25 February 2014

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir,

HALF-YEAR REPORT TO 31 DECEMBER 2013

In accordance with ASX Listing Rule 4.2A, the following documents are attached for release to the market:

- Appendix 4D for the half-year ended 31 December 2013;
- Half-year results announcement; and
- Financial Report for the half-year ended 31 December 2013.

It is recommended that the Financial Report is read in conjunction with the 2013 Annual Report for BC Iron Limited, together with any public announcements made by BC Iron Limited in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

An analyst briefing will be held at 8:00am(AWST)/11:00am(AEDT) on Wednesday 26 February 2014 following the release of this announcement. A recording of the briefing will be made available on our website www.bciron.com.au.

Yours faithfully

ANTHEA BIRD
COMPANY SECRETARY

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APPENDIX 4D
For the half-year ended 31 December 2013

BC IRON LIMITED

This information should be read in conjunction with BC Iron Limited's Financial Report for the half-year ended 31 December 2013.

Name of entity	**ABN**
BC Iron Limited	21 120 646 924

Results for announcement to the market

Half-year ended 31 December	2012	2013	Variance %
Revenue from ordinary activities	up from $105,176,363	to $300,985,329	186%
Profit from ordinary activities after tax attributable to members	up from $7,739,308	to $70,303,818	808%
Net profit attributable to members	up from $7,739,308	to $70,625,354	813%

Dividends	Amount per ordinary share	Franked amount per ordinary share
Declared interim dividend	$0.17	$0.17
Previous corresponding period interim dividend	$0.05	$0.05
Ex-dividend date of interim dividend	3 March 2014	
Record date of interim dividend	7 March 2014	
Payment date of interim dividend	25 March 2014	

Net tangible asset backing
Net tangible asset backing per ordinary share: $2.04 (2012: $1.43).

Previous corresponding period
The previous corresponding period is the half-year ended 31 December 2012.

Joint ventures
BC Iron Limited, through its 100% owned subsidiary BC Iron Nullagine Pty Ltd, holds a 75% interest in the Nullagine Iron Ore Joint Venture ("NJV"). Prior to 18 December 2012, BC Iron Limited held 50% of the NJV.

Commentary on results for the period
A commentary on the results for the period is contained in the press release and the financial report that accompany this announcement.

BC IRON DELIVERS RECORD HALF-YEAR FINANCIAL RESULTS

HIGHLIGHTS

- **Record half-year results for revenue ($301.0M), operating cash flow ($146.7M), EBITDA ($120.3M) and NPAT ($70.3M)**
- **Record NJV sales of 3.14M wmt (BC Iron share 2.46M wmt)**
- **Interim dividend of 17 cents per share fully franked**
- **Strong balance sheet at 31 December 2013 with $196.7M in cash**

BC Iron Limited ("BC Iron" or "the Company") (ASX:BCI) is pleased to report its financial results for the half-year ended 31 December 2013.

The Nullagine Joint Venture ("NJV") achieved record half-year sales of 3.14M wet metric tonnes ("wmt"), underpinned by a strong operating performance in the first full half since achieving a 6 million tonnes per annum run-rate. BC Iron's share of sales was 2.46M wmt, also a record for a half-year period.

Iron ore prices remained robust during the period and the AUD declined relative to the USD, enabling BC Iron to generate record half-year revenue of $301.0M. The Company also generated record operating cash flow of $146.7M and achieved record profits, with EBITDA of $120.3M and NPAT of $70.3M.

Commenting on the results, BC Iron Managing Director Morgan Ball said, "*This half-year was a pleasing one for BC Iron. We achieved record exports, which, combined with continued strength in the iron ore price and an ongoing focus on cost control, translated into record revenues, operating cash flow and profits.*

"Our inclusion in the ASX 200 Index was a great reward for recent performance."

BC Iron finished the half-year in a strong balance sheet position with cash of $196.7M after repaying debt ahead of schedule down to $65.6M, from $103.3M as at 30 June 2013. The Company has declared an interim dividend of 17 cents per share fully franked, equating to a payout ratio of 30% on NPAT.

"We are proud of our dividend track record and delighted to reward shareholders with another attractive dividend, at a materially increased level compared to the previous interim dividend," added Mr Ball.

As announced separately, BC Iron intends to declare an interim and final dividend each financial year, targeting an overall annual payout ratio of 30% to 50% on NPAT, with dividends franked to the maximum extent possible. The declaration of dividends remains at the Board's discretion.

Other NJV achievements during the half-year included:

- Surpassing the NJV export milestone of 10M wmt, approximately 2.5 years after first ore on ship; and
- Commencing a trial to assess the viability of beneficiating lower grade ore at the NJV via a simple dry crush and screen process.

BC Iron Limited ABN 21 120 646 924 | Level 1, 15 Rheola Street West Perth WA 6005 | GPO Box 2811 West Perth WA 6872 | T +61 8 6311 3400 F +61 8 6311 3449 | E info@bciron.com.au W www.bciron.com.au

Key BC Iron achievements during the half-year included:

- Inclusion in the S&P/ASX 200 Index in December 2013;
- Entering into agreements for the BC Iron and Cleveland Mining Company Limited alliance to earn up to an 80% interest in three greenfields exploration projects in Brazil and commencing exploration work at the Bahia projects; and
- Further strengthening of the Board and management team, through appointments of Mr Peter Wilshaw as Non-Executive Director and Mr Chris Hunt as Chief Financial Officer.

Key Metrics

The NJV and BC Iron achieved favourable movements in a number of key metrics for the half-year ended 31 December 2013, compared to both the most recent half-year (30 June 2013 period) and previous corresponding half-year (31 December 2012 period).

Item	Six months ended 31 Dec 2013	Six months ended 30 Jun 2013	Six months ended 31 Dec 2012[1]
Iron ore shipments – NJV (M wmt)	3.14	2.72	2.28
Iron ore shipments – BC Iron share (M wmt)	2.46	1.99	1.14
Average realised CFR price – BC Iron (US$/dmt)	119	119	100
Average exchange rate (AUD/USD)	0.9214	1.0151	1.0386
C1 cash operating costs – BC Iron ($/wmt)	37	30	52
Revenue ($M)	301.0	223.2	105.2
EBITDA ($M)	120.3	72.3	19.7
Profit before income tax ($M)	101.6	53.4	15.3
NPAT ($M)	70.3	41.1	7.7
Underlying NPAT ($M)[2]	68.5	58.2	13.2
Net cash inflow / (outflow) from operating activities ($M)[3]	146.7	131.9	(44.7)
Cash balance ($M)	196.7	138.5	58.3
Debt outstanding ($M)	65.6	103.3	136.0
Dividend per share (cps)	17.0	30.0	5.0
Dividend payout ratio[4] (%)	30%	90%	80%
Number of shares on issue	123,928,630	123,279,384	119,440,150
Shareholders' equity ($M)	252.3	217.1	170.6
Earnings per share (cps)[5]	56.7	33.3	6.5
Return on equity (%)[6]	27.9%	18.9%	4.5%

Notes:
1. BC Iron's NJV interest for the six months ended 31 December 2012 was 50%, whereas it was 75% for the six months ended 30 June 2013 and 31 December 2013.
2. Reconciliation between underlying NPAT and statutory NPAT is provided on the following page.
3. Reported net cash outflow for 31 December 2012 was impacted by the once-off prepayment to Fortescue for 3.5Mt of rail haulage and port services. Reported net cash inflows for the 30 June 2013 and 30 December 2013 benefited from the prepayment, which was fully amortised during Q2 FY2014.
4. Based on statutory NPAT. Payout ratios were previously reported on underlying NPAT for 30 Jun 2013 and 31 Dec 2013.
5. Statutory NPAT for the six month period divided by number of shares on issue at period end date.
6. Statutory NPAT for the six month period divided by shareholders' equity at period end date.

Underlying NPAT for the three half-year periods reconciles to statutory NPAT as follows:

	Six month ended 31 Dec 2013 $M	Six month ended 30 Jun 2013 $M	Six month ended 31 Dec 2012 $M
Underlying net profit after tax	68.5	58.2	13.2
Adjust for:			
• Unrealised foreign exchange gains	1.8	(11.4)	-
• NJV 25% acquisition transaction costs	-	(0.1)	(2.2)
• Impairment of available-for-sale assets	-	(4.4)	(3.3)
• Exploration write-off at Bungaroo	-	(1.2)	-
Statutory net profit after tax	70.3	41.1	7.7

Outlook

Notwithstanding heavy rains in January and early February, BC Iron expects the NJV to achieve sales of 5.8-6.2M wmt during FY14 at C1 cash operating costs of $46-50 per wmt. BC Iron's C1 cash operating costs are expected to be in the range of $40-44 per wmt, reflecting the impact of the rail and port prepayment during the first part of FY14. In addition, BC Iron capital expenditure of approximately $20M is forecast in relation to Company's share of NJV capital expenditure (grade control drilling, waste mining, mining lease approvals, exploration activity and haul road improvements) and exploration costs in Brazil.

Mr Ball said, "*The key focus for the remainder of the financial year is to achieve our targets through continued strong operational performance. We will also continue to assess growth via low grade beneficiation and new business development opportunities in a measured manner, whilst maintaining our emphasis on dividends and total shareholder return*."

- 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 April 2013, the NJV has been operating at a nameplate production rate of 6Mtpa. BC Iron was added to the S&P/ASX 200 Index in December 2013.

The Company's key focus moving forward is on total shareholder return, continued strong operational performance at the NJV and measured consideration of business development opportunities.

KEY STATISTICS – 31 December 2013

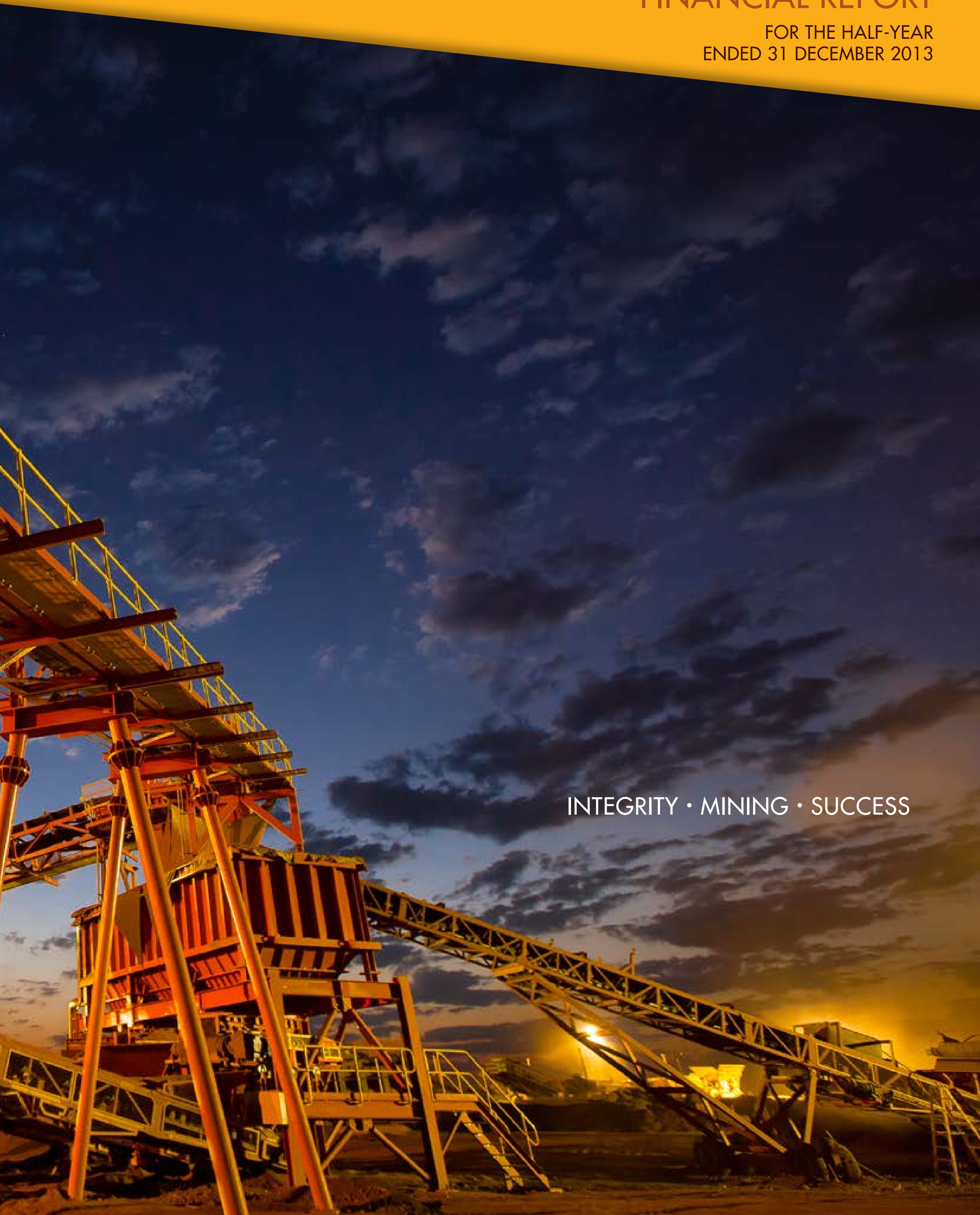
Shares on Issue:	123.9 million	
Cash & equivalents:	$196.7 million	
Board:	Anthony Kiernan	Chairman and Non-Executive Director
	Morgan Ball	Managing Director
	Andy Haslam	Non-Executive Director
	Malcolm McComas	Non-Executive Director
	Terry Ransted	Non-Executive Director
	Peter Wilshaw	Non-Executive Director
	Mike Young	Non-Executive Director
	Anthea Bird	Company Secretary
	Linda Edge	Company Secretary
Major Shareholders:	Tribeca Investments	6.3%
	National Australia Bank	6.1%
	Australian Super	6.1%
	Ausbil Dexia	6.0%

Website: www.bciron.com.au

BC IRON LIMITED

FINANCIAL REPORT

FOR THE HALF-YEAR
ENDED 31 DECEMBER 2013



Contents

Key dates calendar*

Interim dividend – record date	7 March 2014
Interim dividend – payment date	25 March 2014
Q3 FY2014 activities statement	28 April 2014
Financial year end	30 June 2014
Q4 FY2014 activities statement	28 July 2014
Full year results announcement	27 August 2014
Final dividend – record date	5 September 2014
Final dividend – payment date	23 September 2014
Q1 FY2015 activities statement	28 October 2014
Annual General Meeting	19 November 2014

**Timing of events is subject to change.*

Directors' Report

The Directors present their report on the results of the consolidated entity (referred hereafter as the Company or BC Iron) consisting of BC Iron Limited and the entities it controlled at the end of, or during the six months ended 31 December 2013.

Directors

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

Anthony W. Kiernan	Chairman (Non-Executive)
Morgan S. Ball	Managing Director (Executive)
Andrew M. Haslam	Director (Non-Executive)
Malcolm J. McComas	Director (Non-Executive)
Terrence W. Ransted	Director (Non-Executive)
Peter J. Wilshaw	Director (Non-Executive) appointed 23 October 2013
Michael C. Young	Director (Non-Executive)

Operating results

Net profit after tax for the Company for the half-year ended 31 December 2013 was $70,303,818 (2012: $7,739,308).

Review of operations and results

The operations and results of the Company for the half-year ended 31 December 2013 are reviewed below. This review includes information on the financial position of the Company and its business strategies. It is recommended that this report is read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by the Company during the half-year ended 31 December 2013 in accordance with the continuous disclosure requirements of the Australian Stock Exchange ("ASX") Listing Rules.

The previous corresponding period for profit and cash flow is the half-year ended 31 December 2012.

a) Review of Operations

BC Iron is involved in iron ore production and export. The Company's key asset is the Nullagine Iron Ore Joint Venture ("NJV"), a 75:25 joint venture with Fortescue Metals Group Limited ("Fortescue") which is located in the Pilbara region of Western Australia.

The Company had a strong half-year, continuing to operate efficiently at the NJV and generating record revenues and profits. Key company and NJV achievements include:

- Record half-year NJV sales of 3.1 million wet metric tonnes ("M wmt") (BC Iron share 2.5M wmt).
- Record half-year NJV production of 3.0M wmt (BC Iron share 2.3M wmt).
- Surpassed the NJV export milestone of 10M wmt approximately 2.5 years after first ore on ship.
- A trial to assess the viability of beneficiating lower grade ore at the NJV via a simple dry crush and screen process commenced.
- Entered into agreements for the BC Iron and Cleveland Mining Company Limited alliance to earn up to an 80% interest in three iron ore exploration projects in Brazil and commenced exploration work at the projects in Bahia.

The Company is now set to move into the next phase through continuing strong operational performance, an ongoing focus on shareholder return and the measured consideration of business development opportunities.

Selected Company performance indicators are summarised below:

NJV	H1 FY2014	H2 FY2013	H1 FY2013
Tonnes sold (M wmt) – NJV	3.14	2.72	2.28
Tonnes sold (M wmt) – BC Iron share	2.46	2.01	1.14
Average CFR price realised (USD/dmt)	119	119	100
BC Iron			
Revenue	$301.0m	$223.2m	$105.2m
EBITDA	$120.3m	$72.3m	$19.7m
NPAT	$70.3m	$41.1m	$7.7m

b) Safety performance

The Company continues to work closely with its contractors to keep safety a primary focus.

Two lost time injuries were recorded during the half-year and the lost time injury frequency rate ("LTIFR") as at 31 December 2013 was 2.1 (June 2013: 3.3).

The following safety initiatives occurred in the half-year ended 31 December 2013:

- The annual Safety Strategic Planning Workshop was undertaken. Key objectives for the current financial year were identified, which form the framework for strategies to further improve safety management;
- A mining safety specialist was engaged to facilitate comprehensive work area risk reviews at the NJV, with the resulting risk reduction plans used to control identified risks and monitor the effectiveness of controls; and
- A number of improvements to safety procedures were identified and implemented.

c) Sustainability

BC Iron is focused on sustainable development across all aspects of its business and continues to work closely with stakeholders to achieve this.

During the half-year the Company developed and implemented an Environmental and Heritage Management System aligned with quality standard AS/NZS ISO 14001:2004. The system is designed to maintain legal compliance while seeking continuous improvement in environmental and heritage risk management across the business.

BC Iron continued to support a number of community related activities including sponsorship of 'Crowbones and Carnivores', a new musical production by the Yirra Yaakin Aboriginal Theatre Company.

d) Profit after income tax from continuing operations

The Company's profit after income tax from continuing operations for the half-year ended 31 December 2013 increased by 808% to $70.3M (2012: $7.7M). This was primarily due to increased sales volume resulting from the increase in ownership of the NJV from 50% to 75% which occurred in December 2012, combined with the increase in name-plate capacity at the NJV from 5 million tonnes per annum ("Mtpa") to 6Mtpa, when compared to the previous corresponding period.

The Company's underlying profit after income tax for the half-year ended 31 December 2013 increased by 419% to $68.5M (2012: $13.2M). The following table reconciles underlying profit after income tax to statutory profit after income tax:

	Half-year to 31 December 2013 $M	Half-year to 31 December 2012 $M
Underlying profit after income tax	68.5	13.2
Adjust for:		
Unrealised foreign exchange gains	1.8	-
NJV 25% acquisition transaction costs	-	(2.2)
Impairment of available-for-sale assets	-	(3.3)
Statutory profit after income tax	70.3	7.7

Revenue

Revenue from continuing operations increased this half-year by 186%. This was mainly due to a 116% increase in sales tonnes, with 74% attributable to increased production at the NJV, and 42% due to the increase in ownership of the NJV from 50% to 75%. Average realised iron ore price increased due to higher USD iron ore price and lower exchange rates.

Expenses

Total cost of sales for the half-year increased by 141%, primarily due to an increase in sales tonnes. Higher iron ore prices contributed to an increase in State royalties and selling and marketing expenses. State royalties were also higher due to an increase in the royalty rate. Amortisation attributable to the 25% NJV acquisition also contributed to higher cost of sales.

The Company's actual free on board ("FOB") cash operating costs ("C1 costs") for the half-year were approximately $37 per tonne, a decrease of 30% from the previous corresponding half-year. This is attributable to the impact of the prepayment for rail haulage and port services made as part of the 25% NJV acquisition in December 2012, a focus on cost management, and fixed costs being spread over increased tonnes. C1 costs exclude royalties, marketing and corporate costs.

Excluding foreign exchange gains and losses, administration expenses have decreased by 38%. This decrease was mainly due to a reduction in consulting and legal fees, as the previous corresponding half-year included fees attributable to the acquisition of the additional 25% of the NJV.

Finance costs

Finance costs have increased by 182% due to interest expense and facility fees for the USD130M loan facility drawn down in December 2012 as part of the 25% NJV acquisition.

e) Statement of cash flows

Operating cash flows

Cash inflow from operating activities for the half-year increased to $146.7M (H1 2013: $44.7M outflow). Receipts from customers increased by $210.9M due to increased sales volume and increased realised sales price. The previous corresponding half-year also included a one-off cash outflow associated with the prepayment for 3.5M wmt of rail haulage and port services made to Fortescue as part of the 25% NJV acquisition.

Investing cash flows

Cash outflow for investing activities for the half-year decreased by $127.1M, as the previous corresponding period included payments for the 25% acquisition of the NJV.

Financing cash flows
Cash outflow from financing activities for the half-year was $78.3M. This included loan repayments of $41.6M and dividends paid of $37.1M. Financing for the 25% acquisition of the NJV was received in the previous corresponding half-year.

f) Statement of financial position

Current assets
Current assets increased by 3% to $208.6M (June 2013: $202.6M). Cash and cash equivalents increased 42% to $196.7M (June 2013: $138.5M) mainly due to increased sales revenue. Trade receivables decreased by 95% to $2.9M (June 2013: $52.9M) due to a combination of:

- A shipment in late June 2013 being paid in July 2013, whereas the final scheduled shipment for December 2013 was delayed to January 2014 due to Tropical Cyclone Christine; and
- Trade receivables for June 2013 included rail haulage and port charges prepaid as part of the acquisition of the additional 25% of NJV which had been fully amortised at 31 December 2013.

Non-current assets
Non-current assets decreased by 7% to $203.6M (June 2013: $218.9M) mainly due to continuing amortisation of mine properties and depreciation of property, plant and equipment.

Current liabilities
Current liabilities decreased by 12% to $118.4M (June 2013: $134.1M). Trade and other payables decreased by 18% to $62.1M (June 2013: $75.3M) due to timing of payments prior to the end of the 2013 calendar year end. Loans and borrowings decreased by $8.8M due to the additional repayment on the USD130M loan facility changing the amortisation profile of the loan. Income tax payable increased by $6.6M due to profits attributable to higher sales volumes and higher realised sales price.

Non-current liabilities
Non-current liabilities decreased by $28.8M to $41.6M (June 2013: $70.4M). Loans and borrowings decreased $29.0M due to repayments on two facilities outlined below.

Debt position
The Company's gross debt position at 31 December 2013 was $65.6M (June 2013: $103.3M). At 31 December 2013, cash and cash equivalents exceeded debt by $131.1M.

In December 2012, the Company's wholly owned subsidiary BC Iron Nullagine Pty Ltd entered into a USD130M amortising term loan facility with Commonwealth Bank of Australia and Australia and New Zealand Banking Group as part of the funding of the 25% acquisition of the NJV. A scheduled principal payment of USD15.4M, along with a voluntary principal payment of USD16.6M was made by the Company on 27 December 2013. The balance of the loan at 31 December 2013 was USD50M, with twice yearly payments made in June and December. This facility is subject to interest based on USD London Interbank Offered Rate plus a margin.

In December 2013 the Company paid its third USD5M annual instalment of the USD25M project finance facility in place with Henghou Industries (Hong Kong) Limited ("Henghou"), leaving a balance of USD10M. The facility is interest and security free and is due for repayment in December 2015.

g) Interim Dividend

The Board has declared a fully-franked interim dividend of 17 cents per share, compared to 5 cents per share in the previous corresponding period.

The interim dividend will be paid on 25 March 2014 to shareholders on the company's register on 7 March 2014, the record date for the interim dividend. The ex-dividend date is 3 March 2014.

h) Corporate

The Company appointed Mr Chris Hunt as Chief Financial Officer in September 2013. Mr Hunt is a CPA with approximately 20 years' experience, including 17 years in the iron ore industry. Prior to joining BC Iron, Mr Hunt has been Chief Financial Officer and Company Secretary at Crosslands Resources Limited, and FerrAus Limited. Prior to these roles, he worked with Portman Limited / Cliffs Natural Resources Pty Ltd and Robe River Iron Associates.

The Company appointed Mr Peter Wilshaw as Non-Executive Director in October 2013. Mr Wilshaw is a former senior executive with BHP Billiton and has significant experience in mining, refining, smelting and port and rail operations, both local and internationally. He is a Non-Executive Director of the Dampier Port Authority and was previously a Non-Executive Director of the Port Hedland Port Authority.

In September 2013, Consolidated Minerals Pty Ltd, one of BC Iron's founding shareholders, sold its 23.1% interest in the Company. The shares were sold to a range of high quality domestic institutional investors, which resulted in an increase to BC Iron's free-float and liquidity. Following the sale, the Board deemed Mr Malcolm McComas to be an independent Non-Executive Director.

In December 2013, the Company was included in the S&P/ASX 200 Index. The S&P/ASX 200 Index is recognised as the investable benchmark for the Australian equity market. Inclusion is expected to increase the Company's relevance amongst the global investment community and improve liquidity.

i) Financial year 2014 outlook and guidance

The NJV is currently operating at a production rate of approximately 6Mtpa (BC Iron share 4.5Mtpa) and is forecast to achieve sales of 5.8 to 6.2M wmt of direct shipping ore during financial year 2014 ("FY2014"). The NJV's mine planning generally allows for the operation to run at up to 6.5Mtpa for 9 months of the year, and at 4.5Mtpa for 3 months of the year during the January to March wet season in the Pilbara. Guidance is presented as a range rather than a single number due to the effect on production of unpredictable rainfall during the Pilbara wet season, and potential for unseasonal rains in the dry season.

The Company has provided the following guidance to the market in relation to FY2014:

- NJV sales of 5.8 to 6.2M wmt (BC Iron share of 4.4 to 4.6M wmt).
- NJV C1 costs of between $46 and $50 per wmt.
- BC Iron C1 costs of $40 to $44 per wmt due to the impact of the Fortescue rail and port prepayment in the first part of FY2014.
- Capital expenditure of approximately $20M.

C1 costs are cash operating costs reported on an FOB basis and exclude royalties, marketing and corporate costs.

As the Company has achieved steady state operations at the NJV, at this stage, it does not anticipate significant variance in future years from the FY2014 guidance in relation to annual production or C1 costs. The capital expenditure amount is higher in FY2014 than the expected ongoing sustaining capital amount, primarily as a result of the two large grade control drilling campaigns required to prepare for future mining activities at Bonnie East and Warrigal 1 & 2.

j) Other considerations

Iron ore marketing

BC Iron's share of *Bonnie Fines* product is marketed by the Company's marketing agent, Fortescue. This relationship gives the Company access to Fortescue's large existing customer base. Demand for *Bonnie Fines* remains very strong with numerous enquiries received each month.

In addition, *Bonnie Fines* is now a well-recognised brand and is well-accepted at a number of Chinese mills due to its low impurities and excellent sintering properties.

Sales markets

The Company currently sells its product to customers in China. The Company receives informed marketing and industry information from Fortescue, our primary off-take partner Henghou, as well as additional contacts in China to maintain intelligence on the steel industry and the Chinese economy and its outlook. The Company considers that the outlook in relation to Chinese demand for iron ore remains robust.

Iron ore price and AUD/USD exchange rate

The iron ore price remained strong and relatively stable during the half-year ended 31 December 2013, due to strong Chinese steel production and low inventories for much of the period. The table below sets out the average headline iron ore price in recent years. The Company expects that iron ore pricing will continue to exhibit volatility on a short term basis.

	H1 FY2014 USD/dmt	FY2013 USD/dmt	FY2012 USD/dmt	FY2011 USD/dmt
Average Platts CFR 62% Fe Price	134	127	151	163

Source: www.platts.com

The Company sells approximately 30% of its *Bonnie Fines* under an off-take agreement with Henghou, at an agreed discount to the Platts CFR 62% Fe price (after Fe adjustment). The balance is sold at prices aligned to the Platts CFR 62% Fe price (after Fe adjustment) subject to market conditions.

The Company is exposed to fluctuations in the AUD/USD exchange rate as it sells *Bonnie Fines* in US dollars and then converts the sales receipts to Australian dollars as appropriate. The Company does have USD denominated debt and a portion of USD expenses for which it holds USD, and this provides a partial natural hedge. The following table summarises the AUD/USD exchange rate over the last three and a half years:

	H1 FY2014 $	FY2013 $	FY2012 $	FY2011 $
AUD/USD (average)	0.9214	1.0269	1.0323	0.9899
AUD/USD (closing)	0.8873	0.9133	1.0159	1.0595

Source: www.oanda.com

Project Inventory

Project Inventory is the name for the Company's assessment of potential mine life extensions at the NJV. The current focus is on the potential to beneficiate the lower grade iron ore on the NJV tenure. The Company commenced a beneficiation trial during the half-year to assess whether lower grade material can be economically upgraded to the *Bonnie Fines* specification via a simple dry crush and screen process. To date, BC Iron has trialled several plant configurations and treated lower grade ore from a range of sources (existing stockpiles and current mining areas).

Following the trial, a number of other activities will be undertaken to determine the most appropriate way forward for the NJV. These activities include detailed analysis of the trial outcomes, sale of the beneficiated product (in a blend with *Bonnie Fines*), assessment of alternatives and, ultimately, reviewing the NJV's reserves and mine plan.

Business Development

With a robust balance sheet and strong cash flows from the NJV, BC Iron is considering business development opportunities in a measured manner. The Company's approach to evaluating new opportunities is centred on:

- Retaining and enhancing its ability to pay dividends; and
- Generating returns for shareholders through dividends and share price appreciation.

BC Iron's primary focus is on the Pilbara region and leveraging off existing knowledge and relationships. The Company also considers opportunities in other iron ore jurisdictions on a case by case basis.

During the half-year, BC Iron and Cleveland Mining Company Limited (the "Alliance") agreed to earn into three iron ore exploration projects in the Brazilian states of Bahia and Minas Gerais. The Alliance can earn up to an 80% interest in each project by sole-funding exploration and evaluation expenditure and making option payments to the vendor. The earn-in structure allows the Alliance to assess the prospectivity of the tenure in a staged manner with low initial expenditure and optionality. During the half-year, exploration work commenced at Bahia projects, comprising mapping, geophysical interpretation and rock chip sampling. Results were encouraging and the Alliance intends to commence a drilling programme in March 2014.

Changes in state of affairs

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

Auditor's Independence Declaration

The auditor's independence declaration to the Directors of the Company is set out on page 30 and forms part of the Directors' report for the half-year ended 31 December 2013.

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

Anthony Kiernan
Chairman

Perth, 25 February 2014

Morgan Ball
Managing Director

Perth, 25 February 2014

Directors' Declaration

In the opinion of the Directors of BC Iron Limited:

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

   a. giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

   b. complying with Accounting Standards (including AASB 134 *Interim Financial Reporting*), *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and

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

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

Anthony Kiernan
Chairman

Perth, 25 February 2014

Morgan Ball
Managing Director

Perth, 25 February 2014

BC IRON LIMITED

ABN 21 120 646 924

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Financial statements contents

Consolidated statement of profit and other comprehensive income

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

	Notes	**December 2013 $**	December 2012 $
Revenue from continuing operations			
Sale of goods		**298,683,256**	102,958,970
Other revenue	2	**2,302,073**	2,217,393
Total revenue from continuing operations		**300,985,329**	105,176,363
Costs of sales	3	**(155,694,179)**	(64,484,612)
Shipping and marketing	3	**(37,970,945)**	(12,421,640)
Administration expenses	4	**(3,172,015)**	(7,393,049)
Impairment of available-for-sale financial assets		**-**	(4,678,465)
Profit before finance cost and income tax		**104,148,190**	16,198,597
Finance cost	5	**(2,537,721)**	(898,416)
Profit before income tax		**101,610,469**	15,300,181
Income tax expense	6	**(31,306,651)**	(7,560,873)
Profit after income tax from continuing operations		**70,303,818**	7,739,308
Other comprehensive income/(expense)			
Changes in the fair value of available-for-sale assets		**321,536**	-
Profit for the half-year attributable to owners of BC Iron Limited		**70,625,354**	7,739,308
Basic earnings per share from continuing operations (cents per share)		**56.63**	7.42
Diluted earnings per share from continuing operations (cents per share)		**56.59**	7.39

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

Consolidated statement of financial position

BC Iron Limited and its controlled entities
As at 31 December 2013

	Notes	December 2013 $	June 2013 $
Current assets			
Cash and cash equivalents		**196,698,840**	138,487,833
Trade and other receivables		**2,878,823**	52,906,072
Inventory		**9,031,235**	11,253,271
Other assets		**1,031**	1,031
Total current assets		**208,609,929**	202,648,207
Non-current assets			
Plant and equipment	7	**69,089,935**	73,857,239
Exploration and evaluation assets	8	**10,892,045**	9,918,420
Mine properties	9	**121,256,689**	130,153,128
Deferred tax assets		**424,254**	3,348,740
Available-for-sale financial assets	10	**1,979,083**	1,657,547
Total non-current assets		**203,642,006**	218,935,074
Total assets		**412,251,935**	421,583,281
Current liabilities			
Trade and other payables		**62,114,044**	75,291,714
Loans and borrowings	11	**27,129,686**	35,921,676
Provisions		**1,779,335**	2,041,755
Tax payable		**27,366,751**	20,825,312
Total current liabilities		**118,389,816**	134,080,457
Non-current liabilities			
Trade and other payables		**-**	157,000
Loans and borrowings	11	**38,458,186**	67,416,832
Provisions		**3,138,894**	2,835,801
Total non-current liabilities		**41,597,080**	70,409,633
Total liabilities		**159,986,896**	204,490,090
Net assets		**252,265,039**	217,093,191
Shareholders' equity			
Contributed equity	12	**130,916,509**	129,300,436
Reserves	13	**13,765,278**	13,424,732
Retained earnings	14	**107,583,252**	74,368,023
Total shareholders' equity		**252,265,039**	217,093,191

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

Consolidated statement of changes in equity

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

	Contributed Equity $	Retained Earnings $	Other Reserves $	Total $
Balance at 1 July 2012	72,036,766	47,302,048	12,304,995	131,643,809
Profit for the half-year	-	7,739,308	-	7,739,308
Total comprehensive profit for the half-year	-	7,739,308	-	7,739,308
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	45,930,650	-	406,077	46,336,727
Dividends paid	-	(15,579,150)	-	(15,579,150)
Revaluation of available-for-sale assets	-	-	482,000	482,000
Balance at 31 December 2012	117,967,416	39,462,206	13,193,072	170,622,694
Balance at 1 July 2013	**129,300,436**	**74,368,023**	**13,424,732**	**217,093,191**
Profit for the half-year	**-**	**70,303,818**	**-**	**70,303,818**
Other comprehensive income/(expense)	**-**	-	**321,536**	**321,536**
Total comprehensive profit for the half-year	**-**	**70,303,818**	**321,536**	**70,625,354**
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	**1,616,073**	**-**	**292,576**	**1,908,649**
Dividends paid	**-**	**(37,088,589)**	**-**	**(37,088,589)**
Issue of shares under Employee Performance Rights Plan	**-**	**-**	**(273,566)**	**(273,566)**
Balance at 31 December 2013	**130,916,509**	**107,583,252**	**13,765,278**	**252,265,039**

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

Consolidated statement of cash flows

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

	December 2013 $	December 2012 $
Cash flows from operating activities		
Receipts from customers	**312,726,365**	101,790,273
Payment to suppliers and employees	**(147,121,405)**	(149,807,202)
Management fees received	**1,670,265**	1,796,788
Interest received	**1,498,561**	1,513,797
Income tax paid	**(22,042,720)**	-
Net cash inflow/(outflow) from operating activities	**146,731,066**	(44,706,344)
Cash flows from investing activities		
Payments for mine property and development expenditure	**(7,589,084)**	(131,791,654)
Payments for plant and equipment	**(3,333,349)**	(71,272)
Payments for exploration expenditure	**(958,266)**	(1,470,068)
Payments for available-for-sale assets	**-**	(5,643,715)
Net cash outflow from investing activities	**(11,880,699)**	(138,976,709)
Cash flows from financing activities		
Proceeds from issue of shares net of costs	**1,544,500**	45,780,142
Repayment of borrowings	**(41,615,115)**	(4,743,383)
Proceeds from borrowings	**-**	123,226,202
Interest and finance costs paid	**(1,117,754)**	-
Dividends paid	**(37,088,589)**	(15,579,150)
Net cash inflow/(outflow) from financing activities	**(78,276,958)**	148,683,811
Net increase/(decrease) in cash and cash equivalents	**56,573,409**	(34,999,242)
Cash and cash equivalents at the beginning of the half-year	**138,487,833**	92,816,843
Effect of exchange rate changes on cash and cash equivalents	**1,637,598**	506,318
Cash and cash equivalents at the end of the half-year	**196,698,840**	58,323,919

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

Notes to the financial statements

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

The financial statements of BC Iron Limited (referred to as "BC Iron" or the "Company") for the half-year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 25 February 2014. BC Iron is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

2. Basis of preparation

These general purpose interim financial statements for the half-year ended 31 December 2013 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial statements do not include all the notes of the type normally included in an annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial statements be read in conjunction with the annual financial report for the year ended 30 June 2013 and considered together with any public announcements made by the Company during the half-year ended 31 December 2013 in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The half-year financial statements are presented in Australian dollars.

3. Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as outlined below.

New and amended standards and interpretations

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013.

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*

(i) AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Company has assessed the nature of its joint arrangement (Nullagine Iron Ore Joint Venture) and determined it to be a joint operation.

The accounting for the Company's joint operation has not changed as a result of the adoption of AASB 11. The Company continues to recognise its share of the assets, liabilities, income and expenses of the joint operation.

(ii) AASB 12 *Disclosure of Interests in Other Entities*

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in AASB 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. AASB 12 disclosures are provided in Note 16.

(iii) AASB *13 Fair Value Measurement*

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Company re-assessed its policies for measuring fair values.

Application of AASB 13 has not impacted the fair value measurements of the Company.

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 Company'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 2013.

Notes to the financial statements

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

NOTE 2 – OTHER INCOME

	December 2013 $	December 2012 $
Management fee	**407,995**	885,611
Interest revenue	**1,894,078**	1,331,782
Total	**2,302,073**	2,217,393

NOTE 3 – OPERATING EXPENSES

Mining and ore dressing	**41,531,463**	20,025,680
Haulage	**61,517,816**	27,665,105
Site administration	**12,208,149**	7,729,208
Depreciation of plant and equipment	**7,143,871**	3,172,922
Amortisation of mine properties	**10,405,232**	1,237,890
Royalties	**21,941,871**	6,161,438
Inventory movement	**945,777**	(1,507,631)
Total	**155,694,179**	64,484,612
Shipping, marketing and demurrage	**37,970,945**	12,421,640

NOTE 4 – ADMINISTRATION EXPENSES

Employee benefits expense	**751,230**	647,072
Depreciation and amortisation	**517,241**	404,016
Consultant and legal fees	**548,006**	2,932,876
Share based payments	**292,576**	406,076
Non-executive directors' fees	**233,618**	208,014
Occupancy related expenses	**255,188**	243,340
Donations and sponsorships	**100,091**	13,045
Foreign exchange loss/(gain)	**(200,125)**	1,914,723
Other	**674,190**	623,887
Total	**3,172,015**	7,393,049

NOTE 5 – FINANCE COSTS

Interest expense on Henghou loan	**628,988**	769,065
Interest expense on term facility	**1,144,026**	129,351
Amortisation of facility fees	**263,452**	-
Other	**501,255**	-
Total	**2,537,721**	898,416

NOTE 6 – INCOME TAX
Reconciliation of effective tax rate

Profit for the period	**101,610,469**	15,300,181
Income tax at the statutory rate of 30 per cent (2012: 30 per cent)	**30,483,141**	4,590,054
Non-deductible expenses	**324,811**	137,875
Mining resource rent tax temporary difference	**-**	2,433,374
(Under)/over provided in prior periods	**498,699**	399,570
Income tax expense reported in the statement of profit and other comprehensive income	**31,306,651**	7,560,873

Notes to the financial statements

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

NOTE 7 – PLANT & EQUIPMENT

	December 2013 $	June 2013 $
Plant and equipment		
Cost	**93,554,002**	91,516,092
Accumulated depreciation	**(25,335,269)**	(18,314,956)
Net carrying amount	**68,218,733**	73,201,136
Net carrying amount at beginning of period	**73,201,136**	49,142,808
Additions	**2,037,911**	34,514,152
Reclassified to profit and loss	**-**	(525,425)
Depreciation expense	**(7,020,314)**	(9,930,399)
Net carrying amount	**68,218,733**	73,201,136
Furniture, equipment and IT equipment		
Cost	**2,163,914**	1,722,571
Accumulated depreciation	**(1,292,712)**	(1,066,468)
Net carrying amount	**871,202**	656,103
Net carrying amount at beginning of period	**656,103**	496,014
Additions	**441,343**	336,635
Reclassified to profit and loss	**-**	(3,841)
Depreciation expense	**(226,244)**	(172,705)
Net carrying amount	**871,202**	656,103

NOTE 8 – EXPLORATION AND EVALUATION

Opening balance	**9,918,420**	6,571,769
Additions	**973,625**	4,533,607
Unsuccessful exploration expenditure derecognised	**-**	(1,186,956)
Net carrying amount	**10,892,045**	9,918,420

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 Company'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.

Notes to the financial statements

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

NOTE 9 – MINE PROPERTIES

	December 2013 $	June 2013 $
Cost	**148,528,924**	146,605,577
Accumulated amortisation	**(27,272,235)**	(16,452,449)
Net carrying amount	**121,256,689**	130,153,128
Opening balance	**130,153,128**	26,821,943
Additions	**1,923,347**	114,141,748
Amortisation	**(10,819,786)**	(10,810,563)
Net carrying amount	**121,256,689**	130,153,128

All expenditure for mine development is included in mine properties. Mine properties are recorded at historical cost.

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

On 18 December 2012 the Company acquired an additional 25% interest in the NJV. 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 mine properties.

NOTE 10 – AVAILABLE-FOR-SALE ASSETS

Opening balance	**1,657,547**	3,200,000
Equity securities acquired	**-**	5,643,715
Revaluation	**321,536**	482,000
Impairment	**-**	(7,668,168)
Net carrying amount	**1,979,083**	1,657,547

NOTE 11 – LOANS AND BORROWINGS

Current		
Secured – loan facility	**21,494,613**	30,447,023
Unsecured – project finance facility	**5,635,073**	5,474,653
Total current	**27,129,686**	35,921,676
Non-current		
Secured – loan facility	**34,097,171**	58,339,881
Unsecured – project finance facility	**4,361,015**	9,076,951
Total non-current	**38,458,186**	67,416,832
Total loans and borrowings	**65,587,872**	103,338,508

Notes to the financial statements

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

NOTE 12 – CONTRIBUTED EQUITY

(a) Share capital

	31 December 2013 Shares	30 June 2013 Shares
Ordinary shares fully paid	**123,928,630**	123,279,384

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1 July 2012	Opening balance	103,861,000		72,036,766
18 December 2012	Capital raising	15,579,150	$3.04	47,360,616
	Issue costs			(2,131,932)
	Tax effect of issue costs			1,004,965
24 January 2013	Capital raising	3,289,234	$3.04	9,999,271
8 March 2013	Exercise of options	375,000	$1.50	562,500
17 May 2013	Exercise of options	50,000	$2.39	119,500
17 May 2013	Exercise of options	50,000	$2.64	132,000
12 June 2013	Exercise of options	75,000	$2.89	216,750
30 June 2013	**Closing balance**	**123,279,384**		**129,300,436**
1 July 2013	Opening balance	123,279,384		129,300,436
3 July 2013	Issue of shares under Employee Performance Rights Plan	174,246	Nil	273,566
29 August 2013	Exercise of options	125,000	$1.50	187,500
30 August 2013	Exercise of options	50,000	$3.66	183,000
15 October 2013	Exercise of options	50,000	$3.86	193,000
4 November 2013	Exercise of options	100,000	$4.05	405,000
14 November 2013	Exercise of options	50,000	$3.83	191,500
21 November 2013	Exercise of options	50,000	$3.83	191,500
10 December 2013	Exercise of options	50,000	$3.86	193,000
	Tax effect of issue costs			(201,993)
31 December 2013	**Closing balance**	**123,928,630**		**130,916,509**

(c) 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 Company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

(d) Capital risk management

The Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and sell assets to reduce debt.

Notes to the financial statements

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

NOTE 13 – RESERVES

	December 2013 $	June 2013 $
Share-based payments reserve		
Opening balance	**10,222,268**	10,293,793
Share based payments expense	**292,576**	637,737
Options transferred to options exercised reserve	**(489,107)**	(709,262)
Issue of shares under Employee Performance Rights Plan	**(273,566)**	-
Closing balance	**9,752,171**	10,222,268
Available-for-sale reserve		
Opening balance	**-**	(482,000)
Gains and losses on financial instruments recognised in equity	**321,536**	482,000
Closing balance	**321,536**	-
Options exercised reserve		
Opening balance	**3,202,464**	2,493,202
Options transferred from share-based payment reserve	**489,107**	709,262
Closing balance	**3,691,571**	3,202,464
Total reserves	**13,765,278**	13,424,732

NOTE 14 – RETAINED EARNINGS

Opening balance	**74,368,023**	47,302,049
Net profit	**70,303,818**	48,800,344
Dividends paid	**(37,088,589)**	(21,734,370)
Closing balance	**107,583,252**	74,368,023

Notes to the financial statements

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

NOTE 15 – SEGMENT INFORMATION

Management has determined that the Company has one reportable segment, being mineral exploration, development and production in Western Australia. As the Company is focused on mineral exploration, development and production, the Board monitors the Company 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 Company and its ongoing activities, while also taking into consideration the results of exploration, development and production work that has been performed to date.

	December 2013 $	December 2012 $
Total segment revenue	**300,985,329**	105,176,363
EBITDA	**120,320,456**	19,681,642
Reconciliation of reportable segment profit or loss		
EBITDA	**120,320,456**	19,681,642
Interest revenue	**1,894,078**	1,331,782
Depreciation and amortisation	**(18,066,344)**	(4,814,827)
Finance costs	**(2,537,721)**	(898,416)
Profit before income tax	**101,610,469**	15,300,181

	December 2013	June 2013
Segment liabilities	**67,032,273**	80,326,270
Provision for income tax	**27,366,751**	20,825,312
Loans	**65,587,872**	103,338,508
Total liabilities per statement of financial position	**159,986,896**	204,490,090
Segment assets	**410,272,852**	419,925,734
Available-for-sale financial assets	**1,979,083**	1,657,547
Total assets per statement of financial position	**412,251,935**	421,583,281

Notes to the financial statements

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

NOTE 16 – INTEREST IN JOINT ARRANGEMENT

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

The Company announced on 10 December 2012 that it had entered into an agreement with Fortescue to acquire an additional 25% interest in the NJV. As part of the transaction, the Company increased its participating interest in the NJV from 50% to 75%, and made a once-off prepayment of rail haulage and port charges for 3.5Mt (wet) of its share of production from the NJV. The transaction increased the NJV's access to infrastructure (rail & port) capacity from 5 million tonnes per annum ("Mtpa") to 6Mtpa.

The Company's interest in the assets and liabilities of the NJV are included in the consolidated statement of financial position in accordance with accounting policies described in note 1. The Company has a 75% (June 2013: 75%) share of the following NJV 100% financial position, excluding loans and borrowings which are recorded at 50% (June 2013: 50%).

NJV 100% Balance sheet

	December 2013 **$**	June 2013 $
CURRENT ASSET		
Cash and cash equivalents	**11,003,216**	28,109,860
Trade and other receivables	**1,783,817**	3,371,165
Inventory	**19,301,626**	15,004,361
Other financial assets	**1,375**	1,375
Total current assets	**32,090,034**	46,486,761
NON-CURRENT ASSETS		
Plant and equipment	**91,740,132**	98,044,516
Exploration and evaluation assets	**11,023,946**	9,784,849
Mine properties	**44,262,127**	45,531,264
Total non-current assets	**147,026,205**	153,360,629
Total assets	**179,116,239**	199,847,390
CURRENT LIABILITIES		
Trade and other payables	**42,892,384**	57,731,542
Provisions	**1,161,163**	1,551,944
Total current liabilities	**44,053,547**	59,283,486
NON-CURRENT LIABILITIES		
Loans and borrowings	**2,192,676**	2,192,675
Provisions	**4,028,456**	3,738,105
Total non-current liabilities	**6,221,132**	5,930,780
Total liabilities	**50,274,679**	65,214,266
Net assets	**128,841,560**	134,633,124

Notes to the financial statements

BC Iron Limited and its controlled entities
For the half-year ended 31 December 2013

NOTE 17 – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All financial instruments are disclosed by reference to their measurement hierarchy levels. These are outlined below.

Level 1 — Fair value measurements that are derived from quoted prices in active markets for identical assets and liabilities.

Level 2 — Fair value measurements that are derived from inputs other than quoted prices in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 — Fair value measurements that are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of the Company's financial assets and liabilities are determined on the following basis.

(a) Financial assets and financial liabilities measured at fair value on a recurring basis

As at 31 December 2013, the Company's available-for-sale financial assets included two level 1 investments, being two listed investments held at quoted prices.

The Company held no significant financial assets or liabilities classified as level 2 or level 3.

(b) Financial assets and financial liabilities not measured at fair value on a recurring basis where fair value disclosures are required

At 31 December 2013 and 30 June 2013, the carrying amounts of trade receivables and trade payables were assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting their future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

For current and non-current borrowings, the fair value approximates the carrying value amount, as the impact of discounting is not significant.

NOTE 18 – DIVIDENDS PAID AND PROPOSED

	December 2013 $	December 2012 $
Declared and paid during the period (fully franked at 30%)		
Final dividend for 2013: $0.30 (2012: $0.15)	**37,088,589**	15,579,150
Dividend declared not recognised as a liability (fully franked at 30%)		
Interim franked dividend for 2014: $0.17 (2013: $0.05)	**21,067,867**	6,155,220

NOTE 19 – EVENTS AFTER THE REPORTING DATE

An interim fully franked dividend of 17 cents per share resulting in a dividend payment of $21,067,867 was declared for a payment date of 25 March 2014. The dividend has not been provided for in the 31 December 2013 half-year financial statements.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BC Iron Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BC Iron Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 company 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 company 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 2013 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 2013 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, 25th February 2014

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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 2013, 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

Perth, 25th February 2014