

BC Iron Limited
ACN 120 646 924

Half-year Financial Report

31 December 2009

This half-year 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

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Directors' Report

The directors present their report together with the consolidated financial statements for the six months ended 31 December 2009 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name		Period of directorship
Anthony W. Kiernan	Chairman (Non-Executive)	Director since 2006
Michael C. Young	Managing Director	Director since 2006
Steven J.M. Chadwick	Non-Executive	Director since 2006
Terrence W. Ransted	Non-Executive	Director since 2006
Garth R. Higgo	Non-Executive	Director since 2006

Review and Results of Operations

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

	Segment Revenue		Segment Result	
	2009	2008	2009	2008
	\$	\$	\$	\$
Minerals exploration - Australia	-	-	-	-
Other	618	-	-	-
Total continuing operations	618	-	-	-
Unallocated expenses: Corporate Expenses			(1,822,988)	(1,134,290)
Other profit			384,675	329,014
Loss before income tax expense			(1,438,313)	(805,276)
Income tax expense			-	-
Loss for the half-year			(1,438,313)	(805,276)
Loss attributable to members of BC Iron Limited			(1,438,313)	(805,276)

Activities

The Company is involved in mineral exploration and development focussing on the Nullagine Iron Ore Project ("Project") in the Pilbara region of Western Australia. In mid-2009, the Company completed and approved a Feasibility Study over the Outcamp and Coongan Wells deposits within the Project including the definition of a probable ore reserve of 36Mt @ 56.9% Fe. Subsequent to this, a Heads of Agreement was signed with Fortescue Metals Group Limited ("FMG") for FMG to farm-in to the Project and acquire a 50% interest therein by contributing up to \$10 million in equity and meeting JV obligations. As part of this transaction, FMG's wholly owned subsidiary, The Pilbara Infrastructure Pty Ltd ("TPI") agreed to provide access to rail and port infrastructure for the Project at an agreed annual per tonnage basis.

During the six months ended 31 December 2009, significant progress has been made in the development of the Project. Following on from the earlier Heads of Agreement on 24 August, the Company formally entered into the Nullagine Iron Ore JV ("NIOJV") with FMG and subsequent to this commenced trial mining in September. The results from the test pit confirmed the key technical and mining assumptions of the Feasibility Study with a positive reconciliation of 13% higher tonnes and grade to the ore reserve estimate. Following its review of the test pit report, FMG confirmed its commitment to commence development of the Project.

As part of this development, on 9 November the Company announced that the NIOJV had secured US\$50 million in project finance with a Hong Kong based industrial company, Henghou Industries (Hong Kong) Limited. The first US\$15 million instalment was received on 17 December 2009 with a further US\$15 million being received post balance date in accordance with the agreed drawdown schedule with Henghou. As part of this transaction, the NIOJV has agreed to sell to Henghou 20 million tonnes of product over the first 8 years of production at benchmark and if no benchmark, at a pricing structure tied to an appropriate index.

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Directors' Report (cont.)

Dividends

No dividends have been provided for or paid by the Company during the half-year.

Changes In State Of Affairs

During the half-year there was no significant change in the Company's state of affairs other than that referred to in the half-year financial statements or notes thereto.

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 14 and forms part of the directors' report for the six months ended 31 December 2009.

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

Dated this 4th day of March 2010

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'M C Young', with a stylized flourish at the end.

Michael C. Young
Managing Director

BC Iron Limited

ACN 120 646 924

Directors' Declaration

In the opinion of the directors of BC Iron Limited (the Company):

- a) the financial statements and notes set out on the following pages are in accordance with the Corporations Act 2001 including:
 - i) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the six month period ended on that date; and
 - ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Michael C. Young
Managing Director

Perth, 4th March 2010

BC Iron Limited

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Consolidated statement of comprehensive income

For the 6 months ended 31 December 2009

		Half-year ended 31 Dec 2009	Half-year ended 31 Dec 2008
	Note	\$	\$
Continuing operations			
Revenue		618	-
Finance income		384,675	329,014
Depreciation expense		(45,759)	(48,849)
Directors' fees		(92,500)	(77,500)
Share based payments		(529,216)	(301,288)
Personnel and support		(339,748)	(194,656)
Share registry services and other corporate costs		(234,730)	(228,833)
Administration and secretarial services		(96,115)	(59,467)
Office rent, ancillaries and running costs		(287,925)	(65,410)
Public relations and support		(94,155)	(63,175)
Other expenses from continuing operations		(103,458)	(95,112)
Loss before income tax		(1,438,313)	(805,276)
Income tax expense		-	-
Loss after tax and total comprehensive income		(1,438,313)	(805,276)
Total comprehensive loss for the period attributable to the owners of BC Iron Limited		(1,438,313)	(805,276)
Loss per share from continuing operations			
Basic loss per share (cents per share)	7	(1.81)	(1.36)

The accompanying notes form part of these financial statements

BC Iron Limited

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Consolidated statement of financial position

ASSETS	Note	31 Dec 2009 \$	30 June 2009 \$
Current Assets			
Cash and cash equivalents		24,093,694	12,036,742
Trade and other receivables		639,496	174,043
Other financial assets		183,242	62,005
Total Current Assets		24,916,432	12,272,790
Non Current Assets			
Plant & equipment		201,317	112,828
Exploration and evaluation assets	3	18,039,203	9,877,636
Total Non-Current Assets		18,240,520	9,990,464
Total Assets		43,156,952	22,263,254
LIABILITIES			
Current Liabilities			
Trade and other payables		1,043,287	750,300
Total Current Liabilities		1,043,287	750,300
Non-Current Liabilities			
Loans and Borrowings	5	7,412,819	-
Provisions		250,000	-
Total Non-Current Liabilities		7,662,819	-
Total Liabilities		8,706,106	750,300
Net Assets		34,450,846	21,512,954
EQUITY			
Share capital	4	35,861,374	22,982,385
Reserves		2,876,136	1,378,920
Accumulated losses		(4,286,664)	(2,848,351)
Total Equity		34,450,846	21,512,954

The accompanying notes form part of these financial statements

BC Iron Limited

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Consolidated Statement of Changes in Equity

For the 6 months ended 31 December 2009

	Share Capital \$	Accumulated Losses \$	Share Based Payments Reserve \$	Options Exercised Reserve \$	Options to be Issued Reserve \$	Total Equity \$
Balance at 1 July 2008	13,949,727	(1,536,694)	762,561	-	-	13,175,594
Loss for the period	-	(805,276)	-	-	-	(805,276)
Total comprehensive loss for the period	-	(805,276)	-	-	-	(805,276)
Shares issued net of transaction costs	-	-	-	-	-	-
Options issued	-	-	301,288	-	-	301,288
Options exercised	-	-	-	-	-	-
Balance at 31 December 2008	13,949,727	(2,341,970)	1,063,849	-	-	12,671,606
Balance at 1 July 2009	22,982,385	(2,848,351)	1,303,240	75,680	-	21,512,954
Loss for the period	-	(1,438,313)	-	-	-	(1,438,313)
Total comprehensive loss for the period	-	(1,438,313)	-	-	-	(1,438,313)
Shares issued net of transaction costs	12,878,989	-	-	-	-	12,878,989
Options to be issued	-	-	-	-	968,000	968,000
Options issued	-	-	529,216	-	-	529,216
Options exercised	-	-	(365,136)	365,136	-	-
Balance at 31 December 2009	35,861,374	(4,286,664)	1,467,320	440,816	968,000	34,450,846

The accompanying notes form part of these financial statements

BC Iron Limited

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Consolidated statement of cash flows

for the six months ended 31 December 2009

		Half-year ended 31 Dec 2009	Half-year ended 31 Dec 2008
	Note	\$	\$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,221,848)	(674,678)
Interest received		303,182	328,959
Net cash outflow from operating activities		(918,666)	(345,719)
Cash Flows from Investing Activities			
Payment for plant & equipment		(133,066)	(14,992)
Payment for exploration and evaluation expenditure		(7,958,664)	(3,621,217)
Payment for security deposits		(121,237)	-
Net cash used in investing activities		(8,212,967)	(3,636,209)
Cash Flows from Financing Activities			
Proceeds from issue of shares, net of costs		12,807,766	-
Proceeds from borrowings		8,380,819	-
Net cash inflow from financing activities		21,188,585	-
Net increase (decrease) in cash and cash equivalents		12,056,952	(3,981,928)
Cash and cash equivalents at the beginning of the period		12,036,742	9,080,474
Cash and cash equivalents at the end of the period	6	24,093,694	5,098,546

The accompanying notes form part of these financial statements

BC Iron Limited

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Notes to the half-year financial statements

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity –

BC Iron Limited (the “Company”) is a company domiciled in Australia. The consolidated half-year financial statements of the Company as at and for the six months ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and jointly controlled entities.

The consolidated financial statements of the Group as at and for the year ended 30 June 2009 are available upon request from the Company’s registered office at Level 1, 15 Rheola Street, West Perth, WA, 6005 or at [.bciron.com.au](http://bciron.com.au).

2. Statement of Compliance

These consolidated half-year financial statements have been prepared in accordance with AASB 134 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2009.

These consolidated half-year financial statements were approved by the Board of Directors on 4 March 2010.

3. Significant Accounting policies

The accounting policies applied by the Group in these consolidated half-year financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2009, except as follows:

Operating Segments

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of BC Iron Ltd.

The Group operates only in one business and geographical segment being predominantly in the area of mineral exploration and development in the Pilbara region, Western Australia. The Group considers its business operations in mineral exploration and development to be its primary reporting function.

Presentation of Financial Statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity. This presentation has been applied in these condensed interim financial statements as of and for the six month period ended 31 December 2009.

4. Estimates

The preparation of half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated half-year financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2009.

5. Financial Risk Management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2009.

NOTE 2 - LOSS FOR THE HALF-YEAR

Loss for the half-year includes no items that are unusual because of their nature, size or incidence, other than employee benefits expense of \$529,216 (2008: \$301,288) which comprises the share based payments being the valuation of options granted during the six month period in accordance with AASB 2 Share-Based Payments.

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Notes to the half-year financial statements

NOTE 3 - EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2009	30 June 2009
	\$	\$
Exploration and evaluation expenditure costs brought forward in respect of areas of interest		
Opening balance	9,877,636	4,498,419
Expenditure during financial period	8,161,567	5,379,217
Closing Balance	<u>18,039,203</u>	<u>9,877,636</u>

Exploration and evaluation expenditure is recorded at historical cost on an area of interest basis. Recovery of these costs is dependent upon the commercial success of future exploration and development or realisation by disposal of the interests therein.

There may exist on the Group's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

NOTE 4 – EQUITY SECURITIES ISSUED

	2009	2008	2009	2008
	Shares	Shares	\$	\$
Movements in issued capital				
Opening balance	68,846,000	59,400,000	22,982,385	13,949,727
Issued during the half-year	14,865,000	-	13,530,100	-
Closing balance at end of half-year	<u>83,711,000</u>	59,400,000	<u>36,512,485</u>	13,949,727
Less: Cost of issue	-	-	(651,111)	-
Closing balance at end of half-year	<u>83,711,000</u>	59,400,000	<u>35,861,374</u>	13,949,727

NOTE 5 – LOANS AND BORROWINGS

The following loan was issued during the six months ended 31 December 2009

	31 Dec 2009	30 June 2009
	\$	\$
Loan - Henghou Facility	7,412,819	-
	<u>7,412,819</u>	-

The Group entered an Iron Ore Purchase Agreement with Ningbo Houheng Machinery Co., Ltd and Henghou Industries (Hong Kong) Limited on 9 November 2009 pursuant to which the Group agreed to sell 10 million tonnes of its share of production from the Nullagine Iron Ore Project over 8 years at benchmark, or if there is no benchmark at a pricing structure tied to index. The Group's joint venture partner, FMG, entered into a mirror agreement in relation to 10 million tonnes of its share of production. At the same time the Group and FMG secured US\$50 million in project finance with Henghou Industries (Hong Kong) Limited. Henghou made a payment of US\$15 million on 17 December 2009 (being as to US\$7.5 million to the Group and US\$7.5 million to FMG). The Group will repay its share of the facility at the amount of US\$5 million annually to Henghou over the 5 years from December 2011.

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Notes to the condensed interim financial statements

NOTE 6 – RECONCILIATION OF CASH

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

	Half-year ended 31 Dec 2009	Half-year ended 31 Dec 2008
	\$	\$
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	116,676	63,110
Cash on deposit (at call)	96,199	5,035,436
Cash on term deposits	23,880,819	-
	24,093,694	5,098,546

NOTE 7 – LOSS PER SHARE

	Half-year ended 31 Dec 2009	Half-year ended 31 Dec 2008
	Cents	Cents
Basic loss per share (cents per share)	(1.81)	(1.36)
Loss used in the calculation of basic EPS	(1,438,313)	(805,276)
Weighted average number of shares outstanding during the half-year used in calculations of basic loss per share	79,632,120	59,400,000

NOTE 8 – SUBSEQUENT EVENTS

On 1 January 2010, the Company and Fortescue Metals Group commenced a Joint Venture to develop the Nullagine Iron Ore Project in the East Pilbara of Western Australia.

On 3 February 2010, the Nullagine Iron Ore Joint Venture received US\$15 million (the Group's share is US\$7.5million) being the second instalment of funding under the US\$50 million financing facility with Henghou Industries (Hong Kong) Limited.

NOTE 9 – COMMITMENTS FOR EXPENDITURE

a) Mineral Tenement Leases

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum expenditure requirements specified under the Mining Act of Western Australia and pay tenement lease rents. The company will be required to outlay in 2010 amounts of approximately \$58,903 in respect of tenement lease rentals and \$651,000 in exploration expenditures to meet these minimum expenditure requirements. These obligations will be fulfilled in the normal course of operations.

b) Operating Lease – Buildings

The Company sub-leases offices in West Perth, Western Australia, under a non- cancellable operating lease expiring August 2011.

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Notes to the condensed interim financial statements

NOTE 10 – CONTINGENT LIABILITIES AND ASSETS

The Group is bound to the Minister in the State of Western Australia to the sum of \$110,000 security in order to comply with the conditions of the leases for the mining tenements.

On 16 December, the Company received notice from Tennant Metals that it disputed BC Iron's termination of its Off-Take Agreement and would be referring the matter to arbitration. BC Iron denies any liability to Tennant Metals.

NOTE 11 – SEGMENT INFORMATION

Management has determined that the company has one reportable segment, being mineral exploration in Western Australia. As the company is focused on mineral exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

	2009	2008
	\$	\$
Revenue from external sources	618	-
Reportable segment profit / (loss)	-	-
Reportable segment assets	<u>18,039,203</u>	9,877,636
Reconciliation of reportable segment profit or loss		
Reportable segment profit / (loss)	-	-
Other profit	384,675	329,014
Unallocated: Corporate Expenses	<u>(1,822,988)</u>	<u>(1,134,290)</u>
Loss before tax	<u>(1,438,313)</u>	<u>(805,276)</u>

BC Iron Limited

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Notes to the condensed interim financial statements

NOTE 12 – SHARE-BASED PAYMENTS

During the current period the Group issued the following share based payments to Directors, employees and key management personnel. The terms and conditions including fair value of share options issued for the six months ended 31 December 2009 and 31 December 2008 have been included below:

31/12/2009

Grant Date	Expiry date	Exercise price	Granted during the half -year	Vesting Period	Fair value at grant date of options	Share price on grant date	Expected Volatility	Option life	Expected Dividends	Risk-free interest rate
Employee options										
01-Aug-09	01-Aug-12	\$1.25	100,000	01-Aug-09	\$0.65	\$1.06	100%	3 years	0%	4.94%
01-Aug-09	01-Aug-12	\$1.40	200,000	01-Aug-10	\$0.62	\$1.06	100%	3 years	0%	4.94%
01-Aug-09	01-Aug-12	\$1.60	200,000	01-Aug-11	\$0.60	\$1.06	100%	3 years	0%	4.94%
25-Aug-09	25-Aug-12	\$1.25	100,000	25-Jan-10	\$0.59	\$1.00	100%	3 years	0%	3.13%
25-Aug-09	25-Aug-12	\$1.40	150,000	22-Aug-10	\$0.57	\$1.00	100%	3 years	0%	3.13%
25-Aug-09	25-Aug-12	\$1.60	250,000	22-Aug-11	\$0.54	\$1.00	100%	3 years	0%	3.13%
05-Nov-09	05-Nov-12	\$1.25	100,000	05-Feb-10	\$0.67	\$1.10	100%	3 years	0%	3.13%
05-Nov-09	05-Nov-12	\$1.50	150,000	05-Nov-10	\$0.63	\$1.10	100%	3 years	0%	3.13%
05-Nov-09	05-Nov-12	\$2.00	150,000	05-Nov-11	\$0.56	\$1.10	100%	3 years	0%	3.13%
Key Management Personnel options										
01-Aug-09	01-Aug-12	\$1.25	150,000	01-Aug-09	\$0.65	\$1.06	100%	3 years	0%	4.94%
01-Aug-09	01-Aug-12	\$1.40	150,000	01-Aug-10	\$0.62	\$1.06	100%	3 years	0%	4.94%
01-Aug-09	01-Aug-12	\$1.60	200,000	01-Aug-11	\$0.60	\$1.06	100%	3 years	0%	4.94%

31/12/2008

Grant Date	Expiry date	Exercise price	Granted during the half -year	Vesting Period	Fair value at grant date of options	Share price on grant date	Expected Volatility	Option life	Expected Dividends	Risk-free interest rate
Director options										
17-Jul-08	15-Aug-11	\$1.85	500,000	15-Feb-09	\$0.48	\$1.10	90%	2 years	0%	6.42%
17-Jul-08	15-Aug-11	\$2.00	500,000	15-Feb-10	\$0.30	\$1.10	90%	2 years	0%	6.42%
Employee options										
21-Aug-08	21-Aug-11	\$1.25	100,000	21-Aug-08	\$0.44	\$0.88	86%	3 years	0%	5.60%
21-Aug-08	21-Aug-11	\$1.50	200,000	21-Aug-09	\$0.30	\$0.88	86%	3 years	0%	5.60%
21-Aug-08	21-Aug-11	\$2.00	200,000	21-Aug-10	\$0.11	\$0.88	86%	3 years	0%	5.60%

The fair value of services received in return for share options have been fair valued based upon the fair value of equity securities granted, measured using a Black-Scholes option pricing model.

3 March 2010

The Directors
BC Iron Limited
Level 1, 15 Rheola Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF BC IRON LIMITED

As lead auditor of BC Iron Limited for the half-year ended 31 December 2009, 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 the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BC Iron Limited and the entity it controlled during the period.



Peter Toll
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BC IRON LIMITED

Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of BC Iron Limited for the period ended 31 December 2009 included on BC Iron Limited's web site. The disclosing entity's directors are responsible for the integrity of BC Iron Limited's web site. We have not been engaged to report on the integrity of BC Iron Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BC Iron Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd



Peter Toll
Director

Signed in Perth, Western Australia
Dated this 3rd day of March, 2010