ASX RELEASE – 27 FEBRUARY 2013

FINANCIAL RESULTS FOR HALF YEAR ENDED 31 DECEMBER 2012

- **Net Underlying Profit[1] after tax of $13.3M** (same period 2011: $5.5M)
- **Net Profit after tax of $7.7M** (2011: $5.5M)
- **EBITDA of $21.6M** (2011: $12.3M)
- **C1 cash operating costs for quarter of ~$47/wmt** (2011: ~$64/wmt)
- **Interim dividend of 5.0 cents per share fully franked**
- **Solid cash position with $58.3M in cash & deposits**
- **NJV iron ore sales of 2.3Mt** (2011: 1.1Mt)
- **Average Platts CFR 62% Fe price US$118/dmt** (2011: US$160/dmt)
- **Major transaction to acquire additional 25% of expanded NJV including:**
    - *BC Iron increases its interest in the NJV to 75%*
    - *BC Iron's attributable iron ore export will increase by 80% from 2.5Mtpa to 4.5Mtpa*
    - *BC Iron prepaid for 3.5Mt of its share of rail haulage and port services*

BC Iron Limited (ASX:BCI) ("**BC Iron**" or "**the Company**") is pleased to report its underlying first half net profit after tax for FY2013 of **$13.3 million**. The Company has declared an interim dividend of **5.0 cents per share** fully franked, which reflects a dividend payout ratio (on underlying profit) of approximately 45%.

BC Iron Managing Director Mike Young said: "The results for the half year are a bit soft especially in the context of the recent optimism in the market, but bear in mind that these results reflect the lowest iron prices since 2009 and a bear market. The lower than expected iron ore price during the period had a detrimental impact on the bottom line for the half, but we also crushed and therefore exported less tonnes than planned following the crusher upgrade and commissioning in this period.

"The crusher upgrade had some teething problems, but considering the January and February 2013 numbers, these issues appear to have been resolved. We are now getting excellent throughputs and building stocks aggressively. We are also about to complete a further increase in crushing capacity, through the installation of a second plant, on the back of the recent transaction with Fortescue, as the Nullagine Joint Venture ("**NJV**") throughput has to move to over 6Mtpa. The NJV 6Mtpa throughput rate is expected to be achieved during Q4 FY13.

"The transaction with Fortescue was significant to BC Iron as it has increased our attributable production from 2.5Mtpa to 4.5Mtpa - an 80% increase. As far as a business development goes, this was an excellent opportunity: good project, good management, good price.

"As a result of the strengthening iron ore prices during the second half of FY13, the associated positive outlook and the improvements in the crushing numbers, we expect a stronger second half result, subject to the impact of the wet season. The Board is pleased to maintain a fully franked dividend return to our shareholders and, as always, will continue to assess our cash position with a view to maintaining this approach to dividends in the future."

[1] The underlying profit reported excludes net one-off transaction costs associated with BC Iron's purchase of 25% of the NJV from Fortescue and an impairment charge associated with BC Iron's shareholding in two ASX listed resource companies. The Directors believe that this is useful for investors in assisting them with their understanding of the Company's underlying performance in H1 FY2013.

Financial Highlights

Key Measures	31 Dec 2012 $M	31 Dec 2011 $M	Variance
Revenue	103.84	63.45	64%
EBITDA	21.59	12.26	76%
Profit before income tax	15.30	8.92	72%
Profit after income tax	7.74	5.45	42%
Underlying profit after income tax[1]	13.27	5.45	143%
Net cash inflow from operating activities*	(44.71)	26.52	(268%)
Cash balance	58.32	35.62	64%
Earnings per share (cps)**	11.1	5.7	94%
Return on Equity (%)**	7.8	7.3	6%

*- Cashflow from operations was materially reduced due to the recognition of the rail & port prepayment paid as part of the Fortescue transaction. Underlying cashflow from operations remains positive for the period.

**- based on underlying NPAT.

Half Year in Review

Key achievements of BC Iron and the NJV during the first half of FY13 included:

- NJV iron ore sales of 2.3Mt.
- Completed the acquisition of an additional 25% of the NJV from Fortescue.
    - This transaction will facilitate the Company moving its share of annual production to 4.5Mtpa during Q4 FY13, making it the 4th largest pure iron ore producer on the ASX.
- Upgrade of the NJV crushing facilities to in excess of 5Mtpa capacity with plans to achieve in excess of 6Mtpa capacity during Q3 FY13.
- Completion of the Warrigal Haul Road facilitating the opening of additional mine areas.
- Payment of a fully franked, full year dividend in relation to FY12 of 15 cents per share.
- Promising initial results in relation to pit optimisation studies and beneficiation test work.
- Establishment of a strategic alliance with Cleveland Mining Company (ASX:CDG) to assess potential new iron ore projects in Brazil.

Finance Director Morgan Ball said, “Our operating cashflow for the half was impacted by the accounting treatment and timing of the rail and port prepayment made as part of the Fortescue transaction. Underlying operating cashflow was positive for the period but did reflect the impact of the reduction in the headline iron ore price from a CFR62 average of US$160/dmt in the corresponding period to US$118/dmt this year, as well as the strength of the Australian dollar. Notwithstanding this, it is pleasing to report cash operating costs of ~$47/wmt for the period compared to ~$64/wmt in 2011.

“The Fortescue transaction at the end of 2012 was significant for BC Iron. It was attractive from a net asset value, cashflow and earnings per share accretion perspective and it also facilitated a pleasing increase in stock liquidity and our free float. The Company remains comfortable with the level of gearing and the debt terms entered into associated with the transaction. Given the positive iron ore pricing outlook, the Company may look to reduce this debt ahead of the planned schedule.”

Outlook

BC Iron expects the NJV to produce ~5Mt of DSO @ ~ 57% Fe for FY13 with cash operating costs within the range of $45-$50 per tonne.

- ENDS -

FOR FURTHER INFORMATION:

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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, an unincorporated 75:25 joint venture with Fortescue Metals Group Limited. The NJV 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 since then, the NJV has exported approximately 6.1Mt of iron ore. As of May 2012, the NJV has been operating at a production rate of 5Mtpa and is expected to reach a nameplate production rate of 6Mtpa during Q4 FY13.

In August 2012, BC Iron entered into an Iron Ore Strategic Alliance with Cleveland Mining to acquire and co-develop new iron ore projects in Brazil. Under the terms of this 50:50 Joint Venture, BC Iron acquired a 5% equity stake in Cleveland Mining.

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:	122.7 million	
Cash & equivalents:	31 December 2012	$58.3M
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
	Linda Edge	Company Secretary
Major Shareholders:	Consolidated Minerals	23.2%
	Henghou Industries	8.4%
	Ausbil Dexia Ltd	5.5%
	Tribeca Investment Partners Pty Ltd	5.1%

Website: www.bciron.com.au

Mineral Resources and Ore Reserves as at 31 December 2012

Table 1: Proved and Probable Ore Reserves NJV (BC Iron 75%, Fortescue 25%)

Classification	Ore Reserves							
	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI
Proved	19.4	57.4	65.0	1.9	3.2	0.016	0.013	11.7
Probable	20.5	56.9	64.8	2.0	2.9	0.014	0.010	12.2
Total	**39.9**	**57.1**	**64.9**	**1.9**	**3.1**	**0.015**	**0.011**	**12.0**

Table 2: DSO Mineral Resource Estimate NJV (BC Iron 75%, Fortescue 25%)

Classification	DSO Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI
Measured	25.5	57.1	64.7	2.1	3.2	0.016	0.012	11.8
Indicated	20.1	57.0	64.9	2.0	2.9	0.014	0.011	12.1
Inferred	6.8	57.0	64.1	2.6	3.9	0.023	0.014	11.1
Total DSO	**52.4**	**57.1**	**64.7**	**2.1**	**3.2**	**0.016**	**0.012**	**11.8**

Table 3: CID Mineral Resource Estimate NJV (BC Iron 75%, Fortescue 25%)

Classification	CID Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI
Measured	34.0	55.0	62.7	2.7	4.0	0.017	0.012	12.3
Indicated	39.9	53.8	61.6	3.3	4.5	0.017	0.012	12.8
Inferred	31.0	53.7	60.8	4.2	5.4	0.023	0.016	11.7
Total CID	**104.9**	**54.2**	**61.7**	**3.4**	**4.6**	**0.019**	**0.013**	**12.3**

Table 4: Stockpile Inventory NJV (BC Iron 75%, Fortescue 25%)

Stockpile	DSO Stocks			
	Tonnes	Fe%	Al_2O_3%	SiO_2%
ROM[1]	273,141	56.2	2.4	4.1
MOC Product[2]	15,118	56.4	2.5	3.7
RLF Product[3]	116,100	56.8	2.3	4.2
Port	20,160	56.6	2.3	4.5
Total	**424,519**	**56.4**	**2.4**	**4.2**

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 and Ore Reserves have been estimated using mined surfaces as of 31 December 2012 and do not account for mined material since then.
- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- The Channel Iron Deposit (CID) Mineral Resource is inclusive of the Direct Shipping Ore (DSO) mineral resource.
- DSO is all material that is mined, dressed and exported with no upgrade or beneficiation.
- Loss of Ignition (LOI) measured at 1000°C. Calcined Fe (CaFe) = Fe / (100-LOI) * 100.
- 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.
- Mine Production figures may differ from Ore Reserves due to the inclusion of Inferred material and/or low grade material for blending.

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.

BC Iron Limited

ACN 120 646 924

Half-Year Financial Report

31 December 2012

Directors' Report

The directors present their report on the results of the consolidated entity (referred hereafter as the Group) consisting of BC Iron Limited and the entities it controlled at the end of, or during the six months ended 31 December 2012**.**

Directors

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

Anthony W. Kiernan	Chairman (*Non-Executive*)
Michael C. Young	Managing Director
Morgan S. Ball	Director *(Executive)*
Terrence W. Ransted	Director (*Non-Executive*)
Andrew M. Haslam	Director (*Non-Executive*)
Malcolm J. McComas	Director (*Non-Executive*)
Jamie A. Gibson	Director (*Non-Executive*) appointed 16 July 2012, resigned 19 December 2012

Review and results of operations

The Group is involved in iron ore production and export, focussing on the Nullagine Iron Ore Joint Venture (NJV) in the Pilbara region of Western Australia, a 75:25 joint venture with Fortescue Metals Group Limited (Fortescue).

Principal activity

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

Operating results

Net profit after tax for the Group for the half year ended 31 December 2012 was $7,739,308 (2011: $5,449,807).

Corporate

In August 2012 the Group entered into a strategic alliance with Cleveland Mining Limited (Cleveland) to potentially source, acquire and develop new iron ore projects in Brazil. As part of this, the Group acquired a 5% equity investment in Cleveland.

The Group paid a maiden fully franked dividend of 15 cents per share with a payout ratio of 31% on 2 October 2012.

In December 2012 the Group paid its second instalment of US$5 million of the US$25 million project finance facility in place with Henghou Industries (Hong Kong) Limited, leaving a balance of US$15 million. The facility is due for repayment at the amount of US$5 million annually to Henghou over 5 years from December 2011.

The Group announced on 10 December 2012 that it had entered into an agreement with Fortescue Metals Group Ltd to acquire an additional 25% interest in NJV. The agreement also included an increase to the capacity available to the NJV on Fortescue Rail and Port Infrastructure from 5 to 6 million tonnes per annum (Mtpa) for the life of the NJV and a one off pre-payment of rail haulage and port charges for 3.5Mt (wet) of the Group's share of production from the NJV.

Directors' Report (cont.)

The transaction was completed on 18 December 2012 with total consideration paid to Fortescue of A$190 million, plus a limited price partication arrangement payable to Fortescue if certain iron ore price conditions are met. The transaction was funded by internal cash, an A$47 million underwritten institutional placement and US$130 million loan facility. Refer to Note 16 for further detail.

On 10 December 2012, the Group announced a share purchase plan (SPP) to raise A$10 million from eligible BC Iron shareholders. The SPP closed oversubscribed (thus raising the full A$10 million) on 16 January 2012 and on 24 January 2012 the Group issued 3.2 million shares.

Nullagine Iron Ore Joint Venture

The Group is involved in iron ore production and export, focussing on the NJV in the Pilbara region of Western Australia, a 75:25 joint venture with Fortescue. This is an unincorporated joint venture managed by the Group.

Key achievements during the half year include:

- the NJV passing 5 million tonnes of iron ore exports since its first exports in February 2011;
- during August and December 2012, both the resources and corresponding reserves were upgraded to measured and proved respectively. The ore reserve at December 2012 was 39.9Mt grading 57.1% Fe;
- final upgrade and commissioning to the crushing plant was completed;
- construction of a 5km bituminised haul road which accesses the Warrigal deposits was completed;
- camp expansion works to facilitate the NJV expansion to the 6Mtpa production run rate commenced in December 2012 and are ongoing; and
- continuation of a mining study (Project Inventory) to establish the amount of total mineable direct shipping ore and beneficiate before shipping ore available for economic extraction from the NJV Project and to investigate the extension of the NJV mine life.

Dividends

A maiden dividend of 15 cents per share fully franked was paid by the Group on 2 October 2012.

The Board has declared a fully franked interim dividend of 5 cents per share payable on 22 March 2013. The record date for determining entitlements to the dividend is 8 March 2013.

Changes in state of affairs

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

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2007 is set out on page 21 and forms part of the directors' report for the six months ended 31 December 2012.

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

Dated this 26th day of February 2013.

On behalf of the Directors

Michael C. Young
Managing Director

Directors' Declaration

In the opinion of the directors of BC Iron Limited:

a) the financial statements and notes set out on the following pages are in accordance with the Corporations Act 2001, including:

   i) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and

   ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Michael C. Young
Managing Director

Perth, 26th February 2013

Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2012

	Notes	**Half year ended 31 Dec 2012 $**	Half year ended 31 Dec 2011 $
Revenue from continuing operations			
Sale of goods		**102,958,970**	62,753,483
Other revenue		**885,611**	696,340
Total revenue from continuing operations		**103,844,581**	63,449,823
Other income	2	**1,331,782**	1,768,804
Cost of sales	3	**(64,484,612)**	(44,377,644)
Shipping and marketing	3	**(12,421,640)**	(7,823,450)
Impairment of available for sale financial assets		**(4,678,465)**	-
Administration expenses	3	**(7,393,049)**	(3,125,172)
Profit before finance cost and income tax		**16,198,597**	9,892,361
Finance cost	3	**(898,416)**	(973,131)
Profit before income tax		**15,300,181**	8,919,230
Income tax expense	4	**(7,560,873)**	(3,469,423)
Profit for the half-year attributable to owners of BC Iron Ltd		**7,739,308**	5,449,807
Other comprehensive income		**-**	-
Other comprehensive loss for the half-year, net of tax		**-**	-
Total comprehensive income for the half-year attributable to the owners of BC Iron Limited		**7,739,308**	5,449,807
Profit for the half-year attributable to owners of BC Iron Ltd		**7,739,308**	5,449,807
Basic earnings per share (cents per share)		**7.42**	5.74
Diluted earnings per share (cents per share)		**7.39**	5.49

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

BC Iron Limited

ACN 120 646 924

Consolidated statement of financial position

As at 31 December 2012

	Notes	31-Dec-12 $	30-Jun-12 $
CURRENT ASSETS			
Cash and cash equivalents		**58,323,919**	92,816,843
Trade and other receivables	5	**81,670,786**	19,247,476
Inventory		**7,610,123**	4,351,652
Other assets		**26,031**	25,688
Total Current Assets		**147,630,859**	116,441,660
NON CURRENT ASSETS			
Plant & equipment	6	**106,266,138**	49,638,822
Exploration and evaluation assets	7	**9,949,308**	6,571,769
Development expenditure	8	**116,347,912**	26,821,943
Deferred tax assets		**1,412,539**	401,208
Available for sale financial asset	9	**4,617,250**	3,200,000
Total Non Current Assets		**238,593,147**	86,633,742
TOTAL ASSETS		**386,224,006**	203,075,401
CURRENT LIABILITIES			
Trade and other payables	16	**51,939,616**	43,434,235
Borrowings	10	**39,214,994**	4,926,108
Provision for income tax		**11,842,904**	8,845,288
Total Current Liabilities		**102,997,514**	57,205,631
NON CURRENT LIABILITIES			
Trade and other payables	16	**8,859,250**	1,175,000
Borrowings	10	**96,798,679**	11,745,123
Deferred tax liabiity		**4,961,757**	-
Provisions		**1,984,112**	1,305,837
Total Non Current Liabilities		**112,603,798**	14,225,960
TOTAL LIABILITIES		**215,601,312**	71,431,591
NET ASSETS		**170,622,694**	131,643,810
EQUITY			
Contributed Equity	11	**117,967,416**	72,036,766
Reserves	12a	**13,193,072**	12,304,995
Retained earnings	12b	**39,462,206**	47,302,049
TOTAL EQUITY		**170,622,694**	131,643,810

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2012

	Contributed Equity $	Retained Earnings $	Other Reserves $	Total $
Consolidated Entity				
Balance at 1 July 2011	58,250,587	(3,249,209)	12,385,997	67,387,375
Profit for the half-year	-	5,449,807	-	5,449,807
Total comprehensive profit for the half-year	-	5,449,807	-	5,449,807
Transactions with equity holders in their capacity as equity holders:				
Shares issued net of transaction costs	-	-	19,273	19,273
Options issued	-	-	-	-
Options exercised	1,600,000	-	-	1,600,000
Balance at 31 December 2011	59,850,587	2,200,598	12,405,270	74,456,455
Consolidated Entity				
Balance at 1 July 2012	**72,036,766**	**47,302,048**	**12,304,995**	**131,643,810**
Profit for the half-year	**-**	**7,739,308**	**-**	**7,739,308**
Other comprehensive loss	**-**	**-**	**-**	**-**
Total comprehensive profit for the half-year	**-**	**7,739,308**	**-**	**7,739,308**
Transactions with equity holders in their capacity as equity holders				
Dividend payment	**-**	**(15,579,150)**	**-**	**(15,579,150)**
Revaluation of available for sale assets			**482,000**	**482,000**
Shares issued net of transaction costs	**45,930,650**	**-**	**406,077**	**46,336,727**
Balance at 31 Dec 2012	**117,967,416**	**39,462,206**	**13,193,072**	**170,622,694**

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

Consolidated statement of cash flows

For the half-year ended 31 December 2012

	Note	**Half year ended 31 Dec 2012 $**	Half year ended 31 Dec 2011 $
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**101,790,273**	65,044,319
Management fees received		**988,232**	696,340
Payments to suppliers and employees (inclusive of goods and services tax and prepayments)		**(148,998,646)**	(39,511,091)
Interest received		**1,513,797**	288,314
Net cash inflow from operating activities	13	**(44,706,344)**	26,517,882
Cash Flows from Investing Activities			
Payments for mine, property, plant & equipment		**(131,862,926)**	(8,514,533)
Payments for exploration and evaluation expenditure		**(1,470,068)**	(637,496)
Payment for available for sale investment		**(5,643,715)**	-
Refund for security deposits		**-**	1,281,237
Net cash outflow from investing activities		**(138,976,710)**	(10,798,368)
Cash Flows from Financing Activities			
Proceeds from issue of shares net of costs		**45,780,142**	1,602,844
Repayment of borrowings		**(4,743,383)**	-
Proceeds from borrowings		**123,226,202**	-
Dividends paid to company's shareholders		**(15,579,150)**	-
Net cash inflow from financing activities		**148,683,811**	1,602,844
Net increase/(decrease) in cash and cash equivalents		**(34,999,240)**	17,322,358
Cash and cash equivalents at the beginning of the half-year		**92,816,843**	17,536,827
Effect of exchange rate changes on cash and cash equivalents		**506,318**	763,169
Cash and cash equivalents at the end of the half-year		**58,323,919**	35,622,354

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

Notes to the consolidated interim financial statements

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

BC Iron Limited (the "Company") is a company domiciled in Australia. The consolidated half-year financial statements of the Company as at and for the six months ended 31 December 2012 comprise the Company and its subsidiaries and the Group's interests in associates and jointly controlled ventures.

The consolidated financial statements of the Group as at and for the year ended 30 June 2012 are available upon request from the Company's registered office at Level 1, 15 Rheola Street, West Perth, WA, 6005 or at www.bciron.com.au.

2. Statement of compliance

These general purpose interim financial statements for the half-year reporting period ended 31 December 2012 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These interim financial statements do not include the notes of the type normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by BC Iron during the interim reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

These consolidated half-year financial statements were approved by the Board of Directors on 26 February 2013.

3. Significant accounting policies

The accounting policies applied by the Group in these consolidated half-year financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2012 except as follows:

(i) The adoption of AASB 2011-9 has resulted in changes to the Statement of comprehensive income, now being referred to as the Statement of profit or loss and other comprehensive income.

(ii) Acquisition of interests in Joint Operations

When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in AASB 3 Business Combinations, it shall apply, to the extent of its interest, the relevant principles on business combinations accounting in AASB 3 and disclose the relevant information required for business combinations. The principles ofbusiness combinations accounting include;

(a) measuring identifiable assets and liabilities at fair value other than those items for which exceptions are given in AASB 3 and other AASB's;

(b) recognising acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with the exception that the costs to issue debt or equity securities are recognised in accordance with AASB 132 Financial Instruments: Presentation;

(c) recognising deferred tax assets and deferred tax liabilities that arise from the initial recognition of assets or liabilities, except for deferred tax liabilities that arise from the initial recognition of goodwill; and

(d) recognising the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, if any, as goodwill.

Notes to the consolidated interim financial statements

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Standards issued and not yet effective
The 30 June 2012 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from the initial application of standards issued but not yet applied, and this remains the assessment as at 31 December 2012.

4. Estimates

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

In preparing these consolidated half-year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2012.

NOTE 2 – OTHER INCOME

	Half year ended 31 Dec 2012	Half year ended 31 Dec 2011
Other income	**$**	$
Interest revenue	**1,331,782**	268,804
Reimbursement of costs by NJV	-	1,500,000
Total	**1,331,782**	1,768,804

NOTE 3 – OTHER EXPENSES

	Half year ended 31 Dec 2012	Half year ended 31 Dec 2011
	$	$
Profit before income tax includes the following specific expenses:		
Cost of sales		
Mining and ore dressing	**20,025,680**	11,804,181
Haulage	**27,665,105**	21,975,397
Site administration	**7,729,208**	7,012,113
Depreciation/Amortisation	**4,410,812**	2,330,234
Royalties	**6,161,438**	3,632,637
Inventory movement	**(1,507,630)**	(2,376,918)
Total	**64,484,612**	44,377,644
Shipping and marketing		
Shipping, marketing and demurrage	**12,421,640**	7,823,450
Administration expenses		
Depreciation and amortisation	**404,016**	305,873
Director's fees	**208,014**	119,327
Office rent, ancillaries and running costs	**665,512**	464,441
Foreign exchange loss	**1,914,723**	686,731
Personnel and support	**647,072**	348,747
Corporate costs	**718,704**	1,180,780
Acquistion transaction costs	**2,428,932**	-
Share based payments	**406,076**	19,273
Total	**7,393,049**	3,125,172

Notes to the consolidated interim financial statements

NOTE 3 – OTHER EXPENSES (continued)

Finance cost

In November 2009, the NJV secured US$50 million (BC Iron share – US$25 million) in project finance (interest free) from Henghou Industries (Hong Kong) Limited. As part of this facility the Company issued 8 million options to Henghou. This amount was offset against the liability on initial recognition and the liability is being discounted using the effective interest rate method. The non-cash effective interest in the period was $769,065 (2011: $973,131). The balance relates to the interest expense on the US$130 million debt facility.

NOTE 4 – INCOME TAX EXPENSE

The effective tax rate for the Group for the period ended 31 December 2012 was 49%. The higher effective tax rate, when compared to the statutory tax rate of 30% is mainly due to unwinding of $2.4m of the $8.4 million deferred tax asset recognised at 30 June 2012 in relation to the Mining Resources Rent Tax (refer to the 2012 annual report for further information). Significant judgements and estimates were used in this assessment including forecast production profiles and forecast iron ore prices.

NOTE 5 – TRADE AND OTHER RECEIVABLES

The increase in trade and other receivables is due to the Group paying a one-off prepayment for rail haulage and port charges for 3.5 Mt (wet) of its share of production from the NJV. Refer to Note 16 for further detail.

NOTE 6 – PLANT & EQUIPMENT

During the period the Group has incurred capital expenditure mainly in relation to the NJV project as per below:

	Furniture, Computers and Equipment	**Plant & Equipment**	**Total**
Half year ended 31 December 2012	**$**	**$**	**$**
At 1 July 2012, net of accumulated depreciation	496,014	49,142,808	49,638,822
Additions	295,480	63,544,094	63,839,574
Depreciation charge for the half year	(270,235)	(6,942,023)	(7,212,258)
At 31 December 2012, net of accumulated depreciation	**521,259**	**105,744,879**	**106,266,138**
At 31 December 2012			
Cost	1,385,824	117,239,813	118,625,637
Accumulated depreciation	(864,565)	(11,494,934)	(12,359,499)
Net carrying amount	**521,259**	**105,744,879**	**106,266,138**
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
Depreciation charge for the half year	(277,389)	(4,138,186)	(4,415,575)
At 30 June 2012, net of accumulated depreciation	496,015	49,142,808	49,638,823
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

Notes to the consolidated interim financial statements

NOTE 6 – PLANT & EQUIPMENT (continued)

On 18 December 2012 the Group acquired an additional 25% interest in the NJV (See Note 16). The consideration paid gave rise to a surplus over the net assets acquired. As part of the fair value allocation an amount has been assigned to plant and equipment and is included within additions.

NOTE 7 - EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-12	30-Jun-12
	$	$
Exploration and evaluation expenditure costs brought forward in respect of areas of interest:		
Opening balance	**6,571,769**	4,349,457
Expenditure during financial period	**3,377,539**	2,222,312
Closing balance	**9,949,308**	6,571,769

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 8 – DEVELOPMENT EXPENDITURE

	31-Dec-12	30-Jun-12
Development expenditure costs brought forward in respect of areas of interest:		
Opening balance	**26,821,943**	24,974,772
Additions during financial period	**93,116,939**	4,745,629
Amortisation of development expenditure	**(3,590,970)**	(2,898,459)
Closing balance	**116,347,912**	26,821,943

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.

On 18 December 2012 the Group acquired an additional 25% interest in the NJV (See Note 16). The consideration paid gave rise to a surplus over the net assets acquired. As part of the fair value allocation an amount has been assigned to Development and is included within additions.

Notes to the consolidated interim financial statements

NOTE 9 – AVAILABLE FOR SALE ASSETS

	31-Dec-12	30-Jun-12
	$	$
Listed securities		
Opening balance	**3,200,000**	-
Equity securities acquired	**5,613,715**	3,682,000
Revaluation	**482,000**	(482,000)
Impairment	**(4,678,465)**	-
Closing balance	**4,617,250**	3,200,000

The available for sale assets relates to two investments in listed securities on the ASX which reinforce the company's potential for growth strategy.

NOTE 10 – LOANS AND BORROWINGS

	31-Dec-12	30-Jun-12
	$	$
Current		
Loan - Henghou Facility (a)	**4,821,136**	4,926,108
Loan - Bank (b)	**34,393,858**	-
Total current	**39,214,994**	4,926,108
Non Current		
Loan - Henghou Facility (a)	**7,434,605**	11,745,123
Loan - Bank (b)	**89,364,074**	-
Total non current	**96,798,679**	11,745,123
Total borrowings	**136,013,673**	16,671,231

(a) Henghou

The NJV secured US$50 million (interest free) in project finance with Henghou Industries (Hong Kong) Limited (Henghou). 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$15 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 second repayment was made during the financial period. As part of this facility the Group issued 8 million options to Henghou as non-cash consideration which have been exercised. These borrowings are unsecured and the carrying value equals fair value.

(b) Bank

The Group's wholly owned subsidiary, BC Iron Nullagine Pty Ltd ("BCIN") entered into a US$130 million, amortising term loan facility as part of the funding of the 25% acquisition of the NJV. The Group has provided a parent company guarantee to the lenders and BCIN has provided security to the lenders that is typical for a loan of this nature. The structure of the debt facility allows the Board to consider continued payment of dividends by the Group, except in very limited circumstances. This loan is secured. Refer to Note 16 for further details.

Notes to the consolidated interim financial statements

NOTE 11 – CONTRIBUTED EQUITY

	31-Dec-12		30-Jun-12	
	Number	**$**	Number	$
Share Capital				
Ordinary shares - Fully paid	**119,440,150**	**117,967,416**	103,861,000	72,036,766
Movement in Ordinary Share Capital				
Opening balance	**103,861,000**	**72,036,766**	94,381,000	58,250,587
Capital Raising 18 December 2012	**15,579,150**	**47,360,616**	-	-
Less: Costs of issue	-	**(2,042,796)**	-	-
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
Tax effect of costs of issue	**-**	**612,830**	-	226,181
Closing balance	**119,440,150**	**117,967,416**	103,861,000	72,036,766

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.

Notes to the consolidated interim financial statements

NOTE 12 – RESERVES AND RETAINED EARNINGS

	31-Dec-12	30-Jun-12
	$	$
(a) Reserves		
Reserves	**13,193,072**	12,304,995
Reserves comprise the following:		
Share-based payments reserve		
Balance at start of financial period	**10,293,793**	10,484,712
Employee option expense	**406,076**	400,998
Options transferred to options exercised reserve	**-**	(591,917)
Balance at end of the financial period	**10,699,869**	10,293,793
Available for sale reserve		
Balance at start of financial period	**(482,000)**	-
Fair value of available for sale asset		(482,000)
Impairment	**482,000**	
Balance at end of the financial period	**-**	(482,000)
Options Exercised reserve		
Balance at start of financial period	**2,493,202**	1,901,285
Options transferred from share-based payments reserve	**-**	591,917
Balance at end of the financial period	**2,493,202**	2,493,202
Total reserves	**13,193,071**	12,304,995
(b) Retained Earnings	**39,462,206**	47,302,049
Balance at start of financial period	**47,302,049**	(3,249,209)
Dividend	**(15,579,150)**	-
Profit/(loss) for the financial period after related income tax benefit	**7,739,308**	50,551,258
Balance at end of the financial period	**39,462,207**	47,302,049

Notes to the consolidated interim financial statements

NOTE 12 – RESERVES AND RETAINED EARNINGS (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 available for sale reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

On 31 August and 20 November 2012, the Group issued 354,409 and 74,682 unlisted performance rights respectively, under the BC Iron Employee Performance Rights Plan. Vesting of the rights is subject to the Group meeting certain performance hurdles during the performance period being 1 July 2012 ending 30 June 2014 and subject to the employee remaining employed at 30 June 2014. Rights expire at the earlier of the date the employee ceases to be employed or 1 September – 1 November 2019.

Each right entitles the holder to one ordinary share for nil consideration and has a fair value of $1.42 - $1.80 per share. Further to this and following the approval of shareholders at the Group's Annual General Meeting held on 20 November 2012, the Group issued Mike Young and Morgan Ball a total of 155,714 unlisted performance rights. Total performance rights were valued at $247,412 and are being expensed over a two year period resulting in a charge to the income statement of $31,136.

NOTE 13 – CASHFLOWS FROM OPERATING ACTIVITIES

During December, the Group entered into an agreement with Fortescue to acquire an additional 25% of the NJV and expand the NJV's annual infrastructure capacity to 6Mtpa. This agreement also included a one-off prepayment in relation to rail and port charges for 3.5Mt of the Group's share of NJV production. As a result of the accounting treatment and timing of this prepayment, the Group's operating cashflow does not represent the underlying operating performance for the period. The prepayment reflects a period of approximately 10-12 months commencing on 1 January 2013.

NOTE 14 – EVENTS AFTER THE BALANCE SHEET DATE

In January 2013, the Group completed a share purchase plan (SPP) to raise A$10 million from eligible BC Iron Ltd shareholders. The SPP closed oversubscribed on 16 January 2012 and on 24 January 2012 the Group issued 3.2 million shares to shareholders.

A fully franked dividend of 5 cents per share for the half year to 31 December 2013 resulting in a dividend payment of $6.1 million was declared and payable on 22 March 2013. The dividend has not been provided for in the 31 December 2012 half year financial report.

NOTE 15– SEGMENT INFORMATION

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

Notes to the consolidated interim financial statements

NOTE 15– SEGMENT INFORMATION (continued)

	31-Dec-12	31-Dec-11
	$	$
Total segment revenue	103,844,581	63,449,823
Adjusted EBITDA	21,585,737	12,259,664
Total segment assets	381,606,756	128,945,922
Total segment liabilities	62,782,978	31,849,518
Reconciliation of reportable segment profit or loss		
Adjusted EBITDA	21,585,737	12,259,664
Interest revenue	1,331,782	268,804
Unallocated: Corporate Expenses	(7,617,338)	(3,609,238)
Profit/(Loss) before income tax	15,300,181	8,919,230
Segment liabilities	62,782,978	31,849,518
Provision for income tax	11,842,904	-
Deferred Tax liabilities	4,961,757	1,861,020
Loans	136,013,674	20,778,928
Total liabilities as per statement of financial position	215,601,313	54,489,466

	31-Dec-12	30-Jun-12
	$	$
Segment assets	381,606,756	199,875,401
Available for sale financial asset	4,617,250	3,200,000
Total assets as per statement of financial position	386,224,006	203,075,401

NOTE 16– INTEREST IN JOINT ARRANGEMENT

On 1 January 2010, the Group and Fortescue commenced a 50/50 Joint Venture to develop the Nullagine Iron Ore Project (NJV) in the East Pilbara of Western Australia.

The Group announced on 10 December 2012 that it had entered into an agreement with Fortescue Metals Group to acquire an additional 25% interest in the NJV. As part of the transaction, the Group increased its participating interest in the NJV from 50% to 75%:

- the capacity available to the NJV on Fortescue's rail and port infrastructure was formally increased to 6 million tonnes per annum (Mtpa) for the life of the NJV;
- the Group's annual production will increase by 80% from 2.5 Mtpa to 4.5 Mtpa;
- the Group made a once-off prepayment (see Note 5) of rail haulage and port charges for 3.5 Mt (wet) of its share of production from the NJV;
- the Group's obligation to deliver product into its existing iron ore agreement to Henghou will remain unchanged; and
- Fortescue and the Group will continue to explore other opportunities in the East Pilbara Region.

Notes to the consolidated interim financial statements

NOTE 16– INTEREST IN JOINT ARRANGEMENT (continued)

As per ASX announcements of 10 and 18 December 2012 the total consideration paid by the Group to Fortescue was A$190 million (including the Rail and Port Prepayment), plus a limited price participation arrangement payable to Fortescue if certain iron price conditions are met. This is estimated at $14.3m and is included in Trade and other payables. At the acquisition date the consideration paid gave rise to a surplus over the net assets. As part of the fair value allocation on the assets acquired this surplus was assigned to Plant and equipment and Development expenditure. No goodwill arose as part of the transaction.

The total consideration, plus associated transaction costs, was funded using a combination of existing cash, a US$130 million debt facility, and A$57 million in equity through an underwritten placement and share purchase plan.

The Group’s interests in the net assets employed in the NJV are included in the consolidated statement of financial position, in accordance with the accounting policy described in Note 1. The Group has a 75% share of the following NJV 100% financial position.

NJV 100% Balance sheet

	31-Dec-12	30-Jun-12
	$	$
CURRENT ASSETS		
Cash and cash equivalents	**20,962,437**	20,208,265
Trade and other receivables	**2,097,078**	4,619,016
Inventory	**10,146,831**	8,703,304
Other financial assets	**1,375**	1,375
Total Current Assets	**33,207,721**	33,531,960
NON CURRENT ASSETS		
Plant & equipment	**106,061,257**	99,059,817
Exploration and evaluation assets	**8,245,984**	5,688,942
Development expenditure	**44,503,896**	45,529,810
Total Non Current Assets	**158,811,137**	150,278,569
TOTAL ASSETS	**192,018,858**	183,810,529
CURRENT LIABILITIES		
Loans & borrowings	**-**	-
Trade and other payables	**41,528,825**	55,103,824
Total Current Liabilities	**41,528,825**	55,103,824
NON CURRENT LIABILITIES		
Loans & borrowings	**2,190,817**	2,190,817
Provisions	**2,645,482**	2,611,672
Trade and other payables	**1,175,000**	2,350,000
Total Non Current Liabilities	**6,011,299**	7,152,489
TOTAL LIABILITIES	**47,540,124**	62,256,313
NET ASSETS	**144,478,734**	121,554,216

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

We have reviewed the accompanying half-year financial report of BC Iron Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BC Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, Western Australia
Dated this 26th day of February 2013

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38 Station Street
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PO Box 700 West Perth WA 6872
Australia

26 February 2013

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

Dear Sirs,

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

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

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

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia