FINANCIAL RESULTS FOR YEAR ENDING 30 JUNE 2012
RECORD PROFITS AND CASH GENERATION

- **Net Profit after tax of $50.6M** (2011: $1.0M)
- **EBITDA of $68.8M** (2011: ($1.4M))
- **Maiden full year dividend of 15.0 cents per share fully franked**
- **Cashflow from operating activities up to $88.9M**
- **Strong balance sheet position with $92.8M in cash & deposits**
- **Full year NJV production of 3.55Mt and steady state production rate of 5Mtpa achieved**
- **Ore Reserves of 41Mt @ 57.1% Fe – an increase of 10Mt for FY12**

BC Iron Limited (ASX:BCI) ("**BC Iron**" or "**the Company**") is pleased to report an FY2012 full year net profit after tax of **$50.6 million** reflecting the on schedule completion of the production ramp up to 5Mtpa at the Company's flagship Nullagine Iron Ore Joint Venture ("**NJV**"), a 50:50 unincorporated joint venture between BC Iron and the Fortescue Metals Group ("**Fortescue**").

This strong result has enabled the Company to declare a maiden full year dividend of **15.0 cents per share** fully franked, a Dividend Payout ratio of ~ 31%.

BC Iron Managing Director Mike Young said **"**We listed in late 2006 and discovered DSO at Nullagine in May 2007. From that point on, our primary goal was to bring the Nullagine Project into development and generate cash flows to provide opportunities for growth and shareholder returns. It gives me great pleasure to say, that in the space of just over five years, we are on track with both objectives by today announcing our maiden dividend, which follows the recent acceleration in our business development plans.

"Our success is due to the determination and commitment of our staff, our contractors, and our Joint Venture partner, Fortescue. I look forward to more success in the coming months and years.**"**

Financial Highlights

Key Measures	**30 June 2012 $M**	**30 June 2011 $M**	**Variance**
EBITDA	68.8	(1.4)	4,981%
Profit before income tax	60.8	0.9	6,512%
Profit after income tax	50.6	1.0	5,058%
Net cash inflow from operating activities	88.9	3.2	2,713%
Cash balance	92.8	17.5	429%
Earnings per share	48.7 cps	1.04 cps	4,587%
Return on Equity	38.4%	1.5%	2,457%

Finance Director Morgan Ball said "It is extremely pleasing to see such solid financial results for the full year which is just reward for the Company's singular focus and comes on the back of consistently achieving our guidance targets. Our cash operating costs for the year of ~$53 per wmt reflect that FY12 was a ramp up year for BC Iron and we remain confident that the lower end of our Life of Mine cost range of $45 - $50 per tonne is a better reflection of our cost base for FY13.

"The Company has completed the financial year with minimal dilution to our shareholders, a strong balance sheet and having achieved name plate capacity production levels, all of which provides BC Iron with a solid launching pad to continue to grow in the future."

Year in Review

Key achievements of BC Iron and the NJV during FY2012 included:

- Mined and shipped record tonnes across all four quarters;
- Achieved EBITDA of $68.8M for FY2012;
- Nearly doubled cash balance in Q4, with $92.8M at 30 June 2012;
- Exceeded NJV FY2012 guidance targets:
    - Exports of >1Mt by 1H FY2012
    - Production rate of 3.5Mtpa by 1H FY2012
    - Exports of >3.5Mt by end of FY2012
    - Production rate of 5Mtpa by end of FY2012
- Ore Reserve upgrade increased the mine life at Nullagine;
- Exported largest JV cape size vessel to date of ~224,000t; and
- Received strong ongoing customer support for "*Bonnie Fines*" product.

Outlook

BC Iron expects the NJV to produce 5Mt of DSO @ ~ 57% Fe for FY13 with cash costs expected at the lower end of the Life of Mine range of $45-$50 per tonne. In addition, to support the stated growth strategy of maximising the iron resources at the NJV, one off exploration and development expenditure in the range of $25m (within the NJV) is planned.

Mike Young said, "Obviously the iron price has everyone a little nervous at the moment. As a price taker, we watch but cannot affect prices. What we can do is closely monitor our production costs to maximise our margins. My view is that very little is being said of the effect of the leadership transition in China going on right now. I expect that following the election of China's next Premier Li Kequiang, you will see a loosening of monetary policy and systematic stimulus. It is no secret that China wants slower, but sustainable growth going forward."

- ENDS -

FOR FURTHER INFORMATION:

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

MEDIA ENQUIRIES:

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

About BC Iron Limited

BC Iron is an iron ore development and mining company with key assets in the Pilbara region of Western Australia. The Company's core focus is the Nullagine Iron Ore Project, a 50/50 joint venture with Fortescue Metals Group Limited. The JV uses Fortescue's infrastructure at Christmas Creek, 50km south of the Nullagine mine, to rail its ore to Port Hedland from where it is shipped directly to customers overseas.

BC Iron has had outstanding success since listing in December 2006. Iron ore exports commenced in February 2011 and the JV exported ~3.55Mt of iron ore during FY2012. As of May 2012, the JV is operating at its nameplate production rate of 5Mtpa.

The Company is now set to move into the next phase of development through measured consideration of business development opportunities.

BC Iron - Key Statistics

Shares on Issue:	103.9million	
Cash & equivalents:	30 June 2012	$92.8M
Board:	Tony Kiernan	Chairman & Non-Executive Director
	Mike Young	Managing Director
	Morgan Ball	Finance Director
	Terry Ransted	Non-Executive Director
	Andy Haslam	Non-Executive Director
	Malcolm McComas	Non-Executive Director
	Jamie Gibson	Non-Executive Director
	Linda Edge	Company Secretary
Major Shareholders:	Consolidated Minerals	23.9%
	Regent Pacific Group	23.1%
	Henghou Industries	10.2%

Website: www.bciron.com.au

Mineral Resources and Ore Reserves as at 30 June 2012

Table 1: Proved and Probable Ore Reserves - NJV (BC Iron 50%, Fortescue 50%)

Deposit	Ore Reserves							
	Mt	**Fe%**	**CaFe%**	**Al_2O_3%**	**SiO_2%**	**P%**	**S%**	**LOI**
Proved	13.0	57.3	65.0	1.8	3.1	0.013	0.013	11.9
Probable	28.0	57.0	64.8	2.0	3.1	0.016	0.011	12.1
Total	**41.0**	**57.1**	**64.9**	**1.9**	**3.1**	**0.015**	**0.012**	**12.0**

Table 2: DSO Mineral Resource Estimate - NJV (BC Iron 50%, Fortescue 50%)

Classification	DSO Mineral Resources by Classification							
	Mt	**Fe%**	**CaFe%**	**Al_2O_3%**	**SiO_2%**	**P%**	**S%**	**LOI**
Measured	17.9	57.1	64.8	1.9	3.1	0.013	0.012	12.0
Indicated	30.2	57.0	64.8	2.1	3.2	0.017	0.012	12.0
Inferred	6.9	57.0	64.1	2.6	3.9	0.023	0.014	11.1
Total DSO	**55.0**	**57.0**	**64.7**	**2.1**	**3.2**	**0.016**	**0.012**	**11.9**

Table 3: CID Mineral Resource Estimate - NJV (BC Iron 50%, Fortescue 50%)

Classification	CID Mineral Resources by Classification							
	Mt	**Fe%**	**CaFe%**	**Al_2O_3%**	**SiO_2%**	**P%**	**S%**	**LOI**
Measured	25.3	54.7	62.5	2.6	4.1	0.014	0.012	12.6
Indicated	52.4	54.1	61.8	3.3	4.5	0.018	0.012	12.6
Inferred	31.1	53.7	60.8	4.2	5.4	0.023	0.016	11.7
Total CID	**108.7**	**54.1**	**61.7**	**3.4**	**4.7**	**0.019**	**0.013**	**12.3**

**note some rounding errors do occur*

Table 4: Stockpile Inventory - NJV (BC Iron 50%, Fortescue 50%)

Stockpile	DSO Stocks			
	Tonnes	**Fe%**	**Al_2O_3%**	**SiO_2%**
ROM[1]	113,063	56.1	2.1	3.9
MOC Product[2]	160,523	56.8	2.2	3.5
RLF Product[3]	137,319	56.9	2.2	3.5
Port	36,101	56.9	2.2	3.5
Total	**447,006**	**56.7**	**2.2**	**3.6**

NB:
1. "ROM" – Run Of Mine
2. "MOC Product" – material treated and stockpiled for haulage at Mine Operations Centre.
3. "RLF Product" – material ready for rail haul at the Rail Load out Facility at Christmas Creek.

Notes to the Mineral Resources and Ore Reserves:

- The Mineral Resources have been estimated using mined surfaces as of 30 June 2012.
- 3.54Mt of ore was mined during FY2012.
- The Ore Reserves have been generated from the Measured and Indicated Resources.
- DSO (Direct Shipping Ore) is a subset of the CID (Channel Iron Deposit).
- Calcined Fe (CaFe) = Fe / (100-LOI) * 100.
- LOI measured at 1000°C
- The CID Mineral Resource is reported using a 45% Fe cut-off grade.
- The DSO Mineral Resource is reported using cut-off grades between 53% and 56% Fe. The cut off grades were selected to achieve a 57% Fe specification grade.

- The Ore Reserve does not include active ore stockpiles (ROM, Product, Rail and Port).

JORC Competent Persons Statement:

The information that relates to the Mineral Resource Estimate at Outcamp, Coongan, and Warrigal has been compiled by Mr Mike Young who is a Member of the Australian Institute of Geoscientists and an employee of BC Iron, and Mr Rob Williams who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron. The resources were first reported on the ASX on 2 April 2009. Both Mr Young and Mr Williams have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Young and Mr Williams consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

The information that relates to the Mineral Resource Estimate at Warrigal North has been compiled by Mr Paul Hogan who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron. This is a maiden resource estimate for Warrigal North. Mr Hogan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hogan consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

The information that relates to the Mineral Resource Estimate at Bonnie East, Dandy and Shaw River has been compiled by Mr Mike Young who is a Member of the Australian Institute of Geoscientists and an employee of BC Iron. The Bonnie East resources were first reported on the ASX on 2 April 2009, the Shaw River resources were first reported on the ASX on 30 July 2010 and the Dandy resources were first reported on the ASX on 20 September 2011. Mr Young has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Young consents to the inclusion of his name in the matters based on their information in the form and context in which it appears.

Mining schedules may differ from Ore Reserves due to the inclusion of Inferred Resources and low grade for scheduling purposes.

The information that relates to the Ore Reserve has been compiled by Mr Joel Van Anen who is an employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy, and Mr Blair Duncan who is an employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Duncan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Van Anen and Mr Duncan consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

Qualifying Statement:

This release may include forward-looking statements. These forward-looking statements are based on BC Iron's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of BC Iron Limited, which could cause actual results to differ materially from such statements. BC Iron Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

ANNUAL FINANCIAL STATEMENTS 2012

BC IRON
LIMITED

BC Iron Limited
ACN 120 646 924

DIRECTORS' REPORT for the year ended 30 June 2012

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 year ended 30 June 2012.

Directors

The names of directors of the Group in office during the financial year and up to the date of this report are:

Anthony W. Kiernan	Chairman (*Non-Executive*)
Michael C. Young	Managing Director
Morgan S. Ball	Director *(Executive)* appointed 6 December 2011
Terrence W. Ransted	Director (*Non-Executive*)
Andrew M. Haslam	Director (*Non-Executive*) appointed 23 September 2011
Malcolm J. McComas	Director (*Non-Executive*) appointed 2 December 2011
Jamie A. Gibson	Director (*Non-Executive*) appointed 16 July 2012
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

Principal Activity

The principal activities of the Group during the course of the financial 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 financial year.

Operating Results

The net profit / (loss) of the Group for the financial year, after provision for income tax, amounted to $50,551,258 (2011: $984,525).

Dividends

	Amount per Security	Franked Percentage
Annual Dividend	15 cents	100%

Record date for determining entitlements to the dividend, 17 September 2012
Date the final dividend is payable, 2 October 2012

No dividends were paid or declared during the year ended 30 June 2012.

Review 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).

The Group has had an outstanding year to achieve all four guidance targets ahead of schedule. In addition, the NJV exported its largest cape size vessel to date in June 2012 of approximately 224,000 tonnes. This was the largest iron ore shipment ever sent from Australia by a junior iron ore miner. During the year, the NJV mined 3,540,207 tonnes of ore and shipped 3,550,696 tonnes to customers overseas.

Key Group and NJV achievements during the year ended 30 June 2012 include:

- Mining Infrastructure Construction – Private 58km haul road construction completed with bitumen surface in October 2011;
- First target of production rate of 3.5 million tonnes per annum was achieved during November 2011;
- Second target regarding the export of 1 million tonnes during the first half of the 2012 financial year, was achieved during December 2011;
- Bonnie East Ore Reserve of 7.7 million tonnes announced in April 2012, which extended the life of the NJV to 9 years from that date, and the ore reserve to 42.4 million tonnes;
- Third target, being the ramp up to 5 million tonnes per annum sustained production rate of iron ore produced and exported was achieved in May 2012, ahead of the target date of 30 June 2012;
- Fourth target of exports of 3.5 million tonnes for the year ended 30 June 2012, was reached ahead of schedule, during June 2012;
- Exported largest cape size vessel to date in June 2012 of approximately 224,000 tonnes. This is the largest ever iron ore shipment sent from Australia by a junior iron ore miner; and
- Mining Infrastructure Construction - 5km haul road to access the Warrigal Deposit, which lies east of the Outcamp Deposit is due for completion during the September 2012 quarter, and will coincide with mining at Warrigal commencing in August 2012.

The Group is now set to move into the next phase of development through continuing operational performance and measured consideration of business development opportunities.

Significant Changes in State of Affairs

Other than the progress documented above, the state of affairs of the Group was not affected by any other significant changes during the year.

Events subsequent to the Reporting Date

The Group proposes to pay a maiden dividend of 15 cents per share during the second quarter of the 2013 financial year as per ASX announcement dated 4 September 2013.

On 16 July 2012, the Group announced the appointment of Mr Jamie Gibson to the Board of BC Iron. Mr Gibson is currently Chief Executive Officer of Regent Pacific Group Limited, the Group's second largest shareholder.

On 16 August 2012, the Group announced an update to the Mineral Resource and Ore Reserve Estimate at the NJV representing a total Ore Reserve of 41Mt as of 30 June 2012. At 30 June 2011, the Ore Reserves comprised 34.7Mt and during the year ended 30 June 2012, 3.54Mt of ore was mined from the NJV. Therefore, the current Ore Reserve represents an increase of 10Mt for the year.

On 20 August 2012, the Group announced that it had entered into an Iron Ore Strategic Alliance with Cleveland Mining Company Ltd ('Cleveland'), an emerging Brazilian iron ore development company. Under the terms of the Alliance, the Group has taken a 5% equity stake in Cleveland for approximately $6 million. The Group and Cleveland will form a 50:50 joint venture aimed at acquiring and developing new iron ore projects in Brazil.

Subsequent to year end, iron ore prices have deteriorated significantly. The iron price has experienced considerable volatility in the past 3 years and as such, the duration of any softness in price cannot easily be determined. In addition, the price assumptions used in financial models of the Group to determine various accounting and tax values may vary from actual prices received from time to time. The Group is continuing to manage its cost base to maximize margins and insulate the Group against price fluctuations.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in financial periods subsequent to the financial year ended 30 June 2012.

Likely Developments and Expected Results of Operations

The Group intends to continue production from the Nullagine Iron Ore Project. It will also continue exploration programmes on its existing tenements as well as considering the acquisition of other projects.

Environmental Regulation

The Group is subject to a number of environmental obligations with respect to its mineral tenements, including the Mining Act 1978, Environmental Protection Act 1986, Rights in Water and Irrigation Act 1914, National Greenhouse and Energy Reporting Act 2007, Explosives and Dangerous Goods Regulations 1992 and the Environmental Protection and Biodiversity Conservation Act 1999, each of which the Group is in full compliance with.

The Group is also subject to obligations under the Native Title Act 1993 and the Aboriginal Heritage Act 1972 and has demonstrated full compliance throughout the year.

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Mr Anthony William (Tony) Kiernan LLB

Chairman (*Non-Executive*)

Mr Kiernan, formerly a solicitor, has extensive experience in the management and operation of listed public companies. He is a Director of the following entities, which are listed on the Australian Securities Exchange:

- Uranium Equities Limited (since 2003) – Chairman;
- Venturex Resources (since 2010) – Chairman;
- Chalice Gold Mines Ltd (since 2007); and
- Liontown Resources Ltd (since 2006).

Mr Kiernan has not been a director of any other ASX listed companies during the past three years.
Mr Kiernan is a member of the Audit, Remuneration and Diversity Committees.

Michael Charles (Mike) Young BSc (Hon), MAusIMM, MAIG, MSEG

Managing Director

Mr Young is a geologist and a graduate of Queens University, Canada, with a Bachelor of Science (Honors) degree in Geological Sciences (1985). Mr Young immigrated to Australia in 1987 and began working in gold exploration in Southern Cross and Leonora, WA. From 1991, he worked for Dominion Mining Limited concentrating on near-mine exploration and resource development work. He then moved onto work with Mining and Resource Technology/Golder Associates from 1994 to 2003 where he carried out resource modeling and feasibility work on a wide variety of deposits and commodities including 18 months at Portman Mining's Koolyanobbing Iron Ore Operations. Mr Young was Exploration Manager at Cazaly Resources from 2003 to 2005 and was a founding director of Bannerman Resources Limited (2005 to 2006). He is a member of the Australian Institute of Geoscientists, the Australasian Institute of Mining and Metallurgy (CP) and is Vice-President of the Association of Mining and Exploration Companies (AMEC). He is also the Co-Patron of the St Bartholomew's House Foundation.

Mr Young was a director of Waratah Resources Limited from 2011 to 2012 and has been the non-executive Chairman of Cassini Resource Limited since August 2011. Mr Young has not been a director of any other ASX listed companies during the past three years.

Mr Young is a member of the Risk Management and Diversity Committees.

Mr Morgan Scott Ball BCom, CA, FFin

Finance Director appointed 6 December 2011

Mr Ball is a Chartered Accountant with over 20 years of Australian and international experience in the resources, logistics and finance industries. He has held various senior finance and commercial roles in a number of significant public companies. Most recently Mr Ball was the CFO and Company Secretary for Indago Resources - a publicly listed exploration company developing the Tusker gold deposit in Tanzania.

Prior to this, Mr Ball has held senior commercial roles with WMC Resources, Brambles, P&O and Ernst & Young. Mr Ball has not been a director of any other ASX listed companies during the past three years.

Mr Terrence William (Terry) Ransted B(App) Sc, MAusIMM, MGSA

Director (*Non-Executive*)

Mr Ransted is a geologist and a graduate of the Western Australian Institute of Technology with a Bachelor of Applied Science Degree and 36 years experience in the mining industry. Mr Ransted commenced his career with Hamersley Exploration Pty Limited exploring for bedded iron ore deposits in the Hamersley region and in the early 1990's was responsible for the onsite management of the drilling, metallurgical sampling, and geological assessment and interpretation for the Yandicoogina Pisolite and Marandoo Iron Ore Projects for Hamersley Iron Pty Ltd. Since 2001 Mr Ransted has been Chief Geologist for Alkane Resources Ltd, managing the geological aspects of exploration and development programs in New South Wales.

Mr Ransted was a non-executive Director of Northern Star Resources Ltd until 2009. Mr Ransted has not been a director of any other ASX listed companies during the past three years. Mr Ransted is Principal of Multi Metal Consultants Pty Ltd.

Mr Ransted is a member of the Risk Management and Remuneration Committees.

Mr Andrew Malcolm (Andy) Haslam Grad Dip. Min (Ballarat), GAICD

Director (*Non-Executive) appointed 23 September 2011*

Mr Haslam is a mining engineer with 27 years of operational and executive experience in the Australian mining industry. He is currently General Manager Iron Ore Operations of Mineral Resources Ltd. He was Managing Director of ASX listed Territory Resources Ltd until 2011 and was responsible for managing an iron ore operation exporting 2 million tonnes per annum of DSO Lump and Fines in the Northern Territory to Chinese customers. Mr Haslam stepped down as Managing Director as part of a Board restructure following the completion of the successful $133 million on-market takeover bid for Territory Resources by Noble Group Ltd. Prior to this role, he held a number of key operational roles in the mining contracting industry in Australia. Mr Haslam was also Managing Director of Vital Metals from 2008-2009. Mr Haslam has not been a director of any other ASX listed companies during the past three years.

Mr Haslam is a member of the Audit, Risk Management and Remuneration Committees.

Mr Malcolm John McComas BEc, LLB, SF Fin, FAICD.

Director (Non-Executive) appointed 2 December 2011

Mr McComas has more than 25 years of investment banking experience including leadership roles in several global financial institutions with experience in equity and debt finance, acquisitions, divestments and privatisations across a range of industry sectors. He is also a former commercial lawyer.

Mr McComas is the principal of McComas Capital, an investment company based in Sydney. Most recently, he was a senior advisor and director of Grant Samuel for 11 years. Prior to that, he was managing director of investment banking at County NatWest and its successor organisation, Salomon Smith Barney (now Citigroup) for 10 years and also spent 5 years in various executive roles with Morgan Grenfell (now Deutsche Bank) in Melbourne, Sydney and London.

Mr McComas is a Director of the following entities

- Finsia (Financial Services Institute of Australasia) (and former President) (since 2004);
- Pharmaxis Limited (Chairman) (since 2003);
- Ocean Capital Limited (since 2008);
- Consolidated Minerals Limited (since 2012); and
- Australian Leukaemia & Lymphoma Group (since 2010).

Mr McComas has not been a director of any other ASX listed companies during the past three years.
Mr McComas is a member of the Audit Committee.

Mr Jamie Alexander Gibson

Director (*Non-Executive) appointed 16 July 2012*

Mr Gibson has over 20 years investment experience in the Asia Pacific region and over 10 years in the management of listed public companies. Mr Gibson joined Regent Pacific Group (Regent) in April 1996 and was appointed as an Executive Director and Chief Operating Officer of Regent in January 2002. In May 2002, Mr Gibson became Chief Executive Officer of Regent. Mr Gibson has spent most of his professional career with Regent specialising in corporate finance, direct equity investments and structuring emerging market investment products. Prior to joining Regent, he worked at Clifford Chance, Coopers & Lybrand and KPMG. Mr Gibson has a law degree from Edinburgh University. He is also director of a number of subsidiaries of Regent Pacific Group, including Amerinvest Coal Industry Holding Company Limited, which in turn holds a 25% equity interest in West China Coking & Gas Company Limited. Mr Gibson has not been a director of any other ASX listed companies during the past three years.

Mr Glenn Richard Baldwin BEng (Hons)

Director (*Non-Executive*) *resigned 18 November 2011*

Mr Baldwin resigned 18 November 2011. He is the Chief Executive Officer elect of Bellzone Mining. Prior to that he was the Chief Executive Officer of Consolidated Minerals Limited (from September 2010), a leading manganese ore producer. Previously, Mr Baldwin was an Executive Vice President of Gold Fields Limited from 2007, based in Johannesburg and then Perth. Mr Baldwin has 21 years experience in the mining industry holding a variety of technical, senior and executive management positions. Mr Baldwin has not been a director of any other ASX listed companies during the past three years.

Mr David Allan Thomas Coyne BCom, CPA and MAICD

Alternate Director (Non-Executive) to Mr Glenn Baldwin resigned 18 November 2011

Mr Coyne resigned 18 November 2011. Mr Coyne has approximately 21 years commercial, financial and accounting experience in mining, oil & gas and steel making both in Australia and South East Asia. He is currently Chief Financial Officer and Company Secretary of VDM Group. Prior to that, Mr Coyne was Chief Financial Officer Australia of Consolidated Minerals Limited. Mr Coyne has also held roles of General Manager Corporate Finance and Risk at Macmahon Holdings Limited and previously was responsible for regional and Australasian business development for the Energy and Chemicals business unit for Kellogg Brown & Root Inc. Mr Coyne has not been a director of any other ASX listed companies during the past three years.

Mr Coyne was a member of the Audit and Remuneration Committees.

Ms Linda Edge BCom

Company Secretary appointed 6 December 2011

Ms Edge is an Accountant who has held a number of financial roles in the resources industry. In addition to being Company Secretary, she is also Financial Controller for the Group.

Meetings of Directors

The number of meetings held during the year and the number of meetings attended by each director was as follows:

Director	Board Meetings		Audit Committee		Risk Management Committee		Remuneration Committee		Diversity Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
A Kiernan	14	14	2	2	n/a	n/a	1	1	1	1	1	1
M Young	14	14	n/a	n/a	2	2	n/a	n/a	1	1	1	1
T Ransted	14	14	2	2	2	2	1	1	n/a	n/a	1	1
M McComas	8	8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	1
A Haslam	11	11	1	1	1	1	1	1	n/a	n/a	1	1
M Ball	8	8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	1
G Baldwin	1	6	-	1	n/a	n/a	n/a	n/a	n/a	n/a	-	1
D Coyne	6	6	1	1	n/a	n/a	n/a	n/a	n/a	n/a	1	1

A – Meetings attended B – Meetings held whilst a director

Audit Committee

The Audit Committee comprises Malcolm McComas, Anthony Kiernan and Andrew Haslam.

Risk Management Committee

The Risk Management Committee comprises Terrence Ransted, Michael Young and Andrew Haslam.

Remuneration Committee

The Remuneration Committee is made up of Anthony Kiernan, Terrence Ransted and Andrew Haslam.

Diversity Committee

The Diversity Committee comprises Anthony Kiernan, Michael Young and Linda Edge.

Nomination Committee

The Group does not have a separate nomination committee with the full Board carrying out the functions that would otherwise be dealt with by such a committee. This is recognised in the above table.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of BC Iron Limited support and have adhered to the principles of corporate governance and have established a set of policies and manuals for the purpose of managing this governance. The Group's detailed corporate governance policy statement is contained in the additional Supplementary Information section of the annual report and can be viewed on the Group's web site at www.bciron.com.au.

Share Options

As at the date of this report, there were 1,500,000 options over ordinary shares and 590,511 performance rights on issue (1,500,000 options and 236,102 performance rights at the reporting date as per below). Refer to the Remuneration Report for further details of options and performance rights outstanding.

Date options granted	Expiry date	Exercise Price $	Number
9/07/2010	30/06/2013	2.39	50,000
9/07/2010	30/06/2013	2.64	50,000
9/07/2010	30/06/2013	2.89	75,000
9/07/2010	30/06/2013	3.14	75,000
12/04/2010	19/02/2015	1.50	250,000
12/04/2010	19/02/2015	1.50	250,000
20/01/2012	31/12/2014	3.86	50,000
20/01/2012	31/12/2014	4.05	100,000
20/01/2012	31/12/2014	4.32	100,000
20/01/2012	31/12/2014	3.86	50,000
20/01/2012	31/12/2014	4.05	100,000
20/01/2012	31/12/2014	4.32	100,000
22/06/2012	30/06/2015	3.66	50,000
22/06/2012	30/06/2015	3.83	100,000
22/06/2012	30/06/2015	4.09	100,000
Total			**1,500,000**

Date performance rights granted	Expiry date	Fair value at grant date $	Number
01/12/2011	16/11/2018	1.57	236,102

No option or performance rights holder has any right to be provided with any other share issue of the Group by virtue of their current option or performance rights holding. None of the existing options or performance rights is listed on ASX Limited.

Shares issued as a result of the exercise of options

During or since the end of the financial year, the Group issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Date Options Granted	Number Vested	Number of Shares Issued	Issue Price of Shares $
17/07/2008	250,000	250,000	1.85
17/07/2008	250,000	250,000	2.00
1/08/2009	200,000	200,000	1.60
1/08/2009	30,000	30,000	1.25
1/08/2009	200,000	200,000	1.40
1/08/2009	150,000	150,000	1.40
5/11/2009	100,000	100,000	1.25
5/11/2009	150,000	150,000	1.50
5/11/2009	150,000	150,000	2.00
12/02/2010	6,000,000	6,000,000	1.35
12/02/2010	2,000,000	2,000,000	1.50
Total	**9,480,000**	**9,480,000**	
Weighted Average Issue Price			**1.43**

Directors' Interests and Benefits

The relevant interest of each director in the shares and options over shares issued by the Group at the date of this report is as follows:

Director	Number of Ordinary Shares		Number of Options		Number of Performance Rights	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
A Kiernan	656,765	217,698	-	-	-	-
M Young	750,000	211,564	-	-	-	148,364
T Ransted	-	622,601	-	-	-	-
M McComas	-	30,000	-	-	-	-
A Haslam	-	-	-	-	-	-
M Ball	-	232,532	-	-	-	45,361
J Gibson	-	-	-	-	-	-

Whilst Mr Gibson does not have a relevant interest in the Group's shares, it is noted that the Regent Pacific Group of which Mr Gibson is a Director and Chief Executive Officer, has a relevant interest of 23%. As at the date of this report Mr McComas is a Director of Consolidated Minerals Ltd which holds a relevant interest in BC Iron of 24%.

Remuneration Report

The Remuneration Report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration;

B. Details of remuneration;

C. Service agreements; and

D. Share-based compensation.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A *Principles used to determine the nature and amount of remuneration*

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board ensures that executive reward satisfies the following key criteria for good reward corporate governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Capital management.

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy for the organisation.

Role of remuneration committee

The remuneration committee is a committee of the board. It is primarily responsible for making recommendations to the board on:

- non-executive director fees;
- remuneration levels of executive directors and other key management personnel;
- the over-arching executive remuneration framework and operation of any incentive plans; and
- key performance indicators and performance hurdles for the executive team.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with long-term interests of the Group. In doing this, the remuneration committee seeks advice from independent remuneration consultants.

The Corporate Governance Statement provides further information on the role of this committee.

Remuneration Report (continued)

Non-executive directors' remuneration policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $700,000 in aggregate and was approved by shareholders at the annual general meeting of 16 November 2011. This amount is separate from any specific tasks the directors or their related entities may take on for the Group. The following fees have applied:

	From 1 January 2012 $	From 1 July 2010 to 31 December 2011 $
Base fees		
Chair	125,000	80,000
Other non-executive directors	70,000	40,000
Additional fees		
Committee participation	5,000	5,000

Directors' remuneration is set out below which includes share and option based payments. The Group has no specific performance based remuneration component for non-executive director remuneration.

Executive remuneration policy

Under the senior executive remuneration policy the remuneration of senior executives may comprise of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a short term focussed performance bonus designed to reward actual achievement by the individual of performance objectives and Company performance;
- a longer term focussed plan that may include deferred cash payments and / or participation in equity based schemes with thresholds approved by shareholders; and
- statutory superannuation.

Short term incentives

The Board is responsible for assessing short term incentives (STI) for key management personnel if predefined targets are achieved. Service agreements may establish STI's against key performance indicators (KPI's) which are assessed by the Board. These KPI's will typically be aligned to specific operating and corporate objectives in relation to each financial year. The Managing Director has a target STI opportunity of 40% of his total fixed remuneration and other members of the key management personnel have an STI opportunity of 30% of their total fixed remuneration. The targets are reviewed annually.

These cash incentives are determined based on financial years and are payable in the following year after the relevant year's financial results have been finalised.

STI awards for the executive team in the 2012 financial year were based on operational performance, safety, leadership and people and strategic development. These targets were set by the remuneration committee and align to the Group's strategic and business objectives. The remuneration committee is responsible for assessing whether the KPI's are met. To assist in this assessment, the committee receives detailed reports on performance from management. This is not verified by any external consultants. The committee has the discretion to adjust STI's downward in light of unexpected or unintended circumstances. There are no individual weightings assigned to any of the KPI's. All KPI's are assessed at the same level.

Long term incentives

Long-term incentives (LTI) are provided to certain employees via the Group's Employee Share Options Incentive Scheme (Option plan) and/or the Group's Employee Performance Rights Plan (PR plan) at the discretion of the Board. These were approved by shareholders at the 2011 and 2010 annual general meetings respectively.

Both the Option and PR plans are designed to provide LTI's for executives to deliver long-term shareholder returns. Under the Option plan, participants are granted options which only vest after a certain period of time has passed and provided the employees are still employed by the Group at the end of the vesting period.

The Group established the PR plan to provide its executives with LTI's which create a link between the delivery of value to shareholders, financial performance and rewarding and retaining executives.

A performance right is a contractual right to be issued with a fully paid ordinary share in the Group on the satisfaction of certain conditions. The performance rights issued will not vest (and the underlying Shares will not be issued) unless certain performance conditions have been satisfied. The grant of performance rights is designed to reward long term sustainable business performance measured by relative total shareholder return (TSR) performance conditions over a two year period.

Remuneration Report (continued)

The performance conditions will be measured by comparing the Group's TSR with that of a comparator group of companies based on the Argonaut Junior Iron Ore Index over the period from the grant of the performance rights to the end of the financial year that is 2 years after that date (vesting date).

The performance rights will vest depending on the Group's percentile ranking within the comparator group on the relevant vesting date as follows:

BC Iron TSR rank	Performance rights vesting
Below 50th percentile	0%
At 50th percentile	50%
Between 51st and 100th percentile	Between 51% and 100% on a straight line basis

No performance rights granted during the financial year have vested during the year ended 30 June 2012, and will not vest until after 30 June 2013. The Group's TSR performance will only be determined after that date and therefore it is not deemed appropriate to provide an estimate on vesting percentages at this point. See section D (Share based compensation) for further information.

Group performance

The following table shows the gross revenue, losses and share price of the Group at the end of the respective financial years.

	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Revenue from continuing operations	$204,495,409	$19,087,764	$1,528,290	$402,146
Net profit/(loss)	$50,551,258	$984,525	($1,385,383)	($1,311,656)
Share price	$2.60	$3.05	$1.62	$1.12

No dividends were paid during this period, but a dividend will be paid in the year ended 30 June 2013 in respect of the year ended 30 June 2012.

Share trading policy

The trading of shares by all employees is subject to, and conditional upon, compliance with the Group's share trading policy which is available on the Group's website, www.bciron.com.au.

The Group encourages directors and employees to adopt a long-term attitude to their investment in the Group's securities. Consequently, directors and employees may not engage in short-term or speculative trading of the Group's securities. Designated officers are prohibited from trading during a non-trading period in financial products issued or created over or in respect of the Group's securities.

Use of remuneration consultants

In 2012 the remuneration committee employed the services of an independent remuneration consultant Global People Partnership (GPP) to review its existing remuneration policies and to provide recommendations in respect of both executive long term and short term incentive plan design. These recommendations covered the Group's key management personnel. Under the terms of the engagement, the GPP provides remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $41,500 for these services for the year ended 30 June 2012.

GPP has confirmed that the above recommendations have been made free from undue influence by members of the Group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were made free from undue influence:

- GPP was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the board;
- The report containing the remuneration recommendations was provided directly to the chair of the remuneration committee; and
- GPP was permitted to speak to management throughout the engagement to understand the Group's processes, practices and other business issues and obtain management perspectives. However, GPP was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the board is satisfied the recommendations were made free from undue influence from any members of the key management personnel.

Voting and comments made at the Group's 2011 Annual General Meeting

The Group received more than 90% of 'yes' votes on its remuneration report for the 2011 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration Report (continued)

B *Details of remuneration*

Details of remuneration of the directors and key management personnel of the Group (as defined by AASB 124 Related Party Disclosures) are set out in the following tables. The key management personnel of the Group include the Executive Directors and the Chief Operating Officer.

Directors	Year	Short-term benefits $			Post-employment benefits $	Share-based payments $	Total
		Director's Fees or salary	Bonus	Non Monetary benefits	Superannuation	Value of options and performance rights (a)	
Directors							
Non-Executive							
A Kiernan	**2012**	**122,500**	-	-	-	-	**122,500**
	2011	80,000	-	-	-	-	80,000
T Ransted	**2012**	**83,695**	-	-	-	-	**83,695**
	2011	40,000	-	-	-	-	40,000
A Haslam (appointed 23/09/2011)	**2012**	**58,865**	-	-	-	-	**58,865**
	2011	-	-	-	-	-	-
M McComas (appointed 2/12/2011)	**2012**	**38,466**	-	-	-	-	**38,466**
	2011	-	-	-	-	-	-
G Baldwin/D Coyne (b) (resigned 18/11/11)	**2012**	**25,163**	-	-	-	-	**25,163**
	2011	40,000	-	-	-	-	40,000
S Chadwick (resigned 13/5/11)	**2012**	-	-	-	-	-	-
	2011	34,725	-	-	-	-	34,725
Executive Directors							
M Young	**2012**	**491,751**	**119,541**	**-**	**16,471**	**35,681**	**663,444**
(Managing Director)	2011	426,360	29,167	-	16,653	-	472,180
M Ball (c)	**2012**	**368,705**	**93,601**	**-**	**22,693**	**26,166**	**511,165**
(Finance Director)	2011	299,398	21,875	-	28,915	68,450	418,638
Total Executive Directors	**2012**	**1,189,145**	**213,142**	**-**	**39,164**	**61,847**	**1,503,298**
	2011	920,483	51,042	-	45,568	68,450	1,085,543
Executive							
B Duncan (d)	**2012**	**215,430**	**92,982**	**75,580**	**15,775**	**27,356**	**427,123**
(Chief Operations Officer)	2011	313,055	22,917	-	30,237	1,546	367,755
Total Executive	**2012**	**215,430**	**92,982**	**75,580**	**15,775**	**27,356**	**427,123**
	2011	313,055	22,917	-	30,237	1,546	367,755

(a) The share-based payments referred to above comprise options and performance rights over ordinary shares in the Group. The options have been valued based on the Black Scholes option pricing model and the performance rights have been valued based on a Monte Carlo simulation model.

(b) The amounts noted above were paid directly to Consolidated Minerals Pty Ltd. Mr Baldwin was the Chief Executive Officer of Consolidated Minerals Ltd, the ultimate parent entity of Consolidated Minerals Pty Ltd. Mr Baldwin was an employee of Consolidated Minerals, as was Mr Coyne as his alternate.

(c) The amounts paid to Mr Ball for the 2011 financial year were paid in his capacity as Chief Financial Officer and Company Secretary. Mr Ball was made Finance Director on 6 December 2011.

(d) The non-monetary benefits provided relate to a car salary sacrifice arrangement.

(e) Mr Gibson was appointed Non-Executive Director on 16 July 2012 and therefore did not receive any remuneration during the year.

The relative proportion of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At risk - STI		At risk - LTI*	
	2012	2011	**2012**	2011	**2012**	2011
Executive Directors						
M Young	**77%**	94%	**18%**	6%	**5%**	-
M Ball	**77%**	79%	**18%**	5%	**5%**	16%
Other Key Management Personnel of the Group						
B Duncan	**72%**	94%	**22%**	6%	**6%**	-

*Since the long term incentives are provided by way of options and/or performance rights, the percentages disclosed also reflect the value of remuneration consisting of options and performance rights, based on the value of options and performance rights expensed during the year.

Remuneration Report (continued)

C *Service Agreements*

Mr Michael Young (Managing Director)

Term of Agreement - Unspecified.
Agreement - Base salary, inclusive of superannuation, of $545,000 to be reviewed annually on 31 December (or such other times as agreed).
Termination – The Group and Mr Young have the right to terminate the Agreement upon six months notice. Termination payments would reflect appropriate notice except in the case of summary dismissal.

Mr Morgan Ball (Finance Director)

Term of Agreement - Unspecified.
Agreement - Base salary, inclusive of superannuation, of $436,000 to be reviewed annually on 31 December (or such other times as agreed).
Termination – The Group has the right to terminate the Agreement upon six months notice. Mr Ball must provide three months notice upon termination. Termination payments would reflect appropriate notice except in the case of summary dismissal.

Mr Blair Duncan (Chief Operations Officer)

Term of Agreement - Unspecified.
Agreement - Base salary, inclusive of superannuation, of $408,750 to be reviewed annually on 31 December (or such other times as agreed).
Mr Duncan is also entitled to a car salary sacrifice arrangement as per Part B above.
Termination – The Group has the right to terminate the Agreement upon three months notice. Mr Duncan must provide one months notice upon termination. Termination payments would reflect appropriate notice except in the case of summary dismissal.

For details regarding Short and Long Term Incentives issued to the Key Management Personnel described above, refer to page 7.

D *Share-based compensation*

Options

Employee Share Option Plan - An employee share option incentive plan was approved at a shareholder's annual general meeting on 16 November 2011. Under the terms of the plan the Board may offer options at no more than nominal consideration to employees or directors (the latter subject to shareholder approval) based on a number of criteria, including contribution to the Group, period of employment, potential contribution to the Group in the future and other factors the Board considers relevant.

There were no options issued to Directors and Key Management Personnel during the period. No options held by Directors or Key Management Personnel vested during the period. No options issued prior to 30 June 2012 affect remuneration in the current or future period.

Performance Rights

Employee Performance Rights Plan - An Employee Performance Rights Plan (Plan) was approved at a shareholder's annual general meeting on 19 November 2010. Under the terms of the Plan these long-term incentives are provided to certain employees at the discretion of the Board linked to long-term shareholder returns.

A performance right is a contractual right to be issued with a fully paid ordinary share in the Group on the satisfaction of certain conditions. The performance rights issued will not vest (and the underlying Shares will not be issued) unless certain performance conditions have been satisfied. The grant of performance rights is designed to reward long term sustainable business performance measured by relative total shareholder return performance conditions over a two year period.

The terms and conditions of performance rights granted to Key Management Personnel during the year ended 30 June 2012 affecting remuneration in the current or future reporting periods are set out below:

Name	Grant date	Date to vest	Expiry date	Value per right at grant date $	Number granted during the year	Value at grant date $	Number vested during the year	Number lapsed during the year
Directors								
M Young	01/12/2011	30/06/2013	16/11/2018	1.57	61,856	97,113	-	-
M Ball	01/12/2011	30/06/2013	16/11/2018	1.57	45,361	71,216	-	-
Executives								
B Duncan	01/12/2011	30/06/2013	16/11/2018	1.57	47,423	74,454	-	-
Total					**154,640**	**242,783**		

A Monte Carlo simulation has been used to value the performance rights. The Monte Carlo simulates the returns of the Group in relation to the peer group and arrives at a value based on the number of rights that are likely to vest. The risk free rate of the performance rights on the date granted was 3.06%.

Remuneration Report (continued)

Details of remuneration: Bonus and Share Based compensation benefits

Employee options and performance rights generally vest and are expensed over the period from the date of grant. The maximum value yet to vest has been determined as the amount of the grant date fair value that is yet to be expensed. Vesting criteria for performance rights were disclosed in section A of this Remuneration Report.

Performance Rights	Year granted	Vested %	Unvested %	Forfeited %	Financial years in which rights may vest	Maximum percentage which rights may vest
Directors						
M Young	2012	-	100%	-	2014	100%
M Ball	2012	-	100%	-	2014	100%
Other key management personnel of the Group						
B Duncan	2012	-	100%	-	2014	100%

Further details relating to performance rights are set out below:

Directors		A Remuneration consisting of share based payments	B Value at reporting date $
M Young	**2012**	**5.4%**	**35,681**
	2011	-	-
M Ball	**2012**	**5.1%**	**26,166**
	2011	16.4%	68,450
Other key management personnel of the Group			
B Duncan	**2012**	**6.4%**	**27,356**
	2011	0.4%	1,546

A = The percentage of the value of remuneration consisting of options and performance rights, based on the value of options and performance rights expensed during the current year.

B = The value at reporting date is the expense calculated in accordance with AASB 2 Share-based Payment of options and performance rights granted during the year as part of remuneration.

Details regarding options exercised during the year for key management personnel are outlined below. There were no executive options granted during the year.

Directors	Date of exercise of options	Number of ordinary shares issued on exercise of options	Value at exercise date* $
M Young	12/08/2011	250,000	155,000
M Young	12/08/2011	250,000	117,500
		500,000	**272,500**

*The value at the exercise date of the options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

The amounts paid per ordinary share by M Young on the exercise of options on the date of exercise were as follows:

Exercise date	**Number of shares**	**Amount paid per share**
12 August 2011	250,000	$1.85
12 August 2011	250,000	$2.00

No amounts are unpaid on any shares issued on the exercise of options.

For each STI bonus included on page 9, the percentage of the available bonus that was paid, or that vested, in the current financial year, and the percentage that was forfeited because the service and performance criteria were not met is set out below. No part of the bonus is payable in future years. For the year ended 30 June 2011 the full amount of the bonus was paid at the discretion of the Board.

Name	Bonus	
Executive Directors	**Paid**	**Forfeited**
M Young	70%	30%
M Ball	71%	29%
Other Key Management Personnel of the Group		
B Duncan	70%	30%

End of Audited Remuneration Report

Insurance of Officers

During the financial period, BC Iron Limited incurred premiums of $80,847 to insure the directors, secretary and/or officers of the Group. The liability insured is the indemnification of the Group against any legal liability to third parties arising out of any Directors or Officers duties in their capacity as a Director or Officer other than indemnification not permitted by law.

No liability has arisen under this indemnity as at the date of this report.

The Group has entered into Indemnity Deeds with each Director and Officer. Under the Deeds, the Group indemnifies each Director and Officer to the maximum extent permitted by law against legal proceedings or claims made against or incurred by the Directors or Officers in connection with being a Director or Officer of the Group, or breach by the Group of its obligations under the Deed.

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to the independent auditors report and forms part of the Directors' Report.

Non-audit services

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Group or acting as advocate for the Group.

The following fees for non-audit services were paid/payable to entities connected to the external auditors during the year ended 30 June 2012 and 2011:

	30 June 2012	30 June 2011
Taxation services	**$67,143**	$44,239

These services were provided by BDO Corporate Tax (WA) Pty Ltd.

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

Dated this 4th day of September 2012.

Michael C Young
Managing Director

DIRECTORS' DECLARATION for the year ended 30 June 2012

In the opinion of the Directors of BC Iron Limited:

(a) the financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 including:

   i. giving a true and fair view of the financial position of the Group as at 30 June 2012 and of its performance for the financial year ended 30 June 2012; and

   ii complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements.

(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.

(c) the Group has included to the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors and is signed on their behalf by:

Michael C Young
Managing Director

PERTH, 4th September 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2012

	Notes	Consolidated Group 2012	Consolidated Group 2011
		$	$
Revenue from continuing operations			
Sale of goods		**202,903,170**	17,133,674
Other revenue		**1,592,239**	1,954,090
Total revenue from continuing operations	2	**204,495,409**	19,087,764
Other income	3	**3,005,482**	3,201,156
Cost of sales	4	**(115,525,733)**	(12,939,720)
Selling and marketing expenses	4	**(22,981,601)**	(841,889)
Administration expenses	4	**(5,961,443)**	(6,935,451)
Profit/(Loss) before finance cost and income tax		**63,032,114**	1,571,860
Finance cost	4	**(2,202,192)**	(649,032)
Profit/(Loss) before income tax		**60,829,922**	922,828
Income tax (expense)/benefit	6	**(10,278,664)**	61,697
Profit for the year attributable to owners of BC Iron Ltd		**50,551,258**	984,525
Other comprehensive income			
Changes in the fair value of available for sale financial assets		**(482,000)**	-
Other comprehensive income for the year, net of tax		**(482,000)**	
Total comprehensive income for the year attributable to the owners of BC Iron Limited		**50,069,258**	984,525
Basic earnings/(loss) per share (cents per share)	21	**51.09**	1.10
Diluted earnings per share (cents per share)	21	**50.77**	1.29

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION for the year ended 30 June 2012

		Consolidated Group 2012 $	Consolidated Group 2011 $
CURRENT ASSETS			
Cash and cash equivalents	7	**92,816,843**	17,536,827
Trade and other receivables	8	**19,247,476**	7,148,015
Inventory	9	**4,351,652**	9,023,661
Other assets	10	**25,688**	242,765
Total Current Assets		**116,441,660**	33,951,268
NON CURRENT ASSETS			
Plant & equipment	11	**49,638,822**	37,409,578
Exploration and evaluation assets	12	**6,571,769**	4,349,457
Development expenditure	13	**26,821,943**	24,974,772
Deferred tax assets	6	**401,208**	1,608,404
Available for sale financial asset	14	**3,200,000**	-
Other assets	15	**-**	1,146,500
Total Non Current Assets		**86,633,742**	69,488,711
TOTAL ASSETS		**203,075,401**	103,439,979
CURRENT LIABILITIES			
Trade and other payables	16	**43,434,235**	16,131,009
Borrowings	17	**4,926,108**	4,512,766
Provision for income tax	6	**8,845,288**	-
Total Current Liabilities		**57,205,631**	20,643,775
NON CURRENT LIABILITIES			
Trade and other payables	16	**1,175,000**	-
Borrowings	17	**11,745,123**	14,488,235
Provisions	18	**1,305,837**	920,594
Total Non Current Liabilities		**14,225,960**	15,408,829
TOTAL LIABILITIES		**71,431,591**	36,052,604
NET ASSETS		**131,643,810**	67,387,375
EQUITY			
Contributed equity	19	**72,036,766**	58,250,587
Reserves	20a	**12,304,995**	12,385,997
Retained earnings	20b	**47,302,049**	(3,249,209)
TOTAL EQUITY		**131,643,810**	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 year ended 30 June 2012

	Contributed Equity $	Retained Earnings $	Other Reserves $	Total $
Consolidated Entity				
Balance at 1 July 2010	36,518,762	(4,233,734)	6,710,448	38,995,476
Profit for the year	-	984,525	-	984,525
Total comprehensive income for the year	-	984,525	-	984,525
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	17,898,825	-	-	17,898,825
Options issued	-	-	5,675,549	5,675,549
Options exercised	3,833,000	-	-	3,833,000
Balance at 30 June 2011	58,250,587	(3,249,209)	12,385,997	67,387,375
Consolidated Entity				
Balance at 1 July 2011	**58,250,587**	**(3,249,209)**	**12,385,997**	**67,387,375**
Profit for the year	**-**	**50,551,258**	**-**	**50,551,258**
Other comprehensive income	**-**	**-**	**(482,000)**	**(482,000)**
Total comprehensive income/(loss) for the year	**-**	**50,551,258**	**(482,000)**	**50,069,258**
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	**-**	**-**	**-**	**-**
Options issued	**-**	**-**	**400,998**	**400,998**
Options exercised	**13,786,179**	**-**	**-**	**13,786,179**
Balance at 30 June 2012	**72,036,766**	**47,302,049**	**12,304,995**	**131,643,810**

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

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 30 June 2012

	Notes	Consolidated Group 2012 $	Consolidated Group 2011 $
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**192,737,189**	14,727,114
Management fees received		**1,431,108**	2,737,616
Payments to suppliers and employees (inclusive of goods and services tax)		**(106,122,202)**	(15,575,713)
Interest received		**850,058**	1,268,113
Net cash inflow/(outflow) from operating activities	28	**88,896,153**	3,157,130
Cash Flows from Investing Activities			
Payment for property, plant & equipment		**(15,438,296)**	(31,004,888)
Payments for available for sale assets		**(3,682,000)**	-
Payment for exploration and evaluation expenditure		**(1,938,056)**	(1,093,258)
Payment for development expenditure		**(4,233,378)**	(12,626,443)
(Payment)/Refund for security deposits		**1,366,237**	(1,134,187)
Net cash outflow from investing activities		**(23,925,492)**	(45,858,776)
Cash Flows from Financing Activities			
Proceeds from issue of shares		**13,562,844**	22,233,000
Payments for share issue costs		**-**	(715,964)
Repayment of borrowings		**(4,892,846)**	-
Proceeds from borrowings		**-**	12,169,892
Net cash inflow from financing activities		**8,669,998**	33,686,928
Net increase/(decrease) in cash and cash equivalents		**73,640,659**	(9,014,718)
Cash and cash equivalents at the beginning of the year		**17,536,827**	28,762,976
Effect of exchange rate changes on cash and cash equivalents		**1,639,357**	(2,211,431)
Cash and cash equivalents at the end of the year	7	**92,816,843**	17,536,827

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

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. BC Iron Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. BC Iron Limited is a for profit entity for the purpose of preparing the financial statements.

Compliance with AIFRS ensures that the historical financial information complies with International Financial Reporting Standards. All amounts are presented in Australian dollars.

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Historical cost convention

These financial statements have been prepared under the historical cost convention. Cost is based on the fair values of consideration given in exchange for assets.

b. Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2012 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries are consistent with the parent

(ii) Joint Ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

Details of the joint venture operations are set out in note 30. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

c. Segment Reporting

Operating segments are 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 operating segment being predominantly in the area of mineral exploration, development and production in the Pilbara region, Western Australia.

d. Revenue Recognition

Revenue is measured at the fair value of the gross consideration received or receivable. BC Iron recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of BC Iron's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. BC Iron bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price can be reasonably estimated, and collectability is reasonably assured.

BC Iron recognises revenue when the risks and rewards transfers to the buyer which is typically the bill of lading date. The sales agreements allow for an adjustment to the sales price based on a survey of the goods by the customer, therefore the recognition of the sales revenue is based on the most recently determined estimate of product specifications.

Additionally, the sales price is determined on a provisional basis at the date of sale and adjustments to the sales price may subsequently occur depending on movements in quoted market or contractual iron ore prices to the date of final pricing. The date of final pricing is typically when a notice of readiness is received when the vessel has arrived at its final destination. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable.

Traded freight

Revenue from freight services is recognised on the bill of lading date of the customer.

Other Revenue

Management fee income from the joint venture has been recognised based on an agreed % of capitalised expenditure during the development phase followed by an agreed % of expensed expenditure during the operating phase. It is based on an accrual basis.

Other Income

Interest income is recognised on a time proportionate basis using the effective interest method.

e. Income Tax

The income tax expense or revenue for the financial year 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 and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Mineral Resources Rent Tax

On 19 March, 2012, the Australian Government passed through the Senate, the Minerals Resource Rent Tax Act 2012, with application to certain profits arising from the iron ore and coal extracted in Australia. In broad terms, the tax is imposed on a project-by-project basis.

This tax applies to upstream mining operations only, and the effective rate of Minerals Resource Rent Tax is 22.5%.

This tax is considered to be an "income tax" for the purposes of AASB 112.

Certain transition measures are contained in the legislation which can give rise to deductions in future years, for Minerals Resource Rent Tax purposes.

Based on modelling and valuations performed on behalf of the Group, an increase in the balance of deferred tax assets, of $8,426,390 has been recognised for the purposes of the year ended 30 June 2012.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the GST incurred 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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with receivables or payables in the statement of financial position.

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.

g. Impairment of Assets

Assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h. Cash and Cash Equivalents

For statement of cash flows presentation purposes, 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.

i. Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are due for settlement within 7 days for provisional sales invoices and the final sale invoice adjustment within 60 days. Other receivables are due for settlement no more than 30 days from the date of invoice. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is recognised in profit and loss.

j. Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value, less impairment allowance, of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

k. Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over either its expected useful life of 2.5 - 5 years for Furniture, Computers and Equipment or the life of the mine for Plant & Equipment.

l. 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 reserve.

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

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the period for which the Group 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 Group 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.

m. Development Expenditure

Once a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings and plant and equipment is capitalised under development expenditure. Development expenditure costs include past capitalised exploration and evaluation costs, pre-production development costs, development excavation, development studies and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Development costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercial or technically feasible, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the profit or loss to the extent that they will not be recoverable in the future.

Amortisation of carried forward exploration and development costs is charged on a unit of production basis over the life of economically recoverable reserves once production commences.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, development assets are allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

Development stripping

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development stripping.

The directly attributable costs (inclusive of an allocation of relevant operational overhead expenditure) are capitalised as development costs. Capitalisation of development stripping costs ceases and amortisation of those capitalised costs commences upon extraction of ore. Amortisation of capitalised development stripping costs is determined on a unit of production basis for each separate area of interest.

Capitalised development and production stripping costs are classified as ‘Development Expenditure’. Development stripping costs are considered in combination with other assets of an operation for the purpose of undertaking impairment assessments.

Removal of waste material normally continues throughout the life of a mine. This activity is referred to as production stripping and commences upon extraction of ore.

The Nullagine Iron Ore Joint Venture area of interest has minimal overburden to remove from these mines. Production stripping costs for these mines are not deferred but charged to the Statement of Comprehensive Income as they are incurred.

n. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of weighted average costs. Cost for raw materials and stores is purchase price and for partly processed and saleable products cost is derived on an absorption costing basis. For this purpose the costs of production include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- the amortisation of development expenditure and depreciation of plant and equipment used in the extraction and processing of ore; and
- production overheads, including attributable mining overheads.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence e.g., because it exceeds the mine’s cut off grade, it is valued at the lower of cost and net realisable value. If the ore will not be processed within 12 months after the statement of financial position date it is included within non-current assets. Quantities are assessed primarily through surveys and volume conversions.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Rehabilitation

The mining, extraction and processing activities of BC Iron give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling; removal or treatment of waste materials; land rehabilitation; and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current restoration standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation.

The capitalised cost of rehabilitation activities is recognised in 'Development Expenditure' as rehabilitation assets and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each statement of financial position date and the costs charged to the profit or loss in line with remaining future cash flows.

At each reporting date the rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, changes to the estimated lives of operations, new regulatory requirements and revisions to discount rates. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

p. Mineral Tenements

The Group'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 affect any mining title area whether granted by the State or not.

q. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subeqently at amortised cost.

Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve (12) months of the reporting date are recognised in other payables and are measured at the amounts expected to be paid when the liability is settled.

r. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating (Refer note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

s. Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, in which case they are classified as non current liabilities.

t. Borrowings costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

u. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in AUD, which is BC Iron Limited's functional and presentation currency.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions and balances

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

v. Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at 30 June 2012. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an expense.

w. Contributed Equity

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

x. Earnings per share

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

Diluted earnings per share earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

y. Investments and other financial assets

The Group classifies its financial assets in the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held to maturity investments; and
- available for sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting date.

Available for sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets – reclassification

The Group may choose to reclassify a non derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available for sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held to maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as Available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 27.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

z. Parent entity financial information

The financial information for the parent entity BC Iron Limited (BCI), disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Tax consolidation legislation

BCI and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, BCI, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, BCI also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate BCI for any current tax payable assumed and are compensated by BCI for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to BCI under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities inthe Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

aa. Share-based payments

Share-based remuneration benefits are provided to employees via an employee share option plan and/or an employee performance rights plan. Information relating to these plans is set out in Note 29.

The fair value of share based payments granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or performance rights.

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

A Monte Carlo simulation has been used to value the performance rights. The Monte Carlo simulates the returns of the Group in relation to the peer group and arrives at a value based on the number of rights that are likely to vest. The Risk free rate of the performance rights on the date granted is 3.06%.

The fair value of the options granted is adjusted to reflect market conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable.

The employee benefit expense recognised each period takes in to account the most recent estimate of the options and performance rights. The impact of revision to original estimates, if any, is recognised in the profit and loss with a corresponding adjustment to equity.

ab. New accounting standards and interpretations

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2012. They have not been adopted in preparing the financial statements for the year ended 30 June 2012 and are expected to impact the Group in the period of initial application. In all cases the Group intends to apply these standards from application date as indicated in the table below.

Affected Standard	Title of Affected Standard	Nature of Change	Application Date	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss Fair value through other comprehensive	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments. The Group has financial assets classified as available-for-sale. When AASB 9 is first adopted, the Group will reclassify these into the fair value through profit or loss category. On 1 July 2015, the cumulative fair value

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Affected Standard	Title of Affected Standard	Nature of Change	Application Date	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010) (cont)	Financial Instruments	income. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9. These include the requirements relating to: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Changes in the available-for-sale reserve will be reclassified into retained earnings and subsequent fair value changes will be recognised in profit or loss. These changes apply prospectively so comparatives do not need to be restated. The Group does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: Power over investee (whether or not power used in practice) Exposure, or rights, to variable returns from investee Ability to use power over investee to affect the entity's returns from investee.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities.
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, joint ventures will be accounted for in consolidated financial statements as per currently. Therefore there will be no impact on transactions and balances recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Affected Standard	Title of Affected Standard	Nature of Change	Application Date	Impact on Initial Application
AASB 13 (issued September 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	The Group has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013. When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows:1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income'2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).
AASB 119 (reissued September 2011)	Employee Benefits	Main changes include: Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans. Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods. Subtle amendments to timing for recognition of liabilities for termination benefits.	Annual periods commencing on or after 1 January 2013	The Group currently calculates its liability for annual leave employee benefits on the basis that it is due to be settled within 12 months of the end of the reporting period because employees are entitled to use this leave at any time. The amendments to AASB 119 require that such liabilities be calculated on the basis of when the leave is expected to be taken, i.e. expected settlement.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Affected Standard	Title of Affected Standard	Nature of Change	Application Date	Impact on Initial Application
AASB 119 (reissued September 2011) (cont)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, it will have minimal impact on annual leave liabilities in the financial statements.
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset).	Annual periods commencing on or after 1 January 2013	The Group currently expenses stripping costs in profit or loss. When this interpretation is first adopted for the year ended 30 June 2014, stripping costs incurred prior to 1 July 2012 will not need to be capitalised retrospectively. However, if certain recognition criteria are met, stripping costs expensed on or after 1 July 2012 will need to be capitalised and depreciated over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Affected Standard	Title of Affected Standard	Nature of Change	Application Date	Impact on Initial Application
IAS 1	Presentation of Financial Statements	• Minimum comparative information • Clarifies the requirements for comparative information as follows: • Only one year's comparative information (i.e. for the preceding period) • Two of each financial statement • Narrative information provided in preceding period's financial statements that continues to be relevant in current period. Comparative information that exceeds minimum requirements can be provided as long as it complies with IFRSs. Separate components of financial statements can be provided without including the whole set, for example, including a third statement of comprehensive income only. However, where an additional statement of comprehensive income is included, full comparative information relating to this additional statement of comprehensive income must be provided. Comparative information where there has been a change in accounting policy, retrospective restatement or reclassification Clarifies the requirements for comparative information as follows: Additional statement of financial position required at beginning of preceding period (rather than at beginning of earliest comparative period). This means that a maximum of three statements of financial position are required Related notes for third statement of financial position only need to include those relating to the change in accounting policy, retrospective restatement or reclassification.	Periods commencing on or after 1 January 2013	There will be no impact when this amendment is first adopted as the Group only includes comparatives for the preceding period.
IAS 16	Property, Plant and Equipment	Clarifies that items such as spare parts, stand-by or servicing equipment are required to be classified as property, plant and equipment (PPE) when they meet the definition of PPE. Otherwise they are required to be classified as inventory.	Periods commencing on or after 1 January 2013	There will be no impact when this amendment is first adopted because the Group has minimal items that are required to be classified as PPE under this standard.
IAS 32	Financial Instruments: Presentation	Clarifies that the following are required to be accounted for under IAS 12 Income Taxes: Income tax relating to distributions to holders of equity instruments Income tax relating to transaction costs of an equity instrument. This means that depending on the circumstances, income tax might be recognised in either profit or loss or equity.	Periods commencing on or after 1 January 2013	There will be no impact when this amendment is first adopted because the Group does not hold a material holding in spare parts.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ac. Critical accounting estimates & judgements

In preparing this Financial Report, the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Minerals Resource Rent Tax

The introduction of the Minerals Resource Rent Tax (MRRT) requires the Group to determine a market value, at 1 May 2010, of its upstream assets, including mining rights, to the point of delivery of ore to the processing facility. This market value was determined using a discounted cash flow methodology that requires significant judgements and estimates including:
- forecast production profiles;
- forecast future iron ore prices;
- the calculation of an appropriate discount rate for the project;
- expected royalty rates payable to the West Australian State Government; and
- the reserve estimates for the project.

The Group has recognised an MRRT deferred tax asset to the extent that it believes it will be utilised against future MRRT profits.

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped. This better reflects the operating position of the Group.

Development expenditure

Development activities commence after commercial viability and technical feasibility of the project is established. Judgement is applied by management in determining when a project is commercially viable and technically feasible. Any judgements may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the statement of comprehensive income.

ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

As at 30 June 2012, the carrying value of exploration expenditure is $6,571,769.

Share-based payment transactions

The cost of share-based payments to employees is measured by reference to the fair value of the option instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The cost of share-based payments to financiers is measured by reference to the difference between the nominal value and net present value of the finance facility provided. The net present value is determined based upon a market comparable discount rate applicable to similar size companies within the mining sector.

A Monte Carlo simulation has been used to value the performance rights. The Monte Carlo simulates the returns of the Group in relation to the peer group and arrives at a value based on the number of rights that are likely to vest.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development expenditure

Upon reclassification from exploration and evaluation expenditure, the recoverable amount has been estimated as the asset's value in use, using the present value of future cash flows based upon available reserves calculated by the Group's geologists in accordance with industry guidelines. As a result of this assessment, no impairment was deemed necessary.

Recognition of deferred tax balances relating to tax losses

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent the Group believe the utilisation of these losses against future taxable profits is considered probable.

Rehabilitation

BC Iron's accounting policy for the recognition of rehabilitation provisions requires significant estimates in determining the estimated cost for the rehabilitation of disturbed areas at a point in the future. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the current mining tenements. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transports costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Groups financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in the Statement of Comprehensive Income may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change; and
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

Units of production method

Where the useful life of an asset is directly linked to the extraction of ore from the mine, the asset is depreciated using the units of production method. In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves.

Production start date

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production stage. Some of the criteria include:

- The level of capital expenditure compared to construction cost estimates;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Ability to process iron ore in saleable form; and
- Ability to sustain ongoing mining and processing of iron ore.

When a mine development project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs relating to mining asset additions or improvements, and mineable reserve development, which are capitalised. It is also at this point that depreciation/amortisation commences.

Functional Currency

The Group has defined the functional currency of its group as Australian Dollars. The Group operates in Australia and incurs expenses in Australian dollars. In determining this conclusion the Group has exercised judgement when reviewing its existing transactions and applying the requirements of AASB 121, The Effects of Changes in Foreign Exchange Rates. The Group will monitor this going forward.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

NOTE 2 - REVENUE

	2012 $	2011 $
From Continuing Operations		
Sales revenue	**202,903,170**	17,133,674
Other revenue		
Management fees	**1,592,239**	1,954,090
Total	**204,495,409**	19,087,764

NOTE 3 – OTHER INCOME

	2012 $	2011 $
Other income		
Interest revenue	**1,505,482**	1,081,361
Reimbursement of costs by NJV	**1,500,000**	-
Foreign exchange gain	**-**	2,119,795
Total	**3,005,482**	3,201,156

NOTE 4 – EXPENSES

	2012 $	2011 $
Loss before income tax includes the following specific expenses:		
Cost of sales		
Mining and ore dressing	**27,564,577**	6,564,880
Haulage	**54,540,237**	5,247,804
Site administration	**12,887,102**	4,685,218
Depreciation of plant & equipment	**4,238,779**	392,862
Amortisation of development expenditure	**2,198,516**	243,734
Royalties	**10,995,024**	870,358
Inventory movement	**3,101,499**	(5,065,136)
Total	**115,525,733**	12,939,720
Selling and marketing expenses		
Shipping, marketing and demurrage	**22,981,601**	841,889
Total	**22,981,601**	841,889
Administration expenses		
Depreciation and amortisation	**806,304**	211,748
Director's fees	**330,636**	194,724
Office rent, ancillaries and running costs	**1,496,247**	1,248,576
Foreign exchange loss	**404,038**	-
Personnel and support	**924,101**	799,990
Share registry services and other corporate costs	**1,599,119**	3,980,765
Share based payments	**400,998**	499,648
Total	**5,961,443**	6,935,451
Finance cost		
Interest on borrowings	**1,749,833**	649,032
Other	**452,359**	-
Total	**2,202,192**	649,032

Interest on borrowings is a non-cash interest expense relating to a project finance facility with Henghou Industries (Hong Kong) Limited, see Note 17.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

NOTE 5 – AUDITOR'S REMUNERATION

	2012 $	2011 $
During the financial period the following fees were paid or payable for services provided by the auditor:		
(a) Audit services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports under the Corporations Act 2001	**80,000**	80,000
(b) Non-audit services		
Related entities of BDO:		
Taxation services	**67,143**	44,239
Total remuneration of auditors	**147,143**	88,499

These services were provided by BDO Corporate Tax (WA) Pty Ltd and BDO Audit (WA) Pty Ltd.

The Group has received notification from the Group's auditor that they satisfy the independence criterion and that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit.

NOTE 6 – INCOME TAXES

(a) Income tax expense/(benefit)	2012 $	2011 $
The major components of income tax expense are:		
Current income tax expense	**8,845,288**	-
Deferred income tax expense	**1,163,291**	(61,697)
Prior period adjustments	**270,085**	-
	10,278,664	(61,697)
(b) Amounts charged or (credited) directly to equity		
Capital raising transaction costs	**(226,180)**	(214,789)
(c) Numerical reconciliation of income tax benefit to prima facie tax payable		
Profit/(Loss) from continuing operations before income tax expense	**60,829,922**	922,828
Prima facie tax (expense)/benefit at 30% (2009:30%)	**(18,248,977)**	(276,848)
Non deductible expenses:		
Share-based payments	**(120,300)**	(149,894)
Other	**(65,692)**	(43,500)
Deferred tax assets not brought to account	**-**	-
Deferred tax assets of a prior period now recognised	**-**	-
R & D tax offset payment	**-**	172,464
Prior period adjustments	**(270,086)**	359,475
Income tax expense	**(18,705,054)**	61,697
MRRT temporary difference	**8,426,390**	-
Net income tax (expense)/benefit attributable to profit	**(10,278,664)**	-

NOTE 6 - INCOME TAXES (continued)

	2012 $	2011 $
(d) Deferred Tax Assets		
Tax Losses	-	6,162,299
Timing differences:		
Accrued expenses	41,303	396,351
Provisions	462,271	276,178
Depreciable plant & equipment	-	-
Other timing differences	261,220	478,066
Share issue costs in equity	247,891	386,835
MRRT	8,426,390	-
	9,439,074	7,699,729
Less: Deferred Tax Asset not brought to account	-	-
	9,439,074	7,699,729
Less: offset against Deferred Tax Liabilities	(9,037,866)	(6,091,325)
Net Deferred Tax Asset	401,208	1,608,404
Deferred tax assets expected to be recovered within 12 months	4,353,695	6,713,232
Deferred tax assets expected to be recovered after more than 12 months	5,085,379	986,497
	9,439,074	7,699,729
(e) Deferred Tax Liabilities		
Capitalised exploration expenditure	1,971,531	1,304,837
Capitalised development expenditure	5,996,151	4,138,281
Depreciable plant & equipment	12,245	12,245
Other timing differences	1,057,940	635,961
	9,037,866	6,091,325
Less: offset by Deferred Tax Assets	(9,037,866)	(6,091,325)
Net Deferred Tax Liability	-	-

(f) Movements in Deferred Tax Assets

	Tax losses	Accrued expenses	Provisions	Share issue costs in equity	MRRT	Other	Total
	$	$	$	$	$	$	$
At 1 July 2011	6,162,299	396,351	276,178	386,840	-	478,066	7,699,734
(Charged)/credited							-
- to profit or loss	(6,162,299)	(355,049)	186,093	(365,129)	8,426,390	(216,846)	1,513,160
- to other	-	-	-	-	-	-	-
comprehensive income							
- directly to equity	-	-	-	226,180	-	-	226,180
At 30 June 2012	**-**	**41,303**	**462,271**	**247,891**	**842,6390**	**261,220**	**9,439,074**

NOTE 6 - INCOME TAXES (continued)

(g) Movements in Deferred Tax Liabilities

	Exploration & evaluation assets	Development expenditure	Plant & equipment	Other	Total
	$	$	$	$	$
At 1 July 2011	(1,304,837)	(4,138,281)	(12,245)	(635,961)	(6,091,325)
(Charged)/credited					
- to profit or loss	**(666,694)**	**(1,857,869)**	**-**	**(421,978)**	**(2,946,541)**
- to other	-	-	-	-	-
comprehensive income					
- directly to equity	-	-	-	-	-
At 30 June 2012	**(1,971,531)**	**(5,996,151)**	**(12,245)**	**(1,057,940)**	**(9,037,866)**

Movement in deferred taxes through income tax expense (expenses/benefit) $ (1,433,381)

The Group has an unrecognised MRRT tax benefit of $87.15m arising in Australia that is available for offset against future MRRT taxable profits. The Group is of the view that the availability of the benefit is not probable as it is subject to significant uncertainty. A deferred tax asset has not been recognised at 30 June 2012.

Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and there is a legally recognised right to offset.

Tax consolidation legislation

BC Iron Limited and its wholly owned Australian controlled entities have elected to enter into the tax consolidation legislation from 20 May 2009. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, BC Iron Limited.

The entities entered into a tax funding agreement under which the wholly owned entities fully compensate BC Iron Limited for any current tax payable assumed and are compensated by BC Iron Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to BC Iron Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables, no amounts have been recognised for the current year.

NOTE 7 – CASH AND CASH EQUIVALENTS

	2012 **$**	2011 $
Cash at bank and on hand	**72,816,843**	17,536,827
Cash on deposit	**20,000,000**	-
	92,816,843	17,536,827

Cash on deposit relates to a term deposit held with a financial institution for 3 months, due to mature on 20 September 2012.

Refer to Note 27 – Financial Risk Management for further details.

NOTE 8 –TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Trade receivables	**15,622,455**	4,107,576
Interest receivable	**68,497**	75
Prepayments	**364,266**	122,345
Receivables due from Joint Arrangement	**1,096,339**	1,096,339
Other receivables	**2,095,919**	1,821,679
	19,247,476	7,148,014

(a) Ageing of financial assets past due not impaired

As at 30 June 2012 and 30 June 2011 there were no financial assets past that had not been impaired.

(b) Ageing of impaired financial assets

As at 30 June 2012 and 30 June 2011 there were no financial assets requiring impairment.

Information about BC Iron's exposure to credit risk, foreign currency risk and interest rate risk is disclosed in Note 27.

NOTE 9 – INVENTORY

	2012 $	2011 $
Current Assets		
Raw materials - at cost	**624,780**	1,739,911
Iron ore stockpiles	**3,726,872**	7,283,750
	4,351,652	9,023,661

NOTE 10 – OTHER FINANCIAL ASSETS

	2012 $	2011 $
Current Assets		
Security deposits - corporate cards	**25,000**	112,340
Security deposits - office rent,village and storage	**688**	130,425
	25,688	242,765

NOTE 11 – PLANT & EQUIPMENT

Consolidated Entity	Furniture, Computers and Equipment $	Plant & Equipment $	Total $
At 1 July 2010			
Cost	**595,365**	3,667,278	4,262,643
Accumulated depreciation	**(145,153)**	-	(145,153)
Net carrying amount	**450,212**	**3,667,278**	**4,117,490**
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 1 July 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**
Year ended 30 June 2012			
At 1 July 2011, net of accumulated depreciation	**485,282**	36,924,296	37,409,578
Additions	**288,122**	16,356,698	16,644,820
Disposals	**-**	-	-
Depreciation charge for the year	**(277,390)**	(4,138,186)	(4,415,576)
At 30 June 2012, net of accumulated depreciation	**496,014**	**49,142,808**	**49,638,822**
At 30 June 2012			
Cost	**1,090,344**	53,695,719	54,786,063
Accumulated depreciation	**(594,330)**	(4,552,911)	(5,147,241)
Net carrying amount	**496,014**	**49,142,808**	**49,638,822**

NOTE 12 - EXPLORATION & EVALUATION EXPENDITURE

	2012 $	2011 $
Exploration and evaluation expenditure costs brought forward in respect of areas of interest		
Opening balance	**4,349,457**	3,439,802
Expenditure during financial year	**2,222,312**	909,655
Closing balance	**6,571,769**	4,349,457

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 13 – DEVELOPMENT EXPENDITURE

	2012 $	2011 $
Development expenditure costs brought forward in respect of areas of interest		
Opening balance	**24,974,772**	12,914,138
Expenditure during financial year	**4,745,629**	12,304,369
Amortisation of Development expditure	**(2,898,459)**	(243,734)
Closing balance	**26,821,943**	24,974,772

All expenditure for the Mine Development is included in Development Expenditure. Development expenditure is recorded at historical cost.

The recoverable amount has been estimated as the asset's value in use, using the present value of future cash flows based upon available reserves calculated by the Group's geologists in accordance with industry guidelines. As a result of this assessment, no impairment was deemed necessary.

NOTE 14 – AVAILABLE FOR SALE ASSETS

	2012 $	2011 $
Listed securities		
Equity securities	**3,200,000**	-
	3,200,000	-

The Available for Sale Asset relates to a 4.9% investment in a listed security on the ASX.

NOTE 15 – OTHER NON CURRENT ASSETS

	2012 $	2011 $
Non Current Assets		
Opening balance	**1,146,500**	-
Derecognition	**(1,146,500)**	-
Rehabilitation asset	**-**	1,146,500
Closing balance	**-**	**1,146,500**

During the financial year, the Group secured non cash backed bonds in relation to the rehabilitation bonds and was able to obtain refunds for the above amounts. The outstanding non cash backed bonds facility as at 30 June 2012 is $1,309,000.

NOTE 16 – TRADE AND OTHER PAYABLES

	2012 $	2011 $
Current		
Trade payables and accruals	**42,632,983**	15,519,037
Employee benefits	**801,252**	611,972
Total Current	**43,434,235**	16,131,009
Non Current		
Trade payables and accruals	**1,175,000**	-
Closing balance	**44,609,235**	16,131,009

Current trade payables are unsecured and payable on supplier credit terms, usually payable within 30 days of recognition. Non current trade payables relate to an amount of consideration payable to key contractors. These are non-interest bearing and repayable within 24 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Refer to Note 27 – Financial Risk Management for further details.

NOTE 17 – LOANS AND BORROWINGS

	2012 $	2011 $
Unsecured		
Loan - Henghou Facility - current	**4,926,108**	4,512,766
Loan - Henghou Facility - non current	**11,745,123**	14,488,235
Total unsecured borrowings	**16,671,231**	19,001,001

The NJV secured US$50 million (interest free) in project finance with Henghou Industries (Hong Kong) Limited. Henghou made a payment of US$15 million on 17 December 2009 (being US$7.5 million to the Group), a payment of US$15 million on 3 February 2010 (being US$7.5 million to the Group) and a payment of US$20 million on 2 July 2010 (being US$10 million to the Group). The total borrowings above do not agree to the total outstanding loan owing by the Group of US$20 million due to foreign exchange differences and discounting of the loan (as it is interest free).

The Group will repay its share of the facility at the amount of US$5 million annually to Henghou over 5 years from December 2011. The first repayment was made during the current year. As part of this facility BCI issued 8 million options to Henghou as non-cash consideration. These options were exercised during the current year.

These borrowings are unsecured and the carrying value equals fair value.

NOTE 18 – PROVISIONS

	2012 $	2011 $
Provision for Rehabilitation	**1,305,837**	920,594
	1,305,837	920,594

Movements in provisions		
2012	**Rehabilitation**	
Carrying amounts at start of year	**920,594**	
Charged/(credited) to profit or loss	**-**	
Capitalised to Development		
- additional provisions recognised	**385,243**	
Carrying amounts at end of year	**1,305,837**	
2011	**Rehabilitation**	
Carrying amounts at start of year	**125,000**	
Charged/(credited) to profit or loss	**-**	
Capitalised to Development		
- additional provisions recognised	**795,594**	
Carrying amounts at end of year	**920,594**	

The Group makes provision for the future cost of rehabilitating mine sites on a discounted basis on the development of mines. This provision represents the present value of rehabilitation costs relating to the mine sites, which are expected to be incurred through to the end of the life of the mine. Assumptions, based on the current economic environment, have been made in determining current rehabilitation provisions, which management believes are a reasonable bases upon which to estimate the future liability. These estimates are reviewed at each reporting date to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future iron ore prices, which are inherently uncertain.

NOTE 19 – CONTRIBUTED EQUITY

	2012		2011	
	Number	$	Number	$
Share Capital				
Ordinary shares - Fully paid	**103,861,000**	**72,036,766**	94,381,000	58,250,587
Movement in Ordinary Share Capital				
At 1 July	**94,381,000**	**58,250,587**	83,911,000	36,518,762
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**	-	-
Exercise of options, 25 January 2012	**400,000**	**650,000**	-	-
Exercise of options, 27 January 2012	**4,444,433**	**5,999,984**	-	-
Exercise of options, 3 February 2012	**3,555,567**	**5,100,014**	-	-
Exercise of options, 29 February 2012	**150,000**	**210,000**	-	-
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
Less: costs of issue	**-**	**-**	-	(715,964)
Tax effect of costs of issue	**-**	**226,181**	-	214,789
At 30 June	**103,861,000**	**72,036,766**	94,381,000	58,250,587

a) Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Group, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations

b) Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group defines capital as equity and net debt. Net debt is defined as borrowings less cash and cash equivalents and equity as the sum of share capital, reserves and accumulated losses/retained earnings.

NOTE 19 – CONTRIBUTED EQUITY (continued)

	2012 $	2011 $
Net Equity	131,643,810	67,387,375
Borrowings	16,671,231	19,001,001
Cash	(92,816,843)	(17,536,827)
Net Debt	(76,145,612)	1,464,174
Capital	207,789,422	68,851,549
Gearing Ratio	-37%	2%

NOTE 20 - RESERVES AND ACCUMULATED LOSSES

	2012 $	2011 $
(a) Reserves		
Reserves	12,304,995	12,385,997
Reserves comprise the following:		
Share-based payments reserve		
Balance at start of financial year	10,484,712	6,065,609
Share based payments expense	400,998	499,648
Employee option expense capitalised	-	566,200
Financier option expense	-	4,609,701
Options transferred to options exercised reserve	(591,917)	(1,256,446)
Balance at end of the financial year	10,293,793	10,484,712
Available for sale reserve		
Balance at start of financial year	-	-
Fair value of available for sale asset	(482,000)	-
Balance at end of the financial year	(482,000)	-
Options exercised reserve		
Balance at start of financial year	1,901,285	644,839
Options transferred from share-based payments reserve	591,917	1,256,446
Balance at end of the financial year	2,493,202	1,901,285
Total reserves	12,304,995	12,385,997
(b) Accumulated losses	47,302,049	(3,249,209)
Accumulated losses comprise the following:		
Balance at start of financial year	(3,249,209)	(4,233,734)
Profit/(loss) for the financial period after related income tax benefit	50,551,258	984,525
Balance at end of the financial year	47,302,049	(3,249,209)

NOTE 20 - RESERVES AND ACCUMULATED LOSSES (continued)

(c) Nature and purpose of reserves

The share based payments reserve is used to recognise the fair value of options (not exercised), performance rights and equity-settled benefits issued in settlement of share issue costs.

The options exercised reserve is used to recognise the fair value of options exercised.

Changes in the fair value and exchange differences arising on translation of investments such as equities, classified as available for sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

NOTE 21 – EARNINGS / (LOSS) PER SHARE

	2012 Cents	2011 Cents
(a) Basic earnings/(loss)per share	**51.09**	1.10
(b) Diluted earnings per share	**50.77**	1.29
	$	$
(c) Profit (loss) used in calculating loss per share		
Profit/(loss) attributable to the ordinary equity holders of the Group	**50,551,258**	984,525
(d) Additional profit used in calculating diluted earnings per share	**24,364**	300,266
Profit used in calculating diluted earnings per share	**50,575,622**	1,284,791
	Number	Number
(e) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the year used in calculations of basic earnings/(loss) per share	**98,935,964**	89,538,973
(f) Diluted earnings per share denominator		
Vested share options outstanding at year end	**675,000**	10,230,000
Denominator used for the purpose of calculating diluted earnings per share	**99,610,964**	99,768,973
Diluted loss per share has not been disclosed in prior year as there were no instruments which were dilutive.		

NOTE 22 – COMMITMENTS

a) Mining Tenement Leases

In order to maintain current rights of tenure to exploration tenements the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the WA State Government and pay tenement lease rents.

The estimated exploration expenditure commitment for the ensuing year, but not recognised as a liability in the financial statements:

	2012 $	2011 $
Within one year	**766,661**	635,327
Later than one year but less than five years	**4,209,144**	3,267,806
Later than five years	**-**	-
	4,975,805	3,903,134

The commitments due within one year amount to $122,336 in respect of tenement lease rentals and $644,325 in exploration and development expenditures. This expenditure comprises 50% of tenement expenditure commitments in relation to the Joint Venture. It will only be incurred should the Group retain its existing level of interest in its various exploration areas and provided access to mining tenements is not restricted. These obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure.

b) Operating Lease – Buildings

The Group leases offices in West Perth, Western Australia, under a non-cancellable operating lease expiring 31st August 2016.

	2012 $	2011 $
Commitments for minimum lease payments are:		
Within one year	**281,786**	280,408
Later than one year but less than five years	**983,959**	1,211,257
Later than five years	**-**	54,489
	1,265,747	1,546,154

c) Capital Commitments

Prior to 30th of June 2012, the Group executed a contract (on behalf of the NJV) with Golder Associates for the construction of a haul road to be used for cartage of ore from the Warrigal mesas to the crushing facility.

An extension to the Mining Operations Centre begun in June 2012. This includes the addition of 8 new offices and renovations to the current existing crib hut.

Details of commitments to construction completion for this and other items are set out below:

	2012 $	2011 $
Within one year	**3,215,500**	3,750,000
Later than one year but less than five years	**1,175,000**	-
Later than five years	**-**	-
	4,390,500	3,750,000

NOTE 23 - KEY MANAGEMENT PERSONNEL DISCLOSURE

a) Key management personnel compensation

	2012 $	2011 $
Short-term employee benefits	**1,786,279**	1,233,539
Post-employment benefits	**54,939**	75,805
Share-based payments	**89,203**	69,996
	1,930,421	1,379,340

Detailed remuneration disclosures are provided in the remuneration report in the Directors Report.

b) Equity instrument disclosures relating to key management personnel

The interests of Key Management Personnel in shares, share options and performance rights at the end of the financial period are as follows:

2012 Number of Shares	Balance at the start of the financial period	Received during the year on the exercise of options	Other changes	Balance at the end of the financial period
Directors				
A Kiernan	1,114,133	-	(239,670)	874,463
M Young	1,273,001	500,000	(811,437)	961,564
T Ransted	622,601	-	-	622,601
M McComas	-	-	30,000	30,000
A Haslam	-	-	-	-
M Ball	278,000	-	-	278,000
G Baldwin	-	-	-	-
D Coyne	-	-	-	-
Executives				
B Duncan	5,000	-	(4,000)	1,000
	3,292,735	**500,000**	**(1,025,107)**	**2,767,268**

2011 Number of Shares	Balance at the start of the financial period	Received during the year on the exercise of options	Other changes	Balance at the end of the financial period
Directors				
A Kiernan	1,114,133	-	-	1,114,133
M Young	1,273,001	500,000	(500,000)	1,273,001
S Chadwick	533,334	-	(100,000)	433,334
T Ransted	622,601	-	-	622,601
G Baldwin	-	-	-	-
D Coyne	-	-	-	-
Executives				
M Ball	8,000	500,000	(230,000)	278,000
B Duncan	-	500,000	(495,000)	5,000
	3,551,069	**1,500,000**	**(1,325,000)**	**3,726,069**

NOTE 23 - KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

2012 Number of Options	Balance at the start of the financial period	Granted as compensation	Exercised	Options lapsed/ cancelled	Balance at the end of the financial period	Vested and exercisable at 30 June 2012	Unvested
Directors							
A Kiernan	-	-	-	-	-	-	-
M Young	500,000	-	(500,000)	-	-	-	-
T Ransted	-	-	-	-	-	-	-
M McComas	-	-	-	-	-	-	-
A Haslam	-	-	-	-	-	-	-
M Ball	-	-	-	-	-	-	-
G Baldwin	-	-	-	-	-	-	-
D Coyne	-	-	-	-	-	-	-
Executives							
B Duncan	-	-	-	-	-	-	-
	500,000	**-**	**(500,000)**	**-**	**-**	**-**	**-**

2012 Number of Performance Rights	Balance at the start of the financial period	Granted as compensation	Lapsed/ cancelled	Balance at the end of the financial period	Vested at 30 June 2012	Unvested
Directors						
M Young	-	61,856	-	61,856	-	61,856
M Ball	-	45,361	-	45,361	-	45,361
Executives						
B Duncan	-	47,423	-	47,423	-	47,423
	-	**154,640**	**-**	**154,640**	**-**	**154,640**

2011 Number of Options	Balance at the start of the financial period	Granted as compensation	Exercised	Options lapsed/ cancelled	Balance at the end of the financial period	Vested and exercisable at 30 June 2011	Unvested
Directors							
A Kiernan	-	-	-	-	-	-	-
M Young	1,000,000	-	(500,000)		500,000	500,000	-
S Chadwick	-	-	-	-	-	-	-
T Ransted	-	-	-	-	-	-	-
G Baldwin	-	-	-	-	-	-	-
D Coyne	-	-	-	-	-	-	-
Executives							
M Ball	500,000	-	(500,000)	-	-	-	-
B Duncan	500,000	-	(500,000)	-	-	-	-
	2,000,000	**-**	**(1,500,000)**	**-**	**500,000**	**500,000**	**-**

There was nil performance rights issued during the year ended 30 June 2011.

NOTE 23 - KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

c) Other transactions with Key Management Personnel

Disclosures relating to key management personnel are set out below. The following transactions occurred with related parties.

Transactions between related parties are on normal commercial terms no more favourable than those available to other parties unless otherwise stated.

Key Management Personnel	2012 $	2011 $
Professional fees paid to Mr Kiernan, a director, for services in excess of normal director duties.	7,500	100,000
Total	**7,500**	**100,000**

There are no amounts outstanding at the reporting date (2011 – Nil) in relation to transactions with related parties.

NOTE 24 – CONTINGENT LIABILITIES AND ASSETS

The Group is bound to the Minister in the State of Western Australia to the sum of $122,336 security in order to comply with the conditions of the leases for the mining tenements.

NOTE 25 - SEGMENTAL 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 and development work that has been performed to date.

	2012 $	2011 $
Total segment revenue	**204,495,409**	19,087,764
EBITDA	**68,815,300**	(1,413,991)
Total segment assets	**199,875,401**	103,439,979
Total segment liabilities	**45,915,072**	17,051,603
Reconciliation of reportable segment profit or loss		
EBITDA	**68,815,300**	19,087,764
Interest revenue	**1,505,482**	1,081,361
Other income	**-**	2,119,795
Unallocated: Interest, depreciation and amortisation expenses	**(9,490,860)**	(21,366,092)
Profit/(Loss) before income tax	**60,829,922**	922,828
Segment liabilities	**45,915,072**	17,051,603
Provision for income tax	**8,845,288**	-
Loans	**16,671,231**	19,001,001
Total liabilities as per statement of financial position	**71,431,591**	36,052,604
Segment Assets	**199,875,401**	103,439,979
Available for sale financial asset	**3,200,000**	-
Total assets as per statement of financial position	**203,075,401**	103,439,979

NOTE 26 – RELATED PARTY TRANSACTIONS

(a) Parent Entities

The parent entity within the Group is BC Iron Limited. The parent entity owns 100% of BC Iron Nullagine Pty Ltd (BCIN) and 100% of BC Iron (SA) Pty Ltd. BCIN has a 50% participating interest in the Nullagine Iron Ore Joint Venture.

(b) Transactions with related parties

	2012 $	2011 $
Management fee income from Joint Arrangement	**1,592,239**	1,954,090

(c) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2012 $	2011 $
Joint Arrangement		
Current receivables	**707,740**	945,004
Current payables	**9,781,312**	-

(d) Loans to/from related parties

	2012 $	2011 $
Loans to Joint Arrangement	**1,096,339**	1,096,339

NOTE 27 - FINANCIAL RISK MANAGEMENT

The Group's activities expose it to the following risks from their use of financial instruments: credit risk, liquidity risk and market risk. This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk.

The Group holds the following financial instruments:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	**92,816,843**	17,536,827
Deposits	**25,688**	242,765
Available for sale asset	**3,200,000**	-
Trade and other receivables	**19,247,476**	7,148,015
	115,290,007	24,927,607
Financial liabilities at amortised cost		
Trade and other payables	**44,609,235**	16,131,009
Loans & Borrowings	**16,671,231**	19,001,001
	61,280,466	35,132,010

NOTE 27 - FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

(i) Foreign exchange risk

BC Iron's policy is, where possible, to allow group entities to settle foreign liabilities with the cash generated from their own operations in that currency. BC Iron is exposed to currency risk on cash reserves and borrowings. The Group's exposure to foreign currency risk, expressed in Australian dollar, was as follows

		2012 $	2011 $
Exchange Rate	1.015		
Financial Assets			
Cash and cash equivalents	AUD	12,621,822	2,995,584
	USD	12,811,149	3,172,323
Debtors	AUD	14,548,092	3,105,152
	USD	14,766,313	3,288,356
Financial Liabilities			
Borrowings	AUD	(19,704,433)	(23,607,177)
	USD	(20,000,000)	(25,000,000)

Sensitivity Analysis

A five per cent strengthening of the Australian dollar against the US dollar at 30 June 2012 on a net basis would have decreased the Group's pre-tax profit by $355,499 (2011 increase: $38,190) primarily through a lower valuation of cash and debtors. A five per cent benchmark is used by the Group based upon potential forward rate movements of foreign exchange rates.

(ii) Cash flow and fair value interest rate risk

Although the Group has significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group monitors interest rates to obtain the best terms and mix of cash flow.

As at the reporting date, the Group had the following variable rate deposits and there were no interest rate swap contracts outstanding:

Cash flow and fair value interest rate risk	2012 Weighted average interest rate %	Balance $	2011 Weighted average interest rate %	Balance $
Deposits		20,025,688		242,765
Other cash available		72,816,843		17,536,827
Net exposure to cash flow interest rate risk	**1.3%**	**92,842,531**	**6.8%**	**17,779,592**

NOTE 27 - FINANCIAL RISK MANAGEMENT (continued)

The Group's borrowings are carried at amortised cost with fixed rates. They are therefore not subject to interest rate risk.

The Group analyses its interest rate exposure each time a deposit term expires. The Group aims to maximise interest returns from available funds and at the same time retain operating flexibility through adequate access to funds.

Sensitivity Analysis

If interest rates had been 50 basis points higher or lower than the prevailing rates as at 30 June 2012, with all other variables held constant, there would be an immaterial change in post-tax loss for the year. Equity would not have been impacted (2011 – immaterial impact). The 50 basis points benchmark is used by the Group based upon potential forward rate movements of interest rates.

(iii) Price Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the balance sheet as available for sale.

The price risk for the available for sale asset is immaterial in terms of the potential impact on profit or loss or total equity. It has therefore not been included in a sensitivity analysis.

The Group's equity investment is publicly traded and is included on the ASX.

(iv) Commodity Risk

Trade receivables outstanding at year end are subject to commodity price risk due to potential changes in future iron ore prices. Due to the low value of outstanding amounts at the reporting date, any potential impact is immaterial on the financial statements for the year ended 30 June 2012.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted in accordance with ratings guidelines of major global credit rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised at the beginning of this note. All receivables at 30 June 2012 were received within two months. There is no significant concentration of credit risk, whether through exposure to individual customers, specific industry sectors and regions.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2012 $	2011 $
Trade receivables		
Counterparties without external credit rating		
Group 1	-	3,105,152
Group 2	**19,247,476**	4,042,862
Group 3	-	0
Total trade receivables	**19,247,476**	7,148,015
Cash at bank and short-term deposits		
AA-	**92,842,531**	17,779,592
	92,842,531	17,779,592

NOTE 27 - FINANCIAL RISK MANAGEMENT (continued)

Group 1 – new customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

(c) Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Group under the ASX Listing Rules.

Financing arrangements

The Nullagine Iron Ore Joint Venture has a US$50 million financing facility (US$25m Group share) with Henghou Industries (Hong Kong) Limited. Refer Note 17 for further details.

Maturity analysis of financial assets and liabilities.

The table below splits the Group's financial liabilities into relevant maturity groupings based on their contractual maturities on all non-derivative financial liabilities and are disclosed at their undiscounted amounts.

Year ended 30 June 2012	**<6 months $**	**6-12 months $**	**1-5 years $**	**>5 years $**	**Total Contractual Cash flows $**	**Carrying Amount $**
Financial liabilities						
Trade & other payables	**43,434,235**	**-**	**1,175,000**	**-**	**44,609,235**	**44,609,235**
Borrowings	**4,926,108**	**-**	**14,778,325**	**-**	**19,704,433**	**16,671,231**
Net maturity	**48,360,343**	**-**	**15,953,325**	**-**	**64,313,668**	**61,280,416**
Year ended 30 June 2011	<6 months	6-12 months	1-5 years	>5 years	Total Contractual Cash flows	Carrying Amount
Financial liabilities						
Trade & other payables	16,131,009	-	-	-	16,131,009	16,131,009
Borrowings	4,721,435	-	18,885,742	-	23,607,177	23,607,177
Net maturity	20,852,444	-	18,885,742	-	39,738,186	39,738,186

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012.

Consolidated entity at 30 June 2012	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Available for sale financial assets				
Equity securities	**3,200,000**	-	-	3,200,000
Total assets	**3,200,000**	-	-	3,200,000

There were no available for sale financial assets as at 30 June 2011.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

NOTE 28 – RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2012 $	2011 $
Profit/(loss) for the financial year	**50,551,258**	984,525
Non cash flows in operating profit/(loss)		
Depreciation and amortisation	**6,455,392**	626,474
Movements in provisions	**385,243**	795,594
Employee benefit - shared-based payment	**400,998**	499,647
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**(12,099,462)**	(5,115,314)
Increase in provision for income taxes payable	**8,845,288**	-
(Decrease)/ increase in trade and other payables	**28,478,226**	13,332,327
(Increase) / decrease in deferred tax assets	**(1,739,340)**	(276,486)
Increase/(decrease) in deferred tax liabilities	**2,946,541**	-
(Increase) / decrease in inventories	**4,672,009**	(7,689,636)
Net cash inflows/(outflows) by operating activities	**88,896,153**	3,157,131

On 12 February 2010, BCI issued 8,000,000 options as non cash consideration for the Henghou loan facility (refer Note 17).

NOTE 29 – SHARE-BASED PAYMENTS

During the 2012 and 2011 financial years the Group provided share based payments to employees only, whereas in the 2010 financial year they were also granted to consultants and financers. An employee share option incentive plan was approved at the shareholder's annual general meetings of 16 November 2011 and an employee performance rights plan was approved at the shareholder's annual general meeting of 19 November 2010.

Under the terms of these plans, the Board may offer options and performance rights at no more than nominal consideration to employees or directors (the latter subject to shareholder approval) based on a number of criteria, including contribution to the Group, period of employment, potential contribution to the Group in the future and other factors the Board considers relevant. These long-term incentives are provided to certain employees at the discretion of the Board to deliver long-term shareholder returns. Set out below is a summary of the options granted by the Group:

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	Balance at end of the financial year	Vesting date	Vested and exercisable at end of financial year
Director options									
17/07/2008	15/08/2011	$1.85	250,000	-	250,000	-	-	15/02/2009	-
17/07/2008	15/08/2011	$2.00	250,000	-	250,000	-	-	15/02/2010	-
Others									
1/08/2009	1/08/2012	$1.40	150,000	-	150,000	-	-	1/08/2010	-
12/04/2010	19/02/2015	$1.50	250,000	-	-	-	250,000	31/12/2010	250,000
12/04/2010	19/02/2015	$1.50	250,000	-	-	-	250,000	31/12/2010	250,000
12/02/2010	11/02/2012	$1.35	6,000,000	-	6,000,000	-	-	6/07/2010	-
12/02/2010	11/02/2012	$1.50	2,000,000	-	2,000,000	-	-	6/07/2010	-
Employee options									
1/08/2009	1/08/2012	$1.25	30,000	-	30,000	-	-	16/04/2009	-
1/08/2009	1/08/2012	$1.40	200,000	-	200,000	-	-	1/08/2010	-
1/08/2009	1/08/2012	$1.60	200,000	-	200,000	-	-	31/01/2011	-
5/11/2009	5/11/2012	$1.25	100,000	-	100,000	-	-	10/02/2010	-
5/11/2009	5/11/2012	$1.50	150,000	-	150,000	-	-	5/11/2010	-
5/11/2009	5/11/2012	$2.00	150,000	-	150,000	-	-	31/01/2011	-
9/07/2010	30/06/2013	$2.39	50,000	-	-	-	50,000	2/11/2010	50,000
9/07/2010	30/06/2013	$2.64	50,000	-	-	-	50,000	15/12/2010	50,000
9/07/2010	30/06/2013	$2.89	75,000	-	-	-	75,000	31/01/2011	75,000
9/07/2010	30/06/2013	$3.14	75,000	-	-	-	75,000	31/01/2011	75,000
20/01/2012	31/12/2014	$3.86	-	50,000	-	-	50,000	20/01/2012	50,000
20/01/2012	31/12/2014	$4.05	-	100,000	-	-	100,000	16/01/2013	-
20/01/2012	31/12/2014	$4.32	-	100,000	-	-	100,000	16/01/2014	-
20/01/2012	31/12/2014	$3.86	-	50,000	-	-	50,000	20/01/2012	50,000
20/01/2012	31/12/2014	$4.05	-	100,000	-	-	100,000	16/01/2013	-
20/01/2012	31/12/2014	$4.32	-	100,000	-	-	100,000	16/01/2014	-
22/06/2012	30/06/2015	$3.66	-	50,000	-	-	50,000	30/06/2012	50,000
22/06/2012	30/06/2015	$3.83	-	100,000	-	-	100,000	30/06/2013	-
22/06/2012	30/06/2015	$4.09	-	100,000	-	-	100,000	30/06/2014	-
Weighted average exercise price			$1.46	$4.05	$1.43		$2.99		$2.25

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2 years.

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

NOTE 29 – SHARE-BASED PAYMENTS (continued)

2011

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the financial period	Exercised during the financial period	Forfeited during the financial period	Balance at end of the financial period	Vesting date	Vested and exercisable at end of financial period
Director options									
17/07/2008	15/08/2011	$1.85	500,000	-	250,000	-	250,000	15/02/2009	250,000
17/07/2008	15/08/2011	$2.00	500,000	-	250,000	-	250,000	15/02/2010	250,000
Others									
01/08/2009	01/08/2012	$1.25	150,000	-	150,000	-	-	01/08/2009	-
01/08/2009	01/08/2012	$1.40	150,000	-	-	-	150,000	01/08/2010	150,000
16/04/2009	31/03/2012	$0.65	250,000	-	250,000	-	-	16/04/2009	-
30/06/2009	31/03/2012	$0.90	250,000	-	250,000	-	-	30/06/2009	-
12/04/2010	19/02/2015	$1.50	250,000	-	-	-	250,000	31/12/2010	250,000
12/04/2010	19/02/2015	$1.50	250,000	-	-	-	250,000	31/12/2010	250,000
12/02/2010	11/02/2012	$1.35	6,000,000	-	-	-	6,000,000	06/07/2010	6,000,000
12/02/2010	11/02/2012	$1.50	2,000,000	-	-	-	2,000,000	06/07/2010	2,000,000
Employee options									
21/08/2008	21/08/2011	$1.25	100,000	-	100,000	-	-	21/08/2008	-
21/08/2008	21/08/2011	$1.50	200,000	-	200,000	-	-	21/08/2008	-
21/08/2008	21/08/2011	$2.00	200,000	-	200,000	-	-	21/08/2008	-
01/08/2009	01/08/2012	$1.25	100,000	-	70,000	-	30,000	16/04/2009	30,000
01/08/2009	01/08/2012	$1.40	200,000	-	-	-	200,000	01/08/2010	200,000
01/08/2009	01/08/2012	$1.60	200,000	-	-	-	200,000	31/01/2011	200,000
03/09/2009	03/09/2012	$1.25	100,000	-	100,000		-	03/12/2009	-
03/09/2009	03/09/2012	$1.40	150,000	-	150,000	-	-	03/09/2010	-
03/09/2009	03/09/2012	$1.60	250,000	-	250,000	-	-	31/01/2011	-
05/11/2009	05/11/2012	$1.25	100,000	-	-	-	100,000	10/02/2010	100,000
05/11/2009	05/11/2012	$1.50	150,000	-	-	-	150,000	05/11/2010	150,000
05/11/2009	05/11/2012	$2.00	150,000	-	-	-	150,000	31/01/2011	150,000
09/07/2010	30/06/2013	$2.36	-	50,000	50,000	-	-	09/07/2010	-
09/07/2010	30/06/2013	$2.53	-	100,000	100,000	-	-	31/01/2011	-
09/07/2010	30/06/2013	$2.77	-	100,000	100,000	-	-	31/01/2011	-
09/07/2010	30/06/2013	$2.39	-	50,000	-	-	50,000	02/11/2010	50,000
09/07/2010	30/06/2013	$2.64	-	50,000	-	-	50,000	15/12/2010	50,000
09/07/2010	30/06/2013	$2.89	-	75,000	-	-	75,000	31/01/2011	75,000
09/07/2010	30/06/2013	$3.14	-	75,000	-	-	75,000	31/01/2011	75,000
Weighted average exercise price			**$1.45**	**$2.70**	**$1.52**		**$1.46**		**$1.46**

NOTE 29 – SHARE-BASED PAYMENTS (continued)

(a) Director option expense

Share options and performance rights have been granted to provide a long-term incentive for Directors to deliver long-term shareholder returns.

(b) Other option expense

Share options were granted to consultants in 2010 for their services as consideration for the provision of services with respect to broker support and capital raising costs. Options were also issued to Henghou Industries (Hong Kong) Limited in 2010, refer to Note 17. No options or performance rights were issued to consultants in 2011 or 2012.

(c) Employee option expense

Share options and performance rights have been granted to provide long-term incentive for senior employees to deliver long-term shareholder returns. Participation in employee share options and performance rights is at the Board's discretion and no individual has a contractual right to participate in a plan or to receive any guaranteed benefits.

During the year the Group issued share based payments in the form of options and performance rights to Directors and employees as per below. The fair value at grant date for the options has been independently determined using a Black-Scholes option pricing model that takes into account the inputs below.

A Monte Carlo simulation has been used to value the performance rights. The Monte Carlo simulates the returns of the Group in relation to the peer group and arrives at a value based on the number of rights that are likely to vest. The Risk free rate of the performance rights on the date granted is 3.06%. No performance rights issued to Key Management Personnel vested during the period. No performance rights were issued in the prior period.

2012

Grant date	Expiry date	Exercise price	Granted during the year	Vesting date	Fair value at grant date of options	Share price on grant date	Expected volatility	Option life	Expected dividends	Risk-free interest rate
Employee options										
20/01/2012	31/12/2014	$3.86	50,000	20/01/2012	$1.02	$2.69	70%	2.9 years	0%	3.24%
20/01/2012	31/12/2014	$4.05	100,000	16/01/2013	$0.99	$2.69	70%	2.9 years	0%	3.24%
20/01/2012	31/12/2014	$4.32	100,000	16/01/2014	$0.94	$2.69	70%	2.9 years	0%	3.24%
20/01/2012	31/12/2014	$3.86	50,000	20/01/2012	$1.02	$2.69	70%	2.9 years	0%	3.24%
20/01/2012	31/12/2014	$4.05	100,000	16/01/2013	$0.99	$2.69	70%	2.9 years	0%	3.24%
20/01/2012	31/12/2014	$4.32	100,000	16/01/2014	$0.94	$2.69	70%	2.9 years	0%	3.24%
22/06/2012	30/06/2015	$3.66	50,000	30/06/2012	$0.60	$2.50	50%	3 years	0%	2.33%
22/06/2012	30/06/2015	$3.83	100,000	30/06/2013	$0.56	$2.50	50%	3 years	0%	2.33%
22/06/2012	30/06/2015	$4.09	100,000	30/06/2014	$0.52	$2.50	50%	3 years	0%	2.33%

NOTE 29 – SHARE-BASED PAYMENTS (continued)

2012

Grant date	Expiry date	Granted during the year	Vesting date	Fair value at grant date	Share price on grant date	Right life	Expected dividends
Director Performance Rights							
01/12/2011	16/11/2018	61,856	30/06/2013	$1.57	$2.35	7 years	0%
01/12/2011	16/11/2018	45,361	30/06/2013	$1.57	$2.35	7 years	0%
Employee Performance Rights							
01/12/2011	16/11/2018	47,423	30/06/2013	$1.57	$2.35	7 years	0%
01/12/2011	16/11/2018	30,902	30/06/2013	$1.57	$2.35	7 years	0%
01/12/2011	16/11/2018	19,845	30/06/2013	$1.57	$2.35	7 years	0%
01/12/2011	16/11/2018	11,986	30/06/2013	$1.57	$2.35	7 years	0%
01/12/2011	16/11/2018	9,739	30/06/2013	$1.57	$2.35	7 years	0%
01/12/2011	16/11/2018	8,990	30/06/2013	$1.57	$2.35	7 years	0%

2011

Grant date	Expiry date	Exercise price	Granted during the year	Vesting date	Fair value at grant date of options	Share price on grant date	Expected volatility	Option life	Expected dividends	Risk-free interest rate
Employee options										
09/07/2010	30/06/2013	$2.36	50,000	09/07/2010	$0.64	$1.64	70%	3 years	0%	4.57%
09/07/2010	30/06/2013	$2.53	100,000	31/01/2011	$0.61	$1.64	70%	3 years	0%	4.57%
09/07/2010	30/06/2013	$2.77	100,000	31/01/2011	$0.57	$1.64	70%	3 years	0%	4.57%
09/07/2010	30/06/2013	$2.39	50,000	02/11/2010	$0.64	$1.64	70%	3 years	0%	4.57%
09/07/2010	30/06/2013	$2.64	50,000	15/12/2010	$0.59	$1.64	70%	3 years	0%	4.57%
09/07/2010	30/06/2013	$2.89	75,000	31/01/2011	$0.56	$1.64	70%	3 years	0%	4.57%
09/07/2010	30/06/2013	$3.14	75,000	31/01/2011	$0.52	$1.64	70%	3 years	0%	4.57%

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payments recognised during the financial period as part of employee benefit expense were as follows:

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
Director benefits	**61,847**	-
Employee benefits	**339,151**	491,549
Consultant benefits	**-**	8,099
Total	**400,998**	499,648
Consultant benefits (share options capitalised)	**-**	566,201
Total	**400,998**	1,065,849

NOTE 30 – INTEREST IN JOINT ARRANGEMENT

(a) Jointly controlled assets

On 1 January 2010, the Group and Fortescue Metals Group commenced a Joint Venture to develop the Nullagine Iron Ore Project in the East Pilbara of Western Australia. The Group's subsidiary, BC Iron Nullagine Pty Ltd has a 50% participating interest in this joint venture. The Group's interests in the assets employed in the joint venture are included in the consolidated statement of financial position, in accordance with the accounting policy described in Note 1(b). The Group has a 50% share of the following financial information:

	2012 $	2011 $
CURRENT ASSETS		
Cash and cash equivalents	**20,208,265**	15,556,665
Trade and other receivables	**4,619,016**	3,311,111
Inventory	**8,703,304**	18,047,326
Other financial assets	**1,375**	24,375
Total Current Assets	**33,531,960**	36,939,477
NON CURRENT ASSETS		
Plant & equipment	**99,059,817**	74,613,031
Exploration and evaluation assets	**5,688,942**	3,131,454
Development expenditure	**45,529,810**	40,592,619
Other assets	**-**	2,293,000
Total Non Current Assets	**150,278,569**	120,630,105
TOTAL ASSETS	**183,810,529**	157,569,581
CURRENT LIABILITIES		
Loans and borrowings	**9,852,219**	9,442,871
Trade and other payables	**55,103,824**	29,347,067
Total Current Liabilities	**64,956,043**	38,789,937
NON CURRENT LIABILITIES		
Loans and borrowings	**31,749,326**	39,964,162
Provisions	**2,611,672**	1,841,188
Trade and other payables	**2,350,000**	-
Total Non Current Liabilities	**36,710,998**	41,805,350
TOTAL LIABILITIES	**101,667,041**	80,595,288
NET ASSETS	**82,143,488**	76,974,294

NOTE 30 – INTEREST IN JOINT ARRANGEMENT (continued)

(b) Mining Tenement Leases

In order to maintain current rights of tenure to exploration tenements the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the WA State Government and pay tenement lease rents.

The estimated exploration expenditure commitment for the ensuing year, but not recognised as a liability in the financial statements:

	2012 $	2011 $
Within one year	**1,277,702**	1,041,023
Later than one year but less than five years	**6,915,809**	5,277,092
Later than five years	**-**	-
	8,193,511	6,318,115

(c) Capital Commitments

Prior to 30 of June 2012 the Group executed a contract (on behalf of NJV) with Golder Associates for the construction of a haul road for cartage of ore from the Warrigal mesas to the crushing facility.

An extension to the Mining Operations Centre began in June 2012. This includes the addition of 8 new offices and renovations to the current existing crib hut.

Details of commitments to construction completion for this and other items are set out below:

	2012 $	2011 $
Within one year	**6,431,000**	7,500,000
Later than one year but less than five years	**2,350,000**	-
Later than five years	**-**	-
	8,871,000	7,500,000

NOTE 31- PARENT ENTITY

The following details information related to the parent entity, BC Iron Ltd, as at 30 June 2012. The information presented here has been prepared using consistent accounting policies as those presented in Note 1.

	2012 $	2011 $
CURRENT ASSETS		
Cash and cash equivalents	**32,072,690**	3,260,137
Trade and other receivables	**55,393,090**	27,742,409
Other financial assets	**25,000**	230,577
Total Current Assets	**87,490,780**	31,233,123
Non Current Assets		
Other financial assets	**16,632,360**	16,632,360
Plant & equipment	**254,637**	248,785
Exploration and evaluation assets	**1,363,406**	419,838
Deferred tax assets	**159,594**	6,565,060
Total Non Current Assets	**18,409,997**	23,866,043
TOTAL ASSETS	**105,900,777**	55,099,166
Current Liabilities		
Trade and other payables	**1,229,259**	984,200
Provision for income tax	**8,845,288**	
Total Current Liabilities	**10,074,547**	984,200
TOTAL LIABILITIES	**10,074,547**	984,200
NET ASSETS	**95,826,230**	54,114,966
EQUITY		
Contributed equity	**72,036,767**	58,250,587
Share based payment reserve	**1,412,575**	1,603,494
Options exercised reserve	**2,493,202**	1,901,285
Retained profits (losses)	**19,883,686**	(7,640,400)
TOTAL EQUITY	**95,826,230**	54,114,966
Revenue from continuing operations	**-**	-
Other income	**31,734,267**	834,993
Total expenses	**(4,670,344)**	(6,587,685)
Income tax benefit/(expense)	**460,163**	2,250,569
Profit/(loss) for the year	**27,524,086**	(3,502,183)
Other comprehensive profit/(loss) for the year	**-**	-
Total comprehensive income/(loss) for the year	**27,524,086**	(3,502,183)

Included in Note 22 are commitments incurred by the parent entity relating to the lease of offices in West Perth, Western Australia, under a non-cancellable operating lease expiring August 2016.

NOTE 32 – EVENTS OCCURING AFTER THE REPORTING DATE

The Group proposes to pay a maiden dividend of 15 cents per share during the second quarter of the 2013 financial year as per ASX announcement dated 4 September 2013.

On 16 July 2012, the Group announced the appointment of executive Jamie Gibson to the Board of BC Iron. Mr Gibson is currently Chief Executive Officer of Regent Pacific Group Limited, the Group's second largest shareholder.

On 16 August 2012, the Group announced an update to the Mineral Resource and Ore Reserve Estimate at the NJV, representing an increase of 10Mt for the year and total Ore Reserves of 41Mt as of 30 June 2012.

On 20 August 2012, the Group announced that it has entered into an Iron Ore Strategic Alliance ('the Alliance') with Cleveland Mining Company Ltd ('Cleveland'), an emerging Brazilian iron ore development company. Under the terms of the Alliance, the Group has taken a 5% equity stake in Cleveland for approximately $6 million. The Group and Cleveland will form a 50:50 joint venture aimed at acquiring and developing new iron ore projects in Brazil.

Subsequent to year end, iron ore prices have deteriorated significantly. The iron price has experienced considerable volatility in the past 3 years and as such, the duration of any softness in price cannot easily be determined. In addition, the price assumptions used in financial models used by the Group to determine various accounting and tax values may vary from actual prices received, from time to time. The Group is continuing to manage its cost base to maximize margins and insulate the Group against price fluctuations.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in financial periods subsequent to the financial year ended 30 June 2012.

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 REPORT
TO THE MEMBERS OF BC IRON LIMITED

Report on the Financial Report

We have audited the accompanying financial report of BC Iron Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 company's preparation of the financial report that gives a true and fair view 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 Company'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 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.

Opinion

In our opinion:

(a) the financial report of BC Iron Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of BC Iron Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, Western Australia
Dated this 4th day of September 2012

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

4 September 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 of BC Iron Limited for the year ended 30 June 2012, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

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