BC IRON
LIMITED

ANNUAL REPORT 2010

INTEGRITY MINING SUCCESS

CORPORATE DIRECTORY

ACN

120 646 924

ABN

21 120 646 924

Directors

Anthony Kiernan	– Non-Executive Chairman
Michael Young	- Managing Director
Glenn Baldwin	- Non-Executive Director
Steven Chadwick	– Non-Executive Director
Terry Ransted	- Non-Executive Director
Morgan Ball	- Chief Financial Officer & Company Secretary

Principal Office

Level 1
15 Rheola Street,
West Perth, WA 6005, Australia
T: +61 (08) 6311 3400
F: +61 (08) 6311 3449

Postal Address

GPO Box 2811
Perth, WA 6001

Share Registry

Advanced Share Registry
150 Stirling Highway,
Nedlands, WA 6009, Australia
T: +61 (08) 9389 8033
F: +61 (08) 9389 7871
Website: www.advancedshare.com.au

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008
T: +61 (08) 6382 4600
F: +61 (08) 6382 4601

Stock Exchange

ASX Limited

Home Exchange

Perth

ASX Code

BCI

Internet

www.bciron.com.au
info@bciron.com.au

CONTENTS

SECTION 01

OUR COMPANY

BC Iron Limited (ASX: BCI) is an emerging iron ore producer focused on Western Australia's world-class Pilbara region. The Company listed on the Australian Stock Exchange in December 2006.
BC Iron formalised the 50/50 Nullagine Iron Ore Joint Venture with Fortescue Metals Group (FMG) in December 2009 and in November 2009 secured a US$50m financing arrangement with Hong Kong based Industrial Company, Henghou Industries (Hong Kong) Limited. The financing is repayable over 5 years in equal installments. Henghou has the right to purchase 20mt of ore over 8 years.
BC Iron is on track to become Australia's newest iron ore producer during the fourth quarter of 2010.
The Nullagine Iron Ore Project currently comprises a Direct Shipping Ore probable reserve of 36 million tonnes (Mt) @ 57 percent Fe at the Coongan Outcamp, and Warrigal Well deposits. The total mineral resource at Nullagine is 101Mt @ 54 percent Fe.

Moving to Production

BC Iron's competitive edge over other iron ore juniors in the Pilbara is that its Nullagine resource comprises an outcropping, low contaminant 'First Class' sinter feed that is located close to accessible transport infrastructure with a secured infrastructure access agreement in place.

These attributes position BC Iron favourably to transform the project rapidly into production and cash flow in the near future. The Company expects to have shipped 1 million tonnes of ore by 30 June 2011, and a further 3 million tonnes by 30 June 2012.

SECTION 02
CHAIRMAN'S REPORT

Dear Shareholder,

I am pleased to report that the 2010 financial year has been a productive and positive one for BC Iron with completion of the feasibility study on the Outcamp and Warrigal Well deposits within the Company's Nullagine iron ore project and entry into the joint venture with FMG. That joint venture brought with it essential rail and port facilities. Production is expected to start in late 2010 which has capped off an excellent year.

BOARD HIGHLIGHTS

- A$22million capital raising in July 2009.
- Trial test pit confirming feasibility assumptions.
- Nullagine Iron Ore Project Joint Venture established and rail haulage and port facilities secured.
- US$50million in project funding from Henghou Industries (Hong Kong) Limited.
- Native Title Agreement with the Palkyu people.

BC Iron's board standing in front of the ore stockpile at the Nullagine Iron Ore Project. Left to right: Michael Young, Steven Chadwick, Anthony Kiernan, Terry Ransted, Glenn Baldwin

The year began with a capital raising of A$22million which gave the Company the financial confidence to aggressively move the project towards production in the fourth quarter of 2010.

During 2009, I was part of a BC Iron delegation to China to assess opportunities for long term sales contracts and project finance. The Chinese were impressed with the quality of BC Iron's ore with a preference for Western Australian hematite and pisolite ores over all others. This is a key competitive advantage for the Company.

Obtaining project financing with Henghou Industries (Hong Kong) Limited was a significant development and underpinned BC Iron's move into production as did finalising the 50:50 Joint Venture with FMG and the securing of rail haulage to port facilities at Port Hedland.

Blair Duncan, previously General Manager of Operations, was appointed Chief Operating Officer and Morgan Ball joined to fill the very important role of Chief Financial Officer and Company Secretary.

Garth Higgo left the Board during the year and was replaced by Glenn Baldwin the Chief Executive Officer of BC Iron's major shareholder, Consolidated Minerals Limited. Garth was a director on inception and I'd like to record his valuable contribution to the Company.

As to the year ahead, BC Iron is focussed on ensuring production is achieved during the fourth quarter of 2010 with 1,000,000 tonnes forecast for export by 30 June 2011. This will be an outstanding achievement. I am particularly pleased to say that we have got to this position after listing in only December 2006 and with a relatively small issued share capital.

Our cash position remains strong and with the comfort of our infrastructure solution secured through FMG and key development contracts and approvals now in place, we look forward to attractive returns to shareholders and an exciting future.

I would like to thank the BC Iron team led by Managing Director, Michael Young, and my fellow Board members for their determination and efforts to drive the Company closer to production at the end of this year.

When Michael and myself went out to raise the initial capital for the Company, we stressed the business plan was to drill out a resource and bring the project into production as soon as possible. We have done the former and are on the verge of the latter.

I believe we can all look back on this year as a defining time for the Company and acknowledge what has been achieved in such a short space of time. The future bodes well for BC Iron as another success story for the mining industry in Western Australia. It is something we should all be proud of.

Anthony W. Kiernan
Chairman

SECTION 03

MANAGING DIRECTOR'S REPORT

HIGHLIGHTS

- Finalised the Heads of Agreement with Chichester Metals Pty Ltd, a subsidiary of FMG, to create the Nullagine Iron Ore Joint Venture ("NIOJV").
- Secured a rail haulage and port services agreement with The Pilbara Infrastructure Pty Ltd ("TPI"), a wholly owned subsidiary of FMG, which provides mine to market infrastructure.
- Signed mining and infrastructure agreements with the Palyku Native Title Group and the Nyiyaparli People respectively.
- Completed trial mining with results exceeding expectations and providing important technical information going forward.
- Secured a US$50 million funding agreement with Henghou Industries (Hong Kong) Limited.
- Awarded all key construction and operating contracts – mining & crushing, road construction, accommodation camp and mine operations centre, catering & janitorial and ore haulage.
- Maintained a strong cash position at 30 June 2010 of $29 million.

BC Iron is on the cusp of becoming a Western Australian iron ore producer within 4 years of listing on the ASX, which is a commendable achievement by any junior mining company's standards. Construction is now underway at the Nullagine Iron Ore Project (BC Iron 50%: FMG 50%), 140 km north of Newman in Western Australia's Pilbara region.

Given the vast distances and significant tonnages involved in iron ore mining, the last four years' achievements could not have been reached by a junior exploration company alone. The early decision by BC Iron in 2007 to establish a relationship with FMG transformed a stranded iron ore deposit into a marketable asset with significant value for shareholders.

In late 2009, BC Iron finalised its joint venture and infrastructure agreements with FMG to ensure that the NIOJV ships its first million tonnes by the end of June 2011. The first year of production is targeting an initial annual capacity of 3 million tonnes per annum (mtpa) from March 2011 before increasing to 5 mpta from 30 June 2012 onwards, once FMG has increased port infrastructure capacity.

BC Iron manages the Joint Venture through BC Iron Nullagine Pty Ltd, a wholly owned subsidary of BC Iron, and is responsible for mining and transporting the ore by road to FMG's rail infrastructure at the Christmas Creek Ore Processing Facility. From thereon, FMG is contracted by the NIOJV to transport the joint venture ore to Port Hedland by rail, and onto ships ready for export.

In addition, November 2009 saw the Joint Venture partners secure a US$50m project funds facility, which has now been received in full, with Hong-Kong based Henghou Industries (Hong Kong) Limited. This agreement ensured the financial viability of the Project with funding through to production. BC Iron continues to maintain a robust financial position with a cash balance of just under $29 million at 30 June 2010.

MANAGING DIRECTOR'S REPORT

The Nullagine Iron Ore Project has a Probable Ore Reserve of 36Mt at 57% Fe (65% CaFe) with low impurities and is considered a true 'direct shipping ore' as only mining, crushing and shipping are required. This high calcined iron product also has very low phosphorous content and exceptional sintering qualities. These key features are expected to drive long term demand for our ore from Chinese steel customers and place the Joint Venture in a strong price negotiating position in the future.

The Project currently has an expected mine life of 8½ years with cash operating costs of ~ A$43 per tonne (excluding royalties, marketing and administration costs) over the life of the mine, project development costs of approximately A$60 million and A$20 million of working capital. These low operating costs per tonne can be attributed to a low strip ratio, the use of surface mining techniques and an efficient crushing and screening process, which is supported by a low waste to ore ratio of 1:1 for the life of the mine. Further exploration during the next financial year and beneficiation of lower grade ore has the potential to extend the mine life.

The Project will have a long term environmentally sustainable life as mining will occur at the top of flat-topped hills (mesas) above the surrounding plains so no open pits are created. Mining operations occur above the water table and have a lower environmental impact than more traditional open pit mining techniques.

Strategic alliances through co-operative community support is also a significant factor in the development of the company's relationships with key stakeholder groups and host communities. Accordingly, BC Iron is committed to active participation in local communities including the sponsorship of special events such as the cartoon workshop hosted by Kaboomtoons at the Nullagine Primary School in April 2010 and the Marble Bar Racing Carnival in July 2010.

The Company acknowledges the importance of the land to the local Native Title Claimant groups; the Palyku, the Nyiyaparli and the Njamal Peoples. The claimant groups have provided great assistance to BC Iron in providing access to land through extensive survey and monitoring work including the preservation of cultural material through salvage likely to be impacted by the Project.

The Company is also working with Traditional Owners to ensure support for education and training opportunities as well as employment opportunities beyond involvement with cultural heritage.

Undoubtedly, 2011 will be a transformational year for BC Iron and will be remembered as a time when it joined the ranks of the Pilbara's iron ore producers, which given the high barriers to trade in this industry, is a feat that should not be underestimated.

Michael C. Young
Managing Director

SECTION 04

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

The Nullagine Iron Ore Joint Venture (NIOJV) project is situated approximately 300 kilometres from Port Hedland in Western Australia and 60 kilometres north of Fortescue Metals Group's Chichester operations.

Cash Position

As at 30 June 2010, BC Iron ("the Company") had ~ A$29 million in cash. This represents a 40% increase in the Company's cash balance from 30 June 2009 (AU$21.5million). The 2010 balance includes BC Iron's share of joint venture funds and was the result of the Company's July 2009 capital raising and the Joint Venture's November 2009 funding agreement with Henghou Industries (Hong Kong) Limited. At 30 June, the NIOJV had received US$30 million (BC Iron share – US$15M) of this project funding facility. The final instalment of US$20M (BCI share – US$10M) was received by the Joint Venture in the first week of July 2010.

Key Activities

Joint Venture with Fortescue Metals Group

In late 2009, the NIOJV between BC Iron and FMG - through its subsidiary Chichester Metals Pty Ltd, was officially formed. Under the terms of the agreement, BC Iron and FMG, will each contribute up to A$10million to the Project, with the remaining development costs to be funded through project funding agreements.

BC Iron, as a 50:50 joint venture partner, will have access to rail haulage, port handling and ship-loading facilities through the rail haulage and port access agreement on commercial terms between the Joint Venture and The Pilbara Infrastructure (TPI), a wholly owned subsidiary of FMG.

BC Iron will manage the NIOJV and is directly responsible for the mining-crushing-screening and road haulage to the Christmas Creek Ore Processing Facility ("OPF"). From there, the NIOJV has contracted TPI to manage the movement of the ore from the OPF to the ship loading at FMG's Herb Elliot Port in Port Hedland.

Test pit success drives production forward

Another significant outcome during the year was the trial mine and bulk sample carried out at the Outcamp Deposit during September to November 2009. The test pit was a key recommendation of the Feasibility Study completed by the Company in July 2009.

The aim of the test pit was to provide important geological and ore-quality data to BC Iron ahead of the commencement of commercial mining in late 2010. One of the most important aspects of the test pit was to determine the viability and metrics of the surface miners for mining the deposit, data which was subsequently used to develop the mining tenders. An important operational outcome from the test pit was the decision of the Company to combine the mining with the crushing and screening contracts to avoid potential production bottlenecks.

The ore that was mined produced a final product with higher tonnage and Fe grade than was originally predicted by the Ore Reserve model. In terms of contained metal, this represented a positive reconciliation of 13 per cent over pre-trial mining estimates.

Following an assessment of the results, FMG confirmed its commitment to proceed with the Joint Venture. The test pit also provided an opportunity for BC Iron and FMG to begin their working relationship which has gone from strength to strength.

Funding Agreement with Henghou Industries

During the final quarter of 2009, the NIOJV secured project financing with Henghou Industries (Hong Kong) Limited ("Henghou") comprising US$50 million. The deal with Henghou, together with the required equity from BC Iron and FMG, means that the project is well funded towards the production phase which will commence at the end of 2010. In the event that any unforseen delays or cost variations arise, BC Iron is also well advanced on discussions in relation to an appropriate short term stand-by credit facility.

As part of the agreement, the NIOJV agreed to sell ore to Henghou for a total of 20 million tonnes to be supplied over the next 8.5 years.

The US$50million agreement was delivered in three stages with the Nullagine Iron Ore Joint Venture receiving:

1. US$15 million (BCI share US$7.5M) in December 2009;
2. US$15 million (BCI share US$7.5M) in February 2010; and
3. US$20million (BCI share US$10M) in July 2010.

These funds are being applied towards project development activities as the project progresses towards production in late 2010. As a sign of commitment to this long term relationship, BC Iron separately agreed to issue eight million options to Henghou.

Aboriginal Heritage and Native Title Agreements

The tenements of the Nullagine Project cover the claim areas of three Native Title Claimant groups: the Palyku, the Njamal, and the Nyiyaparli Native Title Claim Groups. The Njamal claim occurs to the north of the mining area and is not affected by the Nullagine Iron Ore Project.

In April 2010, the Joint Venture entered into a Native Title Mining Agreement with the Palyku Native Title Claim Group which was the result of several months of positive consultation. Signing of the agreement was a prerequisite for the grant of the Mining, Miscellaneous and General Purpose Leases, all of which have since been approved.

The Agreement includes ongoing contributions to a Law and Culture Fund and a Training and Scholarship Fund. BC Iron has a target of 10% Aboriginal employment at site.

In July 2010, BC Iron signed the Nyiyaparli Infrastructure Agreement with the Nyiyaparli People whose claim covers the southern part of the Project area known as "Stage 3".

The agreement paved the way for the granting of several Miscellaneous Leases that cover the proposed Southern Haul Road completing the link between the Project mining areas and FMG's rail infrastructure at the Christmas Creek OPF.

Archaeological and Heritage Surveys

As well as Native Title Agreements, which provide for the grant of mining tenure, mining companies in Western Australia must also carry out heritage surveys to identify heritage sites with a view to avoiding disturbance, wherever possible. These surveys are carried out in consultation with the Native Title Traditional Owners and conform with the State Aboriginal Heritage Act 1972.

Sites where disturbance cannot be avoided are recorded and salvaged under the Western Australian Department of Indigenous Affairs Ministerial Approval process before they can be disturbed. This process is known as "Section 18" of the Act.

Due to the chronology of tenement and heritage approvals, the Company partitioned the Project into three distinct stages to ensure efficient progress of the Project:

- Stage 1 - Outcamp mining lease, General Purpose (Camp) lease and the northern section of the haul road from Mining Lease to the Hillside Road. Completion of Stage 1 will allow temporary haulage of ore via public roads from the mine to the OPF.

- Stage 2 - Central section of the haul road, from the Hillside Road to the southern boundary of the Palyku claim area.

- Stage 3 - Southern section of the haul road, from the northern boundary of the Nyiyaparli claim group to FMG's Mining Lease.

During the year, and subsequent to the end of the year, s.18 approval was obtained for Stages 1 and 2. Heritage surveys over the Stage 3 - Southern Haul Road, commenced during Q3 2010 and if necessary, the s.18 application for approval for this part of the haul road, which lies on the Nyiyaparli Native Title Claim, will be submitted during the December quarter of 2010.

Department of Mines and Petroleum (DMP) and Environmental Approvals

Approval for a project from DMP comprises three separate applications:

1. The Project Management Plan (PMP);
2. The Mining Proposal (MP); and
3. The Clearing Permits (CP) which are authorised by the Environmental Division of DMP.

DMP Approvals for the Project were submitted under the three stages described above, to provide clearance to construct the project in a timely manner.

Subsequent to the end of the reporting period, the PMP for all Stages has been approved as has the Clearing Permit and Mining Proposal for Stages 1 & 2. This has allowed haul road construction and clearing at the mine to commence. Approvals for the Clearing Permit and Mining Proposal for Stage 3 are in process and are expected by the middle of October 2010.

North West Iron Ore Alliance

As a result of its infrastructure arrangement with FMG, BC Iron decided to withdraw from the North West Iron Ore Alliance in which it was a founding member.

Key Contracts Awarded

The award of the key project development and operating contracts in April 2010 highlighted another milestone for BC Iron as the Nullagine Iron Ore Project moves closer to production later this year and BC Iron becomes the Pilbara's next iron ore exporter.

Awarding key long lead-time service contracts reflects BC Iron's strategic focus on mitigating development risks as demand for services in Western Australia increases.

Mining, Crushing and Haul Road Construction Contracts

In April 2010, BC Iron awarded major construction and services contracts for the Nullagine Iron Ore Project.

The contracts, worth in excess of $300m, include the mining-crushing-screening contract and the contract for the construction of the 55 kilometre private haul road from the Joint Venture's Nullagine operations to FMG's Christmas Creek OPF. Work on the haul road commenced during the third quarter of 2010 and is scheduled for completion during the first quarter of 2011.

The mining contract commences in October 2010 and comprises mining, loading and hauling to the run-of-mine (ROM) pad, and crushing, screening and stockpiling of the final ore product. The contract is for an initial five-year term with production commencing at around 3 million tonnes per annum (Mtpa) and ramping up to 5Mtpa during the contract. The decision to combine the mining with crushing and screening was a direct result of findings of the test pit in 2009.

Both of these contracts were awarded to Watpac Limited, an ASX-listed company with extensive experience in construction, civil engineering and mining.

Accommodation Camp Contract

In March 2010, the contract for the construction of the first stage, 60 man accommodation camp was awarded to Western Australian company, Complete Portables. The contract includes camp design, construction and delivery/setup.

Work on construction of the first stage of the accommodation village commenced in March and was completed during July 2010.

The accommodation village will be expanded to house approximately 180 employees when production begins at the Nullagine Iron Ore Joint Venture in late 2010.

Ore Haulage

In March 2010, BC Iron awarded the ore haulage contract for the Nullagine Project to Western Australian transport and logistics company, Mitchell West. The agreement covers the transport of Nullagine iron ore to the FMG rail infrastructure at Christmas Creek. This will be a journey of approximately 55 kilometres once the final approvals for the heavy haul road are received and the road is built.

Iron ore will be transported using a fleet of 360-tonne payload road trains, which are significantly larger than conventional road trains increasing overall efficiency and reducing costs. These specialised road trains have long lead times so the Company finalised this contract in March to ensure timely delivery and ensure that other long lead-time items are managed similarly within the Project timeframe.

Catering and Janitorial Services

During the March quarter of 2010, the Joint Venture awarded the contract for the catering and janitorial services at the Camp. This three-year contract was awarded to the Western Australian company, Precision Mining Camps and Services, and commenced during July 2010 on the completion of the Stage 1, 60-man village

The style of mineral deposits at Nullagine are Channel Iron Deposits (CIDs) containing pisolitic goethite and hematite ore. They are similar in geology and genesis to the large CIDs at Yandicoogina and Robe River as well as FMG's recently discovered Solomon deposit in the Western Pilbara. Due to the pyrometallurgy and the product sizing when mined, pisolite ores are sold into the market as 'fines' only, allowing lower grades to be marketed than would be possible if the material was sold as 'lump'. Fines undergo a process at the steel mill called 'sintering' which is an agglomeration technique through high temperature which binds the fine material into a synthetic lump or 'sinster', allowing it to be fed into the blast furnaces. Fines from several sources are used to create the 'sinter blend'. Due to its sintering properties and chemistry Nullagine ore is highly regarded as a sinter blend.

The deposits at Nullagine form mesas (flat-topped hills), or low rolling hills with ore at or near the tops of the hills resulting in an overall waste to ore ratio of 1:1.

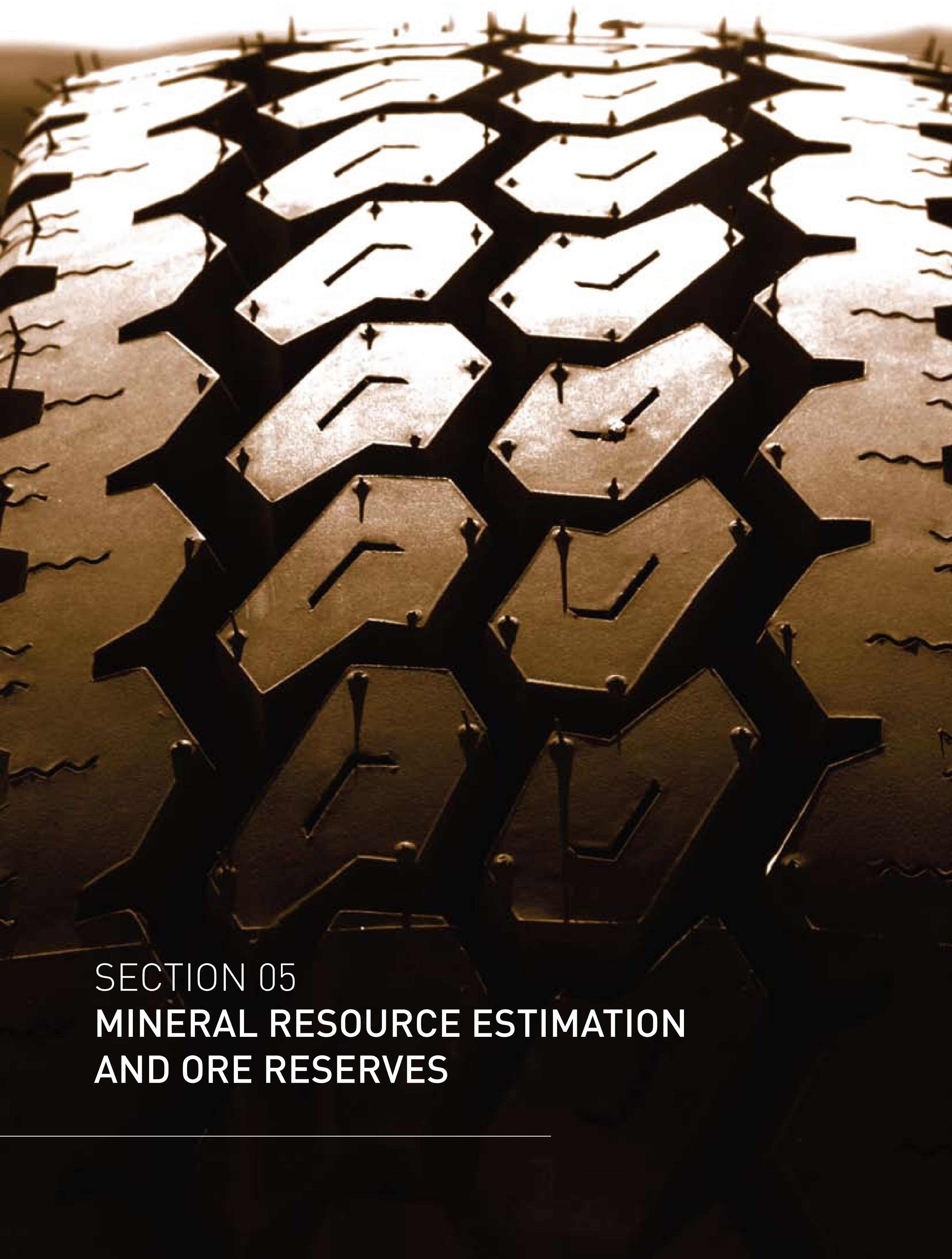
The ore contains low levels of contaminants, particularly Phosphorus ('P') which is a significant contaminant in steel making requiring diligent management and control. For this reason, ores with low P are generally highly regarded. Other key contaminants such as Alumina (Al_20_3) and Silica ($Si0_2$) are also well within acceptable ranges.

Nullagine ore contains molecular water which is part of the iron mineral 'goethite', commonly called 'limonite'. This is not free water, but trapped in the crystal structure of the minerals. This crystalline water is liberated at high temperatures, such as in the sintering process, and is measured as 'Loss on Ignition', or 'LOI'. When liberated, the ore is upgraded through the removal of this material: this is measured as 'calcined iron' or CaFe. Due to its higher than normal LOI, the Nullagine ore sinters particularly well and also results in a high CaFe at nearly 65% Fe.

The grades, low contaminants and pyrometallurgy of the Nullagine ore result in it being a highly sought after sinter blend.

More ore to come

The current pit designs contain approximately 2 Mt at 57% Fe which is classified as Inferred Resource and therefore cannot be converted to Ore Reserves under the JORC Code. This was classified as waste during mine planning but could be recovered during mining. The deposits also contain over 10 Mt of material between 55% and 57% Fe which may be used for blending or sold as a stand-alone DSO product. Again, this product is classified as waste in mine planning but conversion of some or all of this material to ore will affect ore to waste ratios and have a positive outcome on operating costs.



SECTION 05

MINERAL RESOURCE ESTIMATION AND ORE RESERVES

MINERAL RESOURCE ESTIMATION AND ORE RESERVES

Mineral Resource Estimates and Ore Reserves are reported as of June 30, 2010.

Table 1: Total Ore Reserves - Nullagine Joint Venture (BC Iron 50%)

	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI %
Outcamp	19.2	56.8	64.7	1.9	3.2	0.01	0.01	12.2
Coongan	6.0	57.0	65.1	1.8	2.5	0.01	0.01	12.4
Warrigal	10.3	57.0	64.6	2.1	3.7	0.02	0.01	11.7
TOTAL	35.6	56.9	64.7	2.0	3.2	0.02	0.01	12.1

Note: Ore Reserves are a subset of the Measured and Indicated material in the Mineral Resource Estimate.

LOI = Loss on ignition at 1000C

CaFe = Fe% / (100 - LOI%) * 100

Table 2: Mineral Resource Estimate for 57% Fe Direct Shipping Ore - Nullagine Joint Venture (BC Iron 50%)

Resource Class	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI %
Measured	1.7	57.0	64.8	3.49	2.15	0.018	0.016	12.0
Indicated	38.6	57.0	64.7	3.15	2.09	0.016	0.011	12.0
Inferred	10.4	57.0	64.8	3.27	2.00	0.013	0.010	12.1
TOTAL DSO	50.7	57.0	64.8	3.19	2.07	0.015	0.011	12.0

Note: The DSO is a subset of the total Mineral Resource Estimate.

Table 3: Total Channel Iron Mineral Resource Estimate - Nullagine Iron Ore Joint Venture (BC Iron 50%)

Resource Class	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI %
Measured	2.2	54.5	62.1	3.65	4.94	0.018	0.017	12.1
Indicated	68.8	54	61.8	3.08	4.48	0.017	0.011	12.7
Inferred	30.6	54.4	61.8	3.54	4.63	0.016	0.021	11.8
TOTAL CID	101.6	54.1	61.8	3.23	4.54	0.017	0.015	12.4

Competent Persons' Statement

The information that relates to the Mineral Resource Estimate at Outcamp, Warrigal Well, and Coongan Well has been compiled by Mr Richard Gaze who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Golder Associates. Both Mr Young and Mr Gaze have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gaze and Mr Young consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

The information that relates to the Mineral Resource Estimate at Bonnie East and Shaw River have been compiled by Mr Greg Hudson who is a member of the Australian Institute of Geoscientists and an employee of BC Iron, and Mr Mike Young who is a member of the Australian Institute of Geoscientists and an employee BC Iron. Mr Young has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hudson and Mr Young consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

The information that relates to the Ore Reserve has been compiled by Mr Blair Duncan who is an employee of the Company and a member of the Australasian Institute of Mining and Metallurgy, and Mr Pieter Doelman who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Coffey Mining Pty Ltd.

Both Mr Duncan and Mr Doelman have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Duncan and Mr Doelman consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

The information that relates to the drilling data and geological interpretations is based on information compiled by Michael Young who is a Member of The Australian Institute of Geoscientists and a Director of the Company.

SECTION 06
DIRECTORS' REPORT

The directors present their report on the results of the consolidated entity (referred hereafter as the Group) consisting of BC Iron Limited and the entities it controlled at the end of, or during the year ended 30 June 2010.

Directors

The names of directors of the Group in office during the financial period and up to the date of this report are:

Anthony W. Kiernan	Chairman (Non-Executive)
Michael C. Young	Managing Director
Steven J.M. Chadwick	Director (Non-Executive)
Terrence W. Ransted	Director (Non-Executive)
Glenn R. Baldwin	Director (Non-Executive) Appointed 21 April 2010
Garth R. Higgo	Director (Non-Executive) Resigned 21 April 2010

Principal Activity

The principal activities of the Group during the course of the financial year were mineral exploration and development, focussing primarily on iron ore deposits near Nullagine, Western Australia. There has been no significant change in the nature of these activities during the financial year.

Operating Results

The net loss of the Group for the financial year, after provision for income tax, amounted to $1,385,383 (2009 loss $1,311,656).

Dividends

No dividends were paid during the financial year and no recommendation is made as to payment of dividends.

Review of Operations

The Group is involved in mineral exploration and development focusing on the Nullagine Iron Ore Project ("Project") in the Pilbara region of Western Australia. In mid-2009, the Group completed and approved a Feasibility Study over the Outcamp and Coongan Wells deposits within the Project including the definition of a probable ore reserve of 36Mt @ 56.9% Fe. Subsequent to this, a Heads of Agreement was signed with Fortescue Metals Group Limited ("FMG") for FMG to farm-in to the Project and acquire a 50% interest therein by contributing up to $10 million in equity and meeting JV obligations. As part of this transaction, FMG's wholly owned subsidiary, The Pilbara Infrastructure Pty Ltd ("TPI") agreed to provide access to rail and port infrastructure for the Project at an agreed annual per tonnage basis.

During the year ended 30 June 2010, significant progress has been made in the development of the Project including successfully completing the trial mining project in October 2009. This project confirmed the key technical and mining assumptions of the Feasibility Study including operation of the surface miners at production levels and generating a saleable product of which ~ 60,000 tonnes remains in stockpile. Following its review of the test pit report, FMG confirmed its commitment to commence development of the Project and further to the earlier Heads of Agreement, the Group formally entered into the Nullagine Iron Ore JV ("NIOJV") with FMG from 1 January 2010.

As part of this development, on 9 November 2009 the Group announced that the NIOJV had secured US$50 million in project finance with a Hong Kong based industrial company, Henghou Industries (Hong Kong) Limited. As at 30 June 2010, instalments of US$30 million had been received in accordance with the agreed drawdown schedule with Henghou. The final US$20 Million was received on 2 July 2010. As part of this transaction, NIOJV has agreed to sell to Henghou 20 million tonnes of product over the first 8 years of production at benchmark prices and if no benchmark price is in place, at a pricing structure tied to an appropriate index.

Following this, the Group's focus has been on bringing the Project to production on schedule and on budget. To this end, during March and April 2010 the key construction (village, mine centre and private haul road) and operational (catering, mining, crushing and haulage) contracts were awarded. In early April, the Group finalised its key Native Title Mining Agreement with the Palyku people which in turn allowed for the issue of the Project Mining Lease on 22 April 2010. At 30 June 2010 the Group remains on track to commence mining in October 2010 and to have shipped 1 million tonnes of product by 30 June 2011.

Significant Changes in State of Affairs

Other than the progress documented above, the state of affairs of the Group was not affected by any other significant changes during the year.

Events subsequent to the Balance Date

On 1 July 2010, the Group signed an Infrastructure Agreement with the Nyiyaparli people which will enable the NIOJV to complete the southern section of its private haul road connecting it to FMG's rail infrastructure. On 2 July 2010, the NIOJV received US$20 million (the Group's share is US$10million) being the third and final instalment of funding under the US$50 million financing facility with Henghou Industries (Hong Kong) Limited.

In August 2010, the Group received all final approvals for Stage One of the Project from the Department of Mines and Petroleum. These approvals permit the commencement of mining at the Project. In addition, construction of the private haul road to FMG's rail infrastructure has commenced and the final approvals process is well advanced. Further to this the NIOJV lodged an Unconditional Performance Bond of $1.572 million with the Government.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in financial periods subsequent to the financial year ended 30 June 2010.

Likely Developments and Expected Results of Operations

The Group intends to continue construction of and commence production from the Nullagine Iron Ore Project. It will also continue exploration programmes on its existing tenements as well as considering the acquisition of other projects and tenements.

Directors' Qualifications, Experience and Special Responsibilities

Mr Anthony William (Tony) Kiernan LL.B Age 59
Chairman (Non-Executive)
Mr Kiernan is a solicitor with extensive experience in the management and operation of listed public companies. He is Chairman of ASX listed Uranium Equities Limited and a director of Liontown Resources Ltd (since November 2006), Chalice Gold Mines Ltd (since February 2007) and Venturex Resources Ltd (since July 2010). Mr Kiernan has not been a director of any other ASX listed companies during the past three years other than North Queensland Metals Ltd (from January 2007 to July 2008) and Solbec Pharmaceuticals Limited (now FYI Limited) (from March 2004 to December 2007). Mr Kiernan is a member of the audit committee.

Michael Charles (Mike) Young BSc (Hon), MAusIMM, MAIG, MSEG Age 49
Managing Director
Mr Young is a geologist and a graduate of Queens University, Canada with a Bachelor of Science (Honours) degree in Geological Sciences. From 1991, he worked for Dominion Mining Limited and headed the team who pegged the Just-in-Case gold, and Abednego nickel prospects. He then moved onto work with Golder Associates from 1994 to 2003 where he carried out resource modelling, due diligence, QA/QC, and feasibility work on a wide variety of deposits and commodities. These included Century Zinc in Queensland, Escondida Copper in Chile, and Koolyanobbing iron mine at Southern Cross, Western Australia. In 2003, he joined Cazaly Resources as Exploration Manager and he was a founding director of Bannerman Resources Limited (February 2005 to April 2006). He is a member of the Australian Institute of Geoscientists, the Australasian Institute of Mining and Metallurgy (CP), and the Society for Economic Geologists. Mr Young has not been a director of any other ASX listed companies during the past three years. Mr Young is a member of the risk management committee.

Mr Terrence William (Terry) Ransted B. (App) Sc, MAusIMM, MGSA, Age 54
Director (Non-Executive)
Mr Ransted is a geologist and a graduate of the Western Australian Institute of Technology with a Bachelor of Applied Science Degree with 31 years experience in the mining industry. Mr Ransted commenced his career with Hamersley Exploration Pty Limited exploring for bedded iron ore deposits in the Hamersley region and in the early 1990's was responsible for the onsite management of the drilling, metallurgical sampling, and geological assessment and interpretation for the Yandicoogina Pisolite and Marandoo Iron Ore Projects for Hamersley Iron Pty Ltd. Mr Ransted is a principal of Multi Metal Consultants Pty Ltd, managing the exploration and development programs for Alkane Resources Ltd and was non-executive Director of Northern Star Resources Ltd until 4 September 2009. Mr Ransted has not been a director of any other ASX listed companies during the past three years. Mr Ransted is a member of the audit committee.

Mr Steven John Micheil (Steve) Chadwick BAppSc, MAusIMM Age 56

Director (Non-Executive)

Mr Chadwick is the Principal of Spectrum Metallurgical Consultants a Perth, Western Australia based specialist consultancy business to the minerals industry. He is a metallurgical graduate from the WA School of Mines and has 31 years experience in the mining industry, incorporating technical, operating and management roles in gold and base metals mining and processing. Mr Chadwick served as Executive Technical Director of ASX listed junior gold company Northern Gold NL from August 1995 to October 2005. Mr Chadwick is a Director of NGM Resources Limited (since January 2010). Mr Chadwick has not been a director of any other ASX listed companies during the past three years. Mr Chadwick is a member of the risk management committee.

Mr Glenn Richard Baldwin BEng (Hons) Age 38

Director (Non-Executive)

Mr Baldwin is Group Chief Executive Officer of BC Iron's major shareholder Consolidated Minerals Limited. In his current role at Consolidated Minerals Mr Baldwin reports to the Executive Chairman and is responsible for the Australian and Ghanaian operations and has gained significant experience in project acquisition and development. He has held a variety of technical and senior management positions internationally, building mining skills from hands-on mining experience through to strategic planning. He further enhanced his operational skills in South Africa during three key roles as a Project Mining Engineer and Mine Manager within Anglo Platinum, and then General Manager of an underground platinum mine and concentrator complex. Mr Baldwin has significant experience with project assessment and development. Mr Baldwin has not been a director of any other ASX listed companies during the past three years. Mr Baldwin is chairman of the audit and risk management committees.

Mr Garth Reginald Higgo Dip Civil Eng, BCom (Hons), MBA (cum laude) Age 51

Director (Non-Executive)

Mr Higgo has held senior positions in civil engineering, banking, mining corporate finance and business development. Mr Higgo's career includes senior positions with Kumba Resources Ltd, Anglo Platinum Ltd and Consolidated Minerals Ltd. Mr Higgo is Chief Operating Officer of Calibre Rail Pty Ltd. Mr Higgo has not been a director of any other ASX listed companies during the past three years.

Mr Morgan Scott Ball B.Com, CA, FFin Age 41

Company Secretary

Mr Ball was appointed 18 November 2009. He is a Chartered Accountant with over 20 years experience in finance and commerce both in Australia and internationally. He has held senior commercial roles with WMC Resources Ltd, P&O Ltd and Brambles Ltd. Most recently, Mr Ball held the role of CFO and Company Secretary for Indago Resources Ltd (formerly Western Metals Ltd).

Mr Simon Jonathan Storm, B.Com, B.Compt(Hons), CA, FCIS Age 48

Company Secretary

Mr Storm resigned 18 November 2009. He is a Chartered Accountant with over 25 years of Australian and international experience in the accounting profession and commerce. In the last 7 years he has provided consulting services covering accounting, financial and company secretarial matters to various companies.

Meetings of Directors

The number of meetings held during the year and the number of meetings attended by each director was as follows:

Director	Board Meetings		Audit Committee		Risk Management Committee	
	A	B	A	B	A	B
A Kiernan	7	7	2	2	N/A	N/A
M Young	7	7	N/A	N/A	0	0
S Chadwick	7	7	N/A	N/A	0	0
T Ransted	6	7	2	2	N/A	N/A
G Higgo	4	5	2	2	0	0
G Baldwin	2	2	0	0	0	0

A - Meetings attended
B - Meetings held whilst a director

During the year a risk management workshop was held involving the senior management of the Company. The output from this workshop was presented to the risk management committee and the full Board. The Group does not have a nomination committee with the full Board carrying out the functions that would otherwise be dealt with by such a committee.

Audit Committee

The audit committee comprises Glenn Baldwin, Anthony Kiernan and Terrence Ransted.

Risk Management Committee

The risk management committee comprises Glenn Baldwin, Michael Young and Steven Chadwick.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of BC Iron Limited support and have adhered to the principles of corporate governance and have established a set of policies and manuals for the purpose of managing this governance. The Group's detailed corporate governance policy statement is contained in the additional Supplementary Information section of the annual report and can be viewed on the Group's web site at www.bciron.com.au.

Environmental Issues

The Group is subject to environmental regulation in respect to its mineral tenements relating to exploration and development activity on those tenements. No breaches of any environmental restrictions were recorded during the financial year.
The Group is subject to the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007. The Group has adequate systems in place to ensure compliance with its reporting requirements.

Share Options

As at the date of this report, there were 12,700,000 options over ordinary shares on issue (12,200,000 at the reporting date). Refer to the remuneration report for further details of the options outstanding.

No option holder has any right under the options to participate in any other share issue of the Group or any other entity. None of the existing options are listed on ASX Limited.

Shares issued as a Result of the Exercise of Options

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

Date Options Granted	Number Vested	Number of Shares Issued	Issue Price of Shares
16/10/06	2,750,000	2,750,000	0.25
16/10/06	500,000	500,000	0.30
1/06/07	300,000	100,000	0.72
19/12/06	54,000	54,000	0.25

Directors' Interests and Benefits

The relevant interest of each director in the shares and options over shares issued by the Group at the date of this report is as follows:

Director	Number of Ordinary Shares		Number of Options	
	Direct	Indirect	Direct	Indirect
A Kiernan	896,485	217,648	-	-
M Young	1,127,167	145,834	500,000	500,000
S Chadwick	400,000	133,334	-	-
G Baldwin	-	-	-	-
T Ransted	-	622,601	-	-

Remuneration Report

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share-based compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A. Principles Used to Determine the Nature and Amount of Remuneration

The 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.

The Board ensures that executive reward satisfies the following key criteria for good reward corporate governance practices:

» Competitiveness and reasonableness

» Acceptability to shareholders

» Performance linkage/alignment of executive compensation

» Transparency

» Capital management

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy for the organisation.

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 Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees

Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $400,000 in aggregate. This amount is separate from any specific tasks the directors or their related entities may take on for the Group. Directors' remuneration is set out below which includes share and option based payments.

The Group has no specific performance based remuneration component currently built into director and executive remuneration packages. Performance linked compensation is awarded when key management personnel have met the expectation of the Board which, as a whole, is responsible for the remuneration arrangements of the directors and executives of the Group.

Short term incentives

The Board is responsible for assessing short term incentives for key management personnel. Service agreements may establish short-term incentives against key performance indicators which are assessed by the Board. There were no current short-term incentives in place at 30 June 2010 (30 June 2009: $Nil).

Long term incentives

Long-term incentives are provided to certain employees at the discretion of the Board. See section D (Share based compensation) for further information.

Group performance

The following table shows the gross revenue, losses and share price of the Group at the end of the respective financial years.

	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Revenue from continuing operations	$1,528,290	$402,146	$723,075	$157,202
Net profit/(loss)	($1,385,383)	($1,311,656)	($787,955)	($748,739)
Share price	$1.62	$1.12	$1.60	$1.90

No dividends were paid during this period.

B. Details of Remuneration

Details of remuneration of the directors and key management personnel of the Group (as defined by AASB 124 Related Party Disclosures) and specified executives are set out in the following tables. The key management personnel of the Group are the directors of BC Iron Limited. In addition the specified executives required to be disclosed under the Corporations Act 2001 are the chief financial officer/ company secretary and the chief operating officer. The disclosed persons are the 5 highest paid executives.

Directors	Year	Short-term benefits Director's Fees or salary	Post-employment benefits	Share-based payments Value of options (a)	Total
Non-Executive					
A Kiernan	2010	79,773	-	-	79,773
	2009	50,000	-	-	50,000
S Chadwick	2010	36,250	-	-	36,250
	2009	35,000	-	-	35,000
G Higgo	2010	25,847	2,326	-	28,173
	2009	35,000	-	-	35,000
T Ransted	2010	35,000	-	-	35,000
	2009	35,000	-	-	35,000
G Baldwin (d)	2010	10,000	-	-	10,000
	2009	-	-	-	-
Executive					
M Young	2010	350,000	31,500	60,405	441,905
(Managing Director)	2009	258,755	22,500	330,095	611,350
Total Directors	2010	526,870	33,826	60,405	621,100
	2009	413,755	22,500	330,095	766,350
Executives					
S Storm (c)	2010	35,693	-	180,146	215,839
(CFO, Company Secretary)	2009	80,138	-	-	80,138
B Duncan	2010	283,750	24,771	19,536	328,056
(Chief Operations Officer)	2009	200,000	25,000	105,883	330,883
L Colless (b)	2010	-	-	-	-
(CFO, Company Secretary)	2009	13,913	-	-	13,913
M Ball (c)	2010	181,808	16,363	176,553	374,724
(CFO, Company Secretary)	2009	-	-	-	-
Total Executives	2010	501,251	41,134	376,235	918,619
	2009	294,051	25,000	105,883	424,934

(a) The share-based payments referred to above comprise options over ordinary shares in the Group and have been valued based on the Black Scholes option pricing model.

(b) Corporate administration, accounting & company secretarial fee paid to Mineral Administration Services Pty Ltd, a company with which Mr. Colless is associated. These services were for the period from 1 July 2008 to the date of his resignation. Mr Colless resigned effective 8 August 2008.

(c) Mr. Storm resigned 18 November 2009. Mr. Ball was appointed 18 November 2009.

(d) Mr Baldwin was appointed on 21 April 2010. The amounts noted above were paid directly to Consolidated Minerals Pty Ltd. Mr Baldwin is its representative on the Board on BC Iron Limited.

C. Service Agreements

Mr Michael Young (Managing Director)
Term of Agreement - 2 years commencing 1 July 2009.
Agreement - Base salary, inclusive of statutory superannuation of $381,500 to be reviewed annually on 1 July (or such other times as agreed).
Termination – The Group has the right to terminate the Agreement upon three months notice.

Mr Blair Duncan (Chief Operations Officer)
Term of Agreement - Unspecified.
Agreement - Base salary, inclusive of statutory superannuation of $299,750 to be reviewed annually on 1 July (or such other times as agreed).
Termination – The Group has the right to terminate the Agreement upon three months notice.

Mr Morgan Ball (CFO, Company Secretary)
Term of Agreement - Unspecified.
Agreement - Base salary, inclusive of statutory superannuation of $286,125 to be reviewed annually on 1 July (or such other times as agreed).
Termination – The Group has the right to terminate the Agreement upon six months notice.

D. Share-Based Compensation

Employee Share Option Plan - An employee share option incentive plan was approved at a shareholder's general meeting on 17 July 2008. Under the terms of the plan the Board may offer options at no more than nominal consideration to employees or directors (the latter subject to shareholder approval) based on a number of criteria, including contribution to the Group, period of employment, potential contribution to the Group in the future and other factors the Board considers relevant. The terms and conditions of each grant of options affecting remuneration in the current or future reporting periods are set out below:

Grant date	Date vested and exercisable	Number	Expiry date	Exercise Price $	Value per option at grant date	Vested %
17-Jul-08	15-Feb-10	500,000	15-Aug-11	2.00	0.30	100
21-Aug-08	21-Aug-09	200,000	21-Aug-11	1.50	0.30	100
21-Aug-08	21-Aug-10	200,000	21-Aug-11	2.00	0.11	97
01-Aug-09	01-Aug-09	100,000	01-Aug-12	1.25	0.65	100
01-Aug-09	01-Aug-10	200,000	01-Aug-12	1.40	0.62	96
01-Aug-09	01-Aug-11	200,000	01-Aug-12	1.60	0.60	46
01-Aug-09	01-Aug-09	150,000	01-Aug-12	1.25	0.64	100
01-Aug-09	01-Aug-10	150,000	01-Aug-12	1.40	0.62	92
03-Sep-09	03-Dec-09	100,000	03-Sep-12	1.25	0.56	100
03-Sep-09	03-Sep-10	150,000	03-Sep-12	1.40	0.54	83
03-Sep-09	03-Sep-11	250,000	03-Sep-12	1.60	0.52	42
05-Nov-09	05-Feb-10	100,000	05-Nov-12	1.25	0.67	100
05-Nov-09	05-Nov-10	150,000	05-Nov-12	1.50	0.63	67
05-Nov-09	05-Nov-11	150,000	05-Nov-12	2.00	0.56	33

Options granted during the year

Details of options over ordinary shares in the Group provided as remuneration to each director and executive are set out below.

Name	Number of options granted	Value of options granted $	Number of options vested	Number of options lapsed /cancelled
Directors	2010	2010	2010	2010
A Kiernan	-	-	-	-
M Young	-	-	500,000	-
S Chadwick	-	-	-	-
T Ransted	-	-	-	-
G Baldwin	-	-	-	-
G Higgo	-	-	-	-
Executives				
Simon Storm	500,000	305,822	150,000	200,000
Blair Duncan	-	-	200,000	-
Morgan Ball	500,000	267,172	100,000	-

The fair value of options is calculated at the date of grant using the Black-Scholes Option Pricing Model. The following factors and assumptions were used in determining the fair value of options during the year. There were no options issued to Directors during the year.

Grant Date	Expiry date	Fair value per option	Exercise price	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
2010 Key Management Personnel							
1/08/09	1/08/12	$0.64	$1.25	$1.05	100%	4.94%	0%
1/08/09	1/08/12	$0.62	$1.40	$1.05	100%	4.94%	0%
1/08/09	1/08/12	$0.59	$1.60	$1.05	100%	4.94%	0%
3/09/09	3/09/12	$0.56	$1.25	$0.97	100%	3.13%	0%
3/09/09	3/09/12	$0.54	$1.40	$0.97	100%	3.13%	0%
3/09/09	3/09/12	$0.52	$1.60	$0.97	100%	3.13%	0%
Grant Date	Expiry date	Fair value per option	Exercise price	Price of shares at grant date	Expected volatility	Risk free interest rate	Dividend yield
2009 Director Options							
17/07/08	15/08/11	$0.48	$1.85	$1.10	90%	6.42%	0%
17/07/08	15/08/11	$0.30	$2.00	$1.10	90%	6.42%	0%

Details of Remuneration: Options

Employee options generally vest and are expensed over the period from the date of grant. The maximum value of options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed. Vesting criteria relates only to service periods.

		Year granted	Vested	Forfeited %	Financial years in which options may vest
			%		
Directors					
M Young	2010	2009	100%	-	2010
	2009	2009	80%	-	2010
Specified Executives					
S Storm	2010	2010	57%	40%	2010-2012
	2009	-	-	-	-
B Duncan	2010	2009	97%	-	2010/2011
	2009	2009	71%	-	2010/2011
M Ball	2010	2010	74%	-	2010-2012
	2009	-	-	-	-

Further details relating to options are set out below:

		A	B
		Remuneration consisting of options	Value at reporting date $
Directors			
M Young	2010	13.7%	60,405
	2009	54.0%	330,095
Specified Executives			
S Storm	2010	84.0%	180,146
	2009	0.0%	-
B Duncan	2010	6.0%	19,536
	2009	32.0%	105,883
M Ball	2010	49.0%	176,553
	2009	0.0%	-

A. The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year

B. The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration

Details regarding options granted and exercised during the year are outlined below. There were no executive options exercised in the 2009 year.

Directors	Date of exercise of options	Number of ordinary shares issued on exercise of options	Value at exercise date $
A Kiernan	18/08/09	250,000	175,000
A Kiernan	10/12/09	500,000	400,000
M Young	10/12/09	500,000	400,000
M Young	10/12/09	500,000	375,000
S Chadwick	5/10/09	200,000	161,000
S Chadwick	10/12/09	300,000	240,000
G Higgo *	10/12/09	500,000	400,000
T Ransted	10/12/09	500,000	400,000
		3,250,000	2,551,000

* Subsequent to year end, these shares were transferred to the beneficial owner, Consolidated Iron Pty Ltd.

End of Audited Remuneration Report

Insurance of Officers

During the financial period, BC Iron Limited incurred premiums of $15,000 to insure the directors, secretary and/or officers of the Group. The liability insured is the indemnification of the Group against any legal liability to third parties arising out of any Directors or Officers duties in their capacity as a Director or Officer other than indemnification not permitted by law.

No liability has arisen under this indemnity as at the date of this report.

The Group has entered into Indemnity Deeds with each Director ("Officers"). Under the Deeds, the Group indemnifies each Officer to the maximum extent permitted by law against legal proceedings or claims made against or incurred by the Officers in connection with being an Officer of the Group, or breach by the Group of its obligations under the Deed.

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to the independent auditors report and forms part of the Director's Report.

Non-audit services

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

» all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.

» none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Group or acting as advocate for the Group.

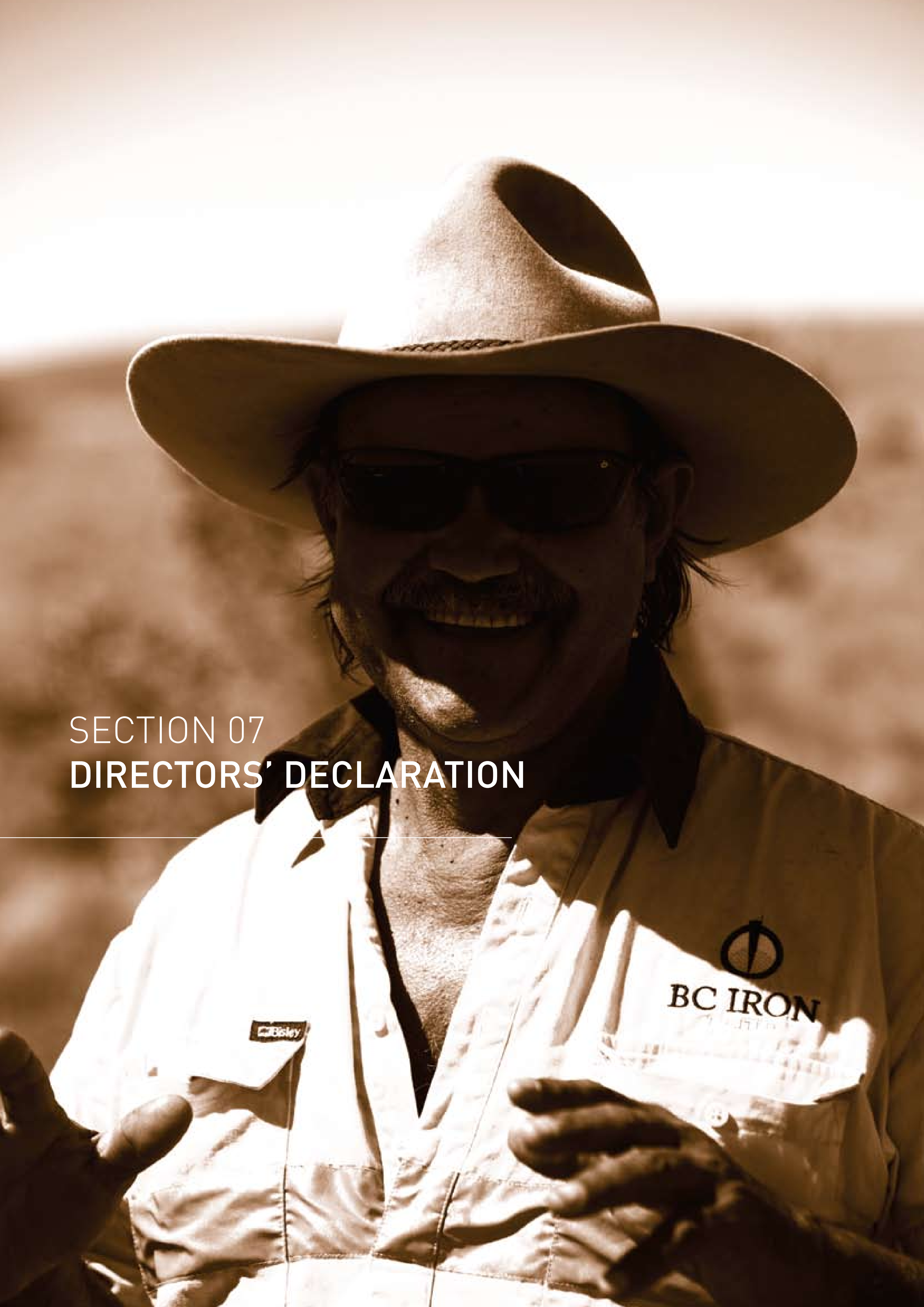
The following fees for non-audit services were paid/payable to entities connected to the external auditors during the year ended 30 June 2010:

Taxation Services	$29,058

These services were provided by BDO Corporate Tax (WA) Pty Ltd.
This report is made in accordance with a resolution of the directors.

Dated this 8th day of September 2010.

Michael C Young
Managing Director



SECTION 07

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

as at 30 June 2010

In the opinion of the Directors of BC Iron Limited:

(a) the financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 including:

i. giving a true and fair view of the financial position of the Group as at 30 June 2010 and of its performance for the financial year ended 30 June 2010; and

ii. complying with Accounting Standards and the Corporations Regulations 2001.

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

(c) the company has included to the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

(d) the remuneration disclosures included on pages 6-11 of the directors report (as part of the Audited Remuneration Report) for the year ended 30 June 2010, comply with section 300A of the Corporations Act 2001.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors and is signed on their behalf by:

Michael C Young
Managing Director

PERTH, 8th September 2010.

SECTION 08
FINANCIALS

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $
Revenue from continuing operations			
Management fee income		482,998	-
Finance income		1,045,292	402,146
Total revenue from continuing operations	2	1,528,290	402,146
Other income		500	-
Administration and secretarial services		-	(155,942)
Depreciation expense	10	(91,068)	(76,156)
Director's fees		(189,196)	(155,000)
Insurance		(33,902)	(27,144)
Office rent, ancillaries and running costs		(650,058)	(151,394)
Personnel and support		(452,964)	(336,072)
Public relations and support		(150,970)	(119,003)
Share registry services and other corporate costs		(1,439,936)	(344,972)
Other expenses from continuing operations		(113,408)	(76,164)
Share based payments	26	(818,226)	(615,859)
Loss before income tax benefit		(2,410,936)	(1,655,560)
Income tax benefit	5	1,025,553	343,904
Loss after tax and total comprehensive income		(1,385,383)	(1,311,656)
Total comprehensive loss for the period attributable to the owners of BC Iron Limited		(1,385,383)	(1,311,656)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company			
Basic loss per share (cents per share)	18	(1.70)	(2.20)

Diluted loss per share is not presented as it is not materially different to basic loss per share.

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
CURRENT ASSETS			
Cash and cash equivalents	6	28,762,976	12,036,742
Trade and other receivables	7	2,032,700	174,043
Inventory	8	1,965,880	-
Other financial assets	9	250,436	62,005
Total Current Assets		33,011,991	12,272,790
NON CURRENT ASSETS			
Plant & equipment	10	4,117,490	112,828
Exploration and evaluation assets	11	3,439,802	9,877,636
Development expenditure	12	12,914,138	-
Deferred Tax Assets	5	1,331,918	-
Total Non-Current Assets		21,803,348	9,990,464
TOTAL ASSETS		54,815,339	22,263,254
CURRENT LIABILITIES			
Trade and other payables	13	1,739,897	750,300
Total Current Liabilities		1,739,897	750,300
NON-CURRENT LIABILITIES			
Loans & Borrowings	14	13,954,966	-
Provisions	15	125,000	-
Deferred Tax Liability	5	-	-
Total Non-Current Liabilities		14,079,966	-
TOTAL LIABILITIES		15,819,863	750,300
NET ASSETS		38,995,476	21,512,954
EQUITY			
Share capital	16	36,518,762	22,982,385
Reserves	17a	6,710,448	1,378,920
Accumulated losses	17b	(4,233,734)	(2,848,351)
TOTAL EQUITY		38,995,476	21,512,954

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

as at 30 June 2010

	Contributed Equity $	Accumulated Losses $	Share Based Payments Reserve $	Options Exercised Reserve $	Total $
Consolidated Entity					
Balance at 1 July 2008	13,949,727	(1,536,695)	762,562	-	13,175,594
Loss for the period	-	(1,311,656)	-	-	(1,311,656)
Total comprehensive loss for the period	-	(1,311,656)	-	-	(1,311,656)
Transactions with equity holders in their capacity as equity holders					
Shares issued net of transaction costs	9,032,658	-	-	-	9,032,658
Options issued	-	-	616,358	-	616,358
Options exercised	-	-	(75,680)	75,680	-
Balance at 30 June 2009	22,982,385	(2,848,351)	1,303,240	75,680	21,512,954
Consolidated Entity					
Balance at 1 July 2009	22,982,385	(2,848,351)	1,303,240	75,680	21,512,954
Loss for the period	-	(1,385,383)	-	-	(1,385,383)
Total comprehensive loss for the period	-	(1,385,383)	-	-	(1,385,383)
Transactions with equity holders in their capacity as equity holders					
Shares issued net of transaction costs	13,536,377	-	-	-	13,536,377
Options issued	-	-	5,331,528	-	5,331,528
Options exercised	-	-	(569,159)	569,159	-
Balance at 30 June 2010	36,518,762	(4,233,734)	6,065,609	644,839	38,995,476

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASHFLOWS

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Cash Flows from Operating Activities			
Management fees received		395,479	-
Payments to suppliers and employees (inclusive of goods and services tax)		(2,935,891)	(1,280,395)
Interest received		855,444	402,146
Other - R& D tax offset, GST		807,834	343,904
Net cash outflow from operating activities	25	(877,135)	(534,345)
Cash Flows from Investing Activities			
Payment for plant & equipment		(4,105,362)	(40,322)
Payment for exploration and evaluation expenditure		(451,457)	(5,547,879)
Payment for development expenditure		(8,903,154)	-
Payment for security deposits		(148,861)	(25,067)
Cash flows from Joint Venture		1,500,000	-
Net cash outflow from investing activities		(12,108,835)	(5,613,268)
Cash Flows from Financing Activities			
Proceeds from issue of shares		13,674,100	9,586,500
Payments for share issue costs		(722,333)	(482,619)
Proceeds from borrowings		16,760,436	-
Net cash inflow from financing activities		29,712,203	9,103,881
Net increase in cash and cash equivalents		16,726,234	2,956,268
Cash and cash equivalents at the beginning of the year		12,036,742	9,080,474
Cash and cash equivalents at the end of the year	6	28,762,976	12,036,742

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated. BC Iron Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue in accordance with a resolution of the directors on 8 September 2010.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial statements of BC Iron Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

All amounts are presented in Australian dollars.

Historical cost convention
These financial statements have been prepared under the historical cost convention. Cost is based on the fair values of consideration given in exchange for assets.

Presentation of Financial Statements
The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity.

(b) Principles of Consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2010 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries are consistent with the parent.

ii. Joint Ventures

Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of the joint venture operations are set out in note 27. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries are consistent with the parent.

(c) Segment Reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of BC Iron Ltd.

The Group operates only in one business and geographical segment being predominantly in the area of mineral exploration and development in the Pilbara region, Western Australia. The Group considers its business operations in mineral exploration and development to be its primary reporting function.

(d) Revenue Recognition

Revenue is measured at the fair value of the gross consideration received or receivable. BC Iron recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of BC Iron's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. BC Iron bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Management fee income from the joint venture has been recognised based on an agreed % of capitalised expenditure during the development phase. It is based on an accrual basis.

Interest income is recognised on a time proportionate basis using the effective interest method.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income Tax

The income tax expense or revenue for the financial year is the tax payable on the current financial period's taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

(g) Impairment of Assets

Assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and Cash Equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is recognised in profit and loss.

(j) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value, less impairment allowance, of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(k) Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over either its expected useful life of 2.5 - 5 years for Furniture, Computers and Equipment or the life of the mine for Assets under Construction.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Exploration and Evaluation Expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and:

i. the area has proven commercially recoverable reserves; or

ii. exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

At the end of each financial year the Directors assess the carrying value of the exploration expenditure carried forward in respect of each area of interest. Capitalised exploration expenditure is considered for impairment based upon areas of interest on an annual basis, depending on the existence of impairment indicators including:

» the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

» substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted or planned;

» exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and

» 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.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

(m) Development Expenditure

Once a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings and plant and equipment is capitalised under development expenditure. Development expenditure costs include past capitalised exploration and evaluation costs, pre-production development costs, development excavation, development studies and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercial or technically feasible, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the profit or loss to the extent that they will not be recoverable in the future.

Amortisation of carried forward exploration and development costs is charged on a unit of production basis over the life of economically recoverable reserves once production commences.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, development assets are allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of weighted average costs. Cost for raw materials and stores is purchase price and for partly processed and saleable products cost is derived on an absorption costing basis. For this purpose the costs of production include:

» labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;

» the amortisation of development expenditure and depreciation of property, plant and equipment used in the extraction and processing of ore; and

» production overheads, including attributable mining and manufacturing overheads.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence e.g., because it exceeds the mine's cut off grade, it is valued at the lower of cost and net realisable value. If the ore will not be processed within 12 months after the statement of financial position date it is included within non current assets. Quantities are assessed primarily through surveys and assays.

(o) Rehabilitation

The mining, extraction and processing activities of BC Iron give rise to obligations for site rehabilitation. Rehabilitation

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Obligations can include facility decommissioning and dismantling; removal or treatment of waste materials; land rehabilitation; and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of rehabilitation activities is recognised in 'Development Expenditure' as rehabilitation assets and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each statement of financial position date and the costs charged to the profit or loss in line with remaining future cash flows.

At each reporting date the rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, changes to the estimated lives of operations, new regulatory requirements and revisions to discount rates. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

(p) Mineral Tenements

The Group's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decision in what is known generally as the "Mabo" case and any State or Federal legislation regarding native and mining titles. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined and could effect any mining title area whether granted by the State or not.

(q) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subeqently at amortised cost.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve (12) months of the reporting date are recognised in other payables and are measured at the amounts expected to be paid when the liability is settled.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating (Refer note 19). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Borrowings
All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Foreign currency translation
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in AUD, which is BC Iron Limited's functional and presentation currency.

Transactions and balances
Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(r) Contributed Equity

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(s) Earnings per share

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Diluted earnings per share earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

(t) Share-based payments

Share-based remuneration benefits are provided to employees via an employee share option plan. Information relating to this plan is set out in Note 26.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.
The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, 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 fair value of the options granted is adjusted to reflect market conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes in to account the most recent estimate, The impact of revision to original estimates, if any, is recognised in the profit and loss with a corresponding adjustment to equity.

(u) New accounting standards and Interpretations

Certain new accounting standards have been published that are not mandatory for 30 June 2010 reporting periods as outlined below. The Group has not applied these in preparing this financial report.

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 2009-5 (issued May 2009)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Not urgent, but necessary changes to AIFRS as a result of the IASB's 2008 annual improvement process.	1 January 2010	
AASB 107	Statement of Cash flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.
AASB 5	Non-Current Assets Held for Sale and Discontinued Operations	Clarifies that disclosures required for non-current assets classified as held for sale are limited to those required by AASB 5 unless disclosures are specifically required for these assets by other AASB's.	1 January 2010	There will be no impact as these requirements are only required to be applied prospectively to disclosures for non-current assets classified as held for sale.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards-Group Cash-Settled Share based Payment transactions	Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving goods/services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 Group and Treasury Share Transactions	1 January 2010	No impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.
AASB 2009-10	Amendments to Australian Accounting Standards-Classification of Rights Issues [AASB 132]	Clarifies that such transaction where an issue of rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency must be treated as equity.	1 February 2010	There will be no impact as the entity does not issue rights or options to a fixed numbers of shares for a fixed amount in a different currency to the functional currency.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.
AASB 124 (issued December 2009)	Related Party Disclosures	Clarifies the definition of a related party	1 January 2011	As this a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.
IFRS 7	Financial Instruments Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held	1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures.

(v) Critical accounting estimates & judgements

In preparing this Financial Report, the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure
The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped. The Group has capitalised exploration and evaluation expenditure on the basis that these costs will be recovered through future earnings. This better reflects the operating position of the Group.

ii. Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure
The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

As at 30 June 2010, the carrying value of exploration expenditure is $3,439,802.

Share-based payment transactions
The cost of share-based payments to employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The cost of share-based payments to financiers is measured by reference to the difference between the nominal value and net present value of the finance facility provided. The net present value is determined based upon a market comparable discount rate applicable to similar size companies within the mining sector.

Development expenditure
Development activities commence after commercial viability and technical feasibility of the project is established. Judgement is applied by management in determining when a project is commercially viable and technically feasible. Any judgements may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the statement of comprehensive income.

Upon reclassification from exploration and evaluation expenditure, the recoverable amount has been estimated as the asset's value in use, using the present value of future cash flows based upon available reserves calculated by the Company's geologists in accordance with industry guidelines, using a discount rate of 10%. As a result of this assessment, no impairment was deemed necessary.

Recognition of deferred tax balances relating to tax losses
The group has recognised deferred tax assets relating to carried forward tax losses to the extent the group believe the utilisation of these losses against future taxable profits is considered probable.

Rehabilitation
BC Iron's accounting policy for the recognition of rehabilitation provisions requires significant estimates in determining the estimated cost for the rehabilitation of disturbed areas at a point in the future. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

Functional Currency
The company has defined the functional currency of its subsidiary as Australian Dollars. The subsidiary operates in Australia and incurs expenses in Australian dollars. In determining this conclusion the company has exercised judgement when reviewing its existing transactions and applying the requirements of AASB 121 The Effects of Changes in Foreign Exchange Rates. The company will monitor this going forward as it moves from an exploration to mining company.

NOTE 2 - REVENUE

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Management Fee Income	482,998	-
Interest Income	1,045,292	402,146
	1,528,290	402,146

NOTE 3 – EXPENSES

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Loss before income tax includes the following specific expenses:		
Depreciation	91,068	76,156
Finance Costs	315	109
Rental expense relating to operating leases	302,306	52,225
Net foreign exchange loss	514,782	-
Superannuation	223,007	63,408

NOTE 4 – AUDITOR'S REMUNERATION

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
During the financial period the following fees were paid or payable for services provided by the auditor:		
(a) Audit services		
BDO Audit Pty Ltd:		
Audit and review of financial reports under the Corporations Act 2001	45,650	33,463
(b) Non-audit services		
Related entities of BDO		
Taxation services	29,058	15,404
Total remuneration of auditors	74,708	48,867

These services were provided by BDO Corporate Tax (WA) Pty Ltd and BDO Audit Pty Ltd.

The Group has received notification from the Group's auditor that they satisfy the independence criterion and that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit.

NOTE 5 - INCOME TAXES

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
(a) Income tax benefit		
Current tax benefit	207,023	343,904
Deferred tax expense	818,530	-
	1,025,553	343,904
(b) Amounts charged or credited directly to equity		
Capital raising transaction costs	513,388	-
(c) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	(2,410,936)	(1,655,560)
Prima facie tax benefit at 30% (2009:30%)	723,281	496,668
Non deductible expenses:		
Share-based payments	(245,468)	(184,758)
Deferred tax asset not brought to account	-	(310,200)
Other	(3,541)	(1,710)
Deferred tax asset of a prior period now recognised	344,258	-
R & D tax offset payment	207,023	343,904
Income tax benefit	1,025,553	343,904
	Balances	
	2010	2009
(d) Deferred Tax Assets		
Tax Losses	5,073,647	3,578,168
Accrued Expenses	24,682	11,836
Provisions	67,007	6,657
Other timing differences	260,529	4,991
Share issue costs in equity	365,474	318,055
	5,791,339	3,919,707
Less: Deferred Tax Asset not brought to account	-	(956,416)
	5,791,339	2,963,291
Less: offset against Deferred Tax Liabilities	(4,459,421)	(2,963,291)
Net Deferred Tax Asset	1,331,918	-
(e) Deferred Tax Liabilities		
Exploration & Evaluation Asset	1,031,941	2,963,291
Development Expenditure	3,260,234	-
Plant & Equipment	12,245	-
Other timing differences	155,001	-
	4,459,421	2,963,291
Less: offset by Deferred Tax Assets	(4,459,421)	(2,963,291)
Net Deferred Tax Liability	-	-

NOTE 5 - INCOME TAXES (continued)

(f) Movements in Deferred Tax Assets

	Tax losses $	Accrued Expenses $	Provisions $	Share issue costs $	Other $	Total $
At 1 July 2008	-	-	-	-	-	-
(Charged)/credited						
- to profit or loss	-	-	-	-	-	-
- to other	-	-	-	-	-	-
comprehensive income						
- directly to equity	-	-	-	-	-	-
At 30 June 2009	-	-	-	-	-	-
(Charged)/credited						
- to profit or loss	5,073,647	24,682	67,007	(147,914)	260,529	5,277,951
- to other	-	-	-	-	-	-
comprehensive income						
- directly to equity	-	-	-	513,288	-	513,288
At 30 June 2010	5,073,647	24,682	67,007	365,374	260,529	5,791,239

(g) Movements in Deferred Tax Liabilities

	Exploration & Evaluation Assets $	Development Expenditure $	Plant & Equipment $	Other $	Total $	Total $
At 1 July 2008	-	-	-	-	-	-
(Charged)/credited						
- to profit or loss	-	-	-	-	-	-
- to other	-	-	-	-	-	-
comprehensive income						
- directly to equity	-	-	-	-	-	-
At 30 June 2009	-	-	-	-	-	-
(Charged)/credited						
- to profit or loss	1,031,941	3,260,234	12,245	155,001	4,459,421	4,459,421
- to other	-	-	-	-	-	-
comprehensive income						
- directly to equity	-	-	-	-	-	-
At 30 June 2010	1,031,941	3,260,234	12,245	155,001	4,459,421	4,459,421

Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and there is a legally recognised right to offset.

Tax consolidation legislation

BC Iron Limited and its wholly owned Australian controlled entities have elected to enter into the tax consolidation legislation from 20 May 2009. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, BC Iron Limited.

NOTE 5 - INCOME TAXES (continued)

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables, no amounts have been recognised.

The entities entered into a tax funding agreement under which the wholly owned entities fully compensate BC Iron Limited for any current tax payable assumed and are compensated by BC Iron Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to BC Iron Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

NOTE 6 – CASH AND CASH EQUIVALENTS

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Cash at Bank and on hand	499,429	116,970
Cash on Deposit	28,263,547	11,919,772
	28,762,976	12,036,742

Refer to Note 24 – Financial Risk Management.

NOTE 7 –TRADE AND OTHER RECEIVABLES

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Trade receivables	934,322	-
Interest receivable	186,238	-
Inter Entity Loan receivables	268,655	
Other receivables (GST)	643,486	174,043
	2,032,700	174,043

(a) Ageing of financial assets past due not impaired

As at 30 June 2010 and 30 June 2009 there were no financial assets past due not impaired.

(b) Ageing of impaired financial assets

As at 30 June 2010 and 30 June 2009 there were no financial assets impaired.

Information about BC Iron's exposure to foreign currency risk and interest rate risk are disclosed in Note 24.

NOTE 8 – INVENTORY

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Current Assets		
Raw Materials - at cost	1,965,880	-
	1,965,880	-

NOTE 9 – OTHER FINANCIAL ASSETS

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Current Assets		
Security deposits - rent & performance bond	154,000	12,005
Security deposits - corporate card	96,436	50,000
	250,436	62,005

NOTE 10 – PLANT & EQUIPMENT

	Furniture, Computers and Equipment $	Assets under Construction $	Total $
Year ended 30 June 2010			
At 1 July 2009, net of accumulated depreciation	112,828	-	112,828
Additions	438,084	3,667,278	4,105,362
Disposals	(9,631)	-	(9,631)
Depreciation charge for the year	(91,069)	-	(91,069)
At 30 June 2010, net of accumulated depreciation	450,212	3,667,278	4,117,490
At 1 July 2009			
Cost	262,514	-	262,514
Accumulated depreciation	(149,686)	-	(149,686)
Net carrying amount	112,828	-	112,828
At 30 June 2010			
Cost	595,365	3,667,278	4,262,643
Accumulated depreciation	(145,153)	-	(145,153)
Net carrying amount	450,212	3,667,278	4,117,490
Year ended 30 June 2009			
At 1 July 2008, net of accumulated depreciation	148,663	-	148,663
Additions	40,321	-	40,321
Depreciation charge for the year	(76,156)	-	(76,156)
At 30 June 2009, net of accumulated depreciation	112,828	-	112,828
At 1 July 2008			
Cost	222,192	-	222,192
Accumulated depreciation	(73,529)	-	(73,529)
Net carrying amount	148,663	-	148,663

NOTE 11 - EXPLORATION & EVALUATION EXPENDITURE

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Exploration and evaluation expenditure costs brought forward in respect of areas of interest		
Opening balance	9,877,636	4,498,419
Transfers to development expenditure	(8,639,354)	-
Expenditure during financial year	2,201,520	5,379,217
Balance 30 June 2010	3,439,802	9,877,636

Exploration and evaluation expenditure is recorded at historical cost on an area of interest basis. Recovery of these costs is dependent upon the commercial success of future exploration and development or realisation by disposal of the interests therein.

There may exist on the Group's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

NOTE 12 – DEVELOPMENT EXPENDITURE

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Development expenditure costs brought forward in respect of areas of interest		
Opening balance	-	-
Transfer from exploration & evaluation expenditure	8,639,354	-
Expenditure during financial year	4,274,784	
Balance 30 June 2010	12,914,138	-

All expenditure for the Mine Development is included in Development Expenditure. Development expenditure is recorded at historical cost.

Upon reclassification from exploration and evaluation expenditure, the recoverable amount has been estimated as the asset's value in use, using the present value of future cash flows based upon available reserves calculated by the Company's geologists in accordance with industry guidelines, using a discount rate of 10%. As a result of this assessment, no impairment was deemed necessary.

NOTE 13 – TRADE AND OTHER PAYABLES

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Trade payables and accruals	1,641,539	728,111
Employee benefits	98,358	22,191
	1,739,897	750,302

Trade payables are unsecured and payable on supplier credit terms, usually payable within 30 days of recognition. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Refer to Note 24 – Financial Risk Management.

NOTE 14 – LOANS AND BORROWINGS

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Loan - Henghou Facility	13,954,966	-
	13,954,966	-

The Joint Arrangement (NIOJV) secured US$50 million (interest free) in project finance with Henghou Industries (Hong Kong) Limited. Henghou made a payment of US$15 million on 17 December 2009 (being US$7.5 million to the Group), a payment of US$15 million on 3 February 2010 (being US$7.5 million to the Group) and a payment of US$20 million on 2 July 2010 (being US$10 million to the Group). The Group will repay its share of the facility at the amount of US$5 million annually to Henghou over 5 years from December 2011. The above reported amount at 30 June 2010 is prior to the final payment of US$10 million and net of borrowing costs. As part of this facility BCI issued 8m options as non-cash interest consideration. Details are set out in Note 26.

NOTE 15 – PROVISIONS

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Provision for Restoration	125,000	-
	125,000	-

In accordance with State Government legislative requirements, a provision for site rehabilitation has been recognised in relation to BC Iron's test pit. The provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas.

NOTE 16 – SHARE CAPITAL

	Consolidated Entity 2010		Consolidated Entity 2009	
	Number	$	Number	$
Share Capital				
Ordinary shares - Fully paid	83,911,000	36,518,762	68,846,000	22,982,385
Movement in Ordinary Share Capital				
At 1 July	68,846,000	22,982,385	59,400,000	13,949,727
Rights Issue, 27 July 2009	11,461,000	12,607,100	-	-
Exercise of options, 14 August 2009	250,000	62,500	-	-
Exercise of options, 5 October 2009	254,000	63,500	-	-
Exercise of options, 26 November 2009	30,000	21,600	-	-
Exercise of options, 10 December 2009	2,800,000	725,000	-	-
Exercise of options, 11 December 2009	70,000	50,400	-	-
Exercise of options, 6 January 2010	100,000	72,000	-	-
Exercise of options, 9 February 2010	100,000	72,000	-	-
Exercise of options, 14 April 2009	-	-	735,000	183,750
Exercise of options, 23 April 2009	-	-	56,000	14,000
Exercise of options, 4 June 2009	-	-	75,000	18,750
Share placement at $1.10, 29 June 2009	-	-	8,500,000	9,350,000
Exercise of options, 4 June 2009	-	-	80,000	20,000
Less: costs of issue	-	(651,111)	-	(553,842)
Tax effect of costs of issue		513,388		
At 30 June	83,911,000	36,518,762	68,846,000	22,982,385

(a) Terms and conditions of ordinary shares:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Group, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

(b) Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group defines capital as equity and net debt. Net debt is defined as borrowings (2010: $13,954,966; 2009: $Nil) less cash and cash equivalents and equity as the sum of share capital, reserves and accumulated losses.

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Net Equity	38,995,476	21,512,954
Borrowings	13,954,966	-
Cash	(28,762,976)	(12,036,742)
Net Debt	(14,808,010)	(12,036,742)
Capital	24,187,467	9,476,212

NOTE 17 – RESERVES AND ACCUMULATED LOSSES

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
(a) Reserves		
Reserves	6,710,448	1,378,920
Reserves comprise the following:		
Share-based payments reserve		
Balance at start of financial year	1,303,240	762,562
Employee option expense	818,226	435,977
Employee option expense capitalised	241,784	-
Equity settled benefits	-	179,881
Payment received on option issue	-	500
Financier option expense	4,271,518	-
Options transferred to options exercised reserve	(569,159)	(75,680)
Balance at end of the financial year	6,065,609	1,303,240
Options Exercised reserve		
Balance at start of financial year	75,680	-
Options transferred from share-based payments reserve	569,159	75,680
Balance at end of the financial year	644,839	75,680
Total reserves	6,710,448	1,378,920
(b) Accumulated losses	(4,233,734)	(2,848,351)
Accumulated losses comprise the following:		
Balance at start of financial year	(2,848,351)	(1,536,695)
Loss for the financial period after related income tax benefit	(1,385,383)	(1,311,656)
Balance at end of the financial year	(4,233,734)	(2,848,351)

(c) Nature and purpose of reserves

The share based payments reserve is used to recognise the fair value of options; options issued to employees but not exercised and equity-settled benefits issued in settlement of share issue costs.

The options exercised reserve is used to recognise the fair value of options exercised.

NOTE 18 – LOSS PER SHARE

	Consolidated Entity 2010 Cents	Consolidated Entity 2009 Cents
(a) Basic loss per share	(1.70)	(2.20)
	$	$
(b) Loss used in calculating loss per share		
Loss attributable to the ordinary equity holders of the Company	(1,385,383)	(1,311,656)
	Number	Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the year used in calculations of basic loss per share	81,523,203	59,594,118
Diluted loss per share has not been disclosed as there are no instruments which are dilutive.		

NOTE 19 – COMMITMENTS

(a) Mining Tenement Leases

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 the WA State Government and pay tenement lease rents.

The estimated exploration expenditure commitment for the ensuing year, but not recognised as a liability in the financial statements:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Within one year	492,405	709,903
Later than one year but less than five years	3,021,620	2,839,612
Later than five years	-	-
	3,514,025	3,549,515

The commitments due within one year amount to $79,105 in respect of tenement lease rentals and $413,300 in exploration and development expenditures. This expenditure comprises 50% of tenement expenditure commitments in relation to the Joint Venture. It will only be incurred should the Group retain its existing level of interest in its various exploration areas and provided access to mining tenements is not restricted. These obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure.

NOTE 19 – COMMITMENTS (continued)

(b) Operating Lease – Buildings

The Group leases offices in West Perth, Western Australia, under a non-cancellable operating lease expiring 31st August 2011.

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Commitments for minimum lease payments are:		
Within one year	200,270	18,270
Later than one year but less than five years	33,378	-
Later than five years	-	-
	233,648	18,270

(c) Capital Commitments

Prior to 30th of June the Group executed a contract (on behalf of NIOJV) with Complete Portables for the Construction of the Mine site Village and Mine Operations Complex. Details are as per below:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Within one year	3,861,896	-
Later than one year but less than five years	-	-
Later than five years	-	-
	3,861,896	-

(d) Nullagine Joint Venture

In June 2009 the Group announced, subject to certain conditions being satisfied, the establishment of the Nullagine Iron Ore Joint Venture, with Chichester Metals Pty Ltd, a subsidiary of Fortescue Metals Group Limited. These conditions have now been satisfied and the NIOJV formally established. Under the terms of this agreement the Group and Chichester may be required to each contribute further equity of up to $7 million to part fund project development costs. The Group and Chichester have each contributed $3 million to date.

NOTE 20 - KEY MANAGEMENT PERSONNEL DISCLOSURE

(a) Key management personnel compensation

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Short-term employee benefits	1,028,120	707,806
Post-employment benefits	74,960	47,500
Share-based payments	436,639	435,977
	1,539,719	1,191,283

NOTE 20 - KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

(b) Equity instrument disclosures relating to key management personnel

The interests of Key Management Personnel in shares and share options at the end of the financial period are as follows:

Consolidated Entity
2010
(1) Number of Shares

	Balance at the start of the financial year	Received during the year on the exercise of options	Other changes	Balance at the end of the financial year
Directors				
A Kiernan	357,976	750,000	6,157	1,114,133
M Young	234,000	1,000,000	39,001	1,273,001
S Chadwick	233,334	500,000	(200,000)	533,334
G Higgo	23,334	-	-	23,334
G Higgo*		500,000	-	500,000
T Ransted	190,800	500,000	(68,199)	622,601
G Baldwin	-	-	-	-
Executives	-			
M Ball	-	-	8,000	8,000
S Storm	-	-	-	-
B Duncan	-	-	-	-
	1,039,444	3,250,000	(215,041)	4,074,403

* Subsequent to year end, these shares were transferred to the beneficial owner, Consolidated Iron Pty Ltd.

Consolidated Entity
2009
(1) Number of Shares

	Balance at the start of the financial year	Received during the year on the exercise of options	Other changes	Balance at the end of the financial year
Directors				
A Kiernan	234,476	-	123,500	357,976
M Young	224,000	-	10,000	234,000
S Chadwick	200,000	-	33,334	233,334
G Higgo	20,000	-	3,334	23,334
T Ransted	190,800	-	-	190,800
Executives				
L Colless	-	-	-	-
S Storm	-	-	-	-
B Duncan	-	-	-	-
	869,276	-	170,168	1,039,444

NOTE 20 - KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

Consolidated Entity
2010
(1) Number of Options

	Balance at the start of the financial year	Granted as compensation	Exercised	Options lapsed/ cancelled	Balance at the end of the financial year	Vested and exercisable at 30 June 2010	Unvested
Directors							
A Kiernan	750,000	-	(750,000)	-	-	-	-
M Young	2,000,000	-	(1,000,000)	-	1,000,000	1,000,000	-
S Chadwick	500,000	-	(500,000)	-	-	-	-
G Higgo*	500,000	-	(500,000)	-	-	-	-
T Ransted	500,000	-	(500,000)	-	-	-	-
G Baldwin	-	-	-	-	-	-	-
Executives				-			
M Ball	-	500,000	-	-	500,000	100,000	400,000
S Storm	-	500,000	-	200,000	300,000	150,000	150,000
B Duncan	500,000	-	-	-	500,000	300,000	200,000
	4,750,000	1,000,000	(3,250,000)	200,000	2,300,000	1,550,000	750,000

* Subsequent to year end, these shares were transferred to the beneficial owner, Consolidated Iron Pty Ltd.

Consolidated Entity
2009
(1) Number of Options

	Balance at the start of the financial year	Granted as compensation	Exercised	Balance at the end of the financial year	Vested and exercisable at 30 June 2009	Unvested
Directors						
A Kiernan	750,000	-	-	750,000	750,000	-
M Young	1,000,000	1,000,000	-	2,000,000	1,500,000	500,000
S Chadwick	500,000	-	-	500,000	500,000	-
G Higgo*	500,000	-	-	500,000	500,000	-
T Ransted	500,000	-	-	500,000	500,000	-
Executives						
L Colless	-	-	-	-	-	-
S Storm	-	-	-	-	-	-
B Duncan	-	500,000	-	500,000	100,000	400,000
	3,250,000	1,500,000	-	4,750,000	3,850,000	900,000

* Subsequent to year end, these shares were transferred to the beneficial owner, Consolidated Iron Pty Ltd.

NOTE 20 - KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

(c) Other transactions with Key Management Personnel

Disclosures relating to key management personnel are set out below.
The following transactions occurred with related parties:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Transactions between related parties are on normal commercial terms no more favourable than those available to other parties unless otherwise stated.		
Key Management Personnel		
Professional fees paid to Christensen Vaughan, a company in which Mr Kiernan, a director, is a consultant.	-	1,178
Professional fees paid to Mr Kiernan, a director, for services in excess of normal director duties.	45,000	7,500
Total	45,000	8,678

There are no amounts outstanding at the reporting date (2009 – Nil) in relation to transactions with related parties.

NOTE 21 – CONTINGENT LIABILITIES AND ASSETS

The Group is bound to the Minister in the State of Western Australia to the sum of $55,000 security in order to comply with the conditions of the leases for the mining tenements.

On 16 December, the Company received notice from Tennant Metals that it disputed BC Iron's termination of its Off-Take Agreement and would be referring the matter to arbitration. BC Iron denies any liability to Tennant Metals.

NOTE 22 - SEGMENTAL INFORMATION

Management has determined that the company has one reportable segment, being mineral exploration and development in Western Australia. As the company is focused on mineral exploration and development, the Board monitors the company based on actual versus budgeted exploration and development expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration and development activities, while also taking into consideration the results of exploration and development work that has been performed to date.

	2010 $	2009 $
Total segment revenue	482,998	-
Adjusted EBITDA	482,998	-
Total segment assets	54,815,339	22,263,256
Total segment liabilities	1,864,897	750,302
Reconciliation of reportable segment profit or loss		
Adjusted EBITDA	482,998	-
Interest revenue	1,045,292	402,146
Other income	500	-
Unallocated: Corporate Expenses	(3,939,726)	(2,057,706)
Loss before income tax	(2,410,936)	(1,655,560)
Segment liabilities	1,864,897	750,302
Deferred Tax Liabilities	-	-
Non current loans	13,954,966	-
Total liabilities as per the balance sheet	15,819,863	750,302

NOTE 23 – RELATED PARTY TRANSACTIONS

(a) Parent Entities

The parent entity within the group is BC Iron Limited. The parent entity owns 100% of BC Iron Nullagine Pty Ltd. This subsidiary has a 50% participating interest in the Nullagine Iron Ore Joint Venture.

(b) Transactions with related parties

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Management fee income from Joint Arrangement	482,998	-

(c) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Current receivables		
Joint Arrangement	934,322	
Current payables	-	

(d) Loans to/from related parties

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Loans to joint arrangement	268,655	-

NOTE 24 - FINANCIAL RISK MANAGEMENT

The Group's activities expose it to the following risks from their use of financial instruments: credit risk, liquidity risk and market risk. This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk.

The group hold the following financial instruments:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Financial assets		
Cash and cash equivalents	28,762,976	9,080,474
Deposits	250,436	36,938
Trade and other receivables	2,032,700	184,938
	31,046,112	9,302,350
Financial liabilities at amortised cost		
Trade and other payables	1,739,897	773,838
Loans & Borrowings	13,954,966	-
	15,694,863	773,838

(a) Market risk

i. Foreign exchange risk

BC Iron's policy is, where possible, to allow group entities to settle foreign liabilities with the cash generated from their own operations in that currency. BC Iron is exposed to currency risk on cash reserves and borrowings. The groups' exposure to foreign currency risk, expressed in Australian dollar, was as follows:

		Consolidated Entity 2010 $	Consolidated Entity 2009 $
Exchange Rate	0.852		
Financial Assets			
Cash and Cash Equivalents	AUD	4,046,596	-
	USD	3,447,700	-
Financial Liabilities			
Borrowings	AUD	(17,605,634)	-
	USD	(15,000,000)	-

Sensitivity Analysis

A five per cent strengthening of the US dollar against the Australian dollar at 30 June on a net basis would have decreased the group's loss by $645,668 primarily through a lower valuation of BCI's US borrowings. A five per cent benchmark is used by the Group based upon potential forward rate movements of foreign exchange rates.

NOTE 24 - FINANCIAL RISK MANAGEMENT (continued)

ii. Cash flow and fair value interest rate risk

Although the Group has significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group monitors interest rates to obtain the best terms and mix of cash flow.

As at the reporting date, the Group had the following variable rate deposits and there were no interest rate swap contracts outstanding:

	Consolidated Entity 2010		Consolidated Entity 2009	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Deposits		250,436		62,005
Other cash available		28,762,976		12,036,742
Net exposure to cash flow interest rate risk	3.6%	29,013,412	3.0%	12,098,747

The group's borrowings are carried at amortised cost. They are therefore not subject to interest rate risk.

The Group analyses its interest rate exposure each time a deposit term expires. The Group aims to maximise interest returns from available funds and at the same time retain operating flexibility through adequate access to funds.

Sensitivity Analysis

If interest rates had been 50 basis points higher or lower than the prevailing rates as at 30 June 2010, with all other variables held constant, there would be an immaterial change in post-tax loss for the year. Equity would not have been impacted (2009 – immaterial impact). 50 basis points benchmark is used by the Group based upon potential forward rate movements of interest rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised at the beginning of this note. All receivables at 30 June 2010 were received within two months.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Trade receivables		
Counterparties without external credit rating		
Group 1	-	-
Group 2	2,032,700	184,938
Group 3	-	-
Total trade receivables	2,032,700	9,302,350
Cash at bank and short-term deposits		
AA	29,013,412	9,117,412
	29,013,412	9,117,412

NOTE 24 - FINANCIAL RISK MANAGEMENT (continued)

Group 1 – new customers (less than 6 months)
Group 2 – existing customers (more than 6 months) with no defaults in the past.
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

(c) Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Group under the ASX Listing Rules.

Financing arrangements
On 2 July 2010, the Nullagine Iron Ore Joint Venture received US$20 million (the Group's share is US$10million) being the third and final instalment of funding under the US$50 million financing facility with Henghou Industries (Hong Kong) Limited. Refer Note 14.

Maturity analysis of financial assets and liabilities
The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables. The tables below analyses the Group's maturity based upon their contractual maturities and are disclosed at their undiscounted amounts.

Consolidated Entity Year Ended 30 June 2010	< 6 months	6-12 months	1-5 years	> 5 years	Total
Financial assets					
Cash & cash equivalents	28,762,976	-	-	-	28,762,976
Deposits	-	250,436	-	-	250,436
Trade & other receivables	2,032,700	-	-	-	2,032,700
	30,795,676	250,436	-	-	31,046,112
Financial liabilities					
Trade & other payables	1,739,897	-	-	-	1,739,897
Borrowings	-	-	17,605,634	-	17,605,634
	1,739,897	-	17,605,634	-	19,345,531
Net maturity	29,055,779	250,436	(17,605,634)	-	11,700,581
Consolidated Entity Year Ended 30 June 2010	< 6 months	6-12 months	1-5 years	> 5 years	Total
Financial assets					
Cash & cash equivalents	12,036,742	-	-	-	12,036,742
Deposits	-	62,005	-	-	62,005
Trade & other receivables	174,043	-	-	-	174,043
	12,210,785	62,005	-	-	12,272,790
Financial liabilities					
Trade & other payables	750,302	-	-	-	750,302
Net maturity	11,460,483	62,005	-	-	11,522,488

NOTE 25 – RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Loss for the financial period	(1,385,383)	(1,311,656)
Non cash flows in operating loss		
Depreciation	91,068	76,156
Movements in provisions	162,836	(2,571)
Employee benefit - shared-based payment	818,226	616,359
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	(1,553,479)	0
(Decrease)/ increase in trade and other payables	989,597	87,367
Net cash outflows by operating activites	(877,135)	(534,345)

NOTE 26 – SHARE-BASED PAYMENTS

During the financial year the Group provided share based payments to Directors, Employees, Consultants and Financiers. An employee share option incentive plan was approved at a shareholder's general meeting on 17 July 2008. Under the terms of the plan the Board may offer options at no more than nominal consideration to employees or directors (the latter subject to shareholder approval) based on a number of criteria, including contribution to the Group, period of employment, potential contribution to the Group in the future and other factors the Board considers relevant.

Set out below is a summary of the options granted by the Group:

2010

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	Balance at end of the financial year	Vesting date	Vested and exercisable at end of financial year
Others			-						
1/08/09	1/08/12	$1.25	-	150,000	-	-	150,000	01-Aug-09	150,000
1/08/09	1/08/12	$1.40	-	150,000	-	-	150,000	01-Aug-10	-
1/08/09	1/08/12	$1.60	-	200,000	-	200,000	-	01-Aug-11	-
12/04/10	19/02/15	$1.50	-	250,000	-	-	250,000	01-Jan-11	-
12/04/10	19/02/15	$1.50	-	250,000	-	-	250,000	01-Jan-11	-
12/02/10	11/02/12	$1.35	-	6,000,000	-	-	6,000,000	06-Jul-10	-
12/02/10	11/02/12	$1.50	-	2,000,000	-	-	2,000,000	06-Jul-10	-
Employee options			-						
1/08/09	1/08/12	$1.25	-	100,000	-	-	100,000	01-Aug-09	100,000
1/08/09	1/08/12	$1.40	-	200,000	-	-	200,000	01-Aug-10	-
1/08/09	1/08/12	$1.60	-	200,000	-	-	200,000	01-Aug-11	-
3/09/09	3/09/12	$1.25	-	100,000	-	-	100,000	03-Dec-09	100,000
3/09/09	3/09/12	$1.40	-	150,000	-	-	150,000	03-Sep-10	-
3/09/09	3/09/12	$1.60	-	250,000	-	-	250,000	03-Sep-11	-
5/11/09	5/11/12	$1.25	-	100,000	-	-	100,000	05-Feb-10	100,000
5/11/09	5/11/12	$1.50	-	150,000	-	-	150,000	05-Nov-10	-
5/11/09	5/11/12	$2.00	-	150,000	-	-	150,000	05-Nov-11	-
Weighted average exercise price			$0.75	$1.41			$1.41		$1.25

NOTE 26 – SHARE-BASED PAYMENTS (continued)

2009

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	Balance at end of the financial year	Vesting date	Vested and exercisable at end of financial year
Director options									
16-Oct-06	15-Dec-09	$0.25	500,000	-			500,000	15-Dec-07	500,000
16-Oct-06	15-Dec-09	$0.30	500,000	-			500,000	15-Dec-08	500,000
16-Oct-06	15-Dec-09	$0.25	2,250,000	-			2,250,000	16-Oct-06	2,250,000
17-Jul-08	15-Aug-11	$1.85	-	500,000			500,000	15-Feb-09	500,000
17-Jul-08	15-Aug-11	$2.00	-	500,000			500,000	15-Feb-10	-
Promoter options									
19-Dec-06	15-Dec-09	$0.25	1,000,000		(946,000)		54,000	19-Dec-06	54,000
Others									
09-Nov-07	31-Aug-09	$1.50	25,000	-		(25,000)	-	09-Nov-07	-
16-Apr-09	31-Mar-12	$0.65	-	250,000			250,000	16-Apr-09	250,000
30-Jun-09	31-Mar-12	$0.90	-	250,000			250,000	30-Jun-09	250,000
Employee options									
01-Jun-07	19-Feb-10	$0.72	100,000	-			100,000	01-Jun-07	100,000
01-Jun-07	19-Feb-10	$0.72	200,000				200,000	16-Feb-08	200,000
09-Nov-07	31-Aug-09	$1.50	50,000	-		(50,000)	-	06-Nov-07	-
19-Dec-07	19-Dec-10	$2.12	50,000			(50,000)	-	20-Jun-08	-
19-Dec-07	19-Dec-10	$2.12	50,000			(50,000)	-	20-Dec-08	-
21-Aug-08	21-Aug-11	$1.25	-	100,000			100,000	21-Aug-08	100,000
21-Aug-08	21-Aug-11	$1.50	-	200,000			200,000	21-Aug-08	-
21-Aug-08	21-Aug-11	$2.00	-	200,000			200,000	21-Aug-08	-
Weighted average exercise price			$0.34	$1.57			$0.75		$0.53

The weighted average remaining contractual life of share options outstanding at the end of the financial period was 2 years (2011 –2012 financial years).

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

A. Director option expense

Share options have been granted to provide long-term incentive for Directors to deliver long-term shareholder returns.

B. Employee option expense

Share options have been granted to provide long-term incentive for senior employees to deliver long-term shareholder returns. Participation in employee share options is at the Board's discretion and no individual has a contractual right to participate in a plan or to receive any guaranteed benefits.

C. Other option expense

Share options have been granted to Consultants for their services as consideration for the provision of services with respect to broker support and capital raising costs.

NOTE 26 – SHARE-BASED PAYMENTS (continued)

During the year the Group issued the following share based payments to Directors, Employees, Consultants and Financiers. The terms and conditions including fair value of share options issued have been included below:

2010

Grant Date	Expiry date	Exercise price	Granted during the year	Vesting Period	Fair value at grant date of options	Share price on grant date	Expected Volatility	Option life	Expected Dividends	Risk-free interest rate
Employee options										
01-Aug-09	01-Aug-12	$1.25	100,000	01-Aug-09	$0.64	$1.05	100%	3 years	0%	4.94%
01-Aug-09	01-Aug-12	$1.40	200,000	01-Aug-10	$0.62	$1.05	100%	3 years	0%	4.94%
01-Aug-09	01-Aug-12	$1.60	200,000	01-Aug-11	$0.59	$1.05	100%	3 years	0%	4.94%
05-Nov-09	05-Nov-12	$1.25	100,000	10-Feb-10	$0.65	$1.08	100%	3 years	0%	3.13%
05-Nov-09	05-Nov-12	$1.50	150,000	05-Nov-10	$0.61	$1.08	100%	3 years	0%	3.13%
05-Nov-09	05-Nov-12	$2.00	150,000	05-Nov-11	$0.55	$1.08	100%	3 years	0%	3.13%
Key Management Personnel options										
01-Aug-09	01-Aug-12	$1.25	150,000	01-Aug-09	$0.64	$1.05	100%	3 years	0%	4.94%
01-Aug-09	01-Aug-12	$1.40	150,000	01-Aug-10	$0.62	$1.05	100%	3 years	0%	4.94%
01-Aug-09	01-Aug-12	$1.60	200,000	01-Aug-11	$0.59	$1.05	100%	3 years	0%	4.94%
03-Sep-09	03-Sep-12	$1.25	100,000	03-Dec-09	$0.56	$0.97	100%	3 years	0%	3.13%
03-Sep-09	03-Sep-12	$1.40	150,000	03-Sep-10	$0.54	$0.97	100%	3 years	0%	3.13%
03-Sep-09	03-Sep-12	$1.60	250,000	03-Sep-11	$0.52	$0.97	100%	3 years	0%	3.13%
Other options										
12-Apr-10	19-Feb-15	$1.50	250,000	01-Jan-11	$1.62	$2.02	100%	5 years	0%	5.54%
12-Apr-10	19-Feb-15	$1.50	250,000	01-Jan-11	$1.62	$2.02	100%	5 years	0%	5.54%

2009

Grant Date	Expiry date	Exercise price	Granted during the year	Vesting Period	Fair value at grant date of options	Share price on grant date	Expected Volatility	Option life	Expected Dividends	Risk-free interest rate
Director options										
17-Jul-08	15-Aug-11	$1.85	500,000	15-Feb-09	$0.48	$1.10	90%	2 years	0%	6.42%
17-Jul-08	15-Aug-11	$2.00	500,000	15-Feb-10	$0.30	$1.10	90%	2 years	0%	6.42%
Key Management Personal options										
21-Aug-08	21-Aug-11	$1.25	100,000	21-Aug-08	$0.44	$0.88	86%	3 years	0%	5.60%
21-Aug-08	21-Aug-11	$1.50	200,000	21-Aug-19	$0.30	$0.88	86%	3 years	0%	5.60%
21-Aug-08	21-Aug-11	$2.00	200,000	21-Aug-10	$0.11	$0.88	86%	3 years	0%	5.60%
Other options										
16-Apr-09	31-Mar-12	$0.65	250,000	16-Apr-09	$0.39	$0.39	117%	3 years	0%	3.00%
30-Jun-09	31-Mar-12	$0.90	250,000	30-Jun-09	$0.33	$0.57	114%	3 years	0%	3.00%

NOTE 26 – SHARE-BASED PAYMENTS (continued)

D. Financier Options

Share Options have been issued to Henghou as part of the borrowing facility. Refer Note 14.

The costs of share-based payments to financiers are measured by reference to the difference between the nominal value and net present value of the finance facility provided. The net present value is determined based upon a market comparable discount rate applicable to similar size companies within the mining sector. The net present value is calculated using the weighted average cost of capital of 10%. The option details are set out below:

2010

Grant Date	Expiry date	Exercise price	Granted during the year	Vesting Period	Cost
Financier					
12-Feb-10	11-Feb-12	$1.35	6,000,000	07-Jul-10	$1,776,369
12-Feb-10	11-Feb-12	$1.50	2,000,000	07-Jul-10	$2,495,149

E. Expenses arising from share-based payment transactions

Total expenses arising from share-based payments recognised during the financial period as share based payments expense was:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Director benefits	60,405	330,095
Employee benefits	577,675	105,883
Consultant benefits	180,145	179,881
Total Share Options expensed	818,225	615,859
Consultant benefits (share options capitalised)	241,784	-
Total Share Options	1,060,009	615,859

NOTE 27 – INTEREST IN JOINT ARRANGEMENTS

(a) Jointly controlled assets

On 1 January 2010, the Group and Fortescue Metals Group commenced a Joint Venture to develop the Nullagine Iron Ore Project in the East Pilbara of Western Australia. The subsidiary, BC Iron Nullagine Pty Ltd has a 50% participating interest in this joint venture. Both the Group and Fortescue Metals Group have paid an initial fair value contribution of $3m respectively to the Joint Venture. The group's interests in the assets employed in the joint venture are included in the consolidated statement of financial position, in accordance with the accounting policy described in note 1(b), under the following financial information classifications:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
CURRENT ASSETS		
Cash and cash equivalents	18,550,803	-
Trade and other receivables	1,140,454	-
Inventory	3,931,759	-
Total Current Assets	23,623,016	-
NON CURRENT ASSETS		
Plant & equipment	7,696,412	-
Exploration and evaluation assets	1,562,269	-
Development expenditure	11,771,858	-
Total Non-Current Assets	21,030,539	-
TOTAL ASSETS	44,653,556	-
CURRENT LIABILITIES		
Trade and other payables	3,922,085	-
Total Current Liabilities	3,922,085	-
NON-CURRENT LIABILITIES		
Loans & Borrowings	35,748,577	-
Provisions	250,000	-
Total Non-Current Liabilities	35,998,577	-
TOTAL LIABILITIES	39,920,662	-
NET ASSETS	4,732,893	-

(b) Mining Tenement Leases

In order to maintain current rights of tenure to exploration tenements the Entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the WA State Government and pay tenement lease rents.
The estimated exploration expenditure commitment for the ensuing year, but not recognised as a liability in the financial statements:

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Within one year	815,199	709,903
Later than one year but less than five years	4,914,796	2,839,612
Later than five years	-	-
	5,729,996	3,549,515

NOTE 27 – INTEREST IN JOINT ARRANGEMENTS (continued)

(c) Capital Commitments

Prior to 30th of June the Joint Arrangement executed a contract with Complete Portables for the Construction of the Mine site Village and Mine Operations Complex.

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Within one year	7,723,792	-
Later than one year but less than five years	-	-
Later than five years	-	-
	7,723,792	-

NOTE 28 - PARENT ENTITY

The following details information related to the parent entity, BC Iron Ltd, as at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	Parent Entity 2010 $	Parent Entity 2009 $
CURRENT ASSETS		
Cash and cash equivalents	19,346,835	12,036,742
Trade and other receivables	1,093,643	174,043
Other financial assets	250,436	62,005
Total Current Assets	20,690,914	12,272,790
NON CURRENT ASSETS		
Other financial assets	16,632,360	2
Plant & equipment	269,284	112,828
Exploration and evaluation assets	294,775	9,877,636
Development expenditure	-	-
Deferred Tax Assets	1,331,918	-
Total Non-Current Assets	18,528,337	9,990,466
TOTAL ASSETS	39,219,251	22,263,256
CURRENT LIABILITIES		
Trade and other payables	4,337,712	750,302
Total Current Liabilities	4,337,712	750,302
TOTAL LIABILITIES	4,337,712	750,302
NET ASSETS	34,881,540	21,512,954
EQUITY		
Share capital	36,518,762	22,982,385
Share based payment reserve	1,794,091	1,303,240
Options exercised reserve	644,839	75,680
Accumulated losses	(4,076,152)	(2,848,351)
TOTAL EQUITY	34,881,540	21,512,954
	-	-
Revenue from continuing operations	859,459	402,146
Other income	500	
Total Expenses	(3,113,314)	(2,057,706)
Income tax benefit	1,025,553	343,904
Balance at end of the financial year	(1,227,802)	(1,311,656)

NOTE 28 - PARENT ENTITY (continued)

As detailed in Note 21, there is a contingent liability in respect of a notice received from Tennant Metals that it disputed BC Iron's termination of its Off-Take Agreement and would be referring the matter to arbitration.

Included in the Commitments note 19 are commitment incurred by the parent entity relating to the lease of offices in West Perth, Western Australia, under a non-cancellable operating lease expiring August 2011.

NOTE 29 – EVENTS OCCURING AFTER THE REPORTING DATE

On 1 July 2010, the Group signed an Infrastructure Agreement with the Nyiyaparli people which will enable the NIOJV to complete the southern section of its private haul road connecting it to FMG's rail infrastructure.

On 2 July 2010, the NIOJV received US$20 million (the Group's share is US $10million) being the third and final instalment of funding under the US$50 million financing facility with Henghou Industries (Hong Kong) Limited.

In August 2010, the Group received all final approvals for Stage One of the Project from the Department of Mines and Petroleum. These approvals permit the commencement of mining at the Project. In addition, construction of the private haul road to FMG's rail infrastructure has commenced and the final approvals process is well advanced. Further to this the NIOJV lodged an Unconditional Performance Bond of $1.572 million with the Government.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in financial periods subsequent to the financial year ended 30 June 2010.

SECTION 09

INDEPENDENT AUDITOR'S REPORT & DECLARATION OF INDEPENDENCE

38 Station Street Subiaco,
WA 6008
PO Box 700
West Perth WA 6872
Australia

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BC IRON LIMITED

Report of the Financial Report

We have audited the accompanying financial report of BC Iron Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

BDO

AUDITOR'S OPINION

In our opinion:

(a) the financial report of BC Iron Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity'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; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in 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 Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of BC Iron Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director
Perth, Western Australia
Dated this 8th day of September 2010

38 Station Street Subiaco,
WA 6008
PO Box 700
West Perth WA 6872
Australia

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

8th September 2010

The Directors
BC Iron Limited
Level 1, 15 Rheola Street
WEST PERTH WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF BC IRON LIMITED

As lead auditor of BC Iron Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of BC Iron Limited and the entity it controlled during the period.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director
Perth, Western Australia
Dated this 8th day of September 2010

SECTION 10
CORPORATE COVERNANCE

BC Iron Limited (**"Company"**) has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (**"ASX Principles and Recommendations"**), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Further information about the Company's corporate governance practices including the relevant information on the Company's charters, code of conduct and other policies and procedures is set out on the Company's website at
www.bciron.com.au

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Summary Statement

(a) Principle 1 Recommendation 1.1, 1.2 and 1.3

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and senior executives and has set out these functions in its Board Charter.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chairman or the lead independent director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Chairman, in consultation with the other Board members, is responsible for evaluating the Managing Director and Senior Executives. The performance evaluation of the Managing Director is undertaken by the Chairman in the form of interviews.

Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1.

Disclosure:

During the Reporting Period a performance evaluation of senior executives did occur in accordance with the above disclosed process at Recommendation 1.2.

(b) Principle 2 Recommendations 2.1, 2.2, 2.3

A majority of the Board should be independent directors and the Chairman should be an independent director. The roles of the Chairman and Managing Director should not be exercised by the same individual.

Disclosure:

In considering the independence of directors, the Board refers to the criteria for independence as set out in Box 2.1 of the ASX Principles and Recommendations (Independence Criteria). To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website.

Applying the Independence Criteria, the independent directors of the Company are Tony Kiernan, Steve Chadwick and Terry Ransted. Notwithstanding the Independence Criteria, the Board also considers Glenn Baldwin to be independent for the reasons set out below.

Mr Baldwin is an employee of Consolidated Iron Pty Ltd, a substantial shareholder of the Company, and therefore does not fall within paragraph 1 of the Independence Criteria. The Board (in absence of Mr Baldwin) considers that Mr Baldwin is capable of and demonstrates that he consistently makes decisions and takes actions which are designed to be for the best interest of the Company. In these circumstances, the Board believes that he possesses the characteristics required of a person who would be eligible to take on the role of an independent director and therefore deems Mr Baldwin to be independent.

The Board notes the potential for conflict in matters where Consolidated Iron Pty Ltd are involved and recognises that in such circumstances Mr Baldwin would declare such interest and not participate in the decision making process unless otherwise allowed by the Board, as is required under the Corporations Act.

The Chairman is independent and the role of Chairman and Managing Director are carried out by a different person, namely Mr Kiernan and Mr Young respectively.

(c) Principle 2 Recommendation 2.4

Notification of Departure

A separate nomination committee has not been formed.

Explanation for Departure

The role of the nomination committee is carried out by the full Board. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. To assist the Board to fulfil its function as a nomination committee, it has adopted a Nomination Committee Charter.

(d) Principle 2 Recommendation 2.5

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chairman is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. Evaluations are undertaken by way of round-table discussions and when appropriate by one to one interviews.

(e) Principle 2 Recommendation 2.6

Companies should provide the information indicated in the Guide to Reporting on Principle 2.

Disclosure:

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent directors of the Company during the Reporting Period is disclosed in (b) above.

Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The full Board sits in its capacity as a Nomination Committee.

Performance Evaluation

During the Reporting Period a formal evaluation of the Board members was not carried out, as it was not considered to be a beneficial procedure at this stage and in the circumstances of the Company.

Selection and Reappointment of Directors

The Board considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

Each director other than the managing director (if appointed) must retire from office no later than the longer of the third annual general meeting of the company or 3 years following that director's last election or appointment. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

(f) Principle 3 Recommendation 3.1, 3.3

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct. A summary is available on the Company's website www.bciron.com.au

(g) Principle 3 Recommendation 3.2

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

(h) Principle 4 Recommendation 4.1, 4.2, 4.3, 4.4

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee.

The Audit Committee held 2 meetings during the reporting period. The Financial Statements identify those directors who are members of the Audit Committee and shows their attendance at committee meetings:

Details of each of the director's qualifications are set out in the Director's Report.

All of the members of the Audit Committee are financially literate and have industry experience.

The Board has adopted an Audit Committee Charter, which the Audit Committee applies when convening. The Audit Committee Charter makes provision for the Audit Committee to meet with the external auditor, as and when required. A copy of the Audit Committee Charter is available on the Company's website www.bciron.com.au

(i) Principle 5 Recommendation 5.1, 5.2

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

A copy of the ASX listing rule compliance is available on the Company's website www.bciron.com.au

(j) Principle 6 Recommendation 6.1, 6.2

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

A copy of the Shareholder Communication Policy is available on the Company's website www.bciron.com.au

(k) Principle 7 Recommendation 7.1, 7.2, 7.4

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has adopted an Operational Risk Management Framework, which sets out the Company's risk profile and management. Under the framework, the Board, through a Risk Management Committee, is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the framework, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

During the year the senior executives of the Company participated in an independently facilitated Risk Management Workshop. Risks were identified and assessed with respect to these risk categories - Description of Potential Risk, Likelihood, Consequence, Mitigating Practices & Controls and Control Rating.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board has received confirmation from management through the Risk Management Workshop as to the effectiveness of the Company's management of its material business risks.

(l) Principle 7 Recommendation 7.3

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 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.

Disclosure:

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration 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 risk.

(m) Principle 8 Recommendations 8.1 and 8.3

The Board should establish a Remuneration Committee

Notification of Departure:

A separate remuneration committee has not been formed.

Explanation for Departure:

The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee. However, similar to its approach to nomination matters, the Board has adopted a Remuneration Committee Charter, which it applies when convening as the remuneration committee. In addition, all matters of remuneration will continue to be determined in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, no directors participate in any deliberations regarding their own remuneration or related issues.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms a part of the Directors' Report.

A copy of the Remuneration Committee Charter is available on the Company's website www.bciron.com.au.

(n) Principle 8 Recommendation 8.2

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance.

Pay and rewards for executive directors and senior executives consists of a base pay and benefits (such as superannuation) as well as long term incentives through participation in employee share option plans. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

SECTION 11
ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 17 September 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:

Shareholder	Number of shares	% Holding
CONSOLIDATED IRON PTY LTD	18,700,000	22.29
CITICORP NOMINEES PTY LIMITED	13,260,861	15.80
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,307,506	5.13

(b) Distribution of shares

The numbers of shareholders, by size of holding are:

Category (size of holding)	Total Holders	Units	% Issued Capital
1 - 1000	698	478,399	0.57%
1001 - 5000	1459	4,338,502	5.17%
5001 - 10000	708	5,806,483	6.92%
10001 - 100000	544	14,256,790	16.99%
100001 - max	48	59,030,826	70.35%
Total	3457	83,911,000	100.00%

The number of shareholdings held in less than marketable parcels is 89.

(c) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

	SHAREHOLDERS	Number of shares held	% Holding
1	CONSOLIDATED IRON PTY LTD	18,700,000	22.29
2	CITICORP NOMINEES PTY LIMITED	13,260,861	15.80
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,307,506	5.13
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,620,151	3.12
5	NEFCO NOMINEES PTY LTD	2,453,320	2.92
6	NATIONAL NOMINEES LIMITED	2,290,089	2.73
7	BOND STREET CUSTODIANS LIMITED (MACQUARIE SMALLER CO'S A/C)	1,604,615	1.91
8	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,359,231	1.62
9	ANZ NOMINEES LIMITED (CASH INCOME A/C)	1,325,161	1.58
10	MICHAEL CHARLES YOUNG + JOCELYN THERESE YOUNG	1,273,001	1.52
11	ANTHONY KIERNAN	1,114,383	1.33
12	DR MARK EMMERSON BARLEY	1,000,000	1.19
13	MR TIMOTHY SIMON BLAKE	900,000	1.07
14	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED (BERNDALE A/C)	885,670	1.06
15	KYIM PTY LTD (RANSTED FAMILY A/C)	622,601	0.74
16	MR STEVEN JOHN CHADWICK	533,334	0.64
17	RANDOLPH RESOURCES PTY LIMITED	505,000	0.60
18	MRS HEATHER MAY MITCHELL	480,500	0.57
19	MENZEL PTY LTD (MENZEL SUPER FUND A/C)	403,849	0.48
20	MR ALAN JOHN EGGERS	350,000	0.42
		55,989,272	66.72

Stock Exchange Listing – Listing has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

(d) Unlisted Options

Class	Option Holdings at 17 September 2010	
	Number of Options	Number of holders
1	3,700,000	8
2	9,000,000	3

Class	Holdings of more than 20%	Number of Options	%
2	Henghou Industries (Hong Kong) Limited	8,000,000	89%

(e) Voting rights

All shares carry one vote per unit without restriction.

(f) Listing Rule 4.10.19

The Group has used the cash and assets in a form readily convertible into cash that it had at the time of admission to the Official List of ASX Limited in a way consistent with its business objectives.

SECTION 12

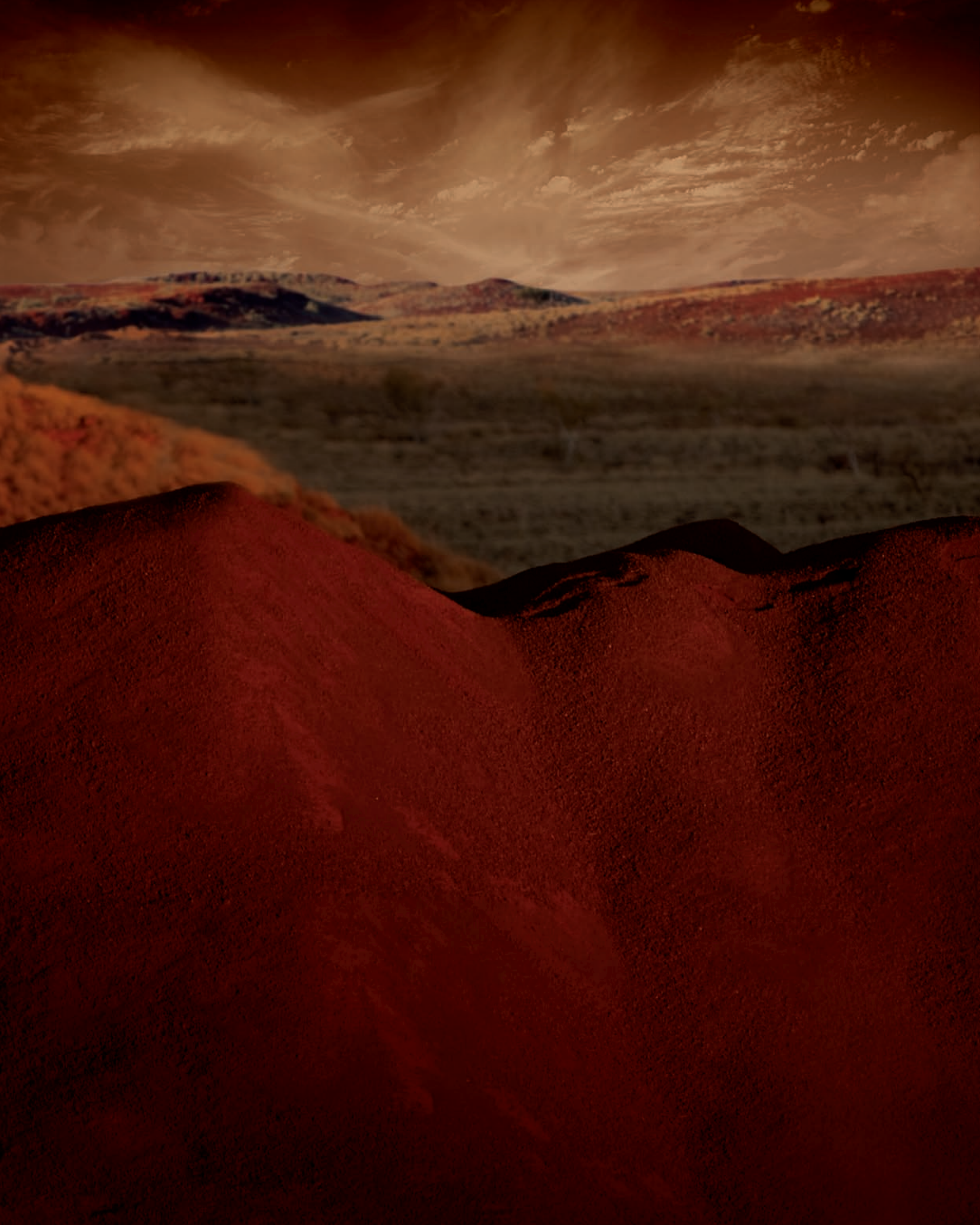
TENEMENT SCHEDULE

Tenement Number	Title of Affected Standard	
	Registered Title Holder	BCI Interests
EL 46/522	BC Iron Limited	BCI 100% with the exception of all diamond rights within the land the subject of the tenement and subject to Vaalbara Resources holding an 80% interest in Witwatersrand style mineralisation meaning gold, silver and uranium in particular but not including diamonds, on the tenement. In addition iron rights are held 50% BCI and 50% FMG.
EL 46/523	BC Iron Limited	BCI 100% with the exception of all diamond rights within the land the subject of the tenement and subject to Vaalbara Resources holding an 80% interest in Witwatersrand style mineralisation meaning gold, silver and uranium in particular but not including diamonds, on the tenement. In addition iron rights are held 50% BCI and 50% FMG.
EL 46/524	BC Iron Limited	BCI 100% with the exception of all diamond rights within the land the subject of the tenement and subject to Vaalbara Resources holding an 80% interest in Witwatersrand style mineralisation meaning gold, silver and uranium in particular but not including diamonds, on the tenement
EL 45/2552	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 45/2717	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 46/651	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 46/652	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 46/653	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 46/654	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 46/655	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 46/656	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 46/657	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 46/658	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
EL 46/663	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
L46/68	BC Iron Limited	BCI 100% Nullagine Project Miscellaneous Licence
EL 47/1887	BC Iron Limited	BCI 100% Bungaroo Creek Project
EL 47/1888	BC Iron Limited	BCI 100% Bungaroo Creek Project
EL 47/1889	BC Iron Limited	BCI 100% Bungaroo Creek Project

TENEMENT SCHEDULE

Tenement Number	Title of Affected Standard	
	Registered Title Holder	BCI Interests
EL 47/1890	BC Iron Limited	BCI 100% Bungaroo Creek Project
EL 47/1891	BC Iron Limited	BCI 100% Bungaroo Creek Project
EL(A) 45/3524	BC Iron Limited	BCI 100% Exploration Licence Application
EL(A) 46/836	BC Iron Limited	BCI 100% Exploration Licence Application
EL(A) 46/837	BC Iron Limited	BCI 100% Exploration Licence Application
EL(A) 46/838	BC Iron Limited	BCI 100% Exploration Licence Application
EL(A) 46/839	BC Iron Limited	BCI 100% Exploration Licence Application
EL(A) 46/ 806-808	BC Iron Limited	BCI 100% Exploration Licence Applications
EL(A) 46/904	BC Iron Nullagine Pty Ltd	BCIN 100% Exploration Licence Application
ML 46/515	BC Iron Limited	BCI 100% with the exception of iron rights which are held 50% BCI and 50% FMG
ML (A) 46/516-7	BC Iron Limited	BCI 100% Nullagine Project Mining Lease Applications
GPL (A) 46/8	BC Iron Limited	BCI 100% Nullagine Project General Purpose Lease Application
GPL 46/9	BC Iron Limited	BCI 100% Nullagine Project General Purpose Lease
L 46/73	BC Iron Limited	BCI 100% Nullagine Project Miscellaneous Licence
L 46/74	BC Iron Limited	BCI 100% Nullagine Project Miscellaneous Licence
L 46/75	BC Iron Limited	BCI 100% Nullagine Project Miscellaneous Licence
L 46/76	BC Iron Limited	BCI 100% Nullagine Project Miscellaneous Licence
L 46/79	BC Iron Nullagine Pty Ltd	BCIN 100% Nullagine Project Miscellaneous Licence
L 46/80	BC Iron Nullagine Pty Ltd	BCIN 100% Nullagine Project Miscellaneous Licence
L 46/81	BC Iron Nullagine Pty Ltd	BCIN 100% Nullagine Project Miscellaneous Licence
L 46/82	BC Iron Nullagine Pty Ltd	BCIN 100% Nullagine Project Miscellaneous Licence
L46/83	BC Iron Nullagine Pty Ltd	BCIN 100% Nullagine Project Miscellaneous Licence
L 46/84	BC Iron Nullagine Pty Ltd	BCIN 100% Nullagine Project Miscellaneous Licence
L 46/85	BC Iron Nullagine Pty Ltd	BCIN 100% Nullagine Project Miscellaneous Licence
L (A) 46/93	BC Iron Nullagine Pty Ltd	BCIN 100% Nullagine Project Miscellaneous Licence Application


WATPAC
WATPAC



BC IRON LIMITED

Level 1, 15 Rheola Street
West Perth WA 6005

GPO Box 2811
West Perth WA 6872

T +61 8 6311 3400
F +61 8 6311 3449

E info@bciron.com.au
W www.bciron.com.au

BC Iron Limited would like to acknowledge Hugh Brown for the photos contained in this Annual Report.