BC Iron Limited

ACN 120 646 924

Interim Financial Report

For the

Period 10 July 2006 to 31 December 2006

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by BC Iron Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

BC Iron Limited

ACN 120 646 924

Directors' Report

The directors present their report on the results of BC Iron Limited ('the Company') for the period 10 July 2006 to 31 December 2006 and the state of affairs at that date.

Directors

The names of directors of the Company in office during the whole of the financial period and up to the date of this report are:

Anthony W. Kiernan	Non-Executive Chairman (appointed 11 October 2006)
Michael C. Young	Managing Director (appointed 11 October 2006)
Steven J.M. Chadwick	Non-Executive Director (appointed 10 July 2006)
Terrence W. Ransted	Non-Executive Director (appointed 10 July 2006)
Karen E.V. Brown	Non-Executive Director (appointed 10 July 2006, resigned 11 October 2006)
Garth R. Higgo	Non-Executive Director (appointed 11 October 2006)

Review and Results of Operations

A summary of revenues and results of the Company's operations for the period by significant industry segments is as follows:

	Segment Revenue $	Segment result $
Minerals exploitation – Australia	-	-
Other	22,813	(360,373)
Total continuing operations	22,813	(360,373)
Unallocated expenses		-
Profit (loss) before income tax expense		(360,373)
Income Tax expense		-
Profit (loss) for the financial period		(360,373)
Less profit (loss) attributable to minority interests		-
Profit (loss) attributable to members of BC Iron Limited		(360,373)

Activities

The Company was incorporated on 10 July 2006 and listed on 15 December 2006.
The Company is involved in mineral exploration and development, focussing primarily on iron ore deposits near Nullagine, Western Australia.

Dividends

No dividends have been provided for or paid by the Company during the financial period.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

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

Dated this 14th day of March 2007.

On behalf of the Directors

Michael C. Young
Director

Horwath

Horwath Audit (WA) Pty Ltd
ABN 79 112 284 787
Chartered Accountants
128 Hay Street Subiaco 6008
PO Box 700 West Perth 6872
Western Australia
Telephone (08) 9380 8400
Facsimile (08) 9380 8499
www.horwath.com.au

14 March 2007

The Board of Directors
BC Iron Ltd
129 Edward Street
PERTH WA 6000

AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my half-year review of the financial report of BC Iron Ltd for the half-year ended 31 December 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

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

Yours faithfully
HORWATH AUDIT (WA) PTY LTD

Horwath
Peter Toll

PETER TOLL
Director

BC Iron Limited

ACN 120 646 924

Directors' Declaration

For The Period 10 July 2006 to 31 December 2006

The directors declare that:

(a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including
   (i) complying with Accounting Standards, The Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the financial position and performance of the Company as at 31 December 2006, as represented by the results of its operations, changes in equity and its cashflows for the period 10 July 2006 to 31 December 2006; and

(b) there are reasonable grounds to believe that BC Iron Ltd will be able to pay its debts as and when they become due and payable.

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

Michael C. Young
Director

PERTH, 14th March 2007.

BC Iron Limited

ACN 120 646 924

Income Statement

For The Period 10 July 2006 to 31 December 2006

	Period to 31 Dec 2006 $
Revenue from continuing operations	**22,813**
Employee benefits expense	**(16,359)**
Expenses from continuing operations	**(366,827)**
Profit (loss) before income tax	**(360,373)**
Income tax expense	**-**
Profit (loss) for financial period	**(360,373)**
Profit (loss) attributable to minority interests	**-**
Profit (loss) attributable to members of BC Iron Limited	**(360,373)**
(Loss) per share for loss from continuing operations attributable to the ordinary equity holders of the Company	
Basic earnings per share	**(0.0227)**

The diluted earnings per share are not materially different from the basic earnings per share.

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

Balance Sheet

As at 31 December 2006

	$
Current Assets	
Cash and Cash Equivalents	**5,587,254**
Trade and Other Receivables	**62,879**
Total Current Assets	**5,650,133**
Non-Current Assets	
Plant and Equipment	**3,395**
Intangible Assets	**24,539**
Total Non-Current Assets	**27,934**
Total Assets	**5,678,067**
Current Liabilities	
Trade and Other Payables	**110,049**
Borrowings	**248,243**
Total Current Liabilities	**358,292**
Total Liabilities	**358,293**
Net Assets	**5,319,775**
Equity	
Contributed equity	**5,348,148**
Reserves	**332,000**
Accumulated losses	**(360,373)**
Total Equity	**5,319,775**

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

BC Iron Limited

ACN 120 646 924

Statement of Changes in Equity

For The Period 10 July 2006 to 31 December 2006

	Period to 31 Dec 2006 $
Total equity at 10 July 2006	**-**
Loss for the financial period	**(360,373)**
Transactions with equity holders in their capacity as equity holders	
Contributions of equity, net of transaction costs	**6,030,001**
Cost of IPO	**(681,853)**
Share-based payments	**332,000**
Total equity at 31 December 2006	**5,319,775**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For The Period 10 July 2006 to 31 December 2006

	Period to 31 Dec 2006 $
Cash Flows from Operating Activities	
Receipts from Customers (inclusive of goods and services tax)	**22,813**
Payments to Suppliers & Employees (inclusive of goods and services tax)	**(84,015)**
Net cash (outflow) from operating activities	**(61,202)**
Cash Flows from Investing Activities	
Payment for Plant & Equipment	**(3,395)**
Payment for Exploration and Evaluation	**(24,539)**
Net cash (outflow) inflow from investing activities	**(27,934)**
Cash Flows from Financing Activities	
Proceeds from issue of shares	**5,428,148**
Proceeds from borrowings	**248,242**
Net cash inflow from financing activities	**5,676,390**
Net Increase (Decrease) in cash and cash equivalents	**5,587,254**
Cash and cash equivalents at the beginning of the period	**-**
Cash and cash equivalents at the end of the period	**5,587,254**

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

Notes to the Financial Statements
For The Period 10 July 2006 to 31 December 2006

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below.

a. Basis of preparation

This general purpose financial report for the reporting period 10 July 2006 to 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134: "Interim Financial Reporting" and other mandatory reporting requirements.

This financial report does not include all the notes of the type normally included in an annual financial report.

b. Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRSs).

c. Comparatives

These financial statements cover the period from incorporation, therefore there are no comparative figures.

d. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operation in other economic environments.

e. Revenue Recognition

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

f. Income Tax

The income tax expense or revenue for the financial period is the tax payable on the current financial period's taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Notes to the Financial Statements

For The Period 10 July 2006 to 31 December 2006

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

h. Impairment of assets

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

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

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

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

i. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

j. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

k. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value, less any estimated credit adjustments, of trade receivables and payables are assumed to approximate their fair value.

Notes to the Financial Statements

For The Period 10 July 2006 to 31 December 2006

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over their estimated useful life of 3 to 5 years.

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

m. Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and:

i) the area has proven commercially recoverable reserves; or
ii) exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

At the end of each financial year the Directors assess the carrying value of the exploration expenditure carried forward in respect of each area of interest and where the carried forward carrying value is considered to be in excess of (i) above, the value of the area of interest is written down.

Capitalised exploration expenditure is considered for impairment based upon areas of interest on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted or planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

n. Mineral Tenements

The Company's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decision in what is known generally as the "Mabo" case and any State or Federal legislation regarding native and mining titles. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined and could effect any mining title area whether granted by the State or not.

o. Trade Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the Financial Statements

For The Period 10 July 2006 to 31 December 2006

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Employee Benefits

Provision is made in respect of the Company's liability for annual leave at the reporting date. Employee benefits, including annual leave in respect of employee's service up to the reporting date, expected to be settled within twelve (12) months of the reporting date are recognised in provisions and are measured at the amounts expected to be paid when the liability is settled.

q. Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

r. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

s. Earnings per share

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

t. Share-based payments

Where shares or options are issued to employees, including directors, as remuneration for services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the shares or options issued is recorded in contributed equity.

u. New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations, effective for the 2007 financial statements, have been published that are not mandatory for 30 June 2006 reporting periods. The Company has elected not to adopt, where available, theses standards and UIG interpretations early. Application of the standards and UIG interpretations is not expected to effect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in the notes to the financial statements.

Notes to the Financial Statements

For The Period 10 July 2006 to 31 December 2006

NOTE 2 - ISSUED AND QUOTED SECURITIES AT 31 DECEMBER 2006

Category of Securities	Number Issued	Issue price $	$
Ordinary Shares:			
Issued during financial period			
- **Incorporation**	1	$1.00	$ 1
- **Seed Capital**	29,999,999	$0.001	$ 30,000
- **IPO**	24,000,000	$0.25	$ 6,000,000
	54,000,000		$ 6,030,001
Options:		**Exercise Price**	**Expiry Date**
Listed	.... Nil	....	....
Issued during financial period	.... Nil	....	....
Expired during financial period	.... Nil	....	....
Unlisted	3,250,000	....	....
Issued during financial period			
	500,000	$0.30	{ 3 years
	500,000	$0.25	{ after ASX
	2,250,000	$0.25	{ listing date
Exercised during financial period	.... Nil	....	....
Expired during financial period	.... Nil	....	....

NOTE 3 – RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash includes

	Period to 31 Dec 2006 $
Cash at the end of the half-year as shown in the statement of cash flows is reconciled to the related items in the accounts as follows:	
Cash on hand and at bank	**1,155,772**
Deposits – short term	**4,431,482**
	5,587,254

NOTE 4 – EARNINGS PER SHARE

	Period to 31 Dec 2006 $
Basic earnings per share - dollars	**$0.0227**
Diluted earnings per shares is not materially different from Basic earnings per share	
The weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	**15,862,070**

Notes to the Financial Statements

For The Period 10 July 2006 to 31 December 2006

NOTE 5 – SEGMENTAL INFORMATION

The Company operates only in Australia and predominantly in the area of mineral exploration near Nullagine, Western Australia.

NOTE 6 – SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported to the period ended 31 December 2006.

NOTE 7 – COMMITMENTS FOR EXPENDITURE

Mineral Tenement Leases

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform mimimum expenditure requirements specified by the WA State Government and pay tenement lease rents. The company will be required to outlay in 2006/07 amounts of approximately $49,478 in respect of tenement lease rentals and $572,250 in exploration expenditures to meet these minimum expenditure requirements. The balance of these obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure.

NOTE 8 –CONTINGENT LIABILITIES AND ASSETS

No contingent liabilities or assets have arisen during the period.

Horwath Audit (WA) Pty Ltd
ABN 79 112 284 787
Chartered Accountants
128 Hay Street Subiaco 6008
PO Box 700 West Perth 6872
Western Australia
Telephone (08) 9380 8400
Facsimile (08) 9380 8499
www.horwath.com.au

Independent auditors' review report to members of BC Iron Limited

We have reviewed the accompanying half year financial report of BC Iron Ltd, which comprises the balance sheet at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the half year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Auditor of an Entity,* in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not fairly presented, in all material respects, in accordance with AASB 134 *Interim Financial Reporting.* As the auditor of BC Iron Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of BC Iron Ltd does not fairly present, in all material respects the financial position of the company at 31 December 2006, and of its financial performance and its cash flows for the half year ended on that date, in accordance with AASB 134 *Interim Financial Reporting.*

Dated the 14th day of March 2007.

HORWATH AUDIT (WA) PTY LTD

Horwath

Peter Toll

PETER TOLL
Director