APPENDIX 4D
For the half-year ended 31 December 2016

This information should be read in conjunction with BC Iron Limited's Financial Report for the half-year ended 31 December 2016.

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

Results for announcement to the market

	December 2016 $000's	December 2015 $000's	Up / Down	% Movement
Revenue from continuing operations	35,498	18,703	Up	89.8%
Profit /(loss) after income tax from continuing operations	7,753	(903)	Up	N/A
Loss after income tax from discontinued operations	(1,107)	(71,981)	Up	98.5%
Net profit/(loss) attributable to members	6,646	(48,503)	Up	N/A

Dividends
No dividends have been declared for the half-year ended 31 December 2016 (31 December 2015: nil).

Net tangible asset backing
Net tangible asset backing per ordinary share: $0.22 (June 2016: $0.27).

Previous corresponding period
The previous corresponding period is the half-year ended 31 December 2015.

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 ("Nullagine"). 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 and profit from continuing operations for the half-year ended 31 December 2016 has been positively impacted by stronger Australian dollar iron ore prices and higher shipped tonnages than planned at Iron Valley.

In November 2016 BC Iron successfully completed a 1 for 1 pro-rata renounceable entitlement offer, receiving net funds after costs of A$24.2M.

On 10 October 2016, BC Iron Limited entered into a binding terms sheet in relation to the sale of its 75% interest in Nullagine to Fortescue Metals Group Limited ("FMG") for $1 plus an ongoing royalty on all future iron ore mined from the Nullagine tenements. In December 2016, BC Iron and FMG executed a formal sale and purchase agreement in connection with this transaction. Due to the pending sale, Nullagine is shown as discontinued operations.

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

BC IRON LIMITED

ABN 21 120 646 924

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2016

CONTENTS

DIRECTORS' REPORT

The Directors present their report on the results of the consolidated entity (referred to hereafter as the Company) consisting of BC Iron Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2016.

Principal activity

The principal activities of the Company during the course of the half-year were the operation, development and exploration of mineral projects, focusing primarily on iron ore deposits in the Pilbara region of Western Australia.

There has been no significant change in the nature of the Company's activities during the financial year.

Directors

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

Brian F O'Donnell	Chairman (Non-Executive)
Anthony W Kiernan	Chairman (Non-Executive) resigned 7 December 2016
Alwyn P Vorster	Managing Director (Executive) appointed 22 September 2016
Martin Bryant	Director (Non-Executive)
Andrew M Haslam	Director (Non-Executive)

Dividends

No dividends have been declared in relation to the half-year ended 31 December 2016 (June 2016: Nil).

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. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Review of results and operations

The operations and results of the Company for the half-year ended 31 December 2016 are reviewed below. This review includes information on the financial position of the Company, and its business strategies and prospects for future financial years. It is recommended that this report is read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by the Company during or since the half year ended 31 December 2016 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 2015 ("H1 FY2016").

Review of Operations

BC Iron is a mining and development company, with assets in the Pilbara region of Western Australia, including Iron Valley, Buckland and the Nullagine Joint Venture ("Nullagine").

SAFETY PERFORMANCE

BC Iron places a high priority on facilitating a safe working environment for all staff and contractors. No lost time injuries ("LTIs") were recorded for the half-year and the lost time injury frequency rate ("LTIFR") was zero (June 2016: 0.0).

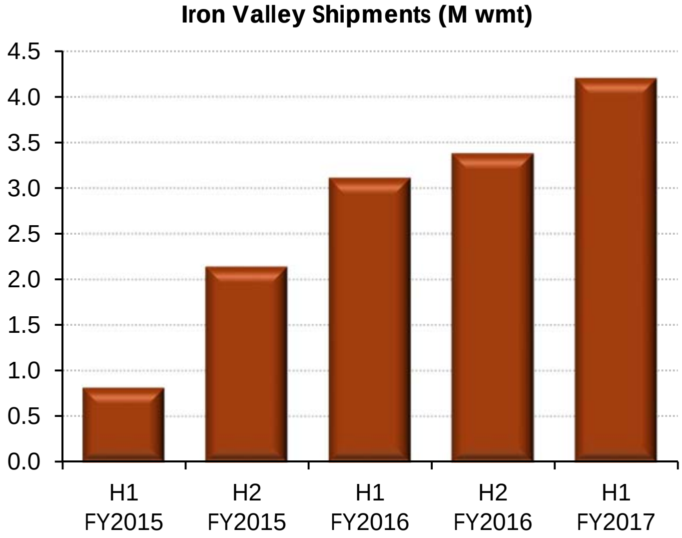
MIN is responsible for Occupational Health and Safety matters at Iron Valley and therefore BC Iron does not report LTIs or the LTIFR.

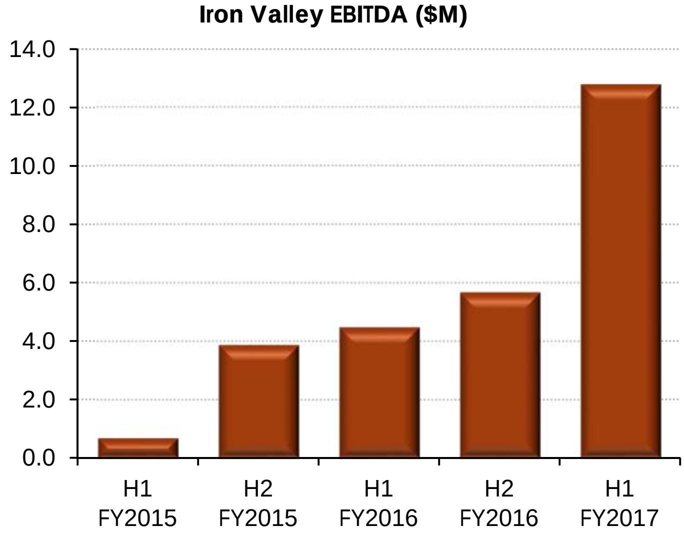
OPERATIONS

Iron Valley

Iron Valley is operated by Mineral Resources Limited ("MIN") under an ore purchase agreement with BC Iron. MIN operates the mine at its cost and purchases iron ore from BC Iron at a price linked to MIN's received price. BC Iron is responsible for paying royalties related to the project and securing key approvals.

Robust iron ore pricing and strong operational performance during the half-year delivered a strong result for Iron Valley, MIN shipped 4.2 million wet metric tonnes ("M wmt") (December 2015: 3.1M wmt), which generated revenue for BC Iron of $35.4M (December 2015: $18.2M) and EBITDA of $12.8M (December 2015: $4.5M). In light of these strong figures, BC Iron has revised its FY17 Iron Valley EBITDA guidance to $18-25M (previously $6-16M)[1].





All approvals have now been secured for below water table mining at the Iron Valley mine as announced to the market on 4 January 2017. This allows MIN to access the entire Iron Valley Ore Reserves and significantly extend the mine life at current production rates.

Buckland

The Buckland mine-to-port development project comprises a proposed mine at Bungaroo South and a proposed independent infrastructure solution consisting of a private haul road and transhipment port facility at Cape Preston East. During the half-year, BC Iron received approval from the Department of Mines and Petroleum ("DMP") for the Mining Proposal and Mine Closure Plan for the Buckland Project, which provides approval to commence development and operation of the Bungaroo South mine and private haul road of the integrated 8 million tonne per annum ("Mtpa") mine, road and port solution.

Also during the half-year, the Pilbara Ports Authority approved an extension to the deadline for BC Iron to satisfy (or waive) conditions for the development of the Cape Preston East port. This extension provides BC Iron with increased time and flexibility to progress its Buckland development plans and approvals. Extensive work has been completed over a number of years to advance the Buckland Project to its current status and BC Iron continues to target a construction ready-status for the Buckland Project by the June 2017 quarter.

BC Iron continued to assess and optimise the development concept for the Buckland Project to potentially allow for a 20 Mtpa mining operation, which would increase utilisation of the Cape Preston East port and achieve a more competitive cost structure. A number of strategies are being pursued to achieve this. As part of this process, BC Iron continues to assess options for funding the development of the Project.

Nullagine Joint Venture

Nullagine is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited ("Fortescue"). In December 2015, BC Iron announced that Nullagine would temporarily suspend direct shipping ore ("DSO") operations progressively during December 2015 and January 2016 due to low iron ore prices.

1. Refer to December 2016 quarterly report (released on 25 January 2017) for details of the assumptions that underpin Iron Valley guidance.

During the half-year, Nullagine has remained on temporary suspension and is shown as discontinued operations due to the pending sale (see Corporate section for details on the sale). BC Iron continued to focus on reducing holding costs, resulting in Nullagine producing a loss before tax for the half-year ended 31 December 2016 of $1.1M (December 2015: loss $43.1M).

STATEMENT OF PROFIT AND LOSS

The Company's profit after income tax for the half-year ended 31 December 2016 was $6.6M (December 2015: loss $72.9M), which is a result of a $7.7m profit from continuing operations, less a $1.1M loss from discontinued operations (Nullagine). These improved results are primarily due to robust iron ore prices, strong operational performance of Iron Valley, and reduced Nullagine holding costs and corporate expenditure.

The following table provides a summary of the Company's statement of profit and loss:

	H1 FY17 $M	H1 FY16 $M
Continuing operations		
Revenue	35.5	18.7
Profit/(loss) before tax	7.7	(2.7)
Profit/(loss) after tax from continuing operations	**7.7**	**(0.9)**
Discontinued operations		
Loss after tax from discontinued operations	(1.1)	(72.0)
Total profit/(loss) after tax	**6.6**	**(72.9)**

The Company's EBITDA for the half-year ended 31 December 2016 was $8.5M (December 2015: loss $2.1M), which incorporates a positive EBITDA of $9.3M from continuing operations and the negative EBITDA of $0.8M from discontinued operations.

The following table shows the EBITDA contribution for each segment of the Group:

	H1 FY17 $M	H1 FY16 $M
Continuing operations		
Iron Valley	12.8	4.5
Buckland	(0.5)	(1.3)
Other	(3.0)	(2.2)
EBITDA from continuing operations	**9.3**	**1.0**
Discontinued operations		
EBITDA from discontinued operations	(0.8)	(3.1)
Total EBITDA	**8.5**	**(2.1)**

STATEMENT OF CASH FLOWS

Cash and cash equivalents as at 31 December 2016 increased to $32.3M (June 2016: $9.5M), primarily due to the successful completion of an entitlement offer which raised $24.2M after costs, strong Iron Valley income and a reduction in Nullagine holding costs and expenditure.

STATEMENT OF FINANCIAL POSITION

Net assets increased to $107.8M (June 2016: $76.7M) primarily as a result of the increased cash, primarily from the share issue and strong iron valley returns, and higher receivables due to a strong December quarter from Iron Valley.

The Company's gross debt position was reduced to nil at 31 December 2016 (June 2016: $2.0M) with the final repayment on the interest and security free debt with Henghou Industries (Hong Kong) Limited being made in October 2016.

At 31 December 2016, cash and cash equivalents exceeded debt by $32.3M (June 2016: $7.5M).

DIVIDENDS

The Directors have not paid or declared any dividends in the half-year ended 31 December 2016.

		2016	2015
(a)	out of the profits for the year ended 30 June 2016 and retained earnings on fully paid ordinary shares (2015: nil).	Nil	Nil
(b)	out of the profits for the half-year ended 31 December 2016 and retained earnings on fully paid ordinary shares.	Nil	Nil

CORPORATE

Entitlement Offer

In October 2016, BC Iron announced a 1 for 1 pro-rata renounceable entitlement offer at an issue price of $0.13 per share. The entitlement offer was successfully completed in November 2016, with strong take-up by existing shareholders of 74%. The net funds raised after costs of $24.2M has strengthened the Company's balance sheet and supports its strategy to actively generate value from existing assets and consider new investment opportunities.

BC Iron is currently transitioning to a new phase, 'resetting for growth' and focusing activities on actively generating value from existing assets while also considering, in a disciplined manner, other new opportunities. The funds raised under the Offer will support this strategy and also strengthen the Company's balance sheet.

Sale of Nullagine Interest

On 10 October 2016, BC Iron entered into a binding terms sheet in relation to the sale of its 75% interest in Nullagine to Fortescue Metals Group Limited ("Fortescue") for $1 plus an ongoing royalty on all future iron ore mined from the Nullagine tenements. In December 2016, BC Iron and Fortescue executed a formal sale and purchase agreement in connection with the transaction.

Completion of the transaction is subject to the satisfaction of certain conditions including regulatory approvals and various third party consents, which BC Iron and Fortescue are continuing to progress. It is expected that completion will occur during the March 2017 quarter.

Annual General Meeting

The Company's annual general meeting was held in Perth on 25 November 2016. All seven resolutions considered at the meeting were passed.

Board and Management Changes

Chief Executive Officer, Alwyn Vorster, was appointed to the Company's Board in September 2016 in the position of Managing Director.

Anthony Kiernan resigned as Chairman and Non-Executive Director in December 2016 after 10 years of service with the Company and Brian O'Donnell was appointed to the role of Chairman. Mr O'Donnell has been a Non-Executive Director since completion of the Iron Ore Holdings Limited takeover in 2014 and was a Non-Executive Director of Iron Ore Holdings Limited since 2008.

Simon Hodge was appointed Chief Financial Officer, effective 1 February. Mr Hodge has extensive experience across many industry sectors, including as Executive Director and Co-Founder of Quickflix Limited; Corporate Advisor, Poynton & Partners; Equity Research Analyst, Hartley Poynton and Institutional Equity Research Analyst, JP Morgan Securities London.

Rubini Ventouras was appointed General Counsel and Company Secretary, effective 1 February. Ms Ventouras has extensive legal and commercial experience involving exploration, project construction, HSE legislation, mining operations and marketing throughout Australasia, Asia and Europe. Most recently, she held senior roles with Newmont Asia Pacific where she was Group Executive Legal Affairs from 2007 to 2016.

FINANCIAL YEAR 2017 OUTLOOK AND GUIDANCE

BC Iron expects FY2017 EBITDA from Iron Valley will be in the range of $18-25M, based on a range of production rates and pricing-related assumption as announced to the ASX in BC Iron's December 2016 quarterly report (released on 25 January 2017).

BC Iron plans to continue assessing and optimising the development concept for the Buckland Project to potentially allow for a 20 Mtpa mining operation, which would increase utilisation of the CPE Cape Preston East port and achieve a more competitive cost structure. A number of strategies are being pursued to achieve this.

The Company is also assessing new investment opportunities in Australian-based resource projects with a strong value proposition and near-term or long-term earnings potential, including commodities other than iron ore.

OTHER CONSIDERATIONS

Iron ore price and AUD:USD exchange rate

BC Iron is exposed to fluctuations in the iron ore price and the AUD:USD exchange rate at Iron Valley, where MIN purchases product from the Company at a price based on MIN's realised Australian dollar sale price.

The iron ore price improved during the half-year ended 31 December 2016, with the Platts CFR 62% Fe price averaging US$80/dmt in the month of December 2016. The table below sets out the average headline iron ore price in recent years.

	H1 FY2017 $US/dmt	FY2016 US$/dmt	FY2015 US$/dmt	FY2014 US$/dmt
Platts CFR 62% Fe (average)	65	51	72	123

Source: www.platts.com

The following table summarises the AUD:USD exchange rate in recent years:

	H1 FY2017 $	FY2016 $	FY2015 $	FY2014 $
AUD:USD (average)	0.7547	0.7283	0.8371	0.9179
AUD:USD (closing)	0.7236	0.7426	0.7672	0.9419

Source: www.rba.gov.au, Bloomberg and www.oanda.com

Significant changes in state of affairs

BC Iron and Fortescue executed a formal sales agreement for the sale of BC Iron's 75% interest in Nullagine to Fortescue for $1 plus an ongoing royalty on all future iron ore mined from the Nullagine tenements in December 2016. It is expected that the sale transaction will complete in the March 17 quarter. 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.

Audit independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to the independent auditors report and forms part of the Directors' Report.

Signed in accordance with a resolution by the Directors.

Brian O'Donnell
Chairman
Perth, Western Australia
21 February 2017

Alwyn Vorster
Managing Director
Perth, Western Australia
21 February 2017

Events since the end of the reporting period

No 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 the half-year ended 31 December 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 Consolidated Entity's financial position as at 31 December 2016 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 Consolidated Entity 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.

Brian O'Donnell
Chairman
Perth, Western Australia
21 February 2017

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

	Notes	**December 2016 $000's**	December 2015 $000's
Continuing operations			
Revenue			
Sale of goods		**35,379**	18,184
Other revenue		**119**	519
Total revenue	1	**35,498**	18,703
Foreign exchange gain/(loss)		**80**	-
Cost of sales	2	**(24,025)**	(14,977)
Administration expenses	2	**(2,720)**	(2,276)
Exploration and evaluation expenditure		**(1,080)**	(1,577)
Impairment of mine property and other assets	3	**-**	(2,600)
Profit / (loss) before income tax		**7,753**	(2,727)
Income tax benefit/(expense)	5	**-**	1,824
Profit / (loss) after income tax from continuing operations		**7,753**	(903)
Discontinued operations			
Loss after income tax from discontinued operations	4	**(1,107)**	(71,981)
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**-**	(2,706)
Profit / (loss) for the year attributable to owners of BC Iron Limited		**6,646**	(75,590)
Basic earnings / (loss) per share from continuing operations (cents per share)		**1.98**	(0.46)
Basic earnings / (loss) per share from discontinued operations (cents per share)		**(0.28)**	(38.07)

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

BC IRON LIMITED

Consolidated statement of financial position

	Notes	December 2016 $000's	June 2016 $000's
Current assets			
Cash and cash equivalents		**32,323**	9,450
Trade and other receivables		**21,019**	13,694
Inventory		**-**	61
Assets held for sale	4	**4,595**	-
Total current assets		**57,937**	23,205
Non-current assets			
Receivables		**4,566**	5,986
Property, plant and equipment	6	**46,283**	52,928
Exploration and evaluation assets	7	**4,100**	4,100
Intangibles	8	**23,532**	23,532
Total non-current assets		**78,481**	86,546
Total assets		**136,418**	109,751
Current liabilities			
Trade and other payables		**19,188**	19,749
Provisions	9	**267**	415
Loans and borrowings	10	**-**	2,020
Liabilities held for sale	4	**4,595**	-
Total current liabilities		**24,050**	22,184
Non-current liabilities			
Provisions	9	**4,566**	10,892
Total non-current liabilities		**4,566**	10,892
Total liabilities		**28,616**	33,076
Net assets		**107,802**	76,675
Shareholders' equity			
Contributed equity	11	**266,735**	242,467
Reserves	12	**5,096**	4,883
Accumulated losses	13	**(164,029)**	(170,675)
Total shareholders' equity		**107,802**	76,675

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

Consolidated statement of changes in equity

	Contributed equity	Accumulated losses	Reserves	Total
	$000's	$000's	$000's	$000's
Balance at 1July 2015	242,467	(90,720)	7,536	159,283
Loss for the year	-	(79,955)	-	(79,955)
Reclassification to profit or loss	-	-	(2,706)	(2,706)
Total comprehensive losses	-	(79,955)	(2,706)	(82,661)
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	-	-	-	-
Performance rights converted	-	-	-	-
Share based payments	-	-	52	52
Dividends paid	-	-	-	-
Balance at 30 June 2016	**242,467**	**(170,675)**	**4,883**	**76,675**
Profit for the half-year	**-**	**6,646**	**-**	**6,646**
Reclassification to profit or loss	**-**	**-**	**-**	**-**
Total comprehensive gains/(losses)	**-**	**6,646**	**-**	**6,646**
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	**24,188**	**-**	**-**	**24,189**
Performance rights converted	**80**	**-**	**(80)**	**-**
Share based payments	**-**	**-**	**293**	**293**
Dividends paid	**-**	**-**	**-**	**-**
Balance at 31 December 2016	**266,735**	**(164,029)**	**5,096**	**107,802**

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

Consolidated statement of cash flows

	December 2016 $000's	December 2015 $000's
Cash flows from operating activities		
Receipts from customers	27,631	122,380
Payments to suppliers and employees	(23,033)	(142,961)
Management fees received	10	443
Interest received	59	466
Net cash flows from operating activities	4,667	(19,672)
Cash flows from investing activities		
Payments for mine property and development expenditure	(74)	(1,720)
Payments for plant and equipment	(1,582)	(4,948)
Net cash flows from investing activities	(1,656)	(6,668)
Cash flows from financing activities		
Proceed from issue of shares (net of costs)	24,188	-
Repayment of borrowings	(1,965)	-
Repayment of Royalty Rebate	(2,575)	-
Net cash flows from financing activities	19,648	-
Net increase /(decrease) in cash and cash equivalents	22,659	(26,340)
Cash and cash equivalents at 1 July	9,450	67,671
Effect of exchange rate changes on cash and cash equivalents	214	1,605
Cash and cash equivalents at end of the half-year	32,323	42,936

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

Notes to the financial statements

PREFACE TO THE NOTES

The notes include information which is required to understand the financial statements and is material and relevant to the operations and the financial position and performance of the Company. Information is considered relevant and material if:

- The amount is significant due to its size or nature;
- The amount is important in understanding the results of the Company;
- It helps to explain the impact of significant changes in the Company's business; or
- It relates to an aspect of the Company's operations that is important to its future performance.

The notes are organised into the following sections:

- Basis of preparation;
- Key numbers;
- Capital;
- Risk management;
- Group structure;
- Unrecognised items; and
- Other notes.

Basis of preparation

1. Corporate information

The financial statements for BC Iron Limited for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 21 February 2017. BC Iron Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. BC Iron Limited and its subsidiaries together are referred to in these financial statements as the 'Company' or the 'consolidated entity'.

The principal activities of the Company during the course of the financial year were the operation, development and exploration of mineral projects, focusing primarily on iron ore deposits in the Pilbara region of Western Australia.

2. Basis of preparation

These general purpose interim financial statements for the half-year ended 31 December 2016 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 2016 and considered together with any public announcements made by the Company during the half-year ended 31 December 2016 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. New, revised or amending Accounting Standards and Interpretations adopted

The Company has not adopted any new and amended Australian Accounting Standards and AASB Interpretations since 30 June 2016.

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

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

5. Foreign currency

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

6. Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a major line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the profit or loss and other comprehensive income. Where a decision is made to treat a major line of business or area of operations as discontinued the comparative information is restated to reflect as if that major line of business or area of operations had been discontinued in the prior period.

The assets and liabilities held for sale are stated on the balance sheet at the lower of carrying value and fair value less cost to sell ("FVLCTS").

Key Numbers

NOTE 1 – REVENUE

	December 2016 $000's	December 2015 $000's
Sales – Iron Valley	**35,379**	18,184
Interest revenue	**119**	230
Other income	**-**	289
Total	**35,499**	18,703

NOTE 2 - EXPENSES

	December 2016 $000's	December 2015 $000's
Cost of Sales		
Amortisation of mine properties	**1,629**	1,247
Royalties	**22,396**	13,730
Cost of sales	**24,025**	14,977
Administration expenses		
Acquisition-related costs	**-**	249
Employee benefits expense	**947**	758
Depreciation and amortisation	**58**	121
Share based payments	**293**	55
Non-executive directors' fees	**203**	206
Occupancy related expenses	**132**	248
Consultant and legal fees	**632**	146
Other	**455**	493
Administration expenses	**2,720**	2,276

NOTE 3 – IMPAIRMENT OF NON-FINANCIAL ASSETS

	December 2016 **$000's**	December 2015 $000's
Impairment of intangibles	**-**	2,600
Total	**-**	2,600

Due to the stronger iron ore pricing, the Company has concluded that no Impairment indicators were present at the half-year ending 31 December 2016, and therefore an impairment of assets was not required.

NOTE 4 – DISCONTINUED OPERATIONS

Loss from discontinued operations

	December 2016 **$000's**	December 2015 $000's
Revenue		
Sale of goods	**-**	96,332
Other income	**269**	722
Total revenue	**269**	97,054
Foreign exchange (loss)/gain	**(85)**	804
Cost of sales	**-**	(64,711)
Selling and marketing	**-**	(17,892)
Administration	**(909)**	(16,883)
Exploration and evaluation expenditure	**(120)**	(430)
Impairment	**(331)**	(37,509)
Depreciation & amortisation	**(242)**	(2,702)
Loss before finance costs and income tax	**(1,418)**	(42,269)
Finance revenue/(cost)	**311**	(801)
Loss before income tax	**(1,107)**	(43,070)
Income tax benefit/(expense)	**-**	(28,911)
Loss from Discontinued operations	**(1,107)**	(71,981)
Weighted average number of ordinary shares (basic)	**392,526,910**	196,196,992
Basic loss per share from discontinued operations (cents)	**(0.28)**	(38.07)

Cash flows from discontinued operations

	December 2016 $000's	December 2015 $000's
Net cash flows from operating activities	**(1,991)**	(16,231)
Net cash flows from investing activities	**(1,532)**	(6,418)
Net cash flows from discontinued operations	**(3,523)**	(22,649)

Assets and liabilities held for sale

	December 2016 $000's
Assets held for sale	
Inventory	**39**
Property, Plant & Equipment	**4,887**
Impairment of Property, Plant and Equipment	**(331)**
Total assets held for sale	**4,595**
Liabilities held for sale	
Provisions	**(4,595)**
Total liabilities held for sale	**(4,595)**

Assets held for sale have been remeasured at fair value less cost to sell, resulting in an impairment of $0.3M.

NOTE 5 – INCOME TAXES

	December 2016 $000's	December 2015 $000's
Reconciliation of effective tax rate		
Profit/(loss) before tax	**7,753**	(2,727)
Income tax at the statutory rate of 30 per cent (2015: 30 per cent)	**2,326**	(818)
Non-deductible expenses	**88**	800
Temporary differences derecognised	**(1,111)**	(2,320)
Tax losses/(gains) not recognised	**(1,374)**	640
Under/(over) provided in prior periods and other	**71**	(126)
Income tax (benefit) reported in the Statement of profit or loss and other comprehensive income	**-**	(1,824)

The Company recognises deferred tax assets relating to carried forward tax losses to the extent they can be utilised. The utilisation depends on the ability of the entities to generate sufficient future taxable profits. At 31 December 2016 the Company, including discontinued operations, had unrecognised deferred tax assets of $14.8M (June 2016: 18.6M) relating to tax losses of $50.5M (June 2016: $49.4M). The Company also has an R&D off-set available of $5.7M (June 2016: $5.7M).

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	Mine Properties $000's	Plant and equipment $000's	Office furniture, equipment and IT $000's	Total $000's
Year ended 30 June 2016				
Opening net book value	57,989	5,119	1,064	64,172
Additions	7,707	2	114	7,823
Disposals	-	(4)	-	(4)
Changes to rehabilitation estimate	(13,380)	-	-	(13,380)
Depreciation and amortisation expense	(4,154)	(1,077)	(461)	(5,692)
Reclassification of assets	1,539	(915)	(624)	-
Reclassification to exploration	(1)	-	-	(1)
Reclassification to profit and loss	10	-	-	10
Closing net book value	49,710	3,125	93	52,928
At 30 June 2016				
Cost	103,368	5,354	1,632	110,354
Accumulated depreciation and amortisation	(53,658)	(2,229)	(1,539)	(57,426)
Net carrying amount	49,710	3,125	93	52,928
Half-year ended 31 December 2016				
Opening net book value	**49,710**	**3,125**	**93**	**52,928**
Additions	**122**	**-**	**49**	**171**
Reclassification of assets	**-**	**(2)**	**2**	**-**
Depreciation and amortisation expense	**(1,629)**	**(235)**	**(65)**	**(1,929)**
Transfer to assets held for sale	**(2,063)**	**(2,798)**	**(26)**	**(4,887)**
Closing net book value	**46,140**	**90**	**53**	**46,283**
At 31 December 2016				
Cost	**51,658**	**2,075**	**1,580**	**55,313**
Accumulated depreciation and amortisation	**(5,518)**	**(1,985)**	**(1,527)**	**(9,030)**
Net carrying amount	**46,140**	**90**	**53**	**46,283**

NOTE 7 – EXPLORATION AND EVALUATION

	December 2016 $000's	June 2016 $000's
Opening balance	**4,100**	4,100
Net carrying amount	**4,100**	4,100

NOTE 8 – INTANGIBLES

	December 2016 $000's	June 2016 $000's
Opening balance	**23,532**	26,132
Impairment charge	**-**	(2,600)
Net carrying amount	**23,532**	23,532

Net carrying value of intangibles:

Royalties	**15,502**	15,502
Port access rights	**8,030**	8,030
Net carrying amount	**23,532**	23,532

Royalties

The Company holds royalties over the Koodaideri South and Breakaway and 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.

Port access rights

The Company holds a lease at the Cape Preston East Port and through the purchase price allocation process that was conducted following the acquisition of this asset as part of the purchase of Iron Ore Holdings Limited 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.

No impairment were recognised at 31 December 2016 as no impairments indicators were present, refer to note 3.

NOTE 9 – PROVISIONS

	December 2016 $000's	June 2016 $000's
Current		
Employee benefits	**267**	415
Total current	**267**	415
Non-current		
Rehabilitation	**4,566**	10,892
Total non-current	**4,566**	10,892
Total	**4,833**	11,307

Movement in Provisions in the half-year ended 31 December 2016

	Rehabilitation and site closure $000's	Employee benefits $000's	Total $000's
Opening balance 1 July 2016	**10,892**	**415**	**11,307**
Changes in rehabilitation estimate	**(1,487)**	**-**	**(1,487)**
Charged/(credited) to profit or loss:			
additional provisions recognised	**-**	**158**	**158**
unused amounts reversed	**(362)**	**(42)**	**(404)**
unwinding of discount (non-cash)	**117**	**-**	**117**
Amounts used during the year	**-**	**(264)**	**(264)**
Transfers to liabilities held for sale	**(4,595)**	**-**	**(4,595)**
Closing balance	**4,566**	**267**	**4,833**

As of 31 December 2016, the NJV rehabilitation provision has been transferred to liabilities held for sale as the Company entered into a formal sale agreement for the sale of the NJV to Fortescue Metals Group.

A provision is made for the estimated cost to rehabilitate the Iron Valley site, which is offset by a receivable from Mineral Resources Limited recognising the contractual requirement to rehabilitate the site.

NOTE 10 – LOANS AND BORROWINGS

	December 2016 $000's	June 2016 $000's
Current		
Unsecured - Henghou facility	-	2,020
Total current	-	2,020
Total	-	2,020

On the 21 October 2016 the final repayment of US1.5 million was made to Henghou Industries (Hong Kong) Limited.

NOTE 11– CONTRIBUTED EQUITY

	December 2016		June 2016	
	Number	$000's	Number	$000's
Share capital				
Ordinary shares - fully paid	**392,526,910**	**266,735**	196,196,992	242,467
Movements in ordinary share capital				
Opening balance	**196,196,992**	**242,467**	196,196,992	242,467
Issue of shares under employee performance rights plan	**66,463**	**80**		
Issue of shares under entitlement offer	**196,263,455**	**24,188**	-	-
Closing balance	**392,526,910**	**266,735**	196,196,992	242,467

In November 2016 the Company successfully completed a pro-rata renounceable entitlement offer of one new share for every one share held. The entitlement offer raised $24.2 million net of costs.

NOTE 12 – RESERVES

	December 2016 $000's	June 2016 $000's
Share based payments reserve		
Balance as at 1 July	**10,105**	10,052
Share based payments expense	**293**	53
Issue of shares under Employee Performance Rights Plan	**(80)**	-
Closing balance	**10,318**	10,105
Financial assets at fair value through other comprehensive income		
Balance as at 1 July	**(9,009)**	(9,009)
Closing balance	**(9,009)**	(9,009)
Options exercised reserve		
Balance as at 1 July	**3,787**	3,787
Closing balance	**3,787**	3,787
Hedging reserve		
Balance as at 1 July	**-**	2,706
Gains and losses on cash flow hedges	**-**	(2,706)
Closing balance	**-**	-
Total reserves	**5,096**	4,883

NOTE 13 – ACCUMULATED LOSSES

	December 2016 $000's	June 2016 $000's
Balance as at 1 July	**(170,675)**	(90,720)
Net profit/(loss)	**6,646**	(79,955)
Closing balance	**(164,029)**	(170,675)

NOTE 14 – DIVIDENDS

During the half-year ended 31 December 2016, no dividends have been paid (June 2016: Nil) and no dividends have been declared (June 2016: Nil)

NOTE 15 – SEGMENT INFORMATION

Segment Earnings

	Iron Valley $000's	Buckland $000's	Discontinued operations $000's	Other $000's	**Total $000's**
Half-year ended 31 December 2015					
Total segment revenue	18,184	-	97,058	519	115,762
EBITDA	4,454	(1,258)	(3,145)	(2,185)	(2,134)
Profit/(loss) before income tax	3,207	(1,258)	(43,069)	(4,677)	(45,797)
Half-year ended 31 December 2016					
Total segment revenue	**35,379**	**-**	**59**	**119**	**35,558**
EBITDA	**12,830**	**(531)**	**(782)**	**(3,059)**	**8,458**
Profit/(loss) before income tax	**11,201**	**(531)**	**(1,107)**	**(2,917)**	**6,646**

Segment assets and liabilities

	Iron Valley $000's	Buckland $000's	Discontinued operations $000's	Other $000's	**Total $000's**
As at 30 June 2016					
Segment assets	52,987	8,030	5,129	43,604	109,751
Segment liabilities	15,274	-	4,906	12,897	33,076
As at 31 December 2016					
Segment assets	**66,964**	**8,030**	**4,595**	**56,829**	**136,749**
Segment liabilities	**18,760**	**-**	**4,595**	**5,261**	**28,616**

Management has determined that the Company has four reportable segments, being Iron Valley, Buckland, Discontinued Operations (Nullagine) and Other. All cash generating units 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 Australia 100%.

Accounting policy

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Company's Board. Internal reporting is provided to the Board on a consolidated basis.

NOTE 16 – CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2016, the Company has no contingent liabilities or assets.

NOTE 17 – EVENTS OCCURRING AFTER THE REPORTING PERIOD

No 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 the half-year ended 31 December 2016.

BC IRON LIMITED

INDEPENDENT AUDITOR'S REVIEW REPORT

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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 2016, 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 2016 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:

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) 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, 21 February 2017

AUDITOR'S INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY NAME OF ENGAGEMENT PARTNER TO THE DIRECTORS OF COMPANY NAMED

As lead auditor for the review of BC Iron Limited for the half-year ended 31 December 2016, 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, 21 February 2017

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LIMITED

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