

Boulder Steel Limited



Annual Report 2009

Focused



Management and shareholders are united in pursuit of the clear vision and objectives of the Company.

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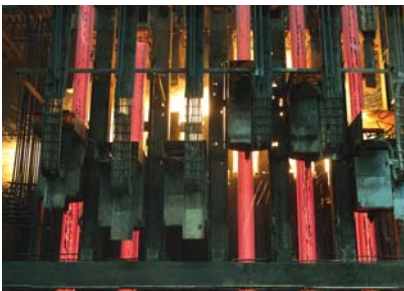
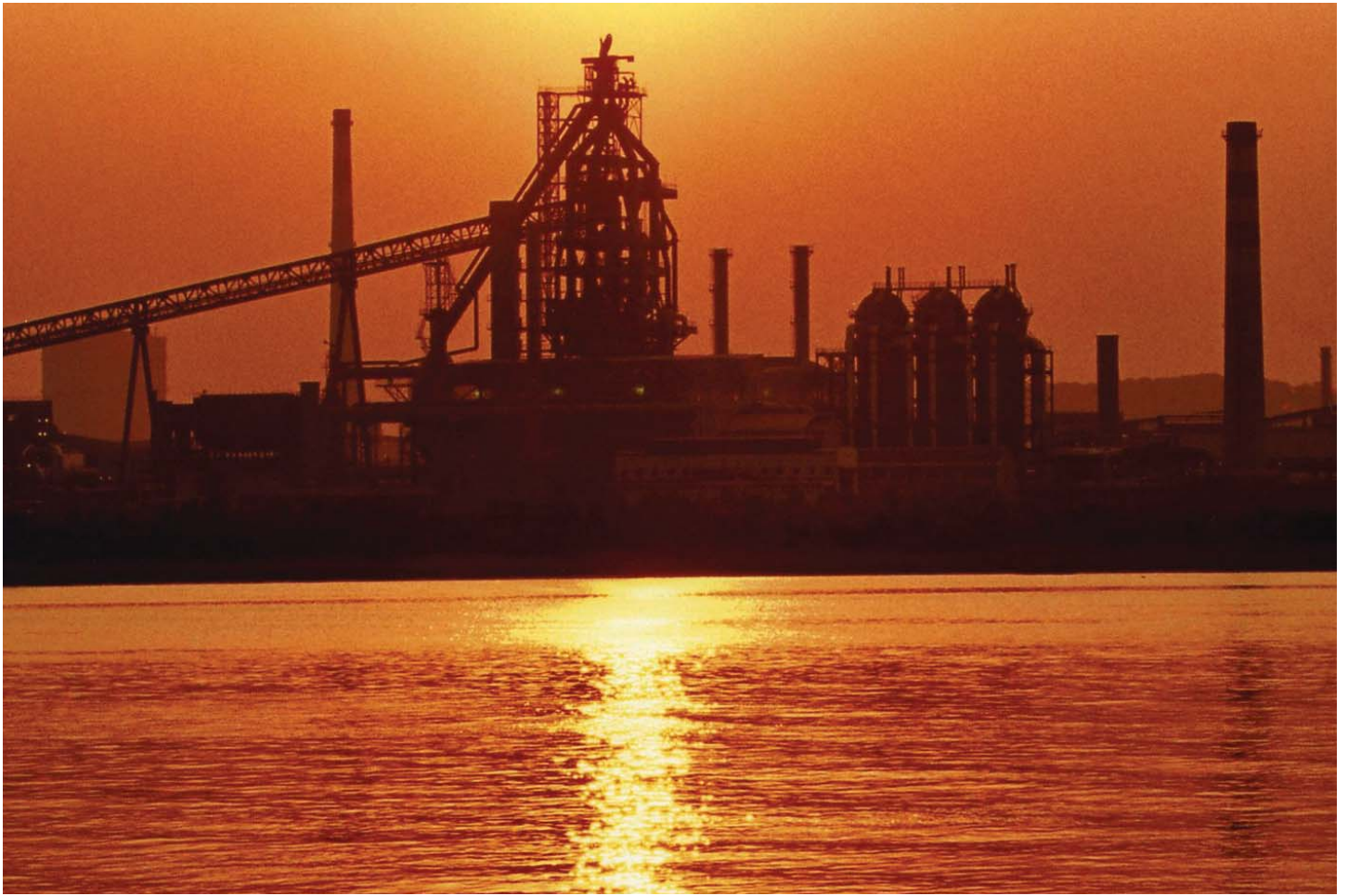
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CONTROLLING THE SUPPLY CHAIN



From Raw Materials to Finished Products

CONTROL

QUALITY

**Kingdom of
Saudi Arabia**

Markets



**Steel Processing
and Finishing**

COMPETITIVE EDGE

Low Cost Steel Production

Raw Materials

Gladstone
QLD, Australia



Mr Richard Martin, Chairman

CHAIRMAN'S REPORT

'Per aspera ad astra'

Through difficulties to the stars.

These words of Seneca the Younger (c. 4BC – 65AD) embrace the past year for Boulder. A year that started with distractions and delays, due to a shareholder dispute, finished with our Company in firm pursuit of a clear objective commencing a 'partnership of steel' with Arabia for Business Strategies LLC (ABS).

I would like to thank our operational team for their persistent efforts in pursuit of the Company's goals. Special mention goes to our Executive Director Mr Carl Moser for steadfastly upholding shareholder rights and to Dr Peter Wallner, our former CEO, of Berlin Mining and Investments Pty Ltd, for facilitating and bringing Boulder together with ABS.

Acknowledgement must also go to our many and disparate **shareholders** for coordinating and steeling themselves several times to overcome voting difficulties and almost unanimously voicing their opinion to **reaffirm the clear vision and objectives of Boulder** management, and enabling a strengthening of the Board and the operational team.

The Board and management recognise that, in order to implement the mandate of shareholders, Boulder requires a strong partner with a similar vision to achieve its goals. It therefore welcomes the **establishment of the partnership of steel with ABS**. This strategic partnership between Boulder and ABS has the firm **objective of becoming a world class steel producer** based upon the common clear vision of both partners, and is the key to driving towards increased shareholder value.

The core concepts of the vision are:

- controlling the supply chain from raw materials to end products
- locating core production close to raw materials
- locating downstream manufacturing operations where combined infrastructure, production capability and proximity to market provide the best fit.

The combination of **ABS and Boulder blends the financial strength, expertise and knowledge** of both organisations to create a number of joint ventures that complement and dovetail into each other. This will enable the partnership to control the supply chain, from raw materials to finished products, as well as achieving independence from third parties.

The strategic partnership will achieve its objective by:

- acquiring raw material assets to ensure certainty of supply and quality of materials for processing in Australia

- constructing and operating a state-of-the-art integrated iron and steel plant in Gladstone, which is designed to manufacture billets and blooms and other semi-finished steel products (the Gladstone Steel Project)
- linking the Australian operation with the key Kingdom of Saudi Arabia downstream facilities where competitively priced rail, beam and other steel products will be manufactured using value-adding rolling and finishing facilities following their construction or acquisition.

These **major investments are equally important** and complement each other, **leveraging the advantages of steel production in Australia** to form a sound basis for high quality, clean steel manufacturing. **ABS Boulder intends to achieve a leadership position in the production and supply of competitively-priced steel products** to meet the growing demand in the Kingdom of Saudi Arabia and the Middle East and North Africa region.

A successful outcome is underpinned by the implementation of our core concepts and ABS Boulder has commenced work in all key areas.

- Boulder is engaged in discussions and negotiations on a number of fronts to secure raw materials in Australia.
- The Gladstone Steel Project is to be located in close proximity to raw material sources, well developed infrastructure and utilities.
- The key rail and heavy beam plant to be constructed in the Kingdom of Saudi Arabia has already been announced and ABS Boulder presented a paper at the SBB Steel Market Middle East conference in Dubai in September this year. Further downstream processing facilities will also be located near the market and provide vital resources need for rolling and finishing operations.
- ABS Boulder is also examining other emerging steel-related opportunities throughout the Middle East.

Boulder is very **cognisant of the need to address climate change and thereby undertakes its projects in an ecologically aware manner.** Boulder has incorporated these needs into its planning and design process and aims to meet and exceed strict environmental standards, paving the way for a low carbon future with cleaner products **and sustainable processes.**

Finally we would like to thank Mr Joachim von Schnakenburg, who retired as a Director during the year, for his valuable and considerable input to Boulder during its evolution to where we are today. Boulder ends the year with a **guiding star focused on increasing shareholder value, growth and opportunity.**

Richard Martin

Chairman



Mr Carl Moser, General Manager

OPERATIONS REPORT

Ms Bligh yesterday announced the 'first big milestone' for the Boulder Steel Project.

Source: Gladstone Observer 28th August 2009

The Hon Ms Anna Bligh, Premier of Queensland, Australia

THE GLADSTONE STEEL PROJECT

One of the two core components of the ABS Boulder strategy is the Gladstone Steel Project. This important facility is to be located at Gladstone in Queensland for very good reasons. Gladstone is a major industrial and commercial hub that is home to a range of resource intensive industries. Boulder plans to develop the steel plant on land in the Aldoga precinct of the Gladstone State Development Area. The location of the plant in **Gladstone brings significant benefits to the partnership between ABS and Boulder**. The benefits include access to:

- excellent harbour and port facilities that accommodate vessels up to 220,000 tonne capacity
- world class resources of coking coals and Pulverised Coal Injection (PCI) coals
- large high-grade limestone deposits
- one of the world's largest reserves of natural gas located to the west of Gladstone
- a strong electricity grid and supplies from a 1,680 megawatt power station within 20 kilometres of the proposed '*Partnership of Steel*' plant
- plentiful fresh water supplies
- a well-trained workforce and recognised training facilities at the Central Queensland University located in the Gladstone area
- a diverse range of support companies that provide specialised maintenance and other industrial services.

The iron and steel plant will be developed in two stages. The partnership aims to be delivering the first hot metal at the Australian plant in 2013, with eventual annual production capacity reaching 5 million tonnes of semi-finished steel products.

The first stage of the project will consist of developing:

- non-recovery stamp charged coke ovens capable of producing 1 million tonnes of coke and coke breeze
- a sinter plant designed to supply the blast furnace with 90% sinter in the feed mix
- a 3,200 cubic metre blast furnace with a capacity to produce over 7,000 tonnes per day of liquid iron
- a basic oxygen furnace steelmaking shop equipped with vessels in the range of 150–200 tonnes per heat
- ladle metallurgy furnaces
- a vacuum degasser
- a billet caster and a bloom caster.

This stage will also incorporate an oxygen plant, raw material stockyards, blast furnace slag granulators and maintenance facilities.

Boulder's **operations in Gladstone will meet strict international environmental standards**, paving the way for a low carbon future and enhanced sustainability. The key environmental features of the project include the following:

- All the waste heat from the coke ovens will be converted to steam for power generation in a third party supplied power station. The power station will take all surplus gas from the blast furnace and Basic Oxygen Furnace (BOF) for power generation.
- A large proportion of the slag production will be processed for use in the local cement and construction industries.
- A majority of bag house dusts, mill scale, and other metallics will be recycled in the sinter plant.
- A significant proportion of the spent refractory will be recycled on site or returned to the refractory producers as feed.

These environmental initiatives will result in minimal amounts of materials requiring a landfill solution. Further, the water system servicing the iron and steel plant has been designed to be zero discharge, allowing for more sustainable processes.

The second stage of the project will consist of developing:

- increased production of semi finished steel products to a total of 5Mt/pa
- additional plant and equipment to increase productions of blooms and billets
- possible addition of a slab caster.

The Gladstone project has already achieved several key milestones.

- The Australian Government has declared the project as a 'non-controlled action' allowing for the simplification of the approvals process.
- The **Queensland Government has given it 'significant project' status** which streamlines the approvals process and expedites the implementation of various plans and infrastructure improvements.
- The Queensland Government has announced the **project complies with the State's rigorous ClimateQ strategy**. Currently, Boulder is following the requirements of the *State Development and Public Works Organisation (SDPWO) Act* in Queensland which governs the process for developing the Environmental Impact Statement (EIS).
- **The majority of EIS studies are well underway**, and the draft Terms of Reference (TOR) from the Queensland Department of Infrastructure and Planning have recently been released. The EIS process is expected to be completed by December 2009, with significant progress now being made towards finalisation.
- Boulder has issued inquiries by invitation to five major steel plant equipment suppliers as part of the next steps in the development of the Project.

The ABS Boulder Steel Partnership blends the financial strength, expertise and knowledge of both organisations to form a world-class steel group.

THE KINGDOM OF SAUDI ARABIA RAIL AND HEAVY BEAM STEEL MILL

Equally as important as the Gladstone Steel Project, and therefore a key element of the concept, **are the planned downstream processing facilities in the Kingdom of Saudi Arabia.**

The Letter of Intent (LOI) signed in June 2009 for the construction of a **key Rail and Heavy Beam Steel Mill** in the Kingdom of Saudi Arabia by ABS Boulder represents the first phase of joint downstream activities. This facility **will provide essential steel products for** the multi-billion **infrastructure** investments announced by the Kingdom of Saudi Arabia.

Since signing the LOI for the Rail and Heavy Beam Mill by ABS Boulder, **significant progress has been made planning and scoping the mill.** At the September 2009 SBB Steel Market Middle East conference in Dubai, Dr Sudarshan Singh, representing ABS Boulder presented a paper outlining the elements and rationale of the project.

The ABS Boulder joint venture is setting-up rail and beam steel rolling facilities in the Kingdom of Saudi Arabia for the following reasons:

- demand for expansion of railway network
- availability of fuel at low cost
- availability of power at low cost
- availability of natural gas at low cost
- moderate labour cost
- booming economy.

An expanded railway network will provide the Kingdom of Saudi Arabia with a safe and secure mode of transportation that makes it easier for the freight of bulk quantities plus heavy and long parts for industry. It will also provide a relatively cheap and fast mode of transport for Hajj pilgrims.

The mill is planned to have a capacity of 500,000 tonnes per annum and be located in the industrial city of Jubail in the Eastern Province of the Kingdom of Saudi Arabia. It is intended to use state-of-the art universal rolling technology for the rails because this provides:

- high production capacity
- high yield
- superior section control
- working on all four sides by:
 - universal rolling process
 - improving the physical and mechanical properties
- longer rails to meet market demand
- low conversion cost.

The product mix will be made up of 200,000 tonnes per annum of rails and 300,000 tonnes per annum of heavy beams.

Assessment of world rail production projections indicate that in 2011 world plant capacity will amount to 6.8 million tonnes, with a production forecast of 5.7 million tonnes, comprising 3.9 million tonnes of railway tracks and 1.8 million tonnes of rails for cranes and other applications.

The world production of rails constitutes 0.45% of total crude steel production, of which railways form 68% and other purposes 32% of total rails production. The market for rails is analysed by the following main product segments: railways, cranes and other. Users are looking for rail to have high strength and/or wear resistant qualities.

In conclusion, the ABS Boulder assessment found that a rail mill plant in the Middle East region is a necessity because of:

- favourable conditions for industry due to:
 - low taxes on imports
 - less bureaucracy
 - low power and gas costs
 - deep-water ports
 - supportive from local governments for industrialisation.
- a boom in the industrial sector in the region
- plentiful local capital looking for local investment opportunities
- a rail network in the region providing a major facility for the Hajj pilgrims
- the absence of a Rail Mill Plant in the region
- railroad being the most economical mode of transport for goods as well as passengers.

EFS epitomises a quality downstream steel finishing business located close to important markets.

EURO FORMING SERVICES GMBH

Boulder's investment in Euro Forming Services GmbH (EFS) (50% owned) in Europe **epitomises a quality downstream steel** forging and forming **business** located close to its important markets. EFS is an ISO 9001 TS quality accredited supplier using unique and innovative technology to supply components to the elite of the automotive and aircraft industries of Europe. EFS parts contribute to safer, lighter and more ecologically friendly automobiles.

EFS commenced business in 1999 and acquired the Bitburg, Germany facility in 2001, receiving ISO accreditation in 2002. In 2007 the business demanded expansion into a second facility in Heiligenkreuz, Austria near the Hungarian boarder. These facilities utilise the latest innovative robotic technology from Gesellschaft für Umformtechnik und Maschinenbau mbH to supply products of unique design, quality and tolerances.

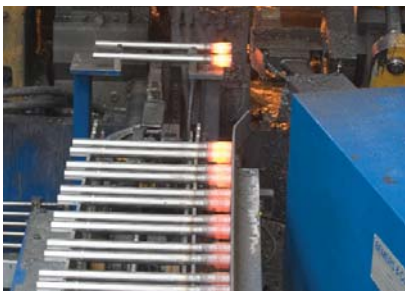
At this stage EFS has accumulated an **impressive customer base of peak German and international automotive and industrial component makers** including Autoliv, Continental, DAF, Daimler Benz, Porsche, Audi, MAN, ZF, Hydac and Walther. Through Hydac, EFS supplies hydraulic aircraft cylinders to Airbus Industries. EFS supplies its customers in the automotive industry with a broad range of build to order products that include airbag cylinders, shock absorber tubes, truck and trailer axles, gearbox flanges, camshafts, truck mudguard mounts. Apart from its core automotive business EFS also produces mechanical and engineering tubing for a wide range of industrial applications.

This last twelve months has seen EFS meet the challenges of the world financial crisis and downturn in the automotive industry, experiencing a one-third fall in revenue for the six months to June 2009 (€4,003,033), compared with the same period a year earlier (€6,059,753). EFS management undertook restructuring activities at both its Bitburg facility and the newly commenced Heiligenkreuz plant, which also experienced delays with a major contract.

Since taking these measures EFS has completed financing arrangements for the Austrian plant expansion with its bankers to provide for its existing production contracts and two new customers in the luxury segment of the European car market.

Both EFS facilities are operating ahead of budget since the 30th June 2009 without delays in any projects.

QUALITY, LIGHT WEIGHT, HIGH STRENGTH



Made to Order Components for the Automotive Elite and Aircraft Industries

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DIRECTORS' REPORT

Review of Operations

Your Directors submit their report for the year ended 30 June 2009.

The Company reported a loss of \$7,851,285 for the year ended 30 June 2009 (\$11,704,661 loss in 2008). Three major factors contributed to the result. They were as follows:

- The equity share of loss for Euro Forming Services GmbH (EFS) of \$2,362,417 (\$58,848 profit in 2008) reflected the downturn in the European automotive component market due to the global financial crisis and the start-up costs of the new factory located in Austria. The one-off costs incurred as a result of these factors were brought to account by EFS during the period.
- A provision for impairment to the UAE Seamless Tube Project (Sharjah) of \$3,260,000 reflected the economic circumstances in the UAE market.
- The dispute with Falak Holding LLC resulted in one-off payments for consulting fees and staff costs amounting to \$2,300,000 during the year.

Following the disruption and delay brought about by the dispute with Falak Holding LLC, the Company focused upon its core objectives and made significant progress during the year to 30 June 2009. This included:

- The signing of the Memorandum of Understanding with Arabia for Business Strategies LLC (ABS) for the establishment of a strategic partnership that blends the financial strength, expertise and knowledge of both organisations to form a world-class steel group. The group will integrate raw materials, semi-products and downstream products in a complementary manner focused upon delivering quality steel products to the Kingdom of Saudi Arabia and the Middle East and North Africa region in a cost effective manner.
- Advancing the pivotal Gladstone Steel Project in the Aldoga Precinct of the Gladstone State Development Area. The eventual production capacity of the plant will be 5 million tonnes per annum of cast steel billets and blooms and other semi-finished products to supply the equally important downstream process facilities of ABS Boulder in the Kingdom of Saudi Arabia.

The management of EFS has undertaken necessary operational restructuring at both its German and Austrian facilities to counter the effects of the economic environment and has secured significant contracts which are projected to bring the company back to profitability during the second half of the 2009 calendar year.

The UAE project is currently being reassessed in order to achieve the best possible outcome for the Company's shareholders as far as the Sharjah property is concerned.

Directors

The names, qualifications, experience and special responsibilities of the Company's Directors in office during the financial year and until the date of this report are as follows. The Directors were in office for the period under review unless otherwise stated.

Mr Richard Martin B.Bus

Appointed Non-Executive Chairman of the Company 26 August 2008

Mr Martin obtained a Bachelor of Business degree with a major in accounting from Charles Sturt University in 1980. He became a Chartered Accountant in 1983 and was in public practice until 1997 with 12 years as a principal of a medium-sized Sydney practice.

Mr Martin was involved in working in the areas of accounting services and taxation across a diverse range of sectors including hospitality, oil and gas, resources and property. Since ceasing public practice in 1997, Mr Martin has worked as an Executive Director in a small investment company in Sydney, focused on property development and management.

Mr Martin has obtained extensive experience in the establishment and operation of management systems in emerging companies as well as negotiating, financing and implementing the sale and purchase of enterprises, plus ongoing control of management of operations.

Mr Martin is also a Director of Anteo Diagnostics Corporation Limited, an ASX listed company.

Responsibilities: Chairman of the Company and member of the Audit and Risk Committee and the Nomination and Remuneration Committee.

Mr Carl Ulrich Moser B.Sc, M.Sc, MAusIMM

Appointed a Director 27 March 1992

General Manager

Mr Moser obtained his Master of Science degree in Geology in 1982 from Technische Universität Munich in Germany. After arriving in Australia in 1982, he worked for various Australian mining companies and became involved in gold and mineral exploration in Australia, the Pacific and North America.

He has more than 20 years experience in corporate management and information technology. Mr Moser became General Manager in 1991, and is a Member of the Australasian Institute of Mining and Metallurgy.

Responsibilities: General Manager of the Company. Responsible for day-to-day corporate management, strategic and financial planning.

Directors Cont.

Mr Markus Buhl B.Eng

Appointed a Non-Executive Director 28 February 2009

Mr Buhl, as the third generation of his family to work in the steel industry, brings a strong heritage in steel production and sales to Boulder Steel. Mr Buhl obtained his tertiary qualifications at the highly reputable *Fachhochschule Joanneum* in Graz before he commenced his metallurgical career in Breitenfeld Edelstahl AG, in Austria. In his family tradition he gained his initial experience in the steel mill, before moving into quality control where his responsibilities included development projects working in close cooperation with companies such as Siemens and General Electric developing steels for power generation, nuclear energy and aerospace applications.

He later became Production Engineer of Breitenfeld and manager of its newly designed specialty steel mill, with responsibility for high alloy steel production at the slag re-melting facility. Subsequently, Mr Buhl was project manager supervising the extension of the Breitenfeld specialty steel operations from inception to the start of production. During this time Mr. Buhl raised production levels fourfold and fully implemented the quality management system for the plant.

Mr Buhl also has a consulting and trading business, which advises on technical matters relating to steel production as well as on marketing of steel and steel products.

Responsibilities: Chair of the Nomination and Remuneration Committee

Mr Dieter Hopf B.Comm

Appointed a Non-Executive Director 18 March 2009

Mr Hopf brings to Boulder Steel skills in accounting, finance, prudential control and project management. He has more than 20 years experience as a business economist, corporate trainer and management consultant. Mr. Hopf has over 15 years in senior management positions in private German companies and 20 years in consumer protection.

Since completing his Bachelor of Business degree at Cologne in 1986, he has been a lecturer in a broad range of economics and business related subjects at one of the largest business schools in Germany. During this period Mr Hopf was a course manager and held the role of Chairman of examination panels for the Dresden Chamber of Commerce and Industry, which is responsible for vocational training and qualification in that region.

Mr Hopf has worked as a management consultant in a number of capacities for medium-sized companies, as project manager in the areas of claim management (both in the EU and the US), IT projects, marketing, credit management and mentoring.

Responsibilities: Chair of the Audit and Risk Committee

Dr Peter Hans Wallner B.Sc, M.Sc, PhD, FAusIMM, MAIME

Former Managing Director and Deputy Chairman until 22 October 2008

Dr Wallner obtained his PhD in Geology in 1976 from Aachen University in Germany following his Master of Science in Geology from Berlin Free University. He spent five years in the Philippines where he became Vice President,

Operations with La Playa Mining Corporation, a company successful in the discovery and production of a number of metallurgical and chemical chromite deposits.

From 1981–1985 he was Chief Geologist of Little River Goldfields NL in Australia. From 1989–May 2004 he was Chairman and Chief Executive Officer of Boulder Steel Limited. For the subsequent two years he was Deputy Chairman and Joint Managing Director of Boulder Steel Limited and from 1 May 2006–22 October 2008 he was Deputy Chairman and sole Managing Director.

Since November 2008, Dr Wallner has been actively pursuing his business activities as a Director and principal of Berlin Mining and Investments Pty Ltd.

He is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the American Society for Mining, Metallurgy and Exploration and the Association of Exploration Geochemists.

Joachim Folko von Schnakenburg B.Eng, M.Eng

Former Non-Executive Director from 22 January 2002 until 28 February 2009

Mr von Schnakenburg is a German based specialist consultant on the development and market introduction of future oriented technologies for the production of specialty steels and non-ferrous long products.

Mr von Schnakenburg has more than 30 years experience in the steel industry. He previously held a number of senior positions with leading European steel and plant manufacturing companies covering key areas of development, construction, plant design, purchasing and marketing.

Mr Abdulrahman Ahmad Falaknaz

Former Non-Executive Director from 1 June 2006 until 28 November 2008, former Chairman until 26 August 2008

Mr Abdulrahman Ahmad Falaknaz was educated in Bombay, India where he obtained a Cambridge school certificate.

He joined The British Bank of the Middle East, now HSBC as a bills clerk and was promoted in 1965 to deal in foreign exchange and gold bullion and silver bullion on behalf of the bank and also was responsible for the whole balance sheet of the bank. In 1968 he left the bank to pursue other business opportunities.

He is also a board member of several sporting committees such as: Vice President of the UAE Tennis Federation, Chairman of the Dubai Cricket Council, Vice President of the Emirates Cricket Board, Board member of the UAE Olympic Committee.

Mr Theophanis Katapodis

Former Non-Executive Director from 22 October 2008 until 10 March 2009

Mr Katapodis holds a sociology degree from the University of Essex (UK), a law degree from the Northern Territory University (Australia) and is currently studying for a Laws Masters Degree at University College London (UK).

He is currently an associate partner in the Greek law firm of Theo V. Sioufas and Co. having previously held positions with Gounaris and Koukoulis Lawyers in Greece (2003 – 2005) and Spamer Laywers in Darwin, Australia (1999–2001).

Alternate Directors

Mr Alastair Stone M.Sc, D.Eng Calif

Alternate Director for Mr Katapodis from 22 October 2008 until 19 January 2009

Mr Stone has over 30 years experience in banking, economics and engineering. He has successfully initiated, implemented and participated in major projects and infrastructure deals. He has also advised various international and domestic agencies and governments, including the Asian Development Bank, World Bank, Jakarta Municipal Government, Shanghai Municipal Government, and several Australian State Governments, on private sector participation policies and strategies.

His career has covered all facets of urban affairs including senior positions with the World Bank, Lend Lease and Merrill Lynch.

Mr John Michael Mitchell

Alternate Director for Mr Falaknaz from 22 October 2008 until 28 November 2008

Mr Mitchell is an investment banker with over 40 years experience—in the 1970s he was a partner of Keith W. Halkerston & Associates. Mr Mitchell has held roles as the founding Director of Gray Eisdell Timms, Chairman of Leeton Citrus Juices (Quelch), Executive Chairman of IOL Petroleum Limited, and is active in advising on debt and equity raisings for AEA Inc (USA) and several Pacific Island nations. He is Director of Corporate Protection Services International and the Hon Consul for the Independent State of Samoa since 1995.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mr Daniel George Owen B.Comm, Dip.Hosp, AIMM

Mr Owen obtained his Bachelor of Commerce degree from the University of Wollongong in 2005.

Prior to his appointment as Company Secretary, he was responsible for a range of activities within Boulder Steel, including human resources and information technology and he was an assistant to the General Manager.

During his career, he has designed, built and operated a liquid waste treatment facility in Australia and assisted in the design and construction of environmental pollution control and monitoring equipment.

Mr Owen also holds a Graduate Diploma in ASX Listing Rules and Corporate Governance and has also obtained a Diploma in Tourism and Hospitality.

Directors' Interest in Shares and Options

Shares and Options held by Directors	Ordinary Shares	Options over Ordinary Shares
Richard Martin	56,471	936,471
Carl Ulrich Moser	9,570	5,000,000
Markus Buhl	-	-
Dieter Hopf	3,970,000	-
Peter Hans Wallner	48,500	24,755,264
Joachim Folko von Schnakenburg	62,933	2,387,067
Abdulrahman Falaknaz	-	-
Theophanis Katapodis	-	-

Directors' and Senior Executives' Remuneration

Remuneration Report

This report details the nature and amount of remuneration for each Director of Boulder Steel Limited.

Remuneration Policy

The remuneration policy of Boulder Steel Limited has been designed to align Directors and Senior Management objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's medium and long-term financial outcomes. The Board of Boulder Steel Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors and Senior Managers to run and manage the economic entity, as well as create goal congruence between Directors, Management and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and Senior Management of the economic entity is as follows:

The remuneration policy, setting the terms and conditions for Executives and Directors, was developed by the Board. All Executives receive a base salary (which is based on factors such as scope of responsibilities, length of service and experience), superannuation, fringe benefits, options and performance incentives. The Board reviews Executive Directors' and Senior Management performance annually by reference to the economic entity's performance, Executive Directors' performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of Executive Directors and Senior Management is measured against criteria agreed for each Executive Director, based predominantly on key performance areas of the economic entity, and its shareholders' value. All bonuses and incentives must be linked to pre-determined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of Executive Directors and reward them for performance that results in long-term growth in shareholder wealth.

Executive Directors are also entitled to participate in the employee share and option arrangements.

Directors' and Senior Executives' Remuneration Cont.

Remuneration Report Cont.

Remuneration Policy Cont.

The Executive Directors and Senior Management receive a superannuation guarantee contribution required by the Australian Government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to Executive Directors and Senior Management is valued at the cost to the Company and expensed.

Non-Executive Directors are remunerated at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Non-Executive Directors are encouraged to hold shares in the Company and are also able to participate in the employee option plan.

Details of Remuneration for Year Ended 30 June 2009

The remuneration for each Director during the year was as follows:

	Salary, Fees & Commissions	Super-annuation Contribution	Cash Bonus	Non-cash Benefits	Options	Total
	\$	\$	\$	\$	\$	\$
Directors						
Richard Martin	-	-	-	-	-	-
Carl Moser	156,467	23,446	-	14,494	-	194,407
Markus Buhl	-	-	-	-	-	-
Dieter Hopf	-	-	-	-	-	-
Peter Wallner	1,748,171	71,007	-	-	-	1,819,178
Joachim von Schnakenburg	-	-	-	-	-	-
Abdulrahman Falaknaz	-	-	-	-	-	-
Theophanis Katapodis	-	-	-	-	-	-
Alternate Directors						
John Mitchell	-	-	-	-	-	-
Alistair Stone	-	-	-	-	-	-

Notes

- i. Non-Executive Directors currently do not charge the Company for performing of director duties. Non-director services provided by Non-Executive Directors or companies related to them are disclosed in Note 15 of the Financial Statements.
- ii. Executive Directors are paid in accordance with their employment contracts.
- iii. Dr Wallner was paid \$1,687,307 as a result of his termination as a Director and CEO in accordance with his employment contract.
- iv. Due to its size the Company does not have any employees that are specified Executives.

Options Issued as Part of Remuneration for the Year Ended 30 June 2009

Options are issued to Directors and Executives as part of their remuneration package. Performance criteria and goal congruence between Directors, Management and shareholders form the basis for the issue of options.

No options were issued, or exercised since the last Annual Report.

Employment Contracts of Directors and Senior Executives

The employment conditions of the Executive Directors and Senior Management are formalised in contracts of employment.

The employment contracts stipulate a range of 1–18 months resignation periods and payments on termination.

Dividends

No dividend has been paid or declared since the end of the previous financial year.

Nature of Operations and Principal Activities

The principal activities during the year of entities within the consolidated entity were:

- metal products manufacturing
- the development of a steel infrastructure project.

There have been no significant changes in the nature of those activities during the year.

Operating Results for the Period

The consolidated loss of the economic entity after providing for income tax amounted to \$7,851,285. (2008 loss: \$11,704,661).

Significant Changes in the State of Affairs

Issued Capital

The issued capital of the Company increased from 481,801,953 ordinary shares to 481,803,953 ordinary shares during the Financial Year 2008–2009.

The Company had 270,537,067 options on issue at the end of the reporting period. Details of the various share and option issues during the Financial Year 2008–2009 are set out in Note 13(a) to the Accounts.

Significant Events after the Balance Date

On 28 August 2009 the Hon Anna Bligh, Premier of Queensland, announced the Draft Terms of Reference for the Environmental Impact Statement for the Gladstone Steel Project.

Likely Developments and Expected Results

The likely developments, future prospects and business strategies, and expected results have not been included in this report as the Directors believe on reasonable grounds that the inclusion of such information would likely result in unreasonable prejudice to the economic entity.

Environmental Regulation and Performance

The Company's current operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

At Boulder Steel, our objective is to be at the forefront of the steel industry creating sustainable value for our stakeholders including our shareholders, customers, people, communities and partners in business.

We are committed to continual improvement of our environmental performance through the development, implementation and maintenance of effective environmental management systems.

Through these systems we assess potential impacts, set performance targets, implement and maintain standards, systems and controls, and monitor and audit performance. Through these systems we implement effective risk management targeting the management of risk to our employees, contractors, customers, the environment and communities.

We are committed to developing our people and providing appropriate resources to enable us to achieve our targets.

We are committed to efficient use of resources, effective reduction and prevention of pollution and stewardship of our products.

We are committed to upholding ethical business practices and meeting or, where less stringent than our standards, exceeding applicable legal and other requirements.

Indemnification and Insurance of Directors and Officers

During the financial year the Company has paid insurance premiums to insure certain officers of the Company. Officers of the Company include all of the Company's Directors and Secretary. The insurer will pay all of the insured persons and/or Company's loss arising from any claim made for any wrongful act in their capacity as officers of the Company.

Directors' Meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Directors' Meetings

Director	Number Eligible to Attend	Number Attended
Richard Martin	22	22
Carl Ulrich Moser	25	25
Markus Buhl	9	9
Dieter Hopf	10	10
Peter Hans Wallner	9	9
Joachim von Schnakenburg	15	12
Abdulrahman Falaknaz	10	1
Theophanis Katapodis	5	2

Audit and Risk Committee Meetings

Director	Number Eligible to Attend	Number Attended
Richard Martin	1	1
Dieter Hopf	1	1

Nomination and Remuneration Committee

Director	Number Eligible to Attend	Number Attended
Richard Martin	1	1
Markus Buhl	1	1

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Boulder Steel Limited, support and have adhered to the ASX Corporate Governance Council's, *Corporate Governance Principles and Recommendations* to the extent that they are relevant to the Company given its size. Further details on the Company's Corporate Governance can be found in the Company's Corporate Governance Statement on page 25 of this Annual Report.

Options

At the date of this Report, the unissued ordinary shares of Boulder Steel Limited under option are as follows:

Date of Expiry	Exercise Price	Number under Option
30-Jun-2009	60 cents	5,500,000
30-Jun-2009	30 cents	6,387,067
31-Mar-2011	20 cents	8,650,000
31-Mar-2012	10 cents	250,000,000

Proceedings on Behalf of Company

The Company was not a party to any other proceedings during the year apart those with Falak Holding LLC, which were resolved in 2008.

TNI Arbitration

In June 2009, The National Investor PJSC (TNI) applied to the Abu Dhabi Commercial Conciliation and Arbitration Centre for arbitration in relation to a dispute between the Company and TNI over sums, which TNI alleges, is owed by the Company to TNI.

The dispute arises from an agreement entered into in September 2006, which related to the provision of investment banking services by TNI in connection with the unsuccessful raising of debt and equity funds for the Company's subsidiary in the United Arab Emirates.

TNI is claiming damages of between approximately USD735,000 and USD13,450,000 plus interest and costs. TNI's statement of claim includes a claim for damages of USD13,375,000 that is said to comprise a 'Success Fee' on an equity placement and a 'Placement Fee' on a debt placement that TNI were to advise on and arrange under the agreement. No such equity or debt placement occurred.

The Company considers TNI's claims to be completely baseless and without foundation and has denied any liability to pay TNI any damages. The Company will vigorously defend the proceedings.

The Company has lodged its reply to TNI's statement of claim. At the time of preparation of this Directors' Report, an arbitrator has yet to be appointed.

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

Non-Audit Services

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

- All non-audit services are reviewed and approved by management to ensure they do not adversely affect the integrity and objectivity of the auditor.
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

Details of Non-Audit Services are shown in Note 14 in the Notes to the Financial Statements.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 24 of the Annual Report.

Signed in accordance with a resolution of the Directors.

Carl U. Moser

Director

Dated this 30th day of September 2009

Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*

To the Directors of Boulder Steel Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- i. No contraventions of the auditors independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

Wong & Mayes

Chartered Accountants

Martin G. Thompson

Dated this 30th day of September 2009

1. Introduction

This Statement sets out the key corporate governance principles adopted by the Directors in governing Boulder Steel Limited and reflects the corporate governance policies and procedures which applied during the financial period ending 30 June 2009. The Company continues to monitor and review its corporate governance policies and procedures.

2. ASX Corporate Governance Recommendations

In August 2007, the ASX Corporate Governance Council issued revised corporate governance principles and recommendations which are effective from 1 January 2008 (Recommendations). The Company is required to report against these Recommendations in this Annual Report.

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have followed the Recommendations in the reporting period. Listed companies must identify the Recommendations that have not been followed and provide reasons for the company's decision.

In this Statement, the relevant governance items are linked to each of the 26 Recommendations. The table on page 37 at the end of this Statement also summarises Boulder Steel's compliance with, and adoption of, the Recommendations.

3. The Board of Directors

3.1 Membership and Expertise of the Board

The Board has a broad range of relevant skills, experience and expertise to meet its objectives. The composition of the current Board, with details of each Director's qualifications, experiences and special responsibilities, is set out on page 13 of this Annual Report.

Recommendation 2.6

3.2 Board Role and Responsibility

The Board is responsible for protecting the rights and interests of shareholders and is accountable to them for the management of the Company. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary, the Board's responsibilities include:

- a) developing with Senior Executives and approving of corporate strategy, policy and business objectives
- b) monitoring the performance of and implementation of strategy by the Senior Executives
- c) ensuring appropriate resources are available
- d) appointing and removing Senior Executives
- e) through its Audit and Risk Committee, appointing and removing the Chief Financial Officer (CFO)
- f) reviewing and ratifying systems of risk management and internal controls, codes of conduct, corporate governance and legal compliance
- g) approving and monitoring the progress of major capital expenditures, capital management, capital raising and acquisitions and divestitures

3. The Board of Directors Cont.

3.2 Board Role and Responsibility Cont.

- h) approving budgets and monitoring financial and other reporting
- i) defining and monitoring the respective roles of the Board and Senior Executives
- j) through its Nomination and Remuneration Committee, developing a remuneration policy covering Directors and Senior Executives
- k) through its Nomination and Remuneration Committee, approving the process for annually evaluating the performance of Senior Executives and disclosing the process in the Annual Report
- l) at least annually updating and/or affirming the allocation of roles and responsibilities described above.

The Senior Executive Director and other senior management responsibilities include:

- a) developing corporate strategy, performance objectives, business plans, budgets etc for review and approval by the Board
- b) developing appropriate policies and procedures for the management and control of the business
- c) the day-to-day management of the Company's affairs and the implementation of corporate strategy and policy initiatives.

The Board Charter is available in the Corporate Governance section of the Boulder Steel website.

Recommendation 1.1

3.3 Board Size and Composition

The Board determines its size and composition, subject to the limits imposed by Boulder Steel's constitution, using the following principles:

- a) The Board is to be comprised of both Executive and Non-Executive Directors, with a majority of Non-Executive Directors who satisfy the criteria for independence.
- b) The Directors shall have an appropriate cross-section of skills and experience.
- c) The Chairman must be a Non-Executive Director who satisfies the criteria for independence.
- d) The same individual must not exercise the roles of Chairman or Deputy Chairman and the Senior Executive Director.
- e) All Directors shall bring independent judgment to bear in decision making.

Boulder Steel's Board currently comprises three independent Non-Executive Directors (including the Chairman) and one Executive Director being the Senior Executive Director.

Recommendations 2.1, 2.2 and 2.3

3.4 The Selection and Role of the Chairman

The Chairman is selected by the Board from the Non-Executive Directors.

The Chairman's role includes:

- a) chairing Board meetings
- b) establishing the agenda for Board meetings in consultation with the Senior Executives and the Company Secretary
- c) chairing meetings of shareholders
- d) in consultation with the Senior Executives, representing the views of the Board to shareholders, general public, government, regulators and other stakeholders.

The current Chairman, Richard Martin, is an independent, Non-Executive Director appointed by the Board. He has been a Director at Boulder Steel since 2008 and Chairman since 2008. The Chairman is a member of the Nomination and Remuneration Committee and the Audit and Risk Committee.

Recommendation 2.2

3.5 Directors' Independence

It is the Board's view that each of its Non-Executive Directors is independent.

The Board has adopted specific principles in relation to Non-Executive Directors' independence. The Non-Executive Director is considered to be independent when not a member of management, and:

- a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
- b) within the last 3 years has not been employed in an Executive capacity by Boulder Steel or another Boulder Steel group company
- c) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company (or another Boulder Steel group company) or a Director, officer, employee or consultant materially associated with the service provided
- d) is not a material supplier or customer of the Company or other Boulder Steel group company, or an officer of or otherwise associated directly or indirectly with the material supplier or customer
- e) does not have a material contractual relationship with the Company or another Boulder Steel group company other than as a Director of the Company
- f) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company
- g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

In accordance with the definition of independence above and the materiality set, all current Directors of the Company are considered independent Directors with the exception of Mr Moser who is an Executive Director.

3. The Board of Directors Cont.

3.6 Avoidance of Conflicts of Interest by a Director

In accordance with the *Corporations Act 2001*, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter. Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of Boulder Steel. Where a significant conflict exists, the Director concerned declares their interest in those dealings to the Board and takes no part in decisions or discussions relating to them.

3.7 Meetings of the Board and Their Conduct

The Board currently holds not less than four scheduled meetings per year, plus strategy and other additional meetings as necessary to address any specific significant matters that may arise. The agenda for scheduled Board meetings incorporates standing items including project updates discussion and approvals, budgeting and cash flow updates.

The number of Board meetings and Board committee meetings held during the year is set out in the Directors' Report on page 21 of this Annual Report.

3.8 Succession Planning

The Board plans succession of its own members in conjunction with the Nominations and Remuneration Committee taking into account the skills, experience and expertise required and currently represented, and Boulder Steel's future direction.

3.9 Review of Performance of the Board and Senior Executives

The Board has in place a process to review annually the performance of the Board and the Senior Executive team. The core elements of the evaluation process are summarised below:

- a) The Board as a whole will review its performance annually. The Chairman ensures that the Board addresses issues such as compliance with the Board Charter, adequacy of understanding of the Company's business and competitive environment, whether sufficient attention is being given to long-term strategy, effectiveness of monitoring of Senior Executives, effectiveness of Board meetings, effectiveness of Board committees and the Chairman's and individual Board member's effectiveness.
- b) Individual Senior Executives of the Company undergo their personal performance evaluation using predetermined key performance indicators consistent with the objectives of the Company and previously agreed with the Board.

As this is a new policy, a Board and Senior Executive team evaluation process has not yet been conducted. The Board proposes to conduct the first evaluation process in February 2010.

Recommendations 1.2, 2.5 and 2.6

3.10 Nomination and Appointment of New Directors

Recommendations for nominations of new Directors are made by the Nomination and Remuneration Committee and considered by the Board as a whole.

The agreed process to the appointment of Non-Executive Directors to the Board is reviewed at the time the need for a new Director is identified or an existing Director is required to stand for re-election. The Nomination and Remuneration Committee reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short list of candidates with appropriate skills and experience.

The Nomination and Remuneration Committee reviews and makes recommendations for Board approval in respect of the appointment, contract terms and termination of the Senior Executives.

Recommendation 2.5

3.11 Retirement and Selection of Directors

The constitution of Boulder Steel specifies that all Directors (with the exception of the Chief Executive Officer) must retire from office no later than the third Annual General Meeting following their last election.

Where eligible, a Director may stand for re-election.

3.12 Access to Independent Advice

A Director of Boulder Steel is entitled to seek independent professional advice at the Company's expense on any matter connected with the discharge of his or her responsibilities, subject to a number of conditions set out in the Board Charter.

Recommendation 2.6

4. Board Committees

4.1 Board Committees and Membership

To assist in the execution of its responsibilities, the Board has in place two Board committees comprising an Audit and Risk Committee and a Nomination and Remuneration Committee.

The members of the Audit and Risk Committee are:

Mr Dieter Hopf (Chairman)

Mr Richard Martin.

The members of the Nomination and Remuneration Committee are:

Mr Markus Buhl (Chairman)

Mr Richard Martin.

The qualifications of these members are set out in the Directors' Report on page 13 of this Annual Report.

The attendance at meetings of the members are set out in the Directors' Report on page 21 of this Report.

4. Board Committees Cont.

4.2 Audit and Risk Committee

The Audit and Risk Committee has been established by the Board to support and advise the Board by:

- a) assisting the Board in fulfilling its oversight responsibilities for the financial reporting and audit process of the Company
- b) monitoring the Company's risk management policies and practices and its compliance with applicable laws and regulations.

The roles and responsibilities of the Audit and Risk Committee are set out in the Audit and Risk Committee Charter, a copy of which is available in the Corporate Governance section of the Boulder Steel website.

The Committee's responsibilities include:

- a) making recommendations to the Board in respect of accounting policies and practices and any amendments to them
- b) reviewing with management and external auditors the results of the Company's audit
- c) making recommendations to the Board in respect of the appointment and removal of external auditors and the terms of their engagement
- d) monitoring the overall risk management framework of the Company, including obtaining reports from management of any key risk exposures.

Recommendation 4.2 states that the Audit Committee should consist only of Non-Executive Directors and consist of a majority of independent Directors. While the Company's Audit and Risk Committee includes two independent, Non-Executive Directors, the Board considers that the size of the Company at this time does not warrant an Audit and Risk Committee of more than two people. Should this change then the Board will review this decision.

Hence this Recommendation is not fully complied with in this regard. The number of meetings of the Audit and Risk Committee held during the year and the attendance of Committee members at those meetings are set out in the Directors' Report on page 21 of this Annual Report.

Recommendations 4.1, 4.2 and 4.3

4.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee has been established by the Board to support and advise the Board by:

- a) assisting the Board in reviewing and approving the remuneration of the Senior Executive Director and other Senior Executives of the Company
- b) providing advice to the Board with respect to the remuneration of Directors and other members of Board committees
- c) advising the Board with respect to establishing and maintaining a process for the review of the performance of the Board, its individual members and Senior Executives of the Company
- d) reviewing the performance of the Senior Executives

- e) developing succession plans for the Senior Executives
- f) advising the Board with respect to suitable candidates for nomination to fill vacancies on the Board.

The roles and responsibilities of the Nomination and Remuneration Committee are set out in the Nomination and Remuneration Committee Charter, a copy of which is available in the Corporate Governance section of the Boulder Steel website.

The number of meetings of the Nomination and Remuneration Committee held during the year and the attendance of Committee members at those meetings are set out in the Directors' Report on page 21 of this Annual Report.

Recommendations 2.4, 2.6 and 8.1

5. External Auditor

5.1 Approach to Auditor Independence

The Boulder Steel Board recognises that the ultimate responsibility for the integrity of the Company's financial reporting lies with the full Board. The Board, via the Audit and Risk Committee, looks to external audit as one form of assurance that the annual accounts are free from material misstatement and that a sound system of risk management and internal control is operating effectively in all material respects in relation to financial reporting.

5.2 Appointment and Removal of the External Auditor

The Audit and Risk Committee has been empowered by the Boulder Steel Board to recommend to the Board the selection and termination of the external audit subject to shareholder approval (where required). In the event that a vacancy or change in the external audit position for the Company occurs, the Audit and Risk Committee will conduct a formal, selective tendering process. Tenders will be evaluated in accordance with the disclosed criteria as appropriate at the time. However, tenders are not assessed solely on price but on a number of issues including:

- skills and knowledge of the proposed external audit team
- independence of the external audit firm and more specifically the audit partner in relation to Boulder Steel
- understanding of the industry
- quality and thoroughness of proposed audit coverage
- partner rotation and succession planning
- value for money.

5.3 Auditor Independence

In evaluating auditor independence, it is important that the auditor is independent not only in fact, but also in appearance, such that a reasonable third party, having knowledge of all relevant information, would reasonably conclude that the firm's independence had not been compromised.

The external auditor is precluded from providing any services that might threaten their independence or conflict with their assurance and compliance role. Specifically, any firm providing audit services to Boulder Steel will need to satisfy the Audit and Risk Committee of the following:

5. External Auditor Cont.

5.3 Auditor Independence Cont.

- No services will be provided that will result in a conflict of interest.
- No partner, professional member of staff or superannuation fund of the firm holds any shares or options, either directly or indirectly, in Boulder Steel or its controlled entities.
- No funds have been received by the firm by way of a loan or other form of capital from Boulder Steel or its controlled entities.
- Any services provided by the firm additional to that of the audit function involving non-audit services traditionally performed by accounting firms, would not have a material bearing on the audit and would not involve the firm auditing themselves.
- The firm has an appropriate and agreed audit personnel rotation policy including lead and signing partners.
- No partner or member of staff or spouse or close relative of an audit partner or member of the audit staff holds a position as a Director or Executive of Boulder Steel or its controlled entities.
- There will be no situations where the auditor assumes the role of management or where the auditor is placed in the role of advocate for Boulder Steel.

5.4 Prohibited Non-Audit Services by the External Auditor

The external auditor is prohibited from carrying out the following non-audit services:

- bookkeeping or other services related to the accounting records or financial statements of the audit client
- financial information systems design and implementation
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports
- actuarial services
- internal audit outsourcing services
- management functions or human resources
- broker or dealer, investment adviser, or investment banking services
- legal services and expert services unrelated to the audit
- any other service that the Board determines, by regulation, is impermissible.

5.5 Attendance at the Annual General Meeting

Boulder Steel requires a partner of its external auditor to attend its Annual General Meeting and be available to answer questions from shareholders about the audit. Boulder Steel ensures that written questions received from shareholders are given to the external auditor to be answered, along with any other questions put to the auditor at the Annual General Meeting.

6. Overseeing, Managing and Controlling Risk

6.1 Approach to Risk Oversight, Risk Management and Internal Control

To manage risks, the Company has implemented a Risk Management Policy which describes the roles and respective accountabilities of the Parent Company Board, Audit and Risk Committee and management together with the oversight structure for all companies in the Boulder Steel group.

The objective of the Risk Management Policy is to effectively identify, assess, monitor and manage risks which the Company and other companies in the Boulder Steel group are exposed to. The Company has adopted the following procedures:

- a) Identify the risks (business, financial, legal or operational).
- b) Assess and rank the risks to determine management priorities – if the levels of risk are low, the risk may fall into an acceptable category and treatment may not be required.
- c) Develop appropriate controls which mitigate the identified risks – the aim is to anticipate and manage risks.

6.2 Risk Management and Internal Control Roles and Responsibilities

- a) **Parent Company Board:** oversees risk management by establishing the Risk Management Policy and reviewing its effectiveness on an annual basis.
- b) **Audit and Risk Committee:** advises the Parent Company Board on appropriateness of the Risk Management Policy and oversight structure. It reports on matters of concern raised by management and internal and external auditors.
- c) **Subsidiary Boards:** the Board of each Subsidiary is responsible for ensuring that the risk management structures of the Subsidiary reflect the Risk Management Policy.
- d) **Management:** the Senior Executives of each group company are responsible for:
 - (i) implementing the Risk Management Policy
 - (ii) reviewing and assessing the effectiveness of the Policy on a regular basis
 - (iii) reporting to the Audit Committee on major risks and action plans.

6.3 Executive Declaration

Carl Moser and Geoff Rann (the Chief Financial Officer) have each declared to the Board in connection with the Financial Statements of Boulder Steel for the financial period ended 30 June 2009 that in their opinion:

- a) the financial records of Boulder Steel for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- b) the Financial Statements, and the Notes referred to in paragraph 295(3)(b) of the *Corporations Act 2001*, for the financial year comply with the accounting standards; and

6. Overseeing, Managing and Controlling Risk Cont.

6.3 Executive Declaration Cont.

c) the Financial Statements and Notes for the financial year give a true and fair view.

They have also confirmed that the declaration given above is founded on a sound system of risk management and internal control, which is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.3

7. Remuneration Policies and Procedures

7.1 Overview

Boulder Steel has established processes to ensure that the level and composition of remuneration are sufficient, reasonable and explicitly linked to performance. These processes are described on pages 17–19, in the Remuneration Report.

Non-Executive Directors

The Nomination and Remuneration Committee is responsible for recommending to the Board fees applicable to Non-Executive Directors. In accordance with a resolution of shareholders at the 2006 Annual General Meeting, the maximum aggregate amount that is permitted to be paid to Non-Executive Directors under the Boulder Steel constitution is \$400,000 per annum.

Non-Executive Directors may also be reimbursed for reasonable travelling, hotel and other expenses properly incurred by them in attending Company or Board meetings or in connection with the Company's business. The Directors may also receive remuneration for extra services outside the scope of the ordinary duties of a Director.

Non-Executive Directors are not provided with retirement benefits other than superannuation.

Executive Directors and Senior Managers

The Remuneration Policy of the Company has been designed to align Director objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results.

8. Corporate Conduct and Responsibility

8.1 Code of Conduct

Boulder Steel has a Code of Conduct which has been provided to all Directors and employees and is available in the Corporate Governance section of the Boulder Steel website.

The Code has been fully endorsed by the Board. It applies to the Board, Senior Executives and all other employees.

The Code of Conduct requires all officers and employees to:

- a) act in accordance with the letter and spirit of relevant legislation and Company policies (including the Company's Share Trading Policy)

- b) use due care and diligence in fulfilling the functions of their office/employment and exercising the powers attached to that office/employment
- c) act with honesty, professionalism and objectivity so as to meet their responsibilities to shareholders and other stakeholders in the Company (such as employees, business partners, customers and the community as a whole)
- d) ensure that business transactions are carried out solely in the best interests of the Company
- e) avoid or manage actual, apparent or potential conflicts of interest
- f) not take improper advantage of property, information or position, or opportunities arising from these, for personal gain or to compete with the Company
- g) never ask for gifts or benefits, and only accept them if they are of nominal value, cannot be construed as an inducement to favour the giver in any way or otherwise approved under the Code of Conduct
- h) ensure that confidential information about the Company is not disclosed to third parties, except where such disclosure is authorised or legally mandated
- i) show consideration and regard for each other and make a positive contribution to the Company
- j) promote a culture of good corporate governance, including by reporting of internal unlawful or unethical behaviour, and the protection of those who report such violations in good faith
- k) ensure a safe work place and that proper occupational health and safety procedures are followed.

Recommendation 3.1

8.2 Share Trading Policy

Boulder Steel has a Staff and Officers' Securities Trading Policy which has been provided to all Directors and employees and is available in the Corporate Governance section in the Boulder Steel website.

Consistent with the legal prohibition on insider trading, all Directors, officers and employees are prohibited from dealing in Boulder Steel securities while in possession of unpublished price-sensitive information about Boulder Steel.

Officers (including their relatives):

- a) must not trade in securities for short term gain
- b) who are not in possession of price sensitive information may trade in Boulder Steel securities during the following windows:
 - (i) between 24 hours and 45 days after release of the Company's half-yearly or annual results to ASX
 - (ii) between 24 hours and 45 days after the Company's Annual General Meeting
 - (iii) during the period in which the Company has a prospectus or other disclosure document on issue
- c) who are not in possession of price sensitive information may trade in Boulder Steel securities outside the above windows if given permission to do so by two 'Nominated Persons' (these comprise the Chairman, another Director and the Company Secretary)

8. Corporate Conduct and Responsibility Cont.

8.2 Share Trading Policy Cont.

- d) must not enter into transactions in associated products which operate to limit the economic risk of security holdings in the Company over unvested entitlements.

Other Employees:

- a) must not trade in securities for short term gain
- b) who are not in possession of price-sensitive information may trade in Boulder Steel securities.

Recommendation 3.2

8.3 Continuous Disclosure and Shareholder Communication

Boulder Steel has a Continuous Disclosure Policy which is available in the Corporate Governance section of the Boulder Steel website.

Under this Policy, the Board will, as soon as the Company becomes aware of information concerning Boulder Steel that would be likely to have a material effect on the price or value of Boulder Steel securities, ensure that the information is released to the Company Announcements office of the ASX. It is the responsibility of the Chairman and the Company Secretary to consider the materiality of information and make the relevant disclosure to the ASX when required.

Recommendation 5.1

Boulder Steel has a Shareholder Communication Policy which is available in the Corporate Governance section of Boulder Steel's website.

Under this policy, the Board is committed to ensuring that:

- a) all shareholders have equal and timely access to material information concerning the Company
- b) all Company announcements are factual and presented in a clear and balanced way.

The Company's website is the primary source for communication with shareholders. Other sources for communication are:

- a) the Company's Annual Report
- b) the Company's Annual General Meeting and other general meetings.

Shareholders are encouraged to attend and to actively participate at Annual General Meetings to ensure a high level of transparency and scrutiny of the Company's strategy and goals. In accordance with the Corporations Act, the Company's auditors attend Annual General Meetings to answer shareholder questions about the conduct of the audit and the preparation of the auditor's report.

Recommendation 6.1

ASX Corporate Governance Recommendations

Recommendation	Reference in Statement	Compliance during Financial Year Ending 30/6/2009	Status as at 28/9/2009
Principle 1 – Lay Solid Foundations for Management and Oversight			
1.1 Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.	3.2	Did not comply*	Adopted
1.2 Companies should disclose the process for evaluating the performance of Senior Executives.	3.9	Did not comply*	Adopted
1.3 Companies should provide the information indicated in the Guide to Reporting on Principle 1.	3.2, 3.9	Comply	Adopted
Principle 2			
2.1 A majority of the Board should be independent Directors.	3.3	Comply	Adopted
2.2 The Chair should be an independent Director.	3.3, 3.4	Comply	Adopted
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	3.3	Comply	Adopted
2.4 The Board should establish a Nomination Committee.	3.10, 4.1, 4.3	Comply	Adopted
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	3.9	Did not comply*	Adopted
2.6 Companies should provide the information indicated in the Guide to Reporting on Principle 2.	3.1, 3.9, 3.12, 4.1, 4.3	Comply	Adopted

* The reason why the Company did not comply with these recommendations is that the Company did not have the relevant corporate governance policies in place during the financial year ending 30 June 2009. These new policies were adopted by the Board on 28 September 2009.

ASX Corporate Governance Recommendations Cont.

Recommendation	Reference in Statement	Compliance during	
		Financial Year Ending 30/6/2009	Status as at 28/9/2009
Principle 3			
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:			
<ul style="list-style-type: none"> ■ the practices necessary to maintain confidence in the company's integrity ■ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ■ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	8.1	Did not comply*	Adopted
3.2 Companies should establish a policy concerning trading in company securities by Directors, Senior Executives and employees, and disclose the policy or a summary of that policy.	8.2	Did not comply*	Adopted
3.3 Companies should provide the information indicated in the Guide to Reporting on Principle 3.	8.1, 8.2	Comply	Adopted
Principle 4			
4.1 The Board should establish an Audit Committee.	4.1, 4.2	Comply	Adopted
4.2 The Audit Committee should be structured so that it:	4.2		
<ul style="list-style-type: none"> ■ consists only of Non-Executive Directors 		Did not comply*	Adopted [†]
<ul style="list-style-type: none"> ■ consists of a majority of independent Directors 		Did not comply*	Adopted [†]
<ul style="list-style-type: none"> ■ is chaired by an independent Chair, who is not Chair of the Board 		Comply	Adopted
<ul style="list-style-type: none"> ■ has at least three members. 		Comply	Not Adopted [†]

* The reason why the Company did not comply with these recommendations is that the Company did not have the relevant corporate governance policies in place during the financial year ending 30 June 2009. These policies were adopted by the Board on 28 September 2009.

† The Committee consists of two Non-Executive, Independent Directors. The Board considers that the size of the Company at this time does not warrant an Audit and Risk Committee of more than two members.

ASX Corporate Governance Recommendations Cont.

Recommendation	Reference in Statement	Compliance during Financial Year Ending 30/6/2009	Status as at 28/9/2009
Principle 4 Cont.			
4.3 The Audit Committee should have a formal charter.	4.2	Comply	Adopted
4.4 Companies should provide the information indicated in the Guide to Reporting on Principle 4.	4.2, 5	Comply	Adopted
Principle 5			
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	8.3	Did not comply*	Adopted
5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5.	8.3	Comply	Adopted
Principle 6			
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	8.3	Did not comply*	Adopted
6.2 Companies should provide the information indicated in the Guide to Reporting on Principle 6.	8.3	Comply	Adopted
Principle 7			
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6	Did not comply*	Adopted

* The reason why the Company did not comply with these recommendations is that the Company did not have the relevant corporate governance policies in place during the financial year ending 30 June 2009. These policies were adopted by the Board on 28 September 2009.

ASX Corporate Governance Recommendations Cont.

Recommendation	Reference in Statement	Compliance during	
		Financial Year Ending 30/6/2009	Status as at 28/9/2009
Principle 7 cont.			
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	6	Did not comply*	Adopted
7.3 The Board should disclose whether it has received assurance from the Chief Executive officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	6.3	Comply	Adopted
Principle 8			
8.1 The Board should establish a Remuneration Committee.	4.1, 4.3	Comply	Adopted
8.2 Companies should clearly distinguish the structure of Non-Executive Directors' Remuneration from that of Executive Directors and Senior Executives.	7.1	Comply	Adopted
8.3 Companies should provide the information indicated in the Guide to Reporting on Principle 8.	4.1, 4.3, 7.1	Comply	Adopted

* The reason why the Company did not comply with these recommendations is that the Company did not have the relevant corporate governance policies in place during the financial year ending 30 June 2009. These policies were adopted by the Board on 28 September 2009.

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All financial information is expressed in Australian Dollars unless otherwise stated.

Income Statement

for the year ended 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue from ordinary activities	2	194,379	337,855	186,389	337,855
Expenses from ordinary activities					
Salaries and employee benefits expense		1,750,664	1,549,520	1,507,327	1,549,520
Impairment of goodwill		-	-	-	-
Depreciation expense		56,813	55,413	51,413	55,413
Other expenses:					
Statutory expense		-	77,768	-	77,768
Consulting fee		1,097,886	470,331	1,081,447	470,331
Corporate expenses		613,492	816,482	576,687	494,844
Office expenses		283,440	368,956	259,520	368,956
Foreign exchange losses/(gains)		(1,382,080)	1,077,982	(1,726,143)	1,077,982
Provision for diminution of investment		3,259,713	-	-	-
Provision for non-recovery of loans		-	-	4,583,744	4,746,511
Project investment expenses		-	7,498,878	-	-
Share based payments		-	-	-	-
Other		-	180,610	-	180,610
Borrowing cost expenses		3,319	5,424	3,319	5,424
Share of net profits/(loss) of associates					
Accounted for using the equity method		(2,362,417)	58,848	-	-
Profit/(loss) from ordinary activities before income tax expense	2, 3	(7,851,285)	(11,704,661)	(6,150,925)	(8,689,504)
Income tax expense relating to ordinary activities		-	-	-	-
Profit/(loss) from ordinary activities after income tax expense		(7,851,285)	(11,704,661)	(6,150,925)	(8,689,504)
Profit/(loss) from extraordinary items after related income tax expenses		-	-	-	-
Net profit/(loss)		(7,851,285)	(11,704,661)	(6,150,925)	(8,689,504)
Net profit/(loss) attributable to outside equity interest		-	-	-	-
Net profit/loss attributable to members of Boulder Steel Limited		(7,851,285)	(11,704,661)	(6,150,925)	(8,689,504)
Total changes in equity other than those resulting from transactions with owners as owners		(7,851,285)	(11,704,661)	(6,150,925)	(8,689,504)
Earnings per share:					
Basic earnings per share (cents per share)	21	(1.6) cents	(2.4) cents		
Diluted earnings per share (cents per share)	21	(1.6) cents	(2.4) cents		

The Income Statement is to be read in conjunction with the Notes to the Financial Statements.

Balance Sheet

as at 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Current assets					
Cash assets	20(a)	1,899,679	7,516,767	1,868,032	7,495,701
Receivables	4	53,427	59,874	53,360	32,616
Other financial assets	5	81,600	81,600	81,600	81,600
Total current assets		2,034,706	7,658,241	2,002,992	7,609,917
Non-current assets					
Receivables	6	7,357,307	8,688,774	10,404,547	13,405,591
Investments accounted for using the equity method	7	2,440,720	2,762,498	-	-
Other financial assets	8	3,638,825	4,608,418	3,921,908	1,881,272
Property, plant and equipment	9	144,153	200,966	127,953	179,366
Intangible assets	10	-	-	-	-
Total non-current assets		13,581,005	16,260,656	14,454,408	15,466,229
Total assets		15,615,711	23,918,897	16,457,400	23,076,146
Current liabilities					
Payables	11	933,792	959,630	76,222	117,980
Provisions	12	169,049	1,220,512	169,049	1,220,512
Total current liabilities		1,102,841	2,180,142	245,271	1,338,492
Non-current liabilities					
Interest-bearing liabilities		-	-	-	-
Provisions	12	-	-	-	-
Total non-current liabilities		-	-	-	-
Total liabilities		1,102,841	2,180,142	245,271	1,338,492
Net assets		14,512,870	21,738,755	16,212,129	21,737,654
Equity					
Parent entity interest					
Contributed equity	13a	60,292,030	59,666,630	60,292,030	59,666,630
Accumulated losses	13b	(45,779,160)	(37,927,875)	(44,079,901)	(37,928,976)
Total parent entity interest in equity		14,512,870	21,738,755	16,212,129	21,737,654
Outside equity interest		-	-	-	-
Total equity		14,512,870	21,738,755	16,212,129	21,737,654

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

for the year ended 30 June 2009

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Equity holders				
Share capital				
Balance at start of period	46,831,355	46,404,675	46,831,355	46,404,675
Issue of share capital	400	-	400	-
Share options issued	625,000	-	625,000	-
Share options exercised	-	426,680	-	426,680
Capital raising costs	-	-	-	-
Total share capital	47,456,755	46,831,355	47,456,755	46,831,355
Share based expenses				
Balance at start of period	12,835,275	12,835,275	12,835,275	12,835,275
Equity settled share based payment transactions	-	-	-	-
Total share based expenses	12,835,275	12,835,275	12,835,275	12,835,275
Retained earnings				
Balance at start of period	(37,927,875)	(26,223,214)	(37,928,976)	(29,239,472)
Loss for the period	(7,851,285)	(11,704,661)	(6,150,925)	(8,689,504)
Retained earnings at end of period	(45,779,160)	(37,927,875)	(44,079,901)	(37,928,976)
Total equity attributable to equity holders	14,512,870	21,738,755	16,212,129	21,737,654

Cash Flow Statement

for the year ended 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Interest/dividends received		194,379	337,855	186,389	337,855
Payments in course of operations		(4,692,584)	(2,878,466)	(4,538,943)	(2,830,349)
Borrowing costs		(3,319)	(5,424)	(3,319)	(5,424)
Net cash flows from/(used in) operating activities	20(b)	(4,501,524)	(2,546,035)	(4,355,873)	(2,497,918)
Cash flows from investing activities					
Loans to controlled entities		-	-	(2,446,353)	(7,422,620)
Security deposit		-	-	-	-
Loans to associates		(270,544)	-	(270,544)	-
Purchase of plant and equipment		-	-	-	-
Investment in associate		-	-	-	-
Project expenses		(2,290,121)	(7,498,878)	-	-
Net cash flows from/(used in) investing activities		(2,560,665)	(7,498,878)	(2,716,897)	(7,422,620)
Cash flows from financing activities					
Proceeds from share issue		625,400	426,680	625,400	426,680
Repayment of lease liabilities		-	-	-	-
Repayment of borrowings		-	-	-	-
Proceeds from borrowings		-	-	-	-
Net cash flows from/(used in) financing activities		625,400	426,680	625,400	426,680
Net increase/(decrease) in cash held		(6,436,789)	(9,618,233)	(6,447,370)	(9,493,858)
Add opening cash brought forward		7,516,767	18,657,500	7,495,701	18,512,059
Unrealised FX/gain (loss)		819,701	(1,522,500)	819,701	(1,522,500)
Closing cash carried forward	20(a)	1,899,679	7,516,767	1,868,032	7,495,701

The Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

for the year ended 30 June 2009

1. Summary of Significant Accounting Policies

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Boulder Steel Limited and its controlled entities and Boulder Steel Limited as an individual parent entity. Boulder Steel Limited is a listed public Company, incorporated and domiciled in Australia.

The Financial Statements have been prepared on an accruals basis and are based on historical costs, and do not take into account changing money values or, except where stated current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies adopted are consistent with those of previous years unless as otherwise stated.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report.

(a) Principles on consolidation

A controlled entity is any entity controlled by Boulder Steel Limited. Control exists where Boulder Steel Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Boulder Steel Limited to achieve the objectives of Boulder Steel Limited. A list of controlled entities is contained in Note 8(i) to the Financial Statements.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

All inter-Company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

(b) Investment in Associates

Investments in associate companies are recognised in the Financial Statements by applying the equity method of accounting as defined in Accounting Standard AASB 128 Investment in Associates.

(c) Project development expenditure

Project development expenditures have been written-off in the year in which they are incurred in projects where activities in the area have not yet reached a stage that permits reasonable assessment of the recovery of expenditure.

Where development expenditure is expected to be recouped through the successful development of the project, costs are capitalised and will be amortised against the estimated economical life of the project as defined in Accounting Standard AASB 136 Impairment of Assets.

Notes to the Financial Statements

for the year ended 30 June 2009

(d) Foreign currency translation

Transactions in foreign currencies have been converted at rates of exchange ruling on the date of those transactions. At balance date, amounts receivable and payable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Realised and unrealised gains and losses are brought to account in determining the profit or loss for the year.

(e) Foreign controlled entities

The financial statements of foreign controlled entities have been translated using the temporal method. Under this method, monetary assets and liabilities are translated into Australian currency at the rate of exchange current at balance date, while revenue and expense items are translated at the average of rates ruling during the year and non-monetary assets and liabilities are translated at the rate ruling at their historic rate. Exchange differences arising on translation are brought to account in the profit and loss account in the period in which they arise.

(f) Going concern

The business operations of the Company are not sufficiently mature in their development to generate the revenues necessary to meet the immediate working capital needs of the Company. Notwithstanding, the Financial Statements have been prepared on the assumption that the Company will continue as a going concern based on the demonstrated past and continued ability of the Directors to raise equity capital from the market place.

(g) Goodwill

Pursuant to the adoption of AASB3 Business Combinations, goodwill on consolidation are initially recorded as the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 10 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

(h) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Notes to the Financial Statements

for the year ended 30 June 2009

1. Summary of Significant Accounting Policies Cont.

(h) Income tax cont.

Deferred tax cont.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probably that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Income Statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill

(j) Amounts payable by controlled entities

A provision for non-recovery has been made against amounts receivable from controlled entities in order to reflect the net worth of controlled entities or estimates of the recoverable amount. Amounts considered irrecoverable have been written off.

(k) Financial assets

In accordance with Accounting Standard AASB 139 and 132, financial investments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these investments are assessed at each reporting date to determine whether there is any evidence that an investment is impaired. Any such impairment is reported in the Income Statement.

(l) Comparative figures

Comparative figures have been reclassified, where necessary, to conform with current reporting requirements.

(m) Cash

For purposes of the Cash Flow Statement, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

Notes to the Financial Statements

for the year ended 30 June 2009

(n) Good and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of Goods and Services Tax (GST), except:

- i. Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

The amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(o) Property, plant and equipment

Acquisition items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

Class fixed asset	Depreciation rate	
Leased motor vehicles	20%	Straight line
Motor vehicles	20%	Straight line
Plant and equipment	10–30%	Straight line

(p) Impairment of assets

In accordance with Accounting Standards AASB 136 Impairment of Assets, at each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible 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 consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill is tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

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

Notes to the Financial Statements

for the year ended 30 June 2009

1. Summary of Significant Accounting Policies Cont.

(q) New accounting standards and interpretations

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107,112,114,116,121,128,131,132,133,134,136,137,138 and 139 and Interpretations 9 and 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 and AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
 - Acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities.
 - Contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition.
 - A gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
 - There shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy).
 - Dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income.
 - Impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee.
 - Where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. However, management does not presently believe impairment will result.

Notes to the Financial Statements

for the year ended 30 June 2009

- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of Financial Statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1 and 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 and AASB 139 and Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.
- AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.
- AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 and AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for annual reporting periods commencing from 1 January 2009). Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the Group.



Notes to the Financial Statements

for the year ended 30 June 2009

1. Summary of Significant Accounting Policies Cont.

(q) New accounting standards and interpretations cont.

- AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Group.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.
- The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's Financial Statements.

Notes to the Financial Statements

for the year ended 30 June 2009

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

2. Revenue from Ordinary Activities

Revenues from operating activities

Other income	-	-	-	-
Interest received – other corporations	194,379	337,855	186,389	337,855
Total revenues from ordinary activities	194,379	337,855	186,389	337,855

3. Profit from Ordinary Activities

Expenses

Borrowing costs:				
- wholly owned subsidiary	-	-	-	-
- other	3,319	5,424	3,319	5,424
	3,319	5,424	3,319	5,424
Depreciation	56,813	55,413	51,413	55,413
Provision for non-recovery of loans	-	-	-	-
Foreign exchange (gains)/losses	(1,382,080)	1,077,982	(1,726,143)	1,077,982
Provision for diminution of investment	-	-	-	-

4. Receivables – current

Loans to related parties (Note 19)				
GST refundable (net)	53,004	40,028	53,360	23,794
Other receivables	423	19,846	-	8,822
	53,427	59,874	53,360	32,616

5. Other Financial Assets – current

Security deposit	81,600	81,600	81,600	81,600
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6. Receivables – non-current

Loans to associated companies	7,357,307	8,688,774	7,357,307	8,688,774
Loans to controlled party	-	-	17,591,744	14,677,578
Less: provision for non-recovery of loans to controlled entities	-	-	(14,544,504)	(9,960,761)
	7,357,307	8,688,774	10,404,547	13,405,591

The Company has agreed not to seek repayment of the amounts due by its controlled entities until the profitability and financial resources of those entities permit.

Notes to the Financial Statements

for the year ended 30 June 2009

7. Investments Accounted for Using the Equity Method

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Shares in associated companies	-	-	-	-
	2,440,720	2,762,498	-	-

Interests in associated companies

Name	Place of Incorp.	Principal Activity	Ownership Interest		Carrying Amount	
			2009	2008	2009	2008
			%	%	\$	\$
Euro Forming Services GmbH*	Germany	Metal forging (automotive and other industries)	50	50	2,440,720	2,762,498

Movement during the year in equity accounted investment in associated companies.

	2009	2008
	\$	\$
Opening balance	2,762,498	2,645,112
Additional investments (reclassified from loans)	1,960,955	-
FX gain/(loss)	79,684	58,538
Share of net profits/(losses) of associates		
Accounted for using the equity method	(2,362,417)	58,848
Closing balance	2,440,720	2,762,498
Euro Forming Services GmbH*		
Total operating profit/(losses)	(3,309,932)	1,361,966
Current assets	8,478,900	9,262,087
Non-current assets	19,094,615	9,228,884
Current liabilities	18,353,574	14,792,597
Non-current liabilities	8,323,586	29,359
Net assets	896,355	3,669,013

* Incorporated in Germany in March 2000. The company manufactures forged steel components, such as axles, stabilisers and shock absorbers for the automobile and other industries.

Notes to the Financial Statements

for the year ended 30 June 2009

8. Other Financial Assets – non-current

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Shares in associated company, at cost	-	-	3,921,908	1,881,272
Shares in controlled entities, at cost (i)	-	-	5,360,277	5,360,277
Less: provision for diminution in value of investment	-	-	(5,360,277)	(5,360,277)
Capitalised Steel Project expenditure	19,981,178	17,691,057	3,921,908	1,881,272
Provision for diminution	(16,342,353)	(13,082,639)	-	-
	3,638,825	4,608,418	3,921,908	1,881,272

Investments in Controlled Entities

	Country of Incorp	Cost of Parent Equity Holding		Cost of Parent Entity's Investment		Balance Date
		2009	2008	2009	2008	
		%	%	\$	\$	
Parent Entity						
Boulder Steel Limited	Australia					
Controlled Entities						
Asia Pacific Seamless Tubes Limited	Australia	100	100	5,360,273	5,360,273	30 Jun
Boulder Steel (UAE) Limited	Caymen Island	100	100	3	3	31 Dec
EFS Holdings Pty Limited	Australia	100	100	1	1	30 Jun
				5,360,277	5,360,277	
Less: provision for diminution in value				(5,360,277)	(5,360,277)	
				-	-	

Notes to the Financial Statements

for the year ended 30 June 2009

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

9. Property, Plant and Equipment

Non-current assets

Furniture and fittings, at cost	277,061	277,061	277,061	277,061
Less: accumulated depreciation	(149,108)	(97,695)	(149,108)	(97,695)
	127,953	179,366	127,953	179,366
Plant, equipment and furniture fittings, at cost	-	-	-	-
Less: accumulated depreciation	-	-	-	-
	-	-	-	-
Motor vehicles, at cost	27,000	27,000	-	-
Less: accumulated depreciation	(10,800)	(5,400)	-	-
	16,200	21,600	-	-
	144,153	200,966	127,953	179,366

10. Intangible

Goodwill

Goodwill on acquisition of Asia Pacific Seamless Tubes Limited	639,697	639,697	-	-
Accumulated amortisation	(639,697)	(639,697)	-	-
	-	-	-	-

11. Payables – current

Unsecured

Other creditors and accruals	933,792	959,630	76,222	117,980
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12. Provisions

Current – employee benefits	169,049	1,220,512	169,049	1,220,512
Non-current – employee benefits	-	-	-	-
	169,049	1,220,512	169,049	1,220,512

Notes to the Financial Statements

for the year ended 30 June 2009

13(a) Contributed Equity

	No. of Shares		Parent Entity	
	2009	2008	2009	2008
			\$	\$
Ordinary shares	481,803,953	481,801,953	44,302,723	44,302,323
Proceeds from non-renounceable option rights issue			912,889	912,889
Proceeds from non-renounceable option rights issue			1,616,143	1,616,143
Proceeds from non-renounceable option rights issue			625,000	-
Share based payment reserve			12,835,275	12,835,275
			60,292,030	59,666,630

Movements in issued and paid-up ordinary share capital of the Company during the past two years were as follows:

Date	Details	No. of Shares	Issue Price	Cash Proceeds from Issue
			\$	\$
2009	Opening balance	481,801,953		44,302,323
	Exercise options	2,000	0.20	400
	Capital raising costs			
	Closing balance	481,803,953		44,302,723
2008	Opening balance	479,700,020		43,875,643
	Exercise options	62,933	0.30	7,800
	Exercise options	2,039,000	0.20	418,880
	Closing balance	481,801,953		44,302,323

Notes to the Financial Statements

for the year ended 30 June 2009

13(a) Contributed Equity Cont.

	Parent Entity	
	2009	2008
Options		
Number of options issued		
Balance brought forward	168,865,552	170,967,485
Issued during the year	250,000,000	-
Expired during year	(148,326,485)	-
Options exercised during the year	(2,000)	(2,101,933)
Balance carried forward	270,537,067	168,865,552

The terms of the options are as follows:

5,500,000	options for one fully paid share at 60 cents each, exercisable up to 30 June 2009
6,387,067	options for one fully paid share at 30 cents each, exercisable up to 30 June 2009
8,650,000	options for one fully paid share at 20 cents each, exercisable up to 31 March 2011
250,000,000	options for one fully paid share at 10 cents each, exercisable up to 31 March 2012
<u>270,537,067</u>	

13(b) Accumulated Losses

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at the beginning of year	(37,927,875)	(26,223,214)	(37,928,976)	(29,239,472)
Net profit/(loss) attributable to members of Boulder Steel Limited	(5,488,868)	(11,763,509)	(6,150,925)	(8,689,504)
AASB: 1016 Accounting for Investments in Associates	(2,362,417)	58,848	-	-
Total available for appropriation	(45,779,160)	(37,927,875)	(44,079,901)	(37,928,976)
Balance at end of year	(45,779,160)	(37,927,875)	(44,079,901)	(37,928,976)

Notes to the Financial Statements

for the year ended 30 June 2009

14. Auditor's Remuneration

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Amounts received, or due and receivable by the auditors for:				
a) Auditing the accounts and consolidated accounts of Boulder Steel Limited and the accounts of each of its controlled entities				
i) Parent entity's auditors	57,091	70,557	57,091	70,557
ii) Other auditors	-	-	-	-
	57,091	70,557	57,091	70,557
b) Other services				
i) Parent entity's auditors	126,477	67,834	126,477	59,332
ii) Other auditors	-	-	-	-
	126,477	67,834	126,477	59,332

15. Remuneration of Directors

a) Names and positions held of Parent Entity Directors in office at any time during the financial year are:

Parent Entity Directors	Position
Richard Martin	Chairman, Non-Executive Director
Carl Moser	Director, General Manager
Dieter Hopf	Non-Executive Director
Markus Buhl	Non-Executive Director
Joachim von Schnakenburg	Non-Executive Director
Peter Wallner	Managing Director and CEO
Abdulrahman Falaknaz	Chairman, Non-Executive Director
Theophanis Katapodis	Director
John Mitchell	Alternate Director
Alistair Stone	Alternate Director

Key Management Personnel

Due to the size of the Company there are no employees that meet the definition of Key Management Personnel.

Notes to the Financial Statements

for the year ended 30 June 2009

15. Remuneration of Directors Cont.

b) Specified Directors remuneration and related parties

	Primary			Total \$
	Salary, Fees & Commissions \$	Superannuation Contribution \$	Non-Cash Benefits \$	
2009				
Richard Martin (i)	146,000	-	-	146,000
Carl Moser	156,467	23,446	14,494	194,407
Markus Buhl	-	-	-	-
Dieter Hopf	-	-	-	-
Peter Wallner (ii)	1,811,221	71,007	-	1,882,228
Joachim von Schnakenburg (iii)	63,243	-	-	63,243
Abdulrahman Falaknaz	-	-	-	-
Theophanis Katapodis	-	-	-	-
	2,113,881	94,453	14,494	2,222,828

- Shubrick Investments Pty Limited a Company related to Mr Martin was paid for the provision of services.
- During the year Dr Wallner received \$1,687,307 in relation to his termination as a Director and CEO in accordance with his contract of service. Berlin Mining and Investments Pty Limited a company associated with Dr Wallner received \$63,050 for the provision of services.
- Mr von Schnakenburg was paid consulting fees concerning the Gladstone project and EFS.

	Primary			Total \$
	Salary, Fees & Commissions \$	Superannuation Contribution \$	Non-Cash Benefits \$	
2008				
Helmut Pekarek	350,000	25,000	-	375,000
Peter Wallner	391,827	35,454	-	427,281
Carl Moser	156,880	23,838	11,397	192,115
Joachim von Schnakenburg	62,999	-	-	62,999
Abdulrahman Falaknaz	-	-	-	-
	961,706	84,292	11,397	1,057,395

During the year Mr Pekarek received \$275,000 in termination benefits in accordance with his contract of service.

c) Shares issued on exercise of remuneration options

No options were exercised by Directors during the year.

Notes to the Financial Statements

for the year ended 30 June 2009

d) Options and rights holdings

Number of options held by specified Directors and Executives:

	Balance 1.7.2008	Granted as Remu- neration	Options Exercised	Net Change Other	Balance 30.6.2009	Total Vested 30.6.2009	Total Exercisable 30.6.2009
Parent Entity							
Directors							
Richard Martin	-	-	-	936,471	936,471	936,471	936,471
Carl Moser	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000
Markus Buhl	-	-	-	-	-	-	-
Dieter Hopf	-	-	-	-	-	-	-
Peter Wallner	10,225,264	-	-	14,530,000	24,755,264	24,755,264	24,755,264
Joachim von Schnakenburg	2,387,067	-	-	-	2,387,067	2,387,067	2,387,067
Abdulrahman Falaknaz	-	-	-	-	-	-	-
Theophanis Katapodis	-	-	-	-	-	-	-
John Mitchell	-	-	-	-	-	-	-
Alistair Stone	-	-	-	-	-	-	-

e) Shareholdings

Number of shares held by Parent Entity Directors and specified Executives:

	Balance 1.7.2008	Received as Remu- neration	Options Exercised	Net Change Other	Balance 30.6.2009
Parent Entity					
Directors					
Richard Martin	56,471	-	-	-	56,471
Carl Moser	9,570	-	-	-	9,570
Markus Buhl	-	-	-	-	-
Dieter Hopf	620,000	-	-	3,350,000	3,970,000
Peter Wallner	43,500	-	-	5,000	48,500
Joachim von Schnakenburg	62,933	-	-	-	62,933
Abdulrahman Falaknaz	88,300,000	-	-	(88,300,000)	-
Theophanis Katapodis	-	-	-	-	-
John Mitchell	-	-	-	-	-
Alistair Stone	-	-	-	-	-

Notes to the Financial Statements

for the year ended 30 June 2009

15. Remuneration of Directors Cont.

f) Remuneration practices

The Company's policy for determining the nature and amount of emoluments of Board members of the Company is presented in the Remuneration Report within the Directors' Report on page 17.

16. Commitments

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Operating leases				
- not later than 1 year	164,105	156,240	164,105	156,240
- non-current later than 1 year and not later than 5 years	211,969	364,560	211,969	364,560
	376,074	520,800	376,074	520,800

These operating leases relate to office accommodation and car parking at Level 2, 16 Byfield Street, North Ryde, NSW 2113 Australia.

Notes to the Financial Statements

for the year ended 30 June 2009

17. Segmental Information

Primary reporting – Geographical segments:

	Australia \$	Germany \$	UAE \$	Total \$
2009				
Revenue				
Interest	194,379	-	-	194,379
Total revenue from ordinary activities	194,379	-	-	194,379
Result				
Segment result	(1,647,415)	-	(3,841,453)	(5,488,868)
Share of net profits of equity accounted associates	-	(2,362,417)	-	(2,362,417)
Unallocated expenses net of unallocated revenue	-	-	-	-
Profit/(loss) from ordinary activities before income tax expense	(1,647,415)	(2,362,417)	(3,841,453)	(7,851,285)
Income tax expense	-	-	-	-
Profit/(loss) from ordinary activities after income tax expense	(1,647,415)	(2,362,417)	(3,841,453)	(7,851,285)
Extraordinary items after income tax expense	-	-	-	-
Net profit/(loss)	(1,647,415)	(2,362,417)	(3,841,453)	(7,851,285)
Assets				
Segment assets	2,755,909	-	3,061,775	5,817,684
Investments accounted for using the equity method	-	9,798,027	-	9,798,027
Unallocated assets	-	-	-	-
Total assets	2,755,909	9,798,027	3,061,775	15,615,711
Liabilities				
Segment liabilities	873,687	-	229,154	1,102,841
Unallocated liabilities	-	-	-	-
Total liabilities	873,687	-	229,154	1,102,841
Other				
Acquisition of non-current segment assets	-	-	-	-
Depreciation and amortisation of segment assets	56,813	-	-	56,813

Notes to the Financial Statements

for the year ended 30 June 2009

17. Segmental Information Cont.

Primary reporting – Geographical segments cont.:

	Australia \$	Germany \$	UAE \$	Total \$
2008				
Revenue				
Interest	337,855	-	-	337,855
Total segment revenue	337,855	-	-	337,855
Unallocated revenue	-	-	-	-
Total revenue from ordinary activities	337,855	-	-	337,855
Result				
Segment result	(11,441,886)	-	(321,633)	(11,763,519)
Share of net profits of equity accounted associated and joint venture entities	-	58,858	-	58,858
Unallocated expenses net of unallocated revenue	-	-	-	-
Profit/(loss) from ordinary activities before income tax expense	(11,441,886)	58,858	(321,633)	(11,704,661)
Income tax expense	-	-	-	-
Profit/(loss) from ordinary activities after income tax expense	(11,441,886)	58,858	(321,633)	(11,704,661)
Assets				
Segment assets	7,859,207	-	4,608,418	12,467,625
Investments accounted for using the equity method	-	11,451,272	-	11,451,272
Unallocated assets	-	-	-	-
Total assets	7,859,207	11,451,272	4,608,418	23,918,897
Liabilities				
Segment liabilities	2,180,142	-	-	2,180,142
Unallocated liabilities	-	-	-	-
Total liabilities	2,180,142	-	-	2,180,142
Other				
Acquisition of non-current segment assets	-	-	4,608,418	4,608,418
Depreciation and amortization of segment assets	55,413	-	-	55,413

Secondary reporting – Business segments:

Business segments:

Development of metal projects only

Notes to the Financial Statements

for the year ended 30 June 2009

18. Receivables and Payables Denomination In Foreign Currencies

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
The Australian Dollars equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates are as follows:				
Receivables				
Non-current (before provision for non-recovery)				
	Conversion Rate			
	A\$1			
United States Dollars	0.8075	-	7,049,058	4,716,817
Euro	0.5737	-	7,357,307	8,688,774
Payables				
Non-current				
United States Dollars	-	-	-	-

19. Related Parties

(a) Payments to Director related entities

During the year the Company paid a Director related entity of Mr Joachim von Schnakenburg \$63,243 in consulting fees for work done on behalf of the Company. These funds paid to this entity were for consulting work done in relation to the Company's steel project and were on normal commercial terms.

Shubrick Investments Pty Limited a company related to Mr Richard Martin provided consulting services to the Company during the financial year, totalling \$146,000 on normal commercial terms.

Berlin Mining and Investments Pty Limited a company related to Dr Peter Wallner provided consulting services to the company during the financial year totalling \$63,050 on normal commercial terms.

b) Wholly owned Group

The wholly owned Group consists of Boulder Steel Limited and its wholly owned controlled entities, Boulder Steel (UAE) Limited, Asia Pacific Seamless Tubes Ltd and EFS Holdings Pty Ltd. Ownership interests in these controlled entities are set out in Note 8.

Transactions between Boulder Steel Limited and related parties in the wholly owned Group during the years ended 30 June 2008 and 2009 consisted of:

- Loans advanced by Boulder Steel Limited.

In relation to the receivables there are no fixed terms for the repayment of these loans and no interest is accruing.

Notes to the Financial Statements

for the year ended 30 June 2009

19. Related Parties Cont.

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
b) Wholly owned Group cont.				
Aggregate amounts included in the determination of operating profit/(loss) before income tax that resulted from transactions with related parties in the wholly owned Group were as follows:				
Provision for doubtful debts	-	-	-	-
Interest expense	-	-	-	-
Aggregate amounts receivable from, and payable to, related parties in the wholly owned Group at balance date were as follows:				
Non-current receivables	-	-	-	-
Less: provision for doubtful debts	-	-	-	-
Non-current payables	-	-	-	-
The Company has agreed not to seek repayment of the amounts due by its controlled entities until the profitability and financial resources of those entities permit.				
Loans advanced to:				
Asia Pacific Seamless Tubes Limited	-	-	581,925	2,705,803
Boulder Steel (UAE) Limited	-	-	2,332,241	4,716,817
c) Other related parties				
Aggregate amounts brought to account in relation to other transactions with each class of other related parties:				
Loans advanced to:				
Related parties – Euro Forming Services GmbH	-	-	270,544	-
Aggregate amounts receivable from each class of other related parties at balance date were as follows:				
	-	-	-	-
Current receivables				
Related parties	-	-	-	-
Non-current receivables				
Associated companies	7,357,307	8,688,774	7,357,307	8,688,774
Less: Provision for doubtful debts	-	-	-	-
	7,357,307	8,688,774	7,357,307	8,688,774

Ownership interest in related parties:

Interest held in the following classes of related parties are set out in the following notes:

- (i) Controlled entities – Note 8
- (ii) Associated companies – Note 7

Notes to the Financial Statements

for the year ended 30 June 2009

20. Reconciliation of Cash

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) For the purpose of this Cash Flow Statement, cash includes cash at bank. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items on the Balance Sheet as follow:				
Cash at bank	1,899,679	7,516,767	1,868,032	7,495,701
(b) Reconciliation of operating profit/(loss) after tax to the net cash flows from operations				
Operating profit/(loss) after tax	(7,851,285)	(11,704,661)	(6,150,925)	(8,689,504)
Non-cash items:				
Depreciation and amortisation	56,813	55,413	51,413	55,413
Provision for doubtful debts	-	-	-	-
Provision for diminution of investment	3,259,713	7,648,811	-	-
Unrealised foreign exchange (gain)/loss	(1,258,328)	1,077,982	(1,726,143)	1,077,982
Equity accounting	2,362,417	(58,848)	-	-
Accrued interest	-	-	-	-
Provision non-recovery of loans	-	-	4,583,744	4,746,508
Provision for employee entitlements	(1,051,463)	178,172	(1,051,463)	234,672
Changes in assets and liabilities:				
Increase/(decrease) in other creditors and accruals	(25,838)	152,970	(41,758)	73,454
(Increase)/decrease in other debtors	6,447	104,126	(20,741)	3,556
Net cash flows from/(used in) operating activities	(4,501,524)	(2,546,035)	(4,355,873)	(2,497,918)

21. Earnings/(Loss) per Share

Profit/(loss) used in the calculation of earnings per share	(7,851,285)	(11,704,661)
Basic profit/loss per share	(1.6) cents	(2.4) cents
Weighted average number of ordinary share on issue used in the calculation of basis loss per share	481,802,960	481,742,450
Diluted profit/(loss) per share is	(1.6) cents	(2.4) cents
Weighted average number of ordinary shares on issue used in the calculation of diluted loss per share	481,802,960	481,742,450

Notes to the Financial Statements

for the year ended 30 June 2009

22. Subsequent Events

All subsequent events are disclosed on page 20 of the Directors' Report.

23. Employee Benefits

Employee share option arrangements

The closing share market price of an ordinary share of Boulder Steel Limited on the Australian Stock Exchange at 30 June 2009 was \$0.105 (30 June 2008: \$0.14).

(a) Movement in the number of share options held by employees are as follows:

	Economic Entity 30.06.09	Parent Entity 30.06.09
	No.	No.
Opening balance	14,437,067	14,437,067
Granted during the year	-	-
Exercised during the year	-	-
Lapsed during the year	(500,000)	(500,000)
Closing balance	13,937,067	13,937,067

(b) Details of employee share options outstanding as at end of year:

			Economic Entity 30.06.09	Parent Entity 30.06.09
Grant Date	Expiry and Exercise Date	Exercise Price	No.	No.
29/09/2004	30/06/2009	60 cents	3,000,000	3,000,000
29/09/2004	30/06/2009	30 cents	3,187,067	3,187,067
19/05/2006	31/03/2011	20 cents	7,750,000	7,750,000

24. Financial Instruments

(a) Interest rate risk

The consolidated entity's exposure to interest rate risk that a financial instrument's value will fluctuate as a result of changes in the market, interest rates and the effective weighted average interest rates on those financial assets, is set out opposite:

Notes to the Financial Statements

for the year ended 30 June 2009

	Weighted Average Interest Rate %	Variable Interest \$	Fixed Interest Rate Maturity			Total \$
			Fixed Less than One Year \$	Fixed 1 to 5 Years \$	Non- Interest Bearing \$	
2009						
Financial assets						
Cash	5.3	1,899,679	-	-	-	1,899,679
Trade debtors	-	-	-	-	53,427	53,427
Receivables	-	-	-	-	-	-
Security deposit	4.7	81,600	-	-	-	81,600
Total	-	1,981,279	-	-	53,427	2,034,706
Financial liabilities						
Trade payables	-	-	-	-	933,792	933,792
Employee provisions	-	-	-	-	169,049	169,049
Other liabilities	-	-	-	-	-	-
Total	-	-	-	-	1,102,841	1,102,841
2008						
Financial assets						
Cash	2.58	7,516,767	-	-	-	7,516,767
Term deposits	-	-	-	-	-	-
Receivables	-	-	-	-	59,874	59,874
Security deposit	7.7	81,600	-	-	-	81,600
Total	-	7,598,367	-	-	59,874	7,658,241
Financial liabilities						
Trade payables	-	-	-	-	959,630	959,630
Employee provisions	-	-	-	-	1,220,512	1,220,512
Other liabilities	-	-	-	-	-	-
Total	-	-	-	-	2,180,142	2,180,142

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at the balance date, to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the Balance Sheet and Notes to the Financial Statements.

The consolidated entity does not have any material risk exposure to any single debtor or group of debtors under financial instrument entered into by it.

(c) Net fair values

Methods and assumptions used in determining net fair value:

For assets and other liabilities, the net fair-value approximates the carrying values. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The consolidated entity has no financial assets where the carrying amount exceeds net fair value at balance date.

(d) Financial arrangements

The Company has no other financial arrangements in place.



Directors' Declaration

In accordance with a resolution of the Directors of Boulder Steel Limited, we state that:

1. in the opinion of the Directors, the Financial Statements and Notes, set out on pages 42 to 69, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2009 and of their performance for the year ended 30 June 2009; and
 - (b) complying with the accounting standards and the *Corporations Regulations 2001*;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the Directors have been given the declarations required to be made to the Directors under section 295A of the *Corporations Act 2001* for the year ended 30 June 2009.

On behalf of the Board

Carl U. Moser
Director and General Manager

Date: 30 September 2009

BOULDER STEEL LIMITED ABN 78 009 074 588 AND CONTROLLED ENTITIES INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOULDER STEEL LIMITED

Report on the financial report

We have audited the accompanying financial report of Boulder Steel Limited (the Company) and Controlled Entities (the consolidated entity), which comprises the Balance Sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- a. The financial report of Boulder Steel Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

WONG & MAYES

Martin G. Thompson

Level 16, 309 Kent St
Sydney

Dated this 30th day of September 2009

ASX Additional Information

Information is current as at 15 September 2009.

1. Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of share are:

Range		Total Share Holders
1	- 1,000	283
1,001	- 5,000	327
5,001	- 10,000	168
10,001	- 100,000	328
100,001	- 9,999,999,999	67

The number of shareholdings held in less than marketable parcels is 457.

2. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

Rank	Name	Number of Shares	Percentage of Shares
1	ANZ NOMINEES LIMITED	401,238,474	83.28
2	BELL POTTER NOMINEES LIMITED	10,445,000	2.17
3	REYNOLDS (NOMINEES) PTY LIMITED	9,529,048	1.98
4	NATIONAL NOMINEES LIMITED	5,116,318	1.06
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,875,528	0.80
6	FIRST CAPE MANAGEMENT PTY LIMITED	3,556,238	0.74
7	GOLDRIM INVESTMENTS PROPRIETARY LIMITED	2,135,000	0.44
8	DB MCDONAGH PTY LIMITED	1,965,640	0.41
9	CITICORP NOMINEES PTY LIMITED	1,473,642	0.31
10	MR ALBERT ARNOLD	1,181,825	0.25
11	BOW LANE NOMINEES PTY LIMITED	1,004,000	0.21
12	BAINPRO NOMINEES PTY LIMITED	1,000,000	0.21
13	J P MORGAN NOMINEES AUSTRALIA LIMITED	951,805	0.20
14	MR DON BOYD	900,000	0.19
15	FIRST CAPE MANAGEMENT PTY LIMITED	820,500	0.17
16	MRS SUSAN HOUSTON	730,000	0.15
17	MR BARRY BOWMAN	712,450	0.15
18	LINK TRADERS (AUST) PTY LIMITED	608,000	0.13
19	MR SIMON CHARLES BANKS	600,000	0.12
20	NORMANSKY LIMITED	600,000	0.12
Totals: top 20 holders		448,443,468	93.08
Total remaining holders balance		33,360,485	6.92
Grand total		481,803,953	100.00

ASX Additional Information

3. Distribution of Option Holders

The number of shareholders, by size of holding, in each class of share are:

Range			Total Options Holders
1	-	1,000	0
1,001	-	5,000	5
5,001	-	10,000	3
10,001	-	100,000	37
100,001	-	9,999,999,999	83

The number of holdings held in less than marketable parcels is 5.

4. Twenty Largest Holders of 20 cents Listed Options Expiring 31 March 2012

The names of the twenty largest holders of options are:

Rank	Name	Number of Options	Percentage of Options
1	ANZ NOMINEES LIMITED	114,156,108	43.08
2	REYNOLDS (NOMINEES) PTY LIMITED	44,208,950	16.68
3	STELPLATE PTY LIMITED	10,500,000	3.96
4	BANQUE THALER SA	7,000,000	2.64
5	NATIONAL NOMINEES LIMITED	6,654,500	2.51
6	MRS RUTH SCHMITZ BRECHMANN	4,600,000	1.74
7	MR ANTHONY FRANCIS GREVE LE BRUN	3,089,250	1.17
8	MR MICHAEL HELBIG	3,000,000	1.13
9	SUDARSHAN UJAGAR SINGH	3,000,000	1.13
10	HSBC CUSTODY NOMINEES (AUST) LIMITED	2,708,568	1.02
11	MR GEOFFREY ROSS JOHNSON AND MRS ROBYN LYNETTE JOHNSON	2,700,000	1.02
12	MR HUGH DAVIS	2,500,000	0.94
13	MR RALF RUDOLF KONIG	2,500,000	0.94
14	MR ALEXANDER WALLNER	2,500,000	0.94
15	MR DONALD BOYD	2,000,000	0.75
16	MR DENIS BRIAN MCDONAGH AND MRS JAN THERESE MCDONAGH	2,000,000	0.75
17	AMILLA ROLLER	2,000,000	0.75
18	FREDY SMARZA	2,000,000	0.75
19	HANS-JURGEN TAUCH	2,000,000	0.75
20	JOSE LUIS WAGNER	2,000,000	0.75
Totals: top 20 holders		221,117,376	83.44
Total remaining holders balance		43,882,624	16.56
Grand total		265,000,000	100.00

ASX Additional Information

5. Voting Rights

All ordinary shares carry one vote per share without restriction. Options do not carry voting rights.

6. Substantial Shareholders

An extract of the Company's register of Substantial Shareholders is set out below:

	Number of Shares	Percentage of Ordinary Shares
ANZ NOMINEES LIMITED	401,238,474	83.28

7. Stock Exchange

The Company is listed on the Australian Stock Exchange (Perth) and the Frankfurt, Stuttgart, Munich and Berlin/Bremen Exchanges in Germany. Following the Company's request to voluntarily withdraw its securities from NASDAQ Dubai, the Company's shares will be suspended from trading on NASDAQ Dubai effective at the opening of trading on 5 November 2009 (the 'Effective Date') in order to ensure that any trades in the shares can be settled on T+3 basis. An announcement to this effect will be disseminated to the market by NASDAQ Dubai 48 hours prior to the Effective Date, i.e. at the opening of trading on 3 November 2009.

The shares of the Company will be removed from the official list of NASDAQ Dubai and from trading at the opening of trade on 15 November 2009.

Corporate Directory

Corporate Information

ABN 78 009 074 588

Directors

Mr Richard Shubrick Martin

Mr Carl Ulrich Moser

Mr Markus Buhl

Mr Dieter Hopf

Company Secretary

Mr Daniel George Owen

Registered Office

Level 2, 16 Byfield Street
North Ryde NSW 2113
AUSTRALIA

Postal Address

PO Box 1293
Macquarie Centre NSW 2113
AUSTRALIA

Tel: +61 2 9413 1811
Fax: +61 2 9419 2818
Email: admin@bouldersteel.com.au

Solicitors

DibbsBarker

Level 8, Angel Place
123 Pitt Street
Sydney NSW 2000

Bankers

Westpac Bank

425 Victoria Avenue
Chatswood NSW 2067

Share Register

Computershare Investor Services Pty Ltd

Level 5, 115 Grenfell Street
Adelaide SA 5000

Tel: +61 8 8236 2300
Fax: +61 8 8236 2305

Auditors

Wong & Mayes Chartered Accountants

Lumley Building
Level 16, 309 Kent Street
SYDNEY NSW 2000

Internet Address

www.bouldersteel.com.au



Notes

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