

BC Iron Limited

ACN 120 646 924

Interim Financial Report

for the half year ended

31 December 2007

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

ACN 120 646 924

Directors' Report

The directors present their report on the results of BC Iron Limited ('the Company') for the period 1 July 2007 to 31 December 2007 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 half year by significant industry segments is as follows:

	Segment Revenue		Segment result	
	2007	2006	2007	2006
	\$	\$	\$	\$
Minerals exploitation – Australia	-	-	-	-
Other	135,912	22,813	(686,479)	(360,373)
Total continuing operations	<u>135,912</u>	<u>22,813</u>	<u>(686,479)</u>	<u>(360,373)</u>
Unallocated expenses			-	-
Profit (loss) before income tax expense			(686,479)	(360,373)
Income Tax expense			-	-
Profit (loss) for the the half year			<u>(686,479)</u>	<u>(360,373)</u>
Profit (loss) attributable to members of BC Iron Limited			<u>(686,479)</u>	<u>(360,373)</u>

Activities

The Company is involved in mineral exploration and development, focussing primarily on iron ore deposits near Nullagine, Western Australia.

Dividends

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

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 auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

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

Dated this 14th day of March 2008

On behalf of the Directors



Michael C Young
Director



BDO Kendalls

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14 March 2008

To the Director
BC Iron Limited
GPO Box 2811
PERTH WA 6001

Dear Sirs

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

As lead auditor of BC Iron Limited for the half year ended 31 December 2007, 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.

Peter Toll
Director

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

BC Iron Limited

ACN 120 646 924

Directors' Declaration

For The Period 1 July 2007 to 31 December 2007

The directors declare that:

- (a) In the director's opinion, the attached half year financial report is in accordance with the Corporations Act 2001, and
- (b) The attached financial report complies with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (c) The attached financial report gives a true and fair view of the entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and
- (d) In the directors' opinion 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, 14 March 2008.

BC Iron Limited

ACN 120 646 924

Condensed Income Statement

For The Period 1 July 2007 to 31 December 2007

	Half year ended 31 Dec 2007	10 July to 31 Dec 2006
	\$	\$
Revenue from continuing operations	135,912	22,813
Depreciation expense	(23,663)	-
Directors' fees	(68,750)	(34,538)
Employee benefits expense	(277,697)	(16,359)
Other expenses from continuing operations	(452,281)	(332,289)
Profit (loss) before income tax	(686,479)	(360,373)
Income tax expense	-	-
Profit (loss) for financial period	(686,479)	(360,373)
Profit (loss) attributable to minority interests	-	-
Profit (loss) attributable to members of BC Iron Limited	(686,479)	(360,373)

**(Loss) per share for loss from continuing
operations attributable to the ordinary
equity holders of the Company**

Basic earnings per share (0.0125) (0.0227)

The diluted earnings per share are not materially different from the basic earnings per share.

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

BC Iron Limited

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Condensed Balance Sheet

As at 31 December 2007

	Half year ended 31 Dec 2007	30 June 2007
	\$	\$
Current Assets		
Cash and cash equivalents	10,956,635	4,048,810
Trade and other receivables	180,473	86,601
Other financial assets	36,788	36,788
Total Current Assets	<u>11,173,896</u>	<u>4,172,199</u>
Non-Current Assets		
Plant and equipment	112,156	110,435
Exploration and evaluation expenditure	2,358,130	922,940
Total Non-Current Assets	<u>2,470,286</u>	<u>1,033,375</u>
Total Assets	<u>13,644,182</u>	<u>5,205,574</u>
Current Liabilities		
Trade and other payables	290,502	178,821
Borrowings	95,857	-
Total Current Liabilities	<u>386,359</u>	<u>178,821</u>
Total Liabilities	<u>386,359</u>	<u>178,821</u>
Net Assets	<u>13,257,823</u>	<u>5,026,753</u>
Equity		
Contributed equity	13,949,727	5,334,675
Reserves	743,315	440,817
Accumulated losses	(1,435,219)	(748,739)
Total Equity	<u>13,257,823</u>	<u>5,026,753</u>

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

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Condensed Statement of Changes in Equity

For The Period 1 July 2007 to 31 December 2007

	Half year ended 31 Dec 2007 \$	10 July to 31 Dec 2006 \$
Total equity at 1 July	5,026,753	-
Loss for the financial period	(686,479)	(360,373)
Total recognised income and expense for the financial period	(686,479)	(360,373)
<u>Transactions with equity holders in their capacity as equity holders</u>		
Contributions of equity	9,180,000	6,030,001
Cost of equity raising	(564,947)	(681,853)
Share-based payments	302,498	332,000
Total equity at 31 December	13,257,823	5,319,775

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

Condensed Cash Flow Statement

For The Period 1 July 2007 to 31 December 2007

	Half year ended 31 Dec 2007 \$	10 July to 31 Dec 2006 \$
Cash Flows from Operating Activities		
Receipts from customers (inclusive of goods and services tax)	135,912	22,813
Payments to suppliers and employees (inclusive of goods and services tax)	(382,564)	(84,015)
Net cash (outflow) from operating activities	(246,652)	(61,202)
Cash Flows from Investing Activities		
Payment for plant and equipment	(25,385)	(3,395)
Payment for exploration and evaluation	(1,435,191)	(24,539)
Net cash (outflow) from investing activities	(1,460,576)	(27,934)
Cash Flows from Financing Activities		
Proceeds from issue of shares, net of transaction costs	8,615,053	5,428,148
Proceeds from borrowings	-	248,242
Net cash inflow from financing activities	8,615,053	5,676,390
Net Increase (Decrease) in cash and cash equivalents	6,907,825	5,587,254
Cash and cash equivalents at the beginning of the period	4,048,810	-
Cash and cash equivalents at the end of the period	10,956,635	5,587,254

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 2007 to 31 December 2007

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 2007 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 2007 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 - PROFIT (LOSS) FOR THE HALF YEAR

Loss for the half year includes no items that are unusual because of their nature, size or incidence.

NOTE 3 - EXPLORATION AND EVALUATION EXPENDITURE

	Half year ended 31 Dec 2007	30 June 2007
	\$	\$
Exploration and evaluation expenditures brought forward in respect of areas of interest	922,940	-
Expenditure during financial period	1,435,190	922,940
Less expensed to profit or loss	-	-
Balance 31 December	2,358,130	922,940

NOTE 4 – EQUITY SECURITIES ISSUED

	2007	2006	2007	2006
	Shares	Shares	\$	\$
Movements in issued capital				
Opening Balance	54,000,000	-	6,030,001	-
Issued during the half year	5,400,000	54,000,000	9,180,000	-
Closing Balance at end of half year	59,400,000	54,000,000	15,210,001	6,030,001
Less: Cost of issue			(1,260,274)	(695,326)
As per Balance Sheet	59,400,000	54,000,000	13,949,727	5,334,675

NOTE 5 – RECONCILIATION OF CASH

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

	Half year ended 31 Dec 2007	10 July to 31 Dec 2006
	\$	\$
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	45,388	1,115,772
Cash on deposit (at call)	52,728	-
Cash on deposit–commercial bills (maturing within 90 days)	10,858,519	4,431,482
	10,956,635	5,587,254

BC Iron Limited

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Notes to the Financial Statements

For The Period 1 July 2007 to 31 December 2007

NOTE 6 – EARNINGS PER SHARE

	Half year ended 31 Dec 2007	10 July to 31 Dec 2006
	\$	\$
Basic earnings per share – dollars	\$(0.0125)	\$(0.0227)
Diluted earnings per shares is not materially different from Basic earnings per share		
The weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	54,821,739	15,862,070

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

No matter or circumstance has arisen since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported to the period ended 31 December 2007.

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 2008 amounts of approximately \$51,862 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.



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

We have reviewed the accompanying half-year financial report of BC Iron Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission.

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 designing, implementing 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 an Interim 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 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 2007 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 2007 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

Perth, Western Australia
Dated this 14th day of March 2007