ASX Release
22 February 2018

# APPENDIX 4D

## For the half-year ended 31 December 2017

This information should be read in conjunction with BCI Minerals Limited's Financial Report for the half-year ended 31 December 2017.

### Company Details

Name of entity: BCI Minerals Limited
ABN: 21 120 646 924

### Results for announcement to the market

| | December 2017 $000's | December 2016 $000's | Up / Down | % Movement |
|---|---|---|---|---|
| Revenue from continuing operations | 17,558 | 35,498 | Down | 50.5% |
| Profit /(loss) after income tax from continuing operations | (6,081) | 7,753 | Down | N/A |
| Loss after income tax from discontinued operations | - | (1,107) | Up | N/A |
| Net profit/(loss) attributable to members | (6,081) | 6,646 | Down | N/A |

### Dividends

No dividends have been declared for the half-year ended 31 December 2017 (31 December 2016: nil).

### Net tangible asset backing

Net tangible asset backing per ordinary share: $0.26 (June 2017: $0.27).

### Previous corresponding period

The previous corresponding period is the half-year ended 31 December 2016.

### Auditor's review

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

### Commentary on results for the period

The Company's loss after income tax for the half-year ended 31 December 2017 was $6.1M, which is a result of a profit from Iron Valley offset by increased expenditure on progressing and developing the Buckland Iron Ore Project, the Mardie Salt Project and other exploration activities.

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

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# FINANCIAL REPORT

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

# DIRECTORS' REPORT

The Directors present their report on the results of the Consolidated Entity (referred to hereafter as "BCI" or the "Company") consisting of BCI Minerals Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2017.

## PRINCIPAL ACTIVITY

The principal activities of the Company during the course of the half-year were the development and exploration of assets in the Pilbara region of Western Australia, including the Buckland Iron Ore Project, Mardie Salt Project and Carnegie Potash Project. BCI also derives royalty income from the Iron Valley Mine.

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

## CHANGE OF COMPANY NAME

The Company changed its name to BCI Minerals Limited (formerly BC Iron Limited) in December 2017 in accordance with the special resolution passed by shareholders at the Annual General Meeting on 23 November 2017.

The new name of BCI Minerals Limited reflects a broadening of the Company's strategy over the last 12 months to increase focus on other commodities in addition to iron ore.

## DIRECTORS

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

| | |
|---|---|
| Brian O'Donnell | Chairman (Non-Executive) |
| Alwyn Vorster | Managing Director (Executive) |
| Martin Bryant | Director (Non-Executive) |
| Andrew Haslam | Director (Non-Executive) |
| Michael Blakiston | Director (Non-Executive) |
| Jenny Bloom | Director (Non-Executive) |

## DIVIDENDS

No dividends have been declared in relation to the half-year ended 31 December 2017 (June 2017: Nil).

## ROUNDING OF AMOUNTS

The Company is of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, and in accordance with that Corporations Instrument amounts in the directors' report and half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

## REVIEW OF OPERATIONS

The operations and results of the Company for the half-year ended 31 December 2017 are reviewed below. This review includes information on the financial position of the Company, and its business strategies and prospects for the remainder of the current financial year and for future financial years. It is recommended that this report is read in conjunction with the annual report for the year ended 30 June 2017 and considered together with any public announcements made by the Company during or since the half-year ended 31 December 2017 in accordance with the continuous disclosure requirements of the Australian Securities Exchange ("ASX") Listing Rules.

The previous corresponding period for profit or loss and cash flow is the half-year ended 31 December 2016.

BCI is an Australian-based resources company that is creating value from its attractive portfolio of mineral interests through discovery, de-risking and transactions. BCI's portfolio currently includes interests in iron ore, salt, potash and gold projects.

## Safety performance

BCI places a high priority on facilitating a safe working environment for all staff and contractors. No lost time injuries ("LTIs") were recorded for the half-year ended 31 December 2017 and the lost time injury frequency rate ("LTIFR") was zero (June 2017: 0.0).

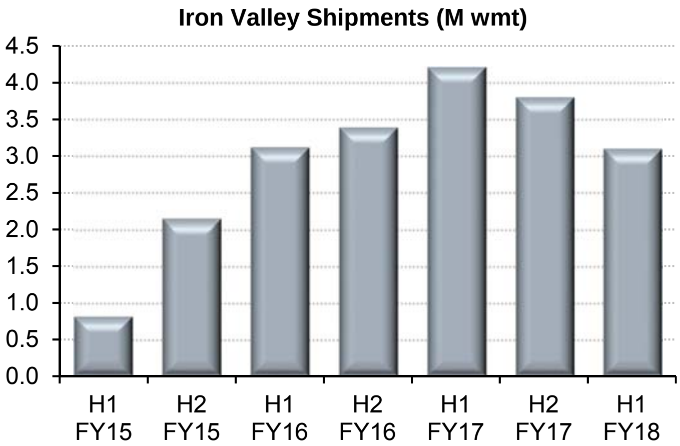
Mineral Resources Limited ("MIN") is responsible for Occupational Health and Safety matters at Iron Valley and therefore BCI does not report safety performance for the Iron Valley Mine.

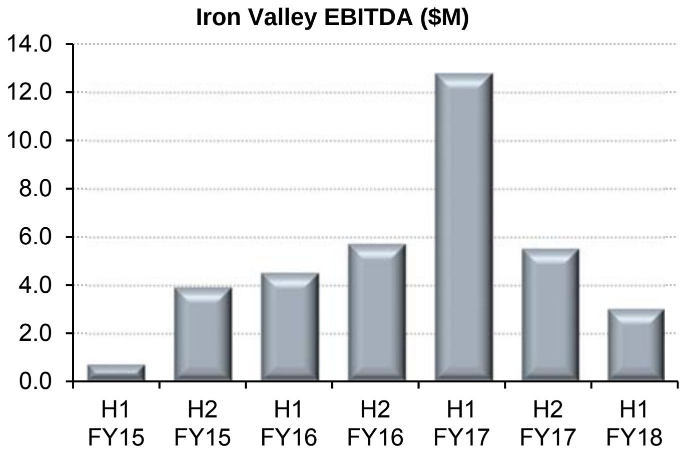
## Iron Valley Mine

The Iron Valley Mine is operated by MIN under an ore purchase agreement with BCI. MIN operates the mine at its cost and purchases iron ore from BCI at a price linked to MIN's received sales price. BCI is responsible for paying royalties related to the project and securing key approvals.

MIN shipped 3.1 million wet metric tonnes ("M wmt") (December 2016: 4.2M wmt), with approximately two thirds being lump.

Iron Valley generated revenue for BCI of $17.2M (December 2016: $35.4M) and EBITDA of $3.0M, which comprised $5.3M from shipments during the half-year less a $2.3M adjustment due to the finalisation of pricing for certain FY17 shipments (December 2016: $12.8M).




BCI's Iron Valley EBITDA is impacted by volumes shipped, movements in Platts CFR 62% iron ore pricing, lump premiums, product discounts, product sales terms including quotation periods, freight rates, AUD:USD foreign exchange rates and state and private royalties payable on ore sales.

## Buckland Iron Ore Project

Buckland is an iron ore development project located in the West Pilbara region of Western Australia, comprising proposed mines at Bungaroo South, Kumina and other deposits. It is one of BCI's current focus projects and BCI is targeting a 15Mtpa operation exporting through BCI's proposed Cape Preston East Port.

BCI acquired a number of prospective and underexplored West Pilbara tenements (Kumina and Cane River) from Mineralogy Pty Ltd in September 2017. Consideration for the acquisition was $9.0M in cash and BCI is also obliged to pay an iron ore royalty of 2.0% of FOB revenue on the first 100Mt of iron ore mined, increasing to 3.5% of FOB revenue on any iron ore in excess of 100Mt mined, and a 3.5% royalty on the value of any other minerals sold from the tenements.

These tenements are located within economic trucking distance from BCI's Cape Preston East Port and have the potential to host iron ore deposits which could support an increase in throughput of the Buckland Project to 15Mtpa and enhance the value and marketability of the proposed "Buckland Blend".

During the half-year, BCI progressed exploration at the Kumina tenements, with tenement reviews, site reconnaissance and geological mapping identifying a number of iron ore targets which have the potential to host channel iron deposits, bedded iron deposits and detrital iron deposits. In December 2017, BCI commenced drilling on the Kumina A deposit, a channel iron deposit on the western margin of the tenement package which is contiguous with the Australian Premium Iron Joint Venture's Kumina Creek and Kumina Creek East deposits. The drilling programme, which completed in January 2018, confirmed the presence of significant iron mineralisation at shallow depth.

BCI also made progress on seeking development and offtake partners for Buckland. An initial step towards this milestone occurred when BCI recently entered into a memorandum of understanding with Sinosteel Australia in relation to marketing and offtake, engineering services and potential joint venture investment.

## Mardie Salt Project

The Mardie tenements are located on the coast in the West Pilbara region, approximately 50km south-west of BCI's proposed Cape Preston East Port. The Mardie Salt Project, which is BCI's second focus project, has the potential to be a long-life operation that produces high purity salt from solar evaporation of seawater.

BCI completed a positive Scoping Study in July 2017 on a 3.0-3.5Mtpa operation and is currently advancing a Pre-Feasibility Study ("PFS"), which is expected to be completed in the June 2018 quarter. BCI made significant progress on the PFS during the half-year, completing material environmental, heritage and geotechnical activities.

In relation to environmental activities, a range of studies have been completed by reputable experts that have greatly improved BCI's understanding of the local and regional environment. The studies are de-risking the development case by informing project optimisation work to be completed for the PFS that focusses on maintaining the biological diversity and ecological integrity of the local and regional environments, which is integral for securing necessary environmental approvals.

A heritage risk assessment completed in late 2017 demonstrated that the Mardie Salt Project can be implemented with minimal impact to the heritage values in the area. BCI will continue to work with the Native Title claim groups in the region to ensure appropriate project design.

Infill geotechnical investigations have been completed utilising multiple methods to validate previous test work and increase the geotechnical understanding of the 100km$^2$ mudflat area. These investigations confirmed that the mudflats have a clay layer with low permeability which is suitable for the construction of solar evaporation ponds and crystallisers, without the costly requirement of lining the ponds.

BCI is also continuing to progress project design and engineering, including on the solar evaporation ponds and crystallisers and integration of salt facilities at Cape Preston East.

## Cape Preston East Port

The Cape Preston East Port is a proposed 20Mtpa transhipment port, which BCI envisages becoming a multi-commodity, multi-user facility which exports ~15Mtpa of Buckland Blend iron ore, ~3Mtpa of Mardie salt and ~2Mtpa of other products. Key approvals are in place, including a port lease agreement with the Pilbara Ports Authority for a 20Mtpa facility for 20 years (with rights to extend the term and expand the leased area – i.e. increase capacity).

BCI continues to progress engineering and design work for the Cape Preston East Port, where the current focus in on integrating salt export facilities proposed for the Mardie Salt Project with planned iron ore export infrastructure.

## 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 Project in a joint venture with ASX-listed potash development company, Kalium Lakes Limited ("Kalium"), who is the joint venture manager. BCI will have earned 30% at the conclusion of the Scoping Study (targeted for completion in the June 2018 quarter), and has rights to earn up to a 50% interest via sole-funding a further A$9M in exploration and development expenditure through to completion of a definitive feasibility study.

Site exploration activities commenced during the half-year following Section 18 approval by the Minister for Aboriginal Affairs. An initial 64-hole auger drilling programme was completed in December 2017, with results received and announced in January 2018. Potassium results of up to 4,790mg/L (equivalent to a SOP grade of 10,674mg/L) were recorded, which confirms the prospectivity of the Carnegie Potash Project and compares favourably with other SOP projects in the region.

The joint venture also completed desktop geophysics studies and follow up geophysics traverses to identify potential paleochannel locations and drilling targets.

The Carnegie Potash Project also presents important technical and commercial synergies with BCI's Mardie Salt Project.

### Exploration Tenements

BCI's Marble Bar, Black Hills, Maitland and Peak Hill projects are 100% owned early stage exploration projects located in the Pilbara and Murchison regions of Western Australia. These projects are prospective for a range of commodities including gold, base metals and lithium.

During the half-year, BCI increased exploration activity at these projects with positive initial results received from gold exploration at Marble Bar and initial exploration programmes ongoing at Black Hills and Peak Hill.

### Corporate

#### Annual General Meeting

The Company's annual general meeting was held in Perth on 23 November 2017. All nine resolutions considered at the meeting were passed.

## REVIEW OF RESULTS

### Statement of profit or loss

The Company's loss after income tax for the half-year ended 31 December 2017 was $6.1M (December 2016: profit $6.6M), which is a result of a profit from Iron Valley offset by increased expenditure on progressing and developing the Buckland Iron Ore Project, the Mardie Salt Project and other exploration activities.

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

| | December 2017 A$M | December 2016 A$M |
|---|---|---|
| **Continuing operations** | | |
| Revenue | 17.6 | 35.5 |
| Profit/(loss) after tax | (6.1) | 7.7 |
| **Discontinued operations** | | |
| Loss after tax from discontinued operations | - | (1.1) |
| **Net profit/(loss) after tax** | **(6.1)** | **6.6** |

The Company's EBITDA for the half-year ended 31 December 2017 was a loss of $4.9M (December 2016: gain $8.5M). Iron Valley contributed a positive EBITDA of $3.0M, which was made up of $5.3M from shipments during the half-year less a $2.3M adjustment from finalisation of pricing for certain FY17 shipments. The Company incurred expenditure of $7.9M progressing the Buckland Iron Ore Project, Mardie Salt Project, exploration activities and corporate costs during the half-year. The Company achieved a positive EBITDA of $0.9M excluding project exploration, evaluation and business development related expenses (i.e. Iron Valley EBITDA less corporate costs).

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

| | December 2017 A$M | December 2016 A$M |
|---|---|---|
| **Continuing operations** | | |
| Iron Valley | 3.0 | 12.8 |
| Buckland | (2.7) | (0.5) |
| Other | (5.2) | (3.0) |
| EBITDA from continuing operations | (4.9) | 9.3 |
| **Discontinued operations** | | |
| EBITDA from discontinued operations | - | (0.8) |
| **Total EBITDA** | **(4.9)** | **8.5** |

### Statement of cash flows

Cash and cash equivalents as at 31 December 2017 of $18.9M (June 2017: $36.4M), reduced due to the acquisition of the West Pilbara tenements from Mineralogy for $9.7M (including transaction costs) and increased expenditure across all of the Company's projects which delivered positive progress and milestones as announced in December 2017 and January 2018.

### Statement of financial position

Net assets decreased to $101.3M (June 2017: $107.2M) primarily as a result of the decreased cash from expenditure on progressing projects.

The Company's gross debt position remained nil (June 2017: Nil) and in September 2017 the final repayment was made to the State Government for the Royalty rebate relating the Nullagine Project.

At 31 December 2017, cash and cash equivalents exceeded debt by $18.9M (June 2017: $36.4M).

### Dividends

The Directors have not paid or declared any dividends since the commencement of the half-year ended 31 December 2017.

| | | 2017 | 2016 |
|---|---|---|---|
| a) | out of the profits for the year ended 30 June 2017 and retained earnings on fully paid ordinary shares (2016: nil). | Nil | Nil |
| b) | out of the profits for the half-year ended 31 December 2017 and retained earnings on fully paid ordinary shares. | Nil | Nil |

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

MIN is expected to continue operating Iron Valley, generating ongoing revenues and profits for BCI from the operation.

BCI is aiming to make significant further progress at its development and exploration projects during the second half of FY2018.

At Buckland, BCI is targeting a maiden Mineral Resource estimate for the Kumina tenements during the June 2018 quarter and expects to complete a study on the integration of Kumina with Bungaroo South and the Cape Preston East Port. BCI also plans to make progress with its partnership discussions, including with Sinosteel.

The Mardie PFS is expected to be completed during the June 2018 quarter. BCI also plans to progress environmental approvals and partnership discussions.

At Carnegie, a Scoping Study is expected to be completed during the June 2018 quarter.

BCI also plans to continue progressing early stage exploration work at its Marble Bar, Black Hills, Maitland and Peak Hill projects and will consider monetising these projects at appropriate times.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the Company's state of affairs.

## EVENTS SINCE THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial periods subsequent to the half-year ended 31 December 2017.

## 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
22 February 2018

Alwyn Vorster
Managing Director
Perth, Western Australia
22 February 2018

# DIRECTORS' DECLARATION

In the opinion of the Directors of BCI Minerals 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 31 December 2017 and of its performance for the half-year ended on that date; 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.

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

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

Brian O'Donnell

Chairman

Perth, Western Australia

22 February 2018

| | Notes | December 2017 $000's | December 2016 $000's |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Sale of goods | | 17,192 | 35,379 |
| Other revenue | | 366 | 119 |
| Total revenue from continuing operations | 1 | 17,558 | 35,498 |
| Foreign exchange gain/(loss) | | - | 80 |
| Cost of sales | 2 | (15,604) | (24,025) |
| Administration expenses | 2 | (3,698) | (2,720) |
| Exploration and evaluation expenditure | | (4,310) | (1,080) |
| Profit / (loss) before finance costs and income tax | | (6,054) | 7,753 |
| Finance costs | | (27) | - |
| Profit / (loss) before income tax | | (6,081) | 7,753 |
| Income tax benefit / (expense) | 4 | - | - |
| **Profit / (loss) after income tax from continuing operations** | | **(6,081)** | **7,753** |
| **Discontinued operations** | | | |
| **Loss for the year from discontinued operations** | 3 | **-** | **(1,107)** |
| **Other comprehensive income/(expense)** | | | |
| Items that may be reclassified to profit or loss | | | |
| Changes in the fair value of cash flow hedges | | - | - |
| **Profit / (loss) for the year attributable to owners of BCI Minerals Limited** | | **(6,081)** | **6,646** |
| | | Cents | Cents |
| Basic and diluted earnings / (loss) per share from continuing operations | | (1.54) | 1.98 |
| Basic and diluted loss per share from discontinued operations | 3 | - | (0.28) |

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

| | Notes | December 2017 $000's | June 2017 $000's |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 18,857 | 36,376 |
| Trade and other receivables | | 10,424 | 10,053 |
| Total current assets | | 29,281 | 46,429 |
| **Non-current assets** | | | |
| Receivables | | 5,175 | 4,931 |
| Property, plant and equipment | 5 | 43,583 | 44,996 |
| Exploration and evaluation assets | 6 | 14,100 | 4,600 |
| Intangibles | 7 | 23,532 | 23,532 |
| Total non-current assets | | 86,390 | 78,059 |
| **Total assets** | | **115,671** | **124,488** |
| **Current liabilities** | | | |
| Trade and other payables | | 8,841 | 12,107 |
| Provisions | 8 | 373 | 294 |
| Total current liabilities | | 9,214 | 12,401 |
| **Non-current liabilities** | | | |
| Provisions | 8 | 5,175 | 4,931 |
| Total non-current liabilities | | 5,175 | 4,931 |
| **Total liabilities** | | **14,389** | **17,332** |
| **Net assets** | | **101,282** | **107,156** |
| **Shareholders' equity** | | | |
| Contributed equity | 9 | 266,984 | 266,735 |
| Reserves | 10 | 5,384 | 5,426 |
| Accumulated losses | 11 | (171,086) | (165,005) |
| **Total shareholders' equity** | | **101,282** | **107,156** |

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

| | Contributed equity | Accumulated losses | Reserves | Total |
|---|---|---|---|---|
| | $000's | $000's | $000's | $000's |
| Balance at 1 July 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/(loss) | - | 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** |
| Loss for the period | - | (6,081) | - | (6,081) |
| Reclassification to profit or loss | - | - | - | - |
| Total comprehensive income | - | (6,081) | - | (6,081) |
| **Transactions with equity holders in their capacity as equity holders** | | | | |
| Shares issued net of transaction costs | - | - | - | - |
| Performance Rights converted | 249 | - | (249) | - |
| Share based payments | - | - | 207 | 207 |
| Dividends paid | - | - | - | - |
| **Balance at 31 December 2017** | **266,984** | **(171,086)** | **5,384** | **101,282** |

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

| | December 2017 $000's | December 2016 $000's |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 16,780 | 27,631 |
| Payments to suppliers and employees | (23,732) | (23,033) |
| Management fees received | - | 10 |
| Interest received | 308 | 59 |
| Interest paid | (27) | - |
| Net cash flows from operating activities | (6,671) | 4,667 |
| **Cash flows from investing activities** | | |
| Payments for mine property and development expenditure | - | (74) |
| Payments for plant and equipment | (60) | (1,582) |
| Payments for exploration acquisition and project earn-ins | (9,500) | - |
| Net cash flows from investing activities | (9,560) | (1,656) |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares net of costs | - | 24,188 |
| Repayment of borrowings | - | (1,965) |
| Repayment of Royalty Rebate | (1,288) | (2,575) |
| Net cash flows from financing activities | (1,288) | 19,648 |
| **Net increase / (decrease) in cash and cash equivalents** | (17,519) | 22,659 |
| Cash and cash equivalents at beginning of year | 36,376 | 9,450 |
| Effect of exchange rate changes on cash and cash equivalents | - | 214 |
| **Cash and cash equivalents at end of the period** | **18,857** | **32,323** |

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

## NOTES TO THE FINANCIAL STATEMENTS

### Preface to the notes

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

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

The notes are organised into the following sections:

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

### Basis of preparation

#### 1. Corporate information

The financial statements for BCI Minerals Limited for the half-year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 22 February 2018. BCI Minerals Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. BCI Minerals 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.

#### 2. Basis of preparation

These general purpose interim financial statements for the half-year ended 31 December 2017 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half-year financial statements do not include all the notes of the type normally included in an annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial statements be read in conjunction with the annual financial report for the year ended 30 June 2017 and considered together with any public announcements made by the Company during the half-year ended 31 December 2017 in accordance with the continuous disclosure requirements of the ASX Listing Rules.

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

The Company is of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, and in accordance with that Corporations Instrument amounts in the directors' report and half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### 3. New, revised or amending Accounting Standards and Interpretations adopted

The Company has not adopted any new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2017.

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

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

#### 5. 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").

#### 6. 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.

# KEY NUMBERS

## NOTE 1 – REVENUE

| | December 2017 $000's | December 2016 $000's |
|---|---|---|
| Sales – Iron Valley | 17,192 | 35,379 |
| Interest revenue | 308 | 119 |
| Other income | 58 | - |
| **Total** | **17,558** | **35,498** |

## NOTE 2 – EXPENSES

| | December 2017 $000's | December 2016 $000's |
|---|---|---|
| **Cost of sales** | | |
| Amortisation of mine properties | 1,438 | 1,629 |
| Royalties | 14,166 | 22,396 |
| **Cost of sales** | **15,604** | **24,025** |
| **Administration expenses** | | |
| Employee benefits expense | 1,437 | 947 |
| Depreciation and amortisation | 36 | 58 |
| Share based payments | 207 | 293 |
| Non-executive directors' fees | 241 | 203 |
| Occupancy related expenses | 115 | 132 |
| Consultant and legal fees | 981 | 632 |
| Other | 681 | 455 |
| **Administration expenses** | **3,698** | **2,720** |

## NOTE 3 – DISCONTINUED OPERATIONS

| Loss from discontinued operations | December 2017 $000's | December 2016 $000's |
|---|---|---|
| Revenue | | |
| Other income | - | 269 |
| Total revenue from discontinued operations | - | 269 |
| Foreign exchange gain/(loss) | - | (85) |
| Administration expenses | - | (909) |
| Exploration and evaluation expenditure | - | (120) |
| Impairment of mine property and other assets | - | (331) |
| Depreciation and amortisation | - | (242) |
| Loss before finance cost and income tax | - | (1,418) |
| Finance costs | - | 311 |
| Loss before income tax | - | (1,107) |
| Income tax benefit / (expense) | - | - |
| **Loss after income tax from discontinued operations** | **-** | **(1,107)** |
| Weighted average number of ordinary shares (basic) | 394,968,910 | 392,526,910 |
| Basic loss per share from discontinued operations (cents) | - | (0.28) |

| Cash flows from discontinued operations | December 2017 $000's | December 2016 $000's |
|---|---|---|
| Net cash flows from operating activities | - | (1,991) |
| Net cash flows from investing activities | - | (1,532) |
| | **-** | **3,523** |

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).

BCI 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 BCI's liabilities and obligations, including the existing rehabilitation liability. BCI retained its obligation to pay deferred State Government Royalties, which was fully repaid during the half-year (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 BCI 33% of the agreed royalty in cash, until the total amount waived by BCI equals A$7.5M. Thereafter, Fortescue will pay BCI 100% of the agreed royalty. The amount to be waived by BCI is intended to offset the obligations Fortescue assumes as part of the transaction, including rehabilitation liabilities.

## NOTE 4 – INCOME TAXES

| | December 2017 $000's | December 2016 $000's |
|---|---|---|
| **Reconciliation of effective tax rate** | | |
| **Profit / (loss) before tax** | **(6,081)** | **7,753** |
| Income tax at the statutory rate of 30 per cent (2016: 30 per cent) | (1,824) | 2,326 |
| Non-deductible expenses | 62 | 88 |
| Temporary differences derecognised | (251) | (1,111) |
| Tax losses not recognised | 2,013 | (1,374) |
| Under/(over) provided in prior periods and other | - | 71 |
| **Income tax expense/(benefit) reported in the Consolidated statement of profit or loss and other comprehensive income** | **-** | **-** |

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 31 December 2017, the Company had unrecognised deferred tax assets relating to tax losses of $73.0M (June 2017: $71.0M). The Company also has an R&D off-set available of $5.7M (June 2017 $5.7M).

## NOTE 5 – 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 2017** | | | | |
| Opening net book value | 49,710 | 3,125 | 93 | 52,928 |
| Additions | 122 | - | 66 | 188 |
| Reclassification of assets | | | | |
| 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** |

| | Mine Properties | Plant and equipment | Office furniture, equipment and IT | Total |
|---|---|---|---|---|
| | $000's | $000's | $000's | $000's |
| **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** |
| **Half-year ended 31 December 2017** | | | | |
| Opening net book value | 44,887 | 61 | 48 | 44,996 |
| Additions | - | - | 61 | 61 |
| Reclassification of assets | - | 13 | (13) | - |
| Depreciation and amortisation expense | (1,438) | (2) | (34) | (1,474) |
| **Closing net book value** | **43,449** | **72** | **62** | **43,583** |
| **At 31 December 2017** | | | | |
| Cost | 51,658 | 856 | 1,637 | 54,151 |
| Accumulated depreciation and amortisation | (8,209) | (784) | (1,575) | (10,568) |
| **Net carrying amount** | **43,449** | **72** | **62** | **43,583** |

## NOTE 6 – EXPLORATION AND EVALUATION

| | December 2017 | June 2017 |
|---|---|---|
| | $000's | $000's |
| Opening balance | 4,600 | 4,100 |
| Exploration Acquisitions | 9,000 | - |
| Exploration earn-in | 500 | 500 |
| **Net carrying amount** | **14,100** | **4,600** |

As announced on 29 September 2017, the Company acquired a number of prospective and underexplored West Pilbara tenements (Kumina and Cane River) from Mineralogy Pty Ltd for $9.0M in cash, a potential future iron ore royalty of 2.0% of FOB revenue on the first 100Mt of iron ore mined, increasing to 3.5% of FOB revenue on any iron ore in excess of 100Mt mined, and a 3.5% royalty on the value of any other minerals sold from the tenements.

During the half-year ended 31 December 2017, the Company sole funded a further $0.5M of expenditure in the Carnegie Joint Venture (CJV). BCI currently holds a 15% interest in the Carnegie Potash Project in the CJV with ASX-listed potash development company, Kalium Lakes Limited, who is the joint venture manager.

## NOTE 7 – INTANGIBLES

| | December 2017 | June 2017 |
|---|---|---|
| | $000's | $000's |
| Opening balance | 23,532 | 23,532 |
| **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** |

### 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.

### 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.

No impairment was recognised at 31 December 2017 as no impairment indicators were present.

## NOTE 8 – PROVISIONS

| | December 2017 | June 2017 |
|---|---|---|
| **Current** | $000's | $000's |
| Employee benefits | 373 | 294 |
| Total current | 373 | 294 |
| **Non-current** | | |
| Rehabilitation | 5,175 | 4,931 |
| Total non-current | 5,175 | 4,931 |
| **Total** | **5,548** | **5,225** |

### Movement in Provisions in 2017

| | Rehabilitation and site closure $000's | Employee benefits $000's | Total $000's |
|---|---|---|---|
| Opening balance 1 July 2017 | 4,931 | 294 | 5,225 |
| Changes in rehabilitation estimate | 176 | - | 176 |
| Charged/(credited) to profit or loss: | | | |
| additional provisions recognised | - | 202 | 202 |
| unused amounts reversed | - | (11) | (11) |
| unwinding of discount (non-cash) | 68 | - | 68 |
| Amounts used during the year | - | (112) | (112) |
| **Closing balance** | **5,175** | **373** | **5,548** |

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 9 – CONTRIBUTED EQUITY

| | December 2017 | | June 2017 | |
|---|---|---|---|---|
| | Number | $000's | Number | $000's |
| **Share capital** | | | | |
| Ordinary shares - fully paid | 394,968,910 | 266,984 | 392,526,910 | 266,735 |
| **Movements in ordinary share capital** | | | | |
| Opening balance | 392,526,910 | 266,735 | 196,196,992 | 242,467 |
| Issue of shares under Employee Performance Rights Plan | 2,442,000 | 249 | 66,463 | 80 |
| Issue of shares under entitlement offer 18 November 16 | - | - | 196,263,455 | 24,188 |
| **Closing balance** | **394,968,910** | **266,984** | **392,526,910** | **266,735** |

## NOTE 10 – RESERVES

| | December 2017 $000's | June 2017 $000's |
|---|---|---|
| **Share based payments reserve** | | |
| Balance as at 1 July | 10,648 | 10,105 |
| Share based payments expense | 207 | 623 |
| Issue of shares under Employee Performance Rights Plan | (249) | (80) |
| Balance at the end of the period | 10,606 | 10,648 |
| **Financial assets at fair value through other comprehensive income** | | |
| Balance as at 1 July | (9,009) | (9,009) |
| Balance at the end of the period | (9,009) | (9,009) |
| **Options exercised reserve** | | |
| Balance as at 1 July | 3,787 | 3,787 |
| Balance at the end of the period | 3,787 | 3,787 |
| **Total reserves** | **5,384** | **5,426** |

## NOTE 11 – ACCUMULATED LOSSES

| | December 2017 $000's | June 2017 $000's |
|---|---|---|
| Balance as at 1 July | (165,005) | (170,674) |
| Net profit / (loss) | (6,081) | 5,669 |
| Dividends paid | - | - |
| **Balance as at end of the period** | **(171,086)** | **(165,005)** |

## NOTE 12 – DIVIDENDS

During the half-year ended 31 December 2017, no dividends have been paid (June 17: Nil) and no dividends have been declared (June 17: Nil)

## NOTE 13 – SEGMENT INFORMATION

| | Iron Valley | Buckland | Discontinued operations | Other | Total |
|---|---|---|---|---|---|
| | $000's | $000's | $000's | $000's | $000's |
| **Segment Earnings** | | | | | |
| Half-year ended December 2017 | | | | | |
| Total segment revenue | 17,192 | - | - | 366 | 17,558 |
| EBITDA | 2,965 | (2,670) | - | (5,183) | (4,888) |
| Profit/(loss) before income tax | 1,527 | (2,670) | - | (4,938) | (6,081) |
| Half-year ended December 2016 | | | | | |
| Total segment revenue | 35,379 | - | 59 | 119 | 35,558 |
| EBITDA | 12,830 | (531) | (782) | (3,059) | 8,458 |
| Profit/(loss) before income tax | 11,201 | (531) | (1,107) | (2,917) | 6,646 |
| **Segment assets and liabilities** | | | | | |
| As at 31 December 2017 | | | | | |
| Segment assets | 58,924 | 17,030 | - | 39,717 | 115,671 |
| Segment liabilities | 12,167 | - | - | 2,222 | 14,389 |
| As at 30 June 2017 | | | | | |
| Segment assets | 59,704 | 8,030 | - | 56,756 | 124,489 |
| Segment liabilities | 14,309 | - | - | 3,024 | 17,333 |

Management has determined that the Company has four reportable segments, being Iron Valley, Buckland, Discontinued Operations (Nullagine) and Other. All cash generating units have been aggregated to form the consolidated information presented in the financial statements.

Revenue derived from iron ore sales is derived from customers located in Australia 100%.

### Accounting policy

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

## NOTE 15 – CONTINGENT LIABILITIES AND ASSETS

As at 31 December 2017, the Company has no contingent liabilities or assets.

## NOTE 16 – EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial periods subsequent to the half-year ended 31 December 2017.

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# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BCI Minerals Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of BCI Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Director

Perth, 22 February 2018

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## DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF BCI MINERALS LIMITED

As lead auditor for the review of BCI Minerals Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BCI Minerals Limited and the entities it controlled during the period.

Glyn O'Brien

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 22 February 2018

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