BASE IRON LTD

ANNUAL REPORT 2009

For the Year ended 30 June 2009.

ABN 88 125 546 910

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Mr Andrew King	**Non-Executive Chairman**
Mr Tim Carstens	**Managing Director**
Mr Samuel Willis	**Non-Executive Director**
Mr Winton Willesee	**Non-Executive Director**

COMPANY SECRETARY

Mr Winton Willesee

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Mezzanine Level
35 Havelock Street
WEST PERTH, WA 6005

CONTACT DETAILS

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SOLICITORS

Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

AUDITORS

Bentleys
Level 1
12 Kings Park Road
WEST PERTH WA 6005

CHAIRMAN'S LETTER

BASE IRON LTD

Dear Shareholders

On behalf of the Board of Directors, I present the first Annual Report of Base Iron Limited ("Base") covering a year of challenge, change and fresh opportunity.

We launched Base through its IPO in October 2008 with the objective of building a dynamic iron ore exploration company, well positioned to participate in the development of the emerging Mid-West iron ore province of Western Australia.

Since then we have seen the key Mid-West iron ore projects move closer to final investment decisions, further steel industry investment in the region, the commitment of substantial government support and the announcement of new infrastructure projects. The Mid West is now approaching the "tipping point" at which all ingredients for rapid regional development converge. While this progress has been most encouraging, the clear challenge for us has been to establish a position, either through exploration success or acquisition, which would enable us to create value from our participation.

Your company started with a suite of 6 green-fields exploration projects in close proximity to both infrastructure and existing known deposits. Through the application of a disciplined exploration approach, we have evaluated our project portfolio for "company maker" potential and established that Poona East is the most suitable project for further progression. While this has been a disappointing result given our expectations, we have reached this conclusion quickly and efficiently, thus retaining sufficient cash resources to both sensibly progress Poona East and now seek to capitalise on wider opportunities.

A thorough review of regional project acquisition opportunities was undertaken during the year. This exercise has established that suitable projects of an appropriate quality are scarce in the region at this point. We will continue to maintain an active watching brief on the region.

Base has a strong discipline of focussing our resources on those opportunities that are best going to deliver early transformational value. This requires the objective assessment of not just whether a project has the necessary potential but also whether the equity markets will recognise that value on a timely basis. With the dramatic change in the economic environment over the past 12 months, early stage iron exploration is one sector where this lack of early recognition is a reality.

In light of this, we are actively seeking and evaluating more advanced opportunities in direct-shipping iron ore outside the Mid West as well as in other commodities with solid fundamentals, such as copper and gold. The global financial crisis has been the catalyst for a number of potentially attractive projects to become available as companies re-shape and rationalise their portfolios. Base, due to the corporate and operational experience of its Board, is well positioned to assess and capitalise on these opportunities and reconsider strategies in preparation for the anticipated return to strong growth in the short to medium term.

I would like to thank those loyal shareholders who supported the launch of Base and welcome those who have joined us since as we embark on the next phase in the building of a dynamic resources company, generating significant returns to shareholders.

Yours sincerely

Andrew King
Chairman

DIRECTOR'S REPORT

Your Directors present their report, together with the financial statements of Base Iron Limited ('Base','Base Iron' or 'the Company') for the financial year ended 30 June 2009.

DIRECTORS

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

Mr Andrew King
Mr Tim Carstens
Mr Samuel Willis
Mr Winton Willesee

Directors have been in office since the start of the financial period to the date of this report.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Winton Willesee

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Company during the financial year were the completion of an initial public offering of shares (IPO), the exploration of mineral tenements in Western Australia, and the evaluation of complementary project and corporate acquisition opportunities.

Other than the IPO and listing on ASX, there were no significant changes in the nature of the Company's principal activities during the financial year.

OPERATING RESULTS

The loss of the Company after providing for income tax amounted to $1,241,975 (2008: $171,901).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid, or declared for payment, during the financial year.

REVIEW OF OPERATIONS

Following its ASX listing in October, the Company has made significant progress in the evaluation of the initial portfolio of 6 projects for "company maker" potential. A comprehensive airborne geophysical survey across the full portfolio formed the basis of a target generation exercise which identified 3 priority targets at Poona East, Tobey Well and Murgoo for further investigation.

Field mapping and sampling programs, a confirmatory rotary-air-blast drilling program at Tobey Well and geophysical modelling has resulted in the narrowing of future focus to the Poona East project where banded iron formation outcrops extending over a strike length of at least 5km and exhibiting grades of around 40% Fe have been identified. With the identification of a series of interesting uranium targets, a multi-commodity exploration approach will be adopted in progressing the Poona East project

An independent technical review of the potential of the current tenement portfolio to host economic occurrences of other commodities has been commissioned. This target generation exercise, which is anticipated to be completed in October, will ensure we are in a position to fully exploit the ground positions already established and rationalise the portfolio where appropriate.

With the narrowing of primary exploration focus to Poona East, opportunities for project acquisition, both within and outside of the Mid-West region, in iron ore and other commodities are continuing to be evaluated.

FINANCIAL POSITION

The net assets of the Company have increased by $2,781,799 from $52,123 at 30 June 2008 to $2,833,922 at 30 June 2009.

This increase is largely due to the completion of an IPO in September 2008.

The Company's working capital, being current assets less current liabilities, has improved from ($31,226) at 30 June 2008 to $2,475,794 at 30 June 2009.

The Directors believe the Company is in a strong and stable financial position to continue its current business plan.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The significant changes in the state of affairs of the Company during the year and to the date of this report were;

a. the completion of its IPO and subsequent listing on 2 October 2008;
b. the completion of the initial exploration programs on the Company's tenement portfolio and the identification of Poona East as the focus for further exploration work; and
c. an increased focus on the identification, evaluation and acquisition of suitable complementary assets.

There were no other significant changes in the state of affairs of the Company during the financial period.

AFTER BALANCE DATE EVENTS

Other than the reduction in capitalised exploration expenditure as a result of the completion of a technical review of the potential of the tenement portfolio, no events have arisen in the interval between the end of the financial year and the date of this report that are of a material or unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company's strategy is to explore and develop the existing suite of tenements and acquire additional high potential projects to maximise shareholder returns.

ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regard to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

DIRECTOR'S REPORT

National Greenhouse and Energy Reporting Act (NGER) legislation was considered and determined not to be applicable to the Company at the current stage.

INFORMATION ON DIRECTORS

Mr Andrew King Non-Executive Chairman

Qualifications: DipMinEng, GradCertAcc&FinMgt, MAusIMM, MIEAust, MAICD

Appointed: 28 May 2008

Experience: A mining engineer with over 30 years experience in the mineral resources industry, Mr King brings to Base a considerable depth of knowledge and expertise in technical disciplines as well as in the successful establishment of new companies, having founded and developed Goldstar Resources NL. In addition to experience covering corporate, strategic and operational roles in gold, iron ore, coal and base metals, Mr King also holds qualifications in accounting and financial management and is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

In addition to his directorship with Base, Mr King was appointed a director of Macmin Silver Ltd on 21 August 2009.

Interests in Shares and Options: 250,000 ordinary shares and options to acquire a further 500,000 ordinary shares.

Past Public Company Directorships Held Over the Last Three Years: Goldstar Resources N.L

Mr Tim Carstens Managing Director

Qualifications: BCom, ACA, MAICD

Appointed: 5 May 2008

Experience: Mr Carstens brings a diverse and substantial skill set to the development of Base, having previously held senior executive roles with Perilya Limited, North Limited, Robe River Iron Associates, Iron Ore Company of Canada and St Barbara Mines Limited in operations, strategy, corporate development and finance, both in Australia and overseas. A Chartered Accountant by profession, he has successfully managed all aspects of business strategy development and implementation, acquisitions and divestments, debt and equity financing, organisational development and operational performance.

Most recently he was Executive General Manager – Operations and Development with Perilya Limited with responsibility for all operational and project development activities in the Broken Hill field, comprising two operating mines and three advanced development projects.

Interests in Shares and Options: 50,000 ordinary shares and options to acquire a further 2,000,000 ordinary shares.

Past Public Company Directorships Held Over the Last Three Years: Nil

Mr Samuel Willis Non-Executive Director

Qualifications: BCom

Experience: Mr Willis is an experienced company director in the resources and energy sectors. He is currently Managing Director of oil and gas explorer New Standard Energy Limited (appointed 28 July 2008) and a non-executive director of coal explorer and developer Northern Energy Corporation Limited (appointed 30 April 2004).

With a background in the capital and corporate advisory fields with Hartleys, Red Dingo, Deutsche Bank and Schroders Investment Management, Mr Willis also provides Base Iron with expertise in small company management, specifically in relation to ASX listing, M&A assessment, deal co-ordination and capital raisings.

Interests in Shares and Options: options to acquire 500,000 ordinary shares in Base Iron.

Past Public Company Directorships Held Over the Last Three Years: Future Corporation Australia Limited and Incitive Limited

Mr Winton Willesee Non-Executive Director / Company Secretary

Qualifications: BBus., DipEd., PGDipBus., MCom., FFin, CPA

Appointed: 23 May 2007

Experience: Mr Willesee is an experienced Director and Company Secretary in the small capitalisation sector of the ASX and brings to Base a broad range of experience in company administration, corporate governance and corporate finance.

Mr Willesee has a Master of Commerce, Post-Graduate Diploma in Business (Economics and Finance), a Diploma in Education and a Bachelor of Business. Winton is a Fellow of the Financial Services Institute of Australasia and a Member of CPA Australia.

Mr Willesee is also currently a Director of listed companies Boss Energy Limited (appointed 27 November 2007), Future Corporation Australia Limited (appointed 18 January 2008), Incitive Limited (appointed 16 October 2008) and Newera Uranium Limited (appointed 31 March 2007). He is currently also the Company Secretary of listed companies, Boss Energy Limited, Future Corporation Australia Limited, Greenvale Mining NL, Incitive Limited, Mantle Mining Corporation Ltd, Newera Uranium Limited and is joint Company Secretary of Uran Limited.

Interests in Shares and Options: 100,000 ordinary shares and options to acquire a further 500,000 ordinary shares.

Past Public Company Directorships Held Over the Last Three Years: Hawk Resources Limited (now New Standard Energy Limited), and Wytomic Limited (now Sultan Corporation Limited)

DIRECTOR'S REPORT

MEETINGS OF DIRECTORS

During the financial year twelve meetings of the full Board of Directors were held. Attendances by each Director during the year were as follows:

	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
Directors		
Andrew King	12	12
Tim Carstens	12	12
Samuel Willis	12	12
Winton Willesee	12	12

Andrew King, Sam Willis and Winton Willesee attended the one meeting held of each of the Audit and Remuneration committees.

INDEMNIFYING OFFICERS OR AUDITOR

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

OPTIONS

At the date of this report, the unissued ordinary shares of Base Iron Limited under option are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
19.6.2008	19.6.2011	$0.25	2,150,000
2.7.2008	2.7.2011	$0.25	3,580,000
2.7.2008	31.12.2011	$0.25	3,000,000
			8,730,000

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

For details of options issued to Directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2009, no ordinary shares in Base Iron Limited were issued on the exercise of options granted. No further shares have been issued since year end. No amounts are unpaid on any of the issued shares.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The Board of Directors, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to external auditors for non-audit services provided during the year ended 30 June 2009:

	$
Taxation services	1,200
Corporate services	10,500
	11,700

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 12 of the Annual Report.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of Base Iron. There are no executives involved in the Company other than the Directors.

REMUNERATION POLICY

This policy governs the operations of the Remuneration Committee. The Committee shall review and reassess the policy at least annually and obtain the approval of the Board.

GENERAL DIRECTOR REMUNERATION

Shareholder approval must be obtained in relation to the overall limit set for directors' fees. The directors shall set individual Board fees within the limit approved by shareholders.

Shareholders must also approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be approved by the shareholders.

EXECUTIVE REMUNERATION

The Company's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related, and may be entitled to performance based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and expert advice.

The Committee's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

I. reward reflects the competitive market in which the Company operates;

II. individual reward should be linked to performance criteria; and

III. executives should be rewarded for both financial and non-financial performance.

The total remuneration of senior executives and other senior managers consists of the following:

I. salary - executive directors and senior managers receive a fixed sum payable in cash;

II. long term incentives - executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in exceptional circumstances; and

III. other benefits - executive directors and senior managers are eligible to participate in superannuation schemes.

Remuneration of other executives consists of the following:

I. salary - executive receives a fixed sum payable monthly in cash;

II. long term incentives - each executive may participate in share option schemes which have been approved by shareholders; and

III. other benefits – executive are eligible to participate in superannuation schemes.

NON-EXECUTIVE REMUNERATION

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Remuneration Committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for non-executive directors is currently $500,000.

It is recognised that non-executive directors' remuneration is ideally structured to exclude equity based remuneration. However, whilst the Company remains small and the full Board, including the non-executive directors, are included in the operations of the Company more intimately than may be the case with larger companies the non-executive directors are entitled to participate in equity based remuneration schemes.

All directors are entitled to have their indemnity insurance paid by the Company.

REMUNERATION REPORT

The remuneration for each director of the Company during the year was as follows:

2009

KEY MANAGEMENT PERSON	SHORT-TERM BENEFITS					OTHER LONG-TERM BENEFITS	SHARE BASED PAYMENT		TOTAL	PERFORMANCE RELATED
	Cash, salary and commissions	Cash profit share	Non-cash benefit	Other	Superannuation	Other	Equity	Options		
	$	$	$	$	$	$	$	$	$	%
Tim Carstens	257,486	-	17,514	-	24,750	-	-	800	300,550	0.3
Andrew King	40,000	-	-	-	-	-	-	200	40,200	0.5
Samuel Willis	30,000	-	-	-	-	-	-	200	30,200	0.7
Winton Willesee	91,000*	-	-	-	-	-	-	200	91,200	0.2
Total	418,486	-	17,514	-	24,750	-	-	1,400	462,150	

• *Includes company secretarial fees and fees for executive work during the Company's IPO.*

2008

KEY MANAGEMENT PERSON	SHORT-TERM BENEFITS					OTHER LONG-TERM BENEFITS	SHARE BASED PAYMENT		TOTAL	PERFORMANCE RELATED
	Cash, salary and commissions	Cash profit share	Non-cash benefit	Other	Superannuation	Other	Equity	Options		
	$	$	$	$	$	$	$	$	$	%
Tim Carstens	45,833	-	-	-	4,125	-	-	-	49,958	-
Andrew King	3,333	-	-	-	-	-	-	-	3,333	-
Samuel Willis	10,500	-	-	-	-	-	-	-	10,500	-
Winton Willesee	15,000	-	-	-	-	-	-	-	15,000	-
Eric de Mori	8,000	-	-	-	-	-	-	-	8,000	-
Total	82,666	-	-	-	4,125	-	-	-	86,791	

Options issued have been valued using the Black Scholes valuation method.

PERFORMANCE INCOME AS A PROPORTION OF TOTAL REMUNERATION

The Managing Director has been granted 2,000,000 options and the three Non-Executive Directors have been granted 500,000 options each (granted on 2 July 2008) as performance incentives.

OPTIONS ISSUED AS PART OF REMUNERATION FOR THE PERIOD ENDED 30 JUNE 2009

Options are issued to directors and executives as part of their remuneration. The options are issued to the majority of directors and executives of Base Iron Limited to increase goal congruence between executives, directors and shareholders.

REMUNERATION REPORT

				TERMS & CONDITIONS FOR EACH GRANT			
	Vested No.	Granted No.	Grant Date	Value per option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
				$	$		
Key Management Personnel							
Tim Carstens	2,000,000	2,000,000	2/07/2008	$0.0004	$0.25	5 Nov 2008	2 July 2011
Samuel Willis	500,000	500,000	2/07/2008	$0.0004	$0.25	2 July 2008	2 July 2011
Winton Willesee	500,000	500,000	2/07/2008	$0.0004	$0.25	2 July 2008	2 July 2011
Andrew King	500,000	500,000	2/07/2008	$0.0004	$0.25	2 July 2008	2 July 2011
Total	3,500,000	3,500,000					

All options were granted for nil consideration. Options have been valued using the Black-Scholes valuation method.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

No options granted as compensation in prior periods were exercised through the period or the previous period.

EMPLOYMENT CONTRACTS OF DIRECTORS AND SENIOR EXECUTIVES

The employment conditions of the Managing Director, Tim Carstens, are formalised in a standard contract of employment, the principal features of which are as follows:

Remuneration – $275,000 per annum (plus 9% superannuation)

Notice Period – 3 months

Redundancy Payments – 3 months remuneration after 12 months employment
– 6 months remuneration after 24 months employment
– 12 months remuneration after 36 months employment

All of Messrs King, Willis and Willesee are employed on formal contracts. None of the contracts provide for a termination payment.

Signed in accordance with a resolution of the Directors;

Andrew King
Chairman
Dated: 30 September 2009

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Company is pleased to advise that the Company's practices are largely consistent with those of the ASX guidelines;

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2009.

BOARD COMPOSITION

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

The names of the Independent Directors of the Company are:

Mr Andrew King
Mr Samuel Willis
Mr Winton Willesee

Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense.

RECOMMENDATION		BASE IRON LIMITED CURRENT PRACTICE
1.1	Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	Satisfied. Board Charter is available at www.baseiron.com.au in the Corporate Governance Statement.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Satisfied. Board Performance Evaluation Policy is available at www.baseiron.com.au in the Corporate Governance Statement.
1.3	Companies should provide the information indicated in the Guide for reporting on Principle 1	Satisfied. The Board Charter is available at www.baseiron.com.au in the Corporate Governance Statement. Whilst the performance of management is appraised on an ongoing informal basis, during the year no formal appraisal of management was conducted.
2.1	A majority of the board should be independent directors.	Satisfied. Mr Willis, Mr King and Mr Willesee are all independent.
2.2	The chair should be an independent director.	Satisfied. Mr King is Chairman and independent.
2.3	The roles of chair and Chief Executive Officer should not be exercised by the same individual.	Satisfied. Mr King is Chairman and Mr Carstens fulfils the role of Chief Executive Officer.
2.4	The Board should establish a Nomination Committee.	Not Satisfied. The Board consider that given the current size of the board (4), this function is efficiently achieved with full board participation. Accordingly, the Board has not established a separate nomination committee.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Satisfied. Board Performance Evaluation Policy is available at www.baseiron.com.au in the Corporate Governance Statement.
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2	Satisfied. Whilst the performance of the Board is appraised on an ongoing basis, during the year no formal appraisal was conducted.
3.1	Companies should disclose a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the Company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. The Code of conduct is available at www.baseiron.com.au in the Corporate Governance Statement.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Satisfied. The Securities Trading Policy is available at www.baseiron.com.au in the Corporate Governance Statement.

CORPORATE GOVERNANCE

RECOMMENDATION		BASE IRON LIMITED CURRENT PRACTICE
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Satisfied.
4.1	The board should establish an Audit Committee.	Satisfied. The Committee consists of Messrs King, Willis (Chairman) and Willesee. All members attended the one meeting held during the year.
4.2	The board Audit Committee should be structured so that it: • Consists only of non-executive directors • Consists of a majority of independent directors • Is chaired by an independent chair, who is not chair of the board • Has at least three members	Satisfied.
4.3	The Audit Committee should have a formal charter.	Satisfied. Audit Committee charter is available at www.baseiron.com.au in the Corporate Governance Statement.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Satisfied.
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available at www.baseiron.com.au in the Corporate Governance Statement.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Satisfied.
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.	Satisfied. Shareholders communication policy is available at www.baseiron.com.au in the Corporate Governance Statement.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Satisfied.
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management program is available at www.baseiron.com.au in the Corporate Governance statement.
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Satisfied. The Board, including the Managing Director, routinely consider risk management matters.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Satisfied. The Board has received a section 295A declaration pursuant to 2009 financial period.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Satisfied.
8.1	The board should establish a remuneration committee.	Satisfied. The Committee consists of Messrs King (Chairman), Willis and Willesee. All members attended the one meeting held during the year.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Satisfied. The structure of directors' remuneration is disclosed in the remuneration report of the annual report.
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Remuneration Committee charter is available at www.baseiron.com.au in the Corporate Governance Statement.

AUDITOR'S INDEPENDENCE DECLARATION

Bentleys
Thinking ahead

Bentleys Audit
& Corporate (WA) Pty Ltd
ABN 33 121 222 802

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To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of Base Iron Limited for the year ended 30 June 2009 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this 30th day of September 2009

INCOME STATEMENT

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2009

	NOTE	30.6.2009	23.5.2007 To 30.6.2008
		$	$
Revenue	2	118,883	3,314
Accounting, Audit and related services fees		(41,520)	(7,500)
Consultants fees		(250,444)	(10,000)
Employee benefits expense		(275,539)	(86,792)
Directors' and related fees		(102,364)	-
Administrative expense		(259,076)	(25,979)
Tenement expense		(396,654)	(1,620)
Other expenses from ordinary activities		(35,261)	(43,324)
Profit(Loss) for ordinary activities before income tax		(1,241,975)	(171,901)
Net profit /(Loss) from ordinary activities after income tax expense attributable to members of the Company		(1,241,975)	(171,901)
Profit (Loss) for period		(1,241,975)	(171,901)
OVERALL OPERATIONS			
Basic earnings (loss) per share (cents per share)	6	(6.81)	(2.00)

BALANCE SHEET

BALANCE SHEET AS AT 30 JUNE 2009

	NOTE	30.6.2009	30.6.2008
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	2,498,328	419,076
Trade and other receivables	8	29,047	-
Other Assets	10	17,596	-
TOTAL CURRENT ASSETS		2,544,971	419,076
NON-CURRENT ASSETS			
Other Assets	10	315,003	83,349
Property, plant and equipment	9	39,010	-
TOTAL ASSETS		2,898,984	502,425
CURRENT LIABILITIES			
Trade and other payables	11	51,581	50,302
Application monies received		-	400,000
TOTAL CURRENT LIABILITIES		51,581	450,302
NON-CURRENT LIABILITIES			
Provisions	12	13,481	-
TOTAL LIABILITIES		65,062	450,302
NET ASSETS		**2,833,922**	**52,123**
EQUITY			
Issued capital	13	4,244,330	223,164
Option Reserve	22	3,468	860
Retained losses		(1,413,876)	(171,901)
TOTAL EQUITY		**2,833,922**	**52,123**

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2009

	NOTE	$	$	$	$
		Issued Capital Ordinary	Retained Losses	Options Reserve	Total
BALANCE AT 23.05.2007		-	-	-	-
Shares issued during the year		223,164	-	-	223,164
Loss attributable to members		-	(171,901)	-	(171,901)
Option issued as part of consideration for Tenement Acquisition		-	-	860	860
Sub-total		223,164	(171,901)	860	52,123
BALANCE AT 30.6.2008		**223,164**	**(171,901)**	**860**	**52,123**
BALANCE AT 1.7.2008		223,164	(171,901)	860	52,123
Shares issued during the year		4,021,166	-	-	4,021,166
Loss attributable to members		-	(1,241,975)	-	(1,241,975)
Option issued		-	-	2,608	2,608
Subtotal		4,021,166	(1,241,975)	2,608	2,781,799
BALANCE AT 30.6.2009		**4,244,330**	**(1,413,876)**	**3,468**	**2,833,922**

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	30.6.2009	23.5.2007 To 30.6.2008
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments in the course of operations		(1,004,497)	(122,891)
Interest		118,883	3,314
Finance costs		-	(1,162)
Exploration costs		(437,732)	-
Net cash (used in) provided by operating activities	17b	(1,323,346)	(120,739)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(43,567)	-
Purchase of tenement assets		(175,000)	(33,349)
Net cash used in investing activities		(218,567)	(33,349)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,621,165	573,164
Net cash used in/(provided by) financing activities		3,621,165	573,164
Net increase in cash held		2,079,252	419,076
Cash at beginning of period		419,076	-
Cash at end of period	17a	2,498,328	419,076

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

This financial report includes the financial statements and notes of Base Iron Limited, a Company domiciled and incorporated in Australia. The financial report in prepared in Australian Dollars ($).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Furniture & Fixtures	12.5%
Plant and equipment	25%
Motor Vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds

NOTES TO THE FINANCIAL STATEMENTS

with the carrying amount. These gains and losses are included in the income statement.

c. Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the Company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a diminishing value basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;

b. less principal repayments;

c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

f. Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

g. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Equity-settled Compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

h. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

i. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of twelve months or less

j. Revenue and Other Income

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST)

k. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l. Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

m. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

(i) *Impairment*

The Directors have determined that the appropriate carrying values of the exploration assets, as shown at Note 10 is $315,003. As a consequence an amount of $396,654 that has been expended on the Company's tenement assets has not been capitalised.

Other than the above, nothing has come to the attention of the Company to suggest an impairment of the assets is required.

(ii) *Taxation*

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation as detailed in Note 3. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office,

(iii) *Environmental*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

(iv) *Exploration and Evaluation Expenditure*

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should

NOTES TO THE FINANCIAL STATEMENTS

not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at $315,003, see Note 10.

(v) *Share based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in Note 18.

NOTE 2: REVENUE AND OTHER INCOME

	2009	23.5.2007 To 30.6.2008
	$	**$**
REVENUE		
Interest received from external parties	116,333	3,314
Other revenue	2,550	-
Total Revenue	118,883	3,314

NOTE 3: INCOME TAX

		2009	23.5.2007 To 30.6.2008
		$	**$**
(a) **Income tax expense**			
Current tax		-	-
Deferred tax		-	-
		-	-
Deferred income tax expense included in income tax expense comprises:			
(a) (Increase) in deferred tax assets	3(c)	(24,661)	(14,537)
(b) Increase in deferred tax liabilities	3(b)	24,661	14,537
		-	-
(b) **Reconciliation of income tax expense to prima facie tax payable**			
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Prima facie tax on operating profit at 30%		(372,593)	(51,570)
Add / (Less)			
Tax effect of:			
Deferred tax asset not brought to account		372,593	51,570
Income tax attributable to operating loss		-	-

NOTE 3: INCOME TAX (CONT'D)

		2009	23.5.2007 To 30.6.2008
The applicable weighted average effective tax rates are as follows:		Nil%	Nil%
(c) **Deferred tax assets**			
Provisions and Accruals		4,044	14,537
Other		20,617	-
		24,661	14,537
Set-off deferred tax liabilities	3(d)	(24,661)	(14,537)
Net deferred tax assets		-	-
(d) **Deferred tax liabilities**			
Exploration expenditure		16,676	-
Plant and Equipment		7,985	-
		24,661	-
Set-off deferred tax assets	3(d)	(24,661)	-
Net deferred tax liabilities		-	-
			-
(e) **Tax losses**			
Unused tax losses for which no deferred tax asset has been recognised		534,858	37,033

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2009 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2009.

The totals of remuneration paid to KMP of the Company during the year are as follows:

	2009	2008
	$	$
Short-term employee benefits	436,000	82,666
Post-employment benefits	24,750	4,125
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1,400	-
	462,150	86,791

KMP OPTIONS AND RIGHTS HOLDINGS
NUMBER OF OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	Balance 30.6.2008	Granted as Compensation	Lapsed during the year	Net Change Other	Balance 30.6.2009	Vested at reporting date	Vested and exercisable	Vested and unexercisable
Andrew King	-	-	-	500,000	500,000	500,000	500,000	-
Samuel Willis	-	-	-	500,000	500,000	500,000	500,000	-
Winton Willesee	-	-	-	500,000	500,000	500,000	500,000	-
Tim Carstens	-	-	-	2,000,000	2,000,000	2,000,000	2,000,000	-
	-	**-**	**-**	**3,500,000**	**3,500,000**	**3,500,000**	**3,500,000**	**-**

No comparative values are included as no options had been issued to the reporting date in the prior financial period.

KMP SHAREHOLDINGS

The number of ordinary shares in Base held by each KMP of the Company during the financial year and the previous financial year is as follows:

NOTE 4: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP) (CONT'D)

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2009.

The totals of remuneration paid to KMP of the Company during the year are as follows:

	Balance 30.6.2008	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009
Andrew King	250,000	-	-	-	250,000
Samuel Willis	-	-	-	-	-
Winton Willesee	100,000	-	-	-	100,000
Tim Carstens	50,000	-	-	-	50,000
	400,000	**-**	**-**	**-**	**400,000**

	Balance 23.5.2007	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008
Andrew King	-	-	-	250,000	250,000
Samuel Willis	-	-	-	-	-
Winton Willesee	-	-	-	100,000	100,000
Tim Carstens	-	-	-	50,000	50,000
	-	**-**	**-**	**400,000**	**400,000**

OTHER KMP TRANSACTIONS

There have been no other transactions involving equity instruments other than those described in the tables above. There have been no loans to KMP's during the period or since.

NOTE 5: AUDITORS' REMUNERATION

	2009 $	23.5.2007 To 30.6.2008 $
Remuneration of the auditor for:		
— auditing or reviewing the financial report	16,500	-
— taxation services	1,200	-
— corporate services	10,500	3,500
	28,200	3,500

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: EARNINGS PER SHARE

		2009 $	23.5.2007 To 30.6.2008 $
a.	Reconciliation of earnings to profit or loss		
	Earnings used to calculate basic EPS	(1,241,975)	(171,901)
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	35,223,745	8,334,159

NOTE 7: CASH AND CASH EQUIVALENTS

	NOTE	2009 $	2008 $
Cash at bank and in hand		398,328	419,076
Short-term bank deposits		2,100,000	-
		2,498,328	419,076

The effective interest rate on short-term bank deposits was 4.2%; the deposits have an average maturity of 3 months.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	2,498,328	419,076
	2,498,328	419,076

NOTE 8: TRADE AND OTHER RECEIVABLES

	NOTE	2009 $	2008 $
Other receivables		29,047	-
Total receivables		29,047	-

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	NOTE	2009 $	2008 $
PLANT AND EQUIPMENT			
Plant and equipment:			
At cost		7,108	-
Accumulated depreciation		(1,777)	-
Accumulated impairment losses		-	-
Total Plant and Equipment		5,331	-
VEHICLES			
Vehicles:			
At cost		26,614	-
Accumulated depreciation		(1,549)	-
Accumulated impairment losses		-	-
Total Vehicles		25,065	-
FURNITURE & FIXTURES			
Furniture & Fixtures:			
At cost		9,844	-
Accumulated depreciation		(1,230)	-
Accumulated impairment losses		-	-
Total Plant and Equipment		8,614	-
Total Property, Plant and Equipment		39,010	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONT'D)

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	PLANT AND EQUIPMENT	FURNITURE AND FIXTURES	VEHICLE	TOTAL
	$	$	$	$
BALANCE AT 1 JULY 2007	-	-	-	-
Additions	-	-	-	-
Depreciation expense	-	-	-	-
BALANCE AT 30 JUNE 2008	-	-	-	-
BALANCE AT 1 JULY 2008	-	-	-	-
Additions	7,108	9,844	26,614	43,568
Disposals	-	-	-	-
Depreciation expense	(1,777)	(1,230)	(1,549)	(4,558)
Capitalised borrowing costs and depreciation	-	-	-	-
BALANCE AT 30 JUNE 2009	5,331	8,614	25,065	39,010

NOTE 10: OTHER ASSETS

	2009 $	2008 $
CURRENT		
Prepayments	12,586	-
Security Deposits	5,010	-
Total Current Assets	17,596	-
NON-CURRENT		
Exploration expenditure capitalised		
— exploration and evaluation phases	315,003	-
Total exploration expenditure	315,003	-

NOTE 10: OTHER ASSETS (CONT'D)

The value of Company interest in exploration expenditure is dependent upon the:

- the continuance of the Company rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

Accordingly the capitalised exploration expenditure has been reduced by ($379,882) to reflect the assessed potential of the tenement holdings to host commercial mineral deposits.

Capitalised costs of $437,732 (2008: $0) have been included in cash flows from investing activities in the cash flow statement.

NOTE 11: TRADE AND OTHER PAYABLES

	NOTE	2009 $	2008 $
CURRENT			
Trade and other creditors		37,581	5,969
Accruals		14,000	44,333
		51,581	50,302

NOTE 12: PROVISIONS

	NOTE	2009 $	2008 $
NON-CURRENT			
Provision for Annual Leave		13,481	-
		13,481	-

	Employee Annual Leave $	Total $
Opening balance at 1 July 2008	-	-
Additional provisions	19,277	19,277
Amounts incurred and charged against the provision	(5,796)	(5,796)
Balance at 30 June 2009	13,481	13,481

NOTE 13: ISSUED CAPITAL

	2009 $	2008 $
38,000,001 (2008:14,000,001) fully paid ordinary shares	4,244,330	223,163
	4,244,330	223,163

The Company has issued share capital amounting to 38,000,001 ordinary shares.
The shares were issued without a par value.

		2009 No.	2008 No.
a.	**Ordinary Shares**		
	At the beginning of reporting period	14,000,001	8,000,001
	Shares issued during the year		
	— 27 May 2008	-	5,000,000
	— 28 June 2008	-	1,000,000
	— 2 July 2008	4,000,000	-
	— 17 Sept 2008	20,000,000	-
	At reporting date	38,000,001	14,000,001

On 2 July 2008 the Company issued 4,000,000 ordinary shares at 10 cents each as Seed Capital.

On 17 Sept 2008 the Company issued 20,000,000 ordinary shares at 20 cents each in the Initial Public Offering

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. **Options**

For information relating to share options issued to key management personnel during the financial year, refer to Note 18 Share-based Payments.

c. **Capital Management**

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Cash and cash equivalents	2,498,328	419,076
Trade and other receivables	29,047	-
Trade and other payables	(51,581)	(50,302)
Working capital position	2,475,794	368,774

NOTE 14: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets.

NOTE 15: COMMITMENTS

a. The Company has rental and expenditure commitments of in respect of its tenement holdings of:

	2009 $	2008 $
Payable:		
– not later than 12 months	39,739	-
– between 12 months and 5 years	106,489	-
– greater than 5 years	-	-
	146,228	-

b. Operating Lease

The Company entered into a non-cancellable lease agreement for its office premises for a term of 2 years, with rent payable monthly in advance. The lease includes the option to extend the term at the end of the 2 years.

Payable:		
– not later than 12 months	75,491	-
– between 12 months and 5 years	75,491	-
– greater than 5 years	-	-
	150,983	-

NOTE 16: SEGMENT REPORTING

Base Iron Limited operates wholly in one business and geographical segment.

NOTE 17: CASH FLOW INFORMATION

	2009 $	23.5.2007 To 30.6.2008 $
a. RECONCILIATION OF CASH		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash	2,498,328	419,076
b. RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX		
Profit after income tax	(1,241,975)	(171,901)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Depreciation	4,557	-
Share options expensed	2,608	860
Tenement valuation writedown	379,282	-
Changes in assets and liabilities		
(Increase)/decrease in receivables and other assets	(46,081)	-
(Increase)/decrease in capitalised exploration expenditure	(436,425)	-
Increase/(decrease) in trade and other payables	14,688	50,302
Cashflow from operations	1,323,346	120,739

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: SHARE-BASED PAYMENTS

Options granted to key management personnel are as follows:

	GRANT DATE	NUMBER
	2 July 2008	3,500,000

Further details of these options are provided in the Report of the Directors. The options hold no voting or dividend rights and are not listed.

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding as at 1 July 2007		
Granted	2,150,000	$0.25
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2008	2,150,000	$0.25
Options outstanding as at 1 July 2008	2,150,000	$0.25
Granted	6,580,000	$0.25
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2009	8,730,000	$0.25
Options exercisable as at 30 June 2009:	8,730,000	$0.25
Options exercisable as at 30 June 2008:	2,150,000	$0.25

The weighted average remaining contractual life of options outstanding at year end was 2.16 years. The exercise price of outstanding shares at reporting date was $0.25.

The weighted average fair value of options granted during the year was 0.04c (2008: 0.04c). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	$0.25
Weighted average life of the option:	3 years
Underlying share price:	$0.10
Expected share price volatility:	20%
Risk-free interest rate:	7%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

NOTE 19: EVENTS AFTER THE BALANCE SHEET DATE

Other than disclosed elsewhere in this report, which includes the impairment of the Company's tenement carrying values for accounting purposes, no events have arisen in the interval between the end of the financial year and the date of this report that are of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

NOTE 20: RELATED PARTY TRANSACTIONS

There have been no transactions with related parties other than remuneration as disclosed in Note 4.

NOTE 21: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of deposits with banks, short-term investments, accounts receivable and payables.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	NOTE	2009 $	2008 $
Financial Assets			
Cash and cash equivalents	7	2,498,328	419,076
Other receivables	8	29,047	-
		2,527,375	419,076
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	11	51,581	450,302
		51,581	450,302

FINANCIAL RISK MANAGEMENT POLICIES

The senior executives of the Company meet on a regular basis to analyse treasury risks and evaluate treasury management strategies in the context of the prevailing economic conditions and forecasts.

The overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis.

Financial assets and liabilities of the Company are carried at the net fair value of each individual asset or liability.

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

a. **Interest rate risk**

   The Company does not have any debt. The majority of the Company cash deposits are held in at call high interest accounts with the National Australia Bank Ltd.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: FINANCIAL RISK MANAGEMENT(CONT'D)

	FLOATING INTEREST RATE		FIXED INTEREST RATE				NON INTEREST BEARING		TOTAL		WEIGHT EFFECTIVE INTEREST RATE	
			1 Year or Less		1 to 5 Years							
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 %	2008 %
Financial Assets												
Cash	398,328	419,076	2,100,000	-	-	-	-	-	2,498,328	419,076	4.77	7.10
Trade And Other Receivables	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Total Financial Assets	**398,328**	**419,076**	**2,100,000**	**-**	**-**	**-**	**-**	**-**	**2,498,328**	**419,076**		
Financial Liabilities												
Trade And Other Payables	-	-	-	-	-	-	51,581	450,302	51,581	450,302	N/A	N/A
Total Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**51,581**	**450,302**	**51,581**	**450,302**		

b. **Liquidity risk**

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid assets such as cash or assets readily convertible to cash are maintained.

Financial liability and financial asset maturity analysis

	WITHIN 1 YEAR		1 TO 5 YEARS	
	2009	**2008**	**2009**	**2008**
Financial liabilities due for payment				
Trade and other payables (excluding estimated annual leave)	51,581	450,302	-	-
Total contractual outflows	51,581	450,302	-	-
Total expected outflows	51,581	450,302	-	-
Financial assets — cash flows realisable				
Cash and cash equivalents	398,328	419,076	-	-
Trade, term deposits and loans receivables	2,129,047	-	-	-
Total anticipated inflows	2,527,375	419,076	-	-
Net (outflow)/inflow on financial instruments	2,475,794	(31,226)	-	-

NOTE 21: FINANCIAL RISK MANAGEMENT(CONT'D)

c. **Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Sensitivity Analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Year ended 30 June 2009	LOSS $	EQUITY $
+/-200 basis points in interest rates	49,966	49,966

Year ended 30 June 2009	LOSS $	EQUITY $
+/-200 basis points in interest rates	8,381	8,381

NOTE 22: RESERVES

OPTION RESERVE

The option reserve records items recognised as expenses on valuation of employee share options.

NOTE 23: COMPANY DETAILS

The principal place of business and registered office of the Company is:

Base Iron Limited (ASX: BSE)
Mezzanine Level
35 Havelock Street
West Perth
Western Australia

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 13 to 33, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards; and
    b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2009 required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

Andrew King
Chairman

DATED at PERTH this 30th day of September 2009.

INDEPENDENT AUDITOR'S REPORT

To the Members of Base Iron Limited

Bentleys
Thinking ahead

Bentleys Audit
& Corporate (WA) Pty Ltd
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We have audited the accompanying financial report of Base Iron Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

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 Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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 judgment, 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 followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report
To the Members of Base Iron Limited (Continued)

Bentleys
Thinking ahead

Auditor's Opinion

In our opinion:

a. The financial report of Base 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 2009 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 report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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 Base Iron Limited for the year ended 30 June 2009, complies with s 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this DATE 30th of SEPTEMBER 2009

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules, and not disclosed elsewhere in this report.

SHAREHOLDINGS

At the date of this report three shareholders had lodged substantial shareholder notices with the Company.

a) on 2 October 2008 a substantial shareholder notice was received by the Company notifying the Company that Deckchair Holdings Pty Ltd was a substantial shareholder holding a relevant interest in 4,000,000 shares representing 10.53% of the voting power.
b) on 2 October 2008 a substantial shareholder notice was received by the Company notifying the Company that Kea Holdings Pty Ltd was a substantial shareholder holding a relevant interest in 2,010,000 shares representing 5.29% of the voting power.
c) on 2 October 2008 a substantial shareholder notice was received by the Company notifying the Company that Mahsor Holdings Pty Ltd was a substantial shareholder holding a relevant interest in 2,010,000 shares representing 5.29% of the voting power.

CLASS OF SHARES AND VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary Shares of the Company are:

a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

Options do not carry any voting rights.

At 11 September 2009 there were 25 holders of unmarketable parcels comprising a total of 124,543 ordinary shares.

There are currently 7,825,000 shares and 6,500,000 options subject to escrow until 2 October 2010.

OTHER INFORMATION

There is no current on-market buy back taking place.

During the reporting period the Company used its cash assets in a manner consistent with its business objectives.

ADDITIONAL SHAREHOLDER INFORMATION

THE LARGEST REGISTERED HOLDERS OF SHARES AS AT 11 SEPTEMBER 2009 WERE:

	NAME	NUMBER OF SHARES	%
1.	DECK CHAIR HOLDINGS PL	4,627,500	12.18
2.	STATE RESOURCES PL	4,000,000	10.53
3.	MAHSOR HOLDINGS PL <ROSHAM FAMILY SUPER A/C>	2,059,232	5.24
4.	KEA HOLDINGS PL <IOS HOLDING A/C>	1,900,000	5.00
5.	ANZ NOMINEES LTD<CASH INCOME A/C>	1,500,000	3.95
6.	RITA MARIAN & W T BROOKS <T/A BROOKS S/F A/C>	1,350,000	3.55
7.	BWS PTY LTD	741,456	1.95
8.	DANIEL JAMES FRASER	734,100	1.93
9.	HARRY ARTHUR & J N HILL <HARRY ARTHUR HILL A/C>	600,000	1.58
10.	ANDREW WILLIAM BLACKMAN	550,000	1.45
11.	B J & N L JAMES	500,000	1.32
12.	MIKONOS INVESTMENTS PL <ROSHAM FAMILY A/C>	412,500	1.09
13.	KATONE INVESTMENTS PL	350,000	0.92
14.	RONALD RUSSELL WILSON <CAA A/C>	325,000	0.86
15.	TONY VAN SCHILFGAARDE	307,800	0.81
16.	GEMELLI NOMINEES PL	300,000	0.79
17.	SIXTH ERRA PL <I COLLIE FAMILY A/C>	300,000	0.79
18.	CORRIDOR NOMINEES PL	287,500	0.76
19.	LES GRAHAM	286,250	0.75
20.	ANDREW & LYNNE KING	250,000	0.66
		21,381,338	56.29

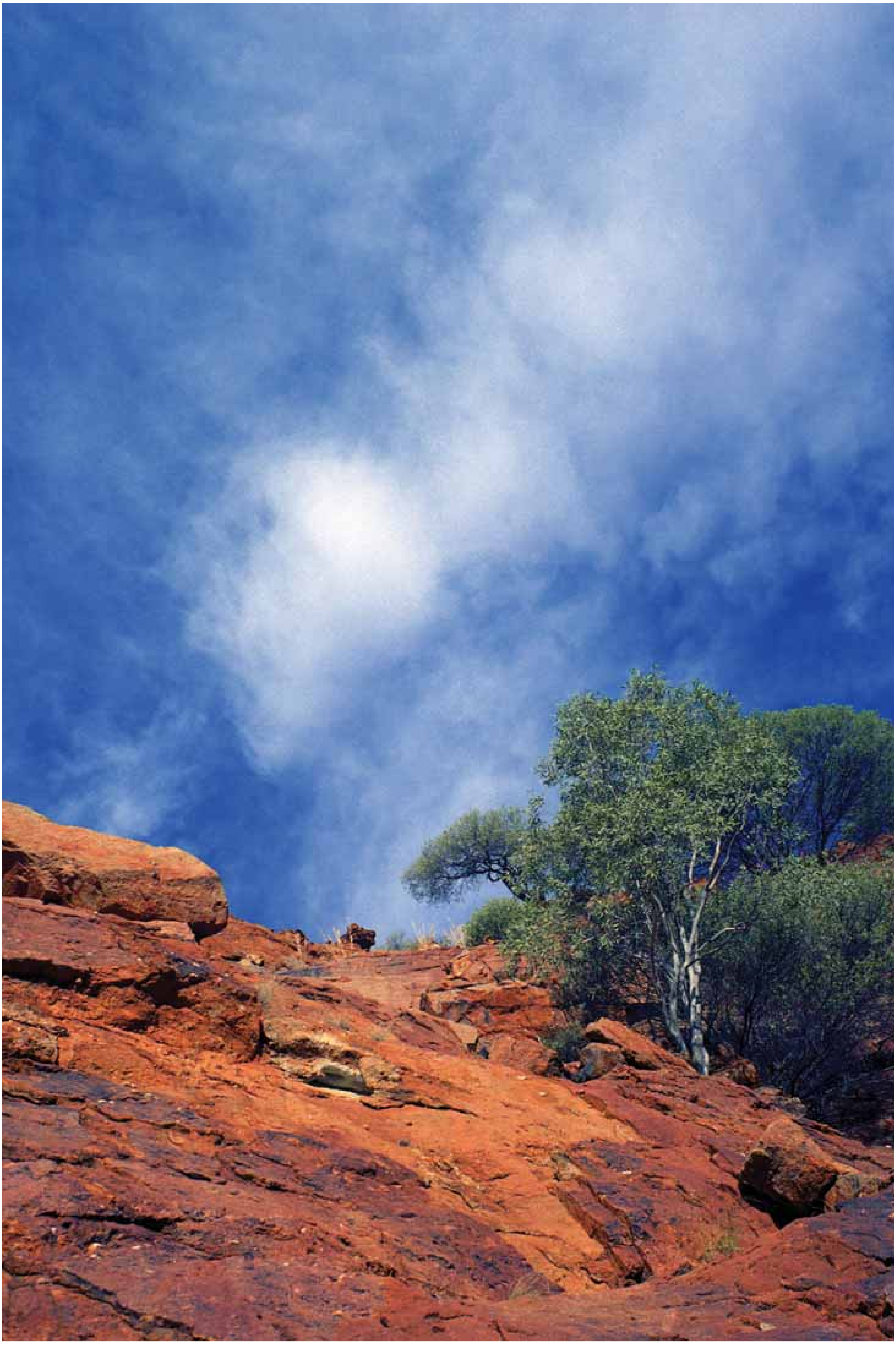
SHARES RANGE	HOLDERS	UNITS	%
1 – 1000	2	701	0.00
1001 – 5000	11	46,744	0.12
5001 – 10000	94	895,238	2.36
10001 – 100000	245	9,691,150	25.50
100001 –	53	27,366,138	72.02
Total	405	38,000,001	100.00

ADDITIONAL SHAREHOLDER INFORMATION

TENEMENT SCHEDULE

The Company holds a 100% interest in its tenements, all of which are located in Western Australia

TENEMENT NUMBER	STATUS
E 59/1209	Granted
P 59/1721	Granted
P 59/1722	Granted
E 20/0673	Application
E 20/0674	Application
E 20/0675	Application
E 59/1444	Granted
E 59/1557	Application
E 59/1558	Application
E 59/1448	Application
E 59/1556	Application
E 70/3330	Application
E 70/3567	Granted
E 70/3580	Application



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