BC IRON LIMITED

24 February 2016

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir/Madam,

HALF-YEAR REPORT TO 31 DECEMBER 2015

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 2015; and
- Financial Report for the half-year ended 31 December 2015.

It is recommended that the Financial Report is read in conjunction with the 2015 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* (Cth).

Yours faithfully

Hayley McNamara
COMPANY SECRETARY

APPENDIX 4D

For the half-year ended 31 December 2015

BC IRON LIMITED

This information should be read in conjunction with BC Iron Limited's Financial Report for the half-year ended 31 December 2015.

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

Results for announcement to the market

Half-year ended 31 December	**2014 ($000's)**	**2015 ($000's)**	**Variance %**
Revenue from ordinary activities	down from $133,298	to $115,762	(13.2%)
Loss from ordinary activities after tax attributable to members	decrease from loss of ($96,310)	to loss of ($72,884)	24.3%
Net loss attributable to members	decrease from loss of ($97,307)	to loss of ($75,590)	22.3%

Dividends

No dividends have been declared for the half-year ended 31 December 2015 (31 December 2014: nil).

Net tangible asset backing

Net tangible asset backing per ordinary share: $0.31 (June 2015: $0.68).

Previous corresponding period

The previous corresponding period is the half-year ended 31 December 2014.

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.

Auditor's review

This report is based on financial statements which have been reviewed by BDO Audit (WA) Pty Ltd.

Commentary on results for the period

Revenue from ordinary activities and operating loss for the half-year ended 31 December 2015 has been impacted by declining Australian dollar iron ore prices and lower shipped tonnages than planned at the NJV. The lower tonnes shipped at the NJV was as a result of the progressive temporary suspension of Direct Shipping Ore ("DSO") mining, coupled with a slower than expected ramp-up by the new road haulage contractor. This was partly offset by the significant cost savings achieved at the NJV and by EBITDA of $4.5M from the Company's Iron Valley project.

The half-year was also impacted by substantial asset impairments of $40.1M before tax due to the current outlook for iron ore prices. Additionally deferred tax assets of $23.8M relating to temporary differences have been derecognised and total tax losses of $41.3M have not been recognised.

On 11 December 2015 BC Iron Limited announced that DSO operations at the NJV were going to be temporarily suspended progressively during December 2015 and January 2016 pending market conditions. Options for the NJV are currently being assessed, including the potential to sell low grade ore from existing stockpiles to Fortescue on an ongoing basis. A trial is currently underway and is due to be completed in the March 2016 quarter.

Detailed commentary on the results for the half-year is contained in the ASX release and the financial report that accompany this announcement.

BC IRON
LIMITED

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Contents

Financial calendar*

Q3 FY2016 activities statement	21 April 2016
Financial year end	30 June 2016
Q4 FY2016 activities statement	21 July 2016
Full year results announcement	26 August 2016
Q1 FY2017 activities statement	20 October 2016
Annual General Meeting	22 November 2016

*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 2015.

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)
Brian F O'Donnell	Director (Non-Executive)
Martin Bryant	Director (Non-Executive)

Operating results

On revenue of $115.8M (2014: $133.3M) and after non-cash impairments of $40.1M, the net loss after tax for the Company for the half-year ended 31 December 2015 was $72.9M (31 December 2014: loss $96.3M).

Review of operations and results

The operations and results of the Company for the half-year ended 31 December 2015 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 2015 and considered together with any public announcements made by the Company during or since the half-year ended 31 December 2015 in accordance with the continuous disclosure requirements of the Australian Securities Exchange ("ASX") Listing Rules.

The previous corresponding period for profit or loss and cash flow is the half-year ended 31 December 2014.

Review of Operations

BC Iron is an iron ore production and development company with assets in the Pilbara region of Western Australia, including the Nullagine Iron Ore Joint Venture ("NJV"), Iron Valley and Buckland.

The NJV is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited ("Fortescue"). In December 2015, BC Iron announced that the NJV would temporarily suspend direct shipping ore ("DSO") operations progressively during December 2015 and January 2016 due to low iron ore prices. This decision was made by the NJV partners despite material cost reductions being achieved, including a variation of the rail and port tariff so that it varies with iron ore prices.

During the half-year, the NJV shipped 2.27 million wet metric tonnes ("M wmt"), of which BC Iron's share was 1.76M wmt, at an average realised CFR price of A$58/dmt. NJV C1 costs for the half-year were A$48/wmt on a free-on-board ("FOB") basis and BC Iron all in cash costs were A$55/wmt (FOB) (note: BC Iron all in cash costs include NJV C1 cash costs plus royalties, marketing, exploration and evaluation expenses and corporate costs). BC Iron is currently assessing the potential for ongoing sales of low grade ore, that has been mined but not crushed, to Fortescue based on the results of the trial sale of low grade ore that is expected to be completed in February 2016.

Iron Valley is being operated by Mineral Resources Limited ("MIN") under an iron ore sale agreement. MIN shipped a total of 3.13M wmt in the half-year, which generated EBITDA for BC Iron of A$4.5M. MIN is evaluating a range of initiatives to enhance the long term viability of the operation, including the innovative bulk ore transport system ("BOTS").

BC Iron continued to progress its evaluation and optimisation of the Buckland Project. Road haulage optimisation studies and a partial re-pricing of capital and operating costs were completed during the half-year. The results, which are still being evaluated, are expected to improve the viability of a standalone 8 million tonne per annum ("Mtpa") development. BC Iron also completed port infrastructure expansion studies. BC Iron is now finalising preliminary capital and operating cost estimates for a 20 Mtpa road and multi-user port infrastructure operation, which are expected to underpin attractive tariffs for potential third party users. BC Iron also advanced the approvals process for the proposed Cape Preston East transhipment port facility.

NJV	H1 FY2016	H2 FY2015	H1 FY2015
Tonnes sold (M wmt) – NJV	2.27	2.92	2.33
Tonnes sold (M wmt) – BC Iron share	1.76	2.16	1.84
Average CFR price realised (AUD/dmt)	58	65	73
Average FOB all-in cash costs (AUD/wmt)	55	58	69
Iron Valley			
Tonnes sold (M wmt)	3.13	2.15	0.82
EBITDA	$4.5M	$3.4M	$0.7M
BC Iron			
Revenue	$115.8M	$147.9M	$133.3M
EBITDA	($2.1M)	$8.3M	($8.2M)
Impairment before tax	($40.1M)	($70.6M)	($100.2M)
Net (loss)/profit after tax	($72.9M)	($62.2M)	($96.3M)

Safety performance

BC Iron is committed to facilitating a safe working environment for its staff and contractors. No lost time injuries ("LTIs") were recorded at the NJV during the half-year and the rolling 12 month lost time injury frequency rate ("LTIFR") as at 31 December 2015 was 3.9. This represents an increase to the LTIFR as at 30 June 2015 which was 3.0 because man-hours reduced in the rolling 12 month period, due to contractor changes at the NJV, while the number of LTIs remained the same.

MIN is responsible for occupational health and safety matters at Iron Valley and therefore BC Iron does not report LTIs or the LTIFR.

No LTIs were recorded at BC Iron's other projects and accordingly as at 31 December 2015, the LTIFR was zero (30 June 2015: zero).

Loss after income tax from continuing operations

The Company's loss after income tax from continuing operations for the half-year ended 31 December 2015 was $72.9M (2014: loss $96.3M). This was primarily due to declining iron ore prices impacting revenues, the impairment charges for inventory, derecognition of deferred tax assets, and tax losses not recognised.

The Company's underlying loss after income tax for the half-year ended 31 December 2015 was $3.8M (2014: loss $18.4M). The following table reconciles underlying profit after income tax to statutory profit after income tax:

	Half-year to 31 December 2015 $M*	Half-year to 31 December 2014 $M*
Underlying (loss)/profit after income tax	(3.8)	(18.4)
Adjust for:		
Unrealised foreign exchange (losses)/gains	(0.2)	(2.8)
IOH acquisition costs	-	(7.0)
IOH gain on acquisition	-	4.6
Tax losses not recognised	(16.2)	-
Derecognition of deferred tax assets	(23.8)	(2.6)
Impairment of mining assets and inventory	(28.9)	(70.1)
Statutory (loss)/profit after income tax	(72.9)	(96.3)

**All numbers presented after tax.*

Revenue

Revenue from continuing operations decreased this half-year by 13%. The decrease was due to lower iron ore pricing and lower shipped tonnages than planned at the NJV. The lower tonnes shipped at the NJV was as a result of the temporary suspension decision on 11 December 2015 coupled with a slower than expected ramp-up by the new road haulage contractor. The lower revenue from the NJV was partly offset by an increase in revenue from Iron Valley due to a full period of shipments when compared to the prior corresponding half-year where shipments commenced towards the end of calendar year 2014.

Expenses

Total cost of sales for the half-year decreased by 20%, primarily due to a reduction in contractor costs across all areas and the prior 2014 half-year including the impacts of higher clay content in discrete areas of some of the mesas. In addition depreciation and amortisation charges have significantly decreased half on half due to impairments recorded in the prior financial year. These cost reductions are partly offset by an increase in State royalties due to a full period of shipments from Iron Valley when compared to the prior corresponding half-year.

Excluding IOH acquisition costs in the prior half-year, administration expenses decreased by 46% due to on-going cost saving initiatives implemented by the Company.

Impairment

Due to the current outlook for iron ore prices, impairments of $40.1M have been recognised in relation to the Company's 75% share of the NJV inventory and the Company's Koodaideri royalty (refer to note 3 in the financial statements).

Finance costs

Finance costs have decreased by 54% due to the repayment of the USD term loan facility in June 2015.

Taxation

No tax is payable in the current period. Current period tax losses of $16.2M have not been recognised and deferred tax assets of $23.8M relating to temporary differences have been derecognised due to the low iron ore price outlook and temporary suspension of the NJV. In total, income tax losses of $41.3M have not been recognised. The Company also has an R&D tax off-set available of $5.7M (refer to note 4 in the financial statements).

Statement of cash flows

Operating cash flows

A net cash outflow was recorded from operating activities for the half-year of $19.7M (2014: $34.0M outflow). The cash outflow for the 2015 half-year was primarily due to lower iron ore prices coupled with an anticipated short term increase in strip ratio and slower ramp-up by the new road haulage contractor which resulted in lower shipments than anticipated.

Investing cash flows

Cash outflow for investing activities for the half-year was $6.7M (2014: $18.5M inflow), which primarily related to the purchase of a surface miner, mobile crushing and screening plant and four haul trucks from the previous mining services contractor ($4.6M). The prior half-year included $24.3M of net cash acquired through the acquisition of Iron Ore Holdings Limited ("IOH").

Statement of financial position

Current assets

Current assets decreased by 39% to $62.2M (June 2015: $102.4M). The decrease in current assets was primarily due to lower cash and cash equivalents and trade receivables, as a result of lower iron ore pricing, an anticipated short term increase in strip ratio at the NJV, and lower NJV shipments in December than anticipated.

Non-current assets

Non-current assets decreased by 46% to $84.3M (June 2015: $154.9M) primarily as a result of the impairment of low grade inventory, derecognition of deferred tax assets and reduction in the NJV rehabilitation provision estimate.

Current liabilities

Current liabilities decreased by 29% to $55.8M (June 2015: $78.3M). The decrease was primarily as a result of trade and other payables which decreased by 32% to $48.2M (June 2015: $70.9M). The trade and other payables decrease was mainly due to the reduction in contractor and service charges achieved in the period coupled with lower shipments in December than anticipated due to a slower than expected ramp-up by the new road haulage contractor.

Non-current liabilities

Non-current liabilities decreased by 64% to $7.0M (June 2015: $19.7M). The reduction was as a result of the provision for closure and rehabilitation at the NJV which decreased based on actual rehabilitation work completed following which a full re-estimate of the provision was undertaken.

Debt position

The Company's gross debt position at 31 December 2015 was $6.9M (June 2015: $6.3M). At 31 December 2015 cash and cash equivalents exceeded debt by $36.1M.

Subsequent to the end of the period on 4 January 2016 the Company re-paid USD3.5M of the initial USD25M project finance facility in place with Henghou Industries (Hong Kong) Limited ("Henghou"), leaving a balance of USD1.5M. The facility is interest and security free and the final repayment is due by October 2016.

Corporate

Anthea Bird resigned as Company Secretary in August 2015. Hayley McNamara continues as the sole Company Secretary of BC Iron.

BC Iron's annual general meeting was held in Subiaco, Western Australia in November 2015. All five resolutions considered at the meeting were passed.

The NJV participants are in dispute with Watpac Civil & Mining Pty Ltd ("Watpac"), the former mining services contractor for the NJV, with the NJV commencing legal proceedings against Watpac during the half-year. The NJV considers that during the term of the contract, Watpac breached its primary service obligations to BC Iron Nullagine ("BCIN") as manager (and accordingly the NJV). The NJV believes that it has suffered losses as a consequence of those breaches, and BCIN has filed a writ of summons and statement of claim in the Supreme Court of Western Australia against Watpac seeking the recovery of damages. Watpac served its defence to the BCIN claim on 19 February 2016, denying the BCIN claim. In addition, Watpac made a counterclaim for $52,783,310 (including GST where claimed to be applicable) from BCIN. The NJV believes that it has paid Watpac all of the money due under the terms of the contract and considers that Watpac's claims and counterclaim have no contractual basis or merit. As such, the NJV will be defending the claims made by Watpac and no amount has been provided for in the accounts. BCIN will continue to pursue Watpac for breaches by Watpac of its contractual obligations.

Financial year 2016 outlook and guidance

DSO operations at the NJV were temporarily suspended during January 2016 due to low iron ore prices. BC Iron is currently assessing options for the NJV, including the potential to sell low grade ore from existing stockpiles to Fortescue on an ongoing basis. A trial is currently underway and is due to be completed in the March 2016 quarter.

BC Iron expects MIN to continue operating Iron Valley as a DSO truck haulage operation whilst it evaluates the BOTS initiative. BC Iron previously provided FY16 EBITDA guidance for Iron Valley of A$5-14M. BC Iron's Iron Valley EBITDA for the half-year ended 31 December 2015 was A$4.5M, which was within the guidance range.

At the Buckland Project, BC Iron plans to continue improving capital and operating costs for the 8 Mtpa standalone development case and evaluating the potential for an expanded road and multi-user port infrastructure operation.

Other considerations

Iron ore marketing and sales

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.

Iron Valley product is sold direct to the project's operator, MIN, who acquires the product from BC Iron for a price linked to MIN's achieved FOB price. MIN is responsible for any subsequent marketing.

Iron ore price and AUD/USD exchange rate

The iron ore price declined during the half-year ended 31 December 2015. 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 FY2016 USD/dmt	FY2015 USD/dmt	FY2014 USD/dmt	FY2013 USD/dmt
Average Platts CFR 62% Fe Price	51	72	123	127

Source: www.platts.com

The Company sells approximately 30% of its share of *Bonnie Fines* under a sale agreement with Henghou, at an agreed discount to the Platts CFR 62% Fe price (after Fe adjustment). The balance is sold on a short-term basis at a discount to the Platts CFR 62% Fe price (after Fe adjustment) which varies 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. After the repayment of USD3.5M to Henghou on 4 January 2016 the Company has USD1.5M of 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 FY2016 $	FY2015 $	FY2014 $	FY2013 $
AUD/USD (average)	0.7232	0.8371	0.9179	1.0269
AUD/USD (closing)	0.7304	0.7672	0.9419	0.9133

Source: Bloomberg, www.oanda.com.au

Changes in state of affairs

On 11 December 2015 the Company announced that DSO operations at the NJV were to be temporarily suspended progressively during December 2015 and January 2016 pending market conditions. There were no other significant changes 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 26 and forms part of the Directors' report for the half-year ended 31 December 2015.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Anthony Kiernan
Chairman

Perth, 23 February 2016

Morgan Ball

Morgan Ball
Managing Director

Perth, 23 February 2016

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 (Cth)*, including:

   i. giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

   ii. complying with Accounting Standards (including AASB134 *Interim Financial Reporting*), the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and

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

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001 (Cth)*.

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

Anthony Kiernan
Chairman

Perth, 23 February 2016

BC IRON
LIMITED

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Financial statements contents

Consolidated statement of profit and loss and other comprehensive income and expense

BC Iron Limited and its controlled entities for the half-year ended 31 December 2015

	Notes	December 2015 $000's	December 2014 $000's
Revenue from continuing operations			
Sale of goods		**114,516**	131,334
Other revenue		**1,246**	1,964
Total revenue from continuing operations	1	**115,762**	133,298
Foreign exchange (loss)/gain		**804**	(3,137)
Costs of sales	2	**(99,020)**	(123,945)
Selling and marketing	2	**(17,892)**	(21,550)
Administration expenses	2	**(2,535)**	(11,680)
Exploration and evaluation expenditure		**(2,006)**	(1,223)
Impairment of mine property and other assets	3	**(40,109)**	(100,210)
Gain on acquisition		**-**	4,570
(Loss)/profit before finance cost and income tax		**(44,996)**	(123,877)
Finance costs	2	**(801)**	(1,751)
(Loss)/profit before income tax		**(45,797)**	(125,628)
Income tax benefit/(expense)	4	**(27,087)**	29,318
(Loss)/profit after income tax from continuing operations		**(72,884)**	(96,310)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Changes in the fair value of available-for-sale assets		**-**	(845)
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**(2,706)**	(152)
(Loss)/profit for the period attributable to owners of BC Iron Limited		**(75,590)**	(97,307)
Basic (loss)/earnings per share from continuing operations (cents per share)		**(37.15)**	(62.75)

The above consolidated statement of profit and loss and other comprehensive income and expense 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 2015

	Notes	December 2015 $000's	June 2015 $000's
Current assets			
Cash and cash equivalents		**42,936**	67,671
Trade and other receivables		**14,291**	24,427
Inventory	3	**5,007**	9,886
Derivative financial instruments		**-**	390
Total current assets		**62,234**	102,374
Non-current assets			
Receivables		**2,864**	2,294
Inventory	3	**-**	30,495
Property, plant and equipment	5	**53,785**	64,172
Exploration and evaluation assets	6	**4,100**	4,100
Intangibles	7	**23,532**	26,132
Deferred tax assets	4	**-**	27,711
Total non-current assets		**84,281**	154,904
Total assets		**146,515**	257,278
Current liabilities			
Trade and other payables		**48,178**	70,947
Provisions	8	**750**	1,109
Loans and borrowings	9	**6,846**	6,275
Total current liabilities		**55,774**	78,331
Non-current liabilities			
Provisions	8	**6,993**	19,664
Total non-current liabilities		**6,993**	19,664
Total liabilities		**62,767**	97,995
Net assets		**83,748**	159,283
Shareholders' equity			
Contributed equity	10	**242,467**	242,467
Reserves	11	**4,885**	7,536
Accumulated losses	12	**(163,604)**	(90,720)
Total shareholders' equity		**83,748**	159,283

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 2015

	Contributed equity	Accumulated profit/(loss)	Reserves	Total
	$000's	$000's	$000's	$000's
Total equity at 1 July 2014	131,339	86,431	8,624	226,394
Loss for the period	-	(158,499)	-	(158,499)
Reclassification to profit or loss	-	-	(1,029)	(1,029)
Total comprehensive losses for the year	-	(158,499)	(1,029)	(159,528)
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	110,652	-	-	110,652
Performance rights converted	476	-	(476)	-
Share based payments	-	-	417	417
Dividends paid	-	(18,652)	-	(18,652)
Balance at 30 June 15	242,467	(90,720)	7,536	159,283
Balance at 1 July 2015	**242,467**	**(90,720)**	**7,536**	**159,283**
Loss for the half-year	**-**	**(72,884)**	**-**	**(72,884)**
Reclassification to profit or loss	**-**	**-**	**(2,706)**	**(2,706)**
Total comprehensive losses for the half-year	**-**	**(72,884)**	**(2,706)**	**(75,591)**
Transactions with equity holders in their capacity as equity holders				
Share based payments	**-**	**-**	**55**	**55**
Balance at 31 December 2015	**242,467**	**(163,604)**	**4,885**	**83,748**

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 2015

	December 2015	December 2014
	$000's	$000's
Cash flows from operating activities		
Receipts from customers	**122,380**	112,222
Payment to suppliers and employees	**(142,961)**	(143,882)
Management fees received	**443**	389
Interest received	**466**	1,518
Income tax paid	**-**	(4,281)
Net cash outflow from operating activities	**(19,672)**	(34,034)
Cash flows from investing activities		
Payments for mine property and development expenditure	**(1,720)**	(5,571)
Payments for plant and equipment	**(4,948)**	(275)
Net cash receipt on acquisition of subsidiary	**-**	24,337
Net cash (outflow)/inflow from investing activities	**(6,668)**	18,491
Cash flows from financing activities		
Repayment of borrowings	**-**	(17,949)
Interest and finance costs paid	**-**	(636)
Dividends paid	**-**	(18,652)
Net cash outflow from financing activities	**-**	(37,237)
Net decrease in cash and cash equivalents	**(26,340)**	(52,780)
Cash and cash equivalents at the beginning of the half-year	**67,671**	158,917
Effect of exchange rate changes on cash and cash equivalents	**1,605**	4,013
Cash and cash equivalents at the end of the half-year	**42,936**	110,150

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

PREFACE TO THE NOTES

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 2015 were authorised for issue in accordance with a resolution of the Directors on 23 February 2016. 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 2015 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 2015 and considered together with any public announcements made by the Company during the half-year ended 31 December 2015 in accordance with the continuous disclosure requirements of the ASX Listing Rules.

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

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

The accounting policies adopted are consistent with those of the previous financial year.

Accounting estimates have been made on a consistent basis with those of the previous financial year.

New and amended standards and interpretations

There were no new standards issued since 30 June 2015 that have been applied by the Company. The 30 June 2015 annual report disclosed that the Company anticipated no new material impacts arising from the initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2015.

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 2015.

NOTE 1 – REVENUE

	December 2015	December 2014
	$000's	$000's
Sales – NJV	**96,332**	127,705
Sales – Iron Valley	**18,184**	3,629
Management fee	**443**	388
Interest revenue	**514**	1,576
Other income	**289**	-
Total	**115,762**	133,298

NOTE 2 – EXPENSES

Mining and ore dressing	**25,932**	49,228
Haulage	**42,403**	42,885
Site administration	**9,061**	12,974
Depreciation and amortisation	**3,713**	17,609
Royalties	**20,285**	12,107
Inventory movement	**(2,374)**	(10,858)
Operating expenses	**99,020**	123,945
Shipping, marketing and demurrage	**17,892**	21,550
Acquisition-related costs	**-**	6,961
Employee benefits expense	**1,007**	1,794
Depreciation and amortisation	**358**	884
Share-based payments	**55**	127
Non-executive directors' fees	**206**	339
Occupancy related expenses	**248**	273
Consultant and legal fees	**146**	263
Other	**515**	1,039
Administration expenses	**2,535**	11,680
Interest expense on project finance	**257**	427
Interest expense on loan facility	**-**	609
Amortisation of facility fees	**-**	137
Unwind of rehabilitation provision	**379**	331
Other	**165**	247
Finance costs	**801**	1,751

NOTE 3 – IMPAIRMENT

	December 2015	December 2014
	$000's	$000's
Impairment of mine property	-	99,650
Impairment of intangibles	2,600	-
Impairment of inventory	37,509	560
Total	40,109	100,210

Due to the sustained fall in iron ore prices the Company has reviewed its assets for impairment and considered an impairment of the following assets to be necessary.

Intangible assets - Royalty

The intangible asset relating to the Koodaideri South royalty has been tested for impairment. The recoverable amount of the royalty was estimated based on its fair value less costs of disposal ("FVLCD"). The estimated recoverable amount of $13.5M was below the carrying value of the asset and an impairment of $2.6M has been recorded. FVLCD was determined using an income approach based on the net present value of future cash flows projected over the estimated mine life of 32 years. The valuation is categorised within level 3 of the fair value hierarchy due to the unobservable nature of some of the inputs used. The post-tax nominal discount rate used in determining FVLCD was 7.4%.

Future changes in assumptions upon which these estimates are based may give rise to material adjustments, including further impairments or possible impairment reversals. For example a 10% decrease in the average forecast iron ore price used in the impairment model, while holding other factors constant, would result in a further impairment charge of $1.3M.

Inventory

Inventory has been written down to the lower of cost and net realisable value. Net realisable value has been calculated using estimates for the prevailing price at the point of selling the inventory. Low grade stockpiles classified as non-current inventory have been fully impaired.

Other assets were assessed and based on their recoverable amount, the higher of the asset's value in use or fair value less costs of disposal determined using the present value of future cash flows, no impairment was deemed necessary.

NOTE 4 – INCOME TAX

Reconciliation of effective tax rate

Loss for the period	(45,797)	(125,628)
Income tax at the statutory rate of 30 per cent (2014: 30 per cent)	(13,739)	(37,688)
Non-deductible expenses	877	2,225
Gain on acquisition of IOH	-	(1,370)
Derecognition of deferred tax asset relating to available-for-sale assets	-	2,622
Tax losses not recognised	16,252	5,128
Temporary differences derecognised	23,808	-
Under/(over) provided in prior periods	(111)	(235)
Income tax (benefit)/expense reported in the statement of profit and loss and other comprehensive income and expense	27,087	(29,318)

The Company recognises deferred tax assets relating to carried forward tax losses and temporary differences to the extent they can be utilised. The utilisation of the tax losses depends on the ability of the entities to generate sufficient future taxable profits. At 31 December 2015 the Company had unrecognised deferred tax assets of $41.3M (June 2015: $24.6M) relating to tax losses and $23.8M (June 2015: nil) relating to temporary differences. The Company also has an R&D tax off-set available of $5.7M (June 2015: $5.7M).

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

	Mine Properties	Plant and equipment	Office furniture and equipment	Total
Mine properties	**$000's**	**$000's**	**$000's**	**$000's**
Year ended 30 June 2015				
Opening net book value	182,847	4,760	1,660	189,267
Additions	12,372	1,644	205	14,221
Acquisition of subsidiary	50,900	169	28	51,097
Disposals	(217)	(48)	(9)	(274)
Reclassification of assets	288	(288)	-	-
Reclassified to profit and loss	(135)	-	-	(135)
Depreciation and amortisation expense	(26,899)	(1,118)	(820)	(28,837)
Impairment	(161,167)	-	-	(161,167)
Closing net book value	57,989	5,119	1,064	64,172
At 30 June 2015				
Cost	119,877	10,567	5,201	135,645
Accumulated depreciation and amortisation	(61,888)	(5,448)	(4,137)	(71,473)
Net carrying amount	57,989	5,119	1,064	64,172
Half-year ended 31 December 2015				
Opening net book value	**57,989**	**5,119**	**1,064**	**64,172**
Additions	**2,316**	**4,698**	**54**	**7,068**
Disposals	**-**	**(4)**	**-**	**(4)**
Changes to rehabilitation estimate	**(13,381)**	**-**	**-**	**(13,381)**
Depreciation and amortisation expense	**(2,865)**	**(881)**	**(324)**	**(4,070)**
Closing net book value	**44,059**	**8,932**	**794**	**53,785**
At 31 December 2015				
Cost	**108,812**	**15,261**	**5,255**	**129,328**
Accumulated depreciation and amortisation	**(64,753)**	**(6,329)**	**(4,461)**	**(75,543)**
Net carrying amount	**44,059**	**8,932**	**794**	**53,785**

Impairment

Assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverable amounts are the higher of an asset's value in use or fair value less costs of disposal, which are determined using the present value of future cash flows based upon available reserves, for operating assets, or estimated asset sale values, for suspended operations.

(i) Nullagine Joint Venture

As a result of this assessment, the carrying value of the Nullagine Joint Venture ("NJV") $5.0M was determined to be supported by its recoverable amount. The recoverable amount is based on estimated asset sale values. Future changes in these estimated sales values may give rise to an adjustment. For example a 10% decrease in estimated sales values would result in an impairment charge of $0.5M.

(ii) Iron Valley

The Iron Valley mine property asset was tested for impairment. The recoverable amount has been assessed based on its fair value less costs of disposal ("FVLCD"), which is classified as a level 3 valuation under the fair value hierarchy due to the use of inputs that are not based on observable market data. FVLCD was determined by estimating cash flows until the end of the life of mine plan, including anticipated expansions, of approximately 10 years. The discount rate used in determining FVLCD was 8.4%. The methodology used to determine FVLCD is consistent with that used in the 30 June 2015 annual report. The recoverable amount was determined to be significantly in excess of the carrying value of $48.6M, and there are no reasonably possible changes in key assumptions that would cause the asset to be impaired.

Other assets were assessed and based on their recoverable amount, no impairment was deemed necessary.

NOTE 6 – EXPLORATION AND EVALUATION

	December 2015	June 2015
	$000's	$000's
Opening balance	**4,100**	-
Acquisition of subsidiary	**-**	4,100
Net carrying amount	**4,100**	4,100

NOTE 7 – INTANGIBLES

Opening balance	**26,132**	-
Additions through business combination:		
Royalties	**-**	18,502
Port access rights	**-**	8,030
Goodwill	**-**	7,317
Impairment charge	**(2,600)**	(7,717)
Net carrying amount	**23,532**	26,132

Royalties

The Company holds royalties over the Koodaideri South and North Marillana Extension tenements. The assets have a finite life reflecting the underlying resource and will be amortised as the resource is depleted. Production has not commenced at either Koodaideri South or North Marillana and hence the assets remain unamortised. Refer to note 3 for details of the impairment assessment undertaken on royalties.

Port access rights

The Company holds rights in respect of the proposed Cape Preston East Port site under an agreement with the Pilbara Port Authority and a value has been ascribed to the intellectual property associated with developing this port. The port is yet to be developed and the intangible asset will be amortised once the port is operational. The Company has tested the asset for impairment with the recoverable amount assessed by reference to the FVLCD of the Buckland project. FVLCD for the Buckland project including mineral assets and the port access rights was determined by estimating cash flows over the project life of approximately 25 years. The post-tax nominal discount rate used in determining FVLCD was 10.4%. The recoverable amount was determined to be in excess of the carrying value of $8.0M, and there are no reasonably possible changes in key assumptions that would cause the asset to be impaired.

NOTE 8 – PROVISIONS

		December 2015	June 2015
Current	**Notes**	**$000's**	$000's
Employee benefits		**750**	1,109
Total current		**750**	1,109
Non-current			
Rehabilitation	5	**6,993**	19,664
Total non-current		**6,993**	19,664
Total		**7,743**	20,773

Movement in provisions	**Rehabilitation $000's**	**Employee benefits $000's**	**Total $000's**
Opening balance	19,664	1,109	20,773
Changes to rehabilitation estimate	(12,795)	-	(12,795)
Charged/(credited) to profit or loss:			
additional provisions recognised	-	157	157
unused amounts reversed	-	(117)	(117)
unwinding of discount	413	-	413
Amounts used during the year	(289)	(399)	(688)
Closing balance	**6,993**	**750**	**7,743**

Provision is made for the estimated costs to rehabilitate the NJV and Iron Valley sites. During the period the provision for closure and rehabilitation at the NJV decreased by $13.4M to $4.1M with a corresponding change in the associated mine rehabilitation asset. The reduction was based on actual rehabilitation work completed following which a full re-estimate of the provision was undertaken. There was a $0.6M increase in the Iron Valley rehabilitation provision. The rehabilitation provision for Iron Valley is off-set by a receivable from Mineral Resources Limited recognising the contractual requirement to rehabilitate the site.

NOTE 9 – LOANS AND BORROWINGS

Current		
Unsecured – project finance facility	**6,846**	6,275
Total	**6,846**	6,275

On 4 January 2016 a repayment of USD3.5 million was made to Henghou Industries (Hong Kong) Limited. The remaining USD1.5 million is payable to Henghou by 31 October 2016.

NOTE 10 – CONTRIBUTED EQUITY

a) Share capital

	December 2015		June 2015	
	Number	**$000's**	Number	$000's
Share capital				
Ordinary shares fully paid	**196,196,992**	**242,467**	196,196,992	242,467

b) Movements in ordinary share capital

Opening balance	**196,196,992**	**242,467**	124,028,630	131,339
Issue of shares under Employee Performance Rights Plan	-	-	316,809	476
Issues of shares on acquisition of subsidiary	-	-	71,851,553	110,652
Closing balance	**196,196,992**	**242,467**	196,196,992	242,467

NOTE 11 – RESERVES

	December 2015	June 2015
	$000's	$000's
Share-based payments reserve		
Opening balance	**10,052**	10,111
Share-based payments expense	**55**	417
Issue of shares under Employee Performance Rights Plan	**-**	(476)
Closing balance	**10,107**	10,052
Options exercised reserve		
Opening balance	**3,787**	3,787
Closing balance	**3,787**	3,787
Financial assets at fair value through other comprehensive income		
Opening balance	**(9,009)**	(5,274)
Gains/(losses) on financial instruments recognised in equity	**-**	(3,735)
Closing balance	**(9,009)**	(9,009)
Cash flow hedge reserve		
Opening balance	**2,706**	-
Reclassification to profit or loss	**(2,706)**	2,706
Closing balance	**-**	2,706
Total reserves	**4,885**	7,536

NOTE 12 – ACCUMULATED PROFIT/(LOSS)

Opening balance	**(90,720)**	86,431
Net loss	**(72,884)**	(158,499)
Dividends paid	**-**	(18,652)
Closing balance	**(163,604)**	(90,720)

NOTE 13 – SEGMENT INFORMATION

Management has determined that the Company has one reportable segment, being mineral exploration, development and production in Western Australia. No operating segments have been aggregated to form the consolidated information presented in the financial statements.

Revenue derived from iron ore sales is derived from customers located in China 84% and Australia 16%. All of the Company's product sold into China relates to shipments made to Henghou Industries (Hong Kong) Limited including committed shipments made under the off-take agreement.

NOTE 14 – DIVIDENDS PAID

	December 2015	December 2014
	$000's	$000's
Declared and paid during the period (fully franked at 30%)		
Final dividend for 2015: Nil (2014: $0.15)	**-**	18,652
Dividend declared not recognised as a liability (fully franked at 30%)		
Interim franked dividend for 2016: Nil (2015: Nil)	**-**	-

NOTE 15 – CONTINGENT LIABILITIES

The NJV participants are in dispute with Watpac Civil & Mining Pty Ltd ('Watpac'), the former mining services contractor for the NJV, with the NJV commencing legal proceedings against Watpac during the half-year. The NJV considers that during the term of the contract, Watpac breached its primary service obligations to BC Iron Nullagine ("BCIN") as manager (and accordingly the NJV). The NJV believes that it has suffered losses as a consequence of those breaches, and BCIN has filed a writ of summons and statement of claim in the Supreme Court of Western Australia against Watpac seeking the recovery of damages. Watpac served its defence to the BCIN claim on 19 February 2016, denying the BCIN claim. In addition, Watpac made a counterclaim for $52,783,310 (including GST where claimed to be applicable) from BCIN. The NJV believes that it has paid Watpac all of the money due under the terms of the contract and considers that Watpac's claims and counterclaim have no contractual basis or merit. As such, the NJV will be defending the claims made by Watpac and no amount has been provided for in the accounts. BCIN will continue to pursue Watpac for breaches by Watpac of its contractual obligations.

NOTE 16 – EVENTS AFTER THE REPORTING DATE

Other than the repayment of USD3.5 million to Henghou under the interest free loan agreement identified in note 9 and the counterclaim made by Watpac identified in note 15, no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial periods subsequent to 31 December 2015.

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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 2015, 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 2015 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 2015 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
Glyn O'Brien

Glyn O'Brien

Director

Perth, 23 February 2016

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF BC IRON LIMITED

As lead auditor for the review of BC Iron Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

2. 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.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 23 February 2016