BC IRON LIMITED
ANNUAL REPORT
2017

BC IRON
LIMITED

Bungaroo South deposit

CONTENTS

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- Maximise value from its iron ore portfolio;
- Create a presence in gold and/or base metals; and
- Become an influential Australian player in the agricultural and industrial minerals industry.

OUR COMPANY

BC Iron Limited ("BCI" or the "Company") is an ASX-listed resources company that is managing a portfolio of mineral interests.

BCI's strategy is to:

- Maximise value from its iron ore portfolio;
- Create a presence in gold and/or base metals; and
- Become an influential Australian player in the agricultural and industrial minerals industry.

Iron ore remains the Company's core focus, with the key assets of Iron Valley and Buckland providing a complementary mix of existing earnings and growth potential.

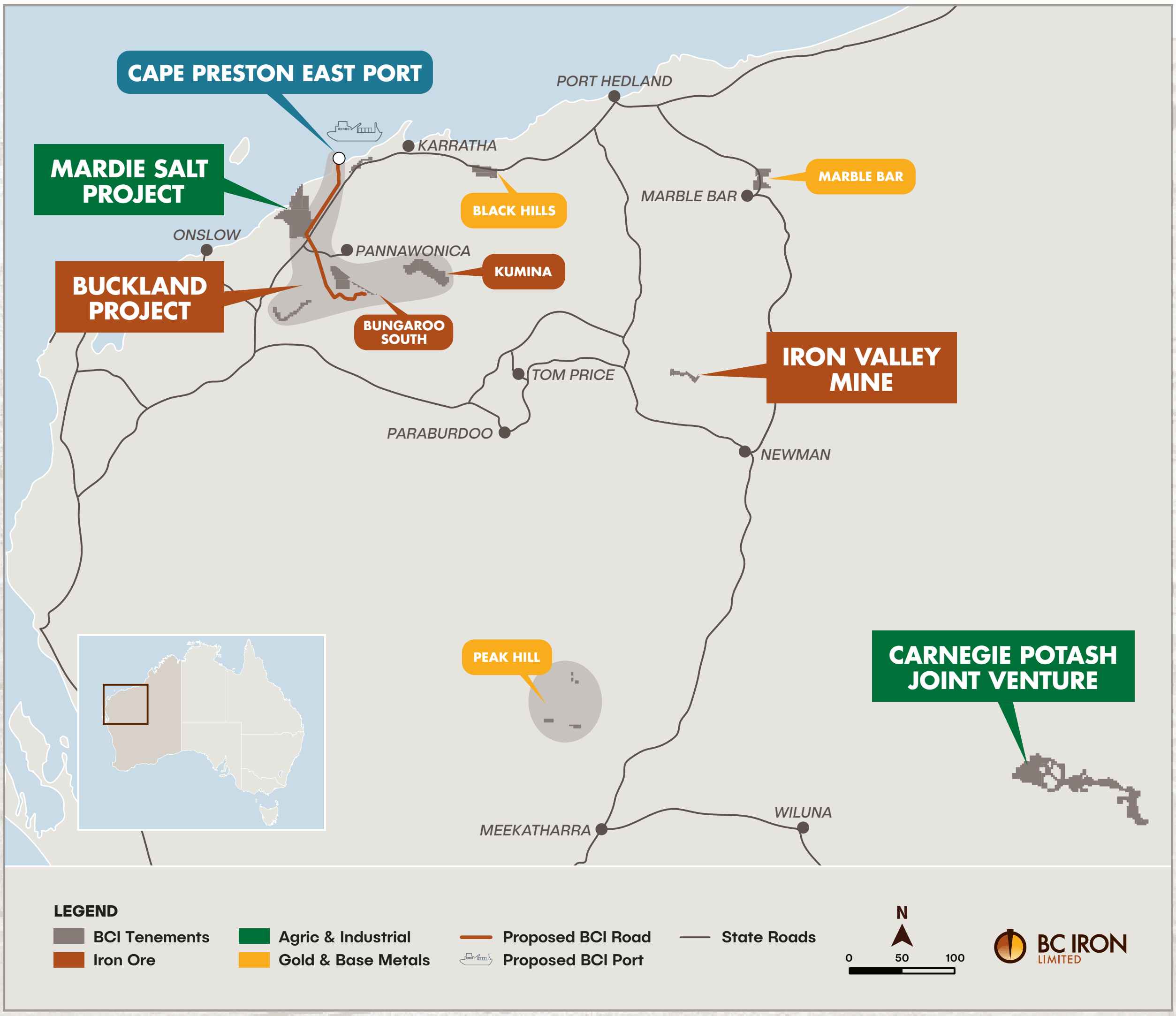
Iron Valley is an iron ore mine located in the Central Pilbara, which is operated by Mineral Resources Limited (ASX: MIN) and is generating royalty earnings for the Company.

Buckland is a 100%-owned strategic iron ore development project located in the West Pilbara region, comprising proposed mines at Bungaroo South, Kumina and other deposits, and a proposed private infrastructure solution incorporating a haul road and transhipment port at Cape Preston East.

The Company's iron ore portfolio also includes potential royalties over the Nullagine, Koodaideri South, Breakaway and Extension tenements.

BCI is establishing an agricultural and industrial minerals business, which currently includes a joint venture over the Carnegie Potash Project with Kalium Lakes Limited (ASX: KLL) and the 100%-owned Mardie Salt Project, which has a completed scoping study.

BCI is also seeking to create a presence in gold and/or base metals, primarily targeting its regional exploration tenements and new project level interests in Australian assets.



Bungaroo South deposit

CHAIRMAN'S LETTER

Dear Shareholders

It gives me great pleasure to write my first Chairman's Letter as Chairman of BCI. I joined the Board in 2014 following the merger with Iron Ore Holdings Limited and became Chairman in late-2016 when long-serving Chairman, Tony Kiernan, stepped aside to focus on his other business interests and directorships.

BCI has been evolving throughout this period and this continued during the 2017 financial year. The key event for BCI during the year was the unveiling of a refreshed company strategy focused on growth and diversification, which was accompanied by a strongly supported equity raising to facilitate execution of the strategy.

Iron ore remains at BCI's core and the Company's iron ore asset portfolio represents a complementary mix of existing earnings, development assets and potential royalty streams. BCI's earnings from Iron Valley underpinned a return to profit for the Company and progress continues to be made with our 100%-owned Buckland mine, road and port development project.

However, as shareholders would be aware, iron ore is not without it challenges. Iron ore prices have been in a generally downward trend during my time with BCI. Whilst prices have been reasonably well supported at times during the last year, significant volatility has been present and is expected to continue. Changing market dynamics have also impacted pricing for 58-60% Fe iron ore products which are representative of BCI's deposits.

BCI's diversification strategy was carefully considered at Board level and we firmly believe BCI's expansion into the agricultural/industrial minerals space and the gold/base metals space can create long term shareholder value and meaningful diversification of commodity exposure. However, the Board will ensure BCI remains patient and focused on entering into the right transactions.

BCI's diversification strategy was carefully considered at Board level and we firmly believe BCI's expansion into the agricultural/industrial minerals space and the gold/base metals space can create long term shareholder value and meaningful diversification of commodity exposure.

The Board sees increasingly favourable market dynamics in the agricultural and industrial minerals industries and believes there are opportunities for long term value creation. BCI will advance its existing projects in this area and consider increasing its exposure with new projects. BCI's Mardie Salt Project also has the potential to complement the Buckland Project and its proposed transhipping port at Cape Preston East, which is a strategic asset that BCI is positioning as a multi-commodity, multi-user port.

I'd like to acknowledge Tony Kiernan's contribution to BCI over approximately a decade at the helm. I'd also like to express thanks to my fellow Directors for their ongoing support and note the dedication and energy with which Managing Director, Alwyn Vorster, is driving BCI's strategy forward.

I firmly believe that BCI has an attractive asset portfolio and robust strategy, which combined with a solid balance sheet and supportive shareholder base, places the Company in a strong position to have a highly productive period of driving shareholder value.

Brian O'Donnell
Non-Executive Chairman

MANAGING DIRECTOR'S REPORT

Dear Shareholders

The 2017 financial year was a solid year for BCI overall, with a number of important achievements and continued progress at key projects.

BCI established a new growth and diversification strategy during the year, which is targeted to see the Company maintain and enhance its iron ore interests, create a presence in gold and/or base metals, and become an influential Australian player in agricultural and industrial minerals. Importantly, the strategy will enable BCI to add exposure to commodities with different market drivers, and smooth out the cyclical nature of the iron ore industry.

To facilitate this new strategy, BCI completed a successful entitlement offer in late-2016 to raise approximately $25.5M. The entitlement offer had an extremely high take-up of 74%, indicating shareholder confidence in the new strategic direction of the Company. I thank all shareholders for their support of the equity raising, including BCI's major shareholder, Wroxby Pty Ltd, which sub-underwrote a significant portion of the raising.

In relation to BCI's projects, Iron Valley operator, Mineral Resources Limited ("MIN"), achieved a record annual sales tonnage of 8 million tonnes, from which BCI generated revenue of $63.5M and EBITDA of $18.3M. MIN is a highly capable operator and must be commended for its achievements at Iron Valley from both a production and cost perspective.

It should be noted that 58-60% Fe products like Iron Valley are currently subject to increased discounts relative to the CFR 62% Fe benchmark price, which has the potential to impact BCI's EBITDA for the coming year.

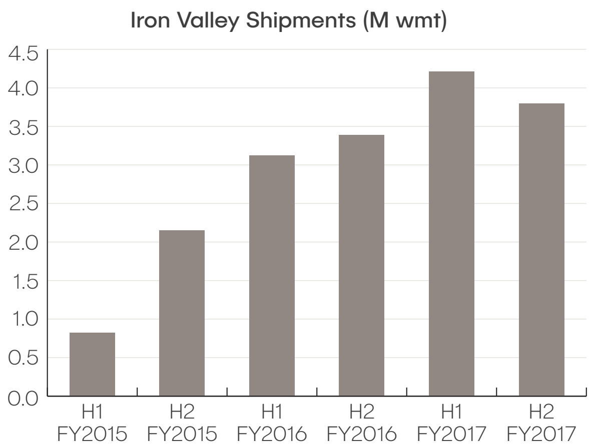
BCI continues to do a substantial amount of work on the 100%-owned Buckland iron ore development project, which is expected to be a long-term value driver for the Company. The focus throughout the year was on defining the optimal development concept to increase throughput rates, improve the cost structure and enhance product marketability.

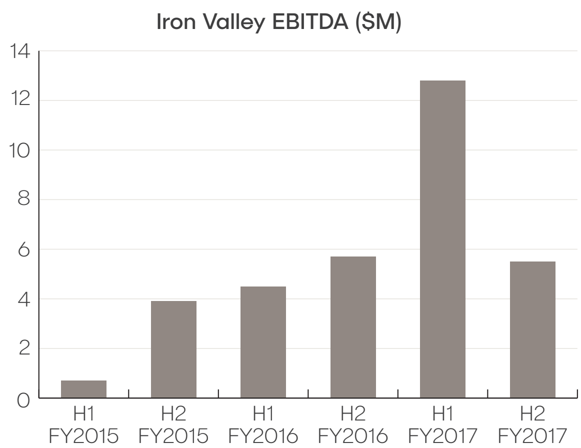
This work stream is continuing and we recently acquired a large tenement holding from Mineralogy Pty Ltd which has the potential to host iron ore deposits that can positively contribute to the Buckland Project, and is also prospective for other minerals.

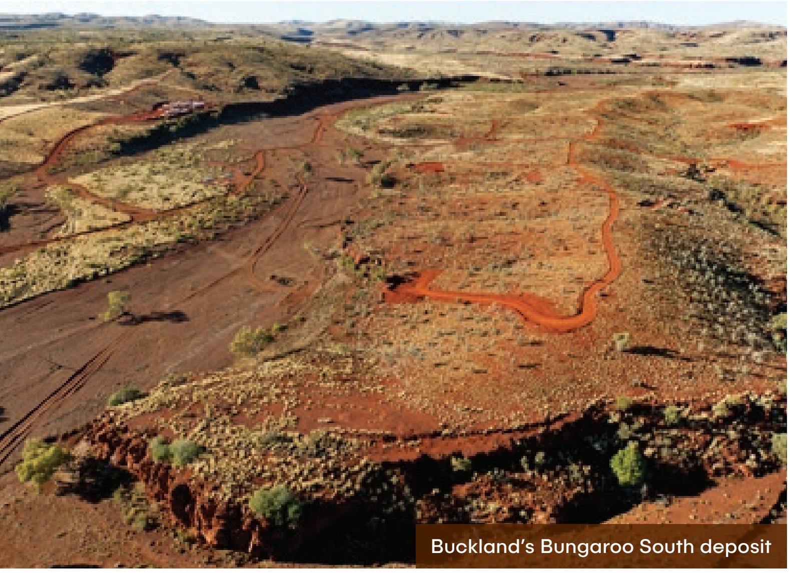
BCI is also positioning its Cape Preston East port ("CPE Port") as a multi-commodity, multi-user transhipment port targeting exports of up to 15Mtpa of "Buckland Blend" iron ore, up to 3Mtpa of salt from BCI's 100% owned Mardie Salt Project and up to 2Mtpa of other minerals or concentrates.

In support of the CPE Port strategy, BCI has completed a scoping study on its 100%-owned Mardie Salt Project, which demonstrated the potential viability of a 3.0-3.5Mtpa operation producing high-purity industrial grade salt via solar evaporation. Key financial metrics from the scoping study were positive and a pre-feasibility study will be completed in the 2018 financial year.

Iron Valley mine







Buckland's Bungaroo South deposit

Mardie Salt Project mud flats

BCI expanded its agricultural and industrial minerals portfolio during the year by entering into a joint venture with Kalium Lakes Limited over the Carnegie Potash Project, an early stage exploration project that has the potential to host a significant brine sulphate of potash ("SOP") deposit. BCI has identified SOP, a high-quality fertiliser, as a commodity with favourable long-term market fundamentals. BCI's current interest in the Carnegie Potash Project is 15% and BCI can increase its interest up to 50% by spending up to a further $10M in a staged manner.

BCI's gold and base metals exposure is focused on the Company's existing 100% owned exploration tenements in the Pilbara and Murchison regions, as well as assessing a range of new project-level opportunities.

The BCI tenements are prospective for a range of minerals including gold, copper, zinc and lithium. We are increasing our attention on these tenements and plan to conduct focused exploration programmes over the coming year before considering a rationalisation of any non-core tenements.

Financially, BCI achieved a profit in the 2017 financial year for the first time in several years. Underpinned by solid earnings from Iron Valley and diligent cost control, BCI recorded a full-year EBITDA of $9.4M and net profit after tax of $7.1M, in both cases excluding discontinued operations (Nullagine). The Company is in a strong balance sheet position to achieve its goals and deliver its strategy.

BCI continues to place a high priority on health, safety, environment and community. We have productive working relationships with key stakeholders and governmental agencies. In addition, no lost time injuries were recorded during the 2017 financial year, despite numerous ongoing field programmes.

As Managing Director, I am excited about BCI's future and the potential for the Company to create value for shareholders. The Company has a unique portfolio of complementary assets, a focused strategy to progress and expand the portfolio, and a dedicated management team and strong balance sheet to support delivery of the strategy.

For further information about BCI and its activities, please refer to the Directors' Report and specifically the Review of Operations on page 10 of this Annual Report and the Review of Results on page 12.

Alwyn Vorster
Managing Director

DIRECTORS' REPORT
(ISSUED 16 AUGUST 2017)

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 year ended 30 June 2017.

PRINCIPAL ACTIVITY

The principal activities of the Company during the course of the financial year were the development and exploration of assets in the Pilbara region of Western Australia, including the Iron Valley Mine, Buckland Project, Mardie Salt Project and Carnegie Potash Project.

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 year and up to the date of this report are:

Brian O'Donnell	Chairman *(Non-Executive) appointed Chairman 7 December 2016*
Anthony Kiernan	Chairman *(Non-Executive) resigned 7 December 2016*
Alwyn Vorster	Managing Director *(Executive) appointed 22 September 2016*
Martin Bryant	Director *(Non-Executive)*
Andrew Haslam	Director *(Non-Executive)*
Michael Blakiston	Director *(Non-Executive) appointed 1 March 2017*
Jenny Bloom	Director *(Non-Executive) appointed 1 March 2017*

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Mr Brian Francis O'Donnell *B Com, FCA, MAICD*

Chairman (Non-Executive) appointed October 2014
Period of office at August 2017 – 2 year and 10 months

Mr O'Donnell is Director, Finance and Investments for the Australian Capital Equity Pty Limited (ACE) group, which includes BCI's largest shareholder, Wroxby Pty Ltd. Brian is a director of various ACE group companies, including companies active in the property, agricultural, advertising and investment sectors, in Australia and China.

Mr O'Donnell is also a non-executive director of ASX-listed Capilano Honey Limited, and The Guide Dog Foundation Pty Ltd (WA). He is a former director of Iron Ore Holdings Limited, Coates Group Holdings Pty Ltd, WesTrac Pty Ltd, Landis & Gyr AG, Fremantle Football Club Ltd and YMCA of Perth Inc. Brian is a Fellow of the Institute of Chartered Accountants, and has 32 years' experience in the finance and investment industry.

Mr Alwyn Vorster *BSc (Hons) Geology, MSc (Mineral Economics) and MBA*

Managing Director appointed 22 September 2016
Period of office at August 2017 – 11 months

Mr Vorster commenced as Chief Executive Officer of BC Iron in May 2016 and was appointed as Managing Director in September 2016. He has more than 25 years' experience with numerous large mining houses in technical and commercial management roles covering the total supply chain from mine to market for iron ore, coal and other minerals.

He has most recently been employed as Group Executive Mining at Australian Capital Equity Pty Limited (ACE), and other recent roles include Chief Executive Officer of API Management, and Managing Director of Iron Ore Holdings Ltd.

Mr Vorster is an executive committee member of the Australia China Business Council, a non-executive director of ASX-listed Volt Resources Limited, and a board member of the RSPCA WA.

Mr Andrew (Andy) Malcolm Haslam *Grad Dip. Min, GAICD*

Director (Non-Executive) appointed September 2011
Period of office at August 2017 – 5 years and 11 months

Mr Haslam is a mining professional with over 30 years of operational and senior executive experience in the Australian mining industry. He was previously Managing Director of ASX-listed Vital Metals and in 2009 was appointed Managing Director of ASX-listed Territory Resources Ltd until late 2011 and was responsible for managing an iron ore operation exporting 2 million tonnes per annum of DSO Lump and Fines in the Northern Territory. Mr Haslam stepped down as Managing Director as part of a Board restructure following the completion of the successful $133 million on-market takeover bid for Territory Resources by Noble Group Ltd. Most recently, Mr Haslam was Executive General Manager - Iron ore, with ASX 100 company Mineral Resources Limited. He is currently a non-executive director of ASX-listed uranium exploration company, Vimy Resources Limited and a senior consultant with STS Group, which works with tier one companies to convert strategic plans into operational improvements.

Mr Haslam is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Ms Jenny Bloom ***Grad. Dip Business Administration, GAICD***

Director (Non-Executive) appointed March 2017
Period of office at August 2017 – 5 months

Ms Bloom has an extensive business background with experience in the private and public sector and is currently the Deputy Chair of the Waste Authority Western Australia. Ms Bloom held senior positions with Ansett Australia leading high level change projects across various areas of the business including major operational business realignment. Ms Bloom was seconded to the Victorian Government in 1997 and led the whole of government response to the sale of second tranche airports by the Federal Government.

Ms Bloom has owned and operated successful businesses in the Kimberley and was Councillor and Deputy Shire President for the Shire of Broome from 2009 to 2014 and an independent director of an Aboriginal corporation from 2008 to 2011. During her time as a Councillor Ms Bloom was a member of the Joint Development Assessment Panel that included the application for the development of an LNG Processing Precinct within the Shire of Broome. Resource sector developments for Council consideration included onshore shale oil and gas and mineral sands projects.

Ms Bloom is a member of the Remuneration and Nomination Committee.

Mr Martin Bryant ***B Bus, MAICD***

Director (Non-Executive) appointed May 2015
Period of office at August 2017 – 2 year and 3 months

Mr Bryant has extensive international business experience with a particular focus on Asia, having worked in various senior management roles in China, Vietnam and the Philippines over the last 20 years.

From 2007 to 2015, Mr Bryant was Managing Director and Chief Executive Officer of WesTrac China, a Caterpillar equipment dealer servicing China's Northern Provinces, which account for more than 60% of China's mining activity. During his tenure, Mr Bryant had direct exposure to China's domestic iron ore and steel industries. He led a significant expansion of the business and managed a major restructure to suit the economic downturn.

Prior to this, Mr Bryant held senior management positions with other equipment companies. He was Finance Director and Company Secretary for Vietnam-based V-TRAC Holdings from 1994 to 1996. From 1997 to 2003 he was Chief Operating Officer and then President for Philippines-based Monark Equipment, before rejoining V-TRAC Holdings as General Director from 2004 to 2006.

Mr Bryant is a member of the Remuneration and Nomination Committee.

Mr Michael Blakiston ***B. Juris***

Director (Non-Executive) appointed March 2017
Period of office at August 2017 – 5 months

Mr Blakiston is a partner in Gilbert + Tobin's Energy and Resources group. He has over 30 years' experience gained across a range of jurisdictions. Michael advises in relation to asset acquisition and disposal, project structuring, joint ventures and strategic alliances, development agreements and project commercialisation, capital raisings and company merger and acquisitions.

Mr Blakiston has served on numerous ASX listed companies and not-for-profit boards and is currently the Chairman of Precision Opportunities Fund Ltd, a specialist small to medium cap fund.

Mr Blakiston is the Chairman of the Audit and Risk Committee.

COMPANY SECRETARIES

The following individuals have acted as Company Secretary during the year:

Ms Rubini Ventouras ***LLB B COM***

Appointed February 2017

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.

Mrs Hayley McNamara ***LLB BA(Hons)***

Appointed November 2014, resigned 8 Dec 2016.

Mrs McNamara was appointed General Counsel and Company Secretary of BC Iron in November 2014. Mrs McNamara is a corporate lawyer with a diverse range of energy and resources experience, having advised industry participants for over 15 years.

MEETINGS OF DIRECTORS

The number of meetings held during the year and the number of meetings attended by each director was as follows:

	Board	Audit and Risk Committee	Remuneration and Nomination Committee
Total Number of Meetings held	**16**	**4**	**1**
B O'Donnell	16	4	1
A Vorster (a)	13	4	1
M Bryant	16	3	1
A Haslam	16	4	1
M Blakiston (a)	4	1	1
J Bloom (a)	4	1	1
A Kiernan(a)	10	2	-

a - Director held their position for part of the financial year.

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the Directors of BC Iron Limited support and have adhered to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's detailed corporate governance policy statement can be found in the annual report or viewed on the Company's web site at www.bciron.com.au.

DIRECTORS' INTERESTS AND BENEFITS

The relevant interest of each director in the shares, Performance Rights and options over shares issued by the Company at the date of this report is as follows:

	Ordinary shares		Performance Rights	
Director	**Direct**	**Indirect**	**Direct**	**Indirect**
B O'Donnell	-	51,998	-	-
A Vorster	-	1,095,645	6,000,000	-
M Bryant	248,822	-	200,000	-
A Haslam	60,000	-	200,000	-
M Blakiston	-	-	-	-
J Bloom	-	-	-	-
Total	308,822	1,147,643	6,400,000	-

DIVIDENDS

No dividends have been declared in relation to the year ended 30 June 2017 (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.

SALE OF NULLAGINE JOINT VENTURE INTEREST

In March 2017, BCI completed the sale of its 75% interest in the Nullagine Joint Venture to Fortescue Metals Group Limited ("Fortescue") for $1 plus an ongoing royalty on all future iron ore mined from the Nullagine tenements.

Up to the sale completion date, Nullagine remained on temporary suspension and is shown as discontinued operations. BC Iron continued to focus on reducing holding costs, resulting in Nullagine producing a loss before tax for the year ended 30 June 2017 of $1.4M (2016: loss $36.1M).

REVIEW OF OPERATIONS

BC Iron is a development and exploration company, with assets in the Pilbara region of Western Australia, including the Iron Valley Mine, Buckland Project, Mardie Salt Project and Carnegie Potash Project.

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 year ended 30 June 2017 and the lost time injury frequency rate ("LTIFR") was zero (June 2016: 0.0).

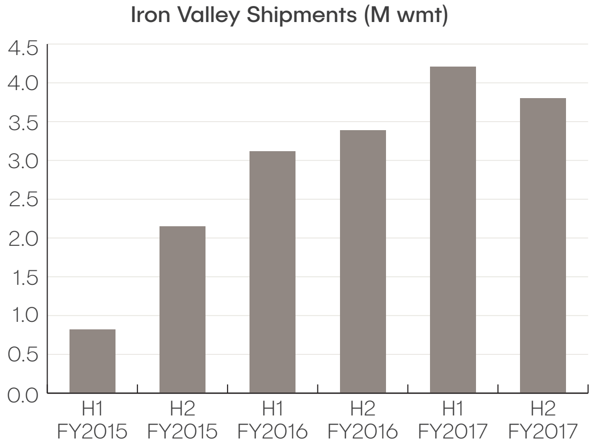
MIN is responsible for Occupational Health and Safety matters at Iron Valley and therefore BC Iron does not report safety performance for the Iron Valley site.

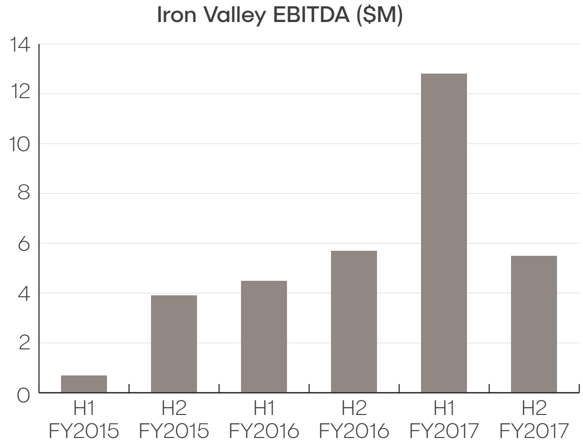
Operations

Iron Valley Mine

The Iron Valley Mine 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 the mine gate at a price linked to MIN's received sales price. BC Iron is responsible for paying royalties related to the project and securing key approvals.

Strong operational performance and robust iron ore pricing during the financial year delivered a strong result for Iron Valley. MIN shipped 8.0 million wet metric tonnes ("M wmt") (June 2016: 6.5 wmt), which generated revenue for BC Iron of $63.5M (June 2016: $39.9M) and EBITDA of $18.3M (June 2016: $10.2M), which was in in line with revised FY17 Iron Valley EBITDA market guidance of $18-25M.





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, allowing MIN to access the entire Iron Valley Ore Reserves.

Buckland Project

Buckland is a strategic mine-to-port iron ore development project located in the West Pilbara region. A feasibility study was completed in 2014 that envisaged a mine at Bungaroo South and an independent infrastructure solution comprising a private haul road and transhipment port at Cape Preston East ("CPE Port"). Key approvals have been secured, including a port construction lease with the Pilbara Ports Authority, for a low capital intensity transhipment facility at CPE Port with a capacity of up to 20 Mtpa.

BCI's current focus is on defining the optimal development concept for the Buckland Project to increase throughput rates, improve the cost structure and enhance product marketability. A number of strategies are being pursued to achieve this and BCI continued to make progress during the financial year.

BCI is intending to undertake a bulk sample to facilitate test work programmes with potential offtake partners and validate BCI's route to market. Planning for the bulk sample commenced during the financial year and included the scoping of activities required to facilitate export of the bulk sample from limited early works at CPE Port.

Additional design work was also undertaken at CPE Port to incorporate other minerals into the port designs, including salt from the Mardie Salt Project.

Various approvals and approval amendments were submitted to regulatory bodies during the financial year to facilitate the extraction of a bulk sample. These approvals are currently under consideration and are expected to be granted during the September 2017 quarter.

Mardie Salt Project

The Mardie tenements are located on the coast in the West Pilbara region, approximately 50km south-west of the proposed Cape Preston East Port (70km by road). The Mardie Salt Project has the potential to produce salt (NaCl) from solar evaporation of seawater.

During the financial year, BCI continued to progress a Scoping Study on the Mardie Salt Project. The Scoping Study was finalised and released to the ASX in July 2017, and demonstrated the potential technical and economic viability of a 3.0-3.5 million tonne per annum ("Mtpa") operation producing high-purity industrial grade salt via solar evaporation, crystallisation and raw salt purification.

The Scoping Study was based on the export of salt via BCI's proposed CPE Port, with potential project economics over a 20-year life as follows: capital cost of A$225-255M; operating cost of A$19-21/t FOB; average revenue of approximately A$45/t FOB; pre-tax NPV10 of A$290-380M; pre-tax IRR 25-27%; payback period of 5 years.

BCI has committed to proceeding with pre-feasibility study (PFS) on the Mardie Salt Project, targeting completion in financial year 2018.

Refer to BCI's ASX announcement dated 18 July 2017 for further details, including the relevant cautionary statements.

Carnegie Potash Project

The Carnegie Potash Project is an exploration project located approximately 220km north-east of Wiluna, that is prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation that produces sulphate of potash ("SOP").

BCI currently holds a 15% interest in the Carnegie Potash in a joint venture with ASX-listed potash development company, Kalium Lakes Limited ("Kalium"). BCI has rights to earn up to a 50% interest through sole-funding a further A$10M in exploration and development expenditure.

During the financial year, joint venture manager Kalium, with support from BCI staff, continued desktop study works and consultation with the Native Title Claim Group with the aim of securing tenement access and commencing on-ground exploration activities during the second half of 2017. Works approvals from the Department of Mines and Petroleum and the Departments of Parks and Wildlife were received during the quarter for planned exploration activities.

Environmental Regulation

BC Iron is committed to minimising its environmental impact, with an appropriate focus on continuous monitoring of environmental matters and compliance with environmental regulations.

BC Iron's exploration, mining and development activities are the subject of various State and Commonwealth environmental regulations. Compliance with these environmental regulations is managed through the Environment and Heritage Management System and a series of other tools used to identify, analyse and control key risks associated with the environmental impact from the Company's activities. A compliance program is implemented on an annual basis to ensure correct data is being gathered to measure the impacts to the environment and periodic reviews (inspections and audits) are conducted to assess performance against agreed regulatory targets.

During the year, BC Iron submitted a number of reports and compliance statements to State and Federal regulatory bodies detailing BC Iron's performance against granted approvals. This includes all Annual Environmental Reports, Annual Compliance Reports, Compliance Assessment Reports and Emissions Reports which were all submitted on time and endorsed by the regulators.

There have been no material breaches of the Company's licences, permits and approvals.

REVIEW OF RESULTS

Statement of profit or loss

The Company's profit after income tax for the financial year ended 30 June 2017 was $5.7M (June 2016: loss $80.0M), which is a result of a $7.1M profit (June 2016: loss $43.9M) from continuing operations, less a $1.4M loss (June 2016: loss $36.1M) 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:

	30 June 2017 A$M	30 June 2016 A$M
Continuing operations		
Revenue	64.0	40.4
Profit/(loss) after tax	7.1	(43.9)
Discontinued operations		
Loss after tax from discontinued operations	(1.4)	(36.1)
Net profit/(loss) after tax	**5.7**	**(80.0)**

The Company's EBITDA for the financial year ended 30 June 2017 was $8.3M (June 2016: loss $7.6M), which incorporates a positive EBITDA of $9.4M (June 2016: $3.9M) from continuing operations and the negative EBITDA of $1.1M (June 2016: negative $11.5M) from discontinued operations.

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

	30 June 2017 A$M	30 June 2016 A$M
Continuing operations		
Iron Valley	18.3	10.2
Buckland	(1.6)	(1.9)
Other	(7.3)	(4.4)
EBITDA from continuing operations	**9.4**	**3.9**
Discontinued operations		
EBITDA from discontinued operations	(1.1)	(11.5)
Total EBITDA	**8.3**	**(7.6)**

Statement of cash flows

Cash and cash equivalents as at 30 June 2017 increased to $36.4M (June 2016: $9.5M), primarily due to strong Iron Valley income, completion of an entitlement offer which raised $24.2M after costs, and completion of the sale of Nullagine eliminating further holding costs and expenditure.

Statement of financial position

Net assets increased to $107.2M (June 2016: $76.7M) primarily as a result of the increased cash from the entitlement offer and strong Iron Valley returns.

The Company's gross debt position was reduced to nil at 30 June 2017 (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 30 June 2017, cash and cash equivalents exceeded debt by $36.4M (June 2016: $7.5M).

Dividends

The Directors have not paid or declared any dividends since the commencement of the financial year ended 30 June 2017.

	2017	2016
(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 year ended 30 June 2017 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.

Business Development

As part of its growth and diversification strategy, BCI continued to assess a number of new opportunities in iron ore; gold; base metals; agriculture; and industrial minerals industries. BCI will keep the market informed of any material developments.

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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

BC Iron expects ongoing revenues and profits from Iron Valley during FY2018.

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 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.

The Company plans to progress development of the Mardie Salt Project and its interest in the Carnegie Potash Project.

BC Iron 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 2017 financial year. 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.

	FY2017 US$/dmt	FY2016 US$/dmt	FY2015 US$/dmt	FY2014 US$/dmt
Platts CFR 62% Fe (average)	69	51	72	123

Source: www.platts.com

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

	FY2017 $	FY2016 $	FY2015 $	FY2014 $
AUD:USD (average)	0.7546	0.7283	0.8371	0.9179

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In March 2017, BCI completed the sale of its 75% interest in the Nullagine Joint Venture to Fortescue Metals Group Limited ("Fortescue") for $1 plus an ongoing royalty on all future iron ore mined from the Nullagine tenements. There were no other significant changes in the Company's state of affairs.

MATTERS SUBSEQUENT TO THE REPORTING DATE

No other matters or circumstances have arisen since the end of the financial year 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 financial year ended 30 June 2017.

SHARE OPTIONS AND PERFORMANCE RIGHTS

As at the date of this report, there were zero Share Options and 11,052,271 Performance Rights on issue (8,131,147 Performance Rights at 30 June 2016). Refer to the Remuneration Report for further details of Performance Rights outstanding.

Date Performance Rights Granted	Test Date	Fair Value at Grant Date	Number
9 September 2015	30 June 2018	$0.015	802,271
25 May 2016	30 June 2017	$0.065	2,000,000
25 May 2016	30 June 2018	$0.069	2,000,000
25 May 2016	30 June 2019	$0.069	2,000,000
19 December 2016	30 June 2017	$0.145	1,700,000
19 December 2016	30 June 2018	$0.135	800,000
14 March 2017	30 June 2017	$0.176	550,000
14 March 2017	30 June 2018	$0.083	1,200,000
Total			**11,052,271**

No Performance Rights holder has any right to be provided with any other share issue of the Company by virtue of their Performance Rights holding. None of the Performance Rights are listed on the ASX.

Shares issued as a result of the exercise of options

During or since the end of the financial year, the Company issued no ordinary shares as a result of the exercise of options.

Shares issued as a result of conversion of performance rights

Since the end of the financial year, the Company issued no ordinary shares as a result of the conversion of performance rights.

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

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 independent auditor's report and forms part of the Directors' Report.

Non-audit services

For the year ended 30 June 2017 the Board of Directors is satisfied that the auditor, BDO, did not provide any non-audit services to the Company.

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 auditor's report and forms part of the Directors' Report.

Signed in accordance with a resolution by the Directors.

Brian O'Donnell
Chairman
Perth, Western Australia
16 August 2017

Alwyn Vorster
Managing Director
Perth, Western Australia
16 August 2017

REMUNERATION REPORT

(ISSUED 16 AUGUST 2017)

The Remuneration Report outlines the remuneration arrangements in place for Directors and Key Management Personnel of the Company in accordance with section 308 (3c) of the *Corporations Act 2001*.

For the purpose of this report the Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any directors of the Company.

The report covers the following key management personnel:

Non-Executive Directors

B O'Donnell	Chairman (appointed Chairman 7 December 2016)
M Bryant	
A Haslam	
M Blakiston	(appointed 1 March 2017)
J Bloom	(appointed 1 March 2017)
A Kiernan	Chairman (resigned 7 December 2016)

Executive Directors

A Vorster	Managing Director (appointed 22 September 2016)

Senior Executives

S Hodge	Chief Financial Officer (appointed 1 February 2017)
R Ventouras	General Counsel and Company Secretary (appointed 1 February 2017)
B Duncan	Chief Operations Officer (resigned effective 31 August 2016)
C Hunt	Chief Financial Officer (resigned effective 6 September 2016)
I Goldberg	Chief Financial Officer (6 September 2016 to 31 January 2017)

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee ("RNC") is a committee of the Board comprised of three independent Non-Executive Directors, being Mr Haslam (Chairman), Ms Bloom and Mr Bryant.

The role of the RNC is to assist the Board to fulfil its responsibilities with respect to employee and director remuneration, and board composition and diversity, by making recommendations to the Board on:

- The Company's People Policy which sets out the Company's approach to Remuneration, Diversity and Privacy;
- A Remuneration Framework which enables the Company to attract, retain and motivate high quality Senior Executives who create value for shareholders; and
- The selection, composition, performance and appointment of members of the Board so that it is effective and able to operate in the best interests of shareholders.

REMUNERATION STANDARD

The Remuneration Standard of the Company aims to:

- Reward employees fairly and responsibly in accordance with the Australian market;
- Provide competitive rewards that attract, retain and motivate employees;
- Ensure incentives provide fair reward in line with company and individual performance to deliver on the current and long term strategic activities; and
- Ensure a level of equity and consistency across BC Iron and alignment with BC Iron culture.

NON-EXECUTIVE DIRECTOR REMUNERATION

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors and are reviewed annually by the Board. The Chairman is not present at any discussions relating to determination of his own remuneration. In June 2016, the Board resolved to further reduce director fees by 10% effective 1 July 2016.

Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $900,000 in aggregate and was approved by shareholders at the annual general meeting on 19 November 2014. This amount is separate from any specific tasks the directors or their related entities may take on for the Company.

Fixed Remuneration

Non-Executive Directors' fixed remuneration comprise the following:

- Cash remuneration;
- Superannuation; and
- Insurances.

Performance Rights

At the November 2016 general meeting, shareholders approved the grant of Performance Rights to Mr Bryant and Mr Haslam. The Performance Rights were issued on 19 December 2016 and the performance conditions are measured by comparing the performance of the Company's share price to a comparative volume weighted average share price ("VWAP"). Further details are provided on page 22. The Performance Rights vest depending on the percentile increase of the VWAP as follows:

Performance rights vesting	BC Iron share price
100%	FY17 peak 30-day VWAP > 100% than 30-day VWAP at 30 June 2016
66%	FY17 peak 30-day VWAP > 50% and < 100% than 30-day VWAP at 30 June 2016
0%	FY17 peak 30-day VWAP < 20% than 30-day VWAP at 30 June 2016

EXECUTIVE REMUNERATION

The objective of the Company's executive remuneration is to ensure reward for performance is market competitive and appropriate for the results delivered. The executive remuneration is aligned with achievement of strategic and operational objectives and the creation of value for shareholders.

The Board ensures that executive reward satisfies the following key criteria in line with appropriate corporate governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage/alignment of executive compensation;
- Transparency; and
- Prudent capital management.

Fixed Remuneration

The components of Executives' fixed remuneration are determined individually and may include:

- Cash remuneration;
- Superannuation; and
- Insurances, parking and other benefits.

Variable Remuneration

Short-term Incentives

Executives may receive a short-term incentive ("STI") of 25-30% of their annual salary. The STI is an "at risk" component of remuneration and payment may, at the Board's discretion, be in cash and/or equity. Measurement will be based on performance against annually agreed key performance indicators ("KPIs"). These KPIs will typically be aligned to specific operating and corporate objectives in relation to each financial year.

The Board exercised its discretion to award an STI for the 2017 financial year, based on the KPIs achieved during the year. Key Management Personnel were in aggregate awarded an STI cash incentive of $130,966 (12% of their aggregate annual salary), which has been expensed in the 2017 financial year and payable after year end.

Long-term Incentives

Longer term incentive awards will occur through the Performance Rights Plan ("PRP"). The PRP will form part of an "at risk" component of remuneration and Performance Rights will generally have a vesting period longer than one year. Performance hurdles will be based on company share price and/or other relevant shareholder return measures. The PRP will operate entirely at the discretion of the Company's Board and may be terminated, suspended or amended at any time, or from time to time, in it's entirely or in part in relation to any or all employees (except where contractual rights have been created)

The Managing Director received Performance Rights when he commenced on 23 May 2016, as part of his employment contract. The performance conditions for Performance Rights issued to Key Management Personnel are measured by comparing the performance of the Company's share price to a comparative volume weighted average share price ("VWAP"). The Performance Rights will vest depending on the percentile increase of the VWAP as follows:

Performance rights vesting	Tranche 1 – BC Iron share price	Tranche 2 and 3 – BC Iron share price
100%	FY17 peak 30-day VWAP > 100% than 30-day VWAP at 23 May 2016 (A$0.159)	Peak 30-day VWAP for the relevant financial year (FY18 and FY19) > 50% than peak 30-day VWAP for the prior financial year
66%	FY17 peak 30-day VWAP > 50% and < 100% than 30-day VWAP at 23 May 2016 (A$0.159)	Peak 30-day VWAP for the relevant financial year > 30% and < 50% than peak 30-day VWAP for the prior financial year
33%	FY17 peak 30-day VWAP > 20% and < 50% than 30-day VWAP at 23 May 2016 (A$0.159)	Peak 30-day VWAP for the relevant financial year > 15% and < 30% than peak 30-day VWAP for the prior financial year
0%	FY17 peak 30-day VWAP < 20% than 30-day VWAP at 23 May 2016 (A$0.159)	Peak 30-day VWAP for the relevant financial year < 15% than peak 30-day VWAP for the prior financial year

Note: Tranche 1 30-day VWAP at 23 May 2016 is based on share prices adjusted for the FY17 entitlement issue. Tranche 2 relevant financial year is FY18 and Tranche 3 relevant financial year is FY19.

The performance conditions for Performance Rights issued to Key Management Personnel on 14 March 2017 will be measured by comparing the performance of the Company's share price to a comparative volume weighted average share price ("VWAP"). The Performance Rights will vest depending on the percentile increase of the VWAP as follows:

Performance rights vesting	Tranche 1 – BC Iron share price	Tranche 2 – BC Iron share price
100%	FY17 peak 30-day VWAP > 100% than comparative share price of A$0.18	FY18 peak 30-day VWAP > 50% than FY17 peak 30-day VWAP
66%	FY17 peak 30-day VWAP > 50% and < 100% than comparative share price of A$0.18	FY18 peak 30-day VWAP > 30% and < 50% than FY17 peak 30-day VWAP
0%	FY17 peak 30-day VWAP < 50% than comparative share price of A$0.18	FY18 peak 30-day VWAP < 30% than FY17 peak 30-day VWAP

2014 Long-term Incentive Plan

The previous long-term incentive plan ("LTIP") was subject to Company performance and consisted of two components:

1. Performance Rights which may convert to shares in BC Iron; and
2. Deferred cash.

Under the LTIP, an employee's position determines the target percentage of the total fixed remuneration (salary plus superannuation). For executive directors and key management personnel, the LTIP was made up of:

- Performance Rights – 40% of total fixed remuneration; and
- Deferred cash – 30% of total fixed remuneration.

The deferred cash component was determined by measuring the Company's actual sales volumes and earnings per share against budget on an annual basis. The deferred cash component was determined based on the Company's performance for the year ending 30 June, with 50% of the calculated cash component payable on 30 June the following year, and the balance payable on or about the following 30 June (i.e. 2 years after the relevant calculation date). Payment of deferred cash is based on continuing employment at the scheduled date of payment.

In the 2016 financial year, deferred cash payments were made relating to the LTIP based on the performance criteria for financial year 2014 as a shown in the table below.

	Maximum possible incentive award	Percentage of incentive awarded	Amount of award in cash	Paid 30 June 2016*
M Ball	$172,069	75%	$129,052	**$64,526**
B Duncan	$129,461	75%	$97,096	**$48,548**

**M Ball's deferred cash was paid on 20 May 2016, as part of his final termination.*

USE OF REMUNERATION CONSULTANTS

The Board and Remuneration Committee reviews executive remuneration annually, including assessment of:

- Advice from independent external remuneration consultants;
- Individual and business performance measurement against both internal targets and appropriate external comparatives; and
- General remuneration advice from both internal and independent external sources.

SBS Integrated Pty Ltd provided industry focused remuneration and benchmarking reports during the year and were paid $12,500 (2016: McDonald & Company (Australasia) Pty Ltd: $5,533). These reports were used to make recommendations for any changes to salaries in relation to key management personnel.

SHARE TRADING POLICY

The trading of shares by all employees is subject to, and conditional upon, compliance with the Company's share trading policy which is available on the Company's website: www.bciron.com.au. Directors and employees may not engage in short-term or speculative trading of the Company's securities and are prohibited from trading in financial products issued or created over, or in respect of the Company's securities during a non-trading period.

SERVICE AGREEMENTS

The remuneration and other terms of employment for executive directors and key management personnel are covered in formal employment contracts. The key terms of their employment contracts, at the date of release of this report, are shown in the table below.

Name	Terms/Notice periods/Termination payment
A Vorster (Managing Director appointed 22 September 2016 / Chief Executive Officer appointed 23 May 2016)	Base salary inclusive of superannuation of $490,000 reviewed at regular intervals to be determined by the Company. Employment can be terminated at three months' notice by Mr Vorster or by the Company. If the Company elects to terminate the employment agreement for reasons other than Mr Vorster's gross misconduct or default, Mr Vorster will be entitled to a payment equal to six months' total fixed remuneration. Certain agreed trigger events will lead to Mr Vorster having the option to terminate the contract and receive a payment equal to twelve months' total fixed remuneration.
S Hodge (Chief Financial Officer appointed 1 February 2017)	Base salary inclusive of superannuation $290,000 reviewed at regular intervals to be determined by the Company. Employment can be terminated at three months' notice by Mr Hodge or by the Company. Certain agreed trigger events will lead to Mr Hodge having the option to terminate the contract and receive a payment equal to six months' total fixed remuneration.
R Ventouras (General Counsel appointed 1 February 2017)	Base salary inclusive of superannuation $275,000 reviewed at regular intervals to be determined by the Company. Employment can be terminated at three months' notice by Ms Ventouras or by the Company. Certain agreed trigger events will lead to Ms Ventouras having the option to terminate the contract and receive a payment equal to six months' total fixed remuneration.

EXECUTIVE REMUNERATION FOR FINANCIAL YEAR

The remuneration table below sets out the remuneration information for the executive directors and executive managers who are considered to be key management personnel of the Company.

	Short-term benefits			Long-term benefits	Post-employment benefits	Share-based payments			
	Cash salary $	Short-term incentive (a) $	Other benefits (b) $	Deferred cash benefit (c) $	Superannuation $	Value of Performance Rights (d) $	Termination benefits $	Total $	Percentage performance related (e)
Executive directors									
A Vorster (Managing Director appointed 22 September 2016 / Chief Executive Officer appointed 23 May 2016)									
2017	447,115	–	27,066	–	24,899	250,710	–	749,790	33%
2016	51,269	–	2,645	–	2,083	–	–	55,997	0%
M Ball (Managing Director resigned effective 20 May 2016)									
2016	622,963	–	28,049	64,525	20,792	–	585,577	1,321,906	5%
Senior Executives									
S Hodge (Chief Financial Officer appointed 1 February 2017)									
2017	110,727	–	10,635	–	10,417	65,994	–	197,774	33%
R Ventouras (General Counsel appointed 1 February 2017)									
2017	104,167	–	8,562	–	10,417	53,390	–	176,535	30%
B Duncan (Chief Operations Officer resigned effective 31 August 2016)									
2017	59,361	–	4,615	–	15,733	–	331,903	411,612	0%
2016	433,841	–	48,966	48,548	31,534	7,446	–	570,335	10%
C Hunt (Chief Financial Officer resigned effective 6 September 2016)									
2017	66,917	–	4,671	–	4,745	–	41,762	118,095	0%
2016	380,625	–	20,732	–	30,000	6,570	–	437,927	2%
I Goldberg (Chief Financial Officer appointed 6 September 2016 and resigned 31 January 2017)									
2017	137,232	–	14,804	–	14,122	–	43,739	209,897	0%
Total									
2017	1,050,398	–	81,172	–	105,230	370,094	467,195	2,074,088	18%
2016	1,488,699	–	100,392	113,073	84,409	14,016	585,577	2,386,166	5%

(a) Relates to performance in the previous financial year. Please refer to section on short-term incentive payments below.

(b) Other benefits include vehicles, fuel, parking, travel and insurances.

(c) Relates to performance in previous financial year. Please refer to section on long-term incentive payments below.

(d) Share-based payments represent the accounting expense incurred by the Company for the stated financial period, reflecting the terms of the Performance Rights as valued using a Monte Carlo simulation.

(e) Percentage performance related is the sum of short-term incentives, deferred cash benefits and share based payments divided by total remuneration, reflecting the actual percentage of remuneration at risk for the year. Note that short-term incentives and deferred cash benefits are reported in the year in which they are paid, but relate to performance in previous reporting periods.

NON-EXECUTIVE DIRECTOR REMUNERATION FOR THE FINANCIAL YEAR

The table below sets out the remuneration paid or payable to the non-executive directors in relation to the 2017 financial year.

	Short-term employment benefits		Share-based payments	Post-employment benefits	
	Salary and fees $	Non-monetary benefits (a) $	Value of Performance Rights (b) $	Superannuation $	Total $
B O'Donnell (Chairman appointed 7 December 2016)					
2017	**95,411**	**17,169**	**–**	**9,064**	**121,644**
2016	78,082	15,578	–	7,418	101,078
A Kiernan (Chairman resigned effective 7 December 2016)					
2017	**92,108**	**8,088**	**–**	**–**	**100,196**
2016	157,500	15,578	–	–	173,078
M Bryant (Non-executive director)					
2017	**66,983**	**17,169**	**29,000**	**6,364**	**119,516**
2016	73,973	15,578	–	7,027	96,578
A Haslam (Non-executive director)					
2017	**75,205**	**17,169**	**29,000**	**7,144**	**128,518**
2016	90,000	15,578	–	–	105,578
M Blakiston (Non-executive director appointed 1 March 2017)					
2017	**24,658**	**4,884**	**–**	**2,342**	**31,884**
J Bloom (Non-executive director appointed 1 March 2017)					
2017	**23,288**	**4,884**	**–**	**2,212**	**30,384**
Total					
2017	**377,653**	**69,363**	**58,000**	**27,126**	**532,142**
2016	399,555	62,312	–	14,445	476,312

(a) Non-monetary benefits include the cost of directors and officer insurance.

(b) Share-based payments referred to above comprise Performance Rights over ordinary shares in the Company. The Performance Rights have been valued using a Monte Carlo simulation.

PERFORMANCE RIGHTS ISSUED IN FINANCIAL YEAR 2017

The terms and conditions of Performance Rights granted to directors and key management personnel during the year ended 30 June 2017 affecting remuneration in the current or future reporting periods are set out in the following table:

	Grant date	Date to vest	Expiry date	Risk free rate at grant date	Value per right at grant date	Number granted during the year	Value at grant date	Number vested 30 June 2017	Number expired 30 June 2017
Non-Executive Directors									
M Bryant	19/12/2016	30/06/2017	19/12/2023	2.8%	$0.145	200,000	$29,000	132,000	68,000
A Haslam	19/12/2016	30/06/2017	19/12/2023	2.8%	$0.145	200,000	$29,000	132,000	68,000
Senior Executives									
R Ventouras	14/03/2017	30/06/2017	14/03/2024	2.9%	$0.176	250,000	$43,990	–	250,000
R Ventouras	14/03/2017	30/06/2018	14/03/2024	2.9%	$0.083	500,000	$41,650	NA	NA
S Hodge	14/03/2017	30/06/2017	14/03/2024	2.9%	$0.176	300,000	$52,680	–	300,000
S Hodge	14/03/2017	30/06/2018	14/03/2024	2.9%	$0.083	700,000	$58,310	NA	NA

In July 2017, the Board determined that 66% of the Performance Rights issued to Non-Executive Directors have met the stated hurdle and will be allowed to vest. The Board determined that 34% of the Performance Rights issued to Senior Executives with a vesting date of 30 June 2017 have not met the stated hurdles and therefore will not vest.

A Monte Carlo simulation was used to value the Performance Rights. The Monte Carlo simulates the Company's share price and depending on the hurdle arrives at a value based on the number of Performance Rights that are likely to vest. The risk-free rate of the Performance Rights on the date granted are shown in the table above.

PERFORMANCE RIGHTS ISSUED IN FINANCIAL YEAR 2016

The table below summarises Performance Rights issued in financial year 2016 that have either vested, expired or remain unvested.

	Grant date	Date to vest	Value per right at grant date	Number granted during the year	Value at grant date	Number vested 30 June 2017	Number expired 30 June 2017
Executive Directors							
A P Vorster	25/05/2016	30/06/2017	$0.065	2,000,000	$130,000	1,320,000	680,000
A P Vorster	25/05/2016	30/06/2018	$0.069	2,000,000	$138,000	NA	NA
A P Vorster	25/05/2016	30/06/2019	$0.069	2,000,000	$138,000	NA	NA

In July 2017, the Board determined that 66% of the Performance Rights issued to the Managing Director with a vesting date of 30 June 2017, have met the stated hurdle and will be allowed to vest. The Board determined that 34% of the Performance Rights issued to the Managing Director with a vesting date of 30 June 2017 have not met the stated hurdles and therefore will not vest.

A Monte Carlo simulation was used to value the Performance Rights. The Monte Carlo simulates the Company's share price and depending on the hurdle arrives at a value based on the number of Performance Rights that are likely to vest.

EQUITY INSTRUMENT DISCLOSURES

The interests of key management personnel and directors in shares at the end of the financial year 2017 are as follows:

	Balance at 1 July 2016	Acquired during year	Performance Rights converted during year	Disposed during the year	Owned on commencement of employment	Balance at 30 June 2017
Non-Executive Directors						
B O'Donnell	25,999	25,999	-	-	-	51,998
A Kiernan (a)	718,354	-	-	-	-	718,354
M Bryant	-	248,822	-	-	-	248,822
A Haslam	30,000	30,000	-	-	-	60,000
M Blakiston	-	-	-	-	-	-
J Bloom	-	-	-	-	-	-
Executive Directors						
A Vorster	-	1,095,645	-	-	-	1,095,645
Senior Executives						
B Duncan (a)	-	-	26,329	-	-	26,329
C Hunt (a)	2,000	-	21,663	-	-	23,663
I Goldberg (a)	-	307,692	-	-	1,900	309,592
S Hodge	-	-	-	-	-	-
R Ventouras	-	-	-	-	-	-
Total	**776,353**	**1,459,336**	**47,992**	**-**	**1,900**	**2,285,581**

(a) For resigning Directors and Key Management Personnel, the balance is as at their respective resignation date.

The interest of key management personnel and directors in shares at the end of financial year 2016 were as follows:

	Balance at 1 July 2015	Acquired during year	Performance Rights converted during year	Disposed during the year	Owned on commencement of employment	Balance at 30 June 2016
Non-Executive Directors						
A Kiernan	718,354	–	–	–	–	718,354
M Bryant	–	–	–	–	–	–
A Haslam	30,000	–	–	–	–	30,000
B O'Donnell	25,999	–	–	–	–	25,999
Executive Directors						
M Ball (a)	190,990	–	–	–	–	190,990
Senior Executives						
A Vorster	–	–	–	–	–	–
B Duncan	–	–	–	–	–	–
C Hunt	2,000	–	–	–	–	2,000
Total	**967,343**	**–**	**–**	**–**	**–**	**967,343**

(a) As M Ball resigned on 20 May 2016, the balance is at 20 May 2016.

The interests of key management personnel and directors in Performance Rights at the end of the financial year 2017 are as follows.

	Balance at 1 July 2016	Granted as compensation	Converted to shares	Rights lapsed/ cancelled	Balance at 30 June 2017
Non-Executive Directors					
A Haslam	–	200,000	–	–	200,000
M Bryant	–	200,000	–	–	200,000
Executive Directors					
A Vorster	6,000,000	–	–	–	6,000,000
Senior Executives					
B Duncan	549,058	–	(26,329)	(522,729)	–
C Hunt	481,326	–	(21,663)	(459,663)	–
S Hodge	–	1,000,000	–	–	1,000,000
I Goldberg	–	600,000		(600,000)	–
R Ventouras	–	750,000	–	–	750,000
Total	**7,030,384**	**2,750,000**	**(47,992)**	**(1,582,392)**	**8,150,000**

The interests of key management personnel and directors in Performance Rights at the end of the financial year 2016 are as follows.

	Balance at 1 July 2015	Granted as compensation	Converted to shares	Rights lapsed/ cancelled	Balance at 30 June 2016
Executive Directors					
M Ball	143,602	759,200	–	(902,802)	–
A Vorster	–	6,000,000	–	–	6,000,000
Senior Executives					
B Duncan	108,044	496,400	–	(55,386)	549,058
C Hunt	43,326	438,000	–	–	481,326
Total	**294,972**	**7,693,600**	**–**	**(958,188)**	**7,030,384**

COMPANY PERFORMANCE

The table below shows key financial measures of company performance over the past five years.

		2017	2016	2015	2014	2013
Continuing operations						
Revenue	$million	64.0	40.4	281.2	471.4	328.3
Net profit/(loss) after tax	$million	7.1	(43.9)	(158.5)	71.8	46.5
Basic earnings/(loss) per share	Cents	2.2	(22.4)	(90.7)	58.0	42.9
Dividends paid per share	Cents	–	–	15.0	47.0	20.0
Share price (last trade day of financial year)	A$	0.14	0.11	0.29	3.20	3.23

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND DIRECTORS

Refer to Note 28(d) for Related Party transactions.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2016 ANNUAL GENERAL MEETING

The Company received 92% of 'yes' votes cast on its remuneration report for the 2016 financial year.

OTHER INFORMATION

Insurance of officers

During the financial period, the Company incurred premiums of $84,810 (2016: $132,440) to insure the directors, company secretaries and officers of the Company. The liability insured is the indemnification of the Company against any legal liability to third parties arising out of any directors or officers duties in their capacity as a director or officer other than indemnification not permitted by law.

No liability has arisen under this indemnity as at the date of this report.

The Company has entered into indemnity deeds with each director and officer. Under the deeds, the Company indemnifies each director and officer to the maximum extent permitted by law against legal proceedings or claims made against or incurred by the directors or officers in connection with being a director or officer of the Company, or breach by the Company of its obligations under the deed.

INDEPENDENT AUDIT OF REMUNERATION REPORT

The Remuneration Report has been audited by BDO. Please see page 63 of this report for BDO's report on the Remuneration Report.

Signed in accordance with a resolution by the Directors.

Brian O'Donnell
Chairman
Perth, Western Australia
16 August 2017

Alwyn Vorster
Managing Director
Perth, Western Australia
16 August 2017

DIRECTORS' DECLARATION

In the opinion of the Directors of BC Iron Limited:

a. the financial statements comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* including:
    i. giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2017 and of its performance for the financial year ended 30 June 2017; and
    ii. complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements.

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.

c. the Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

The Directors have been given the declarations by the Chief Executive Officer 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 and is signed on their behalf by:

Brian O'Donnell
Chairman

Perth, Western Australia
16 August 2017

BC IRON LIMITED
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

FINANCIAL REPORT CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

BC Iron Limited and its controlled entities for the year ended 30 June 2017

	Notes	2017 $000's	2016 $000's
Revenue from continuing operations			
Sale of goods		63,480	39,863
Other revenue		552	553
Total revenue from continuing operations	1	64,032	40,416
Foreign exchange gain/(loss)		80	-
Cost of sales	2	(47,796)	(32,272)
Administration expenses	2	(6,454)	(4,200)
Exploration and evaluation expenditure		(2,798)	(2,638)
Impairment of mine property and other assets	3	–	(2,600)
Profit / (loss) before income tax		7,064	(1,294)
Income tax benefit / (expense)	5	–	(42,568)
Profit / (loss) after income tax from continuing operations		7,064	(43,862)
Discontinued operations			
Loss for the year from discontinued operations	4	(1,395)	(36,093)
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	15	–	(2,706)
Profit / (loss) for the year attributable to owners of BC Iron Limited		5,669	(82,661)
		Cents	Cents
Basic earnings / (loss) per share from continuing operations	18	2.23	(22.36)
Diluted earnings / (loss) per share from continuing operations	18	2.14	(22.35)
Basic loss per share from discontinued operations	4	(0.44)	(18.40)
Diluted loss per share from discontinued operations	4	(0.44)	(18.39)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

BC Iron Limited and its controlled entities as at 30 June 2017

	Notes	2017 $000's	2016 $000's
Current assets			
Cash and cash equivalents	6	**36,376**	9,450
Trade and other receivables	7	**10,053**	13,694
Inventory		**–**	61
Total current assets		**46,429**	23,205
Non-current assets			
Receivables	7	**4,931**	5,986
Property, plant and equipment	8	**44,996**	52,929
Exploration and evaluation assets	9	**4,600**	4,100
Intangibles	10	**23,532**	23,532
Total non-current assets		**78,059**	86,547
Total assets		**124,488**	109,752
Current liabilities			
Trade and other payables	11	**12,107**	19,749
Provisions	12	**294**	415
Loans and borrowings	19	**–**	2,020
Total current liabilities		**12,401**	22,184
Non-current liabilities			
Provisions	12	**4,931**	10,892
Total non-current liabilities		**4,931**	10,892
Total liabilities		**17,332**	33,076
Net assets		**107,156**	76,676
Shareholders' equity			
Contributed equity	14	**266,735**	242,467
Reserves	15	**5,426**	4,883
Accumulated losses	16	**(165,005)**	(170,674)
Total shareholders' equity		**107,156**	76,676

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 year ended 30 June 2017

	Contributed equity $000's	Accumulated losses $000's	Reserves $000's	Total $000's
Balance at 1 July 2015	242,467	(90,719)	7,536	159,284
Loss for the year	-	(79,955)	-	(79,955)
Reclassification to profit or loss	-	-	(2,706)	(2,706)
Total comprehensive income/(loss)	-	(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	-	-	53	53
Dividends paid	-	-	-	-
Balance at 30 June 2016	242,467	(170,674)	4,883	76,676
Profit for the year	-	5,669	-	5,669
Reclassification to profit or loss	-	-	-	-
Total comprehensive income	-	5,669	-	5,669
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	24,188	-	-	24,188
Performance Rights converted	80	-	(80)	-
Share based payments	-	-	623	623
Dividends paid	-	-	-	-
Balance at 30 June 2017	266,735	(165,005)	5,426	107,156

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 year ended 30 June 2017

	Notes	2017 $000's	2016 $000's
Cash flows from operating activities			
Receipts from customers		66,588	159,173
Payments to suppliers and employees		(55,320)	(204,537)
Management fees received		15	530
Interest received		577	603
Net cash flows from operating activities	6	11,860	(44,231)
Cash flows from investing activities			
Payments for mine property and development expenditure		(122)	(7,982)
Payments for plant and equipment		(1,598)	(93)
Payments for exploration project earn-ins		(500)	-
Net cash flows from investing activities		(2,220)	(8,075)
Cash flows from financing activities			
Proceeds from issue of shares net of costs		24,189	-
Repayment of borrowings		(1,966)	(4,850)
Repayment of Royalty Rebate		(5,151)	(2,575)
Net cash flows from financing activities		17,072	(7,425)
Net increase / (decrease) in cash and cash equivalents		26,712	(59,731)
Cash and cash equivalents at beginning of year		9,450	67,671
Effect of exchange rate changes on cash and cash equivalents		214	1,510
Cash and cash equivalents at end of year	6	36,376	9,450

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BC Iron Limited and its controlled entities for the year ended 30 June 2017

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

Corporate information

The financial statements for BC Iron Limited for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 16 August 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 are the development and exploration of assets in the Pilbara region of Western Australia, including Iron Valley, Buckland, Mardie Salt Project and Carnegie Potash Project.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in the notes to the accounts. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB"), and the Corporations Act 2001. BC Iron Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000's) unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Compliance with IFRS

The consolidated financial statements of BC Iron Limited comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and cash flow hedges at fair value through other comprehensive income.

New, revised or amending Accounting Standards and Interpretations adopted

The Company has not adopted any new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2016.

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.

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").

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.

Comparatives

Where applicable, comparatives have been adjusted to conform with current year presentation.

Key estimates and judgements

In the process of applying the Company's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

Note 3: Impairment of non-financial assets

Note 5: Income taxes

Note 8: Property, plant and equipment

Note 9: Exploration and evaluation

Note 10: Intangibles

Note 12: Provisions

Note 29: Share based payments

KEY NUMBERS

NOTE 1 – REVENUE

	2017 $000's	2016 $000's
Sales – Iron Valley	63,480	39,863
Interest revenue	552	264
Other income	–	289
Total	64,032	40,416

Accounting policy

Revenue is measured at the fair value of the gross consideration received or receivable. Revenue is recognised if it meets the criteria outlined below.

Sales – Iron Valley

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Company, the quantity and quality of the goods has been determined with reasonable accuracy, the price can be reasonably estimated, and collectability is reasonably assured.

The Company receives revenue from Mineral Resources Limited (MIN) based on a mine gate sale agreement based on MIN's realised price. The Company recognises revenue when the ore passes over the railhead which is typically at the bill of lading. MIN send monthly shipping information based on either a provisional basis at the date of shipment or the subsequent final pricing, which is typically once the vessel has arrived at its destination and quotation pricing has been determined. BCI recognises revenue on provisionally priced sales based on the estimated fair value of the total consideration, which is adjusted for any changes when pricing is finalised.

Interest revenue

Interest revenue is recognised on a time proportionate basis using the effective interest method.

NOTE 2 – EXPENSES

	2017 $000's	2016 $000's
Amortisation of mine properties	2,882	2,621
Royalties	44,914	29,651
Cost of sales	**47,796**	**32,272**
Acquisition-related costs	–	249
Employee benefits expense	2,456	1,890
Depreciation and amortisation	102	194
Share based payments	623	53
Non-executive directors' fees	408	414
Occupancy related expenses	327	457
Consultant and legal fees	1,435	240
Other	1,103	703
Administration expenses	**6,454**	**4,200**

NOTE 3 – IMPAIRMENT OF NON-FINANCIAL ASSETS

	2017 $000's	2016 $000's
Impairment of other intangibles	–	2,600
Total	–	2,600

Accounting policy

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. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount.

The valuation used by BC Iron to determine recoverable amount is the higher of an asset's fair value less costs of disposal ("FVLCD") and value in use ("VIU").

Accounting standards require that the valuation technique used be consistent with one of three commonly accepted approaches outlined below:

- Level 1 Market - The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. Examples relevant to BC Iron include earnings multiples or JORC reserve/resource multiples;
- Level 2 Cost - The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost); and
- Level 3 Income - The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts. Examples include Net Present Value ("NPV") techniques.

FVLCD is an NPV calculation which is consistent with the Level 3 income approach.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units).

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of impairment at each reporting period.

Impairment indicators

Due to the fall in iron ore prices during the second half of the financial year, the Company has reviewed its assets for impairment. Based on these assessments, the Company has concluded that impairment of assets was not required.

Revenue assumptions

Cash flow projections used to estimate recoverable amounts include assumptions on revenue. The assumptions used for revenue in impairment testing are summarised below:

	2017	2016
CFR 62% Fe iron ore price (USD/dmt, nominal)		
Years 1-5	62-63	48-55
Years 6-10	67-75	59-65
Years 11-20	78-82	66-74
Foreign exchange rate (AUD:USD, nominal)		
Years 1-5	0.73-0.75	0.72-0.76
Years 6-10	0.74	0.76
Years 11-20	0.74	0.76
Inflation (% per annum)		
USD inflation rate	1.7%	1.4%

Key estimates and judgements

The recoverable amount of mine property, plant and equipment and intangible assets is estimated on the basis of the discounted value of future cash flows. The estimates of future cash flows are based on significant assumptions including:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and resources;
- future iron ore prices and exchange rates based on forecasts by a range of recognised economic forecasters as well as recent spot prices and rates;
- production rates, production costs and capital expenditure based on approved budgets and projections including inflation factors; and
- the asset specific discount rate applicable to the cash generating unit.

NOTE 4 – DISCONTINUED OPERATIONS

As announced on 10 March 2017 the Company completed the sale of its interest in the Nullagine Joint Venture (Nullagine) to Fortescue Metals Group (Fortescue).

BC Iron agreed to sell to Fortescue its 75% interest and related assets in Nullagine, which included the following:

- 75% interest in the iron ore rights over the Nullagine tenements;
- 100% title in the Nullagine tenements;
- existing fixed assets and equipment;
- existing low-grade stockpiles; and
- all associated mining information.

Fortescue assumed BC Iron's liabilities and obligations, including the existing rehabilitation liability. BC Iron retained its obligation to pay deferred State Government Royalties A$3.9M (30 June 2017: A$1.3M).

As consideration for the sale, Fortescue paid $1 plus a royalty on 75% of the future iron ore that is mined from the Nullagine tenements. Specifically, the royalty is:

- 1.0% - 2.0% of free-on-board revenue received by Fortescue for direct shipping ore (≥55% Fe); and
- A$0.50 – A$1.50 per tonne for low grade ore (<55% Fe), adjusted for 15% yield loss.

A 50% reduction in the royalty rate will apply to all iron ore mined above 15 million tonnes, and a 75% reduction for all iron ore mined above 25 million tonnes.

Fortescue will initially pay BC Iron 33% of the agreed royalty in cash, until the total amount waived by BC Iron equals A$7.5M. Thereafter, Fortescue will pay BC Iron 100% of the agreed royalty. The amount to be waived by BC Iron is intended to offset the obligations Fortescue assumes as part of the transaction, including rehabilitation liabilities.

On completing the transaction, BC Iron will benefit from the future royalty whilst removing their exposure to the rehabilitation liability as well as monthly costs associated with holding Nullagine. No asset value has been recorded for the future royalties on the NJV due to the uncertainty of commencement of future mining activity on site. Accordingly, royalties will be recognised in income when receivable.

Loss from discontinued operations

	2017 $000's	2016 $000's
Revenue		
Sale of goods	–	109,913
Other income	292	946
Total revenue from discontinued operations	292	110,859
Foreign exchange gain/(loss)	(85)	812
Cost of sales	–	(79,214)
Selling and marketing	–	(18,647)
Administration expenses	(1,186)	(26,255)
Exploration and evaluation expenditure	(183)	(670)
Impairment of mine property and other assets	(302)	(37,508)
Depreciation and amortisation	(242)	-
Loss before finance cost and income tax	(1,706)	(50,623)
Finance costs	311	(951)
Loss before income tax	(1,395)	(51,574)
Income tax benefit / (expense)	–	15,481
Loss after income tax from discontinued operations	(1,395)	(36,093)
Weighted average number of ordinary shares (basic)	316,706,617	196,196,992
Basic loss per share from discontinued operations (cents)	(0.44)	(18.40)

Cash flows from discontinued operations	2017 $000's	2016 $000's
Net cash flows from operating activities	(2,628)	(41,596)
Net cash flows from investing activities	(1,532)	(7,301)
	(4,160)	(48,897)

During the year, discontinued assets were remeasured at fair value less cost to sell, resulting in an impairment of $0.3M.

Accounting policy

The NJV was recognised as a joint operation and the Company recognised its direct right to the assets, liabilities, revenues and expenses of the joint operation and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Profit or loss on transactions with joint operations are eliminated to the extent of the Company's ownership interest.

NOTE 5 – INCOME TAXES

	2017 $000's	2016 $000's
Current tax expense/(benefit)		
Current period	336	-
Adjustments for prior periods	(93)	-
	243	-
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	877	7,949
De-recognition of deferred tax assets	(1,033)	18,558
Equity deferred tax movement	(243)	-
Adjustments for prior periods	156	580
	(243)	27,087
Income tax expense from discounted operation (excluding gain on sale)	-	15,481
Income tax expense/(benefit) reported in the Consolidated statement of profit or loss and other comprehensive income	-	42,568
Reconciliation of effective tax rate		
Profit / (loss) before tax	7,064	(1,294)
Income tax at the statutory rate of 30 per cent (2016: 30 per cent)	2,119	(388)
Non-deductible expenses	187	800
Temporary differences derecognised	(1,033)	18,558
Tax losses not recognised	(1,429)	23,011
Recognised directly in equity	(243)	-
Under/(over) provided in prior periods and other	399	587
Income tax expense/(benefit) reported in the Consolidated statement of profit or loss and other comprehensive income	-	42,568

Accounting policy

The income tax expense on income for the financial year is the tax payable on the current financial period's taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date, and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Significant judgement

The Company is subject to income taxes in Australia. Significant judgement is required in determining the provisions for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be subject to change. The Company estimates its tax liabilities based on the Company's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Company recognises deferred tax assets relating to carried forward tax losses 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 30 June 2017, the Company had unrecognised deferred tax assets relating to tax losses of $71.0M (2016: $49.4M). The Company also has an R&D off-set available of $5.7M (2016 $5.7M).

Deferred tax assets not recognised

	2017 $000's	2016 $000's
Temporary differences	(3,887)	18,558
Income Tax losses	69,382	47,813
Capital losses	1,598	1,598

Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2017 $000's	2016 $000's	2017 $000's	2016 $000's	2017 $000's	2016 $000's
Amounts recognised in Profit or Loss:						
Inventory	–	–	–	(18)	–	(18)
Mine property, plant and development	–	18,821	(2,115)	–	(2,115)	18,821
Provisions	88	1,596	–	–	88	1,596
Intangibles	–	–	(2,409)	(2,409)	(2,409)	(2,409)
Exploration	–	–	(381)	(250)	(381)	(250)
Other items	618	702	(6)	(12)	612	690
Amounts recognised directly in equity:						
Share issue costs in equity	318	128	–	–	318	128
	1,024	21,247	(4,911)	(2,689)	(3,887)	18,558
Temporary differences derecognised	–	(18,558)	3,887	–	3,887	(18,558)
Tax assets/(liabilities)	1,024	2,689	(1,024)	(2,689)	–	–

Movements in deferred tax assets

	Provisions $000's	Share issue costs $000's	Mine property $000's	Other $000's	Temporary differences derecognised $000's	Total $000's
At 1 July 2015	4,760	257	23,026	2,331	–	30,374
(Charged)/credited						
to profit or loss	(3,164)	–	(3,982)	(499)	(18,558)	(26,203)
to (under)/over prior period	–	–	(223)	(506)	–	(729)
directly to equity	–	(129)	–	(624)	–	(753)
At 30 June 2016	1,596	128	18,821	702	(18,558)	2,689
(Charged)/credited						
to profit or loss	(1,509)	190	(20,729)	(182)	18,558	(3,672)
to (under)/over prior period	1	–	(206)	98	–	(107)
reclassification to deferred tax liability	–	–	2,114	–	–	(2,114)
At 30 June 2017	88	318	–	618	–	1,024

Movement in deferred tax liabilities

	Inventory $000's	Intangibles $000's	Mine property $000's	Exploration $000's	Other $000's	Temporary differences derecognised $000's	Total $000's
At 1 July 2015	(67)	(2,409)	–	–	(187)	–	(2,663)
(Charged)/credited							
to profit or loss	49	–	–	(250)	26	–	(175)
to (under)/over prior period	–	–	–	–	149	–	149
At 30 June 2016	(18)	(2,409)	–	(250)	(12)	–	(2,689)
(Charged)/credited							
to profit or loss	18	–	–	(132)	2	3,887	3,775
to (under)/over prior period	–	–	–	–	4	–	4
reclassification to deferred tax liability	–	–	(2,114)	–	–	–	(2,114)
30 June 2017	–	(2,409)	(2,114)	(382)	(6)	3,887	1,024

NOTE 6 – CASH AND CASH EQUIVALENTS

	2017 $000's	2016 $000's
Cash at bank	5,765	8,979
Cash on deposit	30,611	471
Total	36,376	9,450
Reconciliation of profit / (loss) after income tax to net cash flows from operating activities		
Net Profit / (loss)	5,669	(79,955)
Depreciation and amortisation	3,227	5,691
Share based payments	623	53
Impairment of non-financial assets	302	40,108
Finance costs	(311)	713
(Gains)/losses on derivatives	–	(1,691)
Foreign exchange (gains)/losses	4	(1,136)
Other	(345)	(428)
(Increase)/decrease in assets		
Trade and other receivables	3,641	10,733
Inventories	–	3,773
Deferred tax assets	–	27,086
Increase/(decrease) in liabilities		
Trade and other payables	(771)	(48,894)
Provisions	(179)	(284)
Net cash inflow/(outflow) by operating activities	11,860	(44,231)

Cash on deposit relates to 31-day term deposits held with financial institutions. See Note 20 – Financial risk management note for further details.

Accounting policy

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. There are no non-cash investing or financing activities.

NOTE 7 – TRADE AND OTHER RECEIVABLES

	2017 $000's	2016 $000's
Current		
Trade receivables and prepayments	10,007	13,138
Interest receivable	–	3
Receivables due from the NJV	–	146
Other receivables	46	407
Total current	10,053	13,694
Non-current		
Other receivables	4,931	5,986
Total non-current	4,931	5,986
Total trade and other receivables	14,984	19,680

Due to the short-term nature of current receivables, their carrying amount is assumed to approximate their fair value.

As at 30 June 2017 no receivables were past due or impaired (2016: Nil).

Other current receivables include $0.46M for GST receivable (2016: $0.18M). Other non-current receivables include an estimate of the amount payable by the operator of the Iron Valley operation for fulfilment of rehabilitation obligations at the end of operations.

Refer to note 20 for information on the risk management policy of the Company.

Accounting policy

Receivables from the sale of iron ore are recognised initially at fair value and, where the sales receivable is subject to final pricing during a quotation period in the future, are subsequently measured at the estimated fair value of the total consideration receivable. Other receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are due for settlement within 5 days. Other receivables are due for settlement no more than 30 days from the date of invoice. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. The Company's sales are sold under an agreement, the historical loss rate is nil. Consequently, a general provision for 12-month expected credit loss has not been recognised.

NOTE 8 – 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	57,988	5,119	1,065	64,172
Additions	7,707	2	114	7,823
Reclassification of assets	1,549	(915)	(625)	9
Disposals	-	(4)	-	(4)
Changes to rehabilitation estimate	(13,381)	-	-	(13,381)
Depreciation and amortisation expense	(4,153)	(1,077)	(461)	(5,691)
Closing net book value	49,710	3,125	93	52,928
At 30 June 2016				
Cost	103,367	5,354	1,633	110,354
Accumulated depreciation and amortisation	(53,657)	(2,229)	(1,540)	(57,426)
Net carrying amount	49,710	3,125	93	52,928
Year ended 30 June 2017				
Opening net book value	49,710	3,125	93	52,928
Additions	122	-	66	188
Disposals	(2,063)	(2,527)	(1)	(4,591)
Depreciation and amortisation expense	(2,882)	(235)	(110)	(3,227)
Impairment	-	(302)	-	(302)
Closing net book value	44,887	61	48	44,996
At 30 June 2017				
Cost	51,659	856	1,589	54,104
Accumulated depreciation and amortisation	(6,772)	(795)	(1,541)	(9,108)
Net carrying amount	44,887	61	48	44,996

Accounting policy

Mine Properties

Once a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings, plant and equipment is transferred and capitalised as mine property. Mine property costs include past capitalised exploration and evaluation costs, pre-production development costs, development excavation, development studies and other subsurface and permanent installation expenditure pertaining to that area of interest.

Mine property costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Mine property costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercial or technically feasible, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs written off to the profit or loss to the extent that they will not be recoverable in the future.

Amortisation of mine property costs is charged on a unit of production basis over the life of economically recoverable reserves once production commences.

Mine property assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, mine property is allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

Development stripping

Overburden and other mine waste materials are often removed during the initial development of a mine in order to access the mineral deposit. This activity is referred to as development stripping.

The directly attributable costs are capitalised as development costs. Capitalisation of development stripping costs ceases and amortisation of those capitalised costs commences upon extraction of ore. Amortisation of capitalised development stripping costs is determined on a unit of production basis for each separate area of interest.

Capitalised development and production stripping costs are classified as 'Development Expenditure'. Development stripping costs are considered in combination with other assets of an operation for the purpose of undertaking impairment assessments.

Removal of waste material normally continues throughout the life of a mine. This activity is referred to as production stripping and commences upon extraction of ore.

Plant and equipment

Plant and equipment, including mechanical, electrical, field and computer equipment as well as furniture, fixtures and fittings, is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over either its expected useful life of 2.5 to 5 years for furniture, computers and equipment, or the life of the mine for plant and equipment.

Spare parts, stand-by equipment and servicing equipment is classified as property, plant and equipment if they are expected to be used during more than one period. Otherwise they are classified as inventory.

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. Refer to note 3 for details of the impairment indicators identified and the impairment accounting policy. Assets assessed for impairment included the following:

Nullagine Joint Venture

As a result of the NJV Sale transaction, the carrying value of the Nullagine Joint Venture ("NJV") was impaired by $0.3M to $4.6M to reflect the sale consideration price before disposal on completion of the sale as announced on 10 March 2017.

Iron Valley

The Iron Valley mine property asset was tested for impairment. The recoverable amount has been assessed based on its FVLCD in line with the impairment policy (refer to note 3) and classified as level 3 under the fair value hierarchy. FVLCD was determined by estimating cash flows until the end of the life of mine plan, including anticipated expansions, of approximately 16 years. The discount rate used in determining FVLCD was 10.3%. Forecast iron ore price, foreign exchange and inflation assumptions used in the calculation of FVLCD are summarised in note 3.

The recoverable amount was determined to be significantly in excess of carrying value, 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.

Key judgement – Mine properties expenditure

Development activities commence after commercial viability and technical feasibility of the project is established. Judgement is applied by management in determining when a project is commercially viable and technically feasible.

Key estimate – Iron ore reserves

Iron ore reserves are estimates of the amount of product that can be economically and legally extracted from the Company's current mining tenements. In order to calculate ore reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and grade of ore reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This requires complex and difficult geological judgements and calculations to interpret the data.

As economic assumptions used to estimate reserves change, and as additional geological data is generated during the course of operations, estimates of reserves may vary from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation and amortisation charges in profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

NOTE 9 – EXPLORATION AND EVALUATION

	2017 $000's	2016 $000's
Opening balance	4,100	4,100
Exploration earn-in	500	-
Net carrying amount	**4,600**	4,100

Accounting policy

The Company accounts for exploration and evaluation activities as follows:

Acquisition and Exploration earn-in

Exploration and evaluation costs arising from acquisitions and earn-ins are carried forward where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment of economically recoverable reserves.

Exploration and evaluation costs

Costs arising from on-going exploration and evaluation activities are expensed as incurred.

Key judgement – Capitalisation of exploration and evaluation expenditure

The Company has capitalised acquired exploration and evaluation expenditure and earn-in expenditure on the basis that either it is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped. The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental rehabilitation obligations) and changes to commodity prices.

As announced on 1 March 2017, the Company and Kalium Lakes Limited (Kalium) entered into a joint venture agreement over Kalium's 100% owned Carnegie Potash Project. Under the terms of the agreement, the Company can earn up to a 50% interest in the Carnegie Project, by predominately sole-funding exploration and development expenditure across several stages. Kalium will be the manager of the joint venture.

On 15 March 2017, the Company earnt a 15% interest in the Carnegie Project by contributing its mobile camp facilities to the joint venture and sole funding $0.5M of expenditure.

NOTE 10 – INTANGIBLES

	Notes	2017 $000's	2016 $000's
Opening balance		**23,532**	26,132
Impairment charge	3	**–**	(2,600)
Net carrying amount		**23,532**	23,532
Net carrying value of intangibles:			
Royalties		**15,502**	15,502
Port lease rights		**8,030**	8,030
Net carrying amount		**23,532**	23,532

Intangible assets acquired through Iron Ore Holdings Limited have been included in additions as follows:

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.

The Koodaideri South royalty asset has been tested for impairment with the recoverable amount assessed by reference to the FVLCD, in line the policy in note 3 and classified as level 3 under the fair value hierarchy. 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 pre-tax nominal discount rate used in determining FVLCD was 9.3%. Forecast iron ore price, foreign exchange and inflation assumptions used in the calculation of FVLCD are summarised in note 3.

The recoverable amount was determined to be in excess of carrying value, and there are no reasonably possible changes in key assumptions that would cause the asset to be impaired. Refer to note 3 for details of the key estimates and judgements applied in determining the recoverable amount.

Port lease rights

The Company holds a lease at the Cape Preston East Port and through the purchase price allocation 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, in line with the policy in note 3 and classified as level 3 under the fair value hierarchy. 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 pre-tax nominal discount rate used in determining FVLCD was 9.5%. Forecast iron ore price, foreign exchange and inflation assumptions used in the calculation of FVLCD are summarised in note 3.

The recoverable amount was determined to be in excess of carrying value, and there are no reasonably possible changes in key assumptions that would cause the asset to be impaired. Refer to note 3 for details of the key estimates and judgements applied in determining the recoverable amount.

NOTE 11 – TRADE AND OTHER PAYABLES

	2017 $000's	2016 $000's
Current		
Trade payables and accruals	**12,107**	19,749
Total	**12,107**	19,749

Accounting policy

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe (refer to note 20).

NOTE 12 – PROVISIONS

	2017 $000's	2016 $000's
Current		
Employee benefits	294	415
Total current	294	415
Non-current		
Rehabilitation	4,931	10,892
Total non-current	4,931	10,892
Total	5,225	11,307

Movement in Provisions in 2017

	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	(1,559)	–	(1,559)
Charged/(credited) to profit or loss:			
additional provisions recognised	–	305	305
derecognised on sale of Nullagine	(4,595)	–	(4,595)
unused amounts reversed	–	(58)	(58)
unwinding of discount (non-cash)	193	–	193
Amounts used during the year	–	(368)	(368)
Closing balance	4,931	294	5,225

Accounting policy

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Employee benefits, salaries and annual leave

Liabilities for salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Employee benefits – long service leave

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Rehabilitation

The Company has obligations to dismantle and remove certain items of property, plant and equipment and to restore and rehabilitate the land on which they are situated.

A provision is raised for the estimated cost of settling the rehabilitation and restoration obligations existing at balance date, discounted to present value using an appropriate discount rate. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset within mine properties and amortised accordingly.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, costs are charged to the profit or loss in the period in which the work is undertaken.

At each reporting date the rehabilitation liability is re-measured to account for any new disturbance, updated cost estimates, changes to the estimated lives of operations, new regulatory requirements and revisions to discount rates. Changes to the rehabilitation liability are added to or deducted from the related rehabilitation asset and amortised accordingly.

Key estimate – Rehabilitation

The Company's accounting policy for the recognition of rehabilitation provisions requires significant estimates in determining the estimated cost for the rehabilitation of disturbed areas, removal of infrastructure and site closure at a point in the future. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The rehabilitation provision relating to Nullagine was derecognised as the Company completed the sale of its interest in Nullagine to Fortescue as announced on 10 March 2017.

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 13 – CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company defines capital as equity and net debt. Net debt is defined as borrowings less cash and cash equivalents, and equity as the sum of share capital, reserves and accumulated losses/retained earnings.

	2017 $000's	2016 $000's
Net debt to equity		
Total debt	–	2,020
Less cash and cash equivalents	36,376	9,450
Excess of cash over debt	36,376	7,430
Equity	107,156	76,676

Net debt as percentage of equity – not applicable as cash and cash equivalent exceeds debt.

NOTE 14 – CONTRIBUTED EQUITY

	2017		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 18 November 16	196,263,455	24,188	–	–
Closing balance	392,526,910	266,735	196,196,992	242,467

Accounting policy

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

In November 2016, the Company successfully completed a pro-rata renounceable entitlement offer of 1 new share for every 1 share held at an issue price of $0.13 per share to raise $24.2M after costs.

Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

NOTE 15 – RESERVES

	2017 $000's	2016 $000's
Share based payments reserve		
Balance as at 1 July	10,105	10,052
Share based payments expense	623	53
Issue of shares under Employee Performance Rights Plan	(80)	-
Balance as at 30 June	10,648	10,105
Financial assets at fair value through other comprehensive income		
Balance as at 1 July	(9,009)	(9,009)
Balance as at 30 June	(9,009)	(9,009)
Options exercised reserve		
Balance as at 1 July	3,787	3,787
Balance as at 30 June	3,787	3,787
Hedging reserve		
Balance as at 1 July	–	2,706
Gains and losses on cash flow hedges	–	(2,706)
Balance as at 30 June	–	-
Total reserves	5,426	4,883

Nature and purpose of reserves

The share based payments reserve is used to recognise the fair value of options (not exercised), Performance Rights and equity-settled benefits issued in settlement of share issue costs.

Changes in the fair value of investments such as equities measured at fair value through other comprehensive income, are recognised in other comprehensive income and accumulated in a separate reserve within equity. On adoption of AASB9 *Financial Instruments* investments in listed shares previously classified as available-for-sale were reclassified as financial assets at fair value through other comprehensive income.

The options exercised reserve is used to recognise the fair value of options exercised.

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship and has not yet been settled.

NOTE 16 – ACCUMULATED LOSSES

	2017 $000's	2016 $000's
Balance as at 1 July	(170,674)	(90,719)
Net profit / (loss)	5,669	(79,955)
Dividends paid	–	-
Balance as at 30 June	(165,005)	(170,674)

NOTE 17 – DIVIDENDS

	2017 $000's	2016 $000's
Dividend paid during the financial year (fully franked at 30 per cent)		
Final franked dividend for 2016: Nil (2015: Nil)	–	-
Interim franked dividend for 2017: Nil (2016: Nil)	–	-
Total dividends paid	–	-
Dividend declared not recognised as a liability (fully franked at 30 per cent)		
Final franked dividend for 2017: Nil (2016: Nil)		

NOTE 18 – EARNINGS PER SHARE

	2017 $000's	2016 $000's
Earnings per share from continuing operations		
Profit / (loss) after income tax from continuing operations	7,064	(43,862)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	316,706,617	196,196,272
Adjustments for calculation of diluted earnings per share:		
Vested Performance Rights outstanding at year end	2,442,000	66,463
Weighted average number of ordinary shares used in calculating diluted earnings per share	319,148,617	196,262,735
	Cents	**Cents**
Earnings per share attributable to the ordinary equity holders of the company		
Basic earnings / (loss) per share	2.23	(22.36)
Diluted earnings / (loss) per share	2.21	(22.35)

Accounting policy

Basic earnings per share is calculated by dividing net profit after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the financial year.

Diluted earnings per share is calculated using net profit after income tax attributable to equity holders of the Company adjusted for the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTE 19 – LOANS AND BORROWINGS

	2017 $000's	2016 $000's
Current		
Unsecured - Henghou facility	–	2,020
Total current	–	2,020
Total	–	2,020

Accounting policy

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, in which case they are classified as non-current liabilities.

Unsecured Henghou facility

The NJV secured, via the Joint Venture Partners, USD50.0M (interest free) in project finance with Henghou Industries (Hong Kong) Limited. Henghou made a payment of USD15.0M on 17 December 2009 (being USD7.5M to BCIN), a payment of USD15M on 3 February 2010 (being USD7.5M to BCIN) and a payment of USD20M on 2 July 2010 (being USD10M to BCIN).

The final repayment of USD1.5M was made in October 2016. As part of this facility the Company issued 8 million options to Henghou as non-cash consideration. These options were exercised in FY2012.

NOTE 20 – FINANCIAL RISK MANAGEMENT

The Company holds the following financial instruments:

	2017 $000's	2016 $000's
Financial assets		
Cash and cash equivalents	**36,376**	9,450
Trade and other receivables	**14,984**	19,741
	51,360	29,191
Financial liabilities		
Trade and other payables	**12,107**	19,749
Loans and borrowings	–	2,020
	12,107	21,769

Market (including foreign exchange, commodity price and interest rate risk), credit and liquidity risks arise in the normal course of the Company's business. Primary responsibility for identification and control of financial risk rests with senior management under directives approved by the Board.

a. Market risk

i. Foreign exchange risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency in which they are measured. The Company is exposed to foreign exchange risk on cash and cash equivalents, trade receivables and loans and borrowings. The Company's policy is, where possible, to settle foreign liabilities with the cash generated from operations in that currency. The Company's exposure to foreign currency risk at reporting date was as follows:

	Currency	2017 $000's	2016 $000's
Exchange rate at reporting date		**0.7692**	0.7426
Financial assets			
Cash and cash equivalents	AUD	–	6,713
	USD	–	4,985
Financial liabilities			
Loans and borrowings	AUD	–	(2,020)
	USD	–	(1,500)

The following table summarises the sensitivity to a reasonably possible change in the AUD to USD rate, with all other variables held constant, of the Company's profit/(loss) before tax and reserves due to changes in the carrying value of financial assets and liabilities at reporting date.

	Effect on profit/(loss) 2017 $000's	Effect on reserves 2017 $000's	Effect on profit/(loss) 2016 $000's	Effect on reserves 2016 $000's
Appreciation of AUD to USD by 5% from 0.7326 to 0.8077 (2016: 0.7426 to 0.7797)	–	–	(223)	-
Depreciation of AUD to USD by 5% from 0.7326 to 0.8077 (2016: 0.7426 to 0.7072)	–	–	235	-

ii. Commodity price risk

The Company's revenue is exposed to commodity price fluctuations, specifically iron ore prices. The Company measures exposure to commodity price risk by monitoring and stress testing the Company's forecast financial position to sustained periods of low iron ore prices on a regular basis.

Trade receivables outstanding at year end are subject to potential changes in future iron ore prices.

iii. Interest rate risk

The Henghou unsecured loan facility was not subject to interest rate risk. The impact of interest rates on the Company's financial position is reviewed regularly.

b. Credit risk

Credit risk arises from cash and cash equivalents and deposits with financial institutions, and from receivables from customers for iron ore sales. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted in accordance with ratings guidelines of major global credit rating agencies. For customers, credit reference checks are undertaken and letters of credit are required as a means of securing payment. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised at the beginning of this note.

The credit quality of financial assets that are neither past due nor impaired can be summarised as follows:

- Cash and cash equivalents $36.4M (2016: $9.5M) held with banks with minimum long term external credit ratings of AA-.
- Trade receivables $10.0M (2016: $13.1M) due from existing customers are backed by an agreement with quarterly invoices paid within 5 working days. There has been no history of default in the past.
- In the money derivatives nil (2016: Nil) held with banks with minimum long term external credit ratings of AA-.

c. Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash and access to capital markets. It is the policy of the Board to ensure that the Company is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Company has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules.

Financing arrangements

The Nullagine Iron Ore Joint Venture, via the Joint Venture Partners, entered into a USD50 million financing facility (USD25m Company share) with Henghou Industries (Hong Kong) Limited. The final payment of USD1.5M was made in October 2016. Refer to note 19 for further information.

Maturity analysis of financial assets and liabilities

The table below groups undiscounted cash flows from the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities and net and gross settled derivative financial instruments.

	Less than 6 months $000's	6-12 months $000's	1-5 years $000's	Greater than 5 years $000's	Contractual cash flows $000's	Carrying amount $000's
Year ended 30 June 2017						
Financial liabilities						
Trade and other payables	12,107	-	-	-	12,107	12,107
Loans and borrowings	-	-	-	-	-	-
Total non-derivatives	12,107	-	-	-	12,107	12,107
Year ended 30 June 2016						
Financial liabilities						
Trade and other payables	19,749	-	-	-	19,749	19,740
Loans and borrowings	2,020	-	-	-	2,020	2,020
Total non-derivatives	21,769	-	-	-	21,769	21,769

GROUP STRUCTURE

NOTE 21 – SUBSIDIARIES

The consolidated financial statements include the financial statements of BC Iron Limited and the subsidiaries listed in the following table.

	Country of incorporation	Functional currency	Beneficial interest 2017 %	Beneficial interest 2016 %
BC Iron Nullagine Pty Ltd	Australia	AUD	**100**	100
BC Iron (SA) Pty Ltd	Australia	AUD	**100**	100
BC Potash Pty Ltd formerly BC Iron Finance Pty Ltd	Australia	AUD	**100**	100
BC Gold Pty Ltd	Australia	AUD	**100**	-
BC Pilbara Iron Ore Pty Ltd	Australia	AUD	**100**	100
PEL Iron Ore Pty Ltd	Australia	AUD	**100**	100
Buckland Minerals Transport Pty Ltd	Australia	AUD	**100**	100
Cape Preston Logistics Pty Ltd	Australia	AUD	**100**	100
Mardie Minerals Pty Ltd	Australia	AUD	**100**	100
Iron Valley Pty Ltd	Australia	AUD	**100**	100
Bungaroo South Pty Ltd	Australia	AUD	**100**	100
Mal's Ridge Pty Ltd	Australia	AUD	**100**	100
Maitland River Pty Ltd	Australia	AUD	**100**	100
Metal Holdings Pty Ltd	Australia	AUD	**100**	100

Accounting policy

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BC Iron Limited as at 30 June 2017, and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of an asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Consolidated Entity.

NOTE 22 – SEGMENT INFORMATION

	Iron Valley		Buckland		Discontinued Operations		Other		Consolidated	
	2017 $000's	2016 $000's	2017 $000's	2016 $000's	2017 $000's	2016 $000's	2017 $000's	2016 $000's	2017 $000's	2016 $000's
Segment revenue										
Sale of goods	63,480	39,863	–	–	–	109,913	–	–	63,480	149,776
Other revenue	–	–	–	–	292	950	552	553	844	1,503
Total	63,480	39,863	–	–	292	110,863	552	553	64,324	151,279
Segment results										
EBITDA	18,277	10,187	(1,540)	(1,938)	(1,100)	(11,471)	(7,320)	(4,392)	8,317	(7,614)
Interest revenue	–	–	–	–	23	421	552	264	575	685
Finance costs	–	–	–	–	311	(951)	–	–	311	(951)
Foreign exchange	–	–	–	–	(85)	812	81	–	(4)	812
Depreciation and amortisation	(2,882)	(2,621)	–	–	(242)	(2,877)	(103)	(194)	(3,227)	(5,692)
Impairment	–	–	–	–	(302)	(37,508)	–	(2,600)	(302)	(40,108)
Profit / (loss) before income tax	15,395	7,566	(1,540)	(1,938)	(1,395)	(51,574)	(6,790)	(6,922)	5,669	(52,869)
Segment assets	59,704	52,987	8,030	8,030	–	14,093	56,756	34,641	124,489	109,751
Segment liabilities	14,309	15,274	–	–	–	16,871	3,024	931	17,333	33,076

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.

UNRECOGNISED ITEMS

NOTE 23 – COMMITMENTS

	2017 $000's	2016 $000's
Operating leases – buildings		
The Company has non-cancellable operating leases for office and storage buildings.		
Within one year	288	288
Greater than one year but not more than five years	294	513
More than five years	–	–
	582	801
Operating leases – vehicles		
The Company has non-cancellable operating leases for a vehicle.		
Within one year	5	40
Greater than one year but not more than five years	–	27
More than five years	–	–
	5	67
Capital commitments		
The Company currently has no Capital commitments.		

NOTE 24 – CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2017, the Company has no contingent liabilities or assets.

NOTE 25 – EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year 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 year ended 30 June 2017.

OTHER NOTES

NOTE 26 – PARENT ENTITY

The following details information related to the parent entity, BC Iron Limited, as at 30 June 2017. The information presented here has been prepared using accounting policies consistent with those presented in the notes to the accounts.

	2017 $000's	2016 $000's
Balance sheet		
Current assets	7,479	1,057
Total assets	119,509	127,936
Current liabilities	1,151	13,097
Total liabilities	915	31,293
Shareholders' equity		
Issued capital	266,735	242,467
Reserves	5,554	5,011
Accumulated losses	(153,695)	(150,835)
Total shareholders' equity	118,594	96,643
Loss for the year	(2,859)	(80,154)
Total comprehensive loss for the year	(2,859)	(80,154)

Included in note 23 are commitments incurred by the parent entity relating to the lease of offices.

NOTE 27 – AUDITOR'S REMUNERATION

The auditor of BC Iron Limited is BDO Audit (WA) Pty Ltd

	2017 $	2016 $
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
Audit or review of financial reports for the Company	54,050	66,029
Non-audit services – assurance services	3,325	2,550
Total	57,375	68,579

NOTE 28 – RELATED PARTY TRANSACTIONS

a. Parent entity

BC Iron Limited is the parent entity.

b. Subsidiaries

Interests in subsidiaries are set out in note 21.

c. Joint operations

Interests in joint operations are set out in note 4.

d. Key management personnel

Disclosures relating to key management personnel are set out in the Audited Remuneration Report.

	2017 $	2016 $
Short-term employee benefits	1,131,569	1,589,090
Long-term employee benefits	–	113,074
Termination payments	467,195	585,577
Share based payments	370,094	420,016
Post-employment benefits	105,230	84,409
Total	2,074,088	2,792,166

e. Transactions with related parties

	2017 $	2016 $
Management fee income from joint operation	14,789	529,195
Payment for services made to other related parties	79,174	-

On 1 March 2017, Michael Blakiston was appointed as a non-executive director of the Company. From this date and up until the end of the financial year the Company made legal fee payments of $71k. Also during the 2017 financial year, a final office lease payment of $8k was made to an entity related to Wroxby Pty Ltd, an investor with significant influence over the Company. All transactions were on normal commercial terms and conditions.

f. Outstanding balances arising from sales/purchases of goods and services

Joint operation

	2017 $	2016 $
Receivables	-	145,643

NOTE 29 – SHARE BASED PAYMENTS

During the 2011-2017 financial years, the Company provided share based payments to employees only, whereas in the 2010 financial year they were also granted to consultants and financers. An employee share option incentive plan was approved at the shareholder's annual general meeting of 16 November 2011. An Employee Performance Rights Plan was initially approved at the shareholder's annual general meeting of 19 November 2010 and a revised plan was approved at the Company's 2017 annual general meeting.

Under the terms of these plans, the Board may offer options and Performance Rights at no more than nominal consideration to employees or directors (the latter subject to shareholder approval) based on a number of criteria, including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant. These long-term incentives are provided to certain employees at the discretion of the Board to deliver long-term shareholder returns. Set out below is a summary of the options and Performance Rights granted by the Company.

a. Employee option expense

No options were granted during the year and the weighted average remaining contractual life of share options outstanding at the end of the financial year was nil (2016: nil)

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

b. Employee Performance Rights

During the year the Company issued share based payments in the form of Performance Rights to Directors and employees as per below.

Refer to the Remuneration Report in the Directors' Report for more information.

2017 – Performance Rights

Grant date	Granted during the year	Vesting date	Fair value per right at grant date	Share price on grant date*	Expected dividends
19/12/2016	400,000	30/06/2017	$0.15	$0.19	0%
19/12/2016	1,900,000	30/06/2017	$0.15	$0.19	0%
19/12/2016	1,400,000	30/06/2018	$0.14	$0.19	0%
14/03/2017	550,000	30/06/2017	$0.18	$0.21	0%
14/03/2017	1,200,000	30/06/2018	$0.08	$0.21	0%

**Source: www.asx.com.au*

The fair value per Performance Right on grant date was determined as follows:

Grant date	19/12/2016	19/12/2016	14/03/2017	14/03/2017
Vesting date	30/06/2017	30/06/2018	30/06/2017	30/06/2018
Grant date share price	$0.19	$0.19	$0.21	$0.21
Volatility (per cent)	108.9%	108.9%	105.2%	105.2%
Dividend yield (per cent)	0%	0%	0%	0%
Risk free rate	2.8%	2.8%	2.9%	2.9%

2016 – Performance Rights

Grant date	Granted during the year	Vesting date	Fair value per right at grant date	Share price on grant date*	Expected dividends
09/09/2015	175,000	30/06/2018	$0.015	$0.23	0%
23/11/2015	584,200	30/06/2018	$0.015	$0.25	0%
25/05/2016	2,000,000	01/07/2017	$0.065	$0.16	0%
25/05/2016	2,000,000	01/07/2018	$0.069	$0.16	0%
25/05/2016	2,000,000	01/07/2019	$0.069	$0.16	0%
09/09/2015	2,895,972	30/06/2018	$0.015	$0.23	0%

**Source: www.asx.com.au*

The fair value per Performance Right on grant date was determined as follows;

Grant date	09/09/2015	25/05/2016	25/05/2016	25/05/2016
Vesting date	30/06/2018	01/07/2017	01/07/2018	01/07/2019
Grant date share price	$0.23	$0.16	$0.16	$0.16
Volatility (per cent)	65.6%	103.3%	92.4%	79.0%
Dividend yield (per cent)	0.0%	0.0%	0.0%	0.0%
Risk free rate	1.9%	1.9%	2.2%	2.4%

Summary of Performance Rights on issue

Vesting date	Opening balance at 1 July 2016	Rights granted during the year	Rights cancelled during the year	Rights converted to shares during the year	Closing balance at 30 June 2017	Rights vested as at 30 June 2017
30/06/2016	132,926	-	(66,463)	(66,463)	-	NA
30/06/2017	2,000,000	2,850,000	(600,000)	-	4,250,000	2,442,000
30/06/2018	4,131,147	2,600,000	(1,928,876)	-	4,802,271	NA
30/06/2019	2,000,000	-	-	-	2,000,000	NA
Total	**8,264,073**	**5,450,000**	**(2,595,339)**	**(66,463)**	**11,052,271**	**2,442,000**

c. Expenses arising from share-based payment transactions

Total expenses arising from share based payments recognised during the financial period as part of employee benefits expense were as follows. Where Performance Rights are forfeited or cancelled due to a vesting condition not being satisfied, the previously recognised cumulative share based payment expense is reversed.

	2017 $	2016 $
Director benefits	**308,710**	(7,544)
Employee benefits	**313,979**	60,306
Total	**622,689**	52,762

Accounting policy

The fair value of share based payments granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or Performance Rights.

A Monte Carlo simulation is used to value Performance Rights. The Monte Carlo calculation simulates the Company's share price and depending on the hurdle arrives at a value based on the number of Performance Rights that are likely to vest.

The employee benefit expense recognised each period takes into account the most recent estimate of the options and Performance Rights. The impact of revision to original estimates, if any, is recognised in the profit or loss with a corresponding adjustment to equity.

Key estimate: Share-based payment costs

The cost of share-based payments to financiers is measured by reference to the difference between the nominal value and net present value of the finance facility provided. The net present value is determined based upon a market comparable discount rate applicable to similar size companies within the mining sector.

A Monte Carlo simulation has been used to value Performance Rights. The Monte Carlo calculation simulates the returns of the Company in relation to the peer group and arrives at a value based on the number of Performance Rights that are likely to vest.

NOTE 30 – OTHER ACCOUNTING POLICIES

Summary of other significant accounting policies

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable, where an invoice has been issued. The net amount of GST recoverable from, or payable to, the taxation authority is included within receivables or payables in the statement of financial position.

The GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Company. Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Company uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Tax consolidation legislation

BC Iron Limited and its wholly owned Australian controlled entities have entered into the tax consolidation legislation. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, BC Iron Limited.

The entities entered into a tax funding agreement under which the wholly owned entities fully compensate BC Iron Limited for any current tax payable assumed and are compensated by BC Iron Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to BC Iron Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which where appropriate, is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

New, revised or amending Accounting Standards and Interpretations adopted

The following applicable accounting standards, amendment of standards and interpretations have recently been issued but are not yet effective. These standards have not been adopted by the Company as at the financial reporting date.

Standard title	Application date of the standard	Summary	Impact on Company's financial report
AASB 9 Financial Instruments	Periods beginning on or after 1 January 2018	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the investment. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the change in credit risk are also presented in profit or loss.	The Company has considered this standard and identified there will be minimal impact on the financial statements.
AASB Revenue from Contracts with Customers	Periods beginning on or after 1 January 2018	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risk and rewards as is currently the case under IAS 18 Revenue.	The Company has considered this standard and identified there will be no impact on the financial statements.
AASB 16 Leases	Periods beginning on or after 1 January 2019	If a lessee has significant operating leases outstanding at the date of initial application, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments. This will increase EBITDA as operating leases that were previously expensed will be amortised as a right-of-use asset, and an interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under AASB 117 Leases. This trend will reverse in the later years. There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.	The Company has considered this standard and identified that future contractual arrangements may impact on the financial statements. Current contractual arrangements will not be impacted by the standard.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the members of BC Iron Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of BC Iron Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying Value of Intangible Assets

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2017, the carrying value of Intangible Assets was $23.532m (2016: $23.532m), as disclosed in Note 10. The assessment of the carrying value of Intangible Assets requires management to make significant accounting judgements and estimates in producing the discounted cash flow models used to determine whether the assets require impairment. An annual impairment test for the intangible assets is required under Australian Accounting Standard (AASB) 136 Impairment of Assets. Refer to Note 10 for the detailed disclosures, which include the related accounting policies and the critical accounting judgements and estimates.	We evaluated management's impairment assessment for the Koodaideri South and North Marillana Royalties and the Cape Preston East Port access rights by critically challenging the key estimates and assumptions used by management. Our procedures included, but were not limited to the following: • Analysing management's key assumptions used in the discounted cash flow models against external data, market consensus information and trends to determine their reasonableness; • Challenging the appropriateness of management's discount rates used in the discounted cash flow models in conjunction with our internal valuation experts; • Challenging assumptions around timing of future cash flows; • Agreeing the total ore reserve to independent expert's feasibility study; • Checking the mathematical accuracy of the discounted cash flow model; • Performing sensitivity analysis on key assumptions to determine if there would be a significant change to the carrying value of the asset; and • Assessing the adequacy of the Group's disclosures in respect of intangible asset carrying values and impairment assessment assumptions as disclosed in note 10 of the financial report.

Carrying Value of Mine Properties

Key audit matter	*How the matter was addressed in our audit*
At 30 June 2017, the carrying value of Mine Properties was $44.887m (2016: $49.710m), as disclosed in note 8. The assessment of the carrying value of Mine Properties requires management to make significant accounting judgements and estimates in producing the discounted cash flow model used to determine whether the assets require impairment in accordance with Australian Accounting Standard AASB 136 Impairment. Refer to Note 8 for the detailed disclosures, which include the related accounting policies and the critical accounting judgements and estimates.	We evaluated management's discounted cash flow model for Iron Valley by critically challenging the key estimates and assumptions used by management. Our procedures included, but were not limited to the following: • Analysing management's key assumptions used in the discounted cash flow model against external data, market consensus information and trends to determine their reasonableness; • Challenging the appropriateness of management's discount rates used in the discounted cash flow model in conjunction with our internal valuation experts; • Challenging assumptions around timing of future cash flows; • Checking the mathematical accuracy of the discounted cash flow model; • Performing sensitivity analysis on significant assumptions to determine if there would be a significant change to the carrying value of the asset; and • Assessing the adequacy of the Group's disclosures in respect of mine property carrying values and impairment assessment assumptions as disclosed in note 8 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 18 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of BC Iron Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien

Director

Perth, 16 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

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

As lead auditor of BC Iron Limited for the year ended 30 June 2017, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 16 August 2017

CORPORATE GOVERNANCE STATEMENT

BC Iron Limited ("Company") has adopted systems of control and accountability as the basis for the administration of its corporate governance practices. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ("ASX Principles and Recommendations"), the Company has followed each such Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a Recommendation the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime. This corporate governance statement sets out the Company's corporate governance policies and practices for the reporting period.

Further information about the Company's corporate governance practices including relevant information on the Company's charters and other policies and procedures is set out on the Company's website at www.bciron.com.au/corporate/corporate-governance.

ASX PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – A listed entity should disclose:

a) the respective roles and responsibilities of its board and management; and

b) those matters expressly reserved to the board and those delegated to management.

The Company has established the functions reserved to the Board and senior executives and has set out these functions in its Board Charter, which is available on the Company's website on the Corporate Governance page.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director, if the matter concerns the Managing Director, then directly to the Chairman or the lead independent director, as appropriate.

Recommendation 1.2 – A listed entity should:

a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes appropriate background and screening checks prior to nominating a director for election by shareholders.

All material information in the Company's possession in relation to directors is disclosed in the annual report, and in explanatory notes accompanying the notice of meeting for directors' subject to election or re-election.

Recommendation 1.3 – A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has written agreements in place with all directors and senior executives. Further information can be found in the Remuneration Report on page 17.

Recommendation 1.4 – The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Details of the Company Secretaries for the reporting period can be found in the Directors' Report on page 9. The appointment and removal of a Company Secretary is a matter for decision by the Board.

The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All directors have direct access to the Company Secretary who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Recommendation 1.5 – A listed entity should:

a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

b) disclose that policy or a summary of it; and

c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The Company has a People Policy which sets out the Company's commitment to a corporate culture supporting equal opportunity and diversity when determining the composition of employees, senior management and the Board. A summary of the Company's People Policy can be found on the Corporate Governance page of the Company's website.

Given the size of the Company at present, the Board has not set measurable objectives.

The Board maintains full transparency of board processes, reviews and appointments and encourages gender diversity.

As at 30 June 2017 there was 1 woman in a senior management position in the Company, representing 13% of senior management, and 5 women employees across the Company, representing 25% of the whole organisation. There is one female Board member. The Company is not a "relevant employer" under the Workplace Gender Equality Act.

Recommendation 1.6 – A listed entity should:

a) **have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and**

b) **disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Chairman is responsible for evaluation of the Board and, when appropriate, Board committees and individual directors. Evaluations are undertaken by way of round-table discussions, Board evaluation questionnaires, and, when appropriate, one-on-one interviews.

No performance evaluation was undertaken during the reporting period.

Recommendation 1.7 – A listed entity should:

a) **have and disclose a process for periodically evaluating the performance of its senior executives; and**

b) **disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Board is responsible for evaluating the Managing Director and Chief Executive Officer (as relevant). Other senior executives are evaluated by the Managing Director or Chief Executive Officer (as relevant) including consultation and feedback from the Board.

During the reporting period a performance evaluation of the Managing Director and senior executives occurred as needed in accordance with the above disclosed process.

ASX PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – The Board of a listed entity should:

a) **have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose (3) the charter of the committee; the members of the committee; and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

b) **if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

The responsibilities of a nomination committee are carried out by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee has a charter which is disclosed in full on the Company's website on the corporate governance page.

Recommendation 2.2 – A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The directors on the board collectively have a combination of skills and experience in the competencies set out in Table 1. These competencies are set out in the skills matrix that the Board uses to assess the skills and experience of each director and the combined capabilities of the Board. The Board considers that collectively the directors have the range of skills, knowledge and experience necessary to direct the Company.

Table 1 – Areas of competence and skills of the directors

Experience and Competencies	Professional Qualifications
Financial acumen	Business and economics
Governance	Legal
Strategic leadership	Technical including mining, engineering and metallurgy
Strategy and risk	
Mining, exploration and project development	
Safety, environment, community, stakeholder engagement	
Public policy	
Marketing and Asia experience	
Capital projects and infrastructure	
Legal	

Recommendation 2.3 – A listed entity should disclose:

a) the names of the directors considered by the board to be independent directors;

b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Principles and Recommendations but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

c) the length of service of each director.

In considering the independence of directors, the Board refers to the criteria for independence as set out in Box 2.3 of the ASX Principles and Recommendations (Factors relevant to assessing the independence of a director). To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website.

Information on the length of service and independence of Directors of the Company as at 30 June 2017 is outlined in table 2 below.

Table 2 – Details of directors

Name of director	Term in office	Length of service as at 30 June 2017	Status
B O'Donnell (Chairman)	Director since October 2014 Chairman since December 2016	2 years and 9 months	Not independent. Mr O'Donnell is a director of Australian Capital Equity which is associated with the Company's largest shareholder, Wroxby Pty Ltd.
M Bryant	Director since May 2015	2years and 1 month	Independent
A Haslam	Director since September 2011	5 years and 9 months	Independent
A Vorster	Director since September 2016	9 months	Independent
J Bloom	Director since March 2017	4 months	Independent
M Blakiston	Director since March 2017	4 months	Independent

Recommendation 2.4 – A majority of the Board of a listed entity should be independent directors.

For the reporting period, the Board consisted of a majority of independent directors.

Recommendation 2.5 – The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Applying the independence criteria, the Chairman of the Company, Mr O'Donnell is not an independent director. However, the roles of Chairman and Managing Director are carried out by different persons, namely Mr O'Donnell and Mr Vorster respectively.

Recommendation 2.6 – A listed entity should have a programme for inducting new directors and provide opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

All new non-executive directors are required to sign and return a letter of appointment which sets out the key terms and conditions of their appointment. Executive directors enter into employment agreements which govern the terms of their employment. All new directors are provided with a detailed induction manual.

All directors are expected to maintain the skills required to discharge their obligations to the Company. The Company provides opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

ASX PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 - Companies should:

a) have a code of conduct for its directors, senior executives and employees; and

b) disclose that code or a summary of it.

The Company has established policies which set out matters covered by a code of conduct. The Company has policies with respect whistle-blower protection, anti-bribery and corruption, and trading in the Company's securities by directors, senior executives and employees.

ASX PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendations 4.1 – The board of a listed entity should:

a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors; and (2) is chaired by an independent director who is not chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Audit and Risk Committee held four meetings during the reporting period.

The Directors' Report identifies directors who were members of the Audit and Risk Committee during the reporting period, and shows their attendance at committee meetings (refer to page 10 of the Annual Report). Details of each of the director's qualifications are set out in the Directors' Report.

The charter of the Audit and Risk Committee can be found on the corporate governance page of the Company's website.

Notification of departure

The combined Audit and Risk Committee was chaired by Mr O'Donnell until March 2017. Mr O'Donnell, as detailed above, although a Non-Executive Director of the Company, is not independent under the ASX Principles and Recommendations.

Explanation for departure

The Company has established an Audit and Risk Committee made up of three members. Of these members, Mr O'Donnell was the most suitably experienced and qualified director for the role of chair of the Audit and Risk Committee. The Board considered that Mr O'Donnell was capable of demonstrating independence, consistently making decisions and taking action designed to be in the best interest of the Company.

Mr O'Donnell stepped down when Mr Blakiston accepted an appointment to the Audit and Risk Committee in March 2017.

All members of the Audit and Risk Committee are financially literate and have industry experience.

Recommendation 4.2 – The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Managing Director and Chief Financial Officer have provided a declaration to the Board that the financial records of the Company have been properly maintained in accordance with the Corporations Act 2001 (Cth), and the Company's financial statements comply with accounting standards and give a true and fair view of the Company's financial position and performance for the reporting period.

Recommendation 4.3 – A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company's external auditor attends the annual general meeting and is available to answer questions from shareholders relevant to the audit.

ASX PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – A listed entity should;

a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

b) disclose that policy or a summary of it.

The Company has established a written disclosure policy designed to ensure compliance with ASX Listing Rule disclosure requirements and ensures accountability at a senior executive level for that compliance.

A copy of the Company's disclosure policy is available on the Company's website at www.bciron.com.au/corporate/corporate-governance.

ASX PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 – A listed entity should provide information about itself and its governance to investors via its website.

The Company makes available on its website the following information on a regular and up-to-date basis:

- Information briefings to media and analysts;
- Notice of meetings and explanatory materials;
- Financial information including annual reports
- All other Company announcements.

All governance documents for the Company can be found at www.bciron.com.au/corporate/corporate-governance.

Recommendation 6.2 – A listed entity should design and implement an investor relations programme to facilitate effective two-way communication with investors.

The Company has an informal programme for communication with investors which is reviewed on a periodic basis. The Company also has a shareholder communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

A copy of the shareholder communication policy is available on the Company's website at www.bciron.com.au/corporate/corporate-governance.

Recommendation 6.3 – A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company recognises the importance of shareholder participation in general meetings. Shareholders unable to attend meetings are able to vote on resolutions through the appointment of a proxy. Shareholders are also able to register voting instructions electronically.

Shareholders who attend meetings are invited to ask questions on resolutions put to the meeting, and are also able to ask general questions at the conclusion of the formal sections of meetings. All directors of the Company are expected to attend meetings of the Company. The Company's auditor attends the annual general meeting to answer shareholder questions on the audit.

Recommendation 6.4 – A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company encourages direct electronic contact from shareholders through the Company website. Shareholders are able to submit electronic queries via the "Contact Us" webpage.

The Company's share register manager is Computershare. The option for shareholders to receive communications from, and send communications electronically is provided by Computershare.

ASX PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1 – A listed entity should:

a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director; and disclose (3) the charter of the committee; (4) the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Audit and Risk Committees held four meetings during the reporting period.

The Directors' Report identifies directors who were members of the Audit and Risk Committee during the reporting period, and shows their attendance at committee meetings (refer to page 10 of the Annual Report).

The charter of the Audit and Risk Committee can be found on the corporate governance page of the Company's website.

Notification of departure

The combined Audit and Risk Committee was chaired by Mr O'Donnell until March 2017. Mr O'Donnell, as detailed above, although a Non-Executive Director of the Company, is not independent under the ASX Principles and Recommendations.

Explanation for departure

The Company has established an Audit and Risk Committee made up of three members. Of these members, Mr O'Donnell was the most suitably experienced and qualified director for the role of chair of the Audit and Risk Committee. The Board considered that Mr O'Donnell was capable of demonstrating independence, consistently making decisions and taking action designed to be in the best interest of the Company.

Mr O'Donnell stepped down when Mr Blakiston accepted an appointment to the Audit and Risk Committee in March 2017.

Recommendation 7.2 – The board or a committee of the board should:

a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

b) disclose, in relation to each reporting period, whether such a review has taken place.

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile and management. The policy was approved by the Board during the reporting period and continues to be appropriate for the Company.

Under the policy, the Board, through the Audit and Risk Committee, is responsible for approving the Company's procedures on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director or Chief Executive Officer (as relevant), who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director or Chief Executive Officer (as relevant) is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

The risk register is reviewed each quarter by senior management where existing risk register is reviewed, and new risks were identified and assessed with respect to the following categories - description of potential risk, likelihood, consequence, mitigating practices and controls, and control rating. Once updated, that risk register is then provided to the full Board as well as the Audit and Risk Committee.

The full Board has received confirmation from the Audit and Risk through quarterly management reviews, as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3 – A listed entity should disclose:

a) if it has an internal audit function, how the function is structured and what role it performs; or

b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an internal audit function. Internal policies and procedures are reviewed on a regular basis to ensure compliance and that they are consistent with changing environments. In addition, the following risk management measures are in place to assist the Board with managing the Company's material business risks:

- an annual budget with variances from budget reported to the Board at regular Board meetings;
- authority limits established for management which must not be exceed unless prior Board approval is obtained;
- a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations;
- quarterly risk reviews;
- appropriately qualified employees; and
- policies and procedures to assist the Company to establish and maintain its governance practices.

Recommendation 7.4 – A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company's exposure to material economic, environmental and social sustainability risks are discussed in the Directors' Report and financial statements.

ASX PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendations 8.1 – The board of a listed entity should:

a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director; and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company has established a Remuneration and Nomination Committee made up of 3 independent directors and chaired by an independent director.

A copy of the Remuneration and Nomination Committee Charter is available on the Company's website.

Recommendation 8.2 – A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Non-executive directors are remunerated at market rates for time, commitment and responsibilities in consultation with independent professional advice. Remuneration for non-executive directors is not linked to individual performance. There are no termination or retirement benefits for non-executive directors.

Pay and rewards for executive directors and senior executives consists of a base pay and benefits (such as superannuation) as well as short-term and long-term incentives. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Details of director and senior executive remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms a part of the Directors' Report (refer to page 17 of the Annual Report).

MINERAL RESOURCES AND ORE RESERVES

BC Iron has a substantial Mineral Resource and Ore Reserves base across a portfolio of operating and development projects in the Pilbara region of Western Australia. The Company's Mineral Resources and Ore Reserves are summarised in the following tables and further details are provided below.

MINERAL RESOURCES

Project	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
Iron Valley	50	229.9	58.4	62.8	3.2	5.2	0.17	7.0
Buckland	50	283.3	56.5	61.4	2.7	7.8	0.14	8.1
Total – Hematite	**50**	**513.1**	**57.4**	**62.1**	**2.9**	**6.6**	**0.16**	**7.6**
Maitland River	26	1,106.0	30.4	30.8	2.3	44.0	0.06	1.2

ORE RESERVES

Project	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
Iron Valley	54	113.0	58.7	63.3	3.0	4.8	0.18	7.3
Buckland	54	134.3	57.6	62.6	2.4	6.5	0.15	8.0
Total	**54**	**247.3**	**58.1**	**62.9**	**2.7**	**5.7**	**0.16**	**7.7**

IRON VALLEY

Mineral Resource and Ore Reserve estimates for Iron Valley as at 30 June 2017 are set out below, with a comparison to 30 June 2016 figures. The estimates have been completed by MIN, the operator of the Iron Valley mine. Mineral Resources have been depleted according to mining undertaken at Iron Valley during the year and reduced by 8.7Mt. Ore Reserves reduced by 10.2Mt during the year, due to depletion of Mineral Resources as well as a re-optimisation based on latest assumptions.

Iron Valley Mineral Resource Estimate (100% BC Iron, subject to iron ore sale agreement with MIN)

Classification	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
Measured	50	20.8	59.5	63.9	2.9	4.4	0.18	6.9
Indicated	50	170.6	58.4	63.1	3.1	4.9	0.18	7.4
Inferred	50	38.6	57.8	61.0	3.9	7.0	0.14	5.3
Total as at 30-Jun-17	**50**	**229.9**	**58.4**	**62.8**	**3.2**	**5.2**	**0.17**	**7.0**
Total as at 30-Jun-16	*50*	*238.7*	*58.4*	*62.8*	*3.2*	*5.2*	*0.17*	*7.0*

Iron Valley Ore Reserve Estimate (100% BC Iron, subject to iron ore sale agreement with MIN)

Classification	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
In-situ Proved	54	12.9	60.5	64.8	2.5	3.7	0.19	6.6
In-situ Probable	54	99.5	58.5	63.2	3.1	4.8	0.18	7.4
Stockpiles Proved	54	4.6	56.4	60.4	3.3	8.6	0.13	6.5
Total as at 30-Jun-17	**54**	**113.0**	**58.7**	**63.3**	**3.0**	**4.8**	**0.18**	**7.3**
Total as at 30-Jun-16	*54*	*123.2*	*58.8*	*63.3*	*3.0*	*4.8*	*0.18*	*7.1*

Notes:

- *Tonnages are dry metric tonnes and have been rounded. Small difference in totals may exist due to rounding.*
- *CaFe means "calcined Fe" and equals Fe% / (1- LOI%).*
- *Ore Reserve stockpiles have been converted to dry metric tonnes based on a 7% moisture content.*
- *Stockpiles include 1.6Mt of post-process lump and fines products and 3.0Mt of pre-process ore.*

BUCKLAND

Mineral Resource and Ore Reserve estimates for Buckland as at 30 June 2017 are set below, with a comparison to 30 June 2016 figures. There were no changes to the Mineral Resource and Ore Reserve estimates during the year.

Buckland Mineral Resource Estimate (100% BC Iron)

Deposit	Classification	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
Bungaroo South Area	Measured	50	30.9	57.4	62.1	3.0	6.7	0.15	7.6
	Indicated	50	224.0	56.6	61.6	2.4	7.8	0.15	8.1
	Inferred	50	3.4	54.7	59.4	3.0	10.2	0.13	7.9
Regional Satellite Deposits	Indicated	50	11.1	55.4	59.5	4.0	8.8	0.11	6.9
	Inferred	50	13.8	54.8	59.9	4.2	7.8	0.11	8.6
Sub-total	Measured	50	30.9	57.4	62.1	3.0	6.7	0.15	7.6
	Indicated	50	235.1	56.5	61.5	2.5	7.9	0.14	8.1
	Inferred	50	17.2	54.8	59.8	4.0	8.3	0.11	8.4
Total as at 30-Jun-17		**50**	**283.3**	**56.5**	**61.4**	**2.7**	**7.8**	**0.14**	**8.1**
Total as at 30-Jun-16		*50*	*283.3*	*56.5*	*61.4*	*2.7*	*7.8*	*0.14*	*8.1*

Buckland Ore Reserve Estimate (100% BC Iron)

Deposit	Classification	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
Bungaroo South Area	Proved	54	23.2	58.3	62.9	2.9	5.8	0.15	7.4
	Probable	54	106.7	57.5	62.6	2.3	6.6	0.15	8.1
Total as at 30-Jun-17		**54**	**134.3**	**57.6**	**62.6**	**2.4**	**6.5**	**0.15**	**8.0**
Total as at 30-Jun-16		*54*	*134.3*	*57.6*	*62.6*	*2.4*	*6.5*	*0.15*	*8.0*

Notes:

- *Bungaroo South Area is Bungaroo South and Dragon. Regional Satellite Deposits are Rabbit, Rooster and Snake.*
- *Tonnages are dry metric tonnes and have been rounded. Small difference in totals may exist due to rounding.*
- *CaFe means "calcined Fe" and equals Fe% / (1- LOI%).*

MAITLAND RIVER

The Mineral Resource estimate for Maitland River as at 30 June 2017 is set out below, with a comparison to 30 June 2016 figures. There were no changes to the Mineral Resource and Ore Reserve estimates during the year.

Maitland River Mineral Resource Estimate (100% BC Iron)

Classification	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
Measured	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-
Inferred	26	1,106.0	30.4	30.8	2.3	44.0	0.06	1.2
Total as at 30-Jun-17	**26**	**1,106.0**	**30.4**	**30.8**	**2.3**	**44.0**	**0.06**	**1.2**
Total as at 30-Jun-16	*26*	*1,106.0*	*30.4*	*30.8*	*2.3*	*44.0*	*0.06*	*1.2*

Notes:

- *Tonnages are dry metric tonnes and have been rounded. Small difference in totals may exist due to rounding.*
- *CaFe means "calcined Fe" and equals Fe% / (1- LOI%).*
- *The Mineral Resource estimate is for beneficiable feed ore, which requires beneficiation (upgrading).*
- *Indicative Davis Tube Recovery (grind size, P80 25μ) test work produced a beneficiated magnetite concentrate with weight yields ranging from 13-28%.*

MINERAL RESOURCES AND ORE RESERVES GOVERNANCE

BC Iron's Mineral Resources and Ore Reserves as at 30 June 2017 are reported in accordance with JORC (2012) guidelines except for the Maitland River Mineral Resource estimate, which is reported in accordance with JORC (2004) guidelines on the basis that the information has not materially changed.

In relation to Buckland and Maitland River, the Mineral Resource and Ore Reserve estimates are completed by or under the guidance of a suitably qualified BC Iron or independent Competent Person. The estimates are based on industry standard techniques and standard company practices for public reporting.

In relation to Iron Valley, the Mineral Resource and Ore Reserve estimates are completed by or under the guidance of a suitably qualified MIN or independent Competent Person. BC Iron is satisfied with the procedures MIN has advised it has in place for Mineral Resource and Ore Reserve estimation. Suitably qualified BC Iron personnel have also reviewed the documentation and are comfortable with the methodologies used by MIN.

The Mineral Resources and Ore Reserves statement included in the Annual Report is reviewed and approved by a suitably qualified BC Iron Competent Person prior to its inclusion.

COMPETENT PERSONS STATEMENTS

The Mineral Resources and Ore Reserves statement in this report has been approved by Mr Rob Williams who is an employee of BC Iron and a Member of the Australasian Institute of Mining and Metallurgy. Mr Williams consents to the inclusion in this report of the Mineral Resources and Ore Reserves statement in the form and context in which it appears.

The information in this report that relates to the Mineral Resource estimates at Iron Valley and Buckland is based on, and fairly represents, information which has been compiled by Mr Lynn Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Widenbar and Associates. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Widenbar consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to the Ore Reserve estimate at Iron Valley is based on, and fairly represents, information which has been compiled by Mr Ross Jaine, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Mineral Resources Limited. Mr Jaine has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Jaine consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to the Ore Reserve estimate at Buckland is based on, and fairly represents, information which has been compiled by Mr Alan G. Cooper, who is a Member of the Australasian Institute of Mining and Metallurgy and was a full-time employee of Snowden Mining Industry Consultants Pty Ltd at the time the estimate was completed. Mr Cooper has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cooper consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to the Mineral Resource estimate at Maitland River is based on, and fairly represents, information which has been compiled by Mr Lynn Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Widenbar and Associates. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Widenbar consents to the inclusion in this report of the matters based on his information in the form and context in which they appear. It has been not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

SHAREHOLDER INFORMATION
(AS AT 30 SEPTEMBER 2017)

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as disclosed in substantial notices given to the Company are as follows:

Shareholder	Shares held	% of issued capital
Wroxby Pty Ltd	109,578,131	27.74

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholding	Number of holders	Number of shares	% of issued capital
1 – 1,000	1,683	808,857	0.20
1,001 – 5,000	2,510	7,051,860	1.79
5,001 – 10,000	1,157	9,096,462	2.30
10,001 – 100,000	2,118	71,432,245	18.09
100,001 and over	400	306,579,486	77.62
Total	**7,868**	**394,968,910**	**100.00**

UNMARKETABLE PARCELS

There were 3,370 members holding less than a marketable parcel of shares in the Company at $0.15 per unit.

TWENTY LARGEST SHAREHOLDERS

#	Shareholder	Shares held	% of issued capital
1	Wroxby Pty Ltd	109,578,131	27.74
2	Citicorp Nominees Pty Limited	18,374,672	4.65
3	J P Morgan Nominees Australia Limited	15,501,063	3.92
4	National Nominees Limited	9,677,049	2.45
5	Glenn Hargraves Investments Pty Ltd	5,205,000	1.32
6	One Managed Invt Funds Ltd <Sandon Capital Inv Ltd A/C>	4,912,500	1.24
7	HSBC Custody Nominees (Australia) Limited	4,054,483	1.03
8	Mr Alwyn Petrus Vorster <The Vorster Family A/C>	2,415,645	0.61
9	Mr Brian Maxwell Durham + Mrs Ann Marie Durham <B & A Durham Super Fund A/C>	2,200,000	0.56
10	Ms Karen Anne Davies + Mr Bruce Donald Maclean <Maclean Super Fund A/C>	2,183,912	0.55
11	One Managed Invt Funds Ltd <1 A/C>	2,000,000	0.51
12	Mr Benny Xu Zhang	2,000,000	0.51
13	Pacific Level Pty Ltd	1,990,457	0.50
14	Mr George Chien Hsun Lu + Mrs Jenny Chin Pao Lu	1,985,000	0.50
15	Mr Timothy Francis Buckett	1,900,000	0.48
16	Minton Ltd	1,802,673	0.46
17	Pacific L Pty Ltd <Pacific Level S/F A/c>	1,735,591	0.44
18	Dr Dennis Jonathan Kar Que Lum <Dennis Jonathan Kar Que A/C>	1,645,224	0.42
19	Mr Muir Mathieson	1,500,000	0.38
20	Super Smart Investments Pty Ltd <Barry & Naomi King S/F A/C>	1,500,000	0.38
	Total	**192,161,400**	**48.65**

VOTING RIGHTS

All issued shares carry voting rights on a one for one basis.

UNLISTED SECURITIES

Security type	Class	Number	Number of holders
Performance rights	1	13,552,271	18

CORPORATE DIRECTORY

BC IRON LIMITED
ABN 21 120 646 924

Registered Office and Principle Place of Business

Level 1, 15 Rheola Street
West Perth, Western Australia 6005, Australia

Telephone: +61 (08) 6311 3400
Facsimile: +61 (08) 6311 3449
Website: www.bciron.com.au
Email: info@bciron.com.au

Postal Address

GPO Box 2811
Perth, Western Australia 6001

Executive Directors

Alwyn Vorster – Managing Director

Non-executive Directors

Brian O'Donnell – Chairman
Michael Blakiston
Jenny Bloom
Martin Bryant
Andrew Haslam

Company Secretary

Rubini Ventouras

Share Registry

Investors seeking information about their shareholdings should contact the company's share registry:

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace
Perth, Western Australia 6000

Postal address: GPO Box 2975, Melbourne Victoria 3001
Telephone: 1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)
Facsimile: (03) 9473 2500 (within Australia)
+61 3 9473 2500 (outside Australia)
Email: web.queries@computershare.com.au
Website: www.investorcentre.com/contact

The share registry can assist with queries on share transfers, dividend payments and changes of name, address or bank account details.

For security reasons you will need your Security Reference Number (SRN) or Holder Identification Number (HIN) when communicating with the share registry.

Australian Securities Exchange Listing

BC Iron Limited securities are listed on the Australian Securities Exchange (ASX) under the code BCI.

Annual General Meeting

The 2017 AGM of BC Iron Limited will be held at 2pm (AWST) on Thursday 23 November 2017 at the Celtic Club, 48 Ord Street, West Perth, Western Australia. Details of the business of the meeting will be provided in the AGM notice.

Copies of the Chairman's and Managing Director's speeches will be available on the Company's website.

Financial calendar*

September 2017 quarter report:	25 October 2017
Annual General Meeting:	23 November 2017
Half-year end:	31 December 2017

**Timing of events is subject to change*

BC IRON
LIMITED

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WA 6005, Australia

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