

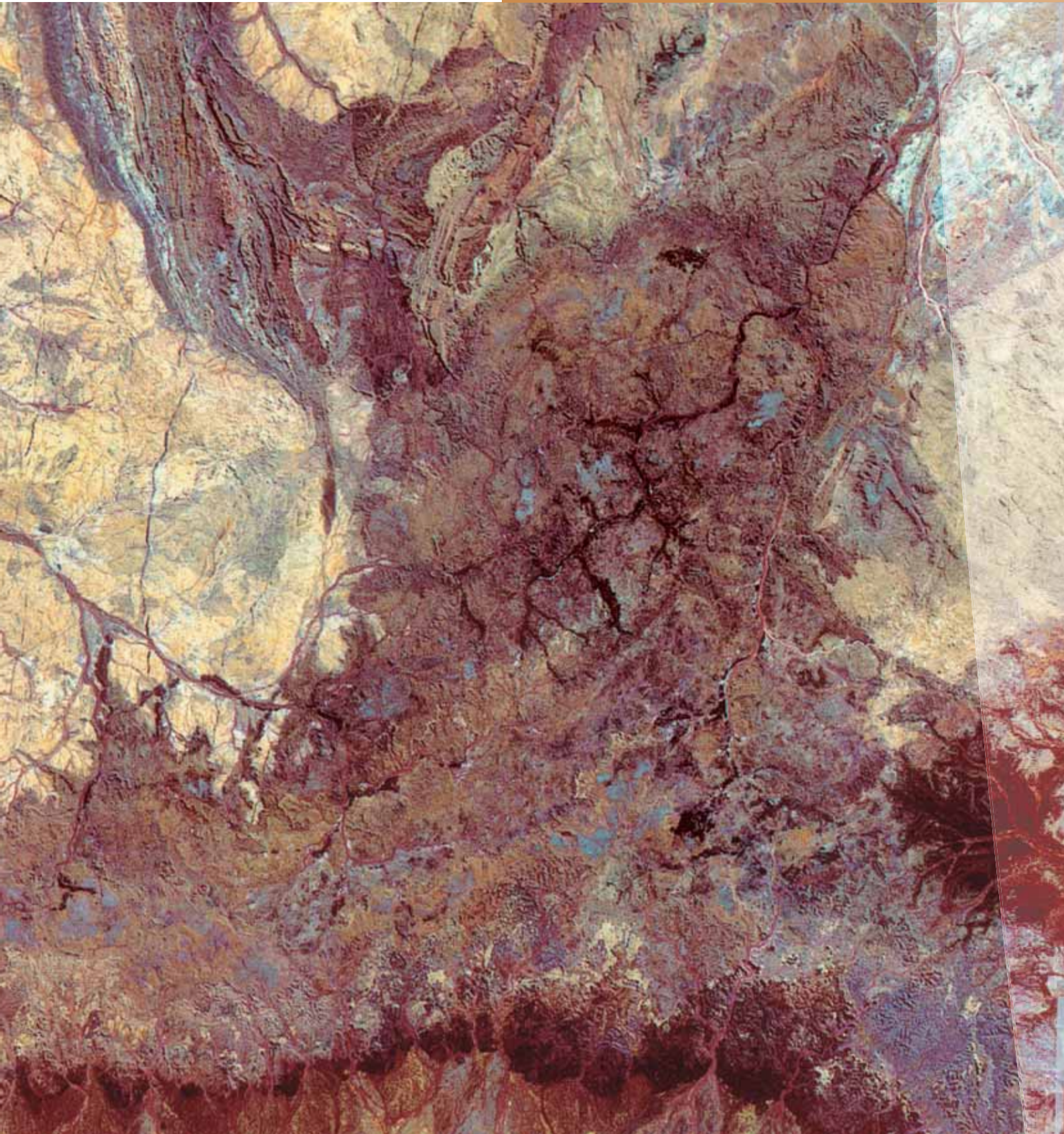
# BC IRON

ACN 120 646 924

L I M I T E D



SPONSORING BROKER TO THE ISSUE  
DJ Carmichael Pty Limited



## Prospectus

A prospectus for the issue of up to 24,000,000 fully paid ordinary shares at an issue price of 25 cents each to raise up to \$6,000,000.





## IMPORTANT INFORMATION

This Prospectus has been issued by BC Iron Limited ("BC Iron" or the "Company") and is dated 8 November 2006.

A copy of this Prospectus was lodged with the ASIC on that date. Neither the ASIC nor the ASX take any responsibility for the contents of this Prospectus. BC Iron will apply for the Shares offered by this Prospectus to be listed for quotation by the ASX within 7 days after the date of this Prospectus. No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Before deciding to invest in the Company, potential investors should read the entire Prospectus. In considering the prospects for BC Iron, which is an exploration company and the Shares of which are speculative, investors should consider the risk factors that could affect the financial performance of the Company. Investors should refer to Section 8 of this Prospectus for a discussion of the risk factors, which the Directors consider apply to an investment in the Company. Potential investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues) and seek professional advice from an accountant, stockbroker, solicitor or other professional adviser.

The Company has not authorised any person to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation which is not so contained should in no way be relied upon as having been authorised by the Company in connection with the Offer.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

### Electronic Prospectus

This Prospectus will also be issued as an Electronic Prospectus and may be accessed on the Internet at [www.bcion.com.au](http://www.bcion.com.au). The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. The Corporations Act prohibits any person from passing to another person the Public Application Form unless it is attached to or accompanies a complete and unaltered version of this Prospectus. During the Offer period, any person may obtain a hard copy of this Prospectus by contacting the Company.

### Exposure Period

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgment with the ASIC. This period may be extended by the ASIC for a further period of up to 7 days. The purpose of this Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds, which examination may result in the identification of deficiencies in this Prospectus. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Applications received in the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the date on which Applications open.

### Defined Terms

Defined Terms and abbreviations used in this Prospectus are explained in the Defined Terms in Section 10.



## INDICATIVE TIMETABLE

Dates shown in this table are indicative only and may be varied. The Company reserves the right to vary the Opening Dates and the Closing Dates without prior notice, which may have a consequential effect on the other dates. Applicants are therefore urged to lodge their Applications as soon as possible.

Lodgment of the Prospectus with ASIC  
8 November 2006

Record date for Eligible Alkane Shareholders and opening date for the Priority Offer  
16 November 2006

Opening Date for Public Offer  
15 November 2006

Closing Date for Priority Offer  
1 December 2006

Closing Date for Public Offer  
8 December 2006

Dispatch of Statements of Shareholding  
12 December 2006

Expected Date for Shares to Commence Trading on ASX  
15 December 2006

# TABLE OF CONTENTS

	IMPORTANT INFORMATION	2
	CHAIRMAN'S LETTER	4
	INVESTMENT HIGHLIGHTS	5
SECTION 1	DETAILS OF THE OFFER	6
SECTION 2	COMPANY OVERVIEW	9
SECTION 3	MARKET OUTLOOK	15
SECTION 4	DIRECTORS AND MANAGEMENT	17
SECTION 5	INDEPENDENT GEOLOGIST'S REPORT	20
SECTION 6	INVESTIGATING ACCOUNTANT'S REPORT	35
SECTION 7	SOLICITOR'S REPORT ON TENEMENTS	48
SECTION 8	RISK FACTORS	57
SECTION 9	ADDITIONAL INFORMATION	60
SECTION 10	DEFINED TERMS	69
	PUBLIC OFFER APPLICATION FORMS	



## CHAIRMAN'S LETTER

Dear Investor

On behalf of the Directors of BC Iron Limited ("BC Iron" or "the Company"), it is a great pleasure to introduce this Prospectus and invite you to invest in BC Iron by subscribing to this Offer.

BC Iron was formed to acquire, explore and develop certain iron ore interests held separately by Consolidated Minerals Limited and Alkane Exploration Ltd in the Nullagine area. The tenements in which BC Iron is entitled to earn a 100% interest, cover approximately 1,500 km<sup>2</sup> and are strategically located approximately 50-100 km east of the existing BHP Billiton Limited railway line and 20 – 30km north of Fortescue Metals Group Ltd's proposed operations at Christmas Creek and Cloud Break.

As the Prospectus details, and based on previous exploration work, the 3 palaeochannels within BC Iron's Nullagine Project represent prime exploration targets for Channel Iron Deposits with the Bonnie Creek palaeochannel having an exploration target of between 200Mt and 600Mt of iron-rich pisolitic Channel Deposit. To fully appreciate the previous exploration and geological setting investors should review closely Section 2 of this Prospectus (Company Overview) and also the Independent Geologist's Report in Section 5.

BC Iron is seeking to raise up to \$6.0 million to achieve its objectives. On completion of this raising and the successful listing of the Company's Shares on the ASX, the Company will implement the currently planned intensive exploration program on the Nullagine Project which in the first two years has been budgeted at \$3,250,000, that will include work to be undertaken by BC Iron together with systematic drill-testing of priority targets.

A shareholding in BC Iron will provide exposure to a strategically based and extremely prospective iron ore project and at a time in which demand for seaborne iron ore is forecast to increase to between 820Mt and 900Mt in 2010 up from 550Mt in 2004 (see Section 3.2 of the Prospectus).

The Company has assembled an experienced and well credentialed Board of Directors and technical team to drive the exploration and development process, under its Managing Director, Michael Young. The Board is excited about the Company's future and, on their behalf I commend the issue to you and look forward to welcoming you as a shareholder of BC Iron and to your participation in the Company's activities.

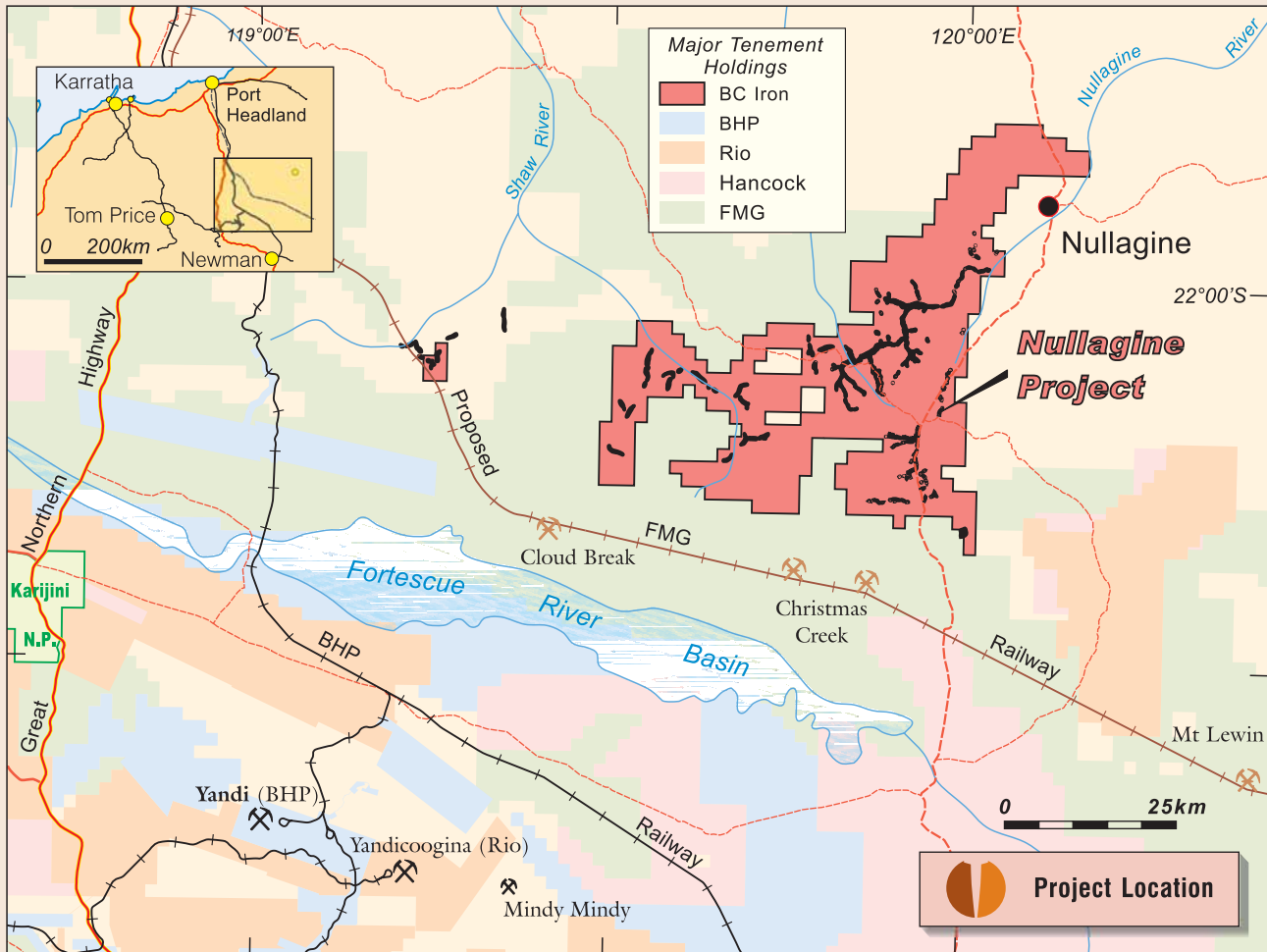
Yours sincerely



Anthony Kiernan

**Chairman**

## INVESTMENT HIGHLIGHTS



### Project Location

- BC Iron formed by the merging of certain iron ore interests of both Alkane Exploration Ltd and Consolidated Minerals Limited in the Nullagine area.
- The Nullagine Project covers approximately 1,500 km<sup>2</sup> and includes three palaeochannels which represent prime exploration targets for Channel Iron Deposits.
- The Bonnie Creek palaeosystem has an exploration target of between 200 Mt and 600 Mt of iron-rich pisolitic Channel Deposit.
- Surface sampling of the Bonnie Creek system has returned assays up to 59.8% Fe.
- The Nullagine Project is close to existing BHP Billiton infrastructure and emerging infrastructure including Fortescue Metals Group's Christmas Creek project and proposed rail line.
- Exploration programmes to commence immediately after listing with the first phase of reverse circulation drilling expected to be completed by April 2007.
- Experienced Board includes Directors with extensive experience in CID style exploration and development, mineral resource estimation, and JORC compliance and reporting.

## SECTION 1: DETAILS OF THE OFFER

### 1.1 Description of the Offer

By this Prospectus, the Company invites investors to subscribe for a total of up to 24,000,000 fully paid ordinary shares in the Company at an issue price of 25 cents each to raise up to \$6,000,000.

The rights attaching to the Shares are summarised in Section 9.3 of this Prospectus.

The Minimum Subscription to be raised pursuant to this Prospectus is \$5,000,000 from the issue of 20,000,000 Shares. The Maximum Subscription to be raised pursuant to this Prospectus is \$6,000,000 from the issue of 24,000,000 Shares.

The Company will not accept over subscriptions. The Offer is not underwritten.

The Offer consists of a Priority Offer and a Public Offer.

#### Public Offer

The Public Offer is open to members of the general public including all shareholders of Alkane Exploration Ltd ("Alkane") and Consolidated Minerals Limited ("CSM"). A total of 12,000,000 Shares plus any Shares not subscribed for in the Priority Offer will be made available under the Public Offer.

Applications must be made on the white Public Application Form attached to this Prospectus.

Further details on the Public Offer are set out in Section 1.5 of this Prospectus.

#### Priority Offer to Alkane Exploration Ltd Shareholders

The Company is offering eligible shareholders in Alkane the opportunity of becoming shareholders in BC Iron and has agreed to a Priority Offer of up to 12,000,000 Shares under this Prospectus to Eligible Alkane Shareholders being a person who is the registered holder of at least 10,000 fully paid ordinary shares in the issued capital of Alkane, as at 5pm WST on 16 November 2006.

Alkane shareholders who wish to subscribe for Shares pursuant to the Priority Offer should do so on the personalised yellow Priority Application Form sent to Eligible Alkane Shareholders together with this Prospectus.

Further details on the Priority Offer are set out in Section 1.6 of this Prospectus.

### 1.2 Purpose of the Offer

The principal purpose of the Offer is:

- to advance the Company's exploration activities within the Nullagine Project in Western Australia and, where appropriate, advance the development of this project; and
- to facilitate the listing of the Company's Shares on ASX;
- to provide funds for general working capital purposes.

### 1.3 Use of Funds

The Company plans to raise up to \$6.0 million under the Offer. The Company intends to apply the funds raised from the Offer over the next two years as follows:

#### PROPOSED APPLICATION OF FUNDS RAISED

	<b>Minimum Subscription \$000</b>	<b>Maximum Subscription \$000</b>
Expenses of the Offer (refer Section 9.10), including Sponsoring Broker fees	550	600
Exploration expenditure (refer Section 2.4)	2,950	3,250
Working Capital (incl. administration)	1,500	2,150
<b>Funds Raised by this Prospectus</b>	<b>5,000</b>	<b>6,000</b>

Investors should appreciate that all exploration budgets are subject to change and are highly dependent on the results achieved. As at the date of this Prospectus the proposed budget and work plan are considered by the Directors to be reasonably stated and a fair estimate. The Directors are satisfied that upon completion of the Offer, the Company will have sufficient working capital to meet the stated purpose of the Offer (refer to Section 1.2 of this Prospectus) and carry out the proposed work plan over the next two years.

In the event that only the Minimum Subscription is reached, the Directors will reduce the exploration expenditure by \$300,000.

It is possible that the Company may require additional funding in respect of or to accelerate exploration of a specific project towards the delineation or development of a discovery. If so, the Directors may as appropriate consider all forms of funding, including joint venture funding or share placements.

It is also possible that future acquisitions that may be contemplated may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by project finance and/or equity issues (subject to Shareholder approvals where appropriate).

### 1.4 Capital Structure

After completion of the Offer, the capital structure of the Company will be as follows:

	<b>Minimum Subscription Shares</b>	<b>Maximum Subscription Shares</b>
Current Issued Shares	30,000,000	30,000,000
Shares to be issued pursuant to the Offer	20,000,000	24,000,000
<b>Total Shares on Issue post the Offer</b>	<b>50,000,000</b>	<b>54,000,000</b>
Options	3,750,000	4,250,000

Refer to Section 2.5 for further details in respect of the capital structure of the Company.



## 1.5 Applications for Shares - Public Offer

Applications must be for a minimum of 8,000 Shares (\$2,000) and thereafter in multiples of 1,000 Shares (\$250), and can only be made by completing the Public Application Form (white) attached to this Prospectus.

Public Application Forms must be completed in accordance with the accompanying instructions and lodged with the Company on or before the Closing Date - Public Offer:

by delivering to

**BC Iron Limited**

**c/- Advanced Share Registry Services**

**110 Stirling Highway**

**Nedlands WA 6009**

or by post to

**BC Iron Limited**

**c/- Advanced Share Registry Services**

**PO Box 1156**

**Nedlands WA 6909**

All Applications must be accompanied by payment in full in Australian currency of 25 cents for each Share applied for. Payment must be by way of cheque or bank draft drawn on and payable on an Australian bank and should be made payable to "BC Iron Limited – Issue Account" and crossed 'Not Negotiable'.

A duly completed and lodged Public Application Form (white) will constitute an offer by the Applicant to subscribe for the number of Shares applied for pursuant to the Public Application Form (white).

Public Application Forms (white) must not be circulated to prospective investors unless attached to a copy of this Prospectus.

No brokerage or stamp duty is payable by Applicants in respect of their Applications for Shares under the Public Offer in this Prospectus. The amount payable on Application will not vary during the period of the Offer and no further amount is payable on allotment.

## 1.6 Application for Shares - Priority Offer

The Company has agreed to a Priority Offer of up to 12,000,000 Shares under this Prospectus to Eligible Alkane Shareholders.

The board of Alkane has determined that, to be eligible, an Alkane shareholder must be the registered holder of at least 10,000 fully paid ordinary shares in the issued capital of Alkane as at 5pm WST on 16 November 2006 which will enable each such Alkane shareholder to apply for a minimum of 8,000 Shares under this Priority Offer (Minimum Entitlement). Eligible Alkane Shareholders are entitled to apply for additional Shares under this Priority Offer (after deducting the total Minimum Entitlements) which will be allocated pro rata to their existing shareholding in Alkane and at the Directors' discretion. Entitlements will be rounded up or down to the nearest whole number.

Each Eligible Alkane Shareholder will receive a personalised Priority Application Form (yellow) with this Prospectus detailing the Minimum Entitlement under this Priority Offer. Eligible Alkane Shareholders wishing to apply for their Minimum Entitlement and any additional Shares must use the personalised Priority Application Form (yellow) and otherwise follow the instructions for Applicants under the Public Offer set out in Section 1.5 above.

Shares not taken up by Eligible Alkane Shareholders pursuant to the Priority Offer will be made available to the general public for subscription under the Public Offer.

Eligible Alkane Shareholders may also apply for Shares under the Public Offer and Alkane shareholders who do not qualify for the right to subscribe under the Priority Offer may apply for Shares under the Public Offer. Section 1.7 below will apply to all such Applications.

BC Iron retains discretion when deciding whether or not to accept any particular Application in part or in full other than the Minimum Entitlement.

All completed Priority Application Forms (yellow) must be lodged with the Company's Share Registry on or before the Closing Date of the Priority Offer.

## SECTION 1: DETAILS OF THE OFFER (cont)

### 1.7 Allotment of Shares

Other than under the Priority Offer to Eligible Alkane Shareholders (see Section 1.6 above) the acceptance of Applications and the allocation of Shares is at the discretion of the Directors of BC Iron. BC Iron reserves the right to allot to an Applicant a lesser number of Shares than the number for which the Applicant applies or to reject an Application. If the number of Shares allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest.

Application Monies will be held in trust in a subscription account until allotment or, where applicable, until it is repaid to the Applicants. The subscription account will be established and kept by BC Iron on behalf of the Applicants.

All interest earned on all Application Monies (including those which do not result in allotment of Shares) will be retained by BC Iron.

### 1.8 Broker and Brokerage Fees

DJ Carmichael Pty Limited ("DJ Carmichael") has agreed to act as Sponsoring Broker to the Offer. DJ Carmichael will pay a negotiated fee in respect to Applications accepted by the Company to third party member organisations of the ASX, licenced security dealers or holders of an Australian Financial Services Licence. Any such negotiated fees will be paid by DJ Carmichael out of its brokerage fee. The fees payable to DJ Carmichael as Sponsoring Broker are summarised in Section 9.6.2 of this Prospectus.

### 1.9 Australian Stock Exchange Listing

Application will be made by the Company to the ASX within 7 days after the date of this Prospectus for the Company to be admitted to the Official List of the ASX and for admission of the Shares offered pursuant to this Prospectus to quotation on the ASX. If the Company is not admitted to the Official List of the ASX and the Shares are not quoted within 3 months after the date of this Prospectus, the Company will not allot or issue any Shares and will repay all Application Monies without interest as soon as possible. The ASX takes no responsibility for the contents of this Prospectus. The fact that the ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or the securities offered pursuant to this Prospectus.

In accordance with the Corporations Act, no Shares will be allotted by the Company until the Minimum Subscription has been received. If the Minimum Subscription has not been raised within 3 months after the date of this Prospectus, the Company will either repay the Application Monies to Applicants or issue a supplementary or replacement prospectus and allow Applicants 1 month to withdraw their Applications and be repaid their Application Monies.

### 1.10 CHESS

BC Iron proposes participating in the Clearing House Electronic Subregister System ("CHESS"), operated by ASX Settlement and Transfer Corporation Pty Ltd ("ASTC") a wholly owned subsidiary of the ASX in accordance with the ASX Listing Rules and ASTC Settlement Rules.

Under this system, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker-sponsored the ASTC will send them a CHESS statement. The CHESS statement will set out the number of shares allotted to each holder under the Prospectus, give details of the shareholder's Holder Identification Number and give the Participant Identification Number of the sponsor.

If you are registered on the Issuer Sponsored Subregister, your statement will be despatched by the Share Registry and will contain the number of Shares allotted under this Prospectus and the Shareholder's Securityholder Reference Number. A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time, however a charge may be made for additional statements.

### 1.11 Overseas Investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

### 1.12 Investment Risks

The business of the Company involves mining, exploration and investment in mining tenements and accordingly, investments in the Shares offered by this Prospectus should be considered speculative. Some of the principle risks include:

- Exploration Risk - it is uncertain if further exploration will result in the determination of a mineral resource; and
- Operation and Technical Risks - Under the terms of the farm-in agreements discussed in the Solicitors Report in Section 7 the Company is required to spend \$572,250 before 31 March 2007 to earn a 100% interest in the Nullagine Project tenements. The risks set out in Section 8.5.1 may adversely impact on the Company's ability to meet this time frame.

The key risks associated with an investment in the Company are set out in Section 8 of this Prospectus.

### 1.13 Escrow Provisions

Securities on issue as at the date of this Prospectus may be subject to the restricted security provisions of the Listing Rules. Accordingly, a proportion of such securities may be required to be held in escrow for up to 24 months and may not be transferred, assigned or otherwise disposed of during that period. These agreements will be entered into in accordance with the Listing Rules.

The Directors anticipate that the 30 million Shares currently on issue to the founders of the Company will be subject to escrow of between 12 and 24 months from listing as determined by the ASX.

### 1.14 Electronic Prospectus

This Prospectus is available on-line at [www.bcion.com.au](http://www.bcion.com.au).

### 1.15 Dividend Policy

Shares issued pursuant to this Prospectus with rank equally for dividends with all existing Shares from the date of allotment. It is unlikely that the Company will be in a position to pay dividends in the foreseeable future.

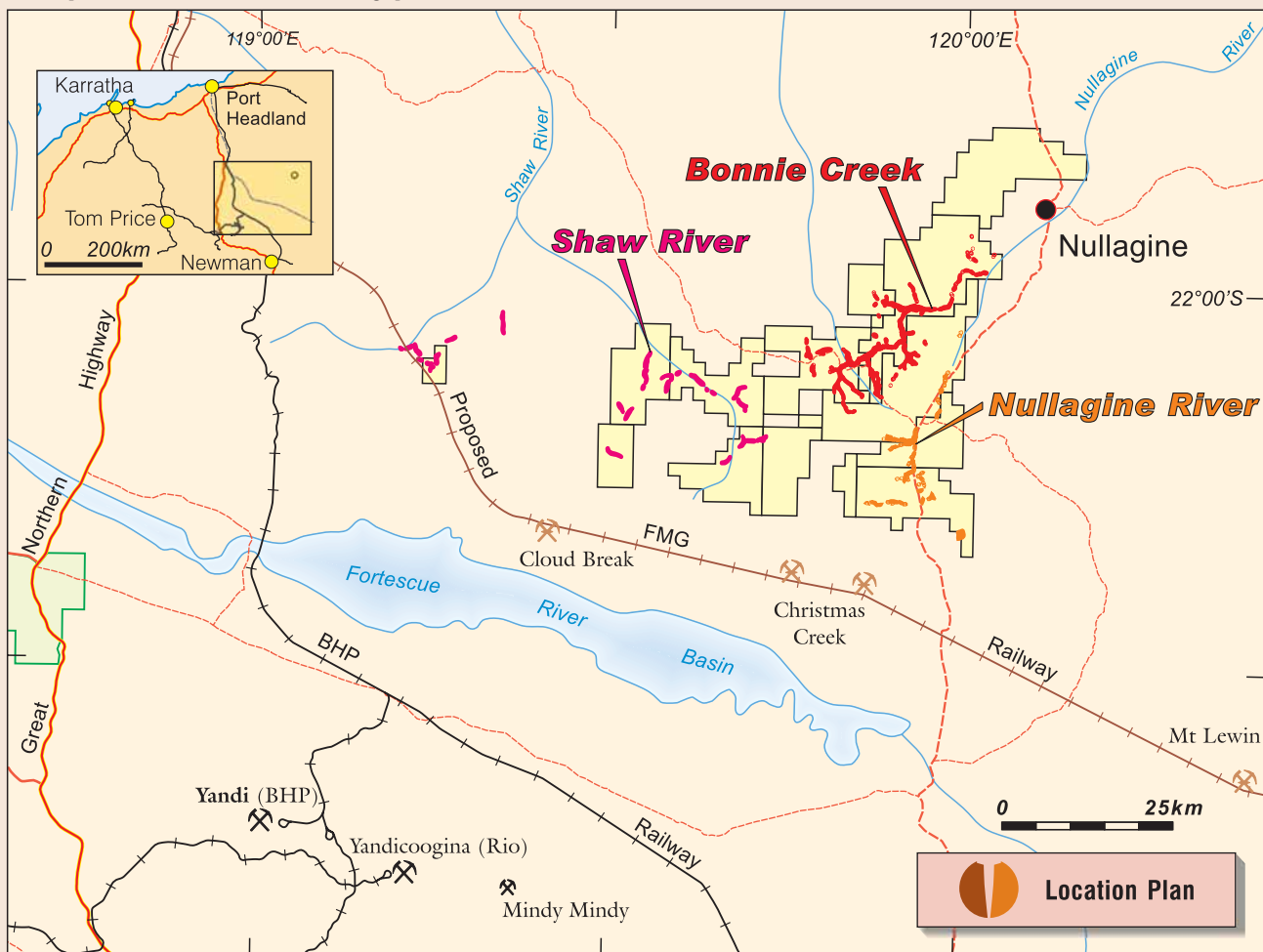
## SECTION 2: COMPANY OVERVIEW

### 2.1 Background

BC Iron was formed in July 2006 to acquire, explore for and develop iron ore resources within the Nullagine Project area in the Pilbara Region of Western Australia. BC Iron is entitled to earn a 100% interest in the adjoining tenements held separately by Consolidated Minerals Limited ("CSM") and Alkane Exploration Ltd ("Alkane") as set out in the schedule of mining tenements attached to the Solicitors Report in Section 7.

The Nullagine Project covering approximately 1,500km<sup>2</sup> is strategically located approximately 50 - 100km east of the existing BHP Billiton Limited ("BHP") railway line and 20 - 30km north of Fortescue Metals Group Ltd ("FMG") proposed operations at Christmas Creek and Cloud Break (Figure 1). The railway line proposed by FMG traverses through the western edge of the Nullagine Project tenements.

Approximately 90km of iron rich palaeochannel has been identified within the Nullagine Project tenements which the Company believes is highly prospective for Channel Iron Deposits ("CID") with substantial tonnage potential.



**Figure 1 – Project and Prospect Location**

A major exploration program, including reverse circulation drilling program will be carried out to complete an initial assessment of the systems in the first two years of operation at a proposed cost of up to \$3,250,000 (assuming Maximum Subscription). This program should enable BC Iron to focus on the areas with potential to achieve the goal of identifying significant tonnages of direct shipping quality product.

Demand for iron ore from Asia is not expected to diminish in the foreseeable future (see Market Outlook - Section 3) and certainly not within the time frame envisaged for BC Iron to properly explore and assess the channel deposits within the Nullagine Project.

The Company's Directors possess a wide range of technical and corporate skills including a strong background in the exploration, economic assessment, and mining of iron ore. Importantly, the Board also has experience in exploration and assessment of CID mineralisation.

## SECTION 2: COMPANY OVERVIEW (cont)

The Board is motivated to achieve success by:

- Discovering and delineating resources and reserves of CID;
- Attaining maximum value from exploration expenditure;
- Leveraging off the Nullagine Project's proximity to existing and emerging iron ore producers and their infrastructure; and
- Targeting additional projects consistent with the Company's corporate philosophy

### 2.2 Regional Setting

The majority of Australia's iron ore resources and operating mines are located within the Pilbara Region of Western Australia.

The Nullagine Project is situated on the north eastern flanks of the Hamersley Basin and is underlain by mafic volcanic and volcanoclastic rocks of the Fortescue Group. These rocks dip shallowly to the south and overlay Archaean granite and greenstone rocks which form part of the Pilbara Craton. Subsequent folding during Proterozoic deformation events, and uplift and prolonged erosion during the Phanerozoic resulted in the modern dissected landscape of mesas, flat-topped plateaus and monadnocks.

The Hamersley Province comprises mainly Archaean and Proterozoic rocks including mineralised banded iron formations ("BIF"), which form the backbone of the iron ore industry established by companies now controlled by BHP and Rio Tinto Limited ("RIO") through Hamersley Iron Pty Ltd and the Robe River Iron Associates joint venture.

Iron ore in the Pilbara comprise three main forms:

- Banded Iron Formation ("BIF")
- Channel Iron Deposit ("CID")
- Detrital Iron Deposit ("DID")

The Yandicoogina CID, mined separately by BHP and RIO and located in the nearby Hamersley Ranges, is a world-class example of CID mineralisation. Together with similar accumulations in the Western Hamersley Ranges, CIDs in the Pilbara region account for some 7,800 Mt of iron ore resources.

CIDs are an attractive target as they form near surface and can be traced for tens of kilometres. This enables the Company to carry out exploration inexpensively and rapidly as only shallow drilling is required.

Historically, CIDs have contributed relatively minor amounts to the total iron ore production (22% from one producer in 1992), however CIDs are now providing a significantly greater proportion of shipped ore with about 110Mt (47%) produced in 2005 from three companies.

#### 2.2.1 Formation of Channel Iron Deposits

During the early to mid Tertiary period (~40 Million years), the Hamersley Province and surrounding areas was covered by a blanket of iron rich lateritic material derived from the weathering of the BIF's and other iron rich basement rocks. Later incision of this palaeosurface saw the development of major river valleys into which younger sediments, derived from the iron rich laterite, were later deposited. These palaeovalleys and the associated iron rich pisolitic accumulations are now referred to as CIDs.

CID ores differ from the classic bedded ores derived from the Brockman and Marra Mamba Iron Formations having a pisolitic texture, made up of rounded haematite 'pea-stones', usually less than 5mm in diameter, and rimmed with hydrated iron oxides (goethite and/or limonite) cementing the ore together. These CIDs are generally well preserved throughout the Pilbara region and are variably referred to as the Robe Pisolite (Panawonnica/Robe River), Marillana Formation (Yandicoogina) and the Poondano Formation (Pilbara Craton).

The CIDs are comprised of small spheroids, which were generally thought to have formed during soil formation within the iron rich lateritic surface. The spheroids developed around small haematitic nuclei, small wood fragments (charcoal) and root hairs. Subsequent accretionary layers of goethite formed the "pea-stones" seen today. Fossil wood is common within the ores accounting for up to 15% of the channel fill. Cementation of the fragments and spheroids by limonite and/or goethite occurred within the palaeochannel.

### 2.3 Project Overview

BC Iron has the right to earn a 100% interest for all minerals (other than diamonds in three of the Exploration Licences) in respect of the Nullagine Project tenements, by meeting expenditure of \$572,250 by the end of March 2007. The current owners of the Exploration Licences also have a substantial interest in BC Iron through their respective combined holdings of 30M Shares in the Company.

The Nullagine Project is made up of three prospect areas each comprising palaeochannels with infill material which is highly prospective for CIDs (Figure 1).

The palaeo-Bonnie Creek ("pBC"), the palaeo-Nullagine River ("pNR"), and the palaeo-Shaw River ("pSR") systems have all been mapped to varying degrees. Outcropping iron-rich rocks within the pBC and pNR systems have been mapped in detail by Alkane over a combined length of some 60km. Regional mapping by the Geological Survey of Western Australia (GSWA) has identified iron rich valley infill within the pSR over a length of approximately 30km.

Previous work in the region by Alkane concentrated on diamond exploration between 1992 to 1998. The programs focused on existing and palaeo-river systems using airphoto and satellite image interpretation, stream sediment sampling, detailed and reconnaissance mapping, and stratigraphic drilling of the channels.

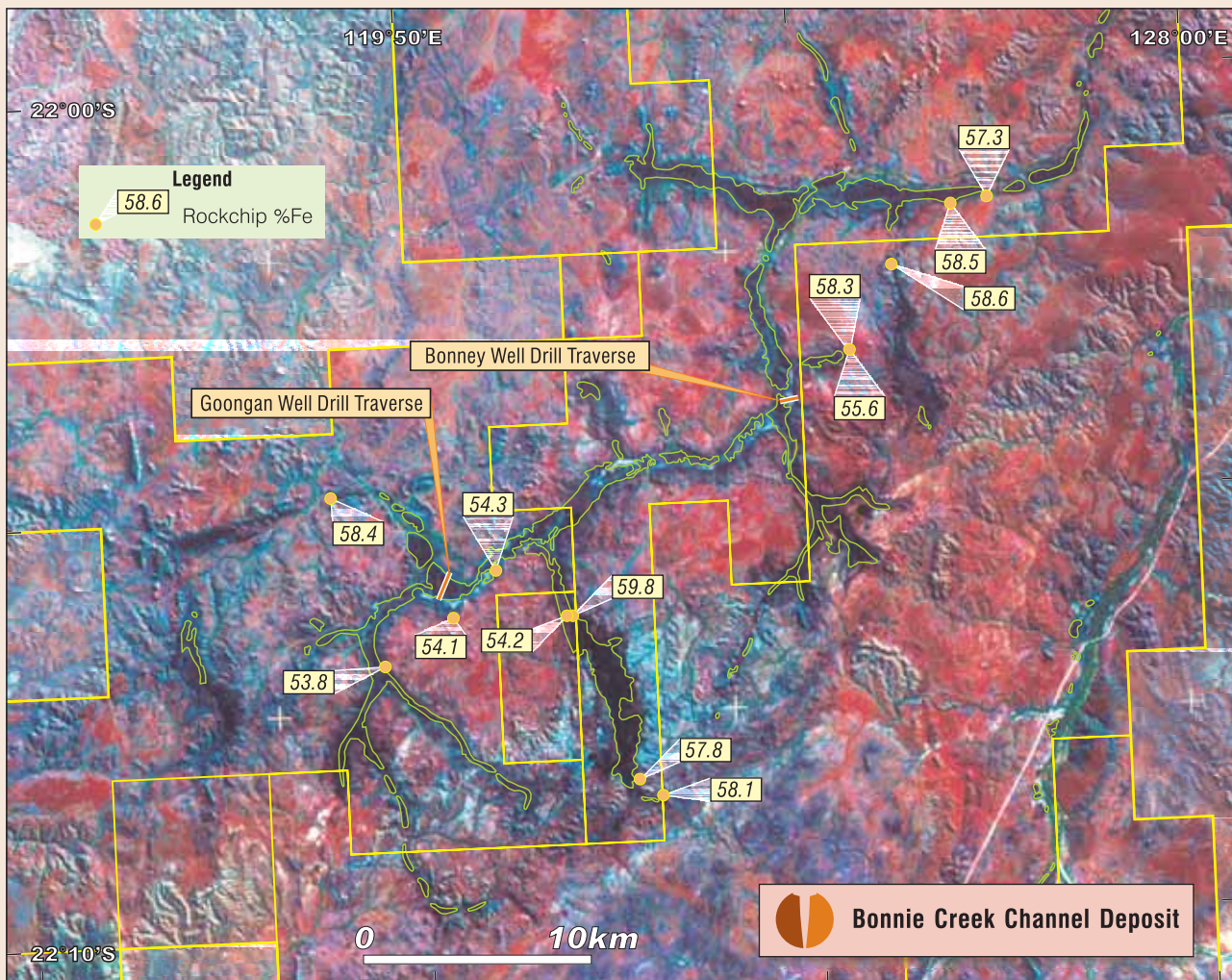
The exploration by Alkane, particularly the mapping, indicated that significant potential exists within the Project area for CIDs. The detailed mapping has outlined semi continuous channel deposits over a length of 40km with widths varying between 150m and 700m (Figure 2). The upper (western) reaches of the palaeochannel is relatively intact and forms part of the present day topography however the lower (eastern) reaches have been incised by the present day drainage to form flat topped mesas. Two reverse circulation drill traverses completed by Alkane across the pBC demonstrated that the upper parts of the channel are composed of pisolitic iron units up to 20m thick (Figure 3). The iron-rich unit overlies clay, carbonates, and other detrital units with a total channel thickness of up to 35m. The upper sections of the drill holes were not analysed however surface sample results taken from along the length of the pBC average 56.8% Fe, 3.57% SiO<sub>2</sub>, 4.75% Al<sub>2</sub>O<sub>3</sub>, 0.03% P, 0.03% MnO, 0.09% CaO, 0.082% S and 8.52% LOI with results detailed in Table 1.

The detailed mapping of the pBC included a determination of the total surface areas of the outcropping channel deposit. Within the pBC this total area amounts to 15.5km<sup>2</sup> which coupled with the thickness information from the drilling intersections and an assumed specific gravity of 2.6, a potential for 40Mt per vertical metre of iron rich pisolitic material exists within the pBC. This provides an exploration target of between 200Mt (5m thick) and 600Mt (15m thick) of iron rich channel deposit within the pBC.

**Table 1 Bonnie Creek Surface Sample Results**

Sample Number	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	MnO	CaO	S	LOI
BS001	58.43	3.76	3.14	0.041	0.03	0.07	0.061	8.48
BS002	55.56	4.41	6.80	0.027	0.02	0.15	0.128	8.59
BS003	57.28	3.02	2.89	0.041	0.04	0.06	0.046	11.6
BS004	58.48	3.63	1.33	0.027	0.05	0.13	0.038	10.6
BS005	58.57	3.63	2.45	0.044	0.05	0.09	0.100	9.18
BS006	58.27	2.72	5.33	0.036	0.01	0.08	0.169	7.93
BS012	58.13	2.63	4.78	0.026	0.02	0.13	0.098	8.21
BS013	57.87	3.32	5.79	0.031	0.02	0.02	0.092	7.58
BS014	54.20	4.32	6.05	0.036	0.03	0.03	0.061	5.98
BS015	59.83	2.46	2.22	0.025	0.07	0.19	0.069	8.95
BS016	54.31	3.02	5.96	0.035	0.04	0.19	0.023	7.40
BS017	54.15	3.35	9.50	0.036	0.02	0.02	0.123	6.98
BS018	53.86	6.09	5.49	0.029	0.03	0.04	0.057	9.27
Average	56.84	3.57	4.75	0.033	0.03	0.09	0.082	8.52

All results are shown as percentages. Analyses completed by XRF at Ultratrace Laboratories on composite rock chip or channel samples taken by CSM across the channel.



**Figure 2 - Landsat Image showing Bonnie Creek Palaeochannel with Rock Chip Locations**

## SECTION 2: COMPANY OVERVIEW (cont)

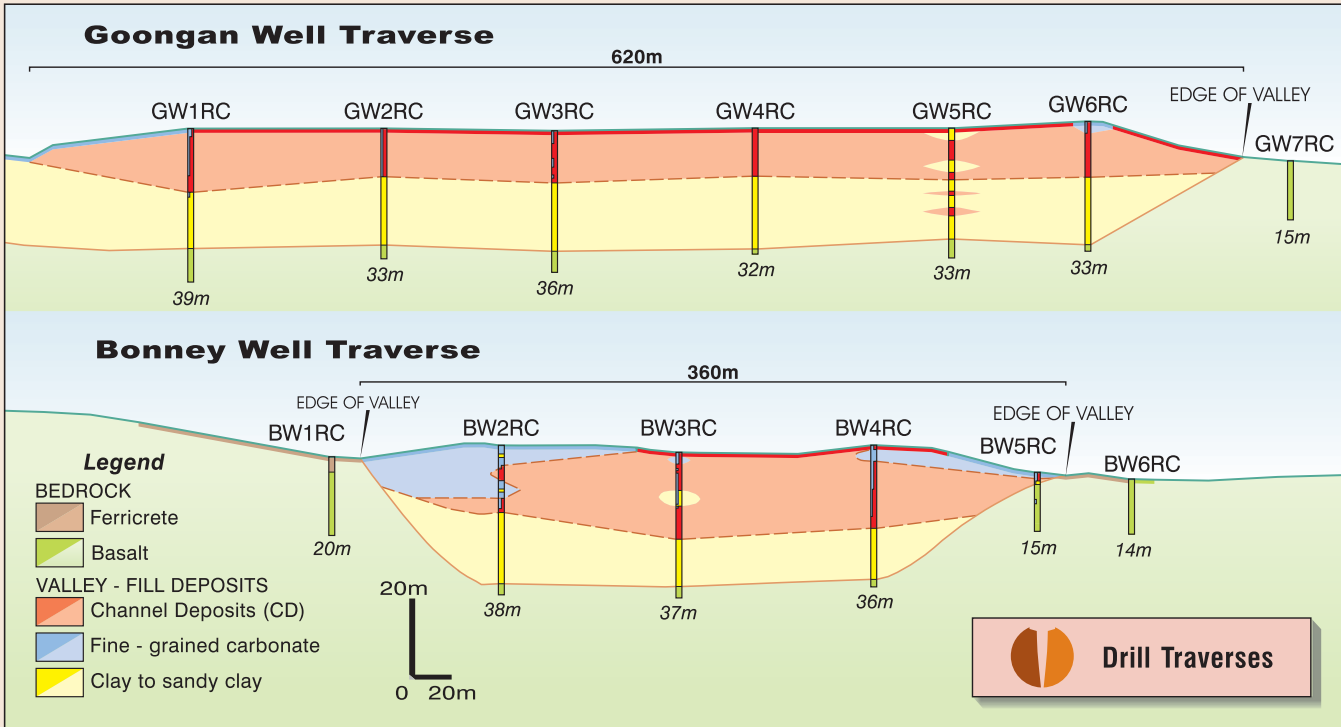
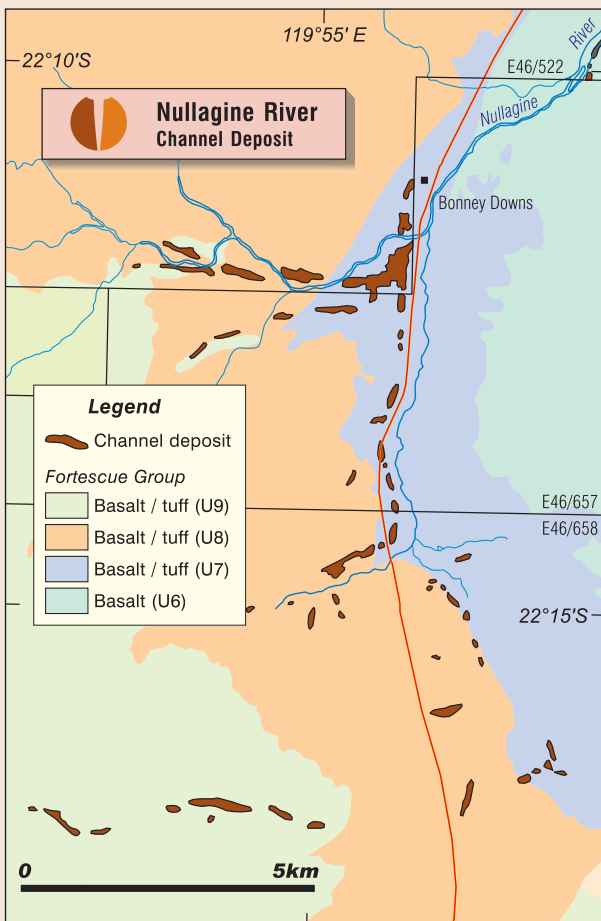


Figure 3 – Drilling Traverse Sections



The detailed mapping of the pNR system has identified pisolitic channel outcrops over a length of 20km and a combined surface area of 2.16 km<sup>2</sup> (Figure 4). The pNR has been largely eroded by present day drainage and outcrops as small discontinuous mesas. No drilling or surface sampling has been undertaken within the pNR. Using similar parameters to those discussed for the pBC an exploration target of about 5.6Mt per vertical metre of iron rich pisolitic material may occur within the pNR.

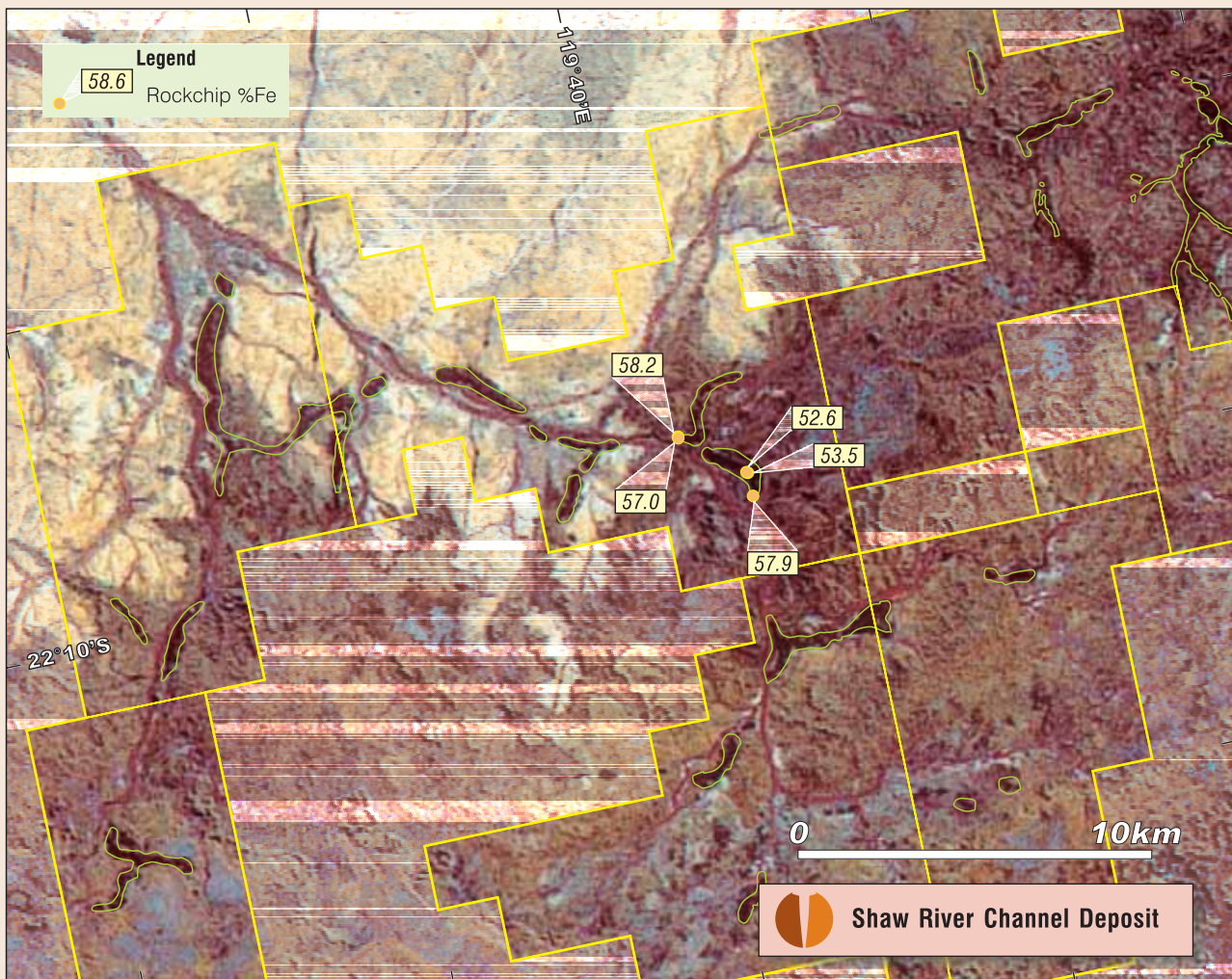
As mentioned previously the pSR has not been mapped in the same detail as the pBC and pNR however regional mapping by the GSWA has identified iron rich outcrops along a channel length of approximately 30km (Figure 5). The pNR has its headwaters in the east close to those of the pBC and flowed westwards similar to the present day Shaw River. The headwaters of the palaeochannel are relatively intact and form part of the existing landscape however the middle and lower reaches of the pSR are cut by the present day Shaw River system and now form discontinuous outcrops. Results of composite surface and channel samples collected at approximately 800m intervals along the central parts of the pSR average 55.8% Fe, 3.79% SiO<sub>2</sub>, 4.20% Al<sub>2</sub>O<sub>3</sub>, 0.03% P, 0.05% MnO, 0.20% CaO, 0.04% S and 11.0% LOI with results detailed in Table 2. Due to the lack of detailed mapping of the Shaw River system no target potential is assigned to this palaeochannel.

Figure 4 –Nullagine River Palaeochannel

**Table 2 Shaw River Surface Sample Results**

Sample Number	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	MnO	CaO	S	LOI
BS007	58.22	3.17	2.91	0.044	0.05	0.19	0.048	9.75
BS008	57.92	2.24	2.63	0.026	0.03	0.09	0.026	11.67
BS009	53.45	4.74	5.98	0.02	0.05	0.06	0.049	11.74
BS010	52.63	5.68	6.20	0.050	0.08	0.34	0.022	11.04
BS011	57.00	3.06	3.27	0.021	0.03	0.33	0.038	11.07
Averages	55.80	3.79	4.20	0.03	0.05	0.20	0.04	11.00

All results are shown as percentages. Analyses completed by XRF at Ultratrace Laboratories on composite rock chip or channel samples taken by CSM across the channel.



**Figure 5 – Landsat Image showing Shaw River Palaeochannel with Rock Chip Samples**

*It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource. The information in this Prospectus that relates to Exploration Results is based on information compiled by Michael Young and Terry Ransted both of whom are Members of The Australasian Institute of Mining and Metallurgy and Directors of the Company. Mr Young and Mr Ransted each have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Both Mr Young and Mr Ransted consent to the inclusion in this Prospectus of the matters based on their information in the form and context in which it appears.*

## SECTION 2: COMPANY OVERVIEW (cont)

### 2.4 Exploration Expenditure

BC Iron will implement a focused exploration program to assess the iron ore potential of the Nullagine Project tenements. Exploration work plans and budgets are detailed in the Independent Geologist's Report in Section 5 with up to \$3,250,000 proposed for the first two years (assuming Maximum Subscription). The exploration programs have a strong emphasis on targeted drilling to quickly assess the potential of the tenements.

The proposed work plan and budget for year one is focused on assessment of all of the palaeochannel systems with the intent of identifying areas where potential resources may be detailed. The program is to comprise approximately 480 RC drill holes with line spacing of 1km and hole spacing of 100m for a total program of approximately 10,400 metres. The year two work program and budget is largely dependent on the results of year one and include a detailed program to quantify a mineral resource. The proposed application of funds is summarised in the table below:

Expenditure	Proposed Expenditure					
	Minimum Subscription			Maximum Subscription		
	Year 1 (\$,000)	Year 2 (\$,000)	Total (\$,000)	Year 1 (\$,000)	Year 2 (\$,000)	Total (\$,000)
RC Drilling	620	0	620	620	0	620
Diamond Drilling	0	500	500	0	610	610
Assaying	390	100	490	390	130	520
Access and Rehabilitation – including Aboriginal Clearances	120	70	190	120	90	210
Geology and Field Support	170	170	340	170	220	390
Geological Management and Data Analysis	240	160	400	240	210	450
Travel	50	40	90	50	40	90
Geophysical Logging	0	40	40	0	50	50
Resource Studies	0	40	40	0	40	40
Contingency	140	100	240	140	130	270
<b>Total</b>	<b>1,730</b>	<b>1,220</b>	<b>2,950</b>	<b>1,730</b>	<b>1,520</b>	<b>3,250</b>

The above exploration programs and budgets will be subject to modification on an ongoing basis depending upon the results from exploration activities as they are carried out.

Depending on market conditions, the results from activities carried out, the development of new opportunities and/or any number of factors (including the risk factors outlined in Section 8 of this Prospectus), actual expenditure levels may differ from the estimates above. The Company also intends to capitalise on other resource opportunities as they arise which may result in costs being incurred that are not detailed in the above estimates.

### 2.5 Capital Structure

The capital structure of the Company following the Offer will be as follows:

	Minimum Subscription			Maximum Subscription		
	Shares (m)	\$ (000)	%	Shares (m)	\$ (000)	%
Shares issued to Founders						
Consolidated Minerals Limited	15	15	30.0	15	15	27.78
Alkane Exploration Ltd	9	9	18.0	9	9	16.67
Randolph Resources Syndicate	6	6	12.0	6	6	11.11
Shares to be issued pursuant to the Offer	20	5,000	40.0	24	6,000	44.44
<b>Total</b>	<b>50</b>	<b>5,030</b>	<b>100</b>	<b>54</b>	<b>6,030</b>	<b>100.00</b>
<b>Options</b>						
Options			3,750,000			4,250,000
<b>Total</b>			<b>3,750,000</b>			<b>4,250,000</b>

The rights attaching to the Shares and Options are described in Section 9.3 and 9.4 respectively.

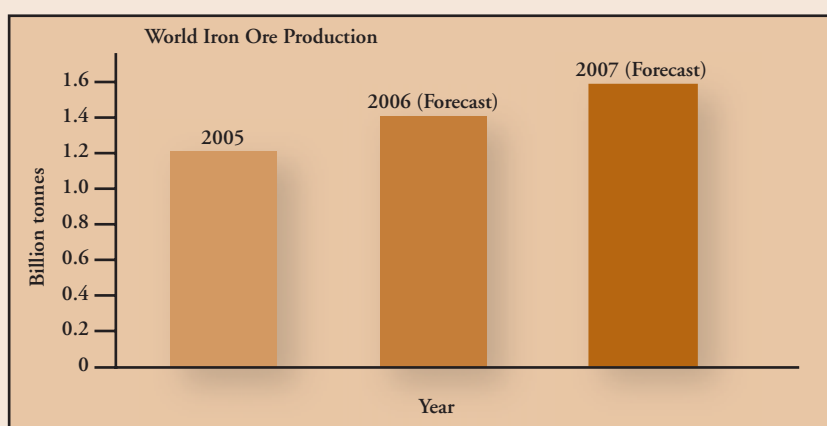


## SECTION 3: MARKET OUTLOOK

This Section 3 is not a forecast of the future profitability or revenue generation capacity of BC Iron. The outlook has been provided as an overview of the current iron ore market size taking into account current and forecast production and supply levels.

### 3.1 World Iron Ore Production

The iron ore boom has continued in 2005 and well into 2006 with production forecast to grow by 12% in 2006 to 1.47 billion tonnes exceeding the 11% growth production increase in 2005 despite ongoing shortages in labour and mining equipment. In 2007, production is expected to increase still further to 1.6 billion tonnes, up 134 million tonnes or 9% with output expected to rise from all four of the major producing countries, being Australia, Brazil, China and India. (Source: ABARE Commodity Review, September 2006)

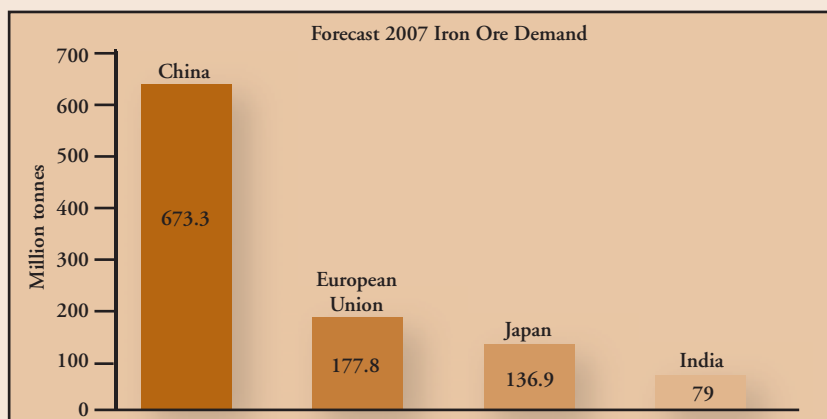


*Note: The data in this graph are from figures published in the ABARE Commodity Review, September 2006*

Exports from Australia during 2007 are expected to increase from a forecast 254.2 million tonnes in 2006 to 294.0 million tonnes, narrowly eclipsing Brazil as the world's largest exporter. The rate of growth in exports from Australia has outpaced export growth of Brazil and India, as infrastructure projects and new mine development combine to increase export capacity. However, Brazil continues to be the world's largest producer of iron ore with a forecast production of 356.6 million tonnes in 2007 compared with Australia at 317.7 million tonnes and China at 307.8 million tonnes. (Source: ABARE Commodity Review, September 2006)

### 3.2 World Iron Ore Supply

China continues to be the world's greatest consumer, with 673.3 million tonnes expected in 2007 with its nearest rival, the European Union at expected consumption of 177.8 million tonnes followed by Japan at 136.9 million tonnes. Of particular note is the low consumption of India, at only 79.0 million tonnes, as India exhibits many characteristics of a nation poised for growth in its iron and steel sector. India remains a sleeping giant, with implications for Australia's export markets of high quality iron ore. (Source: ABARE Commodity Review, September 2006)



*Note: The data in this graph are from figures published in the ABARE Commodity Review, September 2006*

## SECTION 3: MARKET OUTLOOK (cont)

Seaborne iron ore demand reached 580 million tonnes in 2004 and is forecast to increase to between 820 million tonnes and 900 million tonnes in 2010. China will remain the biggest buyer of seaborne iron ore, with the 200 million tonnes in 2004 forecast to increase to around 450 million tonnes by 2010. (Citigroup Smith Barney Report "Riding the Super Cycle", 31 January 2005)

More than 80% of iron ore imports into China is made up of fines iron ore (as opposed to lump and pellets). Direct shipping ore would, therefore, appear to be poised to benefit the most from the Chinese demand growth, and fines ore in particular remains highly sought after.

### 3.3 Outlook

2007 is forecast to see high prices from iron ore, since the balance between supply and demand will remain relatively tight. The large price increase in 2005, followed by the 19% increase in 2006, will have lasting effects on the current benchmark-based, price setting mechanism. (Source: UNCTAD "The Iron Ore Market 2005-2007" May 2006)

China's demand for imported iron ore and existing supply pressures continue to strongly influence increases in iron ore price levels in the medium term.



## SECTION 4: DIRECTORS AND MANAGEMENT

### 4.1 Directors



**Mr Anthony William  
(Tony) Kiernan**



**Mr Michael Charles  
(Mike) Young**



**Mr Terrence William  
(Terry) Ransted**



**Mr Steven John  
Micheil Chadwick**



**Mr Garth Reginald  
Higgo**

#### **Mr Anthony William (Tony) Kiernan**

Chairman: *Non-executive*

Mr Kiernan (56) is a solicitor with extensive experience gained over 35 years in the management and operation of listed public companies. As both a lawyer and general consultant, he has practiced and advised extensively in the fields of resources, media and information technology. He is a director of Solbec Pharmaceuticals Limited, Uranium Equities Limited and Hailian International Limited (listed on ASX) and a director of a number of non-public entities. He has been a director of Anglicare WA for over 16 years and the Chairman for the last 6 years.

#### **Mr Michael Charles (Mike) Young**

*Managing Director*

Mr Young (45) is a geologist and a graduate of Queens University, Canada with a Bachelor of Science (Honours) degree in Geological Sciences. After two years of uranium and gold exploration and mining in Canada, he emigrated to Australia in 1987. From 1991, he worked for Dominion Mining Limited and headed the team who pegged the Just-in-Case gold, and Abednego nickel prospects. He then moved onto work with Mining and Resource Technology which became part of Golder Associates from 1994 to 2003. During that time, he carried out resource modelling, due diligence, and feasibility work on a wide variety of deposits and commodities. These included Century Zinc, Escondida Copper in Chile, and Koolyanobbing iron mine at Southern Cross. In 2003 he joined Cazaly Resources as Exploration Manager where he was responsible for exploration and resource development of Cazaly's various projects. He was a founding director of Bannerman Resources Limited. Mr Young's experience has a strong focus on exploration, resource definition and development. He is a member of the Australian Institute of Geoscientists, the Australasian Institute of Mining and Metallurgy, and the Society for Economic Geologists.

#### **Mr Terrence William (Terry) Ransted**

Director: *Non-executive*

Mr Ransted (50) is a geologist and a graduate of the Western Australian Institute of Technology with a Bachelor of Applied Science Degree. He has had 29 years experience in many facets of exploration and regional geological programmes and has been involved in various stages of project development from grass roots exploration to mining in a variety of commodities covering differing geological terrains. Specifically, Mr Ransted was responsible for the onsite management of the initial feasibility drilling, metallurgical sampling, and geological assessment and interpretation for the Yandicoogina Pisolite Iron Project for Hamersley Iron Pty Ltd and also onsite management of mine development drilling, metallurgical sampling and geological interpretation for the Marandoo Iron Ore Project also for Hamersley Iron Pty Ltd. Mr Ransted is a principal of Multi Metal Consultants Pty Ltd and a non-executive Director of Northern Star Resources Ltd.

#### **Mr Steven John Micheil Chadwick**

Director: *Non-executive*

Mr Chadwick (52) is the Principal of Spectrum Metallurgical Consultants a Perth, Western Australia based specialist consultancy to the minerals industry. He is a metallurgical graduate from the WA School of Mines and has 30 years experience in the mining industry, incorporating technical, operating and management roles in gold and base metals mining and processing. Mr Chadwick served as Executive Technical Director of ASX listed junior gold company Northern Gold NL for the past 10 years until its recent acquisition by Canadian listed GBS Gold International Inc. Mr Chadwick is a director of several private entities.

## SECTION 4: DIRECTORS AND MANAGEMENT (cont)

### **Mr Garth Reginald Higgs**

Director: *Non-executive*

Mr Higgs (47) is currently General Manager Group Services for Consolidated Minerals Ltd where he is responsible for business development, corporate finance and group strategy. Mr Higgs holds an MBA (cum laude) and an honours degree in finance and a diploma in civil engineering. His 26 year career has spanned senior positions in civil engineering, banking (treasury and risk management), mining corporate finance and business development. Mr Higgs's career includes senior position with Kumba Resources Ltd where he was involved in the evaluation of iron ore and copper/zinc projects before he moved to Anglo Platinum Ltd where he headed up the group's joint ventures and was responsible for the negotiation, implementation and management of many large platinum joint ventures over an 8-year period until June 2006. Mr Higgs has a wide experience in international deal making, corporate finance and business administration.

### **4.2 Company Secretary**

#### **Mr Lindsay Arthur Colless**

Mr Colless, 61, is a member of the Institute of Chartered Accountants in Australia with 15 years experience in the profession and a further 29 years experience in Commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director. He is also a Fellow of the Australian Institute of Company Directors. He is a director of Newland Resources Ltd Group and Summit Resources Ltd Group and is an alternate director of Pancontinental Oil & Gas NL.

### **4.3 Corporate Governance**

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance with the Board responsible for administering the applicable policies and procedures. For guidance and assistance the Company has turned to the Ten Essential Corporate Governance Principles and Best Practice Recommendations ("**Recommendations**") as published by the ASX Corporate Governance Council. Due to the size of the Company it has not adopted in its entirety the Recommendations, however will continually review the situation.

Further information about the Company's corporate governance practices will be on the Company's website at [www.bcion.com.au](http://www.bcion.com.au). In accordance with the recommendations of the ASX, information published on the Company's website will include charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be given further consideration.

#### **Audit Committee**

The board has established an audit committee of which non-executive Directors Garth Higgs, Terry Ransted and Anthony Kiernan are members. Mr Higgs is chairman of the audit committee.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations:

#### *Recommendation 2.4*

There is no nomination committee.

The Board as a whole considers those matters and issues arising that would usually fall to a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

#### *Recommendation 8.1*

The Company was incorporated on 10 July 2006 and has not conducted a performance evaluation since then. It is proposed the Chairman will conduct a review at the conclusion of the 2007 financial year.



*Recommendation 9.2*

There is no separate remuneration committee.

Due to the small size and structure of the Board, a separate remuneration committee is not considered to add any efficiency to the process of determining the levels of remuneration for the directors and key executives.

The Board considers that it is more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be determined in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, no directors participate in any deliberations regarding his or her own remuneration or related issues.

*Recommendation 10.1*

The Board has not implemented a code of conduct as it does not consider it appropriate at this time given the size of the Company.

## SECTION 5: INDEPENDENT GEOLOGIST'S REPORT

### Independent Geologist's Report

24 October 2006

The Directors  
BC Iron Limited  
129 Edward Street  
Perth WA 6000



RSG Global Consulting Pty Ltd  
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West Perth WA 6005  
P O Box 1671  
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Email: [info.australia@rsgglobal.com](mailto:info.australia@rsgglobal.com)  
Web: <http://www.rsgglobal.com>

Dear Sirs,

RSG Global Consulting Pty Ltd ("RSG Global") has been commissioned by BC Iron Limited ("BC Iron") to provide an Independent Geologist's Report on mineral exploration properties located in the Pilbara region of Western Australia, in which BC Iron is earning an interest. This report is to be included in a Prospectus to be lodged with the Australian Securities and Investments Commission ("ASIC") on or about 6 November 2006, offering for subscription 24 million Shares at an issue price of 25c per Share (the "Prospectus"), to raise a up to \$6 million (before costs associated with the issue). The minimum subscription to be raised pursuant to the Prospectus is \$5 million. The funds raised will be used for the purpose of exploration and evaluation of the mineral properties.

RSG Global has not been requested to provide an Independent Valuation, nor has it been asked to comment on the fairness or reasonableness of any vendor or promoter considerations, and it has therefore not offered any opinion on these matters.

RSG Global has based its review of the BC Iron properties on information provided by BC Iron, along with technical reports by Government agencies and previous tenement holders, and other relevant published and unpublished data. BC Iron has prepared compilation reports summarising previous exploration activities and these reports are listed with other principal sources of information in the bibliography. Due to the grassroots nature of BC Iron's project a site visit was not considered to be necessary. RSG Global has made all reasonable enquires to establish the authenticity and completeness of the technical data on which it has relied and a final draft of the report was also distributed to the tenement holders Alkane Exploration Ltd and Consolidated Minerals Limited, along with a written request to identify any material errors or omissions, prior to lodgement. Where appropriate, and in accordance with ASIC Practice Note 55 and Update 183, consent has been obtained to quote opinions expressed in unpublished reports prepared by other professionals on the property concerned.

The BC Iron properties are understood to comprise 14 granted exploration licences covering a total of 1,500km<sup>2</sup>. The legal status associated with the tenure of the BC Iron properties appears in Section 7 of this Prospectus, and these matters have not been independently verified by RSG Global. The present status of the tenements listed in this report is based on information provided by BC Iron, and the report has been prepared on the assumption that the tenements are, or will prove to be, lawfully accessible for evaluation.

The Independent Geologist's Report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ("The Valmin Code"), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG), and the rules and guidelines issued by such bodies as the ASIC and Australian Stock Exchange (ASX), which pertain to Independent Expert Reports.

The mineral properties in which BC Iron is earning an interest is considered to be an "Exploration Project" that is inherently speculative in nature. Regardless, RSG Global considers that the project has been acquired on the basis of reasonable technical merit. The property is also considered to be sufficiently prospective, subject to varying degrees of exploration risk, to warrant further exploration and assessment of its economic potential, consistent with the proposed programs.



The primary exploration and evaluation program summarised in the report is based on activities within the granted Exploration Licences. This program amounts to a total expenditure of approximately \$3.25 million on full subscription (\$2.95 million on minimum subscription), of which BC Iron plans to spend approximately \$1.73 million in the first year of assessment.

BC Iron intends to raise up to \$6 million (minimum \$5 million), and at least half the liquid assets held or funds proposed to be raised by BC Iron are understood to be committed to the acquisition, exploration, development and administration of the mineral properties, satisfying the requirements of ASX Listing Rules 1.3.2(b) and 1.3.3(b). RSG Global also understands that BC Iron has sufficient working capital to carry out its stated objectives, satisfying the requirements of ASX Listing Rule 1.3.3(a). BC Iron has prepared alternative staged exploration and evaluation programs, specific to the potential of the project, which are consistent with the budget allocations. RSG Global considers that the Nullagine project has sufficient technical merit to justify the proposed programs and associated expenditure, providing they are appropriately staged, satisfying the requirements of ASX Listing Rule 1.3.3(a). The proposed exploration budgets are also sufficient to meet the anticipated minimum annual statutory expenditure commitments on the project tenements.

The Independent Geologist's Report has been prepared on information available up to and including 24 October 2006. RSG Global has provided consent for the inclusion of the Independent Geologist's Report in Section 5 of the Prospectus, in the form and context in which the report appears, and has not withdrawn that consent before lodgement of the Prospectus with the ASIC.

RSG Global is a mining industry consulting firm, which has been providing services and advice to the international mineral industry and financial institutions since 1987. This report has been compiled by Richard Hyde who is professional geologist with 10 years experience in the exploration and evaluation of mineral properties internationally. Richard Hyde is a Senior Consulting Geologist with RSG Global and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). The author has the appropriate relevant qualifications, experience, competence and independence to be considered as an "Expert" under the definitions provided in the Valmin Code.

Neither RSG Global, nor the authors of this report have, or have had previously, any material interest in BC Iron or the mineral properties in which BC Iron has, or is earning, an interest. Our relationship with BC Iron is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

Yours faithfully  
RSG Global Consulting Pty Ltd



Richard Hyde  
Senior Consultant - Audits

## SECTION 5: INDEPENDENT GEOLOGIST'S REPORT (cont)

### Table of Contents

<b>EXECUTIVE SUMMARY</b>	23
1 Introduction	24
2 Nullagine Project	25
2.1 Location, Access and Physiography	25
2.2 Tenure	26
2.3 Regional Setting	26
2.3.1 Iron Ore Deposits of the Pilbara Region	26
2.4 Project Geology	27
2.5 Exploration History	30
2.6 Exploration Potential	30
2.7 Exploration Strategy and Expenditure	32
3 Glossary of Technical Terms	33
4 Principal Sources of Information	34

### List of Tables

Table 2.2_1 – BC Iron: Tenement Details	26
Table 2.7_1 – BC Iron: Proposed Exploration Expenditure	32

### List of Figures

Figure 2.1_1 – BC Iron: Project Location	25
Figure 2.4_1 – BC Iron: Bonnie Well Type Section	28
Figure 2.4_2 – BC Iron: Bonnie Well Cross-Section	29
Figure 2.4_3 – BC Iron: Goongan Well Cross-Section	29
Figure 2.5_1 – BC Iron: LandSat and Rock Chip Sampling	31





## EXECUTIVE SUMMARY

RSG Global Consulting Pty Ltd (RSG Global) has been commissioned by BC Iron Limited (BC Iron) to provide an Independent Geologist's Report for inclusion in a Prospectus to facilitate the listing of BC Iron on the Australian Stock Exchange (ASX).

The Nullagine Project is located approximately 1400km north of Perth in Western Australia and comprises 14 granted Exploration Licences (ELs) covering a total area of approximately 1500km<sup>2</sup>. The project is situated in the Pilbara Craton, which comprises Archaean granites and greenstone that extend beneath the North West Shelf and Westralian Superbasin in the north and Hamersley Basin to the south. The Nullagine Project is located within the elongate east-west trending Fortescue Group, which comprises about 40% of the total outcrop of the Mt Bruce Supergroup. The Fortescue Group consists mainly of mafic volcanic and volcanoclastic rocks, with minor felsic volcanics, sandstone, conglomerate and carbonate rocks.

The majority of Australia's iron-ore resources and production are located in the Pilbara region of northwestern Australia. The iron ores occur in three main forms:-

- Banded Iron Formation (BIF)
- Channel Iron Deposits (CID)
- Detrital hematite – goethite deposits

The Nullagine Project is prospective for channel iron deposits (CID), which infill palaeochannels incised into the basement rocks. The Yandi CID hosted in the Marillana Formation of the central Hamersley Ranges is a world-class example of this ore type and, along with similar deposits mainly in the Robe area of the western Hamersley Ranges, contain approximately 7,800Mt of iron ore resources.

During Alkane's diamond exploration program, the outcrop of ferruginous rocks were mapped in detail along the palaeo-Bonnie Creek over a length of nearly 40km and the palaeo-Nullagine River over a length of some 20km. The palaeo-Shaw River system has not been mapped in detail however regional mapping by the Geological Survey of Western Australia (GSWA) has identified valley fill deposits over a length of about 30km. Alkane's diamond exploration program during the period 1992 to 1998 included the drilling of two traverses which demonstrated that the tops of the palaeochannels were generally composed of pisolitic iron units up to 20 metres thick overlying clays, carbonates and other detrital units within a total channel depth of up to 35 metres. Subsequent rock chip sampling of ferruginous material outcropping adjacent to the paleo-river systems returned anomalous results up to 58.48% Fe.

All of the target areas selected by BC Iron have produced anomalous results from various sampling programs and can be considered prospective for a range of mineralisation including Channel Iron Deposits (CID). Significant work is, however, required to thoroughly investigate the licences and isolate targets for focussed systematic exploration.

BC iron has provided comprehensive two-year exploration programs and budgets that are consistent with the exploration potential of the property. The primary exploration strategy is predicated on the granted Exploration Licences and is considered adequate to meet the cost of the anticipated programs and meet the minimum statutory expenditure requirements on the Exploration Licences.

## SECTION 5: INDEPENDENT GEOLOGIST'S REPORT (cont)

### 1 INTRODUCTION

RSG Global Consulting Pty Ltd (RSG Global) has been commissioned by BC Iron Limited (BC Iron) to provide an Independent Geologist's Report for inclusion in a Prospectus to facilitate the listing of BC Iron on the ASX. BC Iron is earning a 100% interest in 14 Exploration Licences in the Pilbara Region of Western Australia.

RSG Global has based its review of the BC Iron property on information provided by BC Iron, along with technical reports by government agencies and previous tenement holders, and other relevant published and unpublished data. BC Iron has prepared compilation reports summarising previous exploration activities and these reports are listed with other principal sources of information in the bibliography.

Due to the grassroots nature of BC Iron's project, and the author's previous experience in the region a site visit was not considered to be necessary. RSG Global has made all reasonable enquires to establish the authenticity and completeness of the technical data on which it has relied. A final draft of the report was also provided to BC Iron, along with a written request to identify any material errors or omissions, prior to lodgement.

Where appropriate, and in accordance with ASIC Practice Note 55 and Update 183, consent has been obtained to quote opinions expressed in unpublished reports prepared by other professionals on the properties concerned.

The Independent Geologist's Report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ("The Valmin Code"), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG), and the rules and guidelines issued by such bodies as the ASIC and ASX, which pertain to Independent Expert Reports.

The BC Iron properties are held by Alkane Exploration Ltd (Alkane) with 40% held in trust for the Randolph Syndicate and Consolidated Minerals Ltd (CSM). BC Iron is earning a 100% interest in all of the licences by meeting all statutory expenditure commitments before the first anniversary of the licences. The legal status associated with the tenure of the BC Iron properties is addressed in Section 7 of this Prospectus and these matters have not been independently verified by RSG Global. The present status of tenements listed in this report is based on information provided by BC Iron, and the report has been prepared on the assumption that the tenements are, or will prove to be, lawfully accessible for evaluation.

RSG Global is a mining industry consulting firm, which has been providing services and advice to the international mineral industry and financial institutions since 1987. This report has been compiled by Richard Hyde who is a professional geologist with 10 years in the exploration and evaluation of mineral properties internationally.

Richard Hyde is a Senior Consulting Geologist with RSG Global and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). The author has the appropriate relevant qualifications, experience, competence and independence to be considered as an "Expert" under the definitions provided in the Valmin Code.

Neither RSG Global nor the author of this report have, or have had previously, any material interest in BC Iron or the mineral properties in which BC Iron has, or is earning, an interest. Our relationship with BC Iron is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

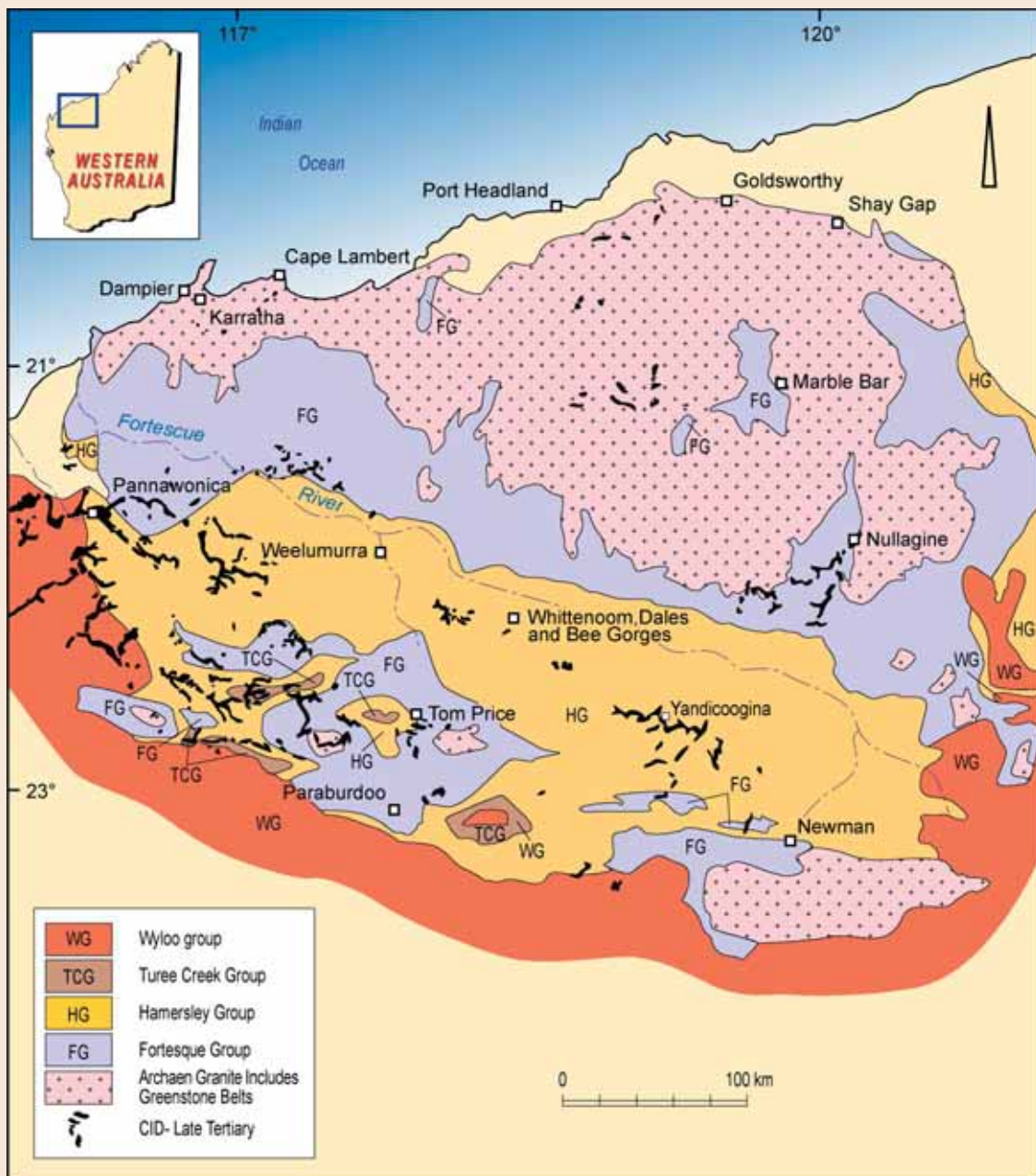
## 2 NULLAGINE PROJECT

### 2.1 Location, Access and Physiography

The Nullagine Project is located approximately 1400km north of Perth in Western Australia (Figure 2.1\_1). Access to the project from Perth is via the Great Northern Highway to Newman and sealed road to about 170km south of the town of Nullagine, thence by major unsealed road to the project area. Local area unsealed roads cut through the site, including the Bonney Downs to Hillside road, which links the Newman to Nullagine road with the Great Northern Highway at Woodstock, about 150km south of Port Hedland. Access within the project area is by way of fence line and station tracks, with some areas only accessible by four-wheel drive vehicles.

Figure 2.1\_1

BC Iron - Project Location



## SECTION 5: INDEPENDENT GEOLOGIST'S REPORT (cont)

Vehicle access is possible for most of the year but cyclonic summer rain (December to March) and occasional winter rain can make access to both Nullagine township and the tenements difficult. Daily average maximum air temperatures range from about 25° in July to about 40° in December to January. The optimum time for fieldwork is between May and September.

The terrain is moderately undulating with reliefs in the order of tens of metres. Iron rich mesas outcrop across the area and can be deeply incised by rivers.

### 2.2 Tenure

The Nullagine Project comprises 14 granted Exploration Licences (ELs) covering a total area of approximately 1500km<sup>2</sup>.

Licence details are presented below in Table 2.2\_1.

**Table 2.2\_1**  
**BC Iron**  
**Tenement Details**

Licence	Approval Date	Expiry Date	Area (Km <sup>2</sup> )	Expenditure Commitment	Owner
E46/663	31/03/2006	30/03/2011	6.4	\$ 15,000	Consolidated Iron Pty Ltd
E45/2717	24/04/2006	23/04/2011	101.8	\$ 39,750	Consolidated Iron Pty Ltd
E46/522	24/04/2006	23/04/2011	222.7	\$ 70,000	Alkane Exploration Ltd
E46/523	24/04/2006	23/04/2011	222.9	\$ 70,000	Alkane Exploration Ltd
E46/524	24/04/2006	23/04/2011	165.8	\$ 52,000	Alkane Exploration Ltd
E46/651	24/04/2006	23/04/2011	47.7	\$ 31,500	Consolidated Iron Pty Ltd
E46/652	24/04/2006	23/04/2011	111.3	\$ 42,250	Consolidated Iron Pty Ltd
E46/653	24/04/2006	23/04/2011	95.3	\$ 38,750	Consolidated Iron Pty Ltd
E46/654	24/04/2006	23/04/2011	44.5	\$ 32,000	Consolidated Iron Pty Ltd
E46/655	24/04/2006	23/04/2011	146.3	\$ 51,000	Consolidated Iron Pty Ltd
E46/656	24/04/2006	23/04/2011	104.8	\$ 39,750	Consolidated Iron Pty Ltd
E46/657	24/04/2006	23/04/2011	85.8	\$ 28,250	Consolidated Iron Pty Ltd
E46/658	24/04/2006	23/04/2011	127.0	\$ 47,000	Consolidated Iron Pty Ltd
E45/2552	16/05/2006	15/05/2011	15.9	\$ 15,000	Consolidated Nickel Pty Ltd

### 2.3 Regional Setting

The Pilbara Craton is composed of Archaean granites and greenstone that extend beneath the North West Shelf and Westralian Superbasin in the north and Hamersley Basin to the south. The craton is overlapped by the Ordovician–Cretaceous Canning Basin to the north and east, and the Silurian–Tertiary Northern Carnarvon Basin to the west.

The Hamersley Basin covers an area of approximately 80,000km<sup>2</sup> and is comprised of Late Archaean to Palaeoproterozoic rocks of the Mt Bruce Supergroup. The supergroup is composed of the Fortescue, Hamersley and Turee Creek Groups, and is overlain by the Wyloo Group. The Nullagine Project is located within the elongate east-west trending Fortescue Group, which comprises about 40% of the total outcrop of the Mt Bruce Supergroup. The Fortescue Group consists mainly of mafic volcanic and volcanoclastic rocks, with minor felsic volcanics, sandstone, conglomerate and carbonate rocks.

These rocks along with the other groups comprising the Hamersley Basin were folded during Proterozoic deformation events. Subsequent uplift and prolonged erosion during the Phanerozoic resulted in the modern dissected landscape of mesas, flat-topped plateaus and monadnocks. The present-day topography of the Hamersley Ranges most likely broadly reflects the Late Cenozoic landscape, with the lack of change due to the extremely hard rock types.

#### 2.3.1 Iron Ore Deposits of the Pilbara Region

The majority of Australia's iron-ore resources and production are located in the Pilbara region of northwestern Australia (Figure 2.1\_1). The iron ores occur in three main forms:-

- Banded Iron Formation (BIF).
- Channel Iron Deposits (CID).
- Detrital hematite – goethite deposits.



The combined resources are in the region of some 32,000Mt with the bedded iron-enriched deposits hosted within Palaeoproterozoic (2.63–2.45 Ga) banded iron-formations (BIF) comprising the bulk of the ore both in terms of contained iron and stratigraphic extent. Recent studies indicate that the BIF formed in the primordial ocean with banded iron layers forming as the result of oxygen being released by photosynthetic cyanobacteria, which combined with dissolved iron in sea water to precipitating iron oxides forming thin layers on the partially isolated, submerged platforms on the continental shelves of the Pilbara Craton.

The other major ore type mined in the Pilbara region are channel iron deposits (CID), which infill palaeochannels incised into Proterozoic basement rocks. In distinct contrast to the BIF, these ores were deposited under fluvial conditions during the last 65 million years when atmospheric and other boundary conditions were within modern limits. The Yandi CID hosted in the Marillana Formation of the central Hamersley Ranges (Figure 2.1\_1) is a world-class example of this ore type and, along with similar deposits mainly in the Robe area of the western Hamersley Ranges, contain approximately 7,800Mt of iron ore resource. These deposits are comparable to the Middle Oligocene deposits of fluvial, deltaic and lacustrine origin in Kazakhstan, a semiarid to arid region in Central Asia bordering the Caspian Sea.

While there is still much conjecture of the origin of CID there is some consensus that deposits formed during a period when the topography was more mature and tropical, with thicker vegetation. It has been proposed that iron was dissolved from source rocks by humic acid, a by-product of the breakdown of organic material. Opinion differs on how the pisolites were formed with some workers favouring a direct chemical precipitation in quiescent water, while the more popular opinion is that they formed in the substrata in a diagenic process. Whichever is the case subsequent remobilisation and concentration of the pisolites under fluvial conditions occurred to produce the deposits that are mined throughout the Hamersley region today.

## 2.4 Project Geology

The older Archaean rocks of the Nullagine area can be subdivided into granitoid batholiths and greenstone belts. The boundaries between many supracrustal belts are commonly arbitrary and most structural and stratigraphic correlations between belts are arbitrary. Lithologies within BC Iron's tenements mostly comprise the Nullagine and Mount Jope Supersequences in the Nullagine Synclinorium (most of the Fortescue Group).

The project is situated in the Nullagine Synclinorium, one of three structural basins that together form the East Pilbara Basin. In the Nullagine Synclinorium the succession is gently folded, plunges gently southwards and is of low (prehnite-pumpellyite) metamorphic grade. While sedimentary and volcanic textures are well preserved at all scales, some lithologies have undergone significant chemical alteration.

Tertiary valley-fill deposits near Nullagine can be traced over a combined length of some 90km, are up to about 35 m thick and comprise two basic components. These include a 10m to 20m thick, poorly exposed, lower succession of clay-rich conglomerate to clay overlain by relatively well exposed, and in some cases outcropping, pisolitic iron oxide unit containing fossil wood and crystalline carbonate. Two traverses of RC drilling by Alkane during their diamond exploration program intercepted pisolitic sequences up to 20m thick, which were interpreted to include CID mineralisation, however further work is required to determine the grade, thickness and continuity of these units. In the upper reaches of the palaeovalleys, the channel deposit (CD) unit contains hard, fine-grained dolomite that is most abundant towards the flanks of the palaeovalleys.

At Nullagine, field evidence suggests that the iron oxide pisolites were transported in the fluvial system as granules and that there was secondary in-situ iron oxide dissolution and precipitation which destroyed most of the primary sedimentary textures. It is postulated that the majority of the pisolites formed outside the channels in a lateritizing environment.

In outcrop the CDs commonly show distinct horizontal tabular partings at intervals of 2-3m. Locally, the succession contains discrete hollow, vertical, >1m diameter cavities that can be traced from one tabular horizon to the next. These may have been caused by partial burial of in situ trees that subsequently rotted leaving cavities. Fossilized wood fragments are rarely longer than 1-2cm, suggesting that they are fossilized charcoal fragments rather than true fossilized wood. In addition, the chemical inertness of charcoal compared with wood might explain the abundance of such fragments and the absence of more complete plant fossils in the CDs.

During Alkane's diamond exploration program (see later), the outcrop of ferruginous rocks were mapped in detail along the palaeo-Bonnie Creek over a length of nearly 40km and the palaeo-Nullagine River over a length of some 20km. The palaeo-Shaw River system has not been mapped in detail however regional mapping by the Geological Survey of Western Australia (GSWA) has identified valley fill deposits over a length of about 30km. Where modern day drainages have been eroding the palaeo-system, exposure of the channel fill deposits has left a number of prominent mesas and a type section has been established and is detailed in Figure 2.4\_1. In situ sequences of CD were intercepted by drilling in the Bonnie Creek drainage system at the Bonnie Well (Figure 2.4\_2) and Goongan Well (Figure 2.4\_3) localities.

SECTION 5: INDEPENDENT GEOLOGIST'S REPORT (cont)

Figure 2.4\_1  
BC Iron: Bonnie Well Type-Section

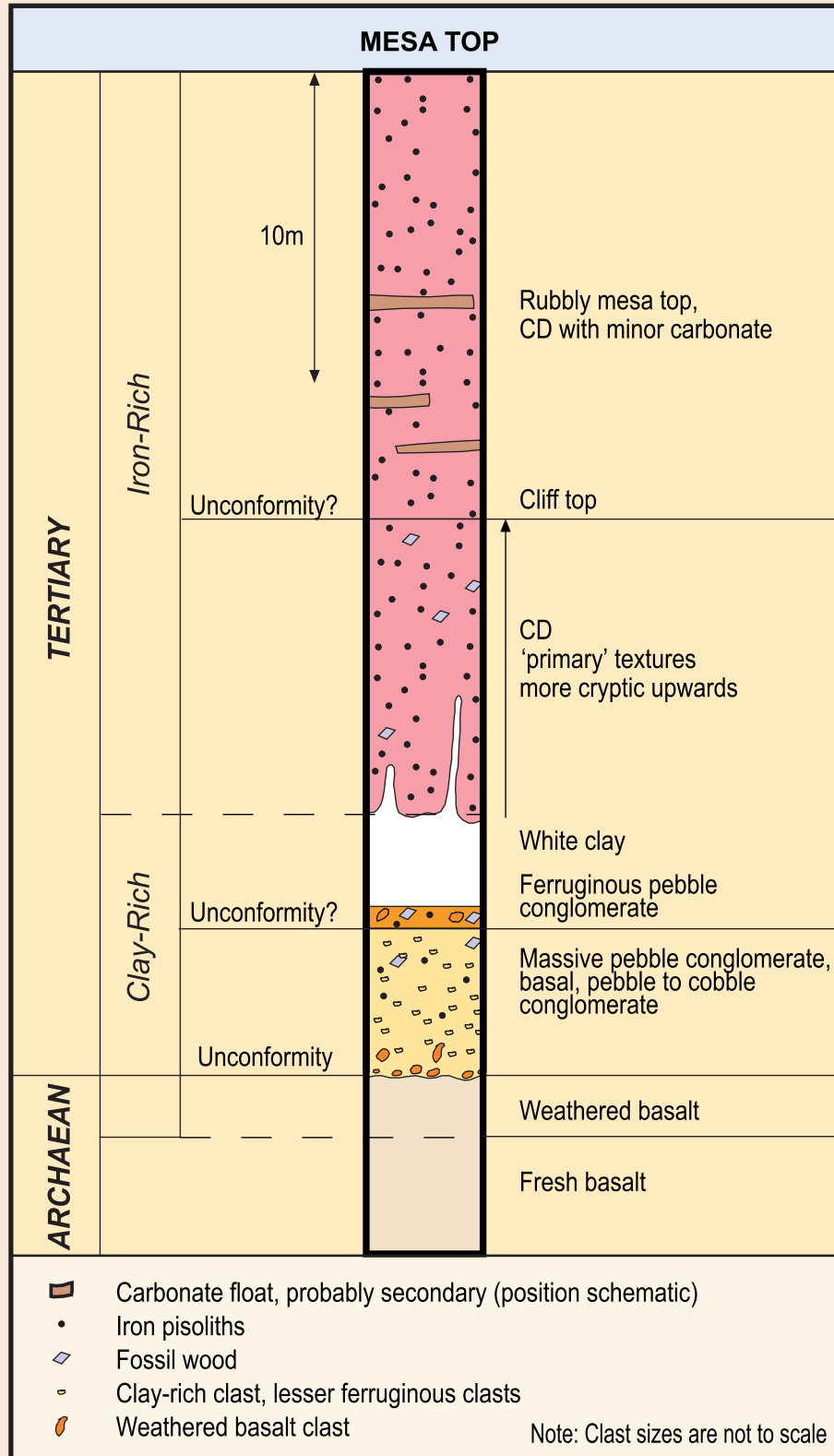




Figure 2.4\_2  
BC Iron: Bonnie Well Cross-Section

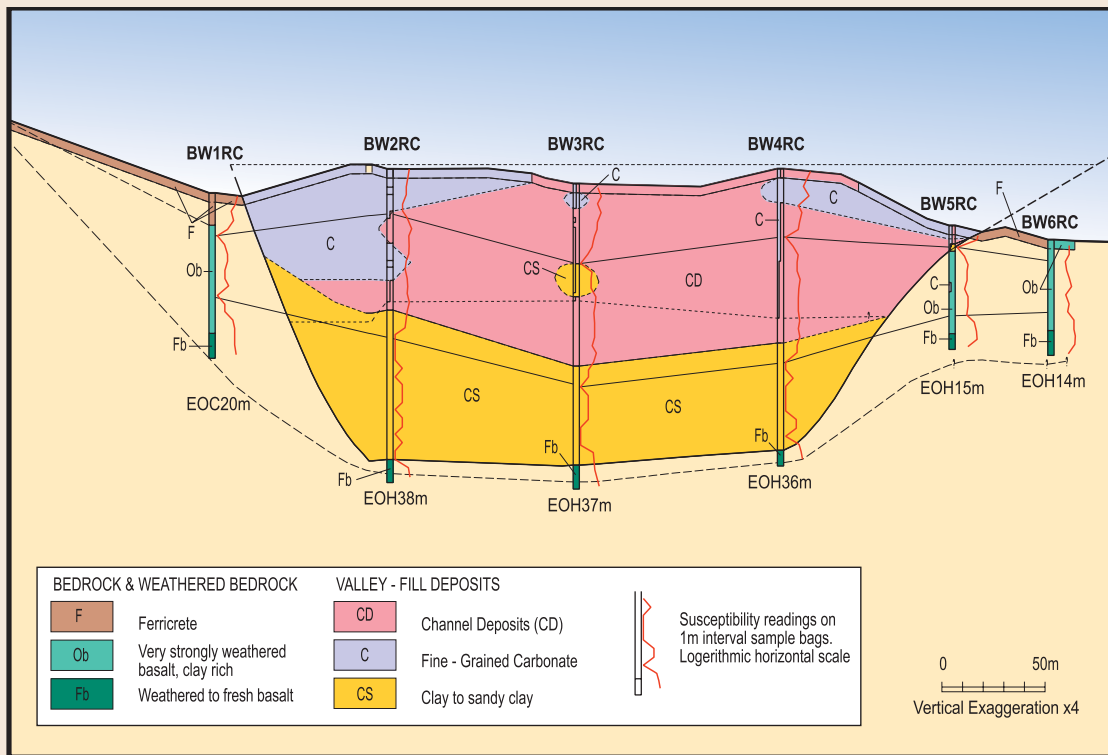
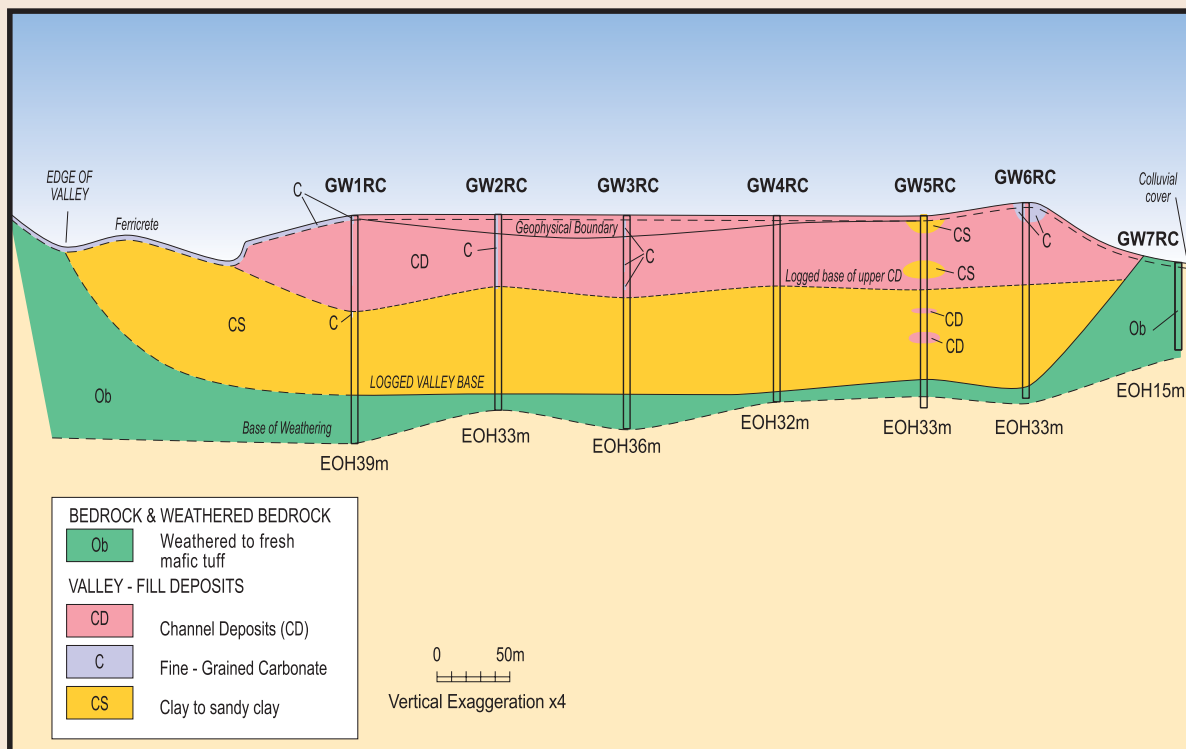


Figure 2.4\_3  
BC Iron: Goongan Well Cross-Section



## SECTION 5: INDEPENDENT GEOLOGIST'S REPORT (cont)

Stratigraphic information from the type section and drilling is summarised below:-

- Residual Tertiary valley-fill deposits up to 35 m thick.
- The palaeovalley appears to be flat bottomed with steep valley walls (15°-35°).
- The central part of the deposits at Goongan Well has an upper 15-16 m of CD + fine-grained, hard, crystalline carbonate. The upper 18-22m of the Bonnie Well deposits comprises CD + fine-grained, hard, crystalline carbonate.
- The succession below the CD is dominated by clay that is commonly sandy. The lower succession is provisionally interpreted as strongly weathered (now mostly clay) sand and gravel of mafic (basalt/tuff) provenance.
- The thickness and degree of weathering of bedrock in the channel base is significantly less than in the exposed valley walls where ferricrete profiles are well developed.
- Correlation of down hole susceptibility readings suggest that there are distinct geophysical boundaries that can be correlated across the deposits. In addition, the boundaries may extend into the ferricrete profiles in the palaeovalley wall suggesting that parts of the geophysical profiles developed after deposition of the valley-fill sediments.

Following the valley-filling phase, valley-fill sediments were lateritized. Evidence for this includes the in situ destruction of basaltic detritus, textures indicating in situ dissolution and re-precipitation of iron oxide and geophysical boundaries that can be traced through the valley-fill deposits into lateritized bedrock in the valley walls. In effect, the valley-fill sediments became part of the laterite carapace that mantled the Pilbara by the end of the Eocene.

### 2.5 Exploration History

The area encompassing the project licences has undergone limited exploration to date with previous explorers in the region focusing on a range of commodities including gold, iron ore, uranium and diamonds. The bulk of the work attributable to the project area has been for diamonds in various campaigns from the late 1890's. More recently however, Alkane undertook a major exploration program, between 1992 and 1998, aimed at locating the source rocks for alluvial diamonds found at the base of Tertiary palaeochannels at Nullagine in the 1890's. During that time Alkane discovered three new alluvial diamond locations and several alkaline and kimberlite-like bodies.

Alkane's diamond exploration programs combined traditional exploration techniques such as air photo and satellite image interpretation, high quality stream sediment sampling, studies of bedrock-derived kimberlitic indicator minerals, aerial and ground geophysics, reconnaissance drilling and costeaning with a strong geological approach. Exploration also included mapping of both Archaean and Tertiary-aged rocks, the development of a comprehensive bedrock geochemical data base, studies of alteration and weathering, and stratigraphic drilling of Tertiary channel deposits.

The detailed background geological database enabled Alkane to review the potential for other minerals in the area from time to time. Given the increasing demand and prices for iron ore, Alkane reviewed its database on the Tertiary palaeochannels and concluded that significant potential exists within the tenements for iron deposits. This work was assisted by the two palaeochannel traverses drilled during the diamond exploration program. The drilling demonstrated that the tops of the palaeochannels were generally composed of pisolitic iron units up to 20 metres thick overlying clays, carbonates and other detrital units within a total channel depth of up to 35 metres.

In 2005, CSM acquired a number of tenements adjacent to Alkane's exploration licences, covering the upstream sectors of Bonnie Creek, the Shaw River palaeochannel to the west and the remnants of the Nullagine River system to the south. CSM were able to identify about 32km of outcropping CD in the Shaw River and 20km in the Nullagine River from published geological maps.

Channel sampling over the Bonnie Creek and parts of the Shaw River palaeochannels by CSM in 2005 returned significant results as shown in Figure 2.5\_1 below. All samples were analysed by XRF at Ultratrace Laboratories in Perth.

### 2.6 Exploration Potential

The previous exploration in the Nullagine region has focussed on minerals other than iron, predominately gold, uranium and diamonds. Limited sampling has returned anomalous iron values over large distances, however this work is not able to be incorporated into a resource due to sample quality issues and the relatively small number of samples.

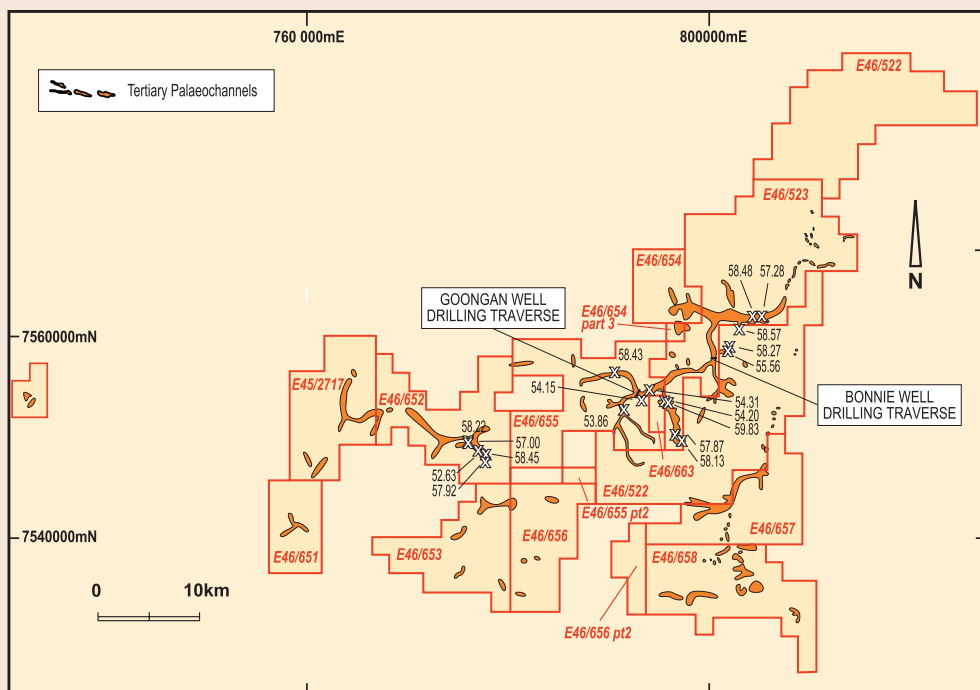
The Pilbara region in general has experienced an upsurge in exploration and mining activity focussed on iron ore deposits, partly due to a changing understanding of the formation of these deposits but in general due to the major price increases for iron ore exported to Asia. Another significant factor in the upsurge of iron ore activity is the proposed expansion of the major infrastructure items such as rail lines and ports that are essential for the development of new iron ore mines.





Whilst no iron ore resources have been delineated on the Project so far, the regional geology is considered favourable for the discovery of such deposits. RSG Global considers that a well planned and financed exploration program would have a reasonable chance of discovering CID mineralisation within the Nullagine Project. A significant amount of work would be required to achieve this and to progress the project to preliminary economic studies which may or may not confirm the viability of any mineralisation discovered.

Figure 2.5\_1  
BC Iron: LandSat and Rock Chip Sampling



## SECTION 5: INDEPENDENT GEOLOGIST'S REPORT (cont)

### 2.7 Exploration Strategy and Expenditure

BC Iron has provided RSG Global with comprehensive two year exploration programs and budgets for the project licences.

BC Iron has proposed a staged approach to the exploration and potential development of the Nullagine channel deposits. The Year 1 exploration strategy involves geological mapping and systematic RC drilling of the entire palaeochannel system. Providing that the results returned from Year 1 are positive, the Year 2 program involves infill diamond drilling of sections of the palaeochannel leading to resource estimation studies. Detailed exploration expenditure on the Nullagine tenements is presented in Table 2.7\_1 below.

**Table 2.7\_1**  
**BC Iron Ltd**  
**Proposed Year 1 and 2 Expenditure – Exploration Licences**

Activity	Minimum Subscription			Maximum Subscription		
	Year 1 (\$M)	Year 2 (\$M)	Total (\$M)	Year 1 (\$M)	Year 2 (\$M)	Total (\$M)
Geological Management	0.24	0.20	0.44	0.24	0.27	0.51
Geological Mapping	0.02	-	0.02	0.02	-	0.02
RC Drilling	0.57	-	0.57	0.57	-	0.57
DD Drilling	-	0.46	0.46	-	0.56	0.56
Assay	0.39	0.10	0.49	0.39	0.13	0.52
Field Support	-	0.02	0.02	-	0.03	0.03
Consumables	0.05	0.04	0.09	0.05	0.05	0.10
Geophysical Logging	-	0.04	0.04	-	0.05	0.05
Access and Rehabilitation	0.08	0.07	0.15	0.08	0.09	0.17
Resource Studies	-	0.04	0.04	-	0.04	0.04
Aboriginal Clearance	0.04	-	0.04	0.04	-	0.04
Travel	0.05	0.04	0.09	0.05	0.04	0.09
Contingency	0.14	0.10	0.24	0.14	0.13	0.27
Administration	0.16	0.11	0.27	0.16	0.14	0.30
<b>Total</b>	<b>1.73</b>	<b>1.22</b>	<b>2.95</b>	<b>1.73</b>	<b>1.52</b>	<b>3.25</b>

RSG Global considers that the proposed exploration and evaluation strategies are consistent with the potential of the project in each case, providing that they are appropriately staged in order to assess the results of on-going exploration. The proposed expenditure is also considered to be adequate to cover the cost of the proposed programs and the budgets are adequate to meet minimum statutory expenditure requirements in each case.

### 3 GLOSSARY OF TECHNICAL TERMS

<i>Archaean</i>	An era of geological time spanning the period from 3,800 million years to 2,500 million years before present.
<i>basin</i>	A large depression within which sediments are sequentially deposited and lithified.
<i>batholith</i>	A large, domed, intrusive igneous body.
<i>Cenozoic</i>	An era of geologic time, from the beginning of the Tertiary period to the present. The Cenozoic is considered to have begun about 65 million years ago.
<i>conglomerate</i>	A rock composed predominantly of rounded pebbles, cobbles or boulders deposited by the action of water.
<i>craton</i>	Large, and usually ancient, stable mass of the earth's crust.
<i>Cretaceous</i>	The third and final period of the Mesozoic era, between 141 and 65 million years ago.
<i>deltaic</i>	Pertaining to sedimentary deposits laid down in a river or stream delta.
<i>diamond drilling</i>	Method of obtaining cylindrical core of rock by drilling with a diamond set or diamond impregnated bit.
<i>dolomite</i>	A mineral composed of calcium and magnesium carbonate; a rock predominantly comprised of this mineral is also referred to as dolomite or dolostone.
<i>felsic volcanic</i>	A volcanic extrusive rock which has a high proportion of silica, potassium and sodium and low iron and magnesium.
<i>fluvial</i>	Pertaining to sediments deposited by the action of streams and rivers.
<i>goethite</i>	A hydrated oxide mineral of iron, FeO(OH).
<i>granite</i>	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
<i>greenstone</i>	A term applied in regional context to lithologies characterised by greenschist facies metamorphism.
<i>hematite</i>	Common iron oxide mineral Fe <sub>2</sub> O <sub>3</sub> .
<i>lacustrine</i>	Lake environment.
<i>laterite</i>	A cemented, residuum of weathering, generally leached in silica with a high alumina and/or iron content and often containing rounded pisolites.
<i>mafic volcanic</i>	Volcanic rocks dominantly comprised of ferromagnesian minerals.
<i>monadnock</i>	A residual hill rising above a peneplain, representing an isolated remnant of a former erosion surface.
<i>Ordovician</i>	The period of the Palaeozoic era, between approximately 490 million years and 434 million years ago.
<i>palaeochannel</i>	A preserved, inactive river channel in-filled with partially consolidated fluvial sediments that may continue to carry water in the subsurface.
<i>Palaeoproterozoic</i>	Early Proterozoic era of geological time, between 2,500 million years and 1,600 million years ago.
<i>Phanerozoic</i>	Period of the earth's history from about 570Ma to the present.
<i>prehnite</i>	An orthorhombic mineral, Ca <sub>2</sub> Al <sub>2</sub> Si <sub>3</sub> O <sub>10</sub> (OH) <sub>2</sub> , in which Fe replaces Al; forms botryoidal or mammillary and radiating aggregates. Occurs in: hydrothermal veins, cavities, and amygdules in basalt; veins in felsic plutonic rocks; and low-grade metamorphic rocks. Commonly associated with zeolites.
<i>Proterozoic</i>	An era of geological time spanning the period from 2,500 million years to 545 million years before present.
<i>pumpellyite</i>	A monoclinic mineral, Ca <sub>2</sub> (Mg,Fe,Mn)(Al,Mn,Fe) <sub>2</sub> (SiO <sub>4</sub> )(Si <sub>2</sub> O <sub>7</sub> )(OH) <sub>2</sub> .H <sub>2</sub> O; pumpellyite group.
<i>RC drilling</i>	Drilling method employing a percussive action to break the rock, and in which sample material is delivered to the surface inside the rod string by compressed air.
<i>rock sampling</i>	The collection of rock specimens for mineral analysis.
<i>sandstone</i>	A sedimentary rock composed of cemented or compacted detrital minerals, principally quartz grains.
<i>Silurian</i>	A Period of the Palaeozoic era, between about 434 and 410 million years ago.
<i>syncline</i>	A fold in rocks in which the strata dip inward from both sides towards the axis.
<i>Tertiary</i>	The period in time which elapsed between 65 million years and 1.8 million years before present.
<i>volcaniclastic</i>	Pertaining to a clastic rock predominantly comprised of volcanic material.

## SECTION 5: INDEPENDENT GEOLOGIST'S REPORT (cont)

### 4 PRINCIPAL SOURCES OF INFORMATION

<i>Alkane Exploration Ltd</i>	2006	Various internal reports and memoranda.
<i>AusIMM</i>	1995	Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The Valmin Code) Issued April 1998.
<i>AusIMM</i>	1998	Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The Valmin Code), issued April 1998. The Australasian Institute of Mining and Metallurgy
<i>Blake, T. S.</i>	2001	Cyclic continental mafic tuff and flood basalt volcanism in the Late Archaean Nullagine and Mount Jope Supersequences in the eastern Pilbara, Western Australia. <i>Precambrian Research</i> 107
<i>Blake, T. S.</i>	1997	A Report on the results of exploration activities by Alkane Exploration N.L. and the Randolph Syndicate on tenements E46/174, E46/175, E46/264, E46/276, E46/277, E46/294, E46/306, E46/307 & E46/348, July 1987 to March 1997.
<i>Geological Survey of Western Australia</i>	1990	Geology and Mineral Resources of Western Australia. Memoir 3.
<i>MacPhail, M. K. &amp; Stone, M. S.</i>	2004	Age and palaeoenvironmental constraints on the genesis of the Yandi channel iron deposits, Marillana Formation, Pilbara, northwestern Australia. <i>Australian Journal of Earth Sciences</i> 51.
<i>Ramanaidou, E. R., Morris, R. C. &amp; Horwitz, C.</i>	2003	Channel iron deposits of the Hamersley Province, Western Australia. <i>Australian Journal of Earth Sciences</i> 50.

## SECTION 6: INVESTIGATING ACCOUNTANT'S REPORT



### Horwath Securities (WA) Pty Ltd

ABN 24 009 328 643

AFS Licence Number 269291

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1 November 2006

The Directors  
BC Iron Limited  
129 Edward Street  
PERTH WA 6000

Dear Sirs

### Investigating Accountant's Report

#### 1. Introduction

This report has been prepared at the request of the directors of BC Iron Limited ("BC Iron or the Company") for inclusion in a Prospectus dated on or about 6 November inviting participation in the issue by BC Iron Limited of a minimum 20,000,000 and maximum 24,000,000 ordinary fully paid shares at an issue price of \$0.25 each to raise between \$5,000,000 and \$6,000,000.

All amounts are expressed in Australian Dollars unless otherwise stated.

#### 2. Background

BC Iron Limited intends to explore for and develop iron ore resources within the Nullagine Project area in the Pilbara Region of Western Australia. The Nullagine Project is an amalgamation of adjoining tenements held separately by Alkane Exploration Ltd ("Alkane") and Consolidated Minerals Limited ("CSM").

#### 3. Capital Structure

The expected capital structure of the Company following the completion of the Offer is as follows:

	Shares if \$5M raised	Shares if \$6M raised	\$	Capital if \$5M raised	Capital if \$6M raised
<b>Shares issued to founders</b>					
CSM	15,000,000	15,000,000	0.001	15,000	15,000
Alkane	8,999,999	8,999,999	0.001	9,000	9,000
Alkane	1	1	1.0	1	1
Randolph	6,000,000	6,000,000	0.001	6,000	6,000
<b>Shares to be issued pursuant to offer</b>	20,000,000	24,000,000	0.25	5,000,000	6,000,000
<b>Less: costs of the issue</b>	-	-	-	(549,203)	(600,000)
<b>Total</b>	50,000,000	54,000,000		4,480,798	5,430,001

## SECTION 6: INVESTIGATING ACCOUNTANT'S REPORT (cont)

### 4. Basis of Preparation

This report has been included in this Prospectus to assist investors and their financial advisers to make an assessment of the financial position and performance of BC Iron. This report does not address the rights attaching to the shares to be issued in accordance with this Prospectus, nor the risks associated with the investment.

The Directors of BC Iron have requested Horwath Securities (WA) Pty Ltd ("Horwath") to prepare an Investigating Accountant's Report for inclusion in this Prospectus dealing with the following financial and other information:

- (i) the audited results of BC Iron for the period from incorporation on 10 July 2006 to 17 October 2006;
- (ii) the audited statement of changes in equity of BC Iron for the period from incorporation on 10 July 2006 to 17 October 2006;
- (iii) the audited cashflow statement of BC Iron for the period from incorporation on 10 July 2006 to 17 October 2006;
- (iv) the audited balance sheet of BC Iron as at 17 October 2006; and
- (v) the proforma balance sheet of BC Iron as at 17 October 2006 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 2.

### 5. Scope of Review

Our review has been conducted in accordance with Auditing Standard AUS 902 "Review of Financial Reports".

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Directors of BC Iron Limited have prepared and are responsible for the historical financial information. We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the Prospectus.

### 6. Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial information as set out in Appendix 1 and 2 does not present fairly:

- (i) the results of BC Iron for the period ended 17 October 2006;
- (ii) the statement of changes in equity of BC Iron for the period ended 17 October 2006;
- (iii) the balance sheet of BC Iron as at 17 October 2006;
- (iv) the cashflow statement of BC Iron for the period ended 17 October 2006; and
- (v) the proforma balance sheet of BC Iron as at 17 October 2006 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 2,

in accordance with the accounting methodology required by applicable Australian equivalents to International Financial Reporting Standards and the accounting policies adopted by BC Iron as described in Note 1 and on the basis of the assumptions and transactions set out in Appendix 2.

## 7. Declarations

- (a) Horwath will be paid a fee of \$6,000 based upon normal charge rates and professional time incurred in the compilation of information and the preparation of this report. The involvement of Horwath in the preparation of this Prospectus is limited to the preparation of this report other than Horwath Audit (WA) Pty Ltd is the Auditor of the Company;
- (b) Horwath was not involved in any other aspect of this Prospectus and did not authorise or cause the issue of any other part of this Prospectus and we have only issued our consent in respect of the inclusion of this report in this Prospectus;
- (c) The author of this report does not have any interest in BC Iron or the shares offered by this Prospectus;
- (d) The giving of our consent for the inclusion of this report in this Prospectus should not be taken as an endorsement of BC Iron or a recommendation by Horwath of any participation in the offer by any intending investors;
- (e) The author of this report gives no assurance or guarantee whatsoever in respect of the future success of or financial returns associated with the subscription for shares being offered pursuant to this Prospectus; and
- (f) This report should be read as a whole and no part of it quoted, otherwise referred to or produced without prior written consent of Horwath.

Yours sincerely

**HORWATH SECURITIES (WA) PTY LTD**

A handwritten signature in blue ink, consisting of the word "Horwath" in a cursive script above the name "Peter Toll" in a similar cursive script.

**PETER TOLL**

Director

SECTION 6: INVESTIGATING ACCOUNTANT'S REPORT (cont)

**APPENDIX 1**

**INCOME STATEMENT**

**For the period from 10th July 2006 to 17th October 2006**

	<b>Audited 17 October 2006 \$</b>
Revenues from continuing activities	9
Share based payment expense - options issued	(252,000)
Administrative expenses	(13,690)
(Loss) from ordinary activities before income tax expense	<u>-</u>
Income tax benefit relating to ordinary activities	<u>-</u>
(Loss) from ordinary activities after related income tax expense	<u>(265,681)</u>

*This Income Statement is to be read in conjunction with Appendix 2.*

**STATEMENT OF CHANGES IN EQUITY**

**For the period from 10th July 2006 to 17th October 2006**

	<b>Audited 17 October 2006 \$</b>
Equity at the beginning of the period	-
(Loss) for the period	(265,681)
<i>Transactions with equity holders in their capacity as equity holders</i>	
Contributions of equity	30,001
Transaction costs of equity issues	-
Option issues to directors	252,000
Total equity at the end of the financial period	<u>16,320</u>

*This Statement of Changes in Equity is to be read in conjunction with Appendix 2.*



## APPENDIX 1

BALANCE SHEETS  
As at 17th October 2006

	Note	Audited 17 October 2006 \$	Proforma minimum capital raising \$	Proforma maximum capital raising \$
Current assets				
Cash and cash equivalents	3	30,009	4,454,995	5,404,198
Other receivable	4	12,122	12,122	12,122
Other assets	5	108,126	-	-
<b>Total current assets</b>		<b>150,257</b>	<b>4,467,117</b>	<b>5,416,320</b>
<b>Total assets</b>		<b>150,257</b>	<b>4,467,117</b>	<b>5,416,320</b>
Current liabilities				
Borrowings	6	133,938	-	-
<b>Total current liabilities</b>		<b>133,938</b>	-	-
<b>Total liabilities</b>		<b>133,938</b>	-	-
<b>Net assets</b>		<b>16,319</b>	<b>4,467,117</b>	<b>5,416,320</b>
Equity				
Contributed equity	7	30,001	4,480,798	5,430,001
Reserves	8	252,000	292,000	332,000
Accumulated losses	9	(265,681)	(305,681)	(345,681)
<b>Total Equity</b>		<b>16,319</b>	<b>4,467,117</b>	<b>5,416,320</b>

*These Balance Sheets are to be read in conjunction with Appendix 2.*

SECTION 6: INVESTIGATING ACCOUNTANT'S REPORT (cont)

APPENDIX 1

STATEMENT OF CASH FLOWS

For the period from 10th July 2006 to 17th October 2006

	Note	Audited 17 October 2006 \$
Cash flows from operating activities		
Payments to suppliers and employees		9
Net cash outflow to operating activities		<u>9</u>
Cash flows from financing activities		
Proceeds from issue of shares		30,001
Net cash inflow from financing activities		<u>30,000</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the financial period	3	<u>30,010</u>

*This Statement of Cash Flows is to be read in conjunction with Appendix 2.*

## BC IRON LIMITED

## FINANCIAL INFORMATION

For The Period Ended 17 October 2006

## NOTE 1: BASIS OF PREPARATION

The financial information has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS's), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The financial information is presented in abbreviated form insofar as it does not comply with all of the disclosure requirements set out in the AIFRS and the Corporations Act 2001.

The financial information has been prepared on the basis of historical costs except where stated.

The principal accounting policies relating to the financial information are described below:

**Accounting Policies****(a) Income tax**

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profit will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(b) Property, plant and equipment**

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

**Plant and equipment**

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

**SECTION 6: INVESTIGATING ACCOUNTANT'S REPORT (cont)****APPENDIX 2**

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

Plant and equipment 7.50-37.50%

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

**(c) Exploration 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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(d) Impairment of assets**

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

**(e) Revenue recognition**

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(f) Financial instruments****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 stated at amortised cost using the effective interest rate method.

**(g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**(h) 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 Australian 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.

**(i) Trade payables**

Trade payables and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

**(j) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**(k) Share based payments**

The fair value of options granted under the Australian Renewable Fuels Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The dilutive effect of outstanding options may be reflected as additional share dilution in the computation of earnings per share.

## SECTION 6: INVESTIGATING ACCOUNTANT'S REPORT (cont)

### **(1) Comparative information**

This is the first year of operation of the company and as such there are no comparative figures. The company also has no changes arising from the transition from AGAAP to AIFRS as it has not previously prepared financial statements in accordance with AGAAP. The company was incorporated in Australia on 10 July 2006.

### **2. Actual and proposed transactions to arrive at proforma balance sheet**

The proforma balance sheet reflects the 17 October 2006 balance sheet adjusted to reflect the effect of the actual and proposed transactions pursuant to the proposed capital raising. The transactions reflected in the proforma are as follows:

- The issue of between 20,000,000 and 24,000,000 ordinary shares at 25 cents each to raise between \$5,000,000 and \$6,000,000 in accordance with the Prospectus;
- The payment of \$441,077 on minimum subscription or \$491,874 on maximum subscription for Pre IPO costs, expenses of the issue and broker fees;
- The transfer to equity of \$108,126 relating to Pre IPO costs to equity incurred prior to 17 October 2006;
- Repayments of borrowings of \$133,938 on successful completion of IPO; and
- The issue of 500,000 bonus options to brokers on the successful raising of \$5,000,000 and a further 500,000 bonus options on the successful raising of \$6,000,000.

	<b>Audited 17 October 06 \$</b>	<b>Proforma minimum capital raising \$</b>	<b>Proforma maximum capital raising \$</b>
<b>3. Cash assets</b>			
Cash at bank	30,010	4,454,995	5,404,198
<i>Proforma adjustments</i>			
• As at 30 June 2006	-	30,010	30,010
• Shares issued pursuant to this Prospectus	-	5,000,000	6,000,000
• Less: Pre IPO costs, expenses of the issue and broker fees	-	(441,077)	(491,874)
• Repayment of borrowings		(133,938)	(133,938)
	<b>30,010</b>	<b>4,454,995</b>	<b>5,404,198</b>
<b>4. Receivables</b>			
Other receivable	12,122	12,122	12,122
<b>5. Deferred receivable</b>			
Pre IPO costs	108,126	-	-
<i>Proforma adjustments</i>			
• As at 17 October 2006	-	108,126	108,126
• Transfer to equity on IPO	-	(108,126)	(108,126)
	<b>108,126</b>	<b>-</b>	<b>-</b>
<b>6. Borrowings</b>			
Other loans	133,938	-	-
<i>Proforma adjustments</i>			
• As at 17 October 2006	-	133,938	133,938
• Repayment of borrowings	-	(133,938)	(133,938)
	<b>-</b>	<b>-</b>	<b>-</b>
<b>7. Contributed equity</b>			
Issued Capital	30,001	4,480,798	5,430,001
		<b>Number</b>	<b>\$</b>
As at 17 October 2006		30,000,000	30,001
<i>Proforma adjustments – minimum capital raising</i>			
• Minimum shares issued pursuant to this prospectus		20,000,000	5,000,000
• Pre IPO costs, expenses of the issue and broker fees		-	(441,077)
• IPO costs transferred		-	(108,126)
		<b>50,000,000</b>	<b>4,480,798</b>
As at 17 October 2006		30,000,000	30,001
<i>Proforma adjustments – maximum capital raising</i>			
• Maximum shares issued pursuant to this prospectus		24,000,000	6,000,000
• Pre IPO costs, expenses of the issue and broker fees		-	(491,874)
• IPO costs transferred		-	(108,126)
		<b>54,000,000</b>	<b>5,430,001</b>

## SECTION 6: INVESTIGATING ACCOUNTANT'S REPORT (cont)

### APPENDIX 2

	Audited 17 October 06 \$	Proforma minimum capital raising \$	Proforma maximum capital raising \$
<b>8. Option reserve</b>			
Option reserve	252,000	292,000	332,000
		<b>Number</b>	<b>\$</b>
As at 17 October 2006		3,250,000	252,000
<i>Proforma adjustments – minimum capital raising</i>			
• Brokers		500,000	40,000
		<u>3,750,000</u>	<u>292,000</u>
As at 17 October 2006		3,250,000	252,000
<i>Proforma adjustments – maximum capital raising</i>			
• Brokers		1,000,000	80,000
		<u>4,250,000</u>	<u>332,000</u>
<b>9. Accumulated losses</b>			
Accumulated losses	(265,681)	(305,681)	(345,681)
<i>Proforma adjustments</i>			
• As at 17 October	-	(265,681)	(265,681)
• Share based payments	-	(40,000)	(80,000)
	<u>-</u>	<u>(305,681)</u>	<u>(345,681)</u>
<b>10. Events subsequent to balance date</b>			
There have been no material items, transactions, or events subsequent to 17 October 2006 which relate to conditions existing at that balance date which require comment or adjustment to the figures in this report except for the those disclosed in note 2 of appendix 2.			
<b>11. Other material commitments</b>			
<i>Exploration expenditure and tenement rent</i>			
The company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:			
Exploration commitments			
No later than one year			572,250
Later than one year and not later than two years			572,250
Total exploration commitments			<u>1,144,500</u>



## FINANCIAL SERVICES GUIDE

### 1. Horwath Securities

**Horwath Securities (WA) Pty Ltd ABN 24009328643** (“**Horwath Securities**” or “**we**” or “**us**” or “**ours**” as appropriate) has been engaged to provide general financial product advice in the form of a report to be provided to you.

### 2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“**FSG**”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorized to provide under our **Australian Financial Services License, License No: 269291**
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

### 3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorizes us to provide financial product advice in relation to:

- Securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorized to provide the financial product advice contained in the report.

### 4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### 5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and will be paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither Horwath Securities, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### 6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

### 7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### 8. Associations with Product Issues

Horwath Securities (WA) Pty Ltd and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

### 9. Complaints resolution

#### a. Internal complaints resolution process

As the holder of an Australian Financial Services License, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Compliance Officer, Horwath Securities (WA) Pty Ltd, PO Box 700, West Perth, WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

#### b. Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited (“**FICS**”). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website [www.fics.asn.au](http://www.fics.asn.au) or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited  
PO Box 579  
Collins Street West  
Melbourne VIC 8007

Toll free: 1300 78 0808  
Facsimile: (03) 9621 2291

### 10. Contact details

**You may contact us using the details set out at the top of our letterhead on page 1 of this IAR.**

## SECTION 7: SOLICITOR'S REPORT ON TENEMENTS

price

LAWYERS

sierakowski

1 November 2006

The Directors  
BC Iron Limited  
129 Edward Street  
PERTH WA 6000

Dear Sirs

**BC IRON LIMITED (ACN 120 646 924)**  
**SOLICITORS' REPORT ON MINING TENEMENTS**

Price Sierakowski Pty Ltd  
ACN 113 920 442  
Trading as Price Sierakowski  
Level 24, St Martin's Tower  
44 St George's Terrace  
Perth WA 6000

PO Box Z5433  
St George's Terrace  
Perth WA 6831

Telephone +61 (08) 9221 6733  
Facsimile +61 (08) 9221 6744  
www.pricesierakowski.com.au  
email info@pricesierakowski.com.au

This report has been prepared for inclusion in the prospectus to be issued by BC Iron Limited ("the Company") dated on or about the 6 November 2006 to raise up to \$6,000,000 ("the Prospectus"). The offer in the Prospectus comprises the issue by the Company of up to 24,000,000 fully paid ordinary shares at 25 cents each. The Minimum Subscription under the Offer is 20,000,000 fully paid ordinary Shares at 25 cents each.

We have been requested to report on the mining tenement interests to which the Company is entitled or has acquired rights ("the Tenements"). Details of these mining tenement interests are listed in the attached Schedule of Tenements ("the Schedule") which, together with the notes to the Schedule ("the Notes") and the Material Contracts Summary, forms part of this report.

All of the Tenements are located in Western Australia and are identified in the Schedule.

### 1. SEARCHES

We conducted searches of the Tenements listed in the Schedule in the registers maintained by the Western Australian Department of Industry and Resources ("DOIR") on 27 September 2006. We have also undertaken native title inquiries and checked those against the National Native Title Tribunal's ("NNTT") electronic register in relation to the Tenements as at 27 September 2006.

As a result of those searches and our perusal of the material contracts set out in the Material Contracts Summary ("the Agreements"), we consider this report provides an accurate statement, as at the date of the respective searches, as to the status of the Tenements and the interests of the Company in those Tenements. We have assumed the information in the registers maintained by DOIR and NNTT is accurate. The references in the Schedule to the areas of the Tenements are taken from details shown on DOIR's and NNTT's electronic registers. No survey was conducted to verify the accuracy of Tenement areas. We have further assumed that the various parties' seals and signatures on all the Agreements are authentic, and that the Agreements are and were within the capacity and powers of those who executed them. We assume that all of the Agreements were validly authorised, executed and delivered by and are binding on the parties to them and comprise the entire agreements of the parties to each of them in relation to their respective subject matters.

### 2. GENERAL INFORMATION ABOUT MINING TENEMENTS

#### (a) Mining Lease ("ML")

A ML gives the holder the exclusive right to find, extract and dispose of any minerals on the land the subject of that ML. The maximum area over which a ML may be granted must not exceed 10 square kilometres. A ML remains in force for a period of 21 years from the date of grant and the holder has an option to renew for another 21 years on expiry. Further renewals are possible under the *Mining Act 1978 (WA)* ("Mining Act").

#### (b) Mining Lease Application ("MLA")

A MLA does not constitute a lease while the application is pending grant; however the applicant has a statutory entitlement to certain rights. A grant may take a considerable amount of time due to the Minister having to comply with the law relating to native title. This process is outlined in section 5 of this report.

**(c) Exploration Licence (“EL”)**

An EL remains in force for 5 years from the date of grant with the possibility of renewal by the Minister in certain circumstances. The holder of an EL is required to expend certain amounts upon exploration activities during the term with failure to do this leading to possible forfeiture of the licence.

The holder of an EL has, subject to the Mining Act, the right to apply for and to have granted a ML over the land the subject of the EL.

**(d) Exploration Licence Application (“ELA”)**

If an ELA is successful the Minister will grant an EL to the applicant. An ELA gives the applicant no title to land or any exclusive rights relating to the land the subject of the application. For there to be a valid grant the native title procedures outlined in section 5 below must have been followed.

**3. ABORIGINAL SITES**

The Tenements are subject to the provisions of the Aboriginal and *Torres Strait Islander Heritage Protection Act (1984) (Cth)* (the “Commonwealth Heritage Act”). This Act contains provisions designed to preserve and protect from injury or desecration areas and objects which are of particular significance to Aboriginal people in accordance with Aboriginal tradition. An area or object is found to be desecrated if it is used or treated in a manner inconsistent with aboriginal tradition.

The *Aboriginal Heritage Act 1972 Western Australia* (“WA Heritage Act”) applies to all of the Tenements located in Western Australia and makes it an offence, inter alia, to alter or damage an Aboriginal site or object on or under an Aboriginal site. An Aboriginal site is defined to include any sacred, ritual or ceremonial site which is of importance and special significance to persons of Aboriginal descent.

There is no requirement or need for an Aboriginal site to be registered in any public manner or, indeed, to be in any way acknowledged as an Aboriginal site for it to qualify as an Aboriginal site for the purposes of the WA Heritage Act.

The Company must ensure that any interference with such sites is in strict conformity with the provisions of the Commonwealth Heritage Act and the WA Heritage Act.

**4. NATIVE TITLE LEGISLATION**

Judicial recognition of native title at common law occurred in *Mabo -v- Queensland* (No 2) (*Mabo*), a decision of the High Court of Australia on 3 June 1992. Generally native title rights to land will be recognised where:

- a) the claimants can establish that they have maintained a continuous connection with the land in accordance with their traditional laws and customs since British settlement in 1788; and
- b) the native title rights have not been lawfully extinguished.

The High Court held in *Mabo* that native title rights can be lawfully extinguished by certain government legislation and executive actions which are not inconsistent with native title. In order for extinguishment to be lawful the extinguishment must comply with the obligations imposed by the *Racial Discrimination Act 1975 (Cth)*.

After *Mabo*, considerable uncertainties existed about the validity of proprietary rights in Australia, including mining tenements. To address those uncertainties the Commonwealth Parliament responded by passing the *Commonwealth Native Title Act 1993 (Cth)* (“NTA”). The NTA commenced on January 1994 and was substantially amended in 1998 in response to the decision of the High Court in *Wik v Queensland*. The *Wik* case recognised that the granting of a pastoral lease did not necessarily extinguish all native title rights, some of which could co-exist with the rights under a pastoral lease. In summary the NTA:

- a) provides for recognition and protection of native title;
- b) sets up mechanisms for determining claims for native title such as the “right to negotiate” which allows native title claimants to be consulted in relation to certain mining and other developments;

## SECTION 7: SOLICITOR'S REPORT ON TENEMENTS (cont)

- c) makes valid certain "past acts" which would otherwise be invalidated because of native title;
- d) establishes ways in which "future acts" (eg the granting of mining tenement applications and converting exploration licences and prospecting licences to mining leases) affecting native title may proceed and how native title rights are protected, including rights to compensation; and
- e) provides a process by which claims for native title and compensation can be determined.

The High Court decision of *Ward v Western Australia and South Australia* (2002) HCA 28 (8 August 2002) established that where tenure such as a pastoral lease is granted, native title is extinguished to the extent that it is inconsistent with the rights conferred by the pastoral lease.

### 5. NATIVE TITLE CLAIMS

Persons claiming to hold native title may lodge an application for determination of native title with the Federal Court. Once a native title claim has been lodged, the Court will refer the application to the Native Title Registrar. The Native Title Registrar must determine whether the claim meets certain conditions concerning the merits of the claim, and certain procedural and other requirements set out by the NTA.

If the Native Title Registrar is satisfied the lodged claim meets the registration requirements set out in the Commonwealth Act ("Registration Test") it will be entered on the Register of Native Title Claims maintained by the National Native Title Tribunal ("Register"). Claimants of registered claims are afforded certain procedural rights under the Commonwealth Act including the "right to negotiate".

Claims which fail to meet the Registration Test are recorded on the Tribunal's Schedule of Applications Received. Such claims may be entered on the Register at a later date if additional information is provided by the claimant that satisfies the Registration Test.

Some of the Tenements are likely to be situated on pastoral leases. A pastoral lease co-exists with any native title but takes priority where any native title rights are inconsistent with the rights of the pastoral leaseholder.

All of the Tenements relate to land that is currently the subject of one or more native title claims. The fact that a claim has been lodged does not necessarily mean that native title exists over the area claimed, nor does the absence of a claim necessarily indicate that no native title exists over that area. Details of the native title claims affecting the Tenements are noted in the Notes to the Schedule.

We have not undertaken the considerable historical, anthropological and ethnographic work that would be required to determine the likelihood that the native title determination may be challenged, or the possibility of any further claims being made in the future.

### 6. VALIDITY OF THE TENEMENTS

#### a) Tenements granted since 23 December 1996

Mining tenements granted since 23 December 1996 which affect native title rights and interests will be valid provided that the future act procedures set out in b) below were followed by the relevant parties. We have not been instructed to analyse whether or not the relevant NTA procedures were followed in relation to each Tenement, but are of the opinion that they were validly granted. All of the Tenements have been granted since 23 December 1996.

#### b) Future Tenement Grants

The valid grant of any mining tenement which may affect native title requires full compliance with the provisions of the NTA in addition to compliance with the usual procedures under the relevant State or Territory mining legislation. The primary procedure prescribed under the NTA is the "right to negotiate" process.

The right to negotiate process involves the publishing or advertising of a notice of the proposed grant of a tenement followed by a 6 month period of negotiation between the State or Territory Government, the tenement applicant and the relevant registered native title claimant. If agreement is not reached to enable the grant to occur, the matter may be referred to arbitration before the National Native Title Tribunal ("NNTT"), which has a further 6 months to reach a decision. The decision of the NNTT may be reviewed by the relevant Federal Minister.

The right to negotiate process is not required to be followed in respect of a proposed future act in instances where the expedited procedure applies. Under

the NTA, a future act is an act attracting the expedited procedure if:

- (i) the act is not to interfere directly with the carrying on of the community or social activities of the persons who are the holders of native title in relation to the land; and
- (ii) the act is not likely to interfere with areas or sites of particular significance, in accordance with their traditions, to the persons who are holders of the native title in relation to the land; and
- (iii) the act is not likely to involve major disturbance to any land or waters concerned or create rights whose exercise is likely to involve major disturbance to any land.

When the proposed future act is considered to be one that attracts the expedited procedure, persons have until 3 months after the notification date to take steps to become a native title party in relation to the relevant act (for example the proposed granting of an exploration licence). The future act may be done unless, within four months after the notification day, a native title party lodges an objection with the NNTT against the inclusion of a statement that the proposed future act is an act attracting the expedited procedure.

If there are no objections lodged within the four month period, the act may be done. If one or more native title parties object to the statement, the NNTT must determine whether the act is an act attracting the expedited procedure. If the NNTT determines that it is, the State or Territory may do the future act (i.e. grant an exploration licence).

Further, the right to negotiate process does not have to be pursued in cases where an indigenous land use agreement ("ILUA") is negotiated with the relevant Aboriginal people and registered with the NNTT. In such cases, the procedures prescribed by the ILUA must be followed to obtain the valid grant of the tenement. These procedures will vary depending on the terms of the ILUA.

## **7. RENEWALS AND EXTENSIONS OF TENEMENTS**

Renewals and extensions of mining tenements granted prior to 1 January 1994, to the extent the renewals were invalid due to native title, have been validated by legislation.

Renewals of mining tenements granted between 1 January 1994 and 23 December 1996 have been similarly validated provided certain statutory criteria have been met.

Renewals made after 23 December 1996 of tenements validly granted before that date will not be subject to the right to negotiate process provided:

- (a) the area to which the earlier right is made is not extended;
- (b) the term of the new right is not longer than the term of the earlier right; and
- (c) the rights to be created are not greater than the rights conferred by the earlier grant.

There is doubt as to whether the right to negotiate process applies to second and subsequent renewals but this matter is yet to be determined by the Courts.

Other than as stated above, renewals of mining tenements are subject to the same right to negotiate process as is described in 6 b) above.

## **8. COMPLIANCE**

The Company's interest in or rights in relation to the granted Tenements are subject to the holder continuing to comply with the respective terms and conditions of the granted Tenements under the provisions of the Mining Act and regulations made pursuant to that legislation, together with the conditions specifically applicable to any granted Tenement. The searches that we have carried out in relation to the Tenements do not reveal any failure to comply with the conditions in respect of each of the granted mining tenements. We are not aware of any reason why the Company will not become the registered owner of the Tenements on completion of the agreements summarised in section 9 of this report.

## SECTION 7: SOLICITOR'S REPORT ON TENEMENTS (cont)

### 9. MATERIAL CONTRACTS SUMMARY

#### (a) Consolidated Farm In Agreement

On or about 30 October 2006, the Company entered into a Farm In and Joint Venture Agreement with Consolidated Nickel Pty Ltd ("Consolidated Nickel") and Consolidated Iron Pty Ltd ("Consolidated Iron"), pursuant to which the Company has a right to earn a 100% legal and beneficial interest in various mining tenements ("Consolidated Farm In Agreement").

Pursuant to the Consolidated Farm In Agreement, the Company may earn a 100% interest in mining tenements EL45/2552 (in which Consolidated Nickel has a 100% legal and beneficial interest) and EL45/2717, EL46/651 to EL46/658 inclusive and EL46/663 (in which Consolidated Iron has a 100% legal and beneficial interest) (together "the Consolidated Tenements").

The Consolidated Farm In Agreement is conditional upon the following (together "the Consolidated Conditions Precedent"):

- The Company successfully completing an initial public offering and raising up to \$6,000,000 by the issue of up to 24,000,000 fully ordinary paid shares at 25 cents each by way of issue of a prospectus.
- The Company successfully making an application with the ASX for the quotation of its Shares by 31 December 2006.
- The parties obtaining all necessary approvals and consents, including shareholder, government and regulatory approvals, to the transactions and matters contemplated in the Consolidated Farm In Agreement.

Upon satisfaction of the Consolidated Conditions Precedent outlined above, the Company will acquire a 100% legal and beneficial interest in the Consolidated Tenements immediately after it has expended no less than \$380,250 (being the aggregate expenditure commitments payable on the Consolidated Tenements), whether such amount is expended on or in respect of any one or more of the Consolidated Tenements, on or before 31 March 2007.

If the Company does not obtain the required regulatory approval to the transfer of any of the Consolidated Tenements from Consolidated Nickel or Consolidated Iron to the Company, the relevant Consolidated Tenement may be withdrawn from the Consolidated Farm In Agreement at the election of the Company and the terms of the Consolidated Farm In Agreement will no longer apply to Consolidated Tenement. The provisions of the Consolidated Farm In Agreement will continue in full force and effect in respect of the remaining Consolidated Tenements.

Until the Company earns a 100% interest in the Consolidated Tenements, the parties will form a joint venture for the purpose of exploring the Consolidated Tenements ("Joint Venture"). Once the Company has earned a 100% interest in the Consolidated Tenements, the Joint Venture shall come to an end and the Company will be the sole legal and beneficial owner of the Consolidated Tenements. If the Company does not expend the amount required within the stipulated timeframe and does not earn a 100% interest in the Consolidated Tenements, the Joint Venture will then come to an end and the legal and beneficial ownership in the Consolidated Tenements will remain with Consolidated Iron and Consolidated Nickel, respectively.

Pursuant to the Consolidated Farm In Agreement, the Company will be the manager of the Joint Venture and shall manage and conduct all exploration and such other activities (at its own cost) on the Consolidated Tenements as it may in its absolute discretion determine. The Company will be entitled to and have possession and control but not ownership of the Consolidated Tenements and conduct all such exploration activities, provided they are conducted and carried out in good faith, in accordance with the terms of and all relevant laws relating to the Consolidated Tenements and with due skill, expertise and diligence in accordance with good mining practice. The Company is also required to keep the Consolidated Tenements in good standing during the term of the Joint Venture.

Consolidated Nickel and Consolidated Iron will provide all reasonable assistance to the Company in order to enable the Company to comply with its obligations under the agreement, including maintaining the Consolidated Tenements in good standing. Subject to the Company acquiring a 100% interest in the Consolidated Tenements, the Company will be entitled to all minerals produced from the Consolidated Tenements.

If any party to the Consolidated Farm In Agreement has an opportunity to acquire, or does acquire, an interest in any mining tenement within 5km of the Consolidated Tenements, that party must first offer that interest for inclusion as an asset of the Joint Venture, and following cessation of the Joint Venture to the Company.

After satisfying its obligations to expend the expenditure commitments on the Consolidated Tenements, if the Company wishes to surrender all or any of the Consolidated Tenements, it shall first offer to sell the relevant Consolidated Tenements to Consolidated Iron or Consolidated Nickel (as the case requires) for the sum of \$1.00. If the offer is not accepted within 14 days, the Company may transfer the relevant Consolidated Tenements to any third party on such terms as the Company considers appropriate.

The Consolidated Farm In Agreement contains conditions and warranties considered standard in an agreement of this type.

**(b) Alkane Farm In Agreement**

On or about 30 October 2006, the Company entered into a Farm In and Joint Venture Agreement with Alkane Exploration Ltd ("Alkane") and Randolph Resources Pty Ltd, Mark Emmerson Barley, Timothy Simon Blake, Albert Edward Mitchell, Bruce Walter Menzel and Denis William O'Meara (together the Randolph Syndicate) (Alkane and the Randolph Syndicate together "the Tenement Holders") to acquire an interest in various mining tenements ("Alkane Farm In Agreement").

Pursuant to the Alkane Farm In Agreement, the Company has, (subject to the Vaalbara Heads of Agreement summarised below and the diamond rights retained by Alkane and the Tenement Holders, also summarised below), the right to earn a 100% legal and beneficial interest in mining tenements EL46/522, EL46/523 and EL/46/524 (together "the Alkane Tenements"). Alkane is the registered holder of the Alkane Tenements. The Tenement Holders (in the proportions specified in the Farm In Agreement between the Tenement Holders dated 18 May 1994) (Farm In Agreement) have a 100% beneficial interest in the Alkane Tenements.

The Alkane Farm In Agreement is conditional upon the following (together "the Alkane Conditions Precedent"):

- The Company successfully completing an initial public offering and raising up to \$6,000,000 by the issue of up to \$24,000,000 fully ordinary paid shares at 25 cents each by way of issue of a prospectus.
- The Company successfully making an application with the ASX for the quotation of its shares by 31 December 2006.
- The parties obtaining all necessary approvals and consents, including shareholder, government and regulatory approvals, to the transactions and matters contemplated in the agreement.

Upon satisfaction of the Alkane Conditions Precedent outlined above, the Company will acquire a 100% legal and beneficial interest in the Alkane Tenements immediately after it has expended not less than \$192,000 (being the aggregate expenditure commitments payable on the Alkane Tenements), whether such amount is expended on or in respect of any one or more of the Alkane Tenements, on or before being 24 April 2007.

If the Company does not obtain the required regulatory approval to the transfer any of the Alkane Tenements from Alkane to the Company, the relevant Alkane Tenement will be withdrawn from the Alkane Farm In Agreement and the terms of the Alkane Farm In Agreement will no longer apply to the relevant Alkane Tenement. The provisions of the Alkane Farm In Agreement will continue in full force and effect in respect of the remaining Alkane Tenements.

Until the Company earns a 100% interest in the Alkane Tenements, the parties will form a joint venture for the purpose of exploration of the Alkane Tenements ("Joint Venture"). Once the Company has earned a 100% in the Alkane Tenements, the Joint Venture shall come to an end and the Company will be the sole legal and beneficial owner of the Alkane Tenements. If the Company does not expend the amount required within the stipulated timeframe and does not earn a 100% interest in the Alkane Tenements, the Joint Venture will then come to an end and ownership in the Alkane Tenements will remain with the Tenement Holders in the same proportional percentage interests as they were entitled to under the Farm In Agreement.

Pursuant to the Alkane Farm In Agreement, the Company will be the manager of the Joint Venture and shall manage and conduct all exploration and such other activities (at its own cost) on the Alkane Tenements as it may in its absolute discretion determine. The Company will be entitled to and have possession and control but not ownership of the Alkane Tenements and conduct all such exploration activities, provided they are conducted and carried out in good faith, in accordance with the terms of and all relevant laws relating to the Alkane Tenements and with due skill, expertise and diligence in accordance with good mining practice. The Company is also required to keep the Alkane Tenements in good standing during the term of the Joint Venture.

Alkane will provide all reasonable assistance to the Company in order to enable the Company to comply with its obligations under the agreement, including maintaining the Alkane Tenements in good standing. Subject to the Company acquiring a 100% interest in the Alkane Tenements and subject to the

## SECTION 7: SOLICITOR'S REPORT ON TENEMENTS (cont)

Vaalbara Heads of Agreement and the diamond rights retained by the Tenement Holders summarised below, the Company is entitled to all minerals produced from the Alkane Tenements.

If any party to the Alkane Farm In Agreement has an opportunity to acquire, or does acquire, an interest in any mining tenement within 5km of the Alkane Tenements, that party must first offer that interest for inclusion as an asset of the Joint Venture, and following cessation of the Joint Venture to the Company.

After satisfying its obligations to expend the expenditure commitments on the Alkane Tenements, if the Company wishes to surrender all or any of the Alkane Tenements, it shall first offer to sell the relevant Tenements to the Tenement Holders for the sum of \$1.00. If the offer is not accepted within 14 days, the Company may transfer the relevant Tenements to a third party on any terms.

All rights to explore for and take diamonds on and from the Alkane Tenements will remain with the Tenement Holders, in the same proportional percentage interests as their entitlement under the Farm In Agreement, and shall otherwise be on terms to be agreed by the Tenement Holders under a new agreement to be executed by them and which shall take effect upon the Company acquiring a 100% interest in the Alkane Tenements.

The Alkane Farm In Agreement also provides:

- an acknowledgement by the parties of the existence of the Heads of Agreement between Alkane and Vaalbara Resources Ltd ("Vaalbara Resources") dated 1 December 2004 in respect of the Alkane Tenements, the material terms of which are summarised below ("Vaalbara Heads of Agreement");
- that subject to Vaalbara Resources and Alkane entering into a formal document in respect of the transaction contemplated by the Vaalbara Heads of Agreement, Alkane will hold as trustee for the Company all rights, title and interest in the Vaalbara Heads of Agreement, and all consideration payable to Alkane by Vaalbara Resources in respect of the Vaalbara Heads of Agreement, until the Company earns a 100% interest in the Alkane Tenements;
- that in the event that the Company does not expend the required expenditure commitments on the Alkane Tenements, and accordingly, does not earn a 100% interest in the Alkane Tenements, all rights, title and interest in the Vaalbara Heads of Agreement, and any consideration paid to Alkane by Vaalbara Resources, will revert back to Alkane; and
- upon the Company earning a 100% interest in the Alkane Tenements, the Tenement Holders will do and execute all acts and documentation necessary to assign their rights, title and interest under the Vaalbara Heads of Agreement to the Company.

The Alkane Farm In Agreement contains conditions and warranties considered standard in an agreement of this type.

### (c) **Vaalbara Heads of Agreement**

On 1 December 2004, Alkane entered into a Heads of Agreement (in its own capacity and for and on behalf of the Randolph Syndicate) with Vaalbara Resources Ltd ("Vaalbara Resources") under which Alkane granted to Vaalbara Resources an exclusive option to negotiate and execute a fuller agreement by no later than 31 December 2006, under which Vaalbara will have the right to earn an 80% interest in the gold, silver, uranium, and witwatersrand style mineral resource rights in or relating to the Alkane Tenements ("Vaalbara Heads of Agreement").

Upon execution of the formal agreement contemplated by the Vaalbara Heads of Agreement, Vaalbara Resources will:

- after Vaalbara Resources has completed its IPO listing, pay to Alkane \$100,000 as reimbursement of Alkane's application and exploration costs in respect of the Alkane Tenements; and
- upon Vaalbara Resources listing, issue to Alkane ordinary fully paid shares in its share capital to the value of \$300,000.

The Vaalbara Heads of Agreement also provides that Vaalbara Resources:

- must fund all exploration relating to the mineral interests acquired in respect of the Alkane Tenements until completion of a bankable feasibility study on the Alkane Tenements;



- must keep the Alkane Tenements in good standing;
- may at each anniversary of the grant date of the Alkane Tenement elect to withdraw from all or any or any part of one or more of the Alkane Tenements provided it has expended not less than the minimum expenditure commitments related to such Alkane Tenements; and
- may either prior to or after completing its IPO listing, enter into a joint venture with any other suitable mining company to fund its exploration on the Alkane Tenements.

Alkane and Vaalbara shall negotiate and execute a fuller agreement (which must be executed not later than the date set out above).

#### 10. QUALIFICATIONS

While the status of the Tenements is dealt with in detail in the Schedule and the Notes to the Schedule we point out by way of summary, that:

- (a) we have assumed that all searches conducted on our behalf by the DOIR and NNTT are complete and accurate as at the time the searches were conducted;
- (b) we have assumed that all information or advice, whether oral or written provided to us by the Company, its officers, employees, agents or representatives is accurate and complete;
- (c) we have assumed that the Company is not in breach of the agreements summarised in section 9 of this report.

#### 11. CONSENT

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior consent.

Yours faithfully



**PRICE SIERAKOWSKI**

## SECTION 7: SOLICITOR'S REPORT ON TENEMENTS (cont)

### Schedule of Mining Tenements

To be read in conjunction with the abbreviations and notes at the end of the Schedule.

Tenement No. and Type	Registered Holder or Applicant	Status	Grant/ Application Date	Expiry Date	Area	Expenditure commitment (per annum)	Rents and Rates (per annum)	Relevant Notes
EL46/522	Alkane	Live	24/04/06	23/04/11	70 bl	\$70,000	\$7,353	A, B
EL46/523	Alkane	Live	24/04/06	23/04/11	70 bl	\$70,000	\$7,353	A, B
EL46/524	Alkane	Live	24/04/06	23/04/11	52 bl	\$52,000	\$5,462	A, B
EL45/2552	Consolidated Nickel	Live	16/05/06	15/05/11	5 bl	\$15,000	\$525.25	A
EL45/2717	Consolidated Iron	Live	24/04/06	23/04/11	32 bl	\$39,750	\$3,361.60	A
EL46/651	Consolidated Iron	Live	24/04/06	23/04/11	15 bl	\$31,500	\$1,575.75	A
EL46/652	Consolidated Iron	Live	24/04/06	23/04/11	35 bl	\$42,250	\$3,676.75	A
EL46/653	Consolidated Iron	Live	24/04/06	23/04/11	30 bl	\$38,750	\$3,151.50	A, C
EL46/654	Consolidated Iron	Live	24/04/06	23/04/11	14 bl	\$32,000	\$1,470.70	A, B
EL46/655	Consolidated Iron	Live	24/04/06	23/04/11	46 bl	\$51,000	\$4,832.30	A, B
EL46/656	Consolidated Iron	Live	24/04/06	23/04/11	33 bl	\$39,750	\$3,466.65	A, C
EL46/657	Consolidated Iron	Live	24/04/06	23/04/11	27 bl	\$28,250	\$2,836.35	A
EL46/658	Consolidated Iron	Live	24/04/06	23/04/11	40 bl	\$47,000	\$4,202	A, C
EL46/663	Consolidated Iron	Live	31/03/06	30/03/11	2 bl	\$15,000	\$210	A

### LEGEND

Alkane – Alkane Exploration Limited (ACN 000 689 216)

Consolidated Nickel – Consolidated Nickel Pty Ltd (ACN 074 722 759)

Consolidated Iron – Consolidated Iron Pty Ltd (ACN 106 183 626)

### NOTES

#### A. Native Title Claim

Claimant Name: Palkyu  
Tribunal File No: WC99/16  
Federal Court No: WAD6287/98  
Status: Registered and Active  
Date Filed: 30/03/99  
In mediation: Yes  
Notification Status: Complete

#### B. Native Title Claim

Claimant Name: Njamal  
Tribunal File No: WC99/8  
Federal Court No: WAD6028/98  
Status: Registered and Active  
Date Filed: 07/05/99  
In mediation: Yes  
Notification Status: Complete

#### C. Native Title Claim

Claimant Name: Nyiyaparli  
Tribunal File No: WC05/06  
Federal Court No: WAD6280/98  
Status: Registered and Active  
Date Filed: 01/09/05  
In mediation: No  
Notification Status: Complete

## SECTION 8: RISK FACTORS

As with any share investment, there are risks involved in an investment in the Company. This section identifies the major areas of risk associated with an investment in BC Iron, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed. Potential investors should read the entire Prospectus and consult their professional advisor before deciding whether to apply for Shares.

### 8.1 Economic and Government Risks

#### 8.1.1 Investment Risk

The Shares to be issued pursuant to this Prospectus should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or as to the market value of the Shares. The prices at which an investor may be able to trade the Shares may be above or below the Offer Price paid for the Shares. While the Directors commend the Offer, prospective investors must make their own assessment of the likely risks and determine whether an investment in BC Iron is appropriate to their own circumstances.

#### 8.1.2 Share Market

Share market conditions may affect the listed securities regardless of the operating performance of the Company. Share market conditions are affected by many factors, such as:

- general economic outlook;
- movements in, or outlook on, interest rates and inflation rates;
- currency fluctuations;
- commodity prices fluctuations;
- changes in investor sentiment towards particular market sectors;
- the demand for, and supply of, capital;
- terrorism and other hostilities; and
- other factors beyond the control of the Company.

Investors should recognise that once the Shares are listed on ASX, the price of the Shares may fall as well as rise. Many factors will affect the price of the Shares including local and international stock markets, movements in interest rates, economic conditions and investor sentiment generally. In addition, recent world events have affected the price of shares in various sectors. Such events are unpredictable and their impact on the individual companies or markets is beyond the control of the Company.

#### 8.1.3 Commodity Price and Exchange Rate Risk

As the Company's potential earnings will be largely derived from the sale of bulk mineral commodities, the Company's future revenues and cash flows will be impacted by changes in the prices of these commodities. Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include current and expected future supply and demand, forward selling by producers, production cost levels in major metal producing centres as well as macroeconomic conditions such as inflation and interest rates.

Furthermore, the international prices of most commodities are denominated in United States dollars while the Company's cost base will be in Australian dollars. Consequently changes in the Australian dollar exchange rate will impact on any potential future earnings of the Company. The exchange rate is affected by numerous factors beyond the control of the Company, including interest rates, inflation and the general economic outlook.

#### 8.1.4 Economic Factors and Government Risks

The future viability of the Company is also dependent on a number of factors affecting performance of all industries, including, but not limited to, the following:

- general economic conditions in Australia and its major trading partners;
- changes in Government policies, taxation and other laws;
- the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the commodities (resources) sector;
- movement in, or outlook on, interest rates and inflation rates; and
- natural disasters, social upheaval or war in Australia or overseas.

### 8.2 Exploration, Development, Mining and Processing Risks

Mineral exploration, project development and mining contain elements of significant risk. The future success of the Company, like all resource exploration and mining companies will be heavily dependent upon a number of factors many of which are beyond the control of the Company. Such risk factors include:

- maintenance of tenure and access to the Company's tenements and the granting of any mining tenement applications or other approvals required for the conduct of exploration and mining activities;

## SECTION 8: RISK FACTORS (cont)

- reliance on key personnel, including the Directors, and ongoing access to competent management and technical personnel;
- the discovery and exploitation of economically recoverable ore reserves on the Company's tenements or any other tenements that may be acquired in the future;
- finalisation of bankable feasibility studies and access to adequate project development capital on acceptable terms;
- financial failure or default by a participant in any joint venture or other contractual relationship to which the Company is, or may become, a party;
- the ability to negotiate acceptable treatment agreements with respect to various mining and milling alternatives;
- obtaining consents and approvals necessary for the conduct of exploration and mining;
- mechanical failure or breakdown of mining or drilling plant and equipment or mine structure resulting in significant delays;
- adverse weather conditions, accidents or industrial disputes over a prolonged period adversely affecting mining and exploration activities and the earning of revenues; and
- adverse changes in government policies or legislation affecting mining and exploration activities.

### 8.3 Native Title

The Native Title Act 1993 (Cth) recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. The risks arising because of native title and aboriginal land rights may affect the Company's ability to gain access to prospective exploration areas to obtain production titles. Compensatory obligations may be necessary in settling native title claims lodged over any of the tenements held or acquired by the Company. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company.

A discussion of the possible impact of native title on the Company's tenements is included in the Solicitor's Report in Section 7 of this Prospectus.

### 8.4 Environmental Risks

The Company's projects are subject to State and Federal laws and regulations regarding environmental matters. Many of the activities and operations of the Company cannot be carried out without prior approval from and compliance with all relevant authorities. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws.

### 8.5 Risks Specific to the Company

There are also a number of specific risks associated with the Company which may adversely affect the Company's financial position, prospects and price of its listed securities. In particular, the Company is subject to risks relating to the exploration and development of mineral properties which are not generally associated with other businesses. Under the terms of the farm in agreements discussed in the Solicitors Report in Section 7 the Company is required to spend \$572,250 by 31 March 2007 to earn a 100% interest in the Nullagine Project tenements. The risks set out in this section may adversely impact on the Company's ability to meet this timeframe.

Set out below are specific risks that may adversely affect the Company.

#### 8.5.1 Operational and Technical Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- geological conditions;
- limitations on activities due to seasonal weather patterns and cyclone activity;
- alterations to joint venture programs and budgets;
- the availability of drilling rigs and other machinery in Western Australia necessary for the Company to undertake its activities;
- unanticipated operational and technical difficulties encountered in survey, drilling and production activities;
- mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; and
- prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals (including clearance of work programs pursuant to the existing, and any future access agreements entered into with future registered Aboriginal Land Council and the Native Title claimants).

#### **8.5.2 Title, Environmental Bonds & Conditions**

All mining tenements which the Company may acquire either by application, sale and purchase or farm-in are regulated by applicable state mining legislation. There is no guarantee that applications will be granted as applied for. Various conditions may also be imposed as a condition of grant. In addition the relevant minister may need to consent to any transfer of tenement to the Company.

The Western Australian Department of Industry and Resources from time to time reviews the environmental bonds that are placed on tenements. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company.

#### **8.5.3 Resource Estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans altered in a way which could impact adversely on the operations of the Company.

#### **8.5.4 Exploration Costs**

The exploration costs of the Company described in Section 2 of this Prospectus are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

#### **8.5.5 Agreements with Third Parties**

The Company is a party to a number of agreements with third parties. If the Company is unable to satisfy the conditions precedent or otherwise defaults in its obligations under those agreements, the Company's interest in the relevant subject matter may be jeopardised. In addition, the current tenement holders may be required to maintain the tenements in good standing pending resolution of the outstanding matters. If those parties default in their obligations the standing of the tenements may be adversely affected.

## SECTION 9: ADDITIONAL INFORMATION

### 9.1 Incorporation

The Company was incorporated on 10 July 2006.

### 9.2 Legal Proceedings

The Directors are not aware of any litigation of a material nature pending or threatened which may significantly affect BC Iron.

### 9.3 Rights Attaching to Shares

#### General

The Shares to be issued pursuant to this Prospectus are ordinary fully paid shares and will as from their allotment rank equally in all respects with all existing ordinary fully paid shares in the Company. The rights attaching to the Shares arise from a combination of the Company's Constitution, the Corporations Act, the ASX Listing Rules and general law. A copy of the Company's Constitution is available for inspection during business hours at its registered office.

A summary of the more significant rights is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders. To obtain such a statement, persons should seek independent legal advice.

#### Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands and, upon a poll, one vote for each Share held by the Shareholder and, for each partly paid share held, a fraction of one vote equal to the proportion which the amount paid up bears to the amounts paid or payable on that share. In the case of an equality of votes, the chairperson has a casting vote.

#### Dividends

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.

#### Winding up

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of Shares, on a winding up of the Company any surplus must be divided among the Shareholders of the Company in the proportion which the amount paid on the Shares bears to the total amount paid and payable on the Shares of all Shareholders of the Company.

#### Transfer of Shares

Generally, shares are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, ASTC Settlement Rules, the ACH Clearing Rules and the Corporations Act. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules, the ACH Clearing Rules or under the Company's Constitution.

#### Directors

The Constitution and the ASX Listing Rules contain provisions relating to the rotation and election of Directors.

#### Shareholder Liability

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

### **Further Increases in Capital**

Subject to the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules, the ACH Clearing Rules and any rights attached to a class of shares, the Company (under the control of the Directors) may allot and issue shares and grant options over shares on any terms, at any time and for any consideration as the Directors resolve.

### **Variation of Rights Attaching to Shares**

Subject to the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules, the ACH Clearing Rules and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.

### **General Meeting**

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the ASX Listing Rules.

## **9.4 Terms and Conditions of Options**

As at the date of this Prospectus, the Company has on issue 3,250,000 Options to the non-executive Directors and the Managing Director and will upon completion of the Offer issue up to a further 1,000,000 Options to Carmichael Capital Markets Pty Limited ("CCM") as part of the fees payable to it as the Company's Corporate Advisor. Other than as set out in the Sub-Sections 9.4.1 to 9.4.3 (inclusive), all Options have been issued on the same terms and conditions. A summary of the common terms and conditions of the Options are as follows:

- (i) they will all be unlisted (on ASX) however if the Company's ordinary shares are quoted by ASX the Company will apply for quotation of all shares allotted pursuant to the valid exercise of Options and shares allotted upon a valid exercise will rank equally in all respects with the Company's then existing fully paid ordinary shares;
- (ii) optionholders have no right to participate in new issues of securities however the Company will provide at least 7 business days notice of any new issue before the record date for determining entitlements. In relation to bonus issues to holders of ordinary shares in the Company, the number of shares over which the Option is exercisable will be increased by the number of shares which the holder would have received if the Option has been exercised before the record date for the bonus issue;
- (iii) if prior to the expiry date of the relevant options, there is a reorganisation of the issued capital of the Company, the Options are to be treated in the same manner as set out in the Listing Rules of ASX;
- (iv) Options not validly exercised on or before the expiry date will automatically lapse;
- (v) there will be no change to the exercise price of the Option or the number of shares over which the Option is exercisable in the event of the Company's making a pro rata issue of shares or other securities for the holders of ordinary shares (other than a bonus issue).

### **9.4.1 Managing Director's Options**

Michael Young as the Managing Director has been granted 1,000,000 Options of which:

- (i) 500,000 Options may only be exercised 12 months from the date on which the Company is admitted to the Official List of the ASX and have an exercise price of 25 cents each; and
- (ii) 500,000 Options may only be exercised 24 months from the date on which the Company is admitted to the Official List of the ASX and having an exercise price of 30 cents each,

All of the Options expire on the date that is 3 years after the date on which the Company is admitted to the Official List of the ASX.

Lapse of Options - Options not validly exercised on or before the expiry date will automatically lapse.

## SECTION 9: ADDITIONAL INFORMATION (cont)

Unless otherwise determined by the Board, if the grantee (being Mr Young) ceases to be an employee or contractor of the Company then:

- (i) if the grantee ceases to be an employee/contractor for any reason other than a Specified Reason (as defined below), any such Options held by such grantee will automatically lapse; and
- (ii) if the grantee ceases to be an employee/contractor for a Specified Reason, such grantee may exercise any such Options held by him or her within:
  - a. 3 months of the date of (as the case may be) Retirement, Redundancy, death or Total and Permanent Disablement; or
  - b. such longer period as the Board determines, subject to the Board, in its absolute discretion, reducing, waiving or varying the exercise Conditions applying to those Options so that those Options may be exercised. Options not exercised within 3 months or the longer period determined by the Board, will automatically lapse.

Unless otherwise determined by the Board, if a grantee ceases to be an employee/contractor at any time after an Option is or has become exercisable, then:

- (i) if the grantee ceases to be an employee/contractor for any reason other than a Specified Reason, such Employee/contractor, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
  - a. 1 month of ceasing to be an employee/contractor; or
  - b. such longer period as the Board determines, and any Options the subject of this clause not exercised within 1 month or the longer period determined by the Board, will automatically lapse; and
- (ii) if an employee/contractor ceases to be an employee/contractor for a Specified Reason, such employee/contractor, or if appropriate, his or her Permitted Nominee is entitled to exercise any such Option at any time prior to its expiry date.

A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an employee/contractor shall (in the absence of manifest error) be conclusive for the purposes of the this condition, both as to such occurrence and the reason for such occurrence and the date of such occurrence.

Subject to the terms herein, if at any time prior to the expiry date of any Options a Holder dies, the deceased Holder's Legal Personal Representative may:

- (i) elect to be registered as the new Holder of the deceased Holder's Options;
- (ii) whether or not he or she becomes so registered, exercise those Options in accordance with and subject to these terms and conditions as if he were the Holder of them; and
- (iii) if the deceased Holder had already given the Company a notice of exercise of his or her Options, pay the Exercise Price in respect of those Options.

"Specified Reason" means Retirement, Total and Permanent Disablement, Redundancy or death.

### 9.4.2 Non Executive Director's Options

The Company has issued 750,000 Options to Anthony Kiernan in his capacity as Chairman and 500,000 Options to each of Terry Ransted, Garth Higgs and Steven Chadwick as Non Executive Directors, all of which Options have an exercise price of 25 cents each and all of which expire on the date that is 3 years after the date on which the Company is admitted to the Official List of the ASX. These Options are not transferable.

### 9.4.3 Corporate Advisor's Options

The Company has agreed to grant up to 1,000,000 Options to CCM of which 500,000 Options are subject to the Company raising the Minimum Subscription of \$5,000,000 and a further 500,000 Options subject to the Company raising the Maximum Subscription of \$6,000,000. The Options, upon issue, will have an exercise price of 25 cents each and will expire on the date that is 3 years after the date on which the Company is admitted to the Official List of the ASX. These Options are not transferable.



## 9.5 Directors' Interests

Except as disclosed in this Prospectus, no Director or proposed Director holds, or during the last 2 years before lodgement of this Prospectus with ASIC has held an interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director or proposed Director to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

### *Shareholding Qualifications*

The Directors are not required to hold any shares in the Company under the Constitution of the Company.

### *Directors' Holdings*

Set out in the table below are details of Directors' interests and their related parties in the securities of the Company as at the date of this Prospectus:

<b>Interests</b>	<b>Number of Shares</b>	<b>Number of Options</b>
Anthony Kiernan – <i>Chairman</i> : Non Executive	0	750,000
Mike Young – Managing Director	0	1,000,000
Terry Ransted – <i>Director</i> : Non Executive	0	500,000
Garth Higgs – <i>Director</i> : Non Executive	0	500,000
Steven Chadwick – <i>Director</i> : Non Executive	0	500,000
<b>Total</b>	<b>0</b>	<b>3,250,000</b>

The terms and conditions of the Options issued to the Directors are summarised in Section 9.4.

Directors intend to apply for Shares under the Offer. Garth Higgs is an employee of CSM which holds 15 million Shares and Terry Ransted is a consultant to Alkane which holds 9 million Shares.

### *Remuneration of Directors*

The constitution of the Company provides that the Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting. This aggregate maximum sum is currently \$400,000 although current Directors fees are set at \$155,000 pa. For the current financial year ending 30 June 2007 it is expected that the Directors' fees will collectively not exceed \$100,000.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

### *Related Party Transactions*

As at the date of this Offer Alkane holds 9,000,000 Shares in the Company and Consolidated Minerals holds 15,000,000 Shares. By virtue of this shareholding and the fact Garth Higgs (a Director of BC Iron) is an employee of Consolidated Minerals and Terry Ransted (a Director of BC Iron) is a consultant to Alkane, the Directors consider each of Alkane and Consolidated Minerals, as at the date hereof, to be related parties.

As noted elsewhere in this Prospectus and as summarised in the Solicitor's Report in Section 7 each of Alkane and Consolidated Minerals are parties to agreements with BC Iron in relation to the Company's right to earn a 100% interest in the Nullagine Project tenements.

### *Director Indemnity Deeds*

The Company has entered into Director Indemnity Deeds ("Deed") with each Director. Under the Deed, the Company indemnifies each Director to the maximum extent permitted by law against legal proceedings, damage, loss, liability, cost, charge, exchange, outgoing or payment suffered, paid or incurred by the Director in connection with the Director being an officer of the Company, or a breach by the Company of its obligations under the Deed. The deeds require the Company to have in place indemnity insurance and also provide the directors with access to the Company records after they cease to be a Director.

## SECTION 9: ADDITIONAL INFORMATION (cont)

### 9.6 Material Agreements

A summary of the material agreements to which the Company is a party which affect the mining tenements in which the Company has an interest are summarised in the Solicitor's Report in Section 7.

All other agreements which may be material in terms of the Offer or the operation of the business of the Company are summarized below.

#### 9.6.1 The Managing Director Employment Agreement ("Employment Agreement")

On 2 November 2006 the Company entered into an Employment Agreement with Michael Young. Pursuant to the Employment Agreement Mr. Young is appointed as the Managing Director and Chief Executive Officer of the Company for a term of two years. The Employment Agreement is subject to the Company being admitted to the Official List of the ASX on or before 31 December 2007 or any other such date as may be agreed between the parties.

As Managing Director and Chief Executive Officer of the Company, Mr. Young is responsible for the day to day operations of the Company and ensuring among other things that the Company complies with the Listing Rules upon being admitted to the Official List of the ASX.

Pursuant to the Employment Agreement Mr. Young will be paid \$220,000 per annum (inclusive of superannuation) and he will be issued 1,000,000 options over ordinary shares in the Company. The options will be issued on the terms and conditions referred to in section 9.4.1. Mr. Young's annual remuneration will be reviewed on or before 30 December 2007 and thereafter on 1 July each year.

During the term of his employment Mr. Young cannot directly or indirectly be concerned or interested with any entity, undertaking or activity which:

- competes with the Company;
- causes Mr. Young to fail to properly and diligently discharge his duties, obligations and responsibilities under the Employment Agreement; or
- creates a conflict between the interests of the Company and Mr. Young.

The Company has the right to terminate the Employment Agreement upon giving 6 months notice to Mr. Young. If the Employment Agreement is terminated, Mr. Young will not be able to utilise any of the Company's confidential information; or solicit any person who was an employee or director of the Company for a period of 24 months from the date of termination of the Employment Agreement.

The Employment Agreement otherwise contains terms and conditions which are considered standard in an agreement of this type.

#### 9.6.2 DJ Carmichael Mandate Agreement ("Mandate Agreement")

On 31 October 2006 the Company entered into a Mandate Agreement with DJ Carmichael. Pursuant to the Mandate Agreement, DJ Carmichael agreed to act as Sponsoring Broker to the Issue. As Sponsoring Broker to the Issue, DJ Carmichael will use its best endeavours to place the Shares offered.

A fee of \$40,000 (exclusive of GST) is payable by the Company to DJ Carmichael in consideration of DJ Carmichael acting as Sponsoring Broker to the Issue. A placement fee is also payable to DJ Carmichael by the Company, being 5% of the funds raised.

The Mandate Agreement is conditional upon the Company giving DJ Carmichael a first right of refusal to act as lead manager on any capital raising undertaken by the Company for a period of 12 months from the date the Company is admitted to the Official List of the ASX.

The Mandate Agreement otherwise contains terms and conditions which are considered standard in an agreement of this type.

#### 9.6.3 Carmichael Capital Markets Pty Limited Corporate Advisory Agreement ("Corporate Advisory Agreement")

On 31 October 2006 the Company entered into a Corporate Advisory Agreement with Carmichael Capital Markets Pty Limited ("CCM"). This Corporate Advisory Agreement supersedes the earlier agreement dated 29 March 2006. Pursuant to the Corporate Advisory Agreement CCM agreed to act as project manager to the Issue.

As project manager to the Issue, CCM has coordinated the Issue with the Company. Pursuant to the Corporate Advisory Agreement, CCM agreed to provide corporate advisory services and other services to the Company in association with the proposed IPO and listing on the ASX. CCM has assisted in the structuring

of the Company, the engagement of consultants and has provided assistance in identifying and securing appropriate board members and management.

In consideration of the services provided by CCM, CCM has been paid a monthly corporate advisory fee of \$12,500 for a period of five and a half months ending in October 2006.

In addition the Company will grant CCM up to 1,000,000 options over ordinary shares in the Company as consideration for its services as project manager to the Issue. The options will be issued on the terms and conditions referred to in section 9.4.3.

The Corporate Advisory Agreement otherwise contains terms and conditions which are considered standard in an agreement of this type.

## 9.7 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of shares in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Public Application Form. If you have not, please email the Company at [info@bciron.com.au](mailto:info@bciron.com.au) and the Company will send to you, free of charge, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept a Public Application Form from a person if it has reason to believe that when that person was given access to the electronic Public Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application monies received will be dealt with in accordance with section 722 of the Corporations Act.

## 9.8 Interests of Named Persons

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

DJ Carmichael has acted as Sponsoring Broker to this Issue. Total fees payable to DJ Carmichael in relation to this Prospectus will be a minimum of \$290,000, being 5% on the Minimum Subscription amount plus a sponsoring broker fee of \$40,000 and a maximum of \$340,000, being 5% of the Maximum Subscription plus a sponsoring broker fee of \$40,000. DJ Carmichael will be responsible for payment of any third party commissions in respect to applications accepted by the Company.

CCM has acted as Corporate Advisor to this Issue and has prepared this Prospectus. Total fees payable to CCM in relation to corporate advice and this Prospectus are approximately \$68,750. CCM will be entitled to be issued 500,000 Options upon the Company achieving Minimum Subscription and a further 500,000 Options upon achieving Maximum Subscription. The terms and conditions of these Options are set out in Section 9.4.

Price Sierakowski has prepared the Solicitor's Report included in Section 7 of this Prospectus. Price Sierakowski has also acted as solicitors to the Offer and in that capacity have been involved in undertaking due diligence enquiries in relation to the legal matters and providing legal advice to the Company in relation to the Offer. The Company will pay approximately \$57,000 to Price Sierakowski for these services.

RSG Global Consulting Pty Ltd has prepared the Independent Geologist's Report included in Section 5 of this Prospectus. In respect of this work the Company has agreed to pay approximately \$30,000 for these services.

## SECTION 9: ADDITIONAL INFORMATION (cont)

Horwath Securities (WA) Pty Ltd have prepared the Investigating Accountant's Report included in Section 6 of this Prospectus. In respect of this work the Company will pay approximately \$6,000.

Horwath Audit (WA) Pty Ltd are acting as auditors to the Company. For the audit for the year ended 30 June 2007 the Company will pay approximately \$3,000 for auditing and related services.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

### 9.9 Consents

Each of the parties referred to in this Section:

- (a) has given its consent in accordance with the Corporations Act which has not been withdrawn as at the date of lodgement of this Prospectus with the ASIC;
- (b) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and;
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

DJ Carmichael has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as Sponsoring Broker to the Offer in the form and context in which it is included, together with all references to it in this Prospectus. DJ Carmichael has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the references to it.

CCM has given, and has not before lodgement of this Prospectus withdrawn, its written consent to be named in this Prospectus as Corporate Advisor in the form and context in which it is included, together with all references to it in this Prospectus. CCM has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the references to it.

Price Sierakowski has given its written consent to the inclusion in this Prospectus of its Solicitor's Report and all statements referring to the report in the form and context in which they are included and to being named as the solicitors to the Offer, and have not withdrawn such consent before lodgement of this Prospectus with the ASIC.

RSG Global Consulting Pty Ltd has given and as of the date hereof, has not withdrawn its written consent to being named in this Prospectus as the independent geologist to the Company upon the BC Iron assets and to the inclusion in this Prospectus of its Independent Geologist's Report upon the BC Iron assets in the form and context in which it appears.

Howarth Securities (WA) Pty Ltd has given and as of the date hereof has not withdrawn, their written consent to be named in this Prospectus as the Investigating Accountants and to the inclusion of the Investigating Accountants Report and all statements referring to that report in the form and context in which they are included in this Prospectus.

Horwath Audit (WA) Pty Ltd has given their written consent to being named as auditors of the Company and have not withdrawn such consent before lodgment of this Prospectus with the ASIC.

Advanced Share Registry Services has not been involved in the preparation of this Prospectus and references to them appear for information purposes only.

## 9.10 Expenses of the Offer

The total estimated costs of the Issue, including legal fees incurred, registration fees, fees for other advisers, Prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately \$600,000 (exclusive of any goods and services tax which may be payable on that amount) comprising the following: (\$)

	<b>Minimum</b>	<b>Maximum</b>
Corporate Advisers Fees	\$ 68,750	\$ 68,750
Brokers Fees and Commission	\$ 290,000	\$ 340,000
Independent Geologist's Report	\$ 30,000	\$ 30,000
Investigating Accountant's Report and related costs	\$ 6,000	\$ 6,000
Legal and related costs	\$ 57,000	\$ 57,000
Lodgment and Listing fees	\$ 36,014	\$ 36,811
Administration and Printing and other costs	\$ 62,236	\$ 61,439
<b>Total</b>	<b>\$ 550,000</b>	<b>\$ 600,000</b>

TOTAL COST

## 9.11 Restricted Securities

The ASX may classify certain existing Shares on issue in the Company (as opposed to those to be issued under this Prospectus) as being subject to the restricted securities provisions of the Listing Rules. If so classified, such Shares would be required to be held in escrow for a period determined by the ASX and would not be able to be sold, mortgaged, pledged, assigned or transferred for that period without the approval of the ASX.

## 9.12 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above.

## 9.13 Forecasts

BC Iron is an exploration company with intention to become a minerals producer in the medium term. Given the speculative nature of exploration, mineral development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts cannot be prepared and accordingly have not been included in this Prospectus.

## 9.14 Privacy Disclosure Statement

The Company receives information about each Applicant from the Public Application Form and the Priority Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting a Public Application Form or Priority Application Form, each Applicant agrees that the Company may use the information in the Public Application Form or Priority Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, (including mailing houses), the ASX, ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Public Application Form or the Priority Application Form, the Company may not be able to accept or process your Application.

## SECTION 9: ADDITIONAL INFORMATION (cont)

### 9.15 Directors' Responsibility Statement and Consent

The Directors have made all reasonable enquiries and on that basis have reasonable grounds to believe that statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in the Prospectus in the form and context in which they are included, and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn his consent.

Dated this day 8 November 2006



**Signed for and on behalf of BC Iron Limited**

By Anthony Kiernan  
Chairman

## SECTION 10: DEFINED TERMS

The following definitions apply throughout this document unless the context requires otherwise.

### **S**

Australian dollars. All amounts in this Prospectus are in Australian dollars unless stated otherwise.

### **Alkane**

Alkane Exploration Ltd ACN 000 689 216

### **Application Monies**

The amount of money in dollars and cents payable for Shares at 25 cents per Share pursuant to this Prospectus.

### **Applicant(s)**

Person(s) who submit valid Public Application Forms or Priority Application Forms pursuant to this Prospectus.

### **Application**

Application for Shares using the Public Application Form or Priority Application Form pursuant to this Prospectus.

### **ASIC**

Australian Securities and Investments Commission.

### **ASTC**

ASX Settlement and Transfer Corporations Pty Ltd.

### **ASX**

Australian Stock Exchange Limited.

### **ASX Listing Rules**

The listing rules of ASX.

### **Board**

The board of Directors of the Company.

### **Business Day**

A day on which the ASX is open for trading or as defined in the Listing Rules

### **CCM**

Carmichael Capital Markets Pty Limited

### **CHESS**

ASX Clearing House Electronic Sub-register System.

### **Closing Date - Priority Offer**

5pm Western Standard Time on 1 December 2006.

### **Closing Date - Public Offer**

5pm Western Standard Time on 8 December 2006.

### **Company or BC Iron**

BC Iron Limited ACN 120 646 924

### **Consolidated Minerals or CSM**

Consolidated Minerals Limited ACN 000 727 926

**SECTION 10: DEFINED TERMS (cont)****Corporations Act**

Corporations Act 2001 (Cth).

**DJ Carmichael**

DJ Carmichael Pty Limited ACN 003 058 857

**Directors**

The Directors of the Company.

**Electronic Prospectus**

An electronic version of this Prospectus.

**Eligible Alkane Shareholder**

As determined by the board of Alkane, any Alkane shareholder who is the registered holder of at least 10,000 fully paid ordinary shares in the issued capital of Alkane as at 5pm WST on 15 November 2006.

**Exposure Period**

The period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

**GST**

Goods and Services Tax in accordance with the 'A New Tax System (Goods and Services Tax) Act 1999 (cth)

**Issue**

The issue of Shares in accordance with this Prospectus.

**IPO**

The initial public offering by the Company pursuant to this Prospectus.

**JORC and JORC Code**

The 2004 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code) as prepared and amended from time to time by the Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia.

**Maximum Subscription**

The maximum amount which may be raised by this Prospectus of \$6,000,000 from the issue of 24,000,000 shares.

**Minimum Subscription**

The minimum amount that may be raised by this Prospectus of \$5,000,000 from the issue of 20,000,000 shares.

**Nullagine Project**

Means E46/522-524 (inclusive), E45/2552, E45/2717, E46/651-658 (inclusive) and E46/663

**Offer**

The Public Offer and the Priority Offer.

**Offer Price**

25 cents per share.

**Official Quotation**

The same meaning as in the ASX Listing Rules

**Official List**

The official list of ASX.

**Opening Date - Priority Offer**

5pm Western Standard Time on 16 November 2006.



**Opening Date - Public Offer**

5pm Western Standard Time on 15 November 2006.

**Option**

An option granted by the Company to subscribe for Shares on the terms and conditions set out in Section 9.4.

**Priority Application Form**

The Priority Application Form (yellow) which is attached to or accompanies this Prospectus.

**Priority Offer**

The offer of up to 12,000,000 Shares to Eligible Alkane Shareholders pursuant to this Prospectus.

**Prospectus**

This Prospectus dated 8 November 2006 including the Electronic Prospectus.

**Public Application Form**

The Public Application Form (white) which is attached to or accompanies this Prospectus.

**Public Offer**

The offer of 12,000,000 shares to public investors pursuant to this Prospectus and the offer of any Shares not applied for pursuant to the Priority Offer.

**Randolph Resources Syndicate**

The Randolph Resources Pty Ltd ACN 009 082 633, Mark Emmerson Barley, Timothy Simon Blake, Albert Edward Mitchell, Bruce Walter Menzel and Denis William O'Meara.

**Share**

A fully paid ordinary share in the capital of the Company.

**Shareholder**

A holder of Shares

**Share Registry**

Advanced Share Registry Services

**SCH Business Rules**

The same meaning as in the Corporations Act.

**Section**

A section of this Prospectus.

**Sponsoring Broker**

DJ Carmichael Pty Limited ACN 003 058 857

**WST**

Local time in Perth Western Australian.

**XRF**

X-Ray Fluorescence

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## PUBLIC APPLICATION FORM

This Application Form relates to a Prospectus dated 8 November 2006 for the issue of 24,000,000 Shares issued at 25 cents each to raise \$6,000,000.

Please read all instructions on reverse of this form.

### A NUMBER OF SHARES APPLIED FOR

(minimum 8,000 and then multiples of 1,000 Shares)

at \$0.25 per Share =

A\$

### B TOTAL AMOUNT PAYABLE

cheque(s) to equal this amount

you may be allocated all of the Shares above or a lesser number.

### C FULL NAME DETAILS

Title, given name(s) (no initials) and surname or company name

Name of applicant 1

Name of joint applicant 2 or <account name>

Name of joint applicant 3 or <account name>

### E FULL POSTAL ADDRESS

Number/street

Suburb/town

State

Postcode

### G CHESS HIN (if applicable)

### H CHEQUE PAYMENT DETAILS

Please fill out your cheque details and make your cheque payable to "BC Iron Limited – Issue Account"

Drawer	Cheque number	BSB number	Account number	Total amount of cheque

- I Return of the Application Form with your cheque for the Application Monies will constitute your offer to subscribe for Shares in the Company. I/We declare that:
- this Application is completed according to the declaration/appropriate statements on the reverse of this form and agreed to be bound by the Constitution of the Company; and
  - I/we have received personally a copy of this Prospectus accompanied by or attached to the Application Form or a copy of the Application Form or a direct derivative of the Application Form, before applying for Shares.

No signature is required.

You should read the Prospectus dated 8 November 2006 carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary Prospectus (whether in paper or electronic form).

Share Registrars use only

Broker reference –  
stamp only

Broker code

Advisor Code

### D TAX FILE NUMBER(S)

Or exemption category

Applicant 1/company

Joint applicant 2/trust

Joint applicant 3/exemption

### F CONTACT DETAILS

Contact name

Contact daytime telephone  
number

Contact email address

## Guide to the BC Iron Limited Application Form

This Application Form relates to the Offer of 24,000,000 Shares in BC Iron Limited at \$0.25 per Share pursuant to the Prospectus dated 8 November 2006. The expiry date of this Prospectus is the date which is 13 months after the date of this Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable), and an Application Form, on request and without charge.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form. Further, particulars and the correct forms of registrable titles to use on the Application Form are contained below.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 8,000 Shares and thereafter in multiples of 1,000 Shares.
- B** Insert the relevant amount of Application Money. To calculate your Application Money, multiply the number of Shares applied for by the sum of \$0.25.
- C** Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of the company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as they are presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G** The Company will apply to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. On admission to CHES, the Company will operate an electronic CHES subregister of securities holdings and an electronic issuer sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to Applicants in respect of securities allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertified form on the CHES subregister, complete Section G or forward your Public Application Form to your sponsoring participant for completion of this section prior to lodgment. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to the relative section of the Prospectus.
- H** Please complete cheque details as requested:  
Make your cheque payable to "BC Iron Limited – Issue Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your application being rejected.
- I** Before completing the Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

### Correct Form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
<b>Individual</b> Use names in full, no initials	Mr John Alfred Smith	JA Smith
<b>Minor (a person under the age of 18)</b> Use the name of a responsible adult, do not use the name of a minor	John Alfred Smith <Peter Smith>	Peter Smith
<b>Company</b> Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trusts</b> Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
<b>Deceased Estates</b> Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
<b>Partnerships</b> Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

### Lodgment of Applications

Return your completed Application Form with cheque(s) attached to:

<p>By Mail:</p> <p>BC Iron Limited C/- Advanced Share Registry Services PO Box 1156 Nedlands WA 6909</p>	<p><b>OR</b> By hand delivery:</p> <p>BC Iron Limited C/- Advanced Share Registry Services 110 Stirling Highway, Nedlands WA 6009</p>
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Public Application Forms must be received by no later than 5.00pm WST on 8 December 2006.