

UNAUDITED FINANCIAL RESULTS

HIGHLIGHTS

- Record full-year total revenue of \$471.4m
- Record statutory net profit after income tax of \$73.6m which includes a non-cash expense of \$9.8m related to the MRRT deferred tax asset
- Record underlying net profit after income tax of \$79.2m¹
- Expected final dividend of 15 cents per share fully franked (subject to Board approval), which equates to a FY14 payout ratio of 54% of NPAT
- Strong balance sheet at 30 June 2014 with cash of \$158.9m and debt of \$52.2m

BC Iron Limited (“BC Iron” or “the Company”) (ASX:BCI) wishes to advise that it intends to lodge its bidder’s statement in relation to the recommended off-market takeover offer for Iron Ore Holdings Limited on the ASX later today. The bidder’s statement will contain reference to BC Iron’s unaudited consolidated statement of financial performance and unaudited consolidated statement of financial position for the financial year ended 30 June 2014 (“FY14”), as well as management commentary on the statements.

The Company is scheduled to release its audited financial statements to the ASX on 27 August 2014. A more detailed summary will be provided to shareholders at this time.

BC Iron is releasing this unaudited financial information today ahead of its final results to ensure clarity for shareholders as this information is included in the bidder’s statement as noted above.

BC Iron achieved record full-year total revenue of \$471.4m, which translated into record underlying profit after income tax of \$79.2m and record statutory profit after income tax from continuing operations of \$73.6m, inclusive of a \$9.8m non-cash expense related to the Company’s Minerals Resource Rent Tax (“MRRT”) deferred tax asset.

As announced on 11 August 2014, BC Iron expects to announce a fully franked final dividend of 15 cents per share, subject to board approval. Combined with the interim FY14 dividend of 17 cents per share (fully franked), this would equate to a payout ratio of 54% of NPAT for the year ended 30 June 2014.

Commenting on the results, BC Iron Managing Director Morgan Ball said, “*We are pleased to deliver this record full year result in the face of a challenging second half for the iron ore industry. We continue to focus on returning value to shareholders through dividends with our expected final dividend of 15 cents per share to be fully franked.*”

1. *The underlying basis is a non-IFRS measure that in the opinion of the Directors provides useful information to assess the Company’s financial performance.*

Statement of financial performance – unaudited

	Year ended June 2014 \$000's	Year ended June 2013 \$000's
Revenue from continuing operations		
Sale of goods	466,175	323,971
Other revenue	5,207	4,365
Total revenue from continuing operations	471,382	328,336
Foreign exchange gain	1,591	-
Other income	1,591	-
Cost of sales	(277,922)	(189,505)
Selling and marketing	(63,256)	(36,806)
Administration expenses	(7,550)	(19,930)
Impairment of available-for-sale assets	-	(7,668)
Written down exploration leases	-	(1,187)
Profit before finance cost and income tax	124,245	73,240
Finance costs	(4,340)	(4,543)
Profit before income tax	119,905	68,697
Income tax expenses	(46,257)	(19,897)
Profit after income tax from continuing operations	73,648	48,800
Other comprehensive income/(expense)		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of available-for-sale assets	94	-
Profit for the year attributable to owners of BC Iron Limited	73,742	48,800
Basic earnings per share (cents per share)	59.48	42.92
Diluted earnings per share (cents per share)	59.48	42.88

Statement of financial position – unaudited

	June 2014 \$000's	June 2013 \$000's
Current assets		
Cash and cash equivalents	158,917	138,488
Trade and other receivables	4,964	52,907
Inventory	19,894	11,253
Total current assets	183,775	202,648
Non-current assets		
Property, plant and equipment	189,267	204,010
Exploration and evaluation assets	12,356	9,918
Available-for-sale financial assets	1,791	1,658
Deferred tax assets	-	3,349
Total non-current assets	203,414	218,935
Total assets	387,189	421,583
Current liabilities		
Trade and other payables	61,976	75,291
Loans and borrowings	24,077	35,922
Provisions	1,899	2,042
Tax payable	6,520	20,825
Total current liabilities	94,472	134,080
Non-current liabilities		
Trade and other payables	-	157
Loans and borrowings	28,132	67,417
Provisions	14,428	2,836
Deferred tax liabilities	14,983	-
Total non-current liabilities	57,543	70,410
Total liabilities	152,015	204,490
Net assets	235,174	217,093
Shareholders' equity		
Contributed equity	131,339	129,300
Reserves	13,992	13,425
Retained earnings	89,843	74,368
Total shareholders' equity	235,174	217,093

Management commentary

Review of operations

BC Iron's share of sales for FY14 was 4.30m wmt, an increase of 37% compared to FY13 (3.14m wmt). This was primarily due to an increase in ownership of the Nullagine Joint Venture ("NJV") from 50% to 75% which occurred on 1 January 2013, combined with the increase in the NJV's nameplate capacity from 5Mtpa to 6Mtpa.

Profit after income tax from continuing operations

Profit after income tax from continuing operations for FY14 increased by 51% to \$73.6m (FY13: \$48.8m). This was primarily due to the increase in sales volume noted above.

Underlying NPAT is calculated as follows:

	June 2014 \$M	June 2013 \$M
Underlying profit after income tax	79.2	71.4
Adjust for:		
Unrealised foreign exchange gain/(loss)	1.2	(11.4)
MRRT	(9.8)	-
Price participation write-back	3.0	-
Write down of exploration tenements	-	(1.2)
Fortescue transaction costs	-	(2.3)
Impairment of available-for-sale assets	-	(7.7)
Statutory profit after income tax	73.6	48.8

Revenue

Revenue from continuing operations increased in FY14 by 44%. BC Iron's average realised iron ore price decreased by 5.4% due to lower US dollar iron ore prices achieved in the second half of FY14. This was offset by a depreciation of the AUD relative to the USD of 9.4%.

Expenses

Cost of sales (inclusive of C1 costs, royalties, inventory movement and depreciation and amortisation) increased by 47% in line with increased sales tonnes.

Selling and marketing expenses increased by 72% in line with increased sales revenue.

Excluding one-off foreign exchange losses in FY13, administration expenses decreased by 12%. This decrease was mainly due to consulting and legal fees attributable to the acquisition of the additional 25% of the NJV in FY13.

Finance costs

Finance costs decreased by 5% due to additional principal payments on the term-loan facility being made ahead of schedule, reducing interest expense.

Income tax expense

Income tax expense includes a \$9.8m expense attributable to the MRRT. This expense represents a reassessment of the MRRT deferred tax asset (recognised in FY12 and FY13), due to lower forecast iron ore prices, combined with a stronger AUD:USD exchange rate. No MRRT was paid or is payable in relation to FY14.

Current assets

Current assets decreased by 9% to \$183.8m (FY13: \$202.6m). Cash and cash equivalents increased 15% to \$158.9m (FY13: \$138.5m) mainly due to increased sales tonnes. Trade receivables decreased by 91% to \$5.0m (FY13: \$52.9m) due to a combination of;

- Revenue being received for all shipments as at 30 June 2014, whereas revenue was outstanding for a shipment in late June 2013 as at 30 June 2013; and
- Trade receivables for June 2013 included rail haulage and port charges prepaid as part of the acquisition of the additional 25% of NJV which was fully utilised by October 2013.

Inventory increased by 77% to \$19.9m (FY13: \$11.3m) mainly due to the delay of the final scheduled shipment in June 2014.

Non-current assets

Non-current assets decreased by 7% to \$203.4m (FY13: \$218.9m) mainly due to continuing amortisation of mine properties and depreciation of property, plant and equipment.

Current liabilities

Current liabilities decreased by 30% to \$94.5m (FY13: \$134.1m). Trade and other payables decreased by 18% to \$62.0m (FY13: \$75.3m) mainly due to price participation liabilities attributable to the 25% acquisition of the NJV being finalised. Loans and borrowings decreased by \$11.8m due to the additional repayments on the US\$130m loan facility changing the amortisation profile of the loan. Income tax payable decreased by \$14.3m due to BC Iron moving to quarterly PAYG payments in April 2014.

Non-current liabilities

Non-current liabilities decreased by \$12.9m to \$57.5m (FY13: \$70.4m). Loans and borrowings decreased \$39.3m due to repayments on two facilities outlined below. The rehabilitation and site closure provision increased by \$11.4m based on an independent assessment of costs to meet current regulatory requirements for site closure. Due to the reassessment of the deferred tax asset attributable to MRRT and a change in the tax treatment of assets, the Company has moved to a net deferred tax liability position of \$15.0m.

Debt position

BC Iron's gross debt position at 30 June 2014 was \$52.2m (FY13: \$103.3m). US\$40.4m remains outstanding of the amortising term loan facility, entered into as part of funding for the acquisition of an additional 25% NJV interest. Repayments are made twice yearly in June and December. This facility is subject to interest based on USD London Interbank Offered Rate plus a margin.

US\$10m of the project finance facility in place with Henghou Industries (Hong Kong) Limited remains outstanding. The facility is due for repayment at the amount of US\$5m annually.

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FOR FURTHER INFORMATION:

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ABOUT BC IRON LIMITED

BC Iron is an iron ore development and mining company with key assets in the Pilbara region of Western Australia. The Company's core focus is the Nullagine Iron Ore Project, an unincorporated 75:25 joint venture with Fortescue Metals Group Limited. The NJV uses Fortescue's infrastructure at Christmas Creek, 50km south of the Nullagine mine, to rail its ore to Port Hedland from where it is shipped directly to customers overseas.

BC Iron has had outstanding success since listing in December 2006. Iron ore exports commenced in February 2011 and since April 2013, the NJV has been operating at a nameplate production rate of 6Mtpa. BC Iron was added to the S&P/ASX 200 Index in December 2013.

The Company's key focus moving forward is on total shareholder return, continued strong operational performance at the NJV and measured consideration of business development opportunities.

KEY STATISTICS

Shares on Issue:	124.3 million	
Cash & Equivalents:	\$158.9 million	as at 30 June 2014
Board:	Tony Kiernan	Chairman and Non-Executive Director
	Morgan Ball	Managing Director
	Andy Haslam	Non-Executive Director
	Malcolm McComas	Non-Executive Director
	Terry Ransted	Non-Executive Director
	Peter Wilshaw	Non-Executive Director
	Mike Young	Non-Executive Director
	Anthea Bird	Company Secretary
	Linda Edge	Company Secretary
Major Shareholders:	National Australia Bank	7.6%
	AMP Limited	5.1%
	BlackRock Group	5.0%

Website: www.bcion.com.au