

BASE IRON LTD

ABN 88 125 546 910

**Interim Financial Report
For the Half-year ended
31 December 2009**

BASE IRON LIMITED
ABN 88 125 546 910
Interim Financial Report

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Corporate Directory

DIRECTORS

Mr Andrew King (Non-Executive Chairman)
Mr Tim Carstens (Managing Director)
Mr Winton Willesee (Non-Executive Director)
Mr Sam Willis (Non-Executive Director)

COMPANY SECRETARY

Winton Willesee

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Level 1
50 Kings Park Road
West Perth WA 6005

CONTACT DETAILS

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50 Kings Park Road
West Perth WA 6005

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West Perth BC WA 6872

SOLICITORS TO THE COMPANY

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
Alexandria House
Suite 1, 770 Canning Highway
Applecross WA 6153
Ph: +61 (8) 9315 2333
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AUDITORS

Bentleys
Level 1, 12 Kings Park Road
West Perth WA 6005

STOCK EXCHANGE

ASX Code: BSE
Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

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DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half-year ended 31 December 2009.

Directors

The names of Directors who held office during or since the end of the half-year:

Andrew King – *Non-Executive Chairman*

Tim Carstens – *Managing Director*

Sam Willis – *Non-Executive Director*

Winton Willesee – *Non-Executive Director*

Company Secretary

Winton Willesee

Review of Operations

An independent technical review of the potential of the current tenement portfolio to host economic occurrences of commodities, other than iron, was completed in the September quarter 2009. This work, which was initiated to ensure that the Company was able to fully exploit the ground positions established and to sensibly rationalise the portfolio where appropriate, identified Poona East, Murgoo and Talling South as having the requisite potential to justify the adoption of a multi-commodity exploration approach. As a consequence, the appropriate in-house technical resources were secured and work commenced.

A detailed examination and assimilation of historic exploration and technical data with Base Iron's mapping, sampling and geotechnical data has increased confidence in the multi commodity potential of the Poona East and Murgoo project areas. This exercise, together with confirmatory field work, has enabled the development of a series of preliminary exploration models which have identified the potential for uranium, gold and base metals. It has also enabled the identification of additional ground positions surrounding these project areas that are of interest in the context of the exploration models developed. These exploration models and resultant targets will be further refined and appropriate exploration programs developed over the March quarter of 2010.

Opportunities for project acquisition are continuing to be identified and evaluated, with a number being considered during the period in commodities including iron, phosphate, mineral sands, zinc, copper and gold in variously, Australia, Latin American and Africa.

Results of Operations

The operating loss after income tax of the Company for the half-year ended 31 December 2009 was (\$430,289) (31 December 2008: \$503,015). The company's basic loss per share for the period was (1.13) cents.

No dividends were paid or declared for the period ended 31 December 2009.

Financial Position

The Company's working capital, being current assets less current liabilities was \$2,011,018 at 31 December 2009 (30 June 2009: \$2,493,390).

In the Directors' 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.

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DIRECTORS' REPORT

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2009.

This report is signed in accordance with a resolution of the Board of Directors.



Winton Willesee

Director

Dated this 2nd day of March 2010

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 review of the financial report of Base Iron Limited for the half year ended 31 December 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 review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



CHRIS WATTS
Director

DATED at PERTH this 2nd day of March 2010

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	31.12.2009	31.12.2008
		\$	\$
Interest receipts	2	55,458	64,098
Accounting, Audit and related services fees		(21,996)	(18,530)
Consultant fees		(59,488)	(157,930)
Employee benefits expense		(164,599)	(163,353)
Directors' and related fees		(89,338)	(62,000)
Administrative expense		(106,237)	(135,312)
Tenement expense		(38,322)	-
Other Expenses from ordinary activities		(5,767)	(29,988)
Loss before income tax		<u>(430,289)</u>	<u>(503,015)</u>
Income tax expense		-	-
Net Loss for the period		<u>(430,289)</u>	<u>(503,015)</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u>(430,289)</u>	<u>(503,015)</u>
Net Loss and total comprehensive income attributable to members of the Company		<u><u>(430,289)</u></u>	<u><u>(503,015)</u></u>
Overall Operations			
Basic loss per share (cents per share)		<u>(1.13)</u>	<u>(2.26)</u>

The above Statement of Comprehensive Income should read in conjunction with the accompanying notes.

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STATEMENT OF CASHFLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	31.12.2009	31.12.2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments in the course of operations	(424,012)	(402,986)
Interest receipts	46,234	46,013
Payments for Exploration and evaluation	(86,419)	(399,659)
Net cash (used in) provided by operating activities	<u>(464,197)</u>	<u>(756,632)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(3,860)	(16,953)
Purchase of tenement assets	-	(175,000)
Net cash used in investing activities	<u>(3,860)</u>	<u>(191,953)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	3,621,168
Net cash used in/(provided by) financing activities	<u>-</u>	<u>3,621,168</u>
Net increase/(decrease) in cash held	(468,057)	2,672,583
Cash at beginning of period	<u>2,498,328</u>	<u>419,076</u>
Cash at end of period	<u><u>2,030,271</u></u>	<u><u>3,091,659</u></u>

The above Statement of Cashflows should be read in conjunction with the accompanying notes.

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	31.12.2009	30.6.2009
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,030,271	2,498,328
Trade and other receivables	40,562	29,047
Other current assets	27,953	17,596
TOTAL CURRENT ASSETS	2,098,786	2,544,971
NON-CURRENT ASSETS		
Exploration and evaluation costs	364,402	315,003
Property, plant and equipment	38,211	39,010
TOTAL NON-CURRENT ASSETS	402,613	354,013
TOTAL ASSETS	2,501,399	2,898,984
CURRENT LIABILITIES		
Trade and other payables	87,768	51,581
TOTAL CURRENT LIABILITIES	87,768	51,581
NON-CURRENT LIABILITIES		
Provisions	9,998	13,481
TOTAL NON-CURRENT LIABILITIES	9,998	13,481
TOTAL LIABILITIES	97,766	65,062
NET ASSETS	2,403,633	2,833,922
EQUITY		
Issued capital	4,244,330	4,244,330
Reserves	3,468	3,468
Accumulated losses	(1,844,165)	(1,413,876)
TOTAL EQUITY	2,403,633	2,833,922

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED
31 DECEMBER 2009

	\$	\$	\$	\$
	Issued Capital Ordinary	Accumulated Losses	Options Reserve	Total
Balance at 1.7.2008	223,164	(171,901)	860	52,123
Shares issued during the year	4,021,166	-	-	4,021,166
Total comprehensive income for the period	-	(503,015)	-	(503,015)
Option issued as part of consideration for Tenement Acquisition	-	-	2,607	2,607
Subtotal	4,244,330	(674,916)	3,467	3,572,881
Balance at 31.12.2008	4,244,330	(674,916)	3,467	3,572,881
Balance at 01.07.2009	4,244,330	(1,413,876)	3,468	2,833,922
Shares issued during the year	-	-	-	-
Total comprehensive income for the period	-	(430,289)	-	(430,289)
Sub-total	4,244,330	(1,844,165)	3,468	2,403,633
Balance at 31.12.2009	4,244,330	(1,844,165)	3,468	2,403,633

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Base Iron Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Base Iron Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the 30 June 2009 annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have not been included as the Company has only one operating segment which is presented in the Statement of Comprehensive Income and Statement of Financial Position.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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NOTE 2. REVENUES FOR THE PERIOD

	31.12.2009	31.12.2008
	\$	\$
The following revenue item is relevant in explaining the financial performance for the interim period:		
Interest receipts	46,234	64,098
Accrued interest	9,224	-
	55,458	64,098

NOTE 3. SEGMENT REPORTING

The Company has considered the operating segments standard but does not currently have operating segments at this present time.

Having initially focussed its exploration programs on the exploration for iron, the Company is now in the process of reviewing its full suite of tenements for prospectivity in both iron and other minerals. The full suite of tenements is being reviewed in the same program and accordingly the Company has not identified, and therefore not disclosed, any segment information that is in addition to financial information presently disclosed in the financial statements. The Company's financial information is presented to the chief decision maker, being the full board, in an aggregated manner.

NOTE 4: DIVIDENDS

No dividends have been paid or declared during the period of this report.

NOTE 5: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

On 26 February 2010 the Company released details of the proposed acquisition of the Kwale Mineral Sands Project located in Kenya.

Pursuant to the proposed acquisition, Base has entered into a binding heads of agreement to acquire 100% of the Kwale Mineral Sands Project and an option to acquire three further exploration projects, Mambui, Kilifi and Vipingo, from Tiomin Resources Inc.

The Kwale Mineral Sands Project and the three further exploration projects are located along the coast around Mombasa in the south of Kenya.

Under the terms of the Heads of Agreement the acquisition is conditional upon the consent of the Government of Kenya to the transfer of the Kwale Mineral Sands Project licenses, agreements and permits, completion of due diligence to the satisfaction of Base, Base shareholder approval and completion of a capital raising of \$7,000,000. Base is to acquire from Tiomin, the Kwale Mineral Sands Project, including all intellectual property, rights and obligations directly associated with the Kwale Mineral Sands Project and all other exploration rights in Kenya and Tanzania, excluding the three further exploration projects, and a four year option to acquire Tiomin Kenya Limited (the owner of the three further exploration projects).

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NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE (CONT...)

The terms of the option permit Base to require Tiomin Kenya to relinquish any or all of the three further exploration projects during the currency of the option, requires Base to fund the minimum spend commitments on the three further exploration projects; and ensure that Tiomin Kenya will have net nil financial assets and liabilities at the time of exercise.

The consideration for the acquisition of the Kwale Mineral Sands Project and the option is a payment of US\$3 million in cash on settlement, and a 2% royalty on all product revenue (FOB Mombasa) from the Kwale Central and South deposits.

Should Base elect to exercise the option, Base has the right to instruct Tiomin Kenya to relinquish any of the three further exploration projects and will pay US\$1m for each of the three further exploration projects then still held by Tiomin Kenya.

The Company is currently undertaking the relevant due diligence and preparing the relevant transaction documents including those required to call the shareholders meeting to consider the proposed acquisition.

Since the end of the half year, the Directors are not aware of any matters or circumstances not otherwise dealt with in this report that have 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 subsequent financial periods.

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DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 13:
 - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.

2. In the directors' 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.

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



Winton Willesee

Director

Dated this 2nd day of March 2010

Independent Auditor's Review Report

To the Members of Base Iron Limited

We have reviewed the accompanying half-year financial report of Base Iron Limited ("the Company") which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

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& Corporate (WA) Pty Ltd**
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Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Base Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of Base Iron Limited for the half-year ended 31 December 2009 included on the website of Base Iron Limited. The directors of the Company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the Company's website.

Independent Auditor's Review Report

To the Members of Base Iron Limited (Continued)

Independence

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

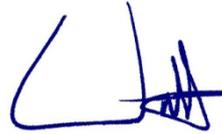
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Base Iron Limited is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



BENTLEYS
Chartered Accountants



CHRIS WATTS
Director

DATED at PERTH this 2nd day of March 2010