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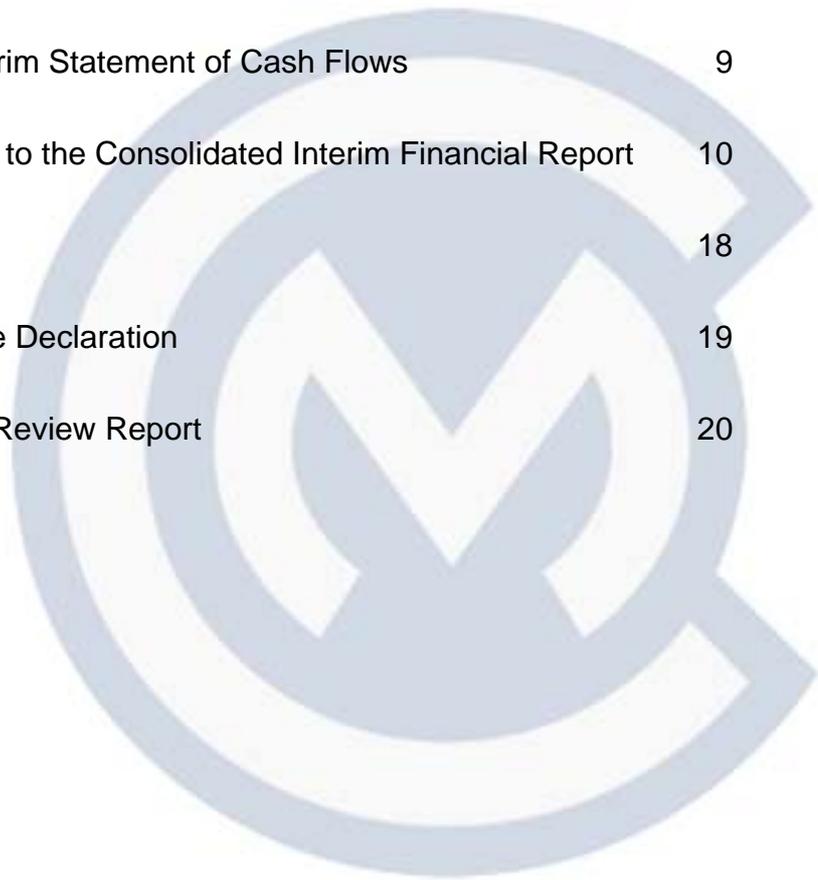
**CENTREX METALS LIMITED**

**INTERIM REPORT**

For the Six Months Ended 31<sup>st</sup> December 2012

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

**Directors' Report**

**For the six months ending 31 December 2012**

The directors present their report together with the consolidated financial report of Centrex Metals Limited for the six months ended 31 December 2012 and the review report thereon.

**1. Directors**

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

Name and Qualifications	Appointed /Resigned	Position
Mr David Klingberg, AO FTSE, D UniSA, B.Tech, FIE Aust, FAus IMM, FAICD	Appointed 19/04/05	Chairman (from 15 January 2010) Independent Non-Executive Director
Mr Jim White B.App. Sci(Met), FIEAust, Eng Exec, MAICD.	Appointed 16/08/10	Executive Director
Mr Kiat Poh Dip C.E.	Appointed 21/05/08	Independent Non-Executive Director
Mr Graham Chrisp B Tech (CE)	Appointed 21/01/10	Non-Executive Director
Mr Jim Hazel B.Ec, SF Fin, FAICD	Appointed 12/07/10	Independent Non-Executive Director
Mr John den Dryver B.Eng (Mining), MSc, FAusIMM	Appointed 01/03/11	Independent Non-Executive Director
Mr Bingqiang Lu BE (Mining)	Appointed 18/9/12	Non-Executive Director
Mr Xiaopeng Yin BE (Mining), ME (Mining)	Appointed 21/1/10 Resigned 27/8/12	Non-Executive Director
Dr Chaoying Qi Phd (MinProc)	Appointed 20/12/11 Resigned 27/8/12	Alternate Non-Executive Director for Mr Xiaopeng Yin
Mr Haiming Zhao BE (Mining), MFinMngmt	Appointed 27/8/12 Resigned 27/8/12	Alternate Non-Executive Director for Mr Xiaopeng Yin

**Directors' Report**

**For the six months ending 31 December 2012**

**2. Review of operations**

**FINANCIAL PERFORMANCE**

The Company incurred a net loss after tax of \$123,332 (2011: net profit after tax of \$713,864) and holds combined cash and term deposits of \$63,285,578 (30 June 2012: combined cash and term deposits of \$63,623,536).

Outlined below are the operational activities undertaken by the Company which includes the joint ventures in which the Company holds an interest at 31 December 2012.

**JOINT VENTURE ACTIVITIES**

Exploration activities on South Australia's ('SA') Eyre Peninsula focused on the Bungalow Joint Venture (magnetite) with Baotou Iron & Steel Group Company Limited which commenced on June 18, 2010 and on the WISCO Joint Venture (magnetite) with Wuhan Iron & Steel (Group) Co. ('WISCO') which commenced on July 20, 2010.

**Bungalow Joint Venture**

The Bungalow Joint Venture pre-feasibility study is likely to be completed in the first half of 2013.

All metallurgical testwork has now been completed and the engineering process design by WorleyParsons is approximately 90% complete.

AMC Consultants completed the pit optimisation during the period and the subsequent pit design and scheduling has commenced.

Golder Associates managed a number of local Eyre Peninsula focus group meetings on behalf of Centrex as part of the ongoing community engagement plan. The intent of the meetings was to gather feedback and ideas on the key community issues and for Centrex to provide a project update.

The environmental geochemical kinetic testing and baseline air quality and ground water monitoring are continuing.

The next period will involve finalising the reporting, capital estimates, peer reviews, financial modelling and continuing stakeholder engagement.

**WISCO Joint Venture**

Mr Bingqiang Lu, was appointed the new Managing Director of Eyre Iron Pty Ltd, the manager of the Eyre Peninsula Joint Venture in September 2012. The Directors see this appointment as a positive development for the project.

Work continues on the Fusion project's Definitive Feasibility Study (DFS), with a focus on resource definition for the project's Koppio, Brennand and Kapperna deposits with more than 18,500m of diamond and geotechnical drilling completed over the three deposits. In addition a decision was made to commence drilling on the Bald Hill prospect to potentially expand Fusion's resource base. Approximately 2,500m of drilling has been completed and results indicate good potential for a further resource increase subject to further drilling.

Water bore drilling and pump test work were completed during the quarter and this information, once finalised, will be incorporated into the environmental base line reporting.

The development application request for guidelines was submitted to the SA Government for the Fusion project's processing plant, pipeline, storage and dewatering facilities, desalination plant and construction accommodation village. The application was made as part of the Port Spencer Stage 2 Request for Guidelines as part of that project's major development assessment. The guidelines are expected to be issued by the

## **Directors' Report**

### **For the six months ending 31 December 2012**

Development Assessment Commission in mid 2013 when the Fusion Environmental Protection and Biodiversity Conservation Act ('EPBC') conditions are also expected to be released.

Negotiation of land purchase option agreements has continued. Agreements are now in place with landholders who own approximately 70 percent of the project area required should mining proceed in the Koppio, Brennand and Kapperna areas.

The Department of Manufacturing, Innovation, Trade, Resources and Energy ('DMITRE') conducted a compliance audit during the period. This required some changes to Eyre Iron's Environmental Management Plan. These are now in the final stages of implementation.

### **EXPLORATION ACTIVITIES**

#### **Wilgerup (hematite – SA)**

No significant exploration was undertaken at Wilgerup.

#### **Goulburn Project (magnetite & base metals – NSW)**

The Goulburn and Archer tenements cover an extensive area of 291 km<sup>2</sup> with a number of base metal, gold and iron deposits and occurrences.

Centrex completed a gradient array IP survey over a gravity anomaly which in conjunction with detailed mapping, airborne magnetics and gravity data identified several new drilling targets. A diamond drilling program is planned for 2013.

#### **Western Middleback Iron Ore Tenements (hematite/magnetite – SA)**

An archaeological and anthropological survey was undertaken over the main banded iron outcrop within the Kimba Gap tenement. The survey was undertaken by Australian Cultural Heritage Management (ACHM) in conjunction with representatives of the Barngarla Traditional Owners. The results of the survey are expected in early 2013.

The Kimba Gap tenement has an extensive ~ 4km length of outcropping magnetite and hematite banded iron formation which has not previously been drilled. Centrex intends to undertake a diamond drilling program in 2013 subject to the results of the recent heritage survey and DMITRE approval.

### **DEVELOPMENT ACTIVITIES**

#### **Wilgerup Operation**

In August 2011 the Company announced that it received approval of its Program for Environmental Protection and Rehabilitation ('PEPR') from the South Australian Government. The PEPR is the primary approval to mine the Company's wholly owned Wilgerup deposit of hematite iron ore located near Lock on the Eyre Peninsula.

It is anticipated that Wilgerup will produce between 1.0 million tonnes and 1.5 million tonnes of direct shipping ore per annum for up to 7 years.

Centrex had originally intended to ship Wilgerup iron ore via Port Lincoln and had secured South Australian Government approvals for that export route. However, a strategic review by Centrex management late last year of its total Eyre Peninsula iron ore exploration, mine commissioning and port infrastructure options, opted to defer mine start-up so that all shipments could be routed through a proposed new purpose built port (Port Spencer).

**Directors' Report**

**For the six months ending 31 December 2012**

**Port Spencer (formerly known as Sheep Hill)**

The stage 1 development approval was received from the South Australian government in December. This is an important part of the Company's plans and a key infrastructure development for the Eyre Peninsula.

Port Spencer is a proposed deep water export facility capable of accommodating Cape class vessels. The planned site for Port Spencer, northeast of Port Lincoln, is in close proximity to Centrex's other iron ore development interests on the Eyre Peninsula.

The Port Spencer 50/50 joint venture agreement between Centrex and Wugang Australian Resources Investment Pty Ltd (WARI) was signed on 9 March 2012. WARI is a wholly owned subsidiary of WISCO. The final outstanding condition precedent to the formal commencement of the joint venture is approval by the relevant Chinese authorities. This approval has been delayed due to the Chinese Government transition process.

Centrex has completed preparation for performing offshore drilling to confirm ground conditions for construction of the jetty. Licence applications have been approved and this work is expected to commence after the joint venture formally commences.

Centrex submitted an application to refer the port site features of the Stage 1 and 2 Port Spencer Project (including in relation to the proposed desalination plant) to the Department of Sustainability, Environment, Water, Population and Communities under the Environment Protection and Bio-diversity Conservation Act 1999 (Cth) (EPBC Act). The Commonwealth Government has ruled that the project is a controlled action and Centrex is now required to submit a report on the potential effects of additional shipping on the southern right whale and of local habitats of the fairy tern. It is anticipated the review procedure will result in a final EPBC decision in the middle of 2013.

**SUBSEQUENT EVENTS**

The following material events occurred subsequent to the period end:

- On 15 January 2013 the Company announced a Heads of Agreement for a joint venture with the Shandong 5th Geo-Mineral Prospecting Institute ("Shandong"), to fund exploration of Centrex tenements at Goulburn in NSW;
- On 5 February 2013 Mr Phillip Staveley resigned from his position as General Manager, with immediate effect. His short term contract was due to expire in June 2013;
- On 13 February 2013 the Company declared a special dividend of \$0.05 per share which will amount to the distribution of \$15,680,045. The record date for determining eligible shareholders is 22 February 2013 and the payment date is listed as 11 March 2013; and
- On 13 February 2013 the Company announced that Mr Ben Hammond would take the position of acting Chief Executive Officer. A search is being conducted to fill the role on a permanent basis.

**Directors' Report**

For the six months ending 31 December 2012

**3. Lead auditor's independence declaration**

The Lead auditor's independence declaration is set out on page 19 and forms part of the Directors' Report for the six months ended 31 December 2012.

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



Mr David Klingberg, AO

Dated at Adelaide this 25<sup>th</sup> day of February 2013.



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**CENTREX METALS LIMITED**  
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**Consolidated Interim Statement of Comprehensive Income**

For the six months ending 31 December 2012

	Note	Six Months Ending	
		31 Dec 2012	31 Dec 2011
		\$	\$
Other income	7	11,079	1,803,208
Office and administration expenses		(303,015)	(305,713)
Consultants and management expenses		(112,136)	(703,898)
Directors' fees		(211,625)	(206,629)
Employee benefit expenses		(904,777)	(546,434)
Depreciation expense		(104,711)	(107,468)
Research and development expenses		-	(1,219,261)
Other expenses		(243,930)	(190,884)
<b>Results from operating activities</b>		<b>(1,869,115)</b>	<b>(1,477,079)</b>
Finance income		1,764,744	2,531,429
Finance costs		-	-
<b>Net finance income</b>		<b>1,764,744</b>	<b>2,531,429</b>
<b>Profit / (Loss) before income tax</b>		<b>(104,371)</b>	<b>1,054,350</b>
Income tax expense	8	(18,961)	(340,666)
<b>Profit / (Loss) for the period</b>		<b>(123,332)</b>	<b>713,684</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income for the Period</b>		<b>(123,332)</b>	<b>713,684</b>
<b>Profit / (Loss) attributable to:</b>			
<b>Owners of the company</b>		(123,332)	713,684
<b>Profit / (Loss) for the period</b>		<b>(123,332)</b>	<b>713,684</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		<b>Cents per share</b>	<b>Cents per share</b>
<b>Basic earnings per share</b>	9	(0.0393)	0.2276
<b>Diluted earnings per share</b>	9	(0.0393)	0.2271

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

# CENTREX METALS LIMITED

A.B.N. 97 096 298 752

## Consolidated Interim Statement of Changes in Equity

For the six months ending 31 December 2012

	Note	Contributed equity \$	Option reserve \$	Retained earnings \$	Total \$
<b>Current Period</b>					
Balance at 1 July 2012		41,330,328	1,712,711	41,477,146	84,520,185
Profit / (Loss) for the period		-	-	(123,332)	(123,332)
Other comprehensive income		-	-	-	-
<b>Total Comprehensive Income for the Period</b>		-	-	(123,332)	(123,332)
<b>Contributions from/to equity owners</b>					
Share-based payment transactions		-	127,727	-	127,727
Balance at 31 December 2012		<b>41,330,328</b>	<b>1,840,438</b>	<b>41,353,814</b>	<b>84,524,580</b>
<b>Prior Period</b>					
Balance at 1 July 2011		41,330,328	1,504,171	40,803,670	83,638,169
Profit / (Loss) for the period		-	-	713,684	713,684
Other comprehensive income		-	-	-	-
<b>Total Comprehensive Income for the Period</b>		-	-	713,684	713,684
<b>Contributions from/to equity owners</b>					
Share-based payment transactions		-	70,313	-	70,313
Balance at 31 December 2011		<b>41,330,328</b>	<b>1,574,484</b>	<b>41,517,354</b>	<b>84,422,166</b>

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

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**CENTREX METALS LIMITED**  
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**Consolidated Interim Statement of Financial Position**

As at 31 December 2012

	Note	As at	
		31 Dec 2012	30 Jun 2012
		\$	\$
<b>Assets</b>			
Cash and cash equivalents		4,903,036	1,852,376
Term deposits		58,383,542	61,771,160
Other receivables	11	<u>904,140</u>	<u>1,061,099</u>
<b>Total Current Assets</b>		<b>64,190,718</b>	<b>64,684,635</b>
Exploration and evaluation expenditure	10	14,846,067	14,312,347
Land and buildings		5,622,438	5,638,499
Plant and equipment		277,127	347,471
Other receivables	11	<u>5,292,556</u>	<u>5,171,794</u>
<b>Total Non-Current Assets</b>		<b>26,038,188</b>	<b>25,470,111</b>
<b>Total assets</b>		<b><u>90,228,906</u></b>	<b><u>90,154,746</u></b>
<b>Liabilities</b>			
Trade and other payables		577,820	572,849
Employee benefits		<u>178,327</u>	<u>177,527</u>
<b>Total Current Liabilities</b>		<b>756,147</b>	<b>750,376</b>
Deferred income tax liabilities	8	4,791,137	4,772,176
Employee benefits		<u>157,042</u>	<u>112,009</u>
<b>Total Non-Current Liabilities</b>		<b>4,948,179</b>	<b>4,884,185</b>
<b>Total Liabilities</b>		<b><u>5,704,326</u></b>	<b><u>5,634,561</u></b>
<b>Net assets</b>		<b><u>84,524,580</u></b>	<b><u>84,520,185</u></b>
<b>Equity</b>			
Contributed equity		41,330,328	41,330,328
Share Options Reserve		1,840,438	1,712,711
Retained earnings		<u>41,353,814</u>	<u>41,477,146</u>
<b>Total equity</b>		<b><u>84,524,580</u></b>	<b><u>84,520,185</u></b>

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

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

**Consolidated Interim Statement of Cash Flows**

For the six months ending 31 December 2012

	Note	Consolidated	
		31 Dec 2012	31 Dec 2011
		\$	\$
<b>Cash flows from operating activities</b>			
Lease income received		9,089	12,975
Payments to suppliers and employees		(1,652,108)	(3,293,548)
Income taxes (paid) / received		-	380,701
<b>Net cash from operating activities</b>		<u>(1,643,019)</u>	<u>(2,899,872)</u>
<b>Cash flows from investing activities</b>			
Expenditure on mining tenements		(535,574)	(105,215)
Expenditure on behalf of joint ventures		(603,479)	(975,426)
Receipts from joint venture partners		809,623	943,247
Disposal of interest in tenements		-	26,000,000
Interest received		1,650,160	1,890,670
Acquisition of plant and equipment		(18,305)	(101,024)
Proceeds on disposal of plant and equipment		3,636	34,700
<b>Net cash from investing activities</b>		<u>1,306,061</u>	<u>27,686,952</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		-	-
<b>Net cash from financing activities</b>		-	-
<b>Net increase / (decrease) in cash before term deposits</b>		<u>(336,958)</u>	<u>24,787,080</u>
Cash transferred (to) / from term deposits		3,387,618	(32,952,379)
<b>Net increase / (decrease) in cash</b>		<u>3,050,660</u>	<u>(8,165,299)</u>
<b>Cash at the beginning of the year</b>		1,852,376	18,156,327
<b>Cash at the end of the half year</b>		4,903,036	9,991,028

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

**Condensed Notes to the Consolidated Interim Financial Report**

**For the six months ending 31 December 2012**

**1. Reporting Entity**

Centrex Metals Limited (the 'Company') is a company domiciled in Australia. The registered office is Level 11, 147 Pirie Street Adelaide, SA 5000.

The consolidated interim financial report of the Company as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2012 is available at:

<http://centrexmetals.com.au/cms-assets/documents/83688-47933.20121018-annual-report.pdf>

**2. Statement of compliance**

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2012.

This consolidated interim financial report was approved by the Board of Directors on 25 February 2013.

**3. Estimates**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2012.

**4. Financial risk management**

The consolidated entity's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2012.

**5. Segment reporting**

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

**Condensed Notes to the Consolidated Interim Financial Report**

For the six months ending 31 December 2012

**6. Principles of Consolidation for Joint Ventures**

*Joint ventures*

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

*Jointly controlled operations and assets*

The interest of the consolidated entity in jointly controlled operations (including unincorporated joint ventures) and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services produced by the joint venture. To the extent that the Company is being "free-carried" in the jointly controlled assets it will not reflect a share of such expenditure.

Note 10, 'Mining Tenements', contains a table disclosing the expenditure incurred on the two "farm-in" joint venture projects that the Company has an interest in.

In addition to the exploration "farm-in" joint ventures detailed at Note 10, 'Mining Tenements' the Company signed a joint venture agreement for the Port Spencer port development on 9 March 2012. The agreement is conditional upon receiving Chinese government approvals which at the date of his report had not been granted.

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

**7. Other income**

Other income consisted of the following:

	<b>Note</b>	<b>Six Months Ending</b>	
		<b>31 Dec 12</b>	<b>31 Dec 11</b>
		\$	\$
Lease income		7,443	17,611
Disposal of interest in iron ore rights, net of costs	(i)	-	1,760,745
Profit on sale of property, plant and equipment		3,636	24,852
		<u>11,079</u>	<u>1,803,208</u>

- (i) The period ended 31 December 2011 included finalisation of costs associated with the disposal of a 60% interest in the iron ore rights to the 5 tenements identified in Note 10, 'Mining Tenements' and the settlement of the legal claim by Kimberley Global Pty Ltd. Income of \$1,760,745 represents a reduction in the provision for costs associated with that legal claim.

**CENTREX METALS LIMITED**  
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**Condensed Notes to the Consolidated Interim Financial Report**

For the six months ending 31 December 2012

**8. Income tax expense and deferred tax assets and liabilities**

The consolidated entity's effective tax rate in respect of continuing operations for the six months ended 31 December 2012 was (18%) (for the six months ended 31 December 2011: 32%).

Details of the current and deferred income tax expense is shown below:

	<u>6 Months to 31 Dec 12</u>	<u>6 Months to 31 Dec 11</u>
	\$	\$
<b>Current income tax expense/(benefit)</b>		
Current period	(524,586)	(643,212)
<b>Current income tax liability</b>	(524,586)	(643,212)
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	543,547	983,878
	543,547	983,878
<b>Total income tax expense</b>	<u>18,961</u>	<u>340,666</u>
	<u>6 Months to 31 Dec 12</u>	<u>12 Months to 30 Jun 12</u>
	\$	\$
<b>Deferred tax (assets) / liabilities</b>		
<b>Tax (assets)</b>		
Property, plant and equipment	(74,179)	(64,565)
Legal fees	(561,213)	(903,287)
Provisions and accrued expenses	(201,186)	(217,783)
Discount on stamp duty	(194,233)	(230,462)
<b>Tax liabilities</b>		
Interest receivable	215,428	217,282
Stamp duty receivable	1,782,000	1,782,000
Exploration and evaluation assets	4,453,820	4,293,704
<b>Net tax (assets) / liabilities</b>	<u>5,420,437</u>	<u>4,876,889</u>
Tax loss carry-forwards	(629,300)	(104,713)
<b>Deferred tax (asset) / liability</b>	<u>4,791,137</u>	<u>4,772,176</u>

**Condensed Notes to the Consolidated Interim Financial Report**

For the six months ending 31 December 2012

**9. Earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	6 Months to 31 Dec 12	6 Months to 31 Dec 11
	\$	\$
Earnings used in calculation of basic EPS (profit after tax)	(123,332)	713,684
Weighted average number of ordinary shares for the purpose of basic earnings per share	(i) 313,600,904	313,567,485
Weighted average number of ordinary shares for the purpose of diluted earnings per share	(ii) 313,951,101	314,301,959
Basic earnings per share (cents)	(0.0393)	0.2276
Diluted earnings per share (cents)	(0.0393)	0.2271

- (i) Options on issue are considered to be potential shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of dilutive earnings per share.
- (ii) The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share plus an additional 350,197 'in the money' options or rights on issue at 31 December 2012 (2011: plus an additional 734,474 'in the money' options or rights).



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**Condensed Notes to the Consolidated Interim Financial Report**

For the six months ending 31 December 2012

**10. Mining Tenements**

During the six months ended 31 December 2012, the consolidated entity incurred expenditure with a cost of \$533,720 (six months ended 31 December 2011: \$105,215) on the following exploration tenements:

	Note	Cumulative Expenditure to <b>30 Jun 12</b>	Expenditure 6 months to <b>31 Dec 12</b>	Carrying cost of tenements sold - to <b>31 Dec 12</b>	Refund from JV partner to <b>31 Dec 12</b>	Cumulative Expenditure to <b>31 Dec 12</b>
		\$	\$	\$	\$	\$
<i>Held by Centrex Metals Limited</i>						
Greenpatch EL 3611	W	113,380	-	-	-	113,380
Cockabidnie EL 3609		27,308	16,482	-	-	43,790
Bungalow EL 3610	B	692,636	-	-	-	692,636
Wilgerup EL 3317		11,467,505	242,790	-	-	11,710,295
Wanilla EL 3269	W	47,677	-	-	-	47,677
Dutton Bay EL 3421	W	44,351	-	-	-	44,351
Lock EL 3401		19,345	8,004	-	-	27,349
Gilles Downs EL 3375		114,381	8,252	-	-	122,633
Cockabidnie North EL 3498		65,228	6,575	-	-	71,803
Goulburn NSW EL 7388		510,389	105,412	-	-	615,801
Archer NSW EL 7503		123,208	38,112	-	-	161,320
		<u>13,225,408</u>	<u>425,627</u>	-	-	<u>13,651,035</u>
<i>Held by South Australian Iron Ore Group Pty Ltd</i>						
Mount Hill EL 3877	W	126,802	-	-	-	126,802
Carrow EL 3731	W	156,047	-	-	-	156,047
Kimba Gap EL 3968		161,450	80,725	-	-	242,175
Ironstone Hill EL 3125		120,867	7,641	-	-	128,508
Ironstone Hut EL 3999		110,228	7,539	-	-	117,767
Stony Hill EL 3287		411,545	12,188	-	-	423,733
		<u>1,086,939</u>	<u>108,093</u>	-	-	<u>1,195,032</u>
<b>Total</b>		<u>14,312,347</u>	<u>533,720</u>	-	-	<u>14,846,067</u>

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

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

The Mining tenement assets comprise exploration expenditure incurred since acquiring the licences. The expenditure is capitalised on a tenement by tenement ("area of interest") basis.

Mining tenements are recorded at cost. The carrying amount is reviewed regularly by the Directors and is dependent upon the discovery and exploitation of commercially viable mineral deposits, the generation of sufficient income from, or sale of tenements for at least their book value. Depreciation will not be charged until production commences.

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**10. Mining Tenements (continued)**

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. The consolidated entity will assess the assets for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying value amount exceeds the recoverable amount. For the purpose of impairment testing, the assets are allocated to cash-generating units.

Total expenditure incurred by the two "farm-in" joint ventures that the Company has an interest in is outlined below. In accordance with Note 6 'Principles of Consolidation – Joint Ventures' the Company has not recognised its interest in this expenditure in the accounts.

	Note	Six Months Ending	
		31 Dec 12	31 Dec 11
		\$	\$
Eyre Peninsula Joint Venture	W	14,068,935	6,164,995
Bungalow Joint Venture	B	2,223,271	8,220,623
		<u>16,292,206</u>	<u>14,385,618</u>

(B) Joint venture with Baotou.

(W) Joint venture with WISCO.

**11. Receivables**

Current and non-current receivables consisted of the following:

	As at	
	31 Dec 12	30 Jun 12
	\$	\$
<b>CURRENT RECEIVABLES</b>		
Interest due on term deposits	718,094	724,272
Prepayments	118,562	75,688
GST (Payable) / Receivable	12,490	-
Eyre Iron Joint Venture	(i) 28,380	176,444
Bungalow Joint Venture	(ii) 18,142	23,979
Port Spencer Joint Venture	8,472	60,716
	<u>904,140</u>	<u>1,061,099</u>
<b>NON-CURRENT RECEIVABLES</b>		
Stamp duty	5,940,000	5,940,000
Discount on stamp duty	(647,444)	(768,206)
	<u>5,292,556</u>	<u>5,171,794</u>

(i) The Company has a 40% interest in the Eyre Iron Joint Venture. The balance owed by the Joint Venture relates principally to wages and salaries of Company employees that have been seconded to the Joint Venture.

(ii) The Company has a 70% interest in the Bungalow Joint Venture. The balance owed by the Joint Venture relates principally to wages and salaries of Company employees that have been seconded to the Joint Venture.

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**12. Key management personnel disclosure**

**Transactions with key management personnel**

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments.

**Other related party transactions**

Entity	Note	Six Months Ending	
		31 Dec 12	31 Dec 11
		\$	\$
Bynoe Investments Pty Ltd	(i)	29,975	29,975
Asiasphere Pty Ltd	(ii)	35,425	35,425
Wugang Australian Resources Investment Pty Ltd	(iii)	29,975	24,979

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

Current payables

Trade creditors	-	-
Interest bearing loans and borrowings	-	-

- (i) Bynoe Investments Pty Ltd is a firm associated with Mr Graham Chrisp. Mr Chrisp undertakes his directorship to the Company as a consultant.
- (ii) Asiasphere Pty Ltd is a firm associated with Mr Kiat Poh. Mr Poh undertakes his directorship to the Company as a consultant.
- (iii) Wugang Australian Resources Investment Pty Ltd is a firm associated with Mr Bingqiang Lu. Mr Lu undertakes his directorship to the Company as a consultant.

**13. Related party transactions**

The Company considers that the two joint ventures in which it has an interest fall within the definition of related parties in the *Corporations Act 2001*. Accordingly the following transactions are disclosed:

Expenditure Incurred on behalf of the entity	Note	Six Months Ending	
		31 Dec 12	31 Dec 11
		\$	\$
Eyre Peninsula Joint Venture	W	328,158	322,011
Bungalow Joint Venture	B	210,972	653,415
Port Spencer Joint Venture	S	64,349	-
		603,479	975,426

<b>Assets and liabilities arising from the above transactions</b>			
Other receivables			
Current debtors		46,522	201,757
Interest bearing loans and receivables		-	-

- (B) The expenditure incurred by the Company on the Bungalow Joint Venture includes drilling and other related exploration expenditure, including the salaries of Company staff that have been working on the project.

**Condensed Notes to the Consolidated Interim Financial Report**

For the six months ending 31 December 2012

**13. Related party transactions (continued)**

- (S) The expenditure incurred by the Company on the Port Spencer Joint Venture includes drilling and other related exploration expenditure, including the salaries of Company staff that have been working on the project.
- (W) The expenditure incurred by the Company on the Eyre Peninsula Joint Venture includes the salaries of Company staff that have been working on the project and miscellaneous exploration costs.

Centrex is reimbursed for expenditure incurred on behalf of joint venture entities.

**14. Contingent assets**

*Inferred resource milestone incentive payments*

WISCO may pay the Company four further payments of A\$ 27 million if and when the JORC Inferred Resources for the Eyre Peninsula Joint Venture reach 1.25Bt, 1.5Bt, 1.75Bt and 2.0Bt respectively (up to an additional A\$ 108 million).

**15. Contingent liabilities**

*Minimum inferred resource milestone*

The Company has an obligation to cede additional Inferred Resources into the Eyre Peninsula Joint Venture if after July 2015 the combined JORC Inferred Resources in the Joint Venture have not reached 1.0Bt in order to make up the shortfall.

*PIRSA Commitments*

In order to maintain its right of renewal of tenements (reviewed on a regular basis), the Group is required to meet exploration expenditures as defined at the time of the granting of the tenements. The tenement commitments due to the end of January 2014 are \$3,020,000 (2011: \$2,145,500 for 19 months).

*Bungalow joint venture*

The Company has entered into an agreement with Aussie Produce Pty Ltd to provide intermediary services in relation to the Bungalow joint venture. Should the Bungalow joint venture proceed to stage 3B (\$16 million), Aussie Produce Pty Ltd is entitled to receive 3% of the funding paid into the joint venture bank account (\$480,000 for stage 3B).

The Bungalow joint venture had commitments of \$51,371 as at 31 December 2012 relating to pre-feasibility studies (2011: \$1,425,886).

**16. Subsequent events**

The following material events occurred subsequent to the period end:

- On 15 January 2013 the Company announced a Heads of Agreement for a joint venture with the Shandong 5th Geo-Mineral Prospecting Institute ("Shandong"), to fund exploration of Centrex tenements at Goulburn in NSW.
- On 5 February 2013 Mr Phillip Staveley resigned from his position as General Manager, with immediate effect. His short term contract was due to expire in June 2013.
- On 13 February 2013 the Company declared a special dividend of \$0.05 per share which will amount to the distribution of \$15,680,045. The record date for determining eligible shareholders is 22 February 2013 and the payment date is listed as 11 March 2013.
- On 13 February 2013 the Company announced that Mr Ben Hammond would take the position of acting Chief Executive Officer. A search is being conducted to fill the role on a permanent basis.

**Directors' Declaration**

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

- 1 the interim financial statements and notes set out on pages 6 to 17, are in accordance with the *Corporations Act 2001* including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2012 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Mr David Klingberg, AO  
Chairman

Dated at Adelaide this 25<sup>th</sup> day of February 2013.



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

To: the directors of Centrex Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the interim period ended 31 December 2012 there have been:

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

KPMG

Scott Fleming  
*Partner*

Adelaide

25 February 2013

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

We have reviewed the accompanying interim financial report of Centrex Metals Limited, which comprises the consolidated interim statement of financial position as at 31 December 2012, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the interim period.

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

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Centrex Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

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

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*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Centrex Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Scott Fleming  
*Partner*

Adelaide

25 February 2013