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**BC IRON**  
LIMITED

**ANNUAL REPORT 2008**

## ACN

120 646 924

## ABN

21 120 646 924

## DIRECTORS

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## SECRETARY

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# CHAIRMAN'S LETTER 2008

## Dear Shareholders,

2008 was a year of considerable achievement for BC Iron as we continued to make rapid progress towards commencing iron ore production at our flagship Nullagine Project, located in Western Australia's Pilbara region.

This included the definition of the Company's maiden high-grade iron ore resource at the Coongan Well and Outcamp Well Deposits. Achieving this within 11 months of our ASX listing is an excellent result and testament to the entire BC Iron team, who have remained focused on the core objective of developing Nullagine, and in particular the Bonnie Creek Project, as rapidly as possible.

Looking to FY2009, we are confident of increasing further the Direct Shipping Ore (DSO) resource – which currently stands at 28 million tonnes at a grade of 57.4% Fe – with a major 30,000 metre infill and extension drilling program in progress at the time of writing. We have received very encouraging initial results from this drilling program, reinforcing our existing resource estimates and giving us greater confidence in the potential to expand our DSO resources in the near term.

I am also pleased to report on the completion of a positive Scoping Study based on the 28 million tonne resource mentioned above, for a 3 Mtpa start-up operation in 2010, subsequently ramping up to 5 Mtpa. The Scoping Study examined a number of alternative options for mining, processing and marketing of BC Iron's ore and assumes an open pit mining, crushing and screening operation with transport to be provided by 'The Pilbara Infrastructure' for bulk rail haulage to Port Hedland.

On the basis of the positive Scoping Study, the Board resolved to move directly to a Feasibility Study at Bonnie Creek, with the objective of fast tracking the project for cash flow.

We are also pleased with the progress made by the North West Iron Ore Alliance (NWIOA), of which BC Iron is a foundation member. Recently the NWIOA – which is an alliance of like-minded iron ore juniors in the Pilbara region – was allocated two multi-user berths with the capacity to accommodate up to 50 Mtpa of exports within Port Hedland's inner harbour from 2012.

Given current market volatility and the challenges involved in raising new capital, I am pleased to report that the Company remains in a strong financial position, with cash reserves of more than \$9 million at 30 June 2008. This has enabled the Company to be fully funded throughout the Feasibility Study.

I would like to acknowledge the Palyku Aboriginal Community, who are the Traditional Owners of the Company's tenement holdings. Our relationship with the Palyku is extremely good and I thank them for their continuing support.

The past year has not been without its challenges, and I would like to thank our Managing Director, Mike Young, for his dedication and leadership, and the entire exploration team for bringing this resource to the stage where it is now.

Finally, I would like to thank you, our valued shareholders, for your support during the year. As a company, we have made substantial progress and I firmly believe this will be reflected in our share price in FY2009 and in the years to come.

Yours faithfully,



**Anthony Kiernan,  
Chairman.**

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# MANAGING DIRECTOR'S REPORT

“Key highlights of the 2008 Financial Year included the definition of the Company’s maiden 47.2 million tonne Inferred Resource and subsequent positive Scoping Study, which confirmed the economic viability of the Nullagine Project as a low-cost, high-margin iron ore operation.”

## FY2008 HIGHLIGHTS

### Nullagine Iron Ore Project (Pilbara, WA – 100% BCI)

- At the Outcamp and Coongan Prospects a maiden high-grade Inferred Resource of 28.0 Mt grading 57.4% Fe (65.1% CaFe) Direct Shipping Ore (DSO) has been delineated.
- DSO resource is contained within a total Channel Iron Deposit (CID) Inferred mineral resource of 47.2 Mt @ 53.6% Fe (61.5% CaFe).
- DSO comprises high-grade ore from surface with low impurities compatible with a simple crush and screen mining method.
- Positive Scoping Study completed on a start-up 3 Mtpa DSO operation from 2010, ramping up to 5 Mtpa, resulting in a robust financial model for the project.
- Project capital cost estimate of A\$85 million with forecast cash operating margins of A\$30-40 per tonne.
- Conceptual open pits contain 98% of the 28.0 Mt Inferred Resource with a life-of-mine strip ratio of 1:1.
- As a result of the positive Scoping Study, the Board immediately committed to a Feasibility Study with work currently underway – expected completion in 2009.
- Major 30,000 metre in-fill and extension resource drilling program commenced in the second half of 2008 at Warrigal Well, Bonnie East and Dandy Well.
- Initial in-fill drilling results received subsequent to the end of the year have reinforced the quality of the key Nullagine deposits with best results including:

#### At Outcamp Well

- » 17m @ 57.2% Fe (65.1% CaFe) from surface;
- » 13m @ 57.8% Fe (65.5% CaFe) from surface; and

- » 15m @ 56.7% Fe (64.2% CaFe) from surface.

#### At Coongan Well:

- » 8m @ 58.1% Fe (66.7% CaFe) from 4m;
- » 8m @ 57.8% Fe (65.4% CaFe) from 6m; and
- » 10m @ 55.6% Fe (64.0% CaFe) from 4m.
- Significant upside for further DSO resources in the coming financial year.

### Corporate

- Strong financial position with \$9.1 million in cash and commercial bills as at 30 June 2008 - fully-funded resource definition and extension program.
- Continued traction from the North West Iron Ore Alliance (NWIOA) – of which BC Iron is a foundation member – including a submission made to the National Competition Commission (NCC) for the declaration of existing Pilbara rail lines for use by third parties.
- The NWIOA is also well advanced in discussions regarding port infrastructure solutions, including a multi-user ship loading facility and has recently negotiated a future 50 Mtpa berth access at Port Hedland’s inner harbour.
- Appointment of Mr Blair Duncan as General Manager of Operations to manage the Feasibility Study process and key steps leading to production.
- Subsequent to the end of the financial year, Mr Simon Storm, a Chartered Accountant was appointed as Company Secretary.
- Memorandum of Understanding (MoU) signed with Fortescue Metals Group (FMG) for the provision of transport infrastructure.

## OVERVIEW

BC Iron Limited is an emerging iron ore exploration and development company focused on Western Australia's Pilbara region. The Company's 100%-owned Nullagine Project is strategically located north east of the Cloud Break operation, part of FMG's Chichester Iron Project (see Figure 1).

Financial Year 2008 has proved to be a defining year in BC Iron's short history, with the definition of the Company's maiden iron ore resource at the Nullagine Project and the completion of a successful Scoping Study on a start-up DSO operation.

On the strength of the positive Scoping Study, BC Iron moved quickly into a Feasibility Study to examine a potential start-up operation in 2010 at the Bonnie Creek CID Project, which in part comprises the Outcamp and Coongan Prospects. The study will consider an initial production rate of 3 Mtpa of DSO, subsequently ramping up to 5 Mtpa. The Feasibility Study will focus initially on these two prospects as part of the Company's stated objective of generating rapid cash flows by bringing the Nullagine Project into production as early as possible. The aim is to fast-track development, then grow the reserve base as further drilling defines additional DSO prospects, such as Warrigal Well and Bonnie Creek East.

Additional drilling is continuing at Outcamp Well and Coongan Well to upgrade the JORC status of the current Resource Estimate. In-fill and extension drilling subsequent to the end of the financial year has reinforced the Company's initial Resource Estimates, with excellent results received on all fronts.

Drilling is also being carried out at the Warrigal Well, Bonnie Creek East and Dandy Well prospects, where a combined exploration target of 15-30 Mt, with grades of between 56-58% Fe, has been established.

Additionally, reconnaissance mapping at the Shaw River CID of the gravel (detrital) deposits on the flanks of the mesas, has indicated some potential for a source of 'upgrade' ore which would have low mining costs.

During 2007, drilling also outlined mineralised CID at Shaw River with iron grades in the mid 50 percent range. This material was not modelled as DSO, however recent discussions with potential off-take partners (see Marketing) has raised the possibility that ore with a grading above 54% Fe may be considered as DSO. Once detailed off-take parameters are determined, BC Iron will review the potential of these prospects.

In terms of transport and infrastructure, the Company has an MoU in place with The Pilbara Infrastructure Pty Ltd (TPI) and

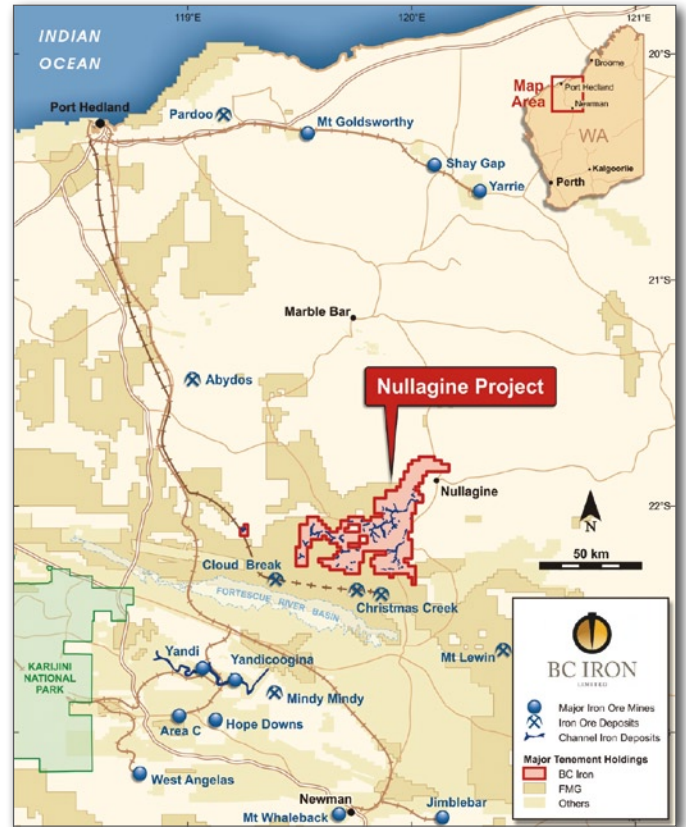


Figure 1: Nullagine Regional Map

FMG, facilitating ongoing negotiations over bulk transport for its material, including potential joint venture or mine gate sale options.

Outside of any haulage agreement with TPI, the Company has the right to access TPI's rail and port infrastructure through the Railway and Port (The Pilbara Infrastructure Pty Ltd) Agreement Act 2004.

BC Iron is also part of the NWIOA which has been allocated space within Port Hedland's inner harbour for the construction of up to 50 Mtpa of port infrastructure.

A capital raising of \$9.18 million was completed in November 2007, through the issue of 5.4 million fully-paid ordinary shares to sophisticated and professional investors. The funds raised have been applied to the continuing exploration and development of the Nullagine Project, providing the Company with a strong platform to move forward, particularly considering the current volatility within global equity markets.

# MANAGING DIRECTOR'S REPORT cont.

## THE PATH TO PRODUCTION

The proposed completion dates for the various elements of the path to production are as follows:

Infill & Resource Extension Drilling	September Quarter 2008
Resource Estimates	December Quarter 2008
Geotechnical, Metallurgical Drilling	December Quarter 2008
Bulk Sampling	March Quarter 2009
Feasibility Study	First Half 2009
Mining Agreements	Second Half 2009
EPA & Mining Approvals	Second Half 2009
Construction Commences	Second Half 2009
Production Commences	First Half 2010

## NULLAGINE PROJECT

The Nullagine Project is located 140km north of Newman in Western Australia's Pilbara region and immediately north of FMG's recently commissioned Chichester Project, from which the recently completed open access railway line runs between Chichester and FMG's dedicated iron ore berths at Herb Elliot Port in Port Hedland, 260km to the north.

In July, FMG announced the commencement of expansion plans for rail to Christmas Creek. The proposed Christmas Creek train loading facility is located just 35km south of BC Iron's proposed plant site (see Figure 2).

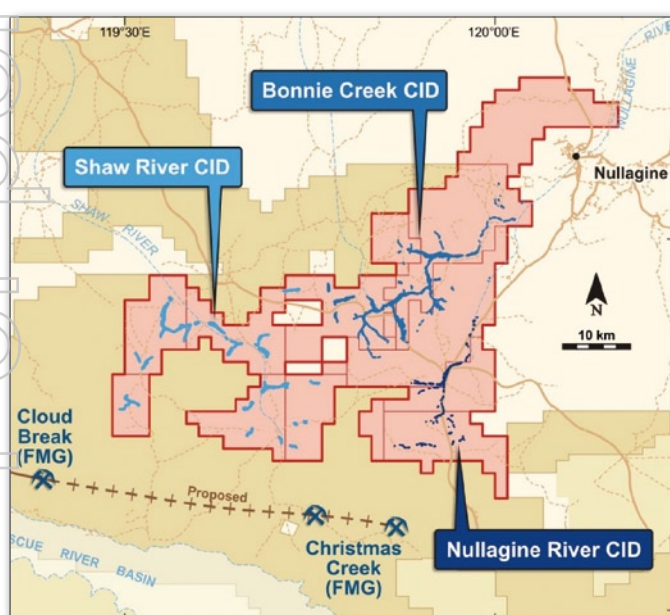


Figure 2: Nullagine Project tenements in relation to rail infrastructure



## Maiden Iron Ore Resource Estimate

Drilling at the Nullagine Project began in April 2007 and immediately intersected economic quantities of DSO hematite.

In March 2008, some 11 months later, BC Iron announced a maiden resource estimate at the Outcamp and Coongan Well prospects comprising **28.0 million tonnes of high-grade DSO grading 57.4% Fe** within a global resource totalling 47.2 Mt grading 53.6% Fe (61.5% CaFe) of mineralised CID.

The Inferred Resource at the Coongan and Outcamp Well deposits, which in part make up the Bonnie Creek CID Project, included the information from all Reverse Circulation (RC) and diamond core drilling completed on the project up to that date. The resource estimate is detailed below:

**Table 1 - Bonnie Creek CID Project - Mineral Resource Estimate - March 2008**

DSO Resource Estimate										
Prospect	COG <sup>1</sup>	Zone	Mt	Fe	CaFe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	S	LOI <sub>1000</sub>
Outcamp	55.0	DSO	20.6	57.3	64.9	3.18	1.70	0.016	0.017	11.8
Coongan	55.0	DSO	7.4	57.8	65.5	2.39	1.86	0.013	0.017	11.8
<b>TOTAL DSO</b>	<b>55.0</b>	<b>DSO</b>	<b>28.0</b>	<b>57.4</b>	<b>65.1</b>	<b>2.98</b>	<b>1.76</b>	<b>0.015</b>	<b>0.017</b>	<b>11.8</b>
TOTAL CID Resource Estimate										
Prospect	COG <sup>2</sup>	Zone	Mt	Fe	CaFe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	S	LOI <sub>1000</sub>
Outcamp	45.0	CID	35.9	53.5	61.3	5.03	3.34	0.017	0.018	12.7
Coongan	45.0	CID	11.3	54.0	61.8	4.16	3.31	0.015	0.018	12.7
<b>TOTAL CID</b>	<b>45.0</b>	<b>CID</b>	<b>47.2</b>	<b>53.6</b>	<b>61.5</b>	<b>4.82</b>	<b>3.33</b>	<b>0.017</b>	<b>0.018</b>	<b>12.7</b>

The resource estimate comprises a high-grade DSO zone which was modelled based on interpretations from drill hole data using a 55% Fe down-hole cut-off grade (COG<sup>1</sup>). The mineralised CID Zone was modelled based on chemical and geological boundaries and comprises both the DSO Zone plus surrounding material at a 45% Fe block cut-off grade (COG<sup>2</sup>). No Al<sub>2</sub>O<sub>3</sub> cut-offs were used in reporting the resources.

Reconnaissance drilling at Warrigal Well, which lies directly east of Outcamp, and Bonnie Creek East has confirmed additional DSO exploration targets of between 15 and 30 Mt at grades of between 55% and 58% Fe. These represent priority targets for the drilling program which commenced in the second half of 2008.

# MANAGING DIRECTOR'S REPORT cont.

## Bonnie Creek Scoping Study

A detailed Scoping Study was completed during the year focusing on the initial Inferred Resource of **28 Mt at 57.4% Fe** (65.1% calcined Fe) announced in March 2008 at the Outcamp Well and Coongan Well deposits, which form part of the larger Bonnie Creek CID.

The Bonnie Creek Scoping Study examined a number of alternative options for mining, processing and marketing. BC Iron's base case operating and capital costs assumes simple open pit mining, crushing and screening to a single fines product, and road haulage to FMG's Christmas Creek operation from where TPI would transport the ore to Port Hedland for shipping.

It also assumes ownership of the processing facilities and associated infrastructure, cost of construction of the rail load out siding, contract mining, and contract rail haulage and ship loading at Port Hedland by TPI at commercial rates.

The parameters of the base case Scoping Study are summarised in the table below:

Base Case Scoping Study			
<b>Target Production Rate</b>	3 Mtpa ramping up to 5 Mtpa	<b>Current mine life</b>	6 years
<b>Estimated Capital Costs</b>	A\$85M	<b>Stripping ratio</b>	1:1
<b>Estimated Operating Costs</b>	\$42/tonne	<b>Target Resource DSO</b>	> 40 Mt within 2 years
<b>Current 'in pit' Resource</b>	27.7 Mt @ - 98% of Total Resource	<b>Target Mine Life</b>	> 7 years

For the purpose of the Scoping Study, BC Iron has assumed DSO to be > 57% Fe.

Golder Associates carried out Whittle optimisation of the resource model based on product prices and mining costs provided by BC Iron. Conceptual pits were digitised around optimised pit shell and modelled ore blocks as a guide. Significantly, almost the entire DSO resource reports to the conceptual shell with a life of mine strip ratio of 1:1.

The Company believes that the positive results from the Scoping Study provide a sound base from which to develop a mining operation at Bonnie Creek in the shortest possible time frame.

## Feasibility Study

In light of the positive results of the Scoping Study, BC Iron's Board moved quickly to approve the commencement of a Feasibility Study on the Nullagine Project. The Company's commitment to the Feasibility Study expands on the field studies already underway.

This "fast-track approach" is consistent with BC Iron's focus on developing the high-quality CID Resources at Bonnie Creek through the commencement of DSO production as rapidly as possible. This strategy is designed to enable BC Iron to take advantage of very strong demand and pricing for quality DSO products in world markets.

BC Iron has initiated pre-feasibility field studies of water, flora, vegetation and fauna over the proposed mining areas, camp site, plant site and haulage route to Christmas Creek as a result of the initial findings of the Scoping Study. These studies are now part of the Feasibility Study and are ongoing.

## Exploration

The Company maintained a strong commitment to exploration during the year, with a major program of in-fill, extension and exploration drilling commencing in the second half of the year.

Two RC drilling rigs are conducting this program, which includes resource development drilling at Outcamp Well and Coongan Well to upgrade the JORC status of the current Resource Estimate. Drilling will also be carried out at the Warrigal Well, Bonnie Creek East and Dandy Well prospects, where a combined exploration target of 15-30 Mt with grades of between 56-58% Fe has been outlined.

Diamond drilling and/or bulk testing will be also carried out to establish ore quality and other parameters for marketing.

Drilling at Outcamp and Coongan Well is being conducted to increase the level of confidence in the Resource Estimates at the prospects and subsequent to the end of the year, the Company received excellent initial results from this program including:

### From Outcamp Well:

- 17m @ 57.2% Fe (65.1% CaFe) from surface;
- 13m @ 57.8% Fe (65.5% CaFe) from surface; and
- 15m @ 56.7% Fe (64.2% CaFe) from surface.

### From Coongan Well:

- 8m @ 58.1% Fe (66.7% CaFe) from 4m;
- 8m @ 57.8% Fe (65.4% CaFe) from 6m; and
- 10m @ 55.6% Fe (64.0% CaFe) from 4m.

Diamond core drilling will also be undertaken for metallurgical test work. An appraisal of the Shaw River CID will be carried out through mapping and sampling to assess the area for the potential of DSO, upgrading the current CID ore and the potential for upgrade ore in the form of iron bearing gravels which are found on the flanks of the mesas at Shaw River.

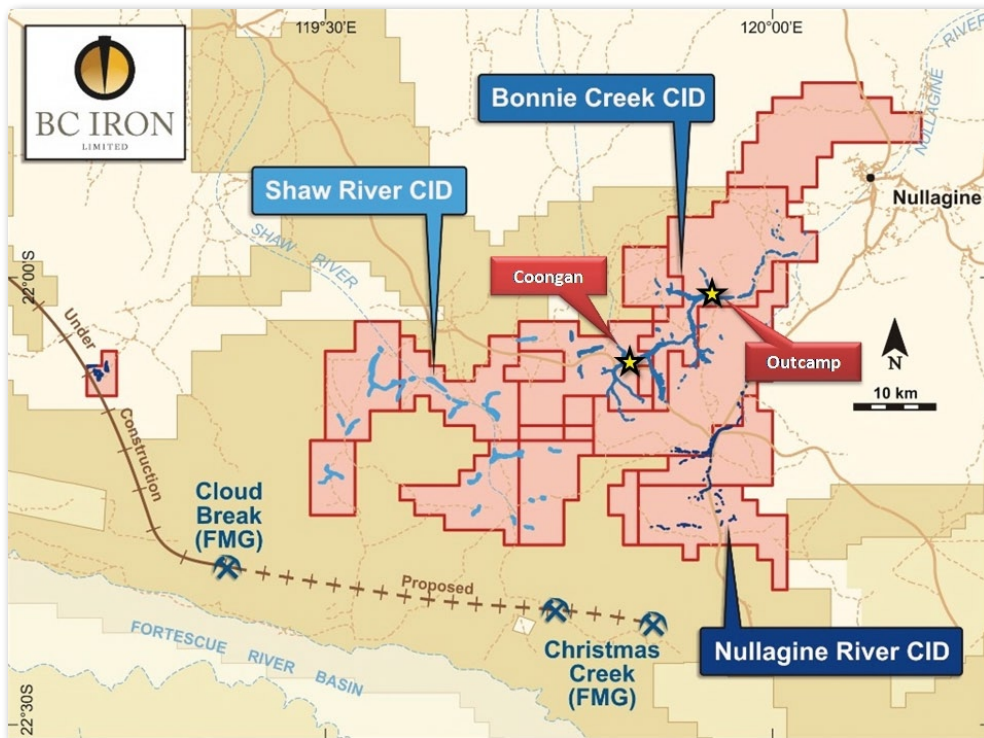


Figure 3 – Coongan Well and Outcamp Well Prospects within Nullagine Project area

# MANAGING DIRECTOR'S REPORT cont.

## Marketing

China is the world's biggest producer and consumer of steel, and growth has been driven by a surge in demand from the country's thriving export industries and a construction boom unlike the world has ever seen before.

In July this year, Chinese steelmakers agreed to a record increase in annual iron ore price negotiations with Rio Tinto and BHP, announcing a 79.88% increase for iron ore fines and 96.5% for iron ore lump. This is the sixth straight year of significant price increases and comes despite the fact that Chinese steel mills have banded together in recent years in the hope of getting a better deal.

Analysts are forecasting another possible price increase of up to 20% in 2009 before the price stabilises in 2010.

Ongoing work by the Company's consultants and potential off-take partners indicate the pisolite ore from the Nullagine Project is extremely saleable due to its low impurities and high calcined iron grade (> 65% CaFe). Pisolite ores produce mainly a fines product comprising goethite-hematite and have become a highly sought after product as a sinter feed.

While BC Iron commenced preliminary discussions with several potential customers during the year, the Company has not entered into any marketing or off-take agreements at this stage and will retain this marketing advantage into the near future.

Given the fact the Company has not entered into off-take agreements, there is potential for customers to accept lower grade material than that currently classified by the Company as a DSO Resource (>57%); such a scenario would result in a higher DSO resource tonnage. For example, a DSO grade of  $\geq 56\%$  Fe would result in an increase of approximately 10 Mt to the current DSO resource of 28 Mt.

BC Iron's base case study assumes 100% of sales at contract prices. From meetings with trading houses, the Company believes there is potential to sell a significant percentage of its production into the spot market at substantially higher prices than the current contract price. This would significantly improve the project economics of the proposed Nullagine development.

## Infrastructure

In July 2007 BC Iron signed a MoU with FMG for the future provision of bulk transport services for the Nullagine Project.

The key terms of the MoU were that the parties would seek to agree to commercial terms on which FMG's subsidiary, TPI, would provide BC Iron with rail haulage, port handling and ship loading facilities at a rate to be determined by BC Iron's Feasibility Study.





The Company's Scoping Study was based on ore being trucked from the Nullagine Project to Christmas Creek (where operations are due to commence in 2009) and then transported via FMG's new railway line to Port Hedland, where port handling and ship loading services would be provided by TPI.

BC Iron has been in commercial negotiations with FMG to enter into formal rail haulage and port access agreements on the basis of the original MoU signed last year. These negotiations are continuing and have not yet been finalised.

Outside of any haulage agreement with TPI, the Company has the right to access TPI's rail and port infrastructure through the Railway and Port (The Pilbara Infrastructure Pty Ltd) Agreement Act 2004.

BC Iron is also part of the NWIOA which has been allocated space within Port Hedland's inner harbour for the construction of up to 50 Mtpa of port infrastructure.

## Environmental

As part of the Scoping Study, Strategen Environmental Services carried out desktop environmental studies on the abundance, diversity and distribution of the ecosystems over the project area to ensure the avoidance or management of the impact of mining operations at Bonnie Creek.

The studies indicated no significant issues have been identified which would have an adverse impact on the Company's proposed timeline for developing the Project.

Several recommendations were made as a result of the studies in order to assist with the approvals process for a potential mining operation. Prior to completion of the study, the Company committed to implementing these recommendations to move the project forward as quickly as possible, and to capture the effects of the recent wet season. As the conceptual pit locations were established, the location of plant, camp, and haulage routes were selected and environmental baseline field surveys commenced on the infrastructure areas.

## Heritage and Community Relations

BC Iron has conducted three Heritage Surveys and a Working Group Meeting with the Palyku Traditional Owners since the beginning of field work in 2007. The Company has established a good working relationship with the Palyku and continues to maintain regular and open dialogue with them to move the project rapidly towards production.

The Company has, and will, continue to promote a strong working relationship with the Aboriginal community in the Nullagine area.

## WITWATERSRAND GOLD AND URANIUM JOINT VENTURE

Vaalbara Resources Pty Ltd and Mark Creasy (Vaalbara-Creasy) have satisfied the terms of the Joint Venture (JV) agreement which gives Vaalbara-Creasy the right to 80% interest in Witwatersrand style gold and uranium mineralisation within the Exploration Licenses E46/522-524 previously held by Alkane Resources Ltd. As Vaalbara did not successfully complete a listing on the Australian Securities Exchange in the required time frame, Vaalbara-Creasy was required to pay BC Iron \$250,000 to fulfil the terms of the JV.

BC Iron retains 100% of the rights to all iron and non-Witwatersrand style gold and uranium mineralisation, excluding diamond rights which are retained by Alkane Resources Ltd.

# MANAGING DIRECTOR'S REPORT cont.

## CORPORATE INFORMATION

### Capital Raising

A capital raising of \$9.18 million was completed in November 2007, through the issue of 5.4 million fully-paid ordinary shares to sophisticated and professional investors. Funds raised have been applied to the continuing exploration and development of the Nullagine Project.

### North West Iron Ore Alliance

In 2007, BC Iron joined with Atlas Iron, Brockman Resources, and FerrAus to form the NWIOA. The NWIOA members have agreed to work together to enhance and accelerate the development of the junior iron ore sector to take advantage of the current strong growth cycle in the global iron ore industry. Key areas of focus for the NWIOA include infrastructure access, economic and social development, statutory approvals, stakeholder relations and building strong partnerships with communities in the Pilbara.

During the year, the NWIOA made a submission to the National Competition Commission (NCC) for the declaration of existing Pilbara rail lines and welcomed the draft recommendation from the NCC, that the services provided by BHP Billiton's Goldsworthy railway line, and Rio Tinto's Hamersley and Robe railway lines, be declared under Part IIIA of the Trade Practices Act 1974 for a period of 20 years. Additionally, the NWIOA made a submission to the State Government's Pilbara Railways Third Party Haulage Regime (PRAIC) – which was released by the Western Australian Department of Treasury & Finance in June – to enforce existing decades-old State Agreements with BHP Billiton and Rio Tinto, which require the two companies to provide third party iron ore haulage on their Pilbara rail infrastructure.

The NWIOA has also advanced discussions regarding port infrastructure solutions including a multi-user ship loading facility and berth access at Port Hedland. A major strategic agreement was subsequently agreed on following the end of the financial year, when the NWIOA was granted two new multi-user berths in the Port Hedland inner harbour for use by NWIOA members and other potential junior producers. It is expected these two berths and associated port infrastructure may be operational as early as 2012 and will provide an initial capacity of up to 50 million tonnes per annum of ore.

### Appointments

In July 2008, BC Iron appointed experienced operational mining executive Blair Duncan as General Manager of Operations with specific responsibility for managing the Feasibility Study process and the Company's transition to production.

Mr Duncan has extensive underground and open pit experience throughout Western Australia and a thorough knowledge of the regulations and permitting required to bring the Project to production. Subsequent to the end of the year, Mr Simon Storm was appointed as Company Secretary. Mr Storm is a Chartered Accountant with experience in accounting and management in mining and other industries. Mr Storm provides accounting, administration and company secretarial services to various companies and is currently Company Secretary for two other ASX-listed entities and a Director of two unlisted public companies.

He replaces Mr Lindsay Colless who has resigned effective from 8th August 2008. The Directors extend their thanks to Mr Colless and his team for their efforts prior to and subsequent to listing.

### Financial

Cash and equivalents at the end of the financial year totalled A\$9.1 million, providing a strong financial platform for the Company to pursue its exploration and development objectives.

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# DIRECTORS' REPORT

The directors present their report on the results of BC Iron Limited (the Company or BC Iron) for the year ended 30 June 2008 and the state of affairs at that date.

## DIRECTORS

The names of directors of the Company 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 Company during the course of the financial year were mineral exploration and development, focusing 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 Company for the financial year, after provision for income tax, amounted to \$787,955 (2007 loss \$748,739).

## DIVIDENDS

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

## REVIEW OF OPERATIONS

Following the completion of a successful Scoping Study, BC Iron has moved quickly into a Feasibility Study to examine a potential start-up operation in 2010 at the Bonnie Creek CID Project (28.0 Mt grading 57.4% Fe) at an initial production rate of 3 Mtpa of DSO (ramping up to 5 Mtpa). The Feasibility Study will focus on these deposits as part of the Company's stated objective of generating rapid cash flows by bringing the Nullagine Project into production as early as possible.

Development drilling is continuing at Outcamp Well and Coongan Well to upgrade the JORC status of the current resource estimate. Drilling is also being carried out at the Warrigal Well, Bonnie Creek East and Dandy Well prospects, where a combined exploration target of 15-30Mt with grades of between 55- 58% Fe has been targeted.

The Company has entered into an MOU with Fortescue Metals Group facilitating negotiation over bulk transport for its material, including potential Joint Venture or mine gate sale options.

A capital raising of \$9.18 million was completed in November 2007, through the issue of 5.4 million fully paid ordinary shares to sophisticated and professional investors. Funds raised are being applied to the continuing exploration and development of the Nullagine Project.

More details of the activities of the Company for the financial year together with future prospects are set out in the Managing Director's Report section of the Annual Report.



## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The state of affairs of the Company was not affected by any significant changes during the year.

## EVENTS SUBSEQUENT TO THE BALANCE DATE

Shareholders approved the issue of 1,000,000 options to Mr. Michael Young, the Managing Director of the Company, at the general meeting held on 17 July 2008.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial periods subsequent to the financial year ended 30 June 2008.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company intends to continue exploration programs on its existing tenements, and to acquire further suitable tenements for exploration. Further information on the likely developments in the operations of the Company and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

## DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

### **Mr Anthony William (Tony) Kiernan LL.B - Age 57** **Chairman (Non-Executive)**

Mr Kiernan is a solicitor with extensive experience gained over 36 years 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 a director of ASX listed companies Uranium Equities Limited (since June 2003), Liontown Resources Ltd (since November 2006) and Chalice Gold Mines Ltd (since February 2007). Mr Kiernan is also a director of a number of non-public entities. He has been a director of Anglicare WA for over 20 years and Chairman for the last eight years. 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 (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 47** **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 on to 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 February 2006). Mr Young's experience has a

# DIRECTORS' REPORT cont.

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 52** **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 a non-executive Director of Northern Star Resources Ltd (since May 2000). 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 54** **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 Higgs Dip Civil Eng, BCom (Hons), MBA (cum laude) - Age 49** **Director (Non-Executive)**

Mr Higgs has held senior positions in civil engineering, banking (treasury and risk management), mining corporate finance and business development. Mr Higgs'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 Higgs has a wide experience in international deal making, corporate finance and business administration. Mr Higgs is currently Chief Operating Officer for Consolidated Minerals Ltd where he is responsible for business development, corporate finance and group strategy. Mr Higgs has not been a director of any other ASX listed companies during the past three years.

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

## COMPANY SECRETARY

**Mr Simon Jonathan Storm, B.Com, B.Compt(Hons), CA, FCIS - Age 46  
(appointed 8 August 2008)**

Mr Storm is a Chartered Accountant with over 20 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 5 years he has provided consulting services covering accounting, financial and company secretarial matters to various companies in these sectors.

**Mr Lindsay Arthur Colless, CA, JP (NSW), FAICD - Age 63 (resigned 8 August 2008)**

Mr Colless is a member of the Institute of Chartered Accountants in Australia with 15 years experience in the profession and a further 30 years experience in Commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director. He is a director and/or secretary of a number of public listed companies.

## MEETINGS OF DIRECTORS

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

Director	Board Meetings		Audit Committee		Risk Management Committee	
	A	B	A	B	A	B
A Kiernan	7	7	2	2	N/A	N/A
M Young	6	7	N/A	N/A	1	1
S Chadwick	7	7	N/A	N/A	1	1
G Higgo	6	7	2	2	1	1
T Ransted	7	7	2	2	N/A	N/A

A - meetings attended

B - meetings held whilst a director

The Company 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 Mr Garth Higgo, Mr Anthony Kiernan and Mr Terrence Ransted.

## RISK MANAGEMENT COMMITTEE

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

# DIRECTORS' REPORT cont.

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of BC Iron 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 Company's detailed corporate governance policy statement is contained in the additional Supplementary Information section of the annual report and can be viewed on the Company's web site at [www.bcion.com.au](http://www.bcion.com.au).

## ENVIRONMENTAL ISSUES

The Company 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.

## SHARE OPTIONS

As at the date of this report, there were 5,725,000 unissued ordinary shares under options (4,725,000 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 Company 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 Company.

## DIRECTOR'S INTERESTS AND BENEFITS

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

Director	Number of Ordinary Shares		Number of Options	
	Direct	Indirect	Direct	Indirect
A Kiernan	180,000	54,476	750,000	-
M Young	209,000	15,000	1,500,000	500,000
S Chadwick	-	200,000	500,000	-
G Higgo	20,000	-	500,000	-
T Ransted	-	190,800	-	500,000

Professional fees of \$300 (2007: \$8,984) were paid during the financial period to Multi Metal Consultants Pty Ltd, a company in which Mr Ransted has a substantial financial interest. The services provided were in the normal course of business and at normal commercial rates.

Professional fees of \$2,687 (2007: \$1,827) were paid during the financial period to Christensen Vaughan, a company in which Mr Kiernan is a consultant. The services provided were in the normal course of business and at normal commercial rates. Mr Kiernan was also paid \$10,000 for consulting services in excess of normal director duties at normal commercial rates.

Professional fees of \$5,000 were paid during the financial period to Spectrum Metallurgical Consultants Pty Ltd, a company in which Mr Chadwick has a substantial financial interest. The services provided were in the normal course of business and at normal commercial rates.

These fees and disbursements exclude benefits included in the aggregate amount of emoluments received or due and receivable by Directors as directors' fees and shown in the financial statements, prepared in accordance with the Corporations Regulations, or the fixed salary of a full-time employee.

## REMUNERATION REPORT (AUDITED)

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

# DIRECTORS' REPORT cont.

## *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 Company. Directors' remuneration is set out below which includes share and option based payments.

The Company has no performance based remuneration component built into director and executive remuneration packages.

## *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 2008.

## *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.

## *Company performance*

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

	30 June 2007	30 June 2008
Revenue from continuing operations	\$157,202	\$723,075
Net profit/(loss)	(\$748,739)	(\$787,955)
Share price	\$1.90	\$1.60

The company listed on the ASX on 15 December 2006 and accordingly disclosure of four years comparative information has not been made.

## B. Details of remuneration

Directors	Year	Short-term benefits Director's Fees or Salary	Post- employment benefits	Share-Based Payments Value of Options (a)	Total
<b>Specified Directors</b>					
<b>Non-Executive</b>					
A Kiernan	2008	50,000	-	-	50,000
	2007	36,141	-	60,000	96,141
S Chadwick	2008	35,000	-	-	35,000
	2007	25,298	-	40,000	65,298
G Higgo	2008	35,000	-	-	35,000
	2007	25,298	-	40,000	65,298
T Ransted	2008	35,000	-	-	35,000
	2007	25,298	-	40,000	65,298
<b>Executive</b>					
M Young	2008	210,362	34,637	-	244,999
	2007	139,141	11,756	72,000	222,897
<b>Total Specified Directors</b>	<b>2008</b>	<b>365,362</b>	<b>34,637</b>	<b>-</b>	<b>399,999</b>
	2007	251,176	11,756	252,000	514,932
<b>Specified Executives</b>					
L Colless (b)	2008	55,115	-	-	55,115
	2007	42,000	-	-	42,000
<b>Total Specified Executives</b>	<b>2008</b>	<b>55,115</b>	<b>-</b>	<b>-</b>	<b>55,115</b>
	2007	42,000	-	-	42,000

a. The share-based payments referred to above comprise options over ordinary shares in the Company issued upon listing of the Company on ASX Limited and have been valued based on the Black Scholes option pricing model.

b. Corporate administration, accounting & company secretarial fees paid to Mineral Administration Services Pty Ltd, a company with which Mr. Colless is associated. Mr Colless resigned effective 8 August 2008.

# DIRECTORS' REPORT cont.

## C. Service Agreements

**YOUNG, Michael** (Managing Director)

Term of Agreement - 2 years commencing 15 December 2006.

Agreement - Base salary, inclusive of statutory superannuation of \$272,500 (effective 1 July 2008) to be reviewed annually on 1 July (or such other times as agreed).

Termination - The Company has the right to terminate the Agreement upon six months notice.

## D. Share-based compensation

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 & Exercisable	Number	Expiry Date	Exercise Price \$	Value per Option at Grant Date
16 Oct 06	15 Dec 07	500,000	15 Dec 09	0.25	0.08
16 Oct 06	16 Oct 06	2,250,000	15 Dec 09	0.25	0.08
16 Oct 06	15 Dec 08	500,000	15 Dec 09	0.30	0.06
01 Jun 07	01 Jun 07	100,000	19 Feb 10	0.72	1.09
01 Jun 07	16 Feb 08	200,000	19 Feb 10	0.72	1.02
09 Nov 07	09 Nov 07	50,000	31 Aug 09	1.50	0.99
19 Dec 07	20 Jun 08	50,000	19 Dec 10	2.12	0.60
19 Dec 07	20 Dec 08	50,000	19 Dec 10	2.12	0.51

### Options granted during the year

No options were granted to the directors and key management personnel during the year. No options were exercised during the year. Details of options over ordinary shares in the Company provided as remuneration to each director and executive are set out below:

Name	Number of Options Granted		Number of Options Vested	
	2008	2007	2008	2007
<b>Directors</b>				
A Kiernan	-	750,000	-	750,000
M Young	-	1,000,000	<b>500,000</b>	-
S Chadwick	-	500,000	-	500,000
G Higgo	-	500,000	-	500,000
T Ransted	-	500,000	-	500,000
<b>Specified Executives</b>				
Lindsay Colless	-	-	-	-



## 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 \$
<b>Directors</b>						
A Kiernan	2008	-	-	-	-	-
	2007	2007	100%	2007	-	-
M Young	2008	-	-	-	-	-
	2007	2007	50%	2009	-	-
S Chadwick	2008	-	-	-	-	-
	2007	2007	100%	2007	-	-
G Higgo	2008	-	-	-	-	-
	2007	2007	100%	2007	-	-
T Ransted	2008	-	-	-	-	-
	2007	2007	100%	2007	-	-
<b>Specified Executives</b>						
L Colless	2008	-	-	-	-	-
	2007	-	-	-	-	-

Further details relating to options are set out below:

		Options				
		A Remuneration consisting of options	B Value at issue date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of Columns B-D \$
<b>Directors</b>						
A Kiernan	2008	0.0%	-	-	-	-
	2007	62.4%	60,000	-	-	60,000
M Young	2008	0.0%	-	-	-	-
	2007	32.3%	72,000	-	-	72,000

# DIRECTORS' REPORT cont.

		A Remuneration consisting of options	B Value at issue date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of Columns B-D \$
S Chadwick	2008	0.0%	-	-	-	-
	2007	61.3%	40,000	-	-	40,000
G Higgo	2008	0.0%	-	-	-	-
	2007	61.3%	40,000	-	-	40,000
T Ransted	2008	0.0%	-	-	-	-
	2007	61.3%	40,000	-	-	40,000
<b>Specified Executives</b>						
L Colless	2008	0.0%	-	-	-	-
	2007	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

## INSURANCE OF OFFICERS

During the financial period, BC Iron incurred premiums to insure the directors, secretary and/or officers of the Company.

The liability insured is the indemnification of the Company 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 Company has entered into Indemnity Deeds with each Director (Officers). Under the Deeds, the Company 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 Company, or breach by the Company 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 set out following this 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 Company or acting as advocate for the Company


The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008:

	\$
Taxation services	5,700
	<hr/>
	<b>5,700</b>

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

Dated this 25<sup>th</sup> day of September 2008.

On behalf of the directors



**Anthony Kiernan**  
Director

# AUDITOR'S INDEPENDENCE DECLARATION



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street  
SUBIACO WA 6008  
PO Box 700  
WEST PERTH WA 6872  
Phone 61 8 9380 8400  
Fax 61 8 9380 8499  
aa.perth@bdo.com.au  
www.bdo.com.au

ABN 79 112 284 787

25 September 2008

The Directors  
BC Iron Limited  
Suite 8, 8 Clive Street  
WEST PERTH WA 6008

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 2008, 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 during the year.

**Peter Toll**  
Director

*BDO Kendalls*

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

# DIRECTORS' DECLARATION

## FOR THE YEAR ENDED 30 JUNE 2008

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 Company as at 30 June 2008 and of its performance for the financial year ended 30 June 2008; 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 Company will be able to pay its debts as and when they become due and payable.
- c. the remuneration disclosures set out on pages 19 to 24 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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, 25<sup>th</sup> September, 2008

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CROSS  
AUSTRALIA 8



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**BC IRON LIMITED**

**ACN 120 646 924**

**Annual Financial Report 2008**

# INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
<b>Revenue from continuing operations</b>			
Other Income	2	250,000	-
Interest Income		473,075	157,202
<b>Total Revenue from continuing operations</b>		<b>723,075</b>	<b>157,202</b>
Administration and secretarial services		(101,802)	(42,235)
Audit fees	3	(23,563)	(25,406)
Depreciation expense	8	(54,211)	(19,319)
Director's fees		(155,000)	(112,038)
Employee benefits	21(c)	(296,944)	(360,817)
Insurance		(24,839)	(29,079)
Office rent, ancillaries and running		(126,615)	(65,164)
Personnel and support		(250,275)	(114,483)
Public relations and support		(119,952)	(24,294)
Share registry services and other corporate costs		(252,512)	(93,210)
Other expenses from continuing operations		(80,516)	(19,896)
Share based payments		(24,801)	-
<b>Loss before income tax expense</b>		<b>(787,955)</b>	<b>(748,739)</b>
Income tax expense	4	-	-
<b>Loss for the financial year</b>		<b>(787,955)</b>	<b>(748,739)</b>
<b>Loss attributable to members of BC Iron Limited</b>		<b>(787,955)</b>	<b>(748,739)</b>
<b>Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company</b>			
Basic loss per share (cents per share)	13	(1.34)	(2.12)

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 2008

	Note	2008 \$	2007 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	5	9,080,474	4,048,810
Trade and Other Receivables	6	184,938	86,601
Other Financial Assets	7	36,938	36,788
<b>Total Current Assets</b>		<b>9,302,350</b>	<b>4,172,199</b>
<b>Non Current Assets</b>			
Plant & Equipment	8	148,663	110,435
Exploration and Evaluation Assets	9	4,498,419	922,940
<b>Total Non-Current Assets</b>		<b>4,647,082</b>	<b>1,033,375</b>
<b>Total Assets</b>		<b>13,949,432</b>	<b>5,205,574</b>
<b>Current Liabilities</b>			
Trade and Other Payables	10	773,838	178,821
<b>Total Current Liabilities</b>		<b>773,838</b>	<b>178,821</b>
<b>Total Liabilities</b>		<b>773,838</b>	<b>178,821</b>
<b>Net Assets</b>		<b>13,175,594</b>	<b>5,026,753</b>
<b>Equity</b>			
Share Capital	11	13,949,727	5,334,675
Reserves	12a	762,562	440,817
Accumulated Losses	12b	(1,536,695)	(748,739)
<b>Total Equity</b>		<b>13,175,594</b>	<b>5,026,753</b>

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

# STATEMENT OF CHANGES IN EQUITY

	Contributed Equity \$	Accumulated Losses \$	Option Reserve \$	Total \$
<b>Balance at 10 July 2006</b>	-	-	-	-
Net income/expense recognised directly in equity	-	-	-	-
Loss for the financial period	-	(748,739)	-	(748,739)
<b>Total recognised income and expense for the year</b>	-	(748,739)	-	(748,739)
Shares issued net of transaction costs	5,334,675	-	-	5,334,675
Options issued	-	-	440,817	440,817
<b>Balance at 30 June 2007</b>	5,334,675	(748,739)	440,817	5,026,753
<b>Balance at 1 July 2007</b>	5,334,675	(748,739)	440,817	5,026,753
Net income/expense recognised directly in equity	-	-	-	-
Loss for the financial period	-	(787,955)	-	(787,955)
<b>Total recognised income and expense for the year</b>	-	(787,955)	-	(787,955)
Shares issued net of transaction costs	8,615,052	-	-	8,615,052
Options issued	-	-	321,744	321,744
<b>Balance at 30 June 2008</b>	13,949,727	(1,536,695)	762,561	13,175,594

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 2008

	Note	2008 \$	2007 \$
<b>Cash Flows from Operating Activities</b>			
Cash receipts from operations		250,000	-
Payments to suppliers and employees (inclusive of goods and services tax)		(1,216,586)	(353,586)
Interest paid		(311)	-
Interest received		473,075	157,202
<b>Net cash outflow from operating activities</b>	<b>20</b>	<b>(493,822)</b>	<b>(196,384)</b>
<b>Cash Flows from Investing Activities</b>			
Payment for plant and equipment		(92,439)	(129,754)
Payment for exploration and evaluation expenditure		(2,996,978)	(922,940)
Payment for security deposits		(150)	(36,788)
<b>Net cash (outflow) inflow from investing activities</b>		<b>(3,089,567)</b>	<b>(1,089,482)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		8,615,053	5,334,675
Proceeds from borrowings		-	248,242
Repayment of borrowings		-	(248,242)
<b>Net cash inflow from financing activities</b>		<b>8,615,053</b>	<b>5,334,675</b>
<b>Net Increase in cash and cash equivalents</b>		<b>5,031,664</b>	<b>4,048,810</b>
Cash and cash equivalents at the beginning of the period		4,048,810	-
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<b>9,080,474</b>	<b>4,048,810</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### 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 25 September 2008.

#### a. Basis of preparation

This general purpose financial report 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.

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

##### *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 Company 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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

## 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 Company 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 Company 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.

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**l. Mineral Tenements**

The Company'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 Company 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 Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised. The Company 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**

There was no employee option plan in existence during the financial year. Options granted during the financial period 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.

# NOTES TO THE FINANCIAL STATEMENTS cont.

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 2008 reporting periods. The Company has not applied any of the following in preparing this financial report:

Affected Standard	Nature of Change	Impact on Initial Application	Application
AASB 8: Operating Segments	Replaces the disclosure requirements of AASB 114: <i>Segment Reporting</i> .	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).	1 July 2009
AASB 123: Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.	1 July 2009
AASB 2008-1: Amendments to AASB 2 Share-based Payments - Vesting Conditions and Cancellations	The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions.	To date the Company has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.	1 July 2009
AASB 101: Presentation of Financial Statements	Amendments to presentation and naming of the financial statements.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.	1 July 2009



**t. Critical accounting estimates & judgements**

In preparing this Financial Report, the Company 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 Company'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 Company 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 Company 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 2008, the carrying value of exploration expenditure is \$4,498,419.

# NOTES TO THE FINANCIAL STATEMENTS cont.

NOTE 2 - REVENUE	2008 \$	2007 \$
Other Income – Consideration received under the Joint Venture Agreement between BC Iron Limited, Alkane Resources Ltd, Valbaara Pty Ltd and Mark Creasy	250,000	-

NOTE 3 - AUDITOR'S REMUNERATION	2008 \$	2007 \$
During the financial period the following fees were paid or payable for services provided by the auditor:		
<b>(a) Audit services</b>		
BDO Kendalls Audit & Assurance (WA) Pty Ltd: Audit and review of financial reports under the Corporations Act 2001	23,563	25,406
<b>(b) Non-audit services</b>		
Related entities of BDO Kendalls		
Taxation services	5,700	-
Investigating accountants report, prospectus dated 8 November 2006	-	6,611
Total remuneration of auditors	29,263	32,017

The Company has received notification from the Company's auditor that he satisfies 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	2008 \$	2007 \$
<b>(a) Income Tax Expense</b>		
Current tax	-	-
Deferred tax	-	-
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	(787,955)	(748,739)
Prima facie tax benefit at 30% (2007: 30%)	236,387	224,622
Add tax effect of amounts which are not deductible (taxable) in calculating taxable income: Share-based payments	(96,523)	(108,245)
Tax benefit relating to timing differences and tax losses not recognised	(139,864)	(116,377)
	-	-
<b>(c) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	5,619,584	1,273,300
Potential tax benefit at 30% (2007: 30%)	1,685,875	381,990

**NOTE 4 - INCOME TAXES (cont.)**2008  
\$2007  
\$**(d) Unrecognised temporary differences**

Deferred tax liabilities – Capitalised Exploration	(1,349,526)	(276,882)
Deferred tax assets – Accrued expenses	30,183	11,269
Deferred tax assets – Share issue costs in equity	118,432	-
Deferred tax assets – Revenue tax losses	1,685,875	381,990
Deferred tax assets – Temporary differences	1,834,490	393,259
Net deferred tax asset not recognised	484,964	116,377

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 set off.

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**2008  
\$2007  
\$

Cash at Bank and on hand	729,748	307,624
Cash on Deposit - Commercial Bills (maturing within 90 days)	8,350,726	3,741,185
	9,080,474	4,048,810

(a) Cash at bank and on hand bears interest on at an average 5.15% per annum (2007:6.00%).

(b) Cash on deposit (Commercial Bills) bears interest at an average 6.65% per annum (2007 – 6.33%).

Refer to Note 19 – Financial Risk Management

**NOTE 6 - TRADE AND OTHER RECEIVABLES**2008  
\$2007  
\$

Other receivables - net of Goods and Services Tax	184,938	86,601
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**a) Ageing of financial assets past due not impaired**

As at 30 June 2008 and 30 June 2007 there were no financial assets past due not impaired.

**b) Ageing of impaired financial assets**

As at 30 June 2008 and 30 June 2007 there were no financial assets impaired.

Refer to Note 19 – Financial Risk Management

# NOTES TO THE FINANCIAL STATEMENTS cont.

## NOTE 7 - OTHER FINANCIAL ASSETS

	2008 \$	2007 \$
Security deposits – rent bond	11,938	11,788
Security deposits – corporate card	25,000	25,000
	<b>36,938</b>	36,788

Deposits bear an average interest at the rate of 6.78% (2007: 6.25%)

## NOTE 8 - PLANT AND EQUIPMENT

	2008		2007	
	Furniture, computers & equipment \$	Total \$	Furniture, computers & equipment \$	Total \$
<b>Financial Year/Period ended 30 June</b>				
Opening net book amount	110,435	110,435	-	-
Additions	92,439	92,439	129,754	129,754
Depreciation charge	(54,211)	(54,211)	(19,319)	(19,319)
Closing net book amount	<b>148,663</b>	<b>148,663</b>	110,435	110,435
<b>At 30 June</b>				
Cost	222,192	222,192	129,754	129,754
Less: Accumulated Depreciation	(73,529)	(73,529)	(19,319)	(19,319)
Net book value	<b>148,663</b>	<b>148,663</b>	110,435	110,435

## NOTE 9 - EXPLORATION AND EVALUATION EXPENDITURE

	2008 \$	2007 \$
Exploration & evaluation expenditure costs brought forward in respect of areas of interest		
Opening balance	922,940	-
Expenditure during financial year/period	3,575,479	922,940
Less expensed to profit or loss	-	-
Balance 30 June	<b>4,498,419</b>	922,940

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 Company'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**

	2008 \$	2007 \$
Trade payables	749,076	165,116
Other Payables - Employee benefits – accumulated annual leave	24,762	13,706
	<b>773,838</b>	178,822

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

Refer to Note 19 – Financial Risk Management.

**NOTE 11 - SHARE CAPITAL**

	2008		2007	
	Number	\$	Number	\$
<b>Share Capital</b>				
Ordinary shares - Fully paid	59,400,000	13,949,727	54,000,000	5,334,675
<b>Movement in ordinary share capital</b>				
At 1 July 2007/10 July 2006	54,000,000	5,334,675	-	-
Initial Public Offering			54,000,000	6,030,001
Share placement at \$1.70, December 2007	5,400,000	9,180,000		
Less: costs of issues	-	(564,948)	-	(695,326)
At 30 June	59,400,000	13,949,727	54,000,000	5,334,675

**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 company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

**b) Capital risk management**

The Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# NOTES TO THE FINANCIAL STATEMENTS cont.

NOTE 12 - RESERVES AND ACCUMULATED LOSSES	2008 \$	2007 \$
<b>(a) Reserves</b>		
Share-based payments reserve	762,561	440,817
Movement:		
Balance 1 July	440,817	-
Employee option expense	296,943	360,817
Equity-settled benefits	24,801	80,000
Balance 30 June	762,561	440,817
<b>(b) Accumulated losses</b>	<b>(1,536,694)</b>	<b>(748,739)</b>
Movement:		
Balance 1 July	(748,739)	-
Loss for the financial period after related income tax expense	(787,955)	(748,739)
Balance 30 June	(1,536,694)	(748,739)
<b>(c) Nature and purpose of reserves</b>		
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.		
<b>NOTE 13 - LOSS PER SHARE</b>	<b>2008 Cents</b>	<b>2007 Cents</b>
<b>(a) Basic loss per share</b>		
Loss per share	(1.34)	(2.12)
	<b>\$</b>	<b>\$</b>
<b>(b) Loss used in calculating loss per share</b>		
Loss attributable to the ordinary equity holders of the Company	(787,955)	(748,739)
	<b>Number</b>	<b>Number</b>
<b>(c) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares outstanding during the financial period used in calculation of basic earnings per share	58,715,493	35,359,551

## NOTE 14 - COMMITMENTS

### a) Mining Tenement Leases

In order to maintain current rights of tenure to exploration tenements the Company 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:

	2008 \$	2007 \$
Within one year	588,414	556,862
Later than one year but less than five years	2,353,656	-
Later than five years	-	-
	<b>2,942,070</b>	556,862

The commitments due within one year amount to \$83,414 in respect of tenement lease rentals and \$505,000 in exploration expenditures. This expenditure will only be incurred should the Company 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 Company leases offices in West Perth, Western Australia, under a non-cancellable operating lease expiring December 2009 and renewable for a further three years.

	2008 \$	2007 \$
Commitments for minimum lease payments are:		
Within one year	35,755	29,333
Later than one year but less than five years	18,270	46,283
	<b>54,025</b>	75,616

### c) Remuneration – Managing Director

The Company has a service agreement with Mr M Young, expiring in December 2008. \$272,500 is payable within one year under the terms of this agreement.

# NOTES TO THE FINANCIAL STATEMENTS cont.

## NOTE 15 - KEY MANAGEMENT PERSONNEL DISCLOSURE

a) Names and positions held of the Company'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)

### b) Key management personnel compensation

	2008 \$	2007 \$
Short-term employment benefits	435,477	267,878
Post-employment benefits	34,637	11,756
Share-based payments	-	212,000
	<b>470,114</b>	<b>491,634</b>

In accordance with AASB 124, remuneration disclosures related to key management personnel are included in the Remuneration Report section of the Directors' Report.



**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:

<b>2008</b>				
<b>Name</b>	<b>Balance at the start of the financial Year</b>	<b>Issued</b>	<b>Purchased / (Sold)</b>	<b>Balance as the end of the financial year</b>
<b>(1) Shares</b>				
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
L A Colless	-	-	-	-
<b>Total shares</b>	<b>796,800</b>	<b>-</b>	<b>72,476</b>	<b>869,276</b>
<b>(2) Options</b>				
A Kiernan	750,000	-	-	750,000
M Young	1,000,000	-	-	1,000,000
S Chadwick	500,000	-	-	500,000
G Higgo	500,000	-	-	500,000
T Ransted	500,000	-	-	500,000
L A Colless	-	-	-	-
<b>Total Options</b>	<b>3,250,000</b>	<b>-</b>	<b>-</b>	<b>3,250,000</b>
<b>2007</b>				
<b>Name</b>	<b>Balance at the start of the financial Year</b>	<b>Issued</b>	<b>Purchased / (Sold)</b>	<b>Balance as the end of the financial year</b>
<b>(1) Shares</b>				
A Kiernan	-	-	188,000	188,000
M Young	-	-	198,000	198,000
S Chadwick	-	-	200,000	200,000
G Higgo	-	-	20,000	20,000
T Ransted	-	-	190,800	190,800
L A Colless	-	-	-	-
<b>Total shares</b>	<b>-</b>	<b>-</b>	<b>796,800</b>	<b>796,800</b>
<b>(2) Options</b>				
A Kiernan	-	750,000	-	750,000
M Young	-	1,000,000	-	1,000,000
S Chadwick	-	500,000	-	500,000
G Higgo	-	500,000	-	500,000
T Ransted	-	500,000	-	500,000
L A Colless	-	-	-	-
<b>Total Options</b>	<b>-</b>	<b>3,250,000</b>	<b>-</b>	<b>3,250,000</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

## NOTE 16 - CONTINGENT LIABILITIES AND ASSETS

No contingent liabilities or assets have arisen during the financial period.

## NOTE 17 - SEGMENTAL INFORMATION

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

## NOTE 18 - RELATED PARTY TRANSACTIONS

2008  
\$

2007  
\$

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	8,984
Professional fees paid to Christensen Vaughan, a company in which Mr Kiernan, a director, is a consultant.	2,687	1,827
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.	10,000	-

There are no amounts outstanding at the reporting date in relation to transactions with related parties.

## NOTE 19 - FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks.

### a) Market risk

#### (i) Foreign exchange risk

The company does not operate internationally and is not exposed to foreign exchange risk.

#### (ii) Price risk

The Company does not have investments in equity securities and is not exposed to price risk.

#### (iii) Cash flow and fair value interest rate risk

Although the Company has significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company monitors interest rates to obtain the best terms and mix of cash flow. As at the reporting date, the Company had the following variable rate deposits and there were no interest rate swap contracts outstanding:

	2008 Weighted average interest rate	Balance \$	2007 Weighted average interest rate	Balance \$
<b>Deposit</b>		<b>36,938</b>		36,788
Other cash available		<b>9,080,474</b>		4,048,810
Net exposure to cash flow interest risk	<b>5.2%</b>	<b>9,117,412</b>	6.2%	4,085,598

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

#### Sensitivity

During 2008, if interest rates had been 10% higher or lower than the prevailing rates realised, 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.

### (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 Company 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 Company'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 2008 were received within two months.

# NOTES TO THE FINANCIAL STATEMENTS cont.

## NOTE 19 - FINANCIAL RISK MANAGEMENT (cont.)

### (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 Company 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 Company has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules.

#### *Financing arrangements*

The Company has no borrowing facilities.

#### *Maturity analysis of financial assets and liabilities.*

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables:

Year ended 30 June 2008	<6 Months	6-12 Months	1-5 Years	>5 Years	Total
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
Trade & other payables	773,838	-	-	-	773,838
Net maturity	8,491,574	36,938	-	-	8,528,512
<b>Year ended 30 June 2007</b>					
<b>Financial assets</b>					
Cash & cash equivalents	4,048,810	-	-	-	4,048,810
Deposits	-	36,788	-	-	36,788
Trade & other receivables	86,601	-	-	-	86,601
	4,135,411	36,788	-	-	4,172,199
<b>Financial liabilities</b>					
Trade & other payables	178,821	-	-	-	178,821
Net maturity	3,956,591	36,788	-	-	3,993,379

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

	2008 \$	2007 \$
<b>Loss for the financial period</b>	<b>(787,955)</b>	(748,739)
<b>Non cash flows in operating Loss</b>		
Depreciation	54,211	19,319
Movements in provisions	11,056	13,705
Employee benefit – share-based payment	321,745	440,817
<b>Change in operating assets and liabilities</b>		
Decrease (increase) in trade and other receivables	(98,337)	(86,601)
(Decrease) increase in trade and other payables	5,458	165,115
<b>Net cash inflow (outflow) by operating activities</b>	<b>(493,822)</b>	(196,384)

**NOTE 21 – SHARE-BASED PAYMENTS**

There was no Employee option plan in existence during the financial year. Options granted during the financial year were discretionary. Set out below is a summary of the options granted by the Company:

2008			(Number)	(Number)	(Number)	(Number)
Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted/ lapsed during the financial period	Balance at end of the financial period	Vested and exercisable at end of financial period
<b>Director options</b>						
16 Oct 2006	15 Dec 2009	\$0.25	500,000	-	500,000	500,000
16 Oct 2006	15 Dec 2009	\$0.30	500,000	-	500,000	-
16 Oct 2006	15 Dec 2009	\$0.25	2,250,000	-	2,250,000	2,250,000
<b>Promoter options</b>						
19 Dec 2006	15 Dec 2009	\$0.25	1,000,000	-	1,000,000	1,000,000
<b>Others</b>						
9 November 2007	31 Aug 2009	\$1.50	-	25,000	25,000	25,000
<b>Employee options</b>						
1 Jun 2007	19 Feb 2010	\$0.72	500,000	(200,000)	300,000	300,000
9 Nov 2007	31 Aug 2009	\$1.50	-	50,000	50,000	50,000
19 Dec 2007	19 Dec 2010	\$2.12	-	100,000	100,000	50,000
<b>Weighted average exercise price</b>				\$1.25	\$0.34	\$0.33

# NOTES TO THE FINANCIAL STATEMENTS cont.

## NOTE 21 – SHARE-BASED PAYMENTS (cont.)

Shareholders approved the issue of 1,000,000 options to Mr. Michael Young, the Managing Director of the Company, at the general meeting held on 17 July 2008.

2007			(Number)	(Number)	(Number)	(Number)
Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted/lapsed during the financial period	Balance at end of the financial period	Vested and exercisable at end of financial period
<b>Director options</b>						
16 Oct 2006	15 Dec 2009	\$0.25	-	500,000	500,000	-
16 Oct 2006	15 Dec 2009	\$0.30	-	500,000	500,000	-
16 Oct 2006	15 Dec 2009	\$0.25	-	2,250,000	2,250,000	2,250,000
<b>Promoter options</b>						
19 Dec 2006	15 Dec 2009	\$0.25	-	1,000,000	1,000,000	1,000,000
<b>Employee options</b>						
1 Jun 2007	19 Feb 2010	\$0.72	-	500,000	500,000	100,000
<b>Weighted average exercise price</b>				\$0.30	\$0.30	\$0.26

The weighted average remaining contractual life of share options outstanding at the end of the financial period was 3 years (2008 –2011 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. 200,000 options issued to A Greenaway lapsed during the financial period.

### (A) Director option expense

No options were issued to the Directors during the financial year.

### (B) Employee option expense

Employee 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 at grant date, of options granted on 9 November 2007 was \$0.992 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 (\$1.50), the term of the option (9 Nov 2007 to 31 August 2009), the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date (\$1.71) and expected price volatility of the underlying share (105%), the expected dividend yield and the risk-free interest rate (6.78%) for the term of the option.

The assessed fair value at grant date, of options granted on 19 December 2007 was \$0.55 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 (\$2.12), the term of the option (19 Dec 2007 to 19 Dec 2010), the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date (\$0.31) and expected price volatility of the underlying share (63%), the expected dividend yield and the risk-free interest rate (6.83%) for the term of the option.

### (C) Expenses arising from share-based payment transactions

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

	2008 \$	2007 \$
Director benefits (share options)	-	252,000
Employee benefits (share options)	<b>296,943</b>	108,817
	<b>296,943</b>	360,817

### (D) Effect on equity arising from share-based payment transactions

Total amount arising from share-based payments recognised during the financial period in equity as an increase in share-based payments reserve and increase in cost of share issue was:

	2008 \$	2007 \$
Equity-settled – Equity: Cost of issue	-	80,000

## NOTE 22 – EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Shareholders approved the issue of 1,000,000 options to Mr. Michael Young, the managing director of the Company, at the general meeting held on 17 July 2008.

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial period ended 30 June 2008.

# INDEPENDENT AUDITOR'S REPORT



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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 2008, 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.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the 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 opinion.



### Independence

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

### Auditor's Opinion

In our opinion:

- (a) the financial report of BC Iron Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the *Corporations Act 2001*.

### BDO Kendalls Audit and Assurance (WA) Pty Ltd



**Peter Toll**  
Director

Perth, Western Australia  
Dated this 25<sup>th</sup> day of September 2008

# CORPORATE GOVERNANCE

## STATEMENT

BC Iron 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.

The Company has undertaken a review of its governance documentation as a consequence of the revision to the ASX Principles and Recommendations. The Company will be reporting against the revised ASX Principles and Recommendations in its next annual report.

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.bcion.com.au](http://www.bcion.com.au).

## EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Company's 2007/2008 financial year (Reporting Period) the Company has followed with each of the ASX Principles and Recommendations<sup>1</sup>, other than in relation to the matters specified below.

### Principle 1

**Recommendation 1.1:** Formalise director's appointments in writing.

**Notification of Departure:** Formal letters of appointment for the non-executive directors were not put in place until after the Reporting Period.

**Explanation for Departure:** While the directors' appointments were formalised through the regulatory body and their appointments approved by shareholders, no letters of appointment were put in place until after the Reporting Period. Consequently, the Company now follows the recommendation as set out in the ASX Principles and Recommendations.

### Principle 2

**Recommendation 2.4:** The Board should establish a Nomination Committee

**Notification of Departure:** A separate nomination committee has not been formed.

**Explanation of 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.

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<sup>1</sup> A copy of the ASX Principles and Recommendations is set out on the Company's website under the Section entitled "Corporate Governance".

## Principle 9

**Recommendation 9.2:** 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.

## Principle 10

**Recommendation 10.1:** Establish and disclose a Code of Conduct to guide compliance with legal and other obligations to legitimate Stakeholders

**Notification of Departure:** No Code of Conduct in accordance with this Recommendation has been implemented.

**Explanation for Departure:** The Board had previously decided against the implementation of a formalised Code of Conduct. However, as part of an overall review of its governance policies, the Board has re-considered its decision and is currently in the process of establishing a Code of Conduct a summary of which will be disclosed on the Company's website in accordance with the Recommendation.

## NOMINATION COMMITTEE

The full Board carries out the role of the nomination committee. The full Board did not officially convene as a nomination committee during the Reporting Period, however nomination related discussions occurred from time to time during the year as required.

## 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)	2
Garth Higgo (independent, Chair)	2
Terry Ransted (independent)	2

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

# CORPORATE GOVERNANCE cont.

## REMUNERATION COMMITTEE

The full Board, in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. All members attended the meeting.

## OTHER

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

A profile of each director containing the applicable information is set out in the Directors' Report.

### Identification of Independent Directors

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 and Steve Chadwick. Notwithstanding the Independence Criteria, the Board considers Messrs Garth Higgo and Terry Ransted to be independent for the reasons set out below.

Mr Higgo is the Chief Operating Officer of Consolidated Minerals 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 Higgo) considers however, that Mr Higgo is independent as his role with Consolidated Minerals Limited is operational and not strategic related. Further, the Board considers that Mr Higgo 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 Higgo to be independent. The Board notes the potential for conflict in matters where Consolidated Minerals Limited are involved and recognises that in such circumstances Mr Higgo 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.

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.

## **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 chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

## **Performance Evaluation of the Board and its Members**

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.

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

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

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# 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 15 September 2008.

## (a) Distribution of shares

The numbers of shareholders, by size of holding are:

Category (size of holding)	Number of Holders
1 - 1,000	364
1,001 - 5,000	846
5,001 - 10,000	536
10,001 - 100,000	379
100,001 - and over	35
	<b>2,160</b>

The number of shareholdings held in less than marketable parcels is 162.

## (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	15,000,000	25.25%
2	Alkane Exploration Ltd	9,000,000	15.15%
3	UBS Wealth Management Australia Nominees Pty Ltd	3,578,053	6.02%
4	J P Morgan Nominees Australia Ltd	1,600,000	2.69%
5	Lujeta Pty Ltd	1,200,000	2.02%
6	ANZ Nominees Limited<Cash Income A/C>	1,090,598	1.84%
7	Abbotsleigh Pty Ltd	1,000,000	1.68%
8	Dr Mark Emmerson Barley	1,000,000	1.68%
9	Randolph Resources Pty Ltd	1,000,000	1.68%
10	Mr Timothy Simon Blake	1,000,000	1.68%
11	Mr Denis William O'Meara	753,756	1.27%
12	Heather May Mitchell	605,000	1.02%
13	Consolidated Minerals Limited	600,000	1.01%
14	Menzel Pty Ltd <Menzel Super Fund A/C>	483,849	0.81%
15	Upora Pty Ltd <Looten Super Fund A/C>	240,000	0.40%
16	Mr David John Matthew	239,128	0.40%
17	R M Dimond & Associates Pty Ltd <The Dimond Super Fund A/C>	220,000	0.37%
18	Mr Michael Charles Young <The MJE Young A/C>	209,000	0.35%
19	Citicorp Nominees Pty Limited	208,660	0.35%
20	Valadon Pty Ltd	200,000	0.34%
		<b>39,228,044</b>	<b>66.01%</b>

**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 except for the following which are not quoted by virtue of restriction agreements.

<b>Quoted</b> shares on ASX	35,400,000
<b>Unquoted</b> - escrowed until: 15 December 2008	24,000,000
<b>Total issued share capital</b>	<u>59,400,000</u>

**(c) Unlisted Options**

**1. Option Holding at 15 September 2008 - BCIAM**

Total options exercisable at 25 cents each expiring 15 December 2009 <sup>1</sup>	3,750,000
Number of holders	12

**Holdings of more than 20%**

Anthony Kiernan	<u>750,000</u>
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**2. Option Holding at 15 September 2008 - BCIAO**

Total options exercisable at 25 cents (50%) and 30 cents (50%) each expiring 15 December 2009 <sup>1</sup>	1,000,000
Number of holders	1

**Holdings of more than 20%**

Michael C Young	<u>1,000,000</u>
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**3. Option Holding at 15 September 2008 - 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	<u>300,000</u>
-----------------------------	----------------

**4. Option Holding at 15 September 2008 - 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	<u>1,000,000</u>
-----------------	------------------

**Note 1** – restricted securities under ASX listing rules until 15 December 2008

# ASX ADDITIONAL INFORMATION cont.

## (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 Minerals (Australia) Pty Ltd	15,620,000
Alkane Resources Ltd	<u>9,000,000</u>

## (e) Voting rights

All shares carry one vote per unit without restriction.

## (f) Listing Rule 4.10.19

The Company 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	Location	Registered Title Holder	BCI Interests
EL 46/522	East Pilbara, WA	Alkane Resources Ltd	100% with the exception of all diamond rights within the land the subject of the tenement and subject to Vaalbara Resources Pty Ltd holding an 80% interest in Witwatersrand style uranium and gold mineralisation on the tenement
EL 46/523	East Pilbara, WA	Alkane Resources Ltd	100% with the exception of all diamond rights within the land the subject of the tenement and subject to Vaalbara Resources Pty Ltd holding an 80% interest in Witwatersrand style uranium and gold mineralisation on the tenement
EL 46/524	East Pilbara, WA	Alkane Resources Ltd	100% with the exception of all diamond rights within the land the subject of the tenement and subject to Vaalbara Resources Pty Ltd holding an 80% interest in Witwatersrand style uranium and gold mineralisation on the tenement
EL 45/2552	East Pilbara, WA	Consolidated Nickel Pty Ltd	100%
EL 45/2717	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 46/651	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 46/652	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 46/653	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 46/654	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 46/655	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 46/656	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 46/657	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 46/658	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 46/663	East Pilbara, WA	Consolidated Iron Pty Ltd	100%
EL 1887-1891 (Applications)	Bungaroo Creek, WA	BC Iron Limited	100%

Aside from the tenements in application, which are in the name of BC Iron Limited, the tenements are in the process of being transferred to BC Iron Limited. BC Iron Limited has caveats lodged against each of these tenements.

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