

BC Iron Limited

ACN 120 646 924

Interim Financial Report

for the half-year ended

31 December 2008

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made by BC Iron Limited during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

BC Iron Limited

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Directors' Report

The directors present their report on the results of BC Iron Limited ('the Company') for the period 1 July 2008 to 31 December 2008 and the state of affairs at that date.

Directors

The names of directors of the Company in office during the whole of the half-year and up to the date of this report are:

Anthony W. Kiernan	Non-Executive Chairman
Michael C. Young	Managing Director
Steven J.M. Chadwick	Non-Executive Director
Terrence W. Ransted	Non-Executive Director
Garth R. Higgs	Non-Executive Director

Review and Results of Operations

A summary of revenues and results of the Company's operations for the the half-year by significant industry segments is as follows:

	Segment Revenue		Segment Result	
	2008	2007	2008	2007
	\$	\$	\$	\$
Minerals exploration - Australia	-	-	(805,276)	(686,479)
Other	329,014	135,912		
Total continuing operations	<u>329,014</u>	<u>135,912</u>	<u>(805,276)</u>	<u>(686,479)</u>
Unallocated expenses			-	-
Loss before income tax expense			(805,276)	(686,479)
Income tax expense			-	-
Loss for the half-year			<u>(805,276)</u>	<u>(686,479)</u>
Loss attributable to members of BC Iron Limited			<u>(805,276)</u>	<u>(686,479)</u>

Activities

The Company is involved in mineral exploration and development, focusing primarily on iron ore deposits near Nullagine, Western Australia. During the six months ended 31 December 2008, the Company took further key steps towards its core objective of commencing production at the 100%-owned Nullagine iron ore project as rapidly and efficiently as possible.

While a further deterioration in global financial and credit markets was experienced, BC Iron has effectively positioned itself to weather the current market turmoil and achieve its objectives in a changed financial and economic environment. Central to the repositioning of the Company's strategy was a revision to the current feasibility study on the Nullagine Project to include the option to develop a smaller-scale 1.5Mtpa start-up operation at a significantly reduced capital cost. Though start-up tonnages are less than those proposed in the scoping study, the revised plan provides the Company with an opportunity to fast-track development and maintain its schedule despite the market downturn.

In parallel with ongoing feasibility studies, the Company, in conjunction with its independent consultants, completed resource modelling based on the results of in-fill and resource extension drilling undertaken during 2008. Subsequent to the end of the half-year, the Company announced a revised direct shipping ore (DSO) resource of 46 million tonnes grading 57% Fe, a 64% increase to the DSO resource announced in March 2008.

Dividends

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

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Directors' Report cont.

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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to the Auditors Review Report.

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

Dated this 24th day of February 2009

On behalf of the Directors



Michael C. Young
Director

BC Iron Limited

ACN 120 646 924

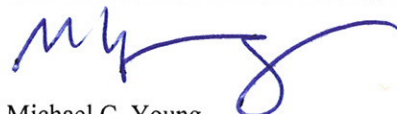
Directors' Declaration

For The Period 1 July 2008 to 31 December 2008

In the opinion of the directors of BC Iron Limited:

- a) the financial statements and notes set out on the following pages are in accordance with the Corporations Act 2001 including:
 - i) giving a true and fair view of the financial position of the Company as at 31 December 2008 and of its performance for the six month period to 31 December 2008; and
 - ii) complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that BC Iron Limited will be able to pay its debts as and when they become due and payable.

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



Michael C. Young
Director

PERTH, 24 FEBRUARY 2009.

BC Iron Limited

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Income Statement

for the period 1 July 2008 to 31 December 2008

		Half-year ended 31 Dec 2008	Half-year ended 31 Dec 2007
	Note	\$	\$
Revenue from continuing operations		329,014	135,912
Depreciation expense		(48,849)	(23,663)
Directors' fees		(77,500)	(68,750)
Employee benefits expense		(301,288)	(277,697)
Personnel and support		(194,656)	(124,195)
Share registry services and other costs		(228,833)	(116,155)
Other expenses from continuing operations		(283,164)	(211,931)
Loss before income tax		(805,276)	(686,479)
Income tax expense		-	-
Loss for financial period		(805,276)	(686,479)
Loss attributable to members of BC Iron Limited		(805,276)	(686,479)
Loss per share from continuing operations attributable to the ordinary equity holders of the Company			
Basic and diluted loss per share (cents per share)	6	(1.36)	(1.25)

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

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Balance Sheet

as at 31 December 2008

		Half-year ended	
	Note	31 Dec 2008	30 June 2008
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		5,098,546	9,080,474
Trade and other receivables		125,047	184,938
Other financial assets		36,938	36,938
Total Current Assets		5,260,531	9,302,350
Non Current Assets			
Plant & equipment		114,808	148,663
Exploration and evaluation assets	3	7,896,019	4,498,419
Total Non-Current Assets		8,010,827	4,647,082
Total Assets		13,271,358	13,949,432
Current Liabilities			
Trade and other payables		599,752	773,838
Total Current Liabilities		599,752	773,838
Total Liabilities		599,752	773,838
Net Assets		12,671,606	13,175,594
Equity			
Share capital	4	13,949,727	13,949,727
Reserves		1,063,850	762,562
Accumulated losses		(2,341,971)	(1,536,695)
Total Equity		12,671,606	13,175,594

The above balance sheet should be read in conjunction with the accompanying notes.

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Statement of Changes in Equity

for the period 1 July 2008 to 31 December 2008

	Contributed Equity \$	Accumulated Losses \$	Option Reserve \$	Total \$
Balance at 1 July 2007	5,334,675	(748,739)	440,817	5,026,753
Net income/expense recognised directly in equity	-	-	-	-
Loss for the period	-	(686,480)	-	(686,480)
Total recognised income and expense for the half-year	-	(686,480)	-	(686,480)
Shares issued net of transaction costs	8,615,052	-	-	8,615,052
Options issued	-	-	302,498	302,498
Balance at 31 December 2007	13,949,727	(1,435,219)	743,315	13,257,823
Net income/expense recognised directly in equity	-	-	-	-
Loss for the financial period	-	(101,475)	-	(101,475)
Total recognised income and expense for the half-year	-	(101,475)	-	(101,475)
Shares issued net of transaction costs	-	-	-	-
Options issued	-	-	19,246	19,246
Balance at 30 June 2008	13,949,727	(1,536,694)	762,561	13,175,594
Net income/expense recognised directly in equity	-	-	-	-
Loss for the period	-	(805,276)	-	(805,276)
Total recognised income and expense for the half-year	-	(805,276)	-	(805,276)
Shares issued net of transaction costs	-	-	-	-
Options issued	-	-	301,288	301,288
Balance at 31 December 2008	13,949,727	(2,341,970)	1,063,849	12,671,606

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

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Cash Flow Statement

for the period 1 July 2008 to 31 December 2008

	Half-year ended 31 Dec 2008	Half-year ended 31 Dec 2007
Note	\$	\$
Cash Flows from Operating Activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(674,678)	(382,564)
Interest received	328,959	135,912
Net cash outflow from operating activities	<u>(345,719)</u>	<u>(246,652)</u>
Cash Flows from Investing Activities		
Payment for plant & equipment	(14,992)	(25,385)
Payment for exploration and evaluation expenditure	(3,621,217)	(1,435,191)
Net cash outflow from investing activities	<u>(3,636,209)</u>	<u>(1,460,576)</u>
Cash Flows from Financing Activities		
Proceeds from issue of shares, net of costs	-	8,615,053
Net cash inflow from financing activities	<u>-</u>	<u>8,615,053</u>
Net (decrease) increase in cash and cash equivalents	(3,981,928)	6,907,825
Cash and cash equivalents at the beginning of the period	<u>9,080,474</u>	<u>4,048,810</u>
Cash and cash equivalents at the end of the period	5,098,546	10,956,635

The above cash flow statement should be read in conjunction with the accompanying notes.

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Notes to the Financial Statements

for the period 1 July 2008 to 31 December 2008

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below.

a. Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134: "Interim Financial Reporting", other mandatory reporting requirements and the Corporations Act 2001.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by BC Iron Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

NOTE 2 - LOSS FOR THE HALF-YEAR

Loss for the half-year includes no items that are unusual because of their nature, size or incidence, other than employee benefits expense of \$301,288 (2007: 277,697) which comprises the share based payments being the valuation of options granted during the six month period in accordance with AASB 2 Share-Based Payment.

NOTE 3 - EXPLORATION AND EVALUATION EXPENDITURE

	Half-year ended 31 Dec 2008 \$	30 June 2008 \$
Exploration and evaluation expenditure costs brought forward in respect of areas of interest		
Opening balance	4,498,419	922,940
Expenditure during financial period	3,397,600	3,575,479
Closing Balance	<u>7,896,019</u>	<u>4,498,419</u>

NOTE 4 - EQUITY SECURITIES ISSUED

	2008 Shares	2007 Shares	2008 \$	2007 \$
Movements in issued capital				
Opening balance	59,400,000	54,000,000	15,210,001	6,030,001
Issued during the half year	-	5,400,000	-	9,180,000
Closing balance at end of half year	<u>59,400,000</u>	<u>59,400,000</u>	<u>15,210,001</u>	<u>15,210,001</u>
Less: Cost of issue			(1,260,274)	(1,260,274)
Closing balance at end of half year	<u>59,400,000</u>	<u>59,400,000</u>	<u>13,949,727</u>	<u>13,949,727</u>

BC Iron Limited

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Notes to the Financial Statements cont.

for the period 1 July 2008 to 31 December 2008

NOTE 5 – RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash includes

	Half-year ended 31 Dec 2008	Half-year ended 31 Dec
	\$	\$
Cash at the end of the half-year as shown in the statement of cash flows is reconciled to the related items in the accounts as follows:		
Cash on hand and at bank	63,110	45,388
Cash on deposit (at call)	5,035,436	52,728
Cash on deposit—commercial bills (maturing within 90 days)	-	10,858,519
	<u>5,098,546</u>	<u>10,956,635</u>

NOTE 6 – LOSS PER SHARE

	Half-year ended 31 Dec 2008	Half-year ended 31 Dec 2007
	Cents	Cents
Basic and diluted loss per share (cents per share)	(1.36)	(1.25)
Weighted average number of shares outstanding during the half-year used in calculations of basic and diluted loss per share	<u>59,400,000</u>	<u>54,821,739</u>

NOTE 7 – SEGMENTAL INFORMATION

The Company operates only in one business and geographical segment being predominantly in the area of mineral exploration near Nullagine, Western Australia. The Company considers its business operations in mineral exploration to be its primary reporting function.

NOTE 8 – SUBSEQUENT EVENTS

Following the end of the period, BC Iron entered into a long-term off-take agreement with Tennant Metals. Under the terms of the agreement Tennant Metals will act as agent/and or principal in the free-on-board sale of 25% of BC Iron's future iron ore production. The agreement will commence from the start up of production, currently scheduled for 2010, for a term of at least five years. An estimate of the financial impact of this agreement cannot be made at this time.

NOTE 9 – COMMITMENTS FOR EXPENDITURE

a) Mineral Tenement Leases

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum expenditure requirements specified by the WA State Government and pay tenement lease rents. The company will be required to outlay in 2009 amounts of approximately \$83,414 in respect of tenement lease rentals and \$505,000 in exploration expenditures to meet these minimum expenditure requirements. The balance of these obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure.

b) Operating Lease – Buildings

The Company leases offices in West Perth, Western Australia, under a non- cancellable operating lease expiring December 2009 and renewable for a further three years.

NOTE 10 – CONTINGENT LIABILITIES AND ASSETS

No contingent liabilities or assets have arisen during the period.



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INDEPENDENT AUDITOR'S REVIEW REPORT

ABN 79 112 284 787

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 balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 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*.

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 disclosing entity's financial position as at 31 December 2008 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 Kendalls Audit and Assurance (WA) Pty Ltd

BDO Kendalls


Peter Toll

Director

Dated this 24th Day of February 2009
Perth, Western Australia



BDO Kendalls

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ABN 79 112 284 787

24 February 2009

The Directors
BC Iron Limited
Suite 8, 8 Clive Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF BC IRON LIMITED

As lead auditor for the review of BC Iron Limited for the half-year ended 31 December 2008, 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
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of BC Iron Limited.

Peter Toll
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.