BC IRON

LIMITED

2009 Annual Report

ACN

120 646 924

ABN

21 120 646 924

DIRECTORS

Anthony Kiernan – *Chairman*
Michael Young – *Managing Director*
Steven Chadwick – *Non-Executive Director*
Terry Ransted – *Non-Executive Director*
Garth Higgo – *Non-Executive Director*

SECRETARY

Simon Storm

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STOCK EXCHANGE

ASX Limited

HOME EXCHANGE

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ASX CODE

BCI

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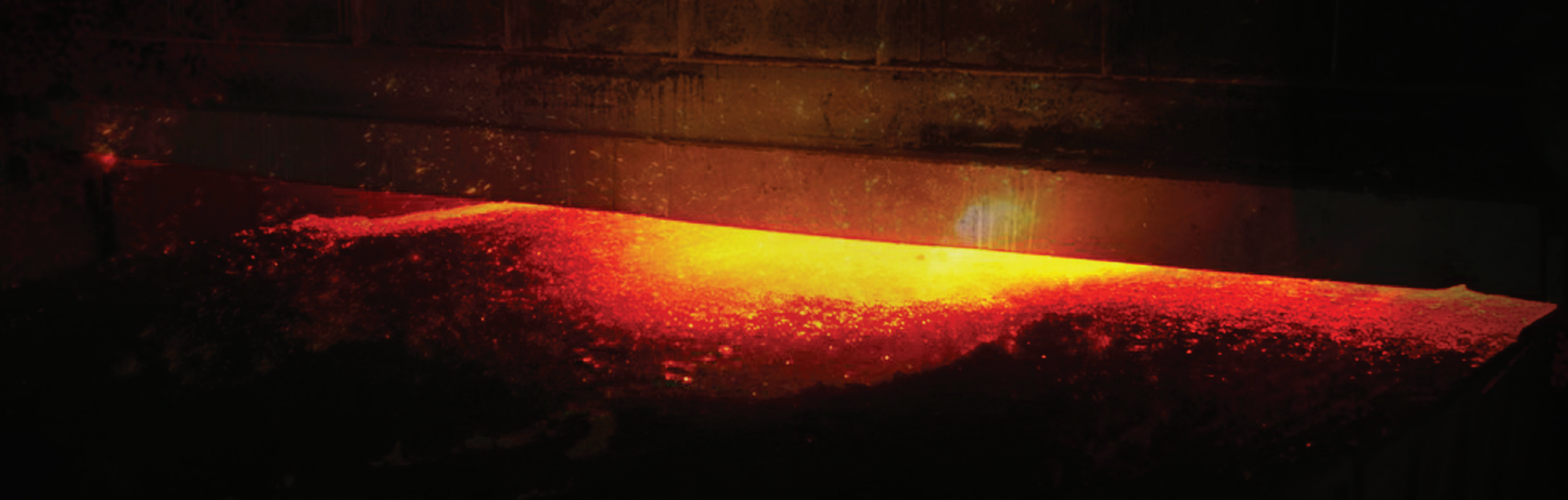


FRONT COVER: HOT IRON METAL POURING INTO LADLE, CHINESE STEEL MILL
THIS PAGE: IGNITION HOOD ON A SINTER STRAND, CHINA

Content

BC IRON LIMITED

ACN 120 646 924

CORPORATE REPORT

FINANCIAL REPORT

BC IRON LIMITED

DEAR SHAREHOLDERS,

I am pleased to report that the 2009 Financial Year has been an extremely productive and positive one for BC Iron resulting in the Company now being poised to commence iron ore production at its Nullagine Iron Ore Project in the first half of 2010.
The three standout highlights were;

- the positive Feasibility Study for the Project;
- the landmark Joint Venture with Fortescue Metals Group Limited (FMG) which was formalised subsequent to the end of the reporting period; and
- the rail and port access infrastructure agreement with FMG's subsidiary, The Pilbara Infrastructure Pty Ltd.

The formalisation of the 50:50 Joint Venture with FMG will enable BC Iron to join the ranks of Australia iron ore producers and with this being achieved in a little over three years since listing on the Australian Securities Exchange.

BC Iron will manage the JV and assume responsibility for mining and transporting the ore to FMG's railhead at Christmas Creek, with FMG's subsidiary then being responsible for transporting the ore to Port Hedland and onto ships ready for export.

The immediate access to a proven rail and port network has resolved ore haulage issues for BC Iron and has enabled the acceleration of production and cash flow, without the need for large capital outlays on infrastructure - although the JV will be paying commercial rates for access to this infrastructure.

The Feasibility Study in June confirmed the economic and operational viability of the Project.

The Study also resulted in the delivery of our maiden Ore Reserve, which currently totals 36 million tonnes at 56.9% Fe. Capital costs for mine development were estimated at $43 million with a forecast operating cost of $43 per tonne over the life of the mine – which currently stands at approximately eight years.

The Feasibility Study did not, at this juncture, address other potential deposits within the Project area.

In order to secure our financial position ahead of the transition to production, the Company raised $22 million in June and July 2009, through a strongly supported institutional share placement and rights issue to existing shareholders. These share issues brought a new strategic cornerstone investor, Hong Kong-listed Regent Pacific Group, in to BC Iron's share register.

During the year the Managing Director and myself visited various steel mills and stockists in China and we were extremely pleased with the interest in our product and its qualities.

At the time of writing, we have just commenced mining a 120,000 tonne bulk sample test pit designed to confirm some of the underlying assumptions contained in the Feasibility Study including production rates of surface miners. This will also give us a greater insight into the geology of the area and, on successful completion, will see the Nullagine Project move into the construction phase ahead of production.

It is important to appreciate that given the Company only listed in December 2006, it is a wonderful achievement to be at such an advanced stage within that time frame. This is an outstanding effort by all concerned and is tribute to the single-minded determination of the Board and Management.

I would like to thank our Managing Director, Mike Young, for his strong leadership, energy and determination over the last year and my fellow Board members. I would also like to thank our staff and contractors for their work as well as the Palyku Aboriginal Community, the traditional landowners at Nullagine, with whom we continue to foster a mutually beneficial relationship.

Finally, I would like to thank you shareholders, for your continued support. We look forward to 2010 with confidence.

Anthony Kiernan
Chairman

Managing Director's Report

SUNSET SHADOW AT BONNEN DOWNS HOMESTEAD

HIGHLIGHTS

NULLAGINE IRON ORE PROJECT (PILBARA, WA)

Feasibility Study

- Feasibility Study confirms technical and economic viability of the Nullagine Iron Ore Project ~ BC Iron Board formally approved development of the Project
- Maiden Ore Reserve of 36Mt at 57% Fe (64.7% CaFe), 1.9% Al_2O_3 and 0.02% P – waste to ore ratio of 1:1
- Estimated capital expenditure for mine development of approximately A$43 million with a forecast operating cost of A$43/tonne over the life of mine
- Mine life of over 8 years with potential to be extended through mine camp and regional exploration, and joint venture opportunities

Breakthrough Infrastructure Agreement with Fortescue Metals Group Limited (FMG)

- BC Iron and Fortescue Metals Group Limited signed an agreement to establish a 50:50 Joint Venture (Nullagine Iron Ore Joint Venture) to develop BC Iron's Nullagine Iron Ore Project in the East Pilbara
- BC Iron will manage the Nullagine JV (NJV) including responsibility for all mining operations and road haulage.
- FMG subsidiary, The Pilbara Infrastructure Pty Ltd (TPI), to provide rail haulage, port handling and ship loading facilities for the Nullagine Joint Venture on commercial terms
- BCI and FMG will jointly manage marketing and sales
- BCI and FMG will each contribute up to $10 million to the Joint Venture with the remaining costs being funded through project finance

PROJECT LOCATION

Production Targeted for 2010

- First ore production from Nullagine Iron Ore Project targeted for mid-2010
- Production at 3Mtpa targeted for Q4 2010, increasing subsequently to 5Mtpa upon expansion of existing rail and port infrastructure by FMG

Substantial Increase in High Quality DSO Resources

- Global Channel Iron Deposit (CID) Mineral Resource now stands at 89.1Mt grading 54.1% Fe (61.9% CaFe)
- Direct shipping ore (DSO) resource comprises 50.7Mt grading 57.0% Fe (64.8% CaFe), 2.0% Al_2O_3, and 0.015% P
- Low impurities and sintering qualities greatly enhance the marketability of the product as a 'premium fines sinter feed'.

Metallurgical Testing

- Sintering test work carried out by a Chinese steel company during the year determines that blending with BC Iron fines increases quality, quantity and metallurgical properties of sinter product

Corporate

- Finalised A$22 million capital raising comprising an institutional placement and fully underwritten one-for-six (1:6) entitlements issue
- New strategic cornerstone Investor, Hong Kong-listed Regent Pacific Group Limited, now with a 14.1% stake in BC Iron
- Strong financial position with approximately A$12 million in cash and term deposits at the end of the Financial Year and A$21.5 million in cash at the time of writing

OVERVIEW

The 2009 Financial Year was the most significant so far in the Company's history with the key highlights being the company's maiden ore reserve, the signing of a landmark Joint Venture with Fortescue Metals Group Limited (FMG) and the completion of the Feasibility Study for the Nullagine Iron Ore Project (NIOP).

These three milestone events have paved the way for BC Iron's transition to production in 2010, enabling the Company to deliver on its fundamental corporate objective of growth through development in just over three years after listing on the Australian Securities Exchange.

BC IRON GEOLOGISTS AT OUTCAMP TRIAL MINING.

The Nullagine Joint Venture with FMG will benefit significantly from synergies arising from FMG's own mining experience as well as its proximity to FMG's operations. This includes access to existing infrastructure, operational systems and facilities such as the David Forrest airstrip, which will expedite the logistics of the new mine development.

The successful completion of the Company's Feasibility Study – including the definition of a Probable Ore Reserve of 36Mt @ 57% Fe – was also an important milestone for BC Iron, confirming the financial, operational and technical viability of the Project.

PILBARA PROJECT LOCATION

It is anticipated that the Project will produce at an initial rate of 1.5 million tonnes per annum (Mtpa) ramping up in progressive stages to 3Mtpa then 5Mtpa as roads, rail and port infrastructure are upgraded.

BC Iron undertook an A$22 million capital raising during June and July 2009 consisting of an institutional placement and a one-for-six entitlements issue to existing Shareholders. The capital raising ensures BC Iron's joint venture commitments can be met for the successful development of the Nullagine Iron Ore Project. The placement and entitlements issue was strongly supported by Regent Pacific Group Limited who has emerged as a new cornerstone investor in BC Iron.

NULLAGINE IRON ORE PROJECT

Joint Venture with Fortescue Metals Group (FMG)

During the June 2009 Quarter, a Heads of Agreement was executed between BC Iron Nullagine Pty Ltd, a wholly owned subsidiary of BC Iron Limited, and Chichester Metals Pty Ltd, a wholly owned subsidiary of FMG. Subsequent to this, it was formally agreed to enter into the Nullagine Joint Venture with a view to fast tracking construction and development at the Nullagine Iron Ore Project. BC Iron expects it will be able to commence production at Nullagine in mid 2010.

The companies will establish the Nullagine Joint Venture (Nullagine JV) to develop the Project, with FMG earning up to a 50% interest by meeting its joint venture obligations. Under the terms of the Nullagine JV, BC Iron and FMG, will each contribute equity up to A$10 million to the project, with the remaining development costs expected to be funded through project finance. BC Iron will manage the Nullagine JV, including responsibility for all exploration, mining operations, crushing and screening and road haulage.

The Nullagine JV has entered into an agreement with The Pilbara Infrastructure (TPI), a wholly owned subsidiary of FMG, to provide all rail haulage and port services, taking product from the project stockpile at FMG's Chichester operation to ships in Port Hedland.

Marketing and shipping will be jointly managed by BC Iron and FMG leveraging off of FMG's established position in the Chinese market.

The Joint Venture will target an initial annualised production rate of 1.5 million tonnes and output is expected to rise to a minimum of 3 million tonnes per annum (Mtpa) once the dedicated heavy haul road between the Nullagine mine site and the Chichester Operations is built and commissioned. When TPI's rail is extended to Christmas Creek and port capacity is increased, Nullagine's production could be increased to +5 Mtpa. During the year, BC Iron increased its Channel Iron Deposit resource by 71% and the Direct Shipping Ore resource by 81% (Table 1 and 2). The resources at Outcamp Well, Warrigal Well and Coongan Well were drilled to measured, indicated and inferred status and formed the basis of the Feasibility Study. A new inferred resource of 8.3Mt at 57% Fe was also discovered at the Bonnie East prospect. A detailed description of the resource estimates are provided in the Company's release to the ASX dated 2 April, 2009.

Table 1 – Channel Iron Deposit Resource, Nullagine Iron Ore Project, June 30, 2009

Total CID Mineral Resource - Nullagine Project								
Res Cat	**Mt**	**Fe**	**CaFe**	**SiO_2**	**Al_2O_3**	**S**	**P**	**LOI_{1000}**
Measured	2.2	54.5	62.1	4.94	3.65	0.017	0.018	12.1
Indicated	68.8	54.0	61.8	4.48	3.08	0.011	0.017	12.7
Inferred	18.1	54.7	62.3	4.27	2.85	0.018	0.013	12.1
TOTAL	**89.1**	**54.1**	**61.9**	**4.45**	**3.05**	**0.013**	**0.016**	**12.6**

Calcined Iron (CaFe) = 1Fe% / (100 – LOI) * 100,
WO – waste to ore ratio – includes overburden and internal waste

Table 2 – Direct Shipping Ore Resource, June 30, 3009

Total DSO Mineral Resource - Nullagine Project								
Res Cat	**Mt**	**Fe**	**CaFe**	**SiO_2**	**Al_2O_3**	**S**	**P**	**LOI_{1000}**
Measured	1.7	57.0	64.8	3.49	2.15	0.016	0.018	12.0
Indicated	38.6	57.0	64.7	3.15	2.09	0.011	0.016	12.0
Inferred	10.4	57.0	64.8	3.27	2.00	0.010	0.013	12.1
TOTAL	**50.7**	**57.0**	**64.8**	**3.19**	**2.07**	**0.011**	**0.015**	**12.0**

Calcined Iron (CaFe) = 1Fe% / (100 – LOI) * 100,
WO – waste to ore ratio – includes overburden and internal waste

Feasibility Study

BC Iron successfully completed a Feasibility Study, which was carried out to a 'definitive' standard, in June 2009. The Study confirmed that the Nullagine Project is an economically and technically robust iron ore mining project, which will produce at an initial rate of 1.5 Mtpa then ramp up to 3Mtpa then 5Mtpa as rail and port infrastructure is upgraded.

Following a review of the Feasibility Study, BC Iron's Board made the formal decision to move forward with development of the Nullagine Project. The Study also formed the means to establish the Nullagine JV with FMG paving the way for the Company's transition to producer status.

Ore Reserves

The Feasibility Study also produced the Company's maiden Ore Reserve of 36Mt at 56.9% Fe (64.6% CaFe), 1.9% Al^2O^3 and 0.02% P (Table 3).

The deposits contain low contaminant levels, and occur at or near surface resulting in an overall waste to ore ratio of 1.1. The ore reserve is based on the measured and indicated mineral resource estimates from the Outcamp, Warrigal and Coongan Well Deposits. Inferred material, including the entire Bonney East deposit, are not included.

Table 3 – Ore Reserve Estimate – Nullagine Iron Ore Project, June 30, 2009

Probable Ore									
Area	**Mt**	**Fe%**	**CaFe%**	**Al_2O_3%**	**SiO_2%**	**P%**	**S%**	**LOI_{1000}**	**W:O**
Outcamp Well	19.2	56.8	64.7	1.9	3.2	0.01	0.01	12.2	0.9
Coongan Well	6	57	65.1	1.8	2.5	0.01	0.01	12.4	2.3
Warrigal Well	10.3	57	64.6	2.1	3.7	0.02	0.01	11.7	0.7
TOTAL	**35.6**	**56.9**	**64.7**	**2.0**	**3.2**	**0.02**	**0.01**	**12.1**	**1.1**

Calcined Iron (CaFe) = 1Fe% / (100 – LOI) * 100,
WO – waste to ore ratio – includes overburden and internal waste

The pit designs also contain 2.3 Mt of inferred resources at 56.8% Fe which was treated as waste during mine planning but will possibly be recovered as ore during mining. The deposits contain low contaminant levels, and occur at or near surface resulting in an overall waste to ore ratio of 1:1.

The Ore Reserves were estimated by Coffey Mining Pty Ltd and are based on estimates of mineral resources described above and carried out by Golder Associates. A detailed description of the ore reserve estimate is provided in the Company's release to the ASX dated 3 July, 2009.

Financial

Capital and operating costs for the Study were based on tender submissions for all facets of the operation including infrastructure, mining, crushing and screening, and road haulage to FMG's railhead. Costs for rail haulage and port services are based on the Rail Haulage and Port Services agreement with TPI.

The results of the Study indicate that the Project will be very robust, with forecast average operating costs over the life of mine of A$43 a tonne Free on Board (FOB). The operating costs include mining, crushing and screening, truck haulage, rail haulage and ship loading.

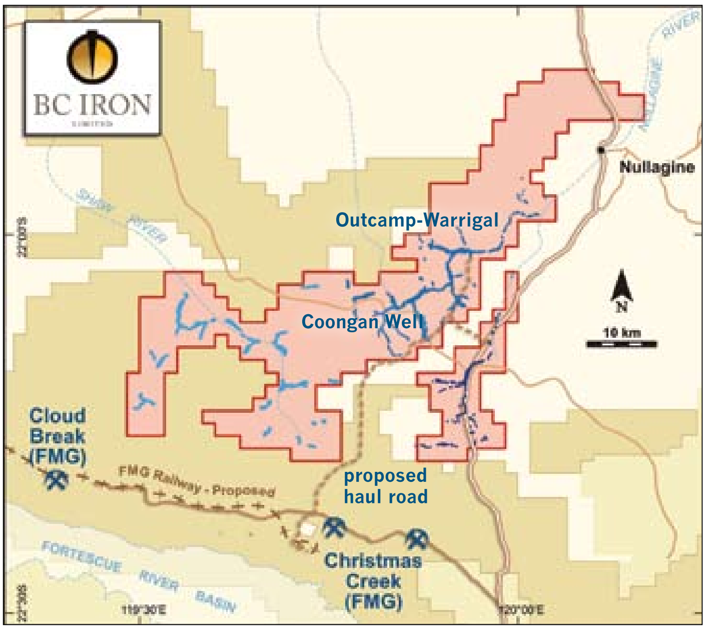
Capital development costs, excluding working capital, for the initial 1.5Mtpa operation are estimated to be A$43 million, with payback of capital expected to take less than two years from the start of production. The capital development cost for the expansion to 3Mtpa is forecast to be A$17m and is expected to be funded from operational cash flow.

Development Schedule

Subject to achieving statutory environmental, heritage and mining approvals, the Company plans to commence the shipping of iron ore from Port Hedland in the middle of 2010. BC Iron is targeting exports of 1.5 million tonnes during the first 6 months of operations and will ramp up production to 3Mtpa upon the commissioning of a heavy haulage road to the nearby railhead at FMG Chichester operations.

The Company has set a longer-term production target of 5Mtpa that will coincide with the planned FMG rail extension to Christmas Creek and increased port capacity at Port Hedland.

NULLAGINE PROJECT AREAS AND TENEMENTS



Trial Mining

Subsequent to the end of the Financial Year, the company commenced a 120,000 tonne bulk sample test pit, which is intended to assess the performance of the continuous miners that will be used for commercial mining operations, test grade control techniques and reconciliation and to collect geological information.

The bulk sample test pit formed part of the key recommendation of the Nullagine Project Feasibility Study.

The trial is currently taking place over the east end of the Outcamp Deposit. Three costeans (trenches) will be excavated to remove approximately 100,000 tonnes of ore and 20,000 tonnes of waste material. The ore will be crushed and screened to produce a 'fines' ore product. This material will be stockpiled and incorporated into the first parcel of ore to be exported when the mine is commissioned in 2010.

Surface mining is being conducted by UAE using the Vermeer 1255TL Terrain Leveller and by WA Surface Mining using the Wirtgen 2500SM Surface Miner. Rapid Crushing and Screening are providing the crushing and screening services as well as logistical support and earthmoving. Mining will take approximately three weeks and crushing and screening a further three weeks.

Sinter Test Work – Premium Sinter Blend

Independent test work carried out during the year by a Chinese Steel company found that BC Iron's fines ore can be categorised as ‘First Class’ in terms of its sintering characteristics. This is of particular importance as it differentiates BC Iron’s product in the market adding exceptional value by enhancing sinter quality.

Most iron mines produce both lump (size 6 – 30 mm) and fines product (<6mm) however only lump ore can be charged directly into a blast furnace. Therefore, in a process called ‘sintering’, the steel makers must convert the fines ore into synthetic lump or ‘sinter’, before it can be used in the blast furnace. To be of any use, the sinter must have particular characteristics such as strength, iron content and reducibility, and the sintering process has to be done cost effectively.

During test work, different ratios of BC Iron fines ore were added to a typical sinter feed to identify the sintering properties, as well as the impact on the physical and metallurgical properties of the final product. The study showed that by adding a certain amount of BC Iron fines, there is an improvement in the quantity and quality of the end product when compared to that produced with the basic sinter feed.

A Summary of the sintering test work and qualities of BCI ore is as follows:

- Blended with a ‘typical’ fines sinter feed,
- Tested on 10%, 20%, and 30% BC Iron fines blend in the sinter blend,
- Resulted in increased quantity and quality of sinter – “First Class”
  - Increased Yield
  - Improved sintering time
  - Improved tumble index (strength)
  - Improved productivity

The steel plant also commended the ultra-low phosphorus level in the BC Iron fines (0.016% P).

The results of the sinter test work indicate that BC Iron Fines improves both sinter quality and sintering efficiency to our future customers and has the potential to be a sought after ‘value-add product’.

Marketing

When compared with other Pilbara channel iron deposit (CID) pisolite fines currently being exported (Table 4), Nullagine ore falls within the spectrum of direct shipping fines iron ore grades. Low Phosphorus, moderate Alumina and excellent sintering qualities has led BC Iron to consider that the market will reference its product to the Hamersley Fines Yandi (HIY) benchmark price.

Table 4 – Comparison of Pilbara pisolite fines DSO and Nullagine ore

Material	Fe	Al_2O_3	SiO_2	P	S	LOI_{1000}
Pisolite Fines (CID)	57 – 59	1.3 – 2.7	5.0 – 5.6	0.040	0.01 – 0.02	8.6 – 9.8
Nullagine Fines	57	2.0	3.2	0.02	0.01	12.1

Value-in-use (VIU) modelling indicates that the value of Nullagine ore is at a premium (103%) to the HIY reference price; low contaminant chemistry and sinter results contribute most to the VIU. Nullagine ore will be placed into the market as a “high quality, sinter blend” product leveraging off the high VIU during commercial negotiations.

Chinese Marketing Delegation

As part of the Company’s lead-up to production, a delegation of senior BC Iron personnel recently visited China to ascertain interest and opportunities for long-term sales contracts and project finance. The delegation’s visit, which coincided with Western Australian Premier Colin Barnett’s trip to China, was very successful and included meetings with four steel mills and two iron ore stockists.

CORPORATE

CAPITAL RAISING

BC Iron announced a capital raising towards the end of the 2009 Financial Year, which has since been completed raising a total of A$22 million. The raising was undertaken via a combination of an institutional placement and an underwritten entitlements issue and was completed subsequent to the end of the Financial Year.

BC Iron placed 8.5 million new shares to institutional and sophisticated investors at $1.10 per share to raise $9.4 million. The placement was made to clients of Argonaut Securities Pty Ltd with the quotation of these shares on the ASX occurring on 29 June 2009.

The Company also completed a non-renounceable one-for-six Entitlements Issue with11.46 million new shares issued on the basis of one (1) new share for every six (6) shares held at $1.10 per share. The Entitlements Issue raised an additional $12.6 million and was fully underwritten by Argonaut Capital Limited.

As part of the institutional placement and entitlements issue, Regent Pacific Group Limited ("Regent Pacific") emerged as a new cornerstone investor in BC Iron, providing strong support for the raising. Regent Pacific was allocated 9.8 million shares and continues to support the company building up their stake up to 11.3 million shares since the raising.

Regent Pacific is a Hong Kong-listed, diversified mining company with interests in copper, zinc and gold, together with various interests in thermal coal assets in Asia, principally China. In addition, Regent Pacific holds several interests in listed companies including more than 3% in Kalahari Minerals plc, an approximate 4.7% interest in Polo Resources Limited and more than 5% in Bannerman Resources Limited.

BC Iron plans is using the net proceeds from the capital raising to fund its share of the capital development costs for the Nullagine Joint Venture, working capital and for general corporate purposes.

Cash Position

As at 30 June 2009, BC Iron had A$12 million in cash. The increase in the Company's cash balance was the result of the completion of the first stage (institutional placement) of the Company's two stage capital raising. Following the completion of the Entitlements Issue, the Company has now received a further A$12.6 million, strengthening its financial position as it moves towards the construction and production stages.
At the time of writing, the cash position of the Company is $21.5 million in cash.

VERMEER SURFACE MINER MAKES THE FIRST CUT AT NULLAGINE

JORC Competent Persons Statement

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.

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.

SINTERING AT STEEL MILL, CHINA

The information that relates to the Mineral Resource Estimate at Bonnie East has been compiled by Mr Michael Young who is a Member of The Australian Institute of Geoscientists and a Director of the Company. Mr Young has 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 Young consents 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.

Mike Young
Managing Director

Directors' Report

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 entity it controlled at the end of, or during the year ended 30 June 2009.

DIRECTORS

The names of directors of the Group in office during the whole of 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)
Garth R. Higgo	Director (Non-Executive)
Terrence W. Ransted	Director (Non-Executive)

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 $1,311,656 (2008 loss $787,955).

DIVIDENDS

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

REVIEW OF OPERATIONS

The Company completed its feasibility study, including the definition of a probable ore reserve of 36Mt @ 56.9% Fe, for the Nullagine Iron Ore Project. The feasibility study confirmed that the Nullagine Project is an economically and technically robust direct shipping ore (DSO) project, which will produce at an initial rate of 1.5 million tonnes per annum (Mtpa) then ramp up to 3Mtpa then 5Mtpa as roads and infrastructure are upgraded. The Board of the Company accepted the feasibility study.

During the June 2009 quarter the Company signed a landmark Joint Venture Infrastructure Heads of Agreement with Fortescue Metals Group Limited (FMG) for the Nullagine Iron Ore Project (NIOP). BC Iron will manage the joint venture including responsibility for all operations and road haulage. Pursuant to a Rail and Port Infrastructure Agreement, the FMG subsidiary, The Pilbara Infrastructure Pty Ltd (TPI) will provide rail haulage, port handling and ship loading facilities for the Nullagine Joint Venture on commercial terms.

In June 2009 the Company placed 8.5 million new shares at $1.10 per share to raise $9,350,000 million before issue costs.

Subsequent to year end the Company completed a non-renounceable one-for-six entitlements issue in which 11.46 million new shares were issued at $1.10 per share to raise an additional $12.6 million before issue costs.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

As referred to in the review of operations above, the Company signed a joint venture and infrastructure agreement with Fortescue Metals Group Limited ('FMG') during the last quarter of the financial year.

Summarised key terms under the respective agreements include:

- the Company and FMG to each contribute up to $10m of the anticipated capital cost of development with the remaining capital costs to be project financed by the JV.
- Mining and transportation of 1.5 million tonnes per annum (Mtpa) ramping up to 3Mtpa of production from Nullagine to Port Hedland will be carried out by FMG's subsidiary, The Pilbara Infrastructure Pty Ltd's ('TPI') infrastructure network
- Price Participation – the Company will pay FMG 25% of the excess for each tonne of ore up to 3Mtpa sold in excess of US$60/t (indexed to WA CPI).
- the Company will be the manager of the JV, with TPI being the manager for a rail and port access agreement.

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

EVENTS SUBSEQUENT TO THE BALANCE DATE

In July 2009, the Group raised $12,607,100 before issue costs by way of a 1 for 6 entitlement offer of 11,461,000 ordinary shares at $1.10 each.

On 24 August 2009 the Group formally entered into the Nullagine Joint Venture ("NJV") with its 50:50 infrastructure Joint Venture partner, Fortescue Metals Group Limited, for development of the Nullagine Iron Ore Project.

On 17 September 2009 the Group announced the commencement of trial mining at the Nullagine Iron Ore Project with a 120,000 tonne test pit.

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 2009.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group intends to develop and commence production where considered appropriate at the Nullagine iron ore project subject to obtaining appropriate finance and also to continue exploration programmes on its existing tenements, and to acquire further suitable tenements for exploration.

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Mr Anthony William (Tony) Kiernan LL.B Age 58

Chairman (Non-Executive)

Mr Kiernan is a solicitor with extensive experience in the management and operation of listed public companies. As both a lawyer and general consultant, he has practised and advised extensively in the fields of resources, media and information technology. He is Chairman of ASX listed Uranium Equities Limited and a director of Liontown Resources Ltd (since November 2006) and Chalice Gold Mines Ltd (since February 2007). 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 Freedom Eye 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 48

Managing Director

Mr Young is a geologist and a graduate of Queens University, Canada with a Bachelor of Science (Honours) degree in Geological Sciences. After two years of uranium and gold exploration and mining in Canada, he emigrated to Australia in 1987. 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 Mining and Resource Technology which became part of Golder Associates from 1994 to 2003. During that time, he carried out resource modelling, due diligence, QA/QC, and feasibility work on a wide variety of deposits and commodities. These included Century Zinc, Escondida Copper in Chile, and Koolyanobbing iron mine at Southern Cross. In 2003, he joined Cazaly Resources as Exploration Manager where he was responsible for exploration and resource development of Cazaly's various projects. He was a founding director of Bannerman Resources Limited (February 2005 to April 2006). Mr Young's experience has a strong focus on exploration, resource definition and development. 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 53

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. He has had 31 years experience in many facets of exploration and regional geological programs and has been involved in various stages of project development from grass roots exploration to mining in a variety of commodities covering differing geological terrains. Of specific relevance, Mr Ransted commenced his career with Hamersley Exploration Pty Limited exploring for bedded iron ore deposits in the Hamersley region and more recently was responsible for the onsite management of the initial feasibility drilling, metallurgical sampling, and geological assessment and interpretation for the Yandicoogina Pisolite Iron Project for Hamersley Iron Pty Ltd and also onsite management of mine development drilling, metallurgical sampling and geological interpretation for the Marandoo Iron Ore Project also for Hamersley Iron Pty Ltd. Mr Ransted is a principal of Multi Metal Consultants Pty 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 55

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 several private entities. 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 Garth Reginald Higgo Dip Civil Eng, BCom (Hons), MBA (cum laude) Age 50

Director (Non-Executive)

Mr Higgo has held senior positions in civil engineering, banking (treasury and risk management), mining corporate finance and business development. Mr Higgo's career includes senior positions with Kumba Resources Ltd where he was involved in the evaluation of iron ore and copper/zinc projects before he moved to Anglo Platinum Ltd where he headed up the group's joint ventures and was responsible for the negotiation, implementation and management of many large platinum joint ventures. Mr Higgo has a wide experience in international deal making, corporate finance and business administration. Mr Higgo was the Chief Operating Officer for Consolidated Minerals Ltd where he was responsible for business development, corporate finance and group strategy. He is currently the Chief Executive Officer for Firestone Energy Limited. Mr Higgo has not been a director of any other ASX listed companies during the past three years.

Mr Higgo is chairman of the audit and risk management committees.

Company Secretary

Mr Simon Jonathan Storm, B.Com, B.Compt (Hons), CA, FCIS Age 47

Mr Storm is a Chartered Accountant with over 25 years of Australian and international experience in the accounting profession and commerce. He has held various senior finance and/or company secretarial roles with listed and unlisted entities in the banking, resources, construction, telecommunications and property development industries. In the last 7 years he has provided consulting services covering accounting, financial and company secretarial matters to various companies in these sectors.

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	13	14	1	2	n/a	n/a
M Young	13	14	n/a	n/a	2	2
S Chadwick	13	14	n/a	n/a	2	2
G Higgo	10	14	2	2	1	2
T Ransted	12	14	1	2	n/a	n/a

A – meetings attended **B** – meetings held whilst a director

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 Garth Higgo, Anthony Kiernan and Terrence Ransted.

RISK MANAGEMENT COMMITTEE

The risk management committee comprises Michael Young, Steven Chadwick and Garth Higgo.

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 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 is yet to determine if it will be subject to their reporting requirements however believes it has adequate systems in place to ensure compliance.

SHARE OPTIONS

As at the date of this report, there were 6,354,000 options over ordinary shares on issue (5,679,000 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 the financial year, no employees or executives have exercised options to acquire fully paid ordinary shares in the Group. Anthony Kiernan has exercised 250,000 options at 25 cents since balance date.

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	460,000	217,698	500,000	-
M Young	109,000	125,000	1,500,000	500,000
S Chadwick	-	200,000	500,000	-
G Higgo	20,000	-	500,000	-
T Ransted	-	190,800	-	500,000

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.

Director's 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 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 2009.

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

The Group listed on the ASX on 15 December 2006 and accordingly disclosure of four years comparative information has not been made. 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 company secretary and the chief operating officer. The disclosed persons are amongst 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
Specified Directors					
Non-Executive					
A Kiernan	2009	50,000	-	-	50,000
	2008	50,000	-	-	50,000
S Chadwick	2009	35,000	-	-	35,000
	2008	35,000	-	-	35,000
G Higgo	2009	35,000	-	-	35,000
	2008	35,000	-	-	35,000
T Ransted	2009	35,000	-	-	35,000
	2008	35,000	-	-	35,000
Executive					
M Young	2009	258,755	22,500	330,095	611,350
	2008	210,362	34,637	-	244,999
Total Specified Directors	2009	413,755	22,500	330,095	766,350
	2008	365,362	34,637	-	399,999
Specified Executives					
S Storm	2009	80,138	-	-	80,138
	2008	-	-	-	-
B Duncan	2009	200,000	25,000	105,883	330,883
	2008	-	-	-	-
L Colless (b)	2009	13,913	-	-	13,913
	2008	55,115	-	-	55,115
Total Specified Executives	2009	294,051	25,000	105,883	424,934
	2008	55,115	-	-	55,115

(a) The share-based payments referred to above comprise options over ordinary shares in the Group issued 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. Mr Colless resigned effective 8 August 2008.

C SERVICE AGREEMENTS

YOUNG, Michael (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, provided however should it do this within the first 12 months, Mr Young will be entitled to no less than 50% of the balance due to him by way of salary for the balance of that year.

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 previous, this 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 %
16-Oct-06	15-Dec-07	500,000	15-Dec-09	0.25	0.08	100
16-Oct-06	16-Oct-06	2,250,000	15-Dec-09	0.25	0.08	100
16-Oct-06	15-Dec-08	500,000	15-Dec-09	0.30	0.06	100
01-Jun-07	01-Jun-07	100,000	19-Feb-10	0.72	1.09	100
01-Jun-07	16-Feb-08	200,000	19-Feb-10	0.72	1.02	100
09-Nov-07	09-Nov-07	50,000	31-Aug-09	1.50	0.99	100
19-Dec-07	20-Jun-08	50,000	19-Dec-10	2.12	0.60	100
19-Dec-07	20-Dec-08	50,000	19-Dec-10	2.12	0.51	53
17-Jul-08	15-Feb-09	500,000	15-Aug-11	1.85	0.48	100
17-Jul-08	15-Feb-10	500,000	15-Aug-11	2.00	0.30	60
21-Aug-08	21-Aug-08	100,000	21-Aug-11	1.25	0.44	100
21-Aug-08	21-Aug-09	200,000	21-Aug-11	1.50	0.30	86
21-Aug-08	21-Aug-10	200,000	21-Aug-11	2.00	0.11	43

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. No options were exercised during the year.

Name	Number of options granted		Number of options vested	
Directors	**2009**	**2008**	**2009**	**2008**
A Kiernan	-	-	-	-
M Young	1,000,000	-	801,038	500,000
S Chadwick	-	-	-	-
G Higgo	-	-	-	-
T Ransted	-	-	-	-
Specified Executives	**2009**	**2008**	**2009**	**2008**
Simon Storm	-	-	-	-
Blair Duncan	500,000	-	357,260	-
Lindsay Colless	-	-	-	-

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 or Specified Executives in the prior 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
2009							
17/07/2008	15/08/2011	$0.48	$1.85	$1.10	90%	6.42%	0%
17/07/2008	15/08/2011	$0.30	$2.00	$1.10	90%	6.42%	0%
21/08/2008	21/08/2011	$0.44	$1.25	$0.88	86%	5.60%	0%
21/08/2008	21/08/2011	$0.30	$1.50	$0.88	86%	5.60%	0%
21/08/2008	21/08/2011	$0.11	$2.00	$0.88	86%	5.60%	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.

		Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Directors							
M Young	2009	2009	80%	-	2010	60,404	60,404
	2008	-	-	-	-	-	-
Specified Executives							
B Duncan	2009	2009	71%	-	2010/2011	21,082	21,082
	2008	-	-	-	-	-	-

Further details relating to options are set out below:

		A	B	C	D	E
		Remuneration consisting of options	Value at issue date $	Value at exercise date $	Value at lapse date $	Total of columns B-D $
Directors						
M Young	2009	54.0%	330,095	-	-	330,095
	2008	0.0%	-	-	-	-
Specified Executives						
B Duncan	2009	32.0%	105,883	-	-	105,883
	2008	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
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised

End of Remuneration Report

INSURANCE OF OFFICERS

During the financial period, BC Iron Limited incurred premiums 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 the external auditors during the year ended 30 June 2009:

Taxation services: $15,404

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

Dated this 29th day of September 2009.

Anthony Kiernan
Director

Directors' Declaration
for the year ended 30 June 2009

IN THE OPINION OF THE DIRECTORS OF BC IRON LIMITED:

(a) the financial statements and notes set out on the following pages 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 2009 and of its performance for the financial year ended 30 June 2009; and

   ii. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(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.

The directors have been given the declarations by the chief executive officer 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:

Anthony Kiernan
Director

PERTH, 29th September 2009.

	Note	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Revenue from continuing operations			
Other income		-	250,000
Interest income		**402,146**	473,075
Total revenue from continuing operations	2	**402,146**	723,075
Administration and secretarial services		**(155,942)**	(101,802)
Audit fees	3	**(33,463)**	(23,563)
Depreciation expense	8	**(76,156)**	(54,211)
Director's fees		**(155,000)**	(155,000)
Insurance		**(27,144)**	(24,839)
Office rent, ancillaries and running costs		**(151,394)**	(126,615)
Personnel and support		**(336,072)**	(250,275)
Public relations and support		**(119,003)**	(119,952)
Share registry services and other corporate costs		**(311,509)**	(252,512)
Other expenses from continuing operations		**(76,164)**	(80,516)
Share based payments	21(d)	**(615,859)**	(321,745)
Loss before income tax benefit		**(1,655,560)**	(787,955)
Income tax benefit	4	**343,904**	-
Loss for the financial year		**(1,311,656)**	(787,955)
Loss attributable to members of BC Iron Limited		**(1,311,656)**	(787,955)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company			
Basic loss per share (cents per share)	13	**(2.20)**	(1.34)

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

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

Balance Sheet
as at 30 June 2009

	Note	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
CURRENT ASSETS			
Cash and cash equivalents	5	**12,036,742**	9,080,474
Trade and other receivables	6	**174,043**	184,938
Other financial assets	7	**62,005**	36,938
Total Current Assets		**12,272,790**	9,302,350
NON CURRENT ASSETS			
Other financial assets	7	**2**	-
Equipment and furniture	8	**112,828**	148,663
Exploration and evaluation assets	9	**9,877,636**	4,498,419
Total Non-Current Assets		**9,990,466**	4,647,082
TOTAL ASSETS		**22,263,256**	13,949,432
CURRENT LIABILITIES			
Trade and other payables	10	**750,302**	773,838
Total Current Liabilities		**750,302**	773,838
TOTAL LIABILITIES		**750,302**	773,838
NET ASSETS		**21,512,954**	13,175,594
EQUITY			
Share capital	11	**22,982,385**	13,949,727
Reserves	12(a)	**1,378,920**	762,562
Accumulated losses	12(b)	**(2,848,351)**	(1,536,695)
TOTAL EQUITY		**21,512,954**	13,175,594

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Contributed Equity $	Accumulated Losses $	Share Based Payments Reserve $	Options Exercised Reserve $	Total $
Parent Entity					
Balance at 1 July 2007	5,334,675	(748,740)	440,817	-	5,026,752
Net income/expense recognised directly in equity	-	-	-	-	-
Loss for the financial period	-	(787,955)	-	-	(787,955)
Total recognised income and expense for the year	-	(787,955)	-	-	(787,955)
Shares issued net of transaction costs	8,615,052	-	-	-	8,615,052
Options issued	-	-	321,745	-	321,745
Balance at 30 June 2008	13,949,727	(1,536,695)	762,562	-	13,175,594
Parent and Consolidated Entity					
Balance at 1 July 2008	**13,949,727**	**(1,536,695)**	**762,562**	**-**	**13,175,594**
Net income/expense recognised directly in equity	**-**	**-**	**-**	**-**	**-**
Loss for the financial period	**-**	**(1,311,656)**	**-**	**-**	**(1,311,656)**
Total recognised income and expense for the year	**-**	**(1,311,656)**	**-**	**-**	**(1,311,656)**
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**

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

Cash Flow Statement
for the year ended 30 June 2009

	Note	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Cash Flows from Operating Activities			
Cash receipts from operations		-	250,000
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,280,395)**	(1,216,586)
Interest paid		-	(311)
Interest received		**402,146**	473,075
Other – R & D tax offset		**343,904**	-
Net cash outflow from operating activities	20	**(534,345)**	(493,822)
Cash Flows from Investing Activities			
Payment for equipment and furniture		**(40,322)**	(92,439)
Payment for exploration and evaluation expenditure		**(5,547,879)**	(2,996,978)
Payment for security deposits		**(25,067)**	(150)
Net cash outflow from investing activities		**(5,613,268)**	(3,089,567)
Cash Flows from Financing Activities			
Proceeds from issue of shares		**9,586,500**	9,180,000
Payments for share issue costs		**(482,619)**	(564,947)
Net cash inflow from financing activities		**9,103,881**	8,615,053
Net increase in cash and cash equivalents		**2,956,268**	5,031,664
Cash and cash equivalents at the beginning of the year		**9,080,474**	4,048,810
Cash and cash equivalents at the end of the year	5	**12,036,742**	9,080,474

The above cash flow statement 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 report 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 report was authorised for issue in accordance with a resolution of the directors on 29 September 2009.

A. BASIS OF PREPARATION

This general purpose financial report for has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

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

All amounts are presented in Australian dollars, unless otherwise noted.

The company has acquired a subsidiary, BC Iron Nullagine Pty Ltd, for $2 on 20 May 2009. There have been no transactions during this period and therefore the parent financial report is taken to be the same as the consolidated financial report.

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.

B. SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segment operating in other economic environments.

C. REVENUE RECOGNITION

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

D. 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 balance sheet 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.

E. 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 balance sheet.

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.

F. 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.

G. CASH AND CASH EQUIVALENTS

For cash flow statement 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.

H. TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision 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. A provision 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 provision is recognised in the income statement.

I. 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 provision, of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

J. 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 during their expected useful life of 3 to 5 years.

K. 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 and where the carried forward carrying value is considered to be in excess of (i) above, the value of the area of interest is written down.

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.

L. 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.

M. 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.

N. 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.

O. LEASES

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised. The Group has no finance 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 14). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

P. 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.

Q. 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.

R. SHARE-BASED PAYMENTS

An employee share option plan was introduced during the financial year. Options granted prior to this were discretionary.

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 income statement with a corresponding adjustment to equity.

S. NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

Certain new accounting standards have been published that are not mandatory for 30 June 2009 reporting periods. The Group has not applied any of the following in preparing this financial report:

T. 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.

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.

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 2009, the carrying value of exploration expenditure is $9,877,636.

NOTE 2 – REVENUE

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Other Income - Consideration received under the Joint Venture Agreement between BC Iron Limited, Alkane Resources Ltd, Valbaara Pty Ltd and Mark Creasy	-	250,000
Interest Income	402,146	473,075
	402,146	723,075

NOTE 3 – AUDITOR'S REMUNERATION

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
During the financial period the following fees were paid or payable for services provided by the auditor:		
(a) Audit services		
BDO Kendalls Audit & Assurance (WA) Pty Ltd:		
Audit and review of financial reports under the Corporations Act 2001	**33,463**	23,563
(b) Non-audit services		
Related entities of BDO Kendalls		
Taxation services	**15,404**	5,700
Total remuneration of auditors	**48,867**	29,263

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 4 – INCOME TAXES

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
(a) Income tax benefit		
Current tax benefit	-	-
Previous year tax benefit not previously brought to account	343,904	-
	343,904	-
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	(1,655,560)	(787,955)
Prima facie tax benefit at 30% (2008:30%)	496,668	236,387
Non deductible expenses:		
Share-based payments	(184,758)	(96,523)
Unrecognised losses	(310,200)	(139,864)
Other	(1,710)	-
R & D tax offset payment	343,904	-
Income tax benefit	343,904	-
(c) Unrecognised deferred tax balances		
Unused tax losses for which no deferred tax asset has been recognised	11,927,226	5,619,584
Potential tax benefit at 30% (2008: 30%)	3,578,168	1,685,875
(d) Unrecognised temporary differences		
Deferred tax liabilities - Capitalised exploration	(2,963,291)	(1,349,526)
Deferred tax assets - Accrued expenses	18,494	30,183
Deferred tax assets - Share issue costs in Equity	323,046	118,432
Deferred tax assets - Revenue tax losses	3,578,168	1,685,875
Net deferred tax asset not recognised	3,919,708	1,834,490
Net unrecognised deferred tax asset at 30%	956,417	484,964

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 off set.

A deferred tax asset attributable to income tax losses has not been recognised at balance date as the probability criteria disclosed in Note 1(d) is not satisfied and such benefit will only be available if the conditions of deductibility also disclosed in Note 1(d) are satisfied.

NOTE 5 – CASH AND CASH EQUIVALENTS

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Cash at Bank and on hand	**116,970**	729,748
Cash on Deposit	**11,919,772**	8,350,726
	12,036,742	9,080,474

(a) Cash at bank and on hand bears interest on at an average 3.12% per annum (2008-5.15%).
(b) Cash on deposit bears interest at an average 3.82% per annum (2008 – 6.65%).

Refer to Note 19 – Financial Risk Management.

NOTE 6 –TRADE AND OTHER RECEIVABLES

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Other receivables	**174,043**	184,938

(a) Ageing of financial assets past due not impaired
As at 30 June 2009 and 30 June 2008 there were no financial assets past due nor impaired.

(b) Ageing of impaired financial assets
As at 30 June 2009 and 30 June 2008 there were no financial assets impaired.

Refer to Note 19 – Financial Risk Management.

NOTE 7 – OTHER FINANCIAL ASSETS

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Current Assets		
Security deposits - rent bond	**12,005**	11,938
Security deposits - corporate card	**50,000**	25,000
	62,005	36,938

Deposits bear an average interest at the rate of 4.60% (2008: 6.78%)

NOTE 7 – OTHER FINANCIAL ASSETS (cont'd)

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Non Current Assets		
Investments carried at cost:		
Investment in subsidiary	**2**	-

NOTE 8 – EQUIPMENT AND FURNITURE

Parent and Consolidated Entity	Furniture, Computers and Equipment
Year ended 30 June 2009	
At 1 July 2008, net of accumulated depreciation	**148,663**
Additions	**40,321**
Depreciation charge for the year	**(76,156)**
At 30 June 2009, net of accumulated depreciation	**112,828**
At 1 July 2008	
Cost	222,192
Accumulated depreciation	(73,529)
Net carrying amount	148,663
At 30 June 2009	
Cost	**262,514**
Accumulated depreciation	**(149,686)**
Net carrying amount	**112,828**
Year ended 30 June 2008	
At 1 July 2007, net of accumulated depreciation	110,435
Additions	92,439
Depreciation charge for the year	(54,211)
At 30 June 2008, net of accumulated depreciation	148,663
At 1 July 2007	
Cost	129,754
Accumulated depreciation	(19,319)
Net carrying amount	110,435

NOTE 9 – EXPLORATION & EVALUATION EXPENDITURE

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Exploration and evaluation expenditure costs brought forward in respect of areas of interest		
Opening balance	**4,498,419**	922,940
Expenditure during financial year	**5,379,217**	3,575,479
Less expenses to profit and loss	**-**	-
Balance 30 June	**9,877,636**	4,498,419

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 10 – TRADE AND OTHER PAYABLES

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Trade payables and accruals	**728,111**	749,076
Employee benefits	**22,191**	24,762
	750,302	773,838

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 19 – Financial Risk Management.

NOTE 11 – SHARE CAPITAL

	Parent and Consolidated Entity 2009		Parent Entity 2008	
	Number	$	Number	$
Share Capital				
Ordinary shares – fully paid	68,846,000	22,982,385	59,400,000	13,949,727
Movement in Ordinary Share Capital				
At 1 July	59,400,000	13,949,727	54,000,000	5,334,675
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	-	-
Share placement at $1.70, 3 December 2007	-	-	5,400,000	9,180,000
Less: costs of issue	-	(553,842)	-	(564,948)
At 30 June	68,846,000	22,982,385	59,400,000	13,949,727

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 (Nil) less cash and cash equivalents and equity as the sum of share capital, reserves and accumulated losses.

NOTE 12 – RESERVES AND ACCUMULATED LOSSES

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
(a) Reserves		
Reserves	**1,378,920**	762,562
Reserves comprise the following:		
Share-based payments reserve		
Balance at start of financial year	**762,562**	440,817
Employee option expense	**435,977**	296,944
Equity settled benefits	**179,881**	24,801
Payment received on option issue	**500**	-
Premium on options transferred to options exercised reserve	**(75,680)**	-
Balance at end of the financial year	**1,303,240**	762,562
Options Exercised reserve		
Balance at start of financial year	**-**	-
Premium on options transferred from share-based payments reserve	**75,680**	-
Balance at end of the financial year	**75,680**	-
	1,378,920	762,562
Total reserves	**(2,848,351)**	(1,536,695)
(b) Accumulated losses		
Accumulated losses comprise the following:		
Balance at start of financial year	**(1,536,695)**	(748,740)
Loss for the financial period after related income tax benefit	**(1,311,656)**	(787,955)
Balance at end of the financial year	**(2,848,351)**	(1,536,695)

(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 13 – LOSS PER SHARE

	Parent and Consolidated Entity 2009 Cents	Parent Entity 2008 Cents
(a) Basic loss per share	**(2.20)**	(1.34)
	$	$
(b) Loss used in calculating loss per share		
Loss attributable to the ordinary equity holders of the Company	**(1,311,656)**	(787,956)
	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	**59,594,118**	58,715,493

Diluted loss per share has not been disclosed as it is not materially different from basic loss per share

NOTE 14 – 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:

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Within one year	**709,903**	588,414
Later than one year but less than five years	**2,839,612**	2,353,656
Later than five years	**-**	-
	3,549,515	2,942,070

The commitments due within one year amount to $58,903 in respect of tenement lease rentals and $651,000 in exploration expenditures. This expenditure 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.

b) Operating Lease – Buildings

The Group leases offices in West Perth, Western Australia, under a non-cancellable operating lease expiring December 2009 and renewable for a further three years.

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Commitments for minimum lease payments are:		
Within one year	**18,270**	35,755
Later than one year but less than five years	**-**	18,270
Later than five years	**-**	-
	18,270	54,025

c) 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. Under the terms of this agreement the Group will be required to contribute equity of up to $10 million to part fund project development costs.

d) Remuneration – Managing Director

Subsequent to year end, the Group renewed a service agreement with Mr M Young, expiring in June 2011. $381,500 is payable within one year under the terms of this agreement.

NOTE 15 – KEY MANAGEMENT PERSONNEL DISCLOSURE

a) Names and positions held of the Group's key management personnel in office at any time during the financial year are:

Key Management Person	Position
A Kiernan	Non-executive Director
M Young	Managing Director
S Chadwick	Non-executive Director
G Higgo	Non-executive Director
T Ransted	Non-executive Director
L Colless	Company Secretary (resigned 8 August 2008)
S Storm	Company Secretary (appointed 8 August 2008)
B Duncan	Chief Operating Officer (appointed 1 July 2008)

NOTE 15 – KEY MANAGEMENT PERSONNEL DISCLOSURE (cont'd)

b) Key management personnel compensation

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Short-term employee benefits	**707,806**	435,477
Post-employment benefits	**47,500**	34,637
Share-based payments	**435,977**	-
	1,191,283	470,114

c) 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:

Parent and Consolidated Entity 2009

(1) Number of Shares

Directors	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
A Kiernan	234,476	-	123,550	358,026
M Young	224,000	-	10,000	234,000
S Chadwick	200,000	-	-	200,000
G Higgo	20,000	-	-	20,000
T Ransted	190,800	-	-	190,800
Specified Executives				
L Colless	-	-	-	-
S Storm	-	-	-	-
B Duncan	-	-	-	-
	869,276	-	133,550	1,002,826

(2) Number of Options

Directors	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
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	-
Specified 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

Parent Entity 2008				
(1) Number of Shares				
Directors	**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**
A Kiernan	188,000	-	46,476	234,476
M Young	198,000	-	26,000	224,000
S Chadwick	200,000	-	-	200,000
G Higgo	20,000	-	-	20,000
T Ransted	190,800	-	-	190,800
Specified Executives				
L Colless	-	-	-	-
S Storm	-	-	-	-
	796,800	-	72,476	869,276

(2) Number of Options						
Directors	**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 2008**	**Unvested**
A Kiernan	750,000	-	-	750,000	750,000	-
M Young	1,000,000	-	-	1,000,000	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	-
Specified Executives						
L Colless	-	-	-	-	-	-
S Storm	-	-	-	-	-	-
	3,250,000	-	-	3,250,000	2,750,000	500,000

NOTE 16 – CONTINGENT LIABILITIES AND ASSETS

The Group is bound to the Minister in the State of Western Australia to the sum of $110,000 security in order to comply with the conditions of the leases for the mining tenements.

NOTE 17 – SEGMENTAL INFORMATION

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

NOTE 18 – RELATED PARTY TRANSACTIONS

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
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 Multi Metal Consultants Pty Ltd, a company in which Mr Ransted, a director, has a substantial financial interest.	-	300
Professional fees paid to Christensen Vaughan, a company in which Mr Kiernan, a director, is a consultant.	**1,178**	2,687
Professional fees paid to Spectrum Metallurgical Consultants Pty Ltd, a company in which Mr Chadwick, a director, has a substantial financial interest.	-	5,000
Professional fees paid to Mr Kiernan, a director, for services in excess of normal director duties.	**7,500**	10,000
Total	**8,678**	17,987

There are no amounts outstanding at the reporting date (2008 – Nil) in relation to transactions with related parties.

NOTE 19 – 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.

(a) Market risk

(i) 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:

	Parent and Consolidated Entity 2009		Parent Entity 2008	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Deposits		**62,005**		36,938
Other cash available		**12,036,742**		9,080,474
Net exposure to cash flow interest rate risk	**3.0%**	**12,098,747**	5.2%	9,117,412

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

If interest rates had been 50 basis points higher or lower than the prevailing rates as at 30 June 2009, 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 (2008 – immaterial impact).

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with financial institutions. For banks and financial institutions, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions 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 2009 were received within two months.

(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

The Group has no borrowing facilities.

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:

NOTE 19 – FINANCIAL RISK MANAGEMENT (cont'd)

Parent and Consolidated Entity Year ended 30 June 2009	<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**

Parent Entity Year ended 30 June 2008					
Financial assets					
Cash & cash equivalents	9,080,474	-	-	-	9,080,474
Deposits	-	36,938	-	-	36,938
Trade & other receivables	184,938	-	-	-	184,938
	9,265,412	36,938	-	-	9,302,350
Financial liabilities					
Trade & other payables	773,838	-	-	-	773,838
Net maturity	8,491,574	36,938	-	-	8,528,512

NOTE 20 – RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Loss for the financial period	**(1,311,656)**	(787,955)
Non cash flows in operating loss		
Depreciation	**76,156**	54,211
Movements in provisions	**(2,571)**	11,056
Employee benefit - shared-based payment	**616,359**	321,745
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**-**	(98,337)
(Decrease)/ increase in trade and other payables	**87,367**	5,458
Net cash inflow/(outflow) from operating activities	**(534,345)**	(493,822)

NOTE 21 – SHARE-BASED PAYMENTS

Employee options were issued under the employee share option plan during the financial year.

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

2009			(Number)	(Number)	(Number)	(Number)	(Number)	(Number)
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**	**Vested and exercisable at end of financial year**
Director options								
16-Oct-06	15-Dec-09	**$0.25**	500,000	-			500,000	500,000
16-Oct-06	15-Dec-09	**$0.30**	500,000	-			500,000	500,000
16-Oct-06	15-Dec-09	**$0.25**	2,250,000	-			2,250,000	2,250,000
17-Jul-08	15-Aug-11	**$1.85**	-	500,000			500,000	500,000
17-Jul-08	15-Aug-11	**$2.00**	-	500,000			500,000	-
Promoter options								
19-Dec-06	15-Dec-09	**$0.25**	1,000,000		(946,000)		54,000	54,000
Others								
09-Nov-07	31-Aug-09	**$1.50**	25,000	-			25,000	25,000
16-Apr-09	31-Mar-12	**$0.65**	-	250,000			250,000	250,000
30-Jun-09	31-Mar-12	**$0.90**	-	250,000			250,000	250,000
Employee options								
01-Jun-07	19-Feb-10	**$0.72**	300,000	-			300,000	300,000
09-Nov-07	31-Aug-09	**$1.50**	50,000	-			50,000	50,000
19-Dec-07	19-Dec-10	**$2.12**	100,000			(100,000)	-	-
21-Aug-08	21-Aug-11	**$1.25**	-	100,000			100,000	100,000
21-Aug-08	21-Aug-11	**$1.50**	-	200,000			200,000	-
21-Aug-08	21-Aug-11	**$2.00**	-	200,000			200,000	-
Weighted average exercise price			$0.34	$1.57			$0.76	$0.55

NOTE 21 – SHARE-BASED PAYMENTS (cont'd)

2008			(Number)	(Number)	(Number)	(Number)	(Number)	(Number)
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**	**Vested and exercisable at end of financial year**
Director options								
16-Oct-06	15-Dec-09	**$0.25**	500,000	-	-	-	500,000	500,000
16-Oct-06	15-Dec-09	**$0.30**	500,000	-	-	-	500,000	-
16-Oct-06	15-Dec-09	**$0.25**	2,250,000	-	-	-	2,250,000	2,250,000
Promoter options								
19-Dec-06	15-Dec-09	**$0.25**	1,000,000	-	-	-	1,000,000	1,000,000
Others								
09-Nov-07	31-Aug-09	**$1.50**	-	25,000	-	-	25,000	25,000
Employee options								
01-Jun-07	19-Feb-10	**$0.72**	500,000	-	-	(200,000)	300,000	300,000
09-Nov-07	31-Aug-09	**$1.50**	-	50,000	-	-	50,000	50,000
19-Dec-07	19-Dec-10	**$2.12**	-	100,000	-	-	100,000	50,000
Weighted average exercise price			$0.30	$1.25			$0.34	$0.33

The weighted average remaining contractual life of share options outstanding at the end of the financial period was 3 years (2009 – 2012 financial years).

Options granted carry no dividend or voting rights.

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

No options were exercised during the period covered in the above table.

(A) Director option expense

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

Fair value of options granted

The assessed fair value for options granted on 17 July 2008 with an exercise price of $1.85, was $0.48 per option. For options with an exercise price of $2.00, the assessed fair value at grant date was $0.30 per option.

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 vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date ($1.10) and expected price volatility of the underlying share (90%), the expected dividend yield (0%) and the risk-free interest rate (6.42%) for the term of the option.

(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.

Fair value of options granted

The assessed fair value for options granted on 21 August 2008 with an exercise price of $1.25, was $0.44 per option. For options with an exercise price of $1.50, the assessed fair value at grant date was $0.30 per option. For options with an exercise price of $2.00, the assessed fair value at grant date was $0.11 per option.

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 vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date ($0.88) and expected price volatility of the underlying share (86%), the expected dividend yield (0%) and the risk-free interest rate (5.60%) for the term of the option.

(C) Other option expense

Share options have been granted to Consultants for their services.

Fair value of options granted

The assessed fair value for options granted on 16 April 2009 with an exercise price of $0.65, was $0.39 per option. The assessed fair value for options granted on 30 June 2009 with an exercise price of $0.90, was $0.33 per option.

The fair value at grant date, for options granted on 16 April 2009, is independently determined using a Black-Scholes option pricing model that takes into account the exercise price ($0.65), the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date ($0.57) and expected price volatility of the underlying share (117%), the expected dividend yield (0%) and the risk-free interest rate (3.00%) for the term of the option.

The fair value at grant date, for options granted on 30 June 2009, is independently determined using a Black-Scholes option pricing model that takes into account the exercise price ($0.90), the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date ($0.57) and expected price volatility of the underlying share (114%), the expected dividend yield (0%) and the risk-free interest rate (3.00%) for the term of the option

(D) 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:

	Parent and Consolidated Entity 2009 $	Parent Entity 2008 $
Director benefits (share options)	**330,095**	-
Employee benefits (share options)	**105,883**	296,944
Consultant benefits (share options)	**179,881**	24,801
	615,859	321,745

NOTE 22 – EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In July 2009, the Group raised $12,607,100 before issue costs by way of a 1 for 6 entitlement offer of 11,461,000 ordinary shares at $1.10 each.

On 24 August 2009 the Group formally entered into the Nullagine Joint Venture ("NJV") with its 50:50 infrastructure Joint Venture partner, Fortescue Metals Group Limited, for development of the Nullagine Iron Ore Project.

On 17 September 2009 the Group announced the commencement of trial mining at the Nullagine Iron Ore Project with a 120,000 tonne test pit.

No other matters or circumstances have arisen since the end of the financial period 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 years subsequent to the financial period ended 30 June 2009.

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

We have audited the accompanying financial report of BC Iron Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement 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 disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

BDO Kendalls

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.

Auditor's Opinion

In our opinion the financial report of BC Iron Limited is in accordance with the *Corporations Act 2001*, including:

(a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Peter Toll
Director

Signed in Perth, Western Australia
Dated this 29th day of September 2009.

BDO Kendalls

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29 September 2009

The Directors
BC Iron Limited
Suite 8, 8 Clive 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 2009, 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 entities it controlled during the period.

Peter Toll
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

STATEMENT

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

Recommendation	ASX Principles and Recommendations	If not, why not	Recommendation	ASX Principles and Recommendations	If not, why not
1.1	√	Refer (a) below	**4.3**	√	Refer (h) below
1.2	√	Refer (a) below	**4.4**[3]	√	Refer (h) below
1.3	√	Refer (a) below	**5.1**	√	Refer (i) below
2.1	√	Refer (b) below	**5.2**	√	Refer (i) below
2.2	√	Refer (b) below	**6.1**	√	Refer (j) below
2.3	√	Refer (b) below	**6.2**	√	Refer (j) below
2.4	X	Refer (c) below	**7.1**	√	Refer (k) below
2.5	√	Refer (d) below	**7.2**	√	Refer (k) below
2.6	√	Refer (e) below	**7.3**	√	Refer (l) below
3.1	√	Refer (f) below	**7.4**	√	Refer (k) below
3.2	√	Refer (g) below	**8.1**	X	Refer (m) below
3.3	√	Refer (f) below	**8.2**	√	Refer (n) below
4.1	√	Refer (h) below	**8.3**	√	Refer (m) below
4.2	√	Refer (h) below			

(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. 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.

A copy of the board charter is available on the Company's website www.bciron.com.au

(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 Garth Higgo. Notwithstanding the Independence Criteria, the Board considers Mr Terry Ransted to be independent for the reasons set out below.

Mr Ransted is a material consultant to Alkane Resources Limited, a substantial shareholder of the Company, and therefore does not fall within paragraph 1 of the Independence Criteria. The Board (in absence of Mr Ransted) considers however, that Mr Ransted is independent as he is not involved in the managerial or strategic decision making of Alkane Resources Limited. Further, the Board considers that Mr Ransted 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 Ransted to be independent.

The Board notes the potential for conflict in matters where Alkane Resources Limited are involved and recognises that in such circumstances Mr Ransted 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 following table identifies those directors who are members of the Audit Committee and shows their attendance at committee meetings:

Name	No. of meetings attended
Tony Kiernan (independent)	1
Garth Higgo (independent Chairman)	2
Terry Ransted (independent)	2

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. Further, Mr Higgo holds a Bachelor of Commerce (Hons) and a MBA (cum laude). He has a wide range of experience in banking (treasury and risk management), mining corporate finance, business development and corporate strategy. Mr Higgo's qualifications and experience bring knowledge and financial expertise to the Audit Committee.

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.

The Risk Management Committee held 2 meetings during the reporting period. The following table identifies those members of the Risk Management Committee and shows their attendance at committee meetings:

Name	No. of meetings attended
Garth Higgo (Chairman)	2
Steven Chadwick	2
Mike Young	2

BC Iron has adopted the operational risk categories listed below. These categories assist risk identification, measurement and provide a basis for organising and reporting outcomes. The number of categories reflects the diversity and complexity of BC Iron's operations.

(k) Principle 7 Recommendation 7.1, 7.2, 7.4 (cont'd)

- Asset Management
- Business Continuity
- Compliance / Regulatory
- Contract Management (Outsourced Services)
- Corporate Governance
- Finance
- Information Technology
- Occupational Health and Safety (OH&S)
- Operational Management
- Projects
- Human resources
- Stakeholder Management
- Strategic

The following is 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 Committee meetings 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 and audit related 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.

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 23 September 2009.

(a) Distribution of shares

The numbers of shareholders, by size of holding are:

Category (size of holding)	Number of Holders
1 - 1,000	579
1,001 - 5,000	1,362
5,001 - 10,000	735
10,001 - 100,000	608
100,001 - and over	45
	3,329

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

(b) 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	17,500,000	21.7%
2	CITICORP NOMINEES PTY LIMITED	10,885,570	13.5%
3	ALKANE RESOURCES LTD	5,000,000	6.2%
4	J P MORGAN NOMINEES AUSTRALIA LTD	3,100,000	3.8%
5	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,525,544	3.1%
6	HSBC CUSTODY NOMINEES AUSTRALIA LTD	1,968,949	2.4%
7	DR MARK EMMERSON BARLEY	1,000,000	1.2%
8	MR TIMOTHY SIMON BLAKE	1,000,000	1.2%
9	ANZ NOMINEES LIMITED<CASH INCOME A/C>	869,541	1.1%
10	RANDOLPH RESOURCES PTY LTD	840,000	1.0%
11	NATIONAL NOMINEES LIMITED	739,200	0.9%
12	CONSOLIDATED MINERALS LIMITED	700,000	0.9%
13	HEATHER MAY MITCHELL	489,000	0.6%
14	MENZEL PTY LTD <MENZEL SUPER FUND A/C>	483,849	0.6%
15	COMSEC NOMINEES PTY LTD	432,708	0.5%
16	NEFCO NOMINEES PTY LTD	408,000	0.5%
17	MR DAVID JOHN MATTHEW TILDESLEY	354,228	0.4%
18	UBS NOMINEES PTY LTD	345,873	0.4%
19	MR CHRIS ELTON KNOPKE & MS ZACHAREY JANE	310,000	0.4%
20	AUSTOCK INVESTMENTS PTY LTD	300,000	0.4%
		49,252,462	61.1%

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.

(c) Unlisted Options

1.	**Option Holding at 23 September 2009 – BCIAO**	
	Total options exercisable 30 cents expiring 15 December 2009	500,000
	Number of holders	1
	Holdings of more than 20%	
	Michael C Young	500,000
2.	**Option Holding at 23 September 2009 – BCIAQ**	
	Total options exercisable at 72 cents each expiring 19 February 2010	300,000
	Number of holders	1
	Holdings of more than 20%	
	Anthony and Linda Greenaway	300,000
3.	**Option Holding at 23 September 2009 – BCIAI**	
	Total options exercisable at $1.85 (50%) and $2.00 (50%) each expiring 15 August 2011	1,000,000
	Number of holders	1
	Holdings of more than 20%	
	Michael C Young	1,000,000
4.	**Option Holding at 23 September 2009 – BCIAK and BCIAW**	
	Total options exercisable at between $0.65 (50%) and $0.90 (50%) expiring 31 March 2011	500,000
	Number of holders	1
	Holdings of more than 20%	
	Argonaut Investments Pty Ltd	500,000

(d) 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
Consolidated Iron Pty Ltd	18,200,000
Regent Pacific Group Ltd	10,228,488
Alkane Resources Ltd	5,000,000

(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.

TENEMENT SCHEDULE

Tenement Number	Registered Title Holder	BCI Interests
EL 46/522	BC Iron Ltd	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 46/523	BC Iron Ltd	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 46/524	BC Iron Ltd	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 Ltd	BCI 100%
EL 45/2717	BC Iron Ltd	BCI 100%
EL 46/651	BC Iron Ltd	BCI 100%
EL 46/652	BC Iron Ltd	BCI 100%
EL 46/653	BC Iron Ltd	BCI 100%
EL 46/654	BC Iron Ltd	BCI 100%
EL 46/655	BC Iron Ltd	BCI 100%
EL 46/656	BC Iron Ltd	BCI 100%
EL 46/657	BC Iron Ltd	BCI 100%
EL 46/658	BC Iron Ltd	BCI 100%
EL 46/663	BC Iron Ltd	BCI 100%
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
EL 47/1890	BC Iron Limited	BCI 100% Bungaroo Creek Project
EL 47/1891	BC Iron Limited	BCI 100% Bungaroo Creek Project
EL (A) 46/806-808	BC Iron Limited	BCI 100% Shaw River Applications
ML (A) 46/515	BC Iron Limited	BCI 100% Nullagine Project Outcamp Mining Lease application
ML (A) 46/516-7	BC Iron Limited	BCI 100% Nullagine Project Mining Lease applications
L (A) 46/68-69	BC Iron Limited	BCI 100% Nullagine Project Miscellaneous Lease applications
GPL (A) 46/8	BC Iron Limited	BCI 100% Nullagine Project General Purpose Lease application
EL 46/836-839	BC Iron Limited	BCI 100% Nullagine Project
L 46/73-74	BC Iron Limited	BCI 100% Nullagine Project Miscellaneous Lease applications