ASX RELEASE – 16 FEBRUARY 2012

BC Iron delivers Maiden Operational Profit for H1 FY2012

HIGHLIGHTS

- **Net profit before tax of $8.9 million for H1 FY2012**
- **Earnings before Interest and Tax of $12.2 million for H1 FY2012**
- **Sales revenue of $62.8 million, up 267% from $17.1 for the previous 6 month period**
- **Net profit before tax expected to be significantly stronger in H2 FY2012**

Australian iron ore producer BC Iron Limited ("**BC Iron**") (**ASX:BCI**) is pleased to report its maiden half year operational profit from the Nullagine Iron Ore Joint Venture ("**NJV**"), a 50:50 joint venture between BC Iron and Fortescue Metals Group Limited ("**Fortescue**").

Managing Director, Mike Young commented, "BC Iron's operations really began to gather momentum during the second half of the 2011 calendar year. Whilst the operation is still ramping up, the NJV has already achieved its production guidance targets of 1Mt exported by December 2011 and a throughput rate of 3Mtpa since November 2011. It is with great pride that we announce our first operational profit as an iron ore production company."

Full Year Outlook

BC Iron expects its financial performance during H2 FY2012 to continue to improve as the NJV ramps up its operations towards its targeted production rate of 5Mtpa and reduces its operating costs. Fortescue continues to provide efficient infrastructure services to the NJV with 2 full cape size vessels scheduled for February and a further 3 full cape size vessels scheduled for March.

Whilst the wet season in the Pilbara may affect operations during H2 FY2012, BC Iron remains committed to its next two key operational targets for the NJV of reaching a production rate of 5Mtpa during June 2012 and shipping ~ 3.5Mt for FY2012.

Advice from end users of our ore is that the *Bonnie Fines* product is well regarded by customers in China while the NJV continues to experience strong demand for the product with regular enquiries.

- ENDS -

FOR FURTHER INFORMATION:

MIKE YOUNG / MORGAN BALL
MANAGING DIRECTOR / FINANCE DIRECTOR
BC IRON LIMITED
TELEPHONE: +61 8 6311 3400

RELEASED BY:

DAVID TASKER / JAMES HARRIS
PROFESSIONAL PUBLIC RELATIONS
TELEPHONE: +61 8 9388 0944

BC Iron Limited

ACN 120 646 924

Half-Year Financial Report

31 December 2011

Directors' Report

The directors present their report on the results of the consolidated entity (referred hereafter as the Group) consisting of BC Iron Limited and the entities it controlled at the end of, or during the six months ended 31 December 2011**.**

Directors

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

Anthony W. Kiernan	Chairman (*Non-Executive*)
Michael C. Young	Managing Director
Morgan S. Ball	Finance Director appointed 6 December 2011
Terrence W. Ransted	Director (*Non-Executive*)
Andrew M. Haslam	Director (*Non-Executive*) appointed 19 September 2011
Malcolm J. McComas	Director (*Non-Executive*) appointed 2 December 2011
Glenn R. Baldwin	Director (*Non-Executive*) resigned 18 November 2011
David A.T. Coyne	Alternate Director *(Non-Executive)* to Glenn Baldwin resigned 18 November 2011

Review and Results of Operations

The Group is involved in iron ore production and export, focussing on the Nullagine Iron Ore Joint Venture (NJV) in the Pilbara region of Western Australia, a 50:50 joint venture with the Fortescue Metals Group (Fortescue).

Principal Activity

The principal activities of the Group during the course of the half year were mineral exploration, development and production, focussing primarily on iron ore deposits near Nullagine, Western Australia. There has been no other significant change in the nature of the Group's activities during the half year.

Operating Results

The Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of the Group for the half year is $12,259,664 (2010, $558,233) and Profit before tax (PBT) of $8,919,230 (2010, $692,594).

Corporate

During the half year ended 31 December 2011 the Group issued 930,000 shares following the exercise of unlisted options. In addition, 236,102 performance rights were issued to senior staff as part of the Group's Long Term Incentive Plan. These performance rights will vest to shares over a two year period if certain performance conditions are met.

In January 2012 the Group repaid its first instalment of US$5 million of the US$25 million project finance facility with Henghou Industries (Hong Kong) Limited. The facility of $25m is due for repayment at the amount of US$5 million annually to Henghou over 5 years from December 2011.

In the first week of February 2012, Henghou were issued 8 million shares following the exercise of unlisted options issued as part of the project finance facility provided.

Directors' Report (cont.)

Nullagine Iron Ore Joint Venture

The Group is involved in iron ore production and export, focussing on the Nullagine Iron Ore Joint Venture (NJV) in the Pilbara region of Western Australia, a 50:50 joint venture with the Fortescue Metals Group (Fortescue). This is an unincorporated joint venture managed by the BC Iron Group.

Key achievements during the half year include:

- During October 2011, the 55 kilometre bitumen private haul road from the mine site to Fortescue’s Christmas Creek rail head was completed. This was the final requirement to achieve first stage name plate capacity;
- On 1 November 2011, the NJV dispatched its first full cape size vessel containing 172,664 wet metric tonnes of NJV ore from Fortescue’s Herb Elliott Port in Port Hedland;
- By 21 December 2011, the NJV achieved a total export of 1.1 million tonnes for the half year, ahead of the 1 million tonne production guidance for the six month period;
- NJV production rates achieved the initial ramp up target rate of 3 million tonnes per annum during November 2011, resulting in a positive cash flow for the first time in the December quarter reporting period; and
- The NJV is on target to complete a sustained production rate of 5 million tonnes per annum and exports of 3.5 million tonnes by 30 June 2012.

Dividends

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

Changes In State Of Affairs

During the half-year there was no significant change in the Group’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 as required under section 307C of the Corporations Act 2007 is set out on page 18 and forms part of the directors’ report for the six months ended 31 December 2011.

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

Dated this 15th day of February 2012.

On behalf of the Directors

Michael C. Young
Managing Director

Directors' Declaration

In the opinion of the directors of BC Iron Limited:

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 2011 and of its performance for the half year ended on that date; and

  ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) there are reasonable grounds to believe that the Group 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, 15th February 2012

BC Iron Limited

ACN 120 646 924

Consolidated statement of comprehensive income

For the half-year ended 31 December 2011

	Notes	Half-year ended 31 Dec 2011 $	Half-year ended 31 Dec 2010 $
Revenue from continuing operations			
Sale of goods		**62,753,483**	-
Other revenue		**696,340**	1,010,322
Total revenue from continuing operations	2	**63,449,823**	1,010,322
Other income	3	**1,768,804**	1,686,868
Cost of sales	4	**(44,377,644)**	-
Selling and Marketing expenses		**(7,823,450)**	-
Administration expenses	4	**(3,125,172)**	(2,004,596)
Interest expense	4	**(973,131)**	-
Profit before income tax		**8,919,230**	692,594
Income tax benefit / (expense)		**(3,469,423)**	568,960
Profit for the half-year		**5,449,807**	1,261,554
Other comprehensive income for the half-year, net of tax		**-**	-
Total comprehensive profit for the half-year attributable to the owners of BC Iron Limited		**5,449,807**	1,261,554
Basic earnings per share (cents per share)		**5.74**	1.48
Diluted earnings per share (cents per share)		**5.49**	1.62

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

BC Iron Limited

ACN 120 646 924

Consolidated statement of financial position

For the half-year ended 31 December 2011

	Note	**31-Dec-11 $**	30-Jun-11 $
CURRENT ASSETS			
Cash and cash equivalents		**35,622,354**	17,536,827
Trade and other receivables		**4,082,908**	7,148,015
Inventory		**10,838,094**	9,023,661
Other assets		**118,318**	242,765
Total Current Assets		**50,661,674**	33,951,268
NON-CURRENT ASSETS			
Plant & equipment	5	**44,829,244**	37,409,578
Exploration and evaluation assets	6	**5,958,704**	4,349,457
Development expenditure	7	**27,496,299**	24,974,772
Deferred tax assets		**-**	1,608,404
Other assets		**-**	1,146,500
Total Non-Current Assets		**78,284,247**	69,488,711
TOTAL ASSETS		**128,945,921**	103,439,979
CURRENT LIABILITIES			
Trade and other payables		**30,334,688**	16,131,009
Loans & borrowings		**9,580,840**	4,512,766
Total Current Liabilities		**39,915,528**	20,643,775
NON-CURRENT LIABILITIES			
Loans & borrowings		**11,198,088**	14,488,235
Provisions		**1,514,830**	920,594
Deferred tax liability		**1,861,020**	-
Total Non-Current Liabilities		**14,573,938**	15,408,829
TOTAL LIABILITIES		**54,489,466**	36,052,604
NET ASSETS		**74,456,455**	67,387,375
EQUITY			
Contributed equity	8	**59,850,587**	58,250,587
Reserves	9	**12,405,270**	12,385,997
Accumulated profit/(loss)		**2,200,598**	(3,249,209)
TOTAL EQUITY		**74,456,455**	67,387,375

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2011

	Contributed Equity $	Accumulated Losses $	Share Based Payments Reserve $	Options Exercised Reserve $	Total $
Consolidated Entity					
Balance at 1 July 2010	36,518,762	(4,233,734)	6,065,609	644,839	38,995,476
Profit for the half-year	-	1,261,554	-	-	1,261,554
Total comprehensive profit for the half-year	-	1,261,554	-	-	1,261,554
Transactions with equity holders in their capacity as equity holders:					
Shares issued net of transaction costs	18,774,421	-	-	-	18,774,421
Options issued	-	-	5,498,409	-	5,498,409
Options exercised	-	-	(486,369)	486,369	-
Balance at 31 December 2010	55,293,183	(2,972,180)	11,077,649	1,131,208	64,529,860
Consolidated Entity					
Balance at 1 July 2011	**58,250,587**	**(3,249,209)**	**10,484,712**	**1,901,285**	**67,387,375**
Profit for the half-year	**-**	**5,449,807**	**-**	**-**	**5,449,807**
Total comprehensive profit for the half-year	**-**	**5,449,807**	**-**	**-**	**5,449,807**
Transactions with equity holders in their capacity as equity holders:					
Shares issued net of transaction costs	**-**	**-**	**19,273**	**-**	**19,273**
Options issued	**-**	**-**	**-**	**-**	**-**
Options exercised	**1,600,000**	**-**	**(259,917)**	**259,917**	**1,600,000**
Balance at 31 December 2011	**59,850,587**	**2,200,598**	**10,244,068**	**2,161,202**	**74,456,455**

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

Consolidated statement of cash flows

for the half-year ended 31 December 2011

	Half-year ended 31 Dec 2011 $	Half-year ended 31 Dec 2010 $
Cash Flows from Operating Activities		
Recepts from customers (inclusive of goods and services tax)	**65,044,319**	-
Management fees received	**696,340**	1,610,683
Payments to suppliers and employees (inclusive of goods and services tax)	**(44,443,746)**	(1,147,318)
Interest received	**288,314**	649,688
Other - GST refunds	**4,932,655**	532,666
Net cash inflow from operating activities	**26,517,882**	1,645,719
Cash Flows from Investing Activities		
Payments for plant & equipment	**(8,514,533)**	(10,587,105)
Payments for exploration and evaluation expenditure	**(637,496)**	(483,002)
Payments for development expenditure	**(2,927,576)**	(9,486,997)
Refund/(Payments) for security deposits	**1,281,237**	(1,123,500)
Net cash outflow from investing activities	**(10,798,368)**	(21,680,604)
Cash Flows from Financing Activities		
Proceeds from issue of shares	**1,602,844**	19,550,000
Payments for share issue costs	**-**	(758,498)
Proceeds from borrowings	**-**	12,169,892
Net cash inflow from financing activities	**1,602,844**	30,961,394
Net increase in cash and cash equivalents	**17,322,358**	10,926,510
Cash and cash equivalents at the beginning of the half year	**17,536,827**	28,762,976
Effect of exchange rate changes on cash and cash equivalents	**763,169**	-
Cash and cash equivalents at the end of the half-year	**35,622,354**	39,689,486

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated interim 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 2011 comprise the Company and its subsidiaries and the Group's interests in associates and jointly controlled ventures.

The consolidated financial statements of the Group as at and for the year ended 30 June 2011 are available upon request from the Company's registered office at Level 1, 15 Rheola Street, West Perth, WA, 6005 or at www.bciron.com.au.

2. Statement of Compliance

These general purpose interim financial statements for the half-year reporting period ended 31 December 2011 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These interim financial statements do not include the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by BC Iron during the interim reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

These consolidated half-year financial statements were approved by the Board of Directors on 15 February 2012.

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 2011.

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 2011.

Notes to the consolidated interim financial statements

NOTE 2 – REVENUE

	Half-year ended 31 Dec 2011	Half-year ended 31 Dec 2010
	$	$
From Continuing Operations		
Sales Revenue	**62,753,483**	-
	62,753,483	-
Other revenue		
Management fees	**696,340**	1,010,322
	696,340	1,010,322
	63,449,823	1,010,322

NOTE 3 – OTHER INCOME

	Half-year ended 31 Dec 2011	Half-year ended 31 Dec 2010
	$	$
Other income		
Interest revenue	**268,804**	566,365
Reimbursement of costs by NJV	**1,500,000**	-
Foreign exchange gain	**-**	1,120,503
	1,768,804	1,686,868

Notes to the consolidated interim financial statements

NOTE 4 – OTHER EXPENSES

	Half-year ended 31 Dec 2011 $	Half-year ended 31 Dec 2010 $
Profit before income tax includes the following specific expenses:		
Cost of sales		
Mining and ore dressing	**11,804,181**	-
Ore Haulage to Port	**21,975,397**	-
Site administration	**7,012,111**	-
Depreciation/Amortisation	**2,330,234**	-
Royalties	**3,632,637**	-
Inventory movement	**(2,376,916)**	-
Total	**44,377,644**	-
General & Administration expenses		
Depreciation/Amortisation	**305,873**	69,754
Director's fees	**119,327**	85,984
Office rent, ancillaries and running costs	**464,441**	579,111
Personnel and support	**348,747**	464,540
Corporate costs	**1,180,780**	482,697
Share based payments	**19,273**	322,510
Foreign exchange loss	**686,731**	-
Total	**3,125,172**	2,004,596

In November 2009, the NJV secured US$50 million (BC Iron share – US$25m) in project finance (interest free) from Henghou Industries (Hong Kong) Limited. As part of this facility the Company issued 8m options to Henghou.

This amount was offset against the liability on initial recognition and the liability is being discounted using the effective interest rate method. The non-cash effective interest in the period was $973,131.

Notes to the consolidated interim financial statements

NOTE 5 – PLANT & EQUIPMENT

During the period the group has incurred capital expenditure in relation to the preparation of the Nullagine project as per below:

Consolidated Entity	Furniture, Computers and Equipment $	Plant & Equipment $	Total $
Half year ended 31 December 2011			
At 1 July 2011, net of accumulated depreciation	**485,282**	**36,924,296**	**37,409,578**
Additions	**169,107**	**8,892,655**	**9,061,762**
Disposals	-	-	-
Depreciation charge for the year	**(135,188)**	**(1,506,908)**	**(1,642,096)**
At 31 December 2011, net of accumulated depreciation	**519,201**	**44,310,043**	**44,829,244**
At 31 December 2011			
Cost	**964,627**	**46,231,678**	**47,196,305**
Accumulated depreciation	**(445,426)**	**(1,921,635)**	**(2,367,061)**
Net carrying amount	**519,201**	**44,310,043**	**44,829,244**
Year ended 30 June 2011			
At 1 July 2010, net of accumulated depreciation	450,212	3,667,278	4,117,490
Additions	246,818	33,671,745	33,918,563
Disposals	-	-	-
Depreciation charge for the year	(211,748)	(414,727)	(626,474)
At 30 June 2011, net of accumulated depreciation	485,282	36,924,296	37,409,578
At 30 June 2011			
Cost	802,223	37,339,023	38,141,246
Accumulated depreciation	(316,941)	(414,727)	(731,668)
Net carrying amount	485,282	36,924,296	37,409,578

NOTE 6 - EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-11 $	30-Jun-11
Exploration and evaluation expenditure costs brought forward in respect of areas of interest:		
Opening balance	**4,349,457**	3,439,802
Expenditure during financial period	**1,609,247**	909,655
Closing balance	**5,958,704**	4,349,457

Notes to the consolidated interim financial statements

NOTE 7 – DEVELOPMENT EXPENDITURE

	31-Dec-11 $	30-Jun-11
Development expenditure costs brought forward in respect of areas of interest:		
Opening balance	**24,974,772**	12,914,138
Expenditure during half-year	**3,521,812**	12,304,369
Amortisation of Development expenditure	**(1,000,285)**	(243,734)
Closing balance	**27,496,299**	24,974,772

NOTE 8 – SHARE CAPITAL

	31 December 2011		30 June 2011	
	Number	**$**	Number	$
Share Capital				
Ordinary shares - Fully paid	**95,311,000**	**59,850,587**	94,381,000	58,250,587
Movement in Ordinary Share Capital				
Opening balance	**94,381,000**	**58,250,587**	83,911,000	36,518,762
Exercise of options, 1 November 2010			150,000	187,500
Share placement at $2.30, 18 November 2010			4,000,000	9,200,000
Exercise of options, 19 November 2010			500,000	962,500
Share placement at $2.30, 22 December 2010			4,000,000	9,200,000
Exercise of options, 3 February 2011			1,500,000	1,947,500
Exercise of options, 16 February 2011			50,000	62,500
Exercise of options, 9 March 2011			250,000	648,000
Exercise of options, 19 May 2011			20,000	25,000
Exercise of options, 12 August 2011	**500,000**	**962,500**		
Exercise of options, 7 October 2011	**200,000**	**320,000**		
Exercise of options, 21 October 2011	**150,000**	**207,000**		
Exercise of options, 4 November 2011	**80,000**	**110,500**		
Less: costs of issue			-	(715,964)
Tax effect of costs of issue			-	214,789
Closing balance	**95,311,000**	**59,850,587**	94,381,000	58,250,587

Notes to the consolidated interim financial statements

NOTE 9 – RESERVES

	31-Dec-11	30-Jun-11
	$	$
(a) Reserves		
Reserves	**12,405,270**	12,385,997
Reserves comprise the following:		
Share-based payments reserve		
Balance at start of financial period	**10,484,712**	6,065,609
Employee option/performance rights expense	**19,273**	499,648
Employee option expense capitalised	**-**	566,200
Financier option expense	**-**	4,609,701
Options transferred to options exercised reserve	**(259,917)**	(1,256,446)
Balance at end of the financial period	**10,244,068**	10,484,712
Options Exercised reserve		
Balance at start of financial period	**1,901,285**	644,839
Options transferred from share-based payments reserve	**259,917**	1,256,446
Balance at end of the financial period	**2,161,202**	1,901,285
Total reserves	**12,405,270**	12,385,997

On 1 December 2011 BC Iron issued 236,102 Performance Rights under the BC Iron Employee Performance Rights Plan. Each right entitles the holder to one ordinary share for nil consideration and has a fair value of $1.57 per share. Vesting of the Rights is subject to the Group meeting certain performance hurdles during the performance period being 1 July 2011 ending 30 June 2013 and subject to the employee remaining employed at 30 June 2013. Rights expire at the earlier of the date the employee ceases to be employed or 16 November 2018.

Notes to the consolidated interim financial statements

NOTE 10 – SUBSEQUENT EVENTS

In January 2012 the Group repaid its first instalment of US$5 million of the US$25 million project finance facility with Henghou Industries (Hong Kong) Limited (Henghou). The facility is due for repayment at the amount of US$5 million annually to Henghou over 5 years from December 2011.

In January and February 2012, Henghou exercised 8 million unlisted options, thereby increasing its shareholding from 2,241,888 to 10,241,888, representing 9.88% of issued capital.

NOTE 11– SEGMENT INFORMATION

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

	31-Dec-11	31-Dec-10
	$	$
Total segment revenue	**63,449,823**	1,010,322
EBITDA	**12,259,664**	558,233
Total segment assets	**128,945,922**	96,133,545
Total segment liabilities	**31,849,518**	12,794,750
Reconciliation of reportable segment profit or loss		
EBITDA	**12,259,664**	558,233
Interest revenue	**268,804**	566,365
Depreciation	**(2,636,107)**	(432,004)
Interest Expense	**(973,131)**	
Profit/(Loss) before income tax	**8,919,230**	692,594

	31-Dec-11	30-Jun-11
	$	$
Segment liabilities	**31,849,518**	17,051,603
Deferred tax liabilities	**1,861,020**	-
Loans	**20,778,928**	19,001,001
Total liabilities as per the balance sheet	**54,489,466**	36,052,604

Independent Auditor's Report

BDO

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

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 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 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*, which has been given to the directors of BC Iron Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Independent Auditor's Report

BDO

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 2011 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

BDO

Phillip Murdoch
Director

Perth, Western Australia
Dated this 15th day of February 2012

Declaration of Independence

BDO

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

15 February 2012

The Directors
BC Iron Limited
1/15 Rheola Street
West Perth WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF BC IRON LIMITED

As lead auditor for the review of BC Iron Limited for the half-year ended 31 December 2011, 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 entities it controlled during the period.

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth Western Australia