capital \$ | Option Reserve \$ | Share-based payment reserve \$ | Translation reserve \$ | Available-for-sale investments revaluation reserve \$ | Accumulated losses \$ | Total Equity \$ |
|---|----------------------|----------------------|-----------------------------------|---------------------------|--|--------------------------|--------------------|
| Balance at 1 July 2009 | 15,544,255 | - | 351,380 | - | - | (6,369,971) | 9,525,664 |
| Total comprehensive income for the period | | | | | | | |
| Loss for the period | - | - | - | - | - | (3,918,654) | (3,918,654) |
| Other comprehensive income | | | | | | | |
| Foreign currency translation difference for foreign operation | - | - | - | 606,706 | - | - | 606,706 |
| Net change in fair value of available-for-sale financial assets | - | - | - | - | (100,000) | - | (100,000) |
| Total other comprehensive income for the period | - | - | - | 606,706 | (100,000) | - | 506,706 |
| Total comprehensive income for the period | - | - | - | 606,706 | (100,000) | (3,918,654) | (3,411,948) |
| Transactions with owners, recorded directly in equity | | | | | | | |
| <i>Contributions by and distributions to owners</i> | | | | | | | |
| Issue of ordinary shares related to business combination | 20,909,173 | - | - | - | - | - | 20,909,173 |
| Issue of options related to business combination | - | 2,966,597 | - | - | - | - | 2,966,597 |
| Issue of ordinary shares | 100,000 | - | - | - | - | - | 100,000 |
| Share-based payment transactions | - | - | 753,755 | - | - | - | 753,755 |
| Transfer of share based payments lapsed/forfeited | - | - | (153,289) | - | - | 153,289 | - |
| Total contributions by and distributions to owners | 21,009,173 | 2,966,597 | 600,466 | - | - | 153,289 | 24,729,525 |
| Total transactions with owners | 21,009,173 | 2,966,597 | 600,466 | - | - | 153,289 | 24,729,525 |
| Balance at 30 June 2010 | 36,553,428 | 2,966,597 | 951,846 | 606,706 | (100,000) | (10,135,336) | 30,843,241 |

The amounts recognised directly in equity are disclosed net of tax.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

| | Notes | 2010 \$ | 2009 \$ |
|---|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Cash paid to suppliers and employees | | (1,895,165) | (1,572,423) |
| Interest received | | 382,401 | 537,907 |
| Net cash used in operating activities | 12(b) | (1,512,764) | (1,034,516) |
| Cash flows from investing activities | | | |
| Payments for plant and equipment | | (381,700) | (8,342) |
| Refunds/(payments) for security deposits | | (140,621) | 25,000 |
| Exploration and evaluation expenditure | | (2,468,394) | (1,520,334) |
| Proceeds from sale of plant and equipment | | 22,319 | 17,146 |
| Proceeds from sale of available-for-sale financial assets | | - | 560,716 |
| Proceeds from sale of mineral tenements | | 35,000 | 6,500,000 |
| Payments for merger and acquisition costs | | (821,408) | - |
| Acquisition of subsidiary, net of cash acquired | 7 | 504,722 | - |
| Net cash from/(used in) investing activities | | (3,250,082) | 5,574,186 |
| Net increase/(decrease) in cash and cash equivalents | | (4,762,846) | 4,539,670 |
| Cash and cash equivalents at 1 July | | 9,673,582 | 5,133,912 |
| Effect of exchange rate fluctuations on cash held | | 9,299 | - |
| Cash and cash equivalents at 30 June | 12(a) | 4,920,035 | 9,673,582 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

1. Reporting Entity

Centaurus Metals Limited ("the Company") is a company domiciled in Australia. The Company was formerly known as Glengarry Resources Limited (ASX code: GGY) and the change of name was effective from 14 April 2010 upon the completion of the merger with Centaurus Resources Limited. The address of the Company's registered address is Level 1, 16 Ord Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in exploration for iron ore resources.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 30 September 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value; and
- Available-for-sale financial assets are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASB's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer note 3(e)), 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 of recoverability of an ore reserves becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(e), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with accounting policy 3(g). The carrying amounts of exploration and evaluation assets are set out in note 16.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

2. Basis of Preparation (continued)

(d). Use of estimates and judgements (continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 4 - determining the fair values
- Note 24 - financial instruments
- Note 28 - measurement of share-based payments

(e) Change of accounting policy

Starting 1 July 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial statements

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities, except as explained in notes 2(e) and 3(a)(i), which address changes in accounting policies.

(a) Basis of consolidation

(i) Business combinations

The Group has applied the acquisition method for the business combination disclosed in note 7.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (general fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair value of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any share-based payment awards of the acquiree that are replaced mandatorily in the business combination to the extent they relate to pre-combination services.

Share-based payment awards

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with policies adopted by the Group.

(iii) Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gain and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instruments.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: receivables, cash and cash equivalents and available-for-sale financial assets.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer note 3(g)) and foreign currency differences on available-for-sale equity instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

The Group has the following non-derivative financial liabilities: trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using effective interest rate method.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or share options are recognised as a deduction from equity, net of any tax effect.

(iv) Derivatives financial instruments

Derivatives are recognised initially at fair value; attributable transactions costs are recognised in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its value are recognised immediately in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchase software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing the property, plant and equipment are recognised in profit and loss as incurred.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

- Machinery 10-15 years
- Vehicles 3-5 years
- Furniture, fittings and equipment 3-8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Exploration and evaluation 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.

Accounting for exploration and evaluation expenditure is assessed separately for each '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:

- 1) The rights to tenure of the area of interest are current; and
- 2) At least one of the following conditions is also met:
 - (i) The expenditure is expected to be recouped through the 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(e) Exploration and evaluation expenditure (continued)

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geographical, 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. As the assets are not yet ready for use they are not depreciated.

Assets that are classified as intangible assets include:

- Drilling rights;
- Acquired rights to explore;
- Exploratory drilling costs; and
- Trenching and sampling 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.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(e) Exploration and evaluation expenditure (continued)

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future and is not expected to be renewed;
- Substantive expenditures on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exists to indicate that although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each cash-generating unit which is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy 3(g)(ii).

Farm-out arrangements

Arrangements whereby an external party earns an ownership interest in an exploration or development property via the sole-funding of a specified exploration, evaluation or development programme or by injection of funds to be utilised for such a programme will be accounted so that the Group recognises its share of assets, liabilities and equity associated with the property. Any gain or loss upon initial recognition of these items will be recognised in the income statement.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

(g) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(g) Impairment (continued)

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(g) Impairment (continued)

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates 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.

(h) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(i) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(i) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility 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. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(k) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade allowances and duties and taxes paid. Interest revenue is recognised using the effective interest method.

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(n) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Goods and services tax

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

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

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

(p) 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 shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Company's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(q) Segment reporting

Determination and presentation of operating segments

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

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's MD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(r) Presentation of financial statements

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

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

(s) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

3. Significant Accounting Policies (continued)

(s) New standards and interpretations not yet adopted (continued)

- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

4. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

(ii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iii) Share-based payment transactions

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service conditions attached to the transactions are not taken into account in determining fair value.

5. Financial Risk Management

Overview

The Group has exposure to the following risks arising from the use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Groups' exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

5. Financial Risk Management (continued)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Audit Committee, via its Charter, oversees the effective operation of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. No impairment of receivables in the Group is required for recognition.

Other receivables and prepayments

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the default risk of the industry and country in which counterparties operate, as these factors may have an influence on credit risk.

The Other receivables and prepayments consist of mainly refundable deposits and prepaid expenditure. No allowance for impairment is required as at 30 June 2010.

Investments

The Group limits its exposure to credit risk by investing predominantly in liquid securities listed on the Australian Securities Exchange (Refer to Note 14).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As at 30 June 2010, the Group has current trade and other payables of \$783,839 (2009: \$257,697). The Group believes it will have sufficient cash resources to meet its financial liabilities when due.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risks exposures within acceptable parameters, while optimising the return.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

5. Financial Risk Management (continued)

Currency risk

The Group is exposed to currency risk on purchases that are denominated in currency other than the functional currency of the Group in the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are AUD and Brazilian Real (BRL).

The Group investment in its Brazilian subsidiary is not hedged as those currency positions are considered to be long term in nature.

Commodity risk

The Group is exposed to commodity price risk. The risk arises from its activities directed at exploration and development of mineral commodities, primarily iron ore. If commodity prices fall, the market for companies exploring for these commodities is affected.

Other market price risk

Equity price risk arises from available-for-sale equity securities held. The financial assets were acquired through the business combination with Centaurus Resources Limited, which had acquired them from the purchase consideration received from the sale of tenements in New South Wales in March 2009. The financial assets were held mainly to fund the operating expenditure requirements of the Group if needed.

Capital management

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. Centaurus Metals Limited is a junior exploration company and it is dependent from time to time on its ability to raise capital from the issue of new shares and its ability to realise value from its exploration and evaluation assets. The Board is responsible for capital management. This involves the use of cash flow forecasts to determine future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

6. Operating Segments

The Group has one reportable segment, being iron ore exploration and evaluation in Brazil. Comparative segment information has been represented in conformity with the requirements of AASB 8 Operating Segments.

| | Total | |
|---|--------------------|---------------------------|
| | 2010 \$ | 2009 \$ ⁽¹⁾ |
| Reportable Segment Information – Iron Ore Exploration For the year ended 30 June | | |
| Segment loss before income tax | | |
| Segment loss before income tax | (455,572) | - |
| Unallocated corporate expenses | (3,824,223) | - |
| Net finance costs | 361,141 | - |
| | (3,918,654) | - |
| Interest income | | |
| Segment interest income | 21,188 | - |
| Unallocated interest income | 360,501 | - |
| | 381,689 | - |
| Depreciation | | |
| Segment depreciation expense | 21,312 | - |
| Unallocated depreciation expense | 36,589 | - |
| | 57,901 | - |
| Reportable segment assets | | |
| Segment assets | 27,857,534 | - |
| Unallocated other assets | 8,253,931 | - |
| Total assets | 36,111,465 | - |

⁽¹⁾ During 2009 the Group operated predominantly in Australia and its principal activities were focussed on reviewing new project opportunities. Following the acquisition of Centaurus Resources Limited in January 2010, the Group changed its focus to developing the Brazilian iron ore projects acquired.

| | 2010 Revenue \$ | 2010 Non-current assets \$ | 2009 Revenue \$ | 2009 Non-current assets \$ |
|---|-----------------------|----------------------------------|-----------------------|----------------------------------|
| Geographical Segment Information | | | | |
| Brazil | - | 29,389,411 | - | - |
| Australia | - | 1,206,046 | - | 38,348 |
| Total | - | 30,595,457 | - | 38,348 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

7. Business Combination

Business Combination - Acquisition of Centaurus Resources Limited

On 11 November 2009, Glengarry Resources Limited ("GGY") and Centaurus Resources Limited ("CUR") announced that they had reached an agreement to merge to create a Brazilian focussed iron ore group. Under the terms of the takeover offer, CUR shareholders were offered eight (8) GGY shares for every one (1) CUR share they held ("Share Offer"). A separate offer was made to CUR optionholders, with the consideration being equivalent GGY options on terms consistent with the Share Offer ("Bid Options"). Both the Share and Option Offer were conditional upon a number of conditions, including a 90% minimum acceptance level. In addition Replacement Options were issued to CUR executive and employee share based payment option holders on terms similar to the bid offer. On 19 January 2010, all of the conditions for the takeover offer had either been met or waived and the Share and Option Offer were declared unconditional.

For the purposes of AASB 3 Business Combinations, GGY is the acquirer. Post combination the majority of the Board, Managing Director and Chief Financial Officer roles were filled by GGY officers and GGY was the key influencer in the transaction's initiation and completion.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| Consideration paid for the business combination | \$ |
|--|-------------------|
| Ordinary shares in GGY (316,805,640 ordinary shares) | 20,909,173 |
| Share options over ordinary shares in GGY (61,519,392 Bid Options) | 2,468,402 |
| Share options over ordinary shares in GGY (28,120,000 Replacement Options) | 498,195 |
| Total equity consideration | 23,875,770 |

The fair value of the ordinary shares issued was based on the listed share price of Glengarry Resources Limited at 19 January 2010 of \$0.066 per share. The fair value of the options has been valued using a Black-Scholes option pricing model taking into accounts the terms and conditions upon which the instruments were granted.

| Identifiable assets acquired and liabilities assumed | Provisional values recognised on acquisition 2010 \$ |
|--|---|
| Cash and cash equivalents | 504,722 |
| Other receivables and prepayments | 274,466 |
| Available-for-sale financial investments | 566,666 |
| Derivatives | 48,750 |
| Property, plant and equipment | 260,581 |
| Exploration and evaluation assets | 27,174,780 |
| Trade and other payables | (508,712) |
| Employee benefits | (60,505) |
| Deferred tax liability | (4,384,978) |
| Total net identifiable assets | 23,875,770 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

7. Business Combination (continued)

Transaction separate from the acquisition

The Company incurred acquisition-related costs of \$842,206 relating to advisory fees, external legal fees and due diligence costs. These costs have been expensed in the consolidated statement of comprehensive income.

Provisional accounting

At the date of this report, the acquisition accounting balances are provisional due to ongoing work which may impact acquisition accounting entries.

8. Other Income

| | 2010 \$ | 2009 \$ |
|---|---------------|------------|
| Net gain on disposal of mineral tenements | 35,000 | 3,183,232 |
| Net gain on disposal of plant and equipment | 3,549 | 5,496 |
| | 38,549 | 3,188,728 |

9. Personnel Expenses

| | | |
|-----------------------------------|------------------|-----------|
| Salaries, fees and other benefits | 1,232,436 | 1,321,214 |
| Superannuation | 157,611 | 213,497 |
| Share-based payments | 753,755 | 54,785 |
| Capitalised to exploration | (361,884) | (405,932) |
| | 1,781,918 | 1,183,564 |

10. Finance Income and Expense

| | | |
|--|-----------------|-----------|
| Finance income | | |
| Interest income on bank deposits | 381,689 | 545,314 |
| Net gain on sale of available-for-sale financial assets | - | 156,550 |
| | 381,689 | 701,864 |
| Finance expense | | |
| Impairment losses on available-for-sale financial assets | - | (658,452) |
| Change in fair value of derivatives | (20,000) | - |
| Interest expense | (548) | - |
| | (20,548) | (658,452) |
| Net finance income recognised in profit or loss | 361,141 | 43,412 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

11. Income Tax

(a) Numerical reconciliation of income tax expense to prima facie tax payable

| | 2010 \$ | 2009 \$ |
|---|--------------------|-------------|
| Loss from continuing operations before income tax expense | (3,918,654) | (1,265,869) |
| Tax at the Australian tax rate of 30% | (1,175,596) | (379,761) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Overseas project generation and review costs | 33,245 | 73,970 |
| Share-based payments | 226,126 | 16,436 |
| Sundry items | 8,571 | 273 |
| | (907,654) | (289,082) |
| Effect of tax rates in foreign jurisdictions | (11,164) | - |
| Utilisation of previously unrecognised tax losses | - | (1,240,326) |
| Over provision of prior year tax | (31,248) | - |
| Change in temporary differences (Note 11(d)) | 12,763 | 796,757 |
| Current year capital losses not recognised | - | 732,651 |
| Current year tax losses not recognised | 875,726 | - |
| Other | 61,577 | |
| Income tax expense | - | - |

(b) Tax losses

| | | |
|--|-------------------|------------|
| Unused tax losses for which no deferred tax asset has been recognised: | | |
| Tax losses | 23,594,649 | 17,233,058 |
| Capital losses | 2,473,264 | 2,473,264 |
| | 26,067,913 | 19,706,322 |
| Potential tax benefit @ 30% | 7,820,374 | 5,911,897 |

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefit.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

11. Income Tax (continued)

(c) Deferred tax assets not recognised relate to the following:

| | 2010 \$ | 2009 \$ |
|----------------------------------|------------|------------|
| Deferred tax assets | | |
| Tax losses | 7,820,374 | 5,911,897 |
| Taxable temporary differences | (207,724) | (8,416) |
| Deductible temporary differences | 236,025 | 55,162 |
| Net deferred tax assets | 7,848,675 | 5,958,643 |

(d) Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|--|------------|------------|-------------|------------|------------|------------|
| | 2010 \$ | 2009 \$ | 2010 \$ | 2009 \$ | 2010 \$ | 2009 \$ |
| Receivables | - | - | 9,779 | 8,416 | 9,779 | 8,416 |
| Available-for-sale financial assets | - | - | - | - | - | - |
| Exploration | - | - | 197,945 | - | 197,945 | - |
| Accrued expenses/provisions | (29,822) | (35,647) | - | - | (29,822) | (35,647) |
| Transaction costs relating to issue of capital | (206,203) | (19,515) | - | - | (206,203) | (19,515) |
| Tax losses | 28,301 | 46,746 | - | - | 28,301 | 46,746 |
| Set off of tax | 207,724 | 8,416 | (207,724) | (8,416) | - | - |
| Net tax (assets)/liabilities | - | - | - | - | - | - |

(e) Income tax recognised directly in equity

Recovery of net tax assets is not considered probable. Accordingly, net deferred tax credited directly to other comprehensive income for changes in the fair value of available-for-sale financial assets is nil: (2009: \$nil).

12. (a) Cash and Cash Equivalents

| | 2010 \$ | 2009 \$ |
|--------------------------|------------|------------|
| Cash at bank and on hand | 920,035 | 2,667 |
| Deposits - at call | - | 170,915 |
| Deposits - short term | 4,000,000 | 9,500,000 |
| | 4,920,035 | 9,673,582 |

Deposits

The deposits are bearing floating and fixed interest rates between 4.50% and 5.50% (2009: between 3.00% and 4.35%)

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

12. (b) Reconciliation of Cash Flows from Operating Activities

| | 2010 \$ | 2009 \$ |
|--|--------------------|-------------|
| Loss for the period | (3,918,654) | (1,265,869) |
| Adjustments for: | | |
| Depreciation | 57,901 | 23,551 |
| Foreign exchange loss | - | 6,618 |
| Exploration and evaluation expenses | 455,309 | 382,079 |
| Project generation expenses | 492,526 | - |
| Merger and acquisition expenses | 842,206 | - |
| Non-cash employee benefits expense – share based payments | 753,755 | 54,785 |
| (Profit) on sale of mineral tenements | (35,000) | (3,183,232) |
| (Profit)/loss on sale of available-for-sale financial assets | - | (156,550) |
| Impairment losses | | |
| Exploration and evaluation assets | - | 2,432,410 |
| Available-for-sale financial assets | - | 658,452 |
| Change in fair value of held for trading derivative instruments | 20,000 | - |
| (Profit)/loss on sale of plant and equipment | (3,549) | (5,496) |
| Operating loss before changes in working capital and provisions | (1,335,506) | (1,053,252) |
| Change in other receivables | (28,039) | (7,616) |
| Change in trade creditors and provisions | (149,219) | 26,352 |
| Net cash used in operating activities | (1,512,764) | (1,034,516) |

13. Other Receivables and Prepayments

| | | |
|-------------------|----------------|--------|
| Other receivables | 411,000 | 28,054 |
| Security deposits | 107,809 | 43,900 |
| Prepayments | 77,164 | 14,275 |
| | 595,973 | 86,229 |

14. Other Investments

| | | |
|--|----------------|---|
| Available-for-sale financial assets ⁽¹⁾ | 466,667 | - |
| Derivative instruments ⁽²⁾ | 28,750 | - |
| | 495,417 | - |

⁽¹⁾ Shares in ASX listed entity consists of 3,333,333 listed ordinary shares in Clancy Exploration Limited (ASX: CLY). The available-for-sale financial assets have been revalued to the market price at 30 June 2010, the resulting decrease being debited to the fair value reserve. Further movement in share prices after 30 June 2010 has not been taken into account.

⁽²⁾ Unlisted options in ASX listed entity consists of 1,250,000 unlisted options in Clancy Exploration Limited (ASX: CLYO). The fair value of the options is determined using a Black-Scholes formula taking into account the terms and conditions upon the instruments were granted.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

15. Property, Plant and Equipment

| | Software \$ | Plant & Equipment \$ | Motor Vehicles \$ | Furniture & Fixtures \$ | Leasehold Improvements \$ | Land \$ | Total \$ |
|--|----------------|----------------------------|-------------------------|-------------------------------|---------------------------------|------------|-------------|
| Cost or deemed cost | | | | | | | |
| Balance at 1 July 2008 | - | 116,670 | 29,743 | 16,259 | 17,485 | - | 180,157 |
| Additions | - | 6,403 | - | 1,939 | - | - | 8,342 |
| Disposals | - | (10,132) | (29,743) | (710) | - | - | (40,585) |
| Balance at 30 June 2009 | - | 112,941 | - | 17,488 | 17,485 | - | 147,914 |
| Balance at 1 July 2009 | - | 112,941 | - | 17,488 | 17,485 | - | 147,914 |
| Acquisitions through business combinations | 26,053 | 71,487 | 119,896 | 47,975 | 64,495 | 67,364 | 397,270 |
| Additions | 46,677 | 29,441 | 84,090 | 3,071 | 214,552 | 9,290 | 387,121 |
| Disposals | - | (60,311) | - | (18,581) | (50,357) | - | (129,249) |
| Effect of movements in exchange rates | 1,492 | 3,506 | 12,092 | 3,037 | 2,029 | 4,809 | 26,965 |
| Balance at 30 June 2010 | 74,222 | 157,064 | 216,078 | 52,990 | 248,204 | 81,463 | 830,021 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

15. Property, Plant and Equipment (continued)

| | Software \$ | Plant & Equipment \$ | Motor Vehicles \$ | Furniture & Fixtures \$ | Leasehold Improvements \$ | Land \$ | Total \$ |
|--|----------------|----------------------------|-------------------------|-------------------------------|---------------------------------|------------|-------------|
| Depreciation and impairment losses | | | | | | | |
| Balance at 1 July 2008 | - | 68,387 | 13,472 | 15,606 | 17,485 | - | 114,950 |
| Depreciation for the year | - | 17,830 | 5,335 | 386 | - | - | 23,551 |
| Disposals | - | (9,418) | (18,807) | (710) | - | - | (28,935) |
| Balance at 30 June 2009 | - | 76,799 | - | 15,282 | 17,485 | - | 109,566 |
| Carrying amounts | | | | | | | |
| Balance as at 1 July 2009 | - | 76,799 | - | 15,282 | 17,485 | - | 109,566 |
| Acquisitions through business combinations | 6,812 | 25,269 | 38,798 | 6,836 | 58,974 | - | 136,689 |
| Depreciation for the year | 5,962 | 20,047 | 14,067 | 2,441 | 15,384 | - | 57,901 |
| Disposals | - | (40,613) | - | (15,617) | (49,341) | - | (105,571) |
| Effect of movements in exchange rates | 1,899 | (563) | 3,387 | 538 | 2,029 | - | 7,290 |
| Balance at 30 June 2010 | 14,673 | 80,939 | 56,252 | 9,480 | 44,531 | - | 205,875 |
| Carrying amounts | | | | | | | |
| at 1 July 2008 | - | 48,283 | 16,271 | 653 | - | - | 65,207 |
| At 30 June 2009 | - | 36,142 | - | 2,206 | - | - | 38,348 |
| at 1 July 2009 | - | 36,142 | - | 2,206 | - | - | 38,348 |
| At 30 June 2010 | 59,549 | 76,125 | 159,826 | 43,510 | 203,673 | 81,463 | 624,146 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

16. Exploration and Evaluation Assets

| | \$ |
|---|------------|
| Cost | |
| Balance at 1 July 2008 | 1,907,128 |
| Additions | 1,143,953 |
| Disposals | (34,754) |
| Balance at 30 June 2009 | 3,016,327 |
| Balance at 1 July 2009 | 3,016,327 |
| Acquisition through business combinations | 27,174,780 |
| Additions | 1,851,441 |
| Effect of movements in exchange rate | 449,673 |
| Balance at 30 June 2010 | 32,492,221 |
| Impairment losses | |
| Balance at 1 July 2008 | 583,917 |
| Impairment loss | 2,432,410 |
| Balance at 30 June 2009 | 3,016,327 |
| Balance at 1 July 2009 | 3,016,327 |
| Impairment loss | - |
| Balance at 30 June 2010 | 3,016,327 |
| Carrying amounts | |
| Balance at 1 July 2008 | 1,323,211 |
| Balance at 30 June 2009 | - |
| Carrying amounts | |
| Balance at 1 July 2009 | - |
| Balance at 30 June 2010 | 29,475,894 |

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective project areas.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

17. Trade and Other Payables

| | 2010 \$ | 2009 \$ |
|---------------------------|----------------|------------|
| Trade and other creditors | 391,524 | 72,535 |
| Accrued expenses | 392,315 | 185,162 |
| | 783,839 | 257,697 |

18. Employee Benefits

| | | |
|----------------------------|---------------|--------|
| Liability for annual leave | 99,407 | 14,798 |
|----------------------------|---------------|--------|

19. Deferred Tax Liabilities

| | | |
|--|------------------|---|
| Deferred tax liability attributable to exploration and evaluation assets | 4,384,978 | - |
|--|------------------|---|

The deferred tax liability arose from the acquisition of Centaurus Resources Limited, refer note 7. The amount recognised is a provisional estimate.

20. Capital and Reserves

| | 2010 Number of Shares | 2009 Number of Shares |
|--|-----------------------------|-----------------------------|
| On issue at 1 July | 286,003,678 | 286,003,678 |
| Issue of ordinary shares related to business combination | 316,805,640 | - |
| Issue of ordinary shares for services | 1,589,321 | - |
| On issue at 30 June – Fully paid | 604,398,639 | 286,003,678 |

Issue of ordinary shares

The Company issued a total 316,805,640 ordinary fully paid shares for the Off-Market Takeover Bid for Centaurus Resources Limited. The fair value of the shares issued has been assessed as \$0.066 per share based on the closing market price for Glengarry Resources Limited shares on the date they were issued.

Centaurus issued 1,589,321 ordinary shares at \$0.0629 cents per share to Gresham Advisory Partners Limited as part settlement of the corporate advisory fee in relation to the merger and has been expensed.

Option Reserve

The Company issued 89,639,392 share options in exchange of the Centaurus existing Bid and Replacement Options. The fair value of the options has been valued using a Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. Included with option reserve is an allocation of fair value or replacement options attributable to business combination consideration (refer to note 7).

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

20. Capital and Reserves (continued)

Employee share options

Information relating to the Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 28.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

Available-for-sale investments revaluation reserve

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve as described above. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

21. Dividends

There were no dividends paid or declared during the year (2009: nil)

22. Earnings/(Loss) Per Share

Basic (loss) per share

The calculation of basic and diluted earnings per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of \$3,918,654 (2009: \$1,265,869) and a weighted average number of ordinary shares outstanding of 428,056,033 (2009: 286,003,678), calculated as follows:

Loss attributable to ordinary shareholders

| | 2010 \$ | 2009 \$ |
|---------------------------------------|-------------|-------------|
| Loss for the period | (3,918,654) | (1,265,869) |
| Loss attributable to the shareholders | (3,918,654) | (1,265,869) |

Weighted average number of ordinary shares

| | 2010 Number | 2009 Number |
|---|----------------|----------------|
| Issued ordinary shares at 1 July | 286,003,678 | 286,003,678 |
| Effect of shares issued related to business combination | 141,477,587 | - |
| Effect of shares issued in February 2010 | 574,768 | - |
| Weighted average number of ordinary shares 30 June | 428,056,033 | 286,003,678 |

Diluted earnings per share

Potential ordinary shares were not considered to be dilutive as the consolidated entity made a loss for the year ended 30 June 2010 and the exercise of potential ordinary shares would not increase that loss.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

23. Related Parties

Key management personnel compensation

| | 2010 \$ | 2009 \$ |
|------------------------------|------------------|------------------|
| Short term employee benefits | 1,012,377 | 656,179 |
| Post-employment benefits | 116,512 | 198,810 |
| Termination benefits | - | 450,168 |
| Share-based payments | 723,927 | 49,961 |
| | 1,852,816 | 1,355,118 |

Individual directors and executives compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Options and rights over equity instruments

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

| | Held at 1 July 2009 | Granted as compensation | Bid options issued on takeover of Centaurus Resources Limited | Other changes | Held at 30 June 2010 | Vested during the year | Vested and exercisable at 30 June 2010 |
|-------------------------------|------------------------|----------------------------|--|------------------|-------------------------|------------------------------|---|
| Directors | | | | | | | |
| Mr D M Murcia | - | 1,500,000 | - | - | 1,500,000 | 500,000 | 500,000 |
| Mr D P Gordon | - | 6,000,000 | 1,600,000 | - | 7,600,000 | 3,600,000 | 3,600,000 |
| Mr K G McKay | 1,000,000 | 1,000,000 | - | - | 2,000,000 | 1,000,000 | 1,500,000 |
| Mr P E Freund | - | 16,000,000 ⁽²⁾ | - | - | 16,000,000 | 4,000,000 | 4,000,000 |
| Mr G T Clifford | 1,000,000 | 500,000 | - | - | 1,500,000 | 250,000 | 500,000 |
| Mr R G Hill | - | 1,500,000 | 8,177,720 | - | 9,677,720 | 8,677,720 | 8,677,720 |
| Executives | | | | | | | |
| Mr M Papendieck | - | 4,000,000 | 6,000,000 | - | 10,000,000 | 7,000,000 | 7,000,000 |
| Mr K M Seymour ⁽¹⁾ | 750,000 | - | - | 750,000 | - | - | - |
| Mr G A James | 750,000 | 1,750,000 | - | - | 2,500,000 | 250,000 | 1,250,000 |
| Mr I Cullen | - | 4,000,000 ⁽²⁾ | - | - | 4,000,000 | 2,000,000 | 2,000,000 |
| Mr K Petersen | - | 3,400,000 ⁽³⁾ | 8,000,000 | - | 11,400,000 | 8,600,000 | 8,600,000 |

⁽¹⁾ Resigned on 1 July 2009

⁽²⁾ These options were issued as replacement awards pursuant to the takeover of Centaurus Resources Limited.

⁽³⁾ Includes 2,400,000 options issued as replacement awards pursuant to the takeover of Centaurus Resources Limited.

No options were exercised during the year.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

23. Related Parties (continued)

Options and rights over equity instruments (continued)

| | Held at 1 July 2008 | Granted as compensation | Exercised | Other changes* | Held at 30 June 2009 | Vested during the year | Vested and exercisable at 30 June 2009 |
|-------------------|---------------------|-------------------------|-----------|----------------|----------------------|------------------------|--|
| Directors | | | | | | | |
| Mr D M Murcia | - | - | - | - | - | - | - |
| Mr D P Gordon | - | - | - | - | - | - | - |
| Mr K G McKay | 1,000,000 | - | - | - | 1,000,000 | 500,000 | 500,000 |
| Mr D R Richards | 2,000,000 | - | - | (2,000,000) | - | - | - |
| Mr G T Clifford | - | 1,000,000 | - | - | 1,000,000 | 250,000 | 250,000 |
| Mr W F Manning | 1,000,000 | - | - | (1,000,000) | - | - | - |
| Executives | | | | | | | |
| Mr K M Seymour | 750,000 | - | - | - | 750,000 | 750,000 | 750,000 |
| Mr G A James | 750,000 | - | - | - | 750,000 | 750,000 | 750,000 |

* Other changes represent options that expired or were forfeited during the year.

Movement in shares

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

| | Held at 1 July 2009 | Purchases | Issue on acquisition of Centaurus Resources Limited | Received on the exercise of options | Sales | Held at 30 June 2010 |
|-------------------|---------------------|-----------|---|-------------------------------------|-------|----------------------|
| Directors | | | | | | |
| Mr D M Murcia | 7,000,000 | 1,040,566 | 1,333,336 | - | - | 9,373,902 |
| Mr D P Gordon | 44,000,000 | - | 8,358,328 | - | - | 52,358,328 |
| Mr K G McKay | 2,419,000 | - | - | - | - | 2,419,000 |
| Mr P E Freund | - | 200,000 | - | - | - | 200,000 |
| Mr G T Clifford | 1,000,000 | - | - | - | - | 1,000,000 |
| Mr R G Hill | - | - | 8,555,440 | - | - | 8,555,440 |
| Executives | | | | | | |
| Mr M Papendieck | - | - | 9,196,000 | - | - | 9,196,000 |
| Mr G A James | 100,000 | 93,985 | 266,667 | - | - | 460,652 |
| Mr I Cullen | - | - | - | - | - | - |
| Mr K Petersen | - | - | 5,280,000 | - | - | 5,280,000 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

23. Related Parties (continued)

Movement in shares (continued)

| Name | Held at 1 July 2008 | Purchases | Received on the exercise of options | Sales | Held at 30 June 2009 |
|-------------------|---------------------|------------|-------------------------------------|-------------|----------------------|
| Directors | | | | | |
| Mr D M Murcia | - | 7,000,000 | - | - | 7,000,000 |
| Mr D P Gordon | - | 44,000,000 | - | - | 44,000,000 |
| Mr K G McKay | 1,419,000 | 1,000,000 | - | - | 2,419,000 |
| Mr D R Richards | 1,112,600 | - | - | (1,112,600) | - |
| Mr G T Clifford | - | 1,000,000 | - | - | 1,000,000 |
| Mr W F Manning | 250,000 | - | - | (250,000) | - |
| Executives | | | | | |
| Mr K M Seymour | 619,000 | - | - | (619,000) | - |
| Mr G A James | 100,000 | - | - | - | 100,000 |

Loans to key management personnel and their related parties

There are no loans made to directors or other key management personnel of Centaurus Metals Limited or the Group.

Key management personnel and director transactions

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

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

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

| | Transaction | Transaction value year ended 30 June | | Balance outstanding as at 30 June | |
|-------------------------------|-----------------|--------------------------------------|------------|-----------------------------------|------------|
| | | 2010 \$ | 2009 \$ | 2010 \$ | 2009 \$ |
| Consolidated | | | | | |
| Key management person | | | | | |
| Mr K G McKay | Consulting fees | 60,302 | 37,666 | - | - |
| Mr D M Murcia ⁽¹⁾ | Legal fees | 19,309 | 8,987 | 16,135 | - |
| Total and current liabilities | | | | 16,135 | - |

⁽¹⁾Payable to Murcia Pestell Hillard Pty Ltd, a firm in which Mr D M Murcia is a partner.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

24. Financial Instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | 2010 \$ | 2009 \$ |
|--|------------------|------------------|
| Cash and cash equivalents | 4,920,035 | 9,673,582 |
| Other receivables and prepayments | 595,973 | 86,229 |
| Other investments, including derivatives | 495,417 | - |
| | 6,011,425 | 9,759,811 |

The Group's maximum exposure to credit risk for other receivables at the reporting date by geographic region was:

| | Carrying amount | |
|-----------|-----------------|---------------|
| | 2010 \$ | 2009 \$ |
| Australia | 154,062 | 86,229 |
| Brazil | 441,911 | - |
| | 595,973 | 86,229 |

Impairment losses

None of the Company's other receivables are past due (2009: nil). The Group believes that no impairment allowance is necessary in respect of the other receivables not past due.

Liquidity risk

The following are the contractual maturities of financial liabilities, excluding the impact of netting agreements:

| | Carrying amount | Contractual cash flows | 6 mths or less | 6-12 mths | 1-2 years | 2-5 years | More than 5 years |
|--------------------------|-----------------|------------------------|----------------|-----------|-----------|-----------|-------------------|
| 30 June 2010 | | | | | | | |
| Trade and other payables | 782,839 | (782,839) | (782,839) | - | - | - | - |
| | 782,839 | (782,839) | (782,839) | - | - | - | - |
| 30 June 2009 | | | | | | | |
| Trade and other payables | 257,697 | (257,697) | (257,697) | - | - | - | - |
| | 257,697 | (257,697) | (257,697) | - | - | - | - |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

24. Financial Instruments (continued)

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

| | 30 June 2010 | 30 June 2009 |
|-----------------------------------|--------------|--------------|
| AUD Equivalent | BRL \$ | USD \$ |
| Cash | 449,048 | 569 |
| Other receivables and prepayments | 441,911 | - |
| Trade and other payables | (430,020) | - |
| Net exposure | 460,939 | 569 |

The Group had no exposure to BRL in 2009. There was no exposure to USD in 2010.

Sensitivity analysis

A strengthening of the AUD, as indicated below, against the BRL at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | Equity \$ | Profit or loss \$ |
|--------------------------------|--------------|----------------------|
| 30 June 2010 | | |
| BRL (10 percent strengthening) | - | (46,094) |
| 30 June 2009 | | |
| USD (10 percent strengthening) | - | (57) |

A weakening of the AUD against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| | 2010 \$ | 2009 \$ |
|----------------------------------|------------|------------|
| Variable rate instruments | | |
| Financial assets | 4,920,035 | 9,685,763 |
| Financial liabilities | - | - |
| | 4,920,035 | 9,685,763 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

24. Financial Instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

| | Profit or loss | | Equity | |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 100bp Increase \$ | 100bp Decrease \$ | 100bp Increase \$ | 100bp Decrease \$ |
| 30 June 2010 | | | | |
| Variable rate instruments | 49,200 | (49,200) | - | - |
| Cash flow sensitivity (net) | 49,200 | (49,200) | - | - |
| 30 June 2009 | | | | |
| Variable rate instruments | 96,858 | (96,858) | - | - |
| Cash flow sensitivity (net) | 96,858 | (96,858) | - | - |

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

| | 30 June 2010 | | 30 June 2009 | |
|--|--------------------------|------------------|--------------------------|------------------|
| | Carrying amount \$ | Fair value \$ | Carrying amount \$ | Fair value \$ |
| Assets carried at fair value | | | | |
| Other receivables and prepayments | 154,062 | 154,062 | - | - |
| Available-for-sale financial assets | 466,667 | 466,667 | - | - |
| Held for trading derivatives instruments | 28,750 | 28,750 | - | - |
| | 649,479 | 649,479 | - | - |
| Liabilities carried at fair value | | | | |
| Trade and other payables | 353,819 | 353,819 | - | - |
| | 353,819 | 353,819 | - | - |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

24. Financial Instruments (continued)

Fair values (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---------------------------------------|---------------|---------------|---------------|-------------|
| 30 June 2010 | | | | |
| Available-for-sale financial assets | 466,667 | - | - | 466,667 |
| Derivative instruments ⁽ⁱ⁾ | - | - | 28,750 | 28,750 |
| | 466,667 | - | 28,750 | 495,417 |
| 30 June 2009 | | | | |
| Available-for-sale financial assets | - | - | - | - |
| Derivative instruments | - | - | - | - |
| | - | - | - | - |

There have been no transfers of assets from Levels during the year ended 30 June 2010 (2009: no transfers in either direction).

⁽ⁱ⁾ Derivatives were acquired as a result of the business combination. Decline in fair value of derivative instruments of \$20,000 has been charged to finance expense (refer notes 7 and 14).

25. Contingent liabilities

The Company and the Group had contingent liabilities at 30 June 2010 in respect of:

(a) Royalties payable under the Ponte de Pedra tenement acquisition agreement:

- (i) At the date of this report there is no defined JORC Indicated Resource for the Ponte Pedra tenements. In the event of defining a JORC Indicated Resource, a First Advanced Royalty will be calculated and paid based on the definition of JORC Indicated Resources identified at the following three rates. Any identified JORC Indicated Resources not falling into the categories outlined above will not require a payment.

The First Advanced Royalty is payable in three consecutive six month periods commencing in June 2009 based on the JORC Indicated Resources defined during each of these six month periods but capped at USD\$5,000,000 for each period. The payments are therefore capped at USD\$15,000,000 over the first 20 months of the Project but may be adjusted by the Second Advanced Royalty, details of which are set out below.

| | Manganese (Mn) | Silica (SiO ₂) | Phosphorous (P) | First Royalty Rate per Indicated Resource ton |
|---------------|-------------------------|-------------------------------|--------------------|--|
| Rate 1 | ≥ 38.0% | ≤ 5.0% | ≤ 0.15% | US\$1.00 per ton |
| Rate 2 | ≥ 38.0% | ≤ 5.0% | ≤ 0.30% | US\$0.75 per ton |
| Rate 3 | From ≥ 34.0% to < 38.0% | ≤ 5.0% | ≤ 0.30% | US\$0.50 per ton |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

25. Contingent liabilities (continued)

(ii) The Second Advanced Royalty Payment is an adjustment payment that will be determined at the time of completing a feasibility study on the Project and identifying economically recoverable resources. Any resources that are identified in a feasibility study as being economically recoverable but for which no First Advanced Royalty has been paid, will be paid for as per the specifications in the table above plus a 10% premium.

(b) Royalties payable under the Itambé tenement acquisition agreements:

(i) At the date of this report there is no defined JORC Indicated Resources greater than 35 million tonnes of Iron Ore for the Itambé 1 tenement. Under the Itambé 1 tenement acquisition agreement, in the event of defining an economic feasible mineral reserve greater than 35 million tonnes of iron ore with more than 35% of Iron on the Itambé 1 tenement, a royalty of USD \$0.20 per tonne of economically feasible iron ore is payable.

(ii) At the date of this report there is no defined JORC Indicated Resources greater than 35% Fe on any of the other 7 Itambé acquisition tenements which includes the Passabem tenement. Under the Itambé tenement acquisition agreement for the 7 tenements, in the event of defining an economic feasible mineral reserve, on any of the 7 tenements, greater than 35% Fe, a royalty of USD \$0.20 per tonnes of economically feasible iron ore is payable.

(c) Royalties payable under the Cenibra tenement acquisition agreement:

Future resource-based payments are made according to a confidential schedule of rates and the grade of the in situ Measured and Indicated Resource and is paid in 3 instalments over a 4 year period.

There are no other contingent liabilities that require disclosure.

Guarantees

Guarantees given in respect of bank security bonds amounting to \$107,809 (2009: \$13,475), secured by cash deposits lodged as security with the bank.

No material losses are anticipated in respect of any of the above contingent liabilities.

26. Capital Commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various government bodies.

| | 2010 \$ | 2009 \$ |
|--|------------------|------------------|
| Contracted for but not provided and payable: | | |
| Less than one year | 707,572 | 694,918 |
| Between one and five years | 1,748,716 | 2,708,172 |
| More than five years | - | - |
| | 2,456,288 | 3,403,090 |

The above commitments may be reduced by tenement withdrawals, concessions, exemptions, reductions and joint venture arrangements with third parties.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

27. Operating Leases

| | 2010 \$ | 2009 \$ |
|---|----------------|---------------|
| Leases as lessee | | |
| Non-cancellable operating lease rentals are payable as follows: | | |
| Less than one year | 381,824 | 48,726 |
| Between one and five years | 495,217 | - |
| More than five years | - | - |
| | 877,041 | 48,726 |

The Group leases a number of offices and apartments under operating lease. The leases run for a period of one to three years, with an option to renew the leases after that date.

During the year ended 30 June 2010 \$149,776 was recognised as an expense in profit or loss in respect of operating leases (2009: \$95,168).

The office leases were combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord of the building is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.

28. Share-Based Payments

Description of the share-based payment arrangements

Employee Share Option Plan

The Employee Share Option Plan ("ESOP") was approved by shareholders at the 2007 annual general meeting. All employees (including directors) are eligible to participate in the Plan. Options granted carry no dividend or voting right. When exercisable, each option is converted into one ordinary share of the Company with full dividend and voting rights.

Replacement Award Options were issued pursuant to the takeover of Centaurus Resources Limited.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

28. Share-Based Payments (continued)

The terms and conditions relating to the grant of options are as follows:

| Grant Date | Number of Options | Vesting Conditions | Option Term |
|----------------------------------|-------------------|----------------------|-------------|
| Employee Options | | | |
| 17/07/2009 | 2,825,000 | Vested immediately | 5 years |
| 17/07/2009 | 1,000,000 | Vested on 04/05/2010 | 5 years |
| 17/07/2009 | 1,325,000 | Vest on 17/07/2010 | 5 years |
| 17/07/2009 | 2,000,000 | Vest on 04/05/2011 | 5 years |
| 17/07/2009 | 1,150,000 | Vest on 17/07/2011 | 5 years |
| 15/02/2010 | 1,150,000 | Vested immediately | 5 years |
| 15/02/2010 | 2,650,000 | See note 1 | 5 years |
| 15/02/2010 | 2,700,000 | See note 2 | 5 years |
| 31/03/2010 | 500,000 | Vested immediately | 5 years |
| 31/03/2010 | 500,000 | Vest on 31/03/2011 | 5 years |
| 31/03/2010 | 500,000 | Vest on 31/03/2012 | 5 years |
| 31/03/2010 | 1,000,000 | See note 1 | 5 years |
| 31/03/2010 | 1,000,000 | See note 2 | 5 years |
| Sub total | 18,300,000 | | |
| Replacement Award Options | | | |
| 19/01/2010 | 1,200,000 | Vested immediately | 1 year |
| 19/01/2010 | 2,960,000 | Vested immediately | 4 years |
| 19/01/2010 | 600,000 | Vest on 31/08/2010 | 4 years |
| 19/01/2010 | 1,200,000 | Vest on 31/08/2011 | 4 years |
| 19/01/2010 | 2,160,000 | Vest on 31/12/2010 | 4 years |
| 19/01/2010 | 1,000,000 | Vested immediately | 4 ½ years |
| 19/01/2010 | 1,000,000 | Vested on 30/06/2010 | 4 ½ years |
| 19/01/2010 | 2,000,000 | Vest on 30/06/2011 | 4 ½ years |
| 19/01/2010 | 4,000,000 | Vested on 31/01/2010 | 5 years |
| 19/01/2010 | 4,000,000 | Vest on 31/10/2010 | 5 years |
| 19/01/2010 | 8,000,000 | Vest on 31/10/2011 | 5 years |
| Sub total | 28,120,000 | | |
| Total | 46,420,000 | | |

Note 1: Options vest on commencement of iron ore production on a Mining Lease from the Company's iron ore projects in Brazil.

Note 2: Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 250,000 tonnes per month over a consecutive 3 month period.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

28. Share-Based Payments (continued)

The number and weighted average exercise prices of share options are as follows:

| | Weighted average exercise price 2010 | Number of options 2010 | Weighted average exercise price 2009 | Number of options 2009 |
|-----------------------------|--------------------------------------|------------------------|--------------------------------------|------------------------|
| Outstanding at 1 July | \$0.160 | 6,300,000 | \$0.178 | 5,600,000 |
| Forfeited during the period | \$0.136 | (2,850,000) | \$0.246 | (700,000) |
| Exercised during the period | - | - | - | - |
| Granted during the period | \$0.088 | 46,420,000 | \$0.133 | 1,400,000 |
| Outstanding at 30 June | \$0.095 | 49,870,000 | \$0.160 | 6,300,000 |
| Exercisable at 30 June | \$0.105 | 17,885,000 | \$0.151 | 4,900,000 |

The options outstanding at 30 June 2010 have an exercise price in the range of \$0.050 to \$0.285 (2009: \$0.10 to \$0.285) and the weighted average remaining contractual life is 4.0 years. (2009: 2.8 years).

Inputs for measurement of grant date fair values

The weighted average fair value at grant date of options granted during the year end 30 June 2010 was \$0.035 (2009: \$0.023). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for 2010 include:

| Grant date | Expiry date | Exercise price | Life of option | Share price at grant date | Expected share price volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|----------------------------------|-------------|----------------|----------------|---------------------------|---------------------------------|----------------|-------------------------|--------------------------|
| Employee Options | | | | | | | | |
| 17/07/2009 | 17/07/2014 | \$0.050 | 5 years | \$0.065 | 93% | Nil | 5.10% | \$0.0503 |
| 17/07/2009 | 17/07/2014 | \$0.075 | 5 years | \$0.065 | 93% | Nil | 5.10% | \$0.0467 |
| 17/07/2009 | 17/07/2014 | \$0.100 | 5 years | \$0.065 | 93% | Nil | 5.10% | \$0.0439 |
| 17/07/2009 | 17/07/2014 | \$0.120 | 5 years | \$0.065 | 93% | Nil | 5.10% | \$0.0420 |
| 15/02/2010 | 15/02/2015 | \$0.080 | 5 years | \$0.053 | 93% | Nil | 5.16% | \$0.0359 |
| 31/03/2010 | 31/03/2015 | \$0.080 | 5 years | \$0.089 | 93% | Nil | 5.50% | \$0.0673 |
| 31/03/2010 | 31/03/2015 | \$0.100 | 5 years | \$0.089 | 93% | Nil | 5.50% | \$0.0645 |
| 31/03/2010 | 31/03/2015 | \$0.120 | 5 years | \$0.089 | 93% | Nil | 5.50% | \$0.0621 |
| Replacement Award Options | | | | | | | | |
| 19/01/2010 | 31/12/2010 | \$0.220 | 0.95 years | \$0.066 | 94% | Nil | 4.32% | \$0.0034 |
| 19/01/2010 | 31/12/2013 | \$0.080 | 3.95 years | \$0.066 | 99% | Nil | 5.03% | \$0.0446 |
| 19/01/2010 | 31/12/2013 | \$0.150 | 3.95 years | \$0.066 | 99% | Nil | 5.03% | \$0.0375 |
| 19/01/2010 | 30/06/2014 | \$0.070 | 4.45 years | \$0.066 | 99% | Nil | 5.20% | \$0.0481 |
| 19/01/2010 | 30/10/2014 | \$0.070 | 4.78 years | \$0.066 | 99% | Nil | 5.20% | \$0.0493 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

28. Share-Based Payments (continued)

Employee expenses

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
| Share options granted in 2007 | - | 6,819 |
| Share options granted in 2008 | 10,186 | 31,538 |
| Share options granted in 2009 | 9,206 | 16,428 |
| Share options granted in 2010 | 734,363 | - |
| Total expense recognised as employee costs | 753,755 | 54,785 |

29. Farm-Out and Joint Venture Exploration Agreements

The Group has entered into a farm-out and joint venture exploration agreement with Summit Resources (Aust) Pty Ltd for the Mt Guide Project. Summit has earned a 90% interest in the Project. MM Mining Plc is earning 80% of Summit's interest in the Project. The Group has a free carried 10% interest in the Project until the completion of a bankable feasibility study.

At the end of the financial year Ivanhoe Australia Ltd informed the Company of its withdrawal from the farm-out and joint venture exploration agreement for the Snake Creek Project. Subsequent to 30 June 2010 the Group commenced the process to relinquish the Project tenement. The carrying amount of this Project at 30 June 2010 is nil.

Refer to note 31 for details of the farm-out exploration agreement announced for its two non-core Brazilian Copper-Gold Projects.

30. Group Entities

| | Country of incorporation | Ownership interest | |
|---------------------------------|--------------------------|--------------------|------|
| | | 2010 | 2009 |
| Parent entity | | | |
| Centaurus Metals Limited | | | |
| Subsidiaries | | | |
| Centaurus Resources Pty Ltd | Australia | 100% | - |
| San Greal Resources Pty Ltd | Australia | 100% | - |
| Centaurus Brasil Mineracao Ltda | Brazil | 100% | - |
| CSLI Limited | Channel Islands | 100% | - |
| Glengarry Sabah Pty Ltd | Australia | 100% | 100% |
| Semporna Mining Sdn Bhd | Malaysia | 100% | 100% |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

31. Subsequent Events

On 6 August 2010 the Group entered into a Farm Out agreement with a Brazilian-based mining company covering its two non-core Brazilian Copper-Gold Projects. Under the terms of the agreement, Mining Ventures Do Sul Pesquisa e Mineração Ltda will spend up to US\$4.25 million on the Project areas to earn up to a 90% interest.

On 16 August 2010 the Group announced it had been awarded damages totalling A\$2 million against its former joint venture partner in the Liberdade Iron Ore Project in Brazil. The Company is in the process of enforcing the judgement.

On 8 September 2010 the Group announced a capital raising to raise up to \$18 million through a share placement and a Share Purchase Plan ("Plan"). On 20 September 2010 the Company completed Tranche 1 of the placement raising \$6.63 million. Tranche 2 of the share placement will be completed on obtaining shareholder approval at a meeting of shareholders to take place on 20 October 2010. The Plan closed on 28 September 2010 with the amount of shares to be allotted not yet determined as at the date of this report.

32. Remuneration of Auditors

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
| Audit services | | |
| Auditors of the Company KPMG Australia: Audit and review of financial reports | 25,500 | 27,500 |
| Other services | | |
| Auditor of the Company KPMG Australia: Taxation services | 50,595 | 13,987 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

33. Parent Entity Information

As at and throughout the financial year ending 30 June 2010 the parent company of the Group was Centaurus Metals Limited.

Result of the parent entity

| | Company | |
|--|--------------------|--------------------|
| | 2010 \$ | 2009 \$ |
| Loss for the period | (3,537,015) | (1,265,869) |
| Other comprehensive income | | |
| Net change in fair value of available-for-sale financial assets | - | (658,452) |
| Net change in fair value of available-for-sale financial assets transferred to profit and loss | - | 658,452 |
| Other comprehensive income for the period, net of income tax | - | (1,265,869) |
| Total comprehensive loss for the year | (3,537,015) | (1,265,869) |

Financial position of the parent entity at the year end

| | | |
|--------------------------|--------------------|-------------|
| Current assets | 4,575,293 | 9,759,811 |
| Non-current assets | 26,554,456 | 38,348 |
| Total assets | 31,129,749 | 9,798,159 |
| Current liabilities | 411,577 | 272,495 |
| Total liabilities | 411,577 | 272,495 |
| Net assets | 30,718,172 | 9,525,664 |
| Share capital | 39,520,025 | 15,544,255 |
| Reserves | 951,846 | 351,380 |
| Accumulated losses | (9,753,699) | (6,369,971) |
| Total equity | 30,718,172 | 9,525,664 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2010

33. Parent Entity Information (continued)

Parent entity contingencies

The parent entity had no contingent liabilities as at 30 June 2010 (2009: nil).

Parent entity capital commitments

The parent entity capital commitments are consistent with those disclosed in Note 26.

Parent entity lease commitments

The parent entity has the following lease commitments:

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| | 2010 \$ | 2009 \$ |
|----------------------------|----------------|------------|
| Less than one year | 139,060 | 48,726 |
| Between one and five years | 333,744 | - |
| More than five years | - | - |
| | 472,804 | 48,726 |

Directors declaration

1. In the opinion of the directors of Centaurus Metals Limited (the "Company"):
 - (a) The consolidated financial statements and notes, 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 2010 and of their 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;
 - (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; and
2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2010.
3. The financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Signed in accordance with a resolution of the directors.



D P Gordon
Managing Director
Perth
30 September 2010

Independent Auditor's Report



Independent auditor's report to the members of Centaurus Metals Limited (Formerly Glengarry Resources Limited)

Report on the financial report

We have audited the accompanying financial report of the Group comprising Centaurus Metals Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 33 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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



Independence

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

Auditor's opinion

In our opinion:

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in section 4.3 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Centaurus Metals Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.


KPMG



T R Hart
Partner

Perth

30 September 2010.

Shareholder Information

The shareholder information set out below was applicable as at 7 October 2010.

A. Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Mr Darren Gordon – 52,558,328 shares.

B. Class of Shares and Voting Rights

(a) At 7 October 2010 there were 3,658 holders of ordinary shares in the Company.

(b) The voting rights attaching to the ordinary shares, set out in Clause 41 of the Company's Constitution, are:

On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction shall be equivalent to the proportion which the amount paid is of the total amounts paid and payable, excluding amounts credited, provided that the amounts paid in advance of a call are ignored when calculating a true portion.

(c) At 7 October 2010, there were 71 holders of options over 110,169,392 unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

C. Distribution of Equity Securities

(a) Analysis of numbers of equity security holders by size of holding:

| | | | Class of Equity Security Ordinary Shares | |
|---------|---|----------|---|---------|
| | | | Shares | Options |
| 1 | - | 1,000 | 58 | - |
| 1,001 | - | 5,000 | 277 | - |
| 5,001 | - | 10,000 | 519 | - |
| 10,001 | - | 100,000 | 1,865 | 7 |
| 100,001 | | and over | 939 | 64 |
| | | | 3,658 | 71 |

(b) There were 415 holders of less than a marketable parcel of ordinary shares.

Shareholder Information

D. Equity Security Holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of each class of quoted equity security are listed below:

| Name | Ordinary Shares | |
|---|-----------------|-----------------------------|
| | Number Held | Percentage of Issued Shares |
| Mr Darren Gordon | 52,558,328 | 7.07 |
| Bridgelane Pty Ltd | 24,975,860 | 3.36 |
| Lujeta Pty Ltd | 17,143,650 | 2.31 |
| UBS Nominees Pty Ltd | 13,467,231 | 1.81 |
| UBS Wealth Management Aust Nominees Pty Ltd | 11,328,520 | 1.52 |
| Mr Bradley George Bolin | 11,049,600 | 1.49 |
| HSBC Custody Nominees (Aust) Limited | 10,246,288 | 1.38 |
| Mr Mark Papendieck | 9,196,000 | 1.24 |
| Citicorp Nominees Pty Ltd | 8,635,121 | 1.16 |
| Mr Richard Hill | 8,555,440 | 1.15 |
| Bond Street Custodians Limited | 8,187,092 | 1.10 |
| National Nominees Limited | 8,113,388 | 1.09 |
| MPH Resources Pty Ltd | 7,000,000 | 0.94 |
| Mr Steve Woodham | 6,963,200 | 0.94 |
| Matzo Consulting Pty Ltd | 6,546,844 | 0.88 |
| Australian Global Capital Pty Ltd | 6,400,000 | 0.86 |
| Mr Matthew Sikirich | 6,108,000 | 0.82 |
| Egg Au Pty Ltd | 6,069,200 | 0.82 |
| Mr Grant Pestell | 5,851,880 | 0.79 |
| JP Morgan Nominees Aust Limited | 5,661,428 | 0.76 |
| Total Top 20 Shareholders | 234,057,070 | 31.49 |
| Other Shareholders | 509,266,567 | 68.51 |
| Total Number of Issued Shares | 743,323,637 | 100.00 |

E. Restricted Securities

The Company currently has no restricted securities.

F. On-market Buy Back

There is no current on-market buy back.

Tenement Information

Australian Tenements

| Tenement | Project Name | Location | Interest |
|----------|--------------|-------------------|----------|
| EL6910 | The Dish | New South Wales | 100% |
| EPM16117 | Percyvale | Queensland | 100% |
| EPM14233 | Mt Guide | Queensland | (1) |
| E45/2874 | Citadel | Western Australia | 100% |
| E45/2876 | Citadel | Western Australia | 100% |
| E45/2877 | Citadel | Western Australia | 100% |
| E45/2901 | Citadel | Western Australia | 100% |

(1) Subject to a Farm-Out and Joint Venture Exploration Agreement with Summit Resources (Aust) Pty Ltd. Summit has earned a 90% interest in the Project. MM Mining Plc is earning 80% of Summit's interest in the Project.

Brazilian Tenements

| Tenement | Project Name | Location | Interest |
|--------------|----------------|--------------|----------|
| 832.316/2005 | Itambe | Minas Gerais | 100% |
| 831.409/2008 | Itambe | Minas Gerais | 100% |
| 831.410/2008 | Itambe | Minas Gerais | 100% |
| 831.411/2008 | Itambe | Minas Gerais | 100% |
| 831.412/2008 | Itambe | Minas Gerais | 100% |
| 831.413/2008 | Itambe | Minas Gerais | 100% |
| 831.414/2008 | Itambe | Minas Gerais | 100% |
| 832.335/2008 | Itambe | Minas Gerais | 100% |
| 831.645/2006 | Passabem | Minas Gerais | 100% |
| 830.588/2008 | Passabem | Minas Gerais | 100% |
| 830.986/2006 | Ponte de Pedra | Minas Gerais | 100% |
| 831.056/2007 | Ponte de Pedra | Minas Gerais | 100% |
| 832.303/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 832.304/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 832.305/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 832.476/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 832.589/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 832.590/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 832.591/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 832.592/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 832.593/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 832.601/2008 | Ponte de Pedra | Minas Gerais | 100% |
| 831.212/2009 | Ponte de Pedra | Minas Gerais | 100% |
| 831.213/2009 | Ponte de Pedra | Minas Gerais | 100% |
| 833.998/2008 | Guanhaes | Minas Gerais | 100% |
| 833.999/2008 | Guanhaes | Minas Gerais | 100% |
| 834.000/2008 | Guanhaes | Minas Gerais | 100% |

Tenement Information

Brazilian Tenements (Continued)

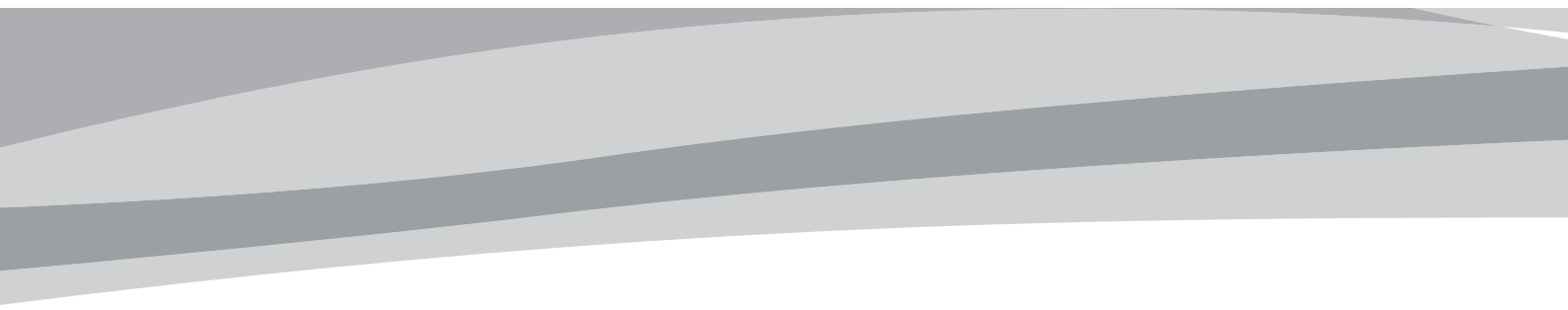
| Tenement | Project Name | Location | Interest |
|--------------|----------------|--------------|----------|
| 834.001/2008 | Guanhaes | Minas Gerais | 100% |
| 834.002/2008 | Guanhaes | Minas Gerais | 100% |
| 834.003/2008 | Guanhaes | Minas Gerais | 100% |
| 834.004/2008 | Guanhaes | Minas Gerais | 100% |
| 834.378/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.379/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.380/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.381/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.382/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.383/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.384/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.435/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.436/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.437/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.438/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.439/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.440/2008 | Itamarandiba | Minas Gerais | 100% |
| 834.794/2007 | Rio Pardo | Minas Gerais | 100% |
| 834.795/2007 | Rio Pardo | Minas Gerais | 100% |
| 834.796/2007 | Rio Pardo | Minas Gerais | 100% |
| 832.523/2009 | Rio Pardo | Minas Gerais | 100% |
| 832.465/2008 | Serra do Bicho | Minas Gerais | 100% |
| 832.468/2008 | Serra do Bicho | Minas Gerais | 100% |
| 832.469/2008 | Serra do Bicho | Minas Gerais | 100% |
| 832.470/2008 | Serra do Bicho | Minas Gerais | 100% |
| 832.472/2008 | Serra do Bicho | Minas Gerais | 100% |
| 832.473/2008 | Serra do Bicho | Minas Gerais | 100% |
| 832.474/2008 | Serra do Bicho | Minas Gerais | 100% |
| 831.174/2005 | Cenibra | Minas Gerais | (2) |
| 831.649/2004 | Cenibra | Minas Gerais | (2) |
| 831.629/2004 | Cenibra | Minas Gerais | (2) |
| 831.636/2004 | Cenibra | Minas Gerais | (2) |
| 831.637/2004 | Cenibra | Minas Gerais | (2) |
| 831.638/2004 | Cenibra | Minas Gerais | (2) |
| 831.639/2004 | Cenibra | Minas Gerais | (2) |
| 831.642/2004 | Cenibra | Minas Gerais | (2) |
| 832.249/2006 | Cenibra | Minas Gerais | (2) |
| 832.250/2006 | Cenibra | Minas Gerais | (2) |
| 833.409/2007 | Cenibra | Minas Gerais | (2) |

Tenement Information

Brazilian Tenements (Continued)

| Tenement | Project Name | Location | Interest |
|--------------|-----------------|-------------------|----------------|
| 833.410/2007 | Cenibra | Minas Gerais | ⁽²⁾ |
| 834.347/2007 | Cenibra | Minas Gerais | ⁽²⁾ |
| 834.352/2007 | Cenibra | Minas Gerais | ⁽²⁾ |
| 830.721/2007 | Cenibra | Minas Gerais | ⁽²⁾ |
| 833.895/2007 | Cenibra | Minas Gerais | ⁽²⁾ |
| 810.411/2007 | Cacapava do Sul | Rio Grande do Sul | 100% |
| 810.412/2007 | Cacapava do Sul | Rio Grande do Sul | 100% |
| 810.413/2007 | Cacapava do Sul | Rio Grande do Sul | 100% |
| 810.414/2007 | Cacapava do Sul | Rio Grande do Sul | 100% |
| 810.522/2007 | Cacapava do Sul | Rio Grande do Sul | 100% |
| 810.523/2007 | Cacapava do Sul | Rio Grande do Sul | 100% |
| 810.525/2007 | Cacapava do Sul | Rio Grande do Sul | 100% |
| 815.907/2007 | Brusque | Santa Catarina | 100% |
| 815.908/2007 | Brusque | Santa Catarina | 100% |
| 815.909/2007 | Brusque | Santa Catarina | 100% |

⁽²⁾ The Group has an agreement with Celulose Nipo-Brasileira S.A. to acquire 100% of the tenement.



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