BC IRON
LIMITED

ANNUAL REPORT
2016

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OUR COMPANY

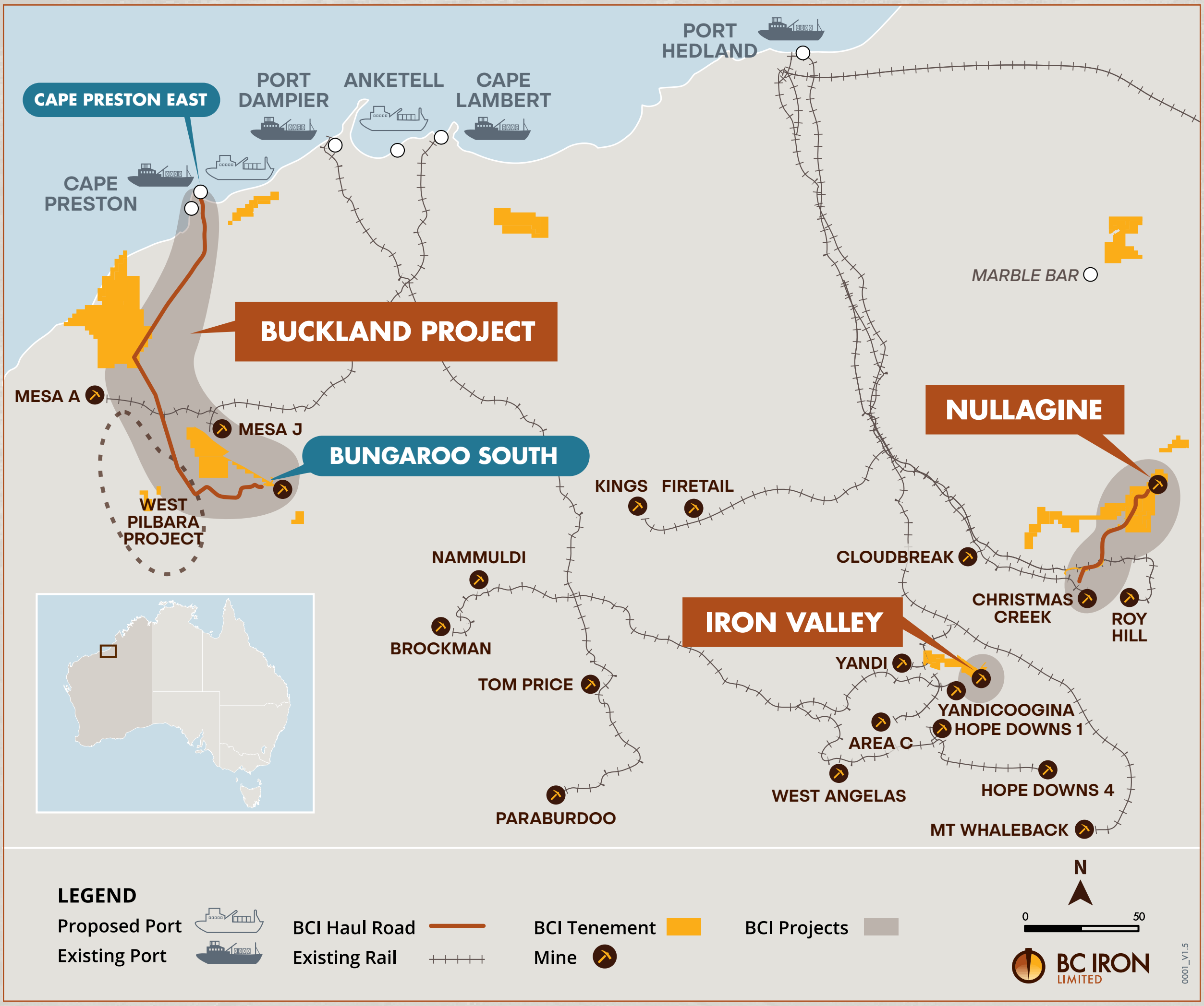
BC Iron Limited ("BC Iron" or the "Company") is an ASX-listed minerals development company with a portfolio of assets in the Pilbara region of Western Australia. The Company's key assets include Iron Valley, Buckland and Nullagine projects.

Iron Valley is a mine that is operated by Mineral Resources Limited ("MIN") under an ore purchase agreement with BC Iron. Iron Valley is generating low risk royalty-like earnings for BC Iron, with future upside potential from MIN's innovative 'bulk ore transport system' initiative.

Buckland is a strategic mine-to-port development project located in the West Pilbara region. The project comprises a proposed mine at Bungaroo South and a proposed independent private haul road and transhipment port at Cape Preston East. Buckland is approaching a construction-ready status and is expected to provide significant future value.

Nullagine is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited ("Fortescue"), which is in temporary suspension. BC Iron has entered into a binding terms sheet to sell its 75% joint venture interest to Fortescue.

BC Iron holds a number of other exploration stage projects in a range of commodities and potential iron ore royalties over the Koodaideri South, Extension and Breakaway tenements. The Company is also targeting new opportunities with a strong value proposition and near-term earnings potential, including in commodities other than iron ore.



CHAIRMAN'S REPORT

Dear Shareholders

The Board had to make a difficult decision during the year – the temporary suspension of operations at our Nullagine mine. The decision to suspend was a direct result of the ongoing fall in the price of iron ore, which at the time hit a low of US$38.5 per dry metric tonne ("dmt"). Just under two years earlier, the price was above US$150/dmt.

Notwithstanding the fact that operations were suspended at the NJV during the financial year, BC Iron has been a very successful junior resources company, listing in 2006 with a market capitalisation of A$13.5M, rising to a market capitalisation of A$650M in 2014. As well as having a strong share price, we paid out nearly A$100M of fully franked dividends to shareholders. From that test, the NJV has been a successful operation and shareholders have extracted significant value from it over the last 5 years.

Subsequent to the end of the financial year, BC Iron agreed to sell its interest in Nullagine to joint venture partner, Fortescue, for an ongoing royalty and assumption by Fortescue of existing Nullagine-related liabilities. The Board considered restart and sale options for Nullagine in significant detail and ultimately concluded that a sale to Fortescue offers the best potential from a future value and risk perspective. I'd like to make special mention of Fortescue and the traditional owners, the Palyku people, who have been on a journey with us from day one at the Nullagine iron ore project.

Our focus moving forward will be to monetise the Buckland Project, to continue receiving a revenue stream through the agreement with mine operator Mineral Resources Limited from our 100% owned Iron Valley project and, utilising our balance sheet, draw on our exploration and development capabilities to seek out new opportunities.

The Buckland Project is a large resource and well positioned in the iron ore rich region of the West Pilbara. Additionally our lease at Cape Preston East could well provide one of the important infrastructure solutions for exporting iron ore from the West Pilbara.

As noted above, BC Iron successfully explored, developed and operated the Nullagine mine. Utilising these skills and experience, we will seek opportunities to do this again. With the Buckland and Iron Valley projects in our asset portfolio, I believe the Company has a great future.

As shareholders will be aware, Morgan Ball stepped down as Managing Director in May 2016. I would like to acknowledge and thank him for his outstanding contribution to BC Iron over seven years, and particularly his last 3.5 years as Managing Director.

The Board also acknowledges the contributions of Blair Duncan, Chief Operating Officer, and Chris Hunt, Chief Financial Officer, who both left the Company post the end of the financial year.

As a Company, we were delighted to appoint Alwyn Vorster as the Chief Executive Officer in May 2016 and subsequently as Managing Director. Alwyn's knowledge of the West Pilbara is an asset to BC Iron, as is his broad experience and competence in the resources sector.

Our focus moving forward will be to monetise the Buckland Project, to continue receiving a revenue stream from Iron Valley and seek out new opportunities

I thank the entire staff of BC Iron for their contributions noting that regrettably, a number of role redundancies occurred during the year.

With an experienced Board and new management team in place, coupled with our existing assets and track record, we have a lot to look forward to.

Tony Kiernan
Chairman

MANAGING DIRECTOR'S REPORT

Dear Shareholders

The 2016 financial year saw the continuation of a challenging period in the resources industry and was probably the most difficult operational year in BC Iron's history. Although BC Iron's share of annual sales reached a new record high of 8.5M wet metric tonnes ("wmt") and BC Iron's costs reduced further over the period, ongoing low iron ore prices resulted in an underlying net loss after tax of A$9.3M. The Company's underlying and statutory net loss after tax improved compared to the 2015 financial year and no impairments were recorded in the second half of the 2016 financial year.

The Nullagine Joint Venture ("NJV") shipped 2.7M wmt of Bonnie Fines (BC Iron share: 2.0M wmt) during the year and 6.5M wmt was shipped from Iron Valley by operating partner Mineral Resources Limited ("MIN").

In December 2015, the NJV partners – BC Iron (75%) and Fortescue Metals Group (25%) – placed the Nullagine mine on temporary suspension. This decision was necessary to ensure BC Iron's cash position remained net positive and proved to be prudent given the low price levels that ensued in January and February 2016.

The last few months has seen BC Iron transition to a new phase, 'resetting for growth' and we will focus activities on actively generating value from existing assets while also considering, in a disciplined manner, other new opportunities. Our suite of assets spans the full mine development pipeline from exploration to feasibility studies to operating mines, placing us in a relatively unique position amongst similar sized ASX-listed peers.

Significant effort has gone into restructuring the organisation and our cost base. Our team has shown discipline in further reducing corporate overheads, with salary reductions of up to 20% implemented from 1 July 2016 across the business. We have ensured our staffing levels and expenses are commensurate with a company of our means and size, whilst maintaining significant resource experience to take advantage of any near term opportunities.

The Company settled litigation with Watpac towards the end of the financial year to minimise our financial risk. BC Iron entered into a binding terms sheet with Fortescue subsequent to the year-end, to sell the Company's Nullagine interest for an ongoing royalty. Importantly, the sale will also further reduce exposure for the Company by eliminating its rehabilitation liability and ongoing holding costs.

The last few months has seen BC Iron transition to a new phase, 'resetting for growth' and we will focus activities on more actively generating value from existing assets while also considering, in a disciplined manner, other new opportunities

Although iron ore is an 'unfashionable' commodity at present, we understand iron ore and have steered companies through both the ups and downs of the price cycle. As seasoned iron ore developers and operators in the Pilbara, value opportunities remain attractive to us and we are excited by the growth possibilities that both Iron Valley and Buckland present. At Iron Valley, MIN continues to progress the beneficiation and bulk ore transport system ("BOTS") initiatives that have the potential to improve the economics at Iron Valley for both BC Iron and MIN. The strategic mine-to-port development project at Buckland, which includes the proposed port at Cape Preston East, is our future flagship project. I am confident an attractive development solution will be finalised at Buckland, in collaboration with other players in the West Pilbara region, during the 2017 financial year.

In addition to these core projects, we are selectively targeting new mineral investment opportunities, both in iron ore and other commodities. Any opportunity pursued must have a compelling investment thesis, with value upside and preferably near term earnings potential. If such a project is secured over the next year, the BC Iron team has clearly shown it can develop and manage mining projects effectively and profitably.

Following the sale of Nullagine to Fortescue, management will be in a position to direct additional time and resources to our other assets and potential new opportunities.

While the Company is expected to be broadly cash neutral after FY17, this depends to an extent on 'royalty' income from Iron Valley, which is highly leveraged to the iron ore price. Therefore, to support BC Iron's balance sheet and its growth strategy, the Company has commenced a $25.5M capital raise in the form of a renounceable entitlement offer. The entitlement offer is fully committed. Our largest shareholder, Wroxby Pty Ltd, has agreed to take up its entitlement and Paterson Securities and Foster Stockbroking have underwritten the balance. Wroxby has also agreed to sub-underwrite a significant portion of the underwriting commitment. At the time of writing this report, the capital raise process was ongoing.

The funds raised will primarily be used to:

- Pursue strategies to develop a robust development case for the overall Buckland mining and infrastructure project and position Cape Preston East as an attractive new port for the West Pilbara region;
- Position the Company to selectively evaluate and potentially transact on new opportunities (iron ore and non-iron ore) in line with the strategy noted above; and
- Strengthen the Company's balance sheet by retiring remaining debt obligations when due and create a buffer against adverse market conditions.

Completing this capital raise will position us to pro-actively pursue growth opportunities, whilst protecting what we've built to date.

The strategic mine-to-port development project at Buckland, which includes the proposed port at Cape Preston East, is our future flagship project

We are passionate about our strong 'no blame and common sense' safety culture and I'm pleased to report no lost time injuries occurred at any of BC Iron's projects during the financial year. We also acknowledge the traditional owners of the land on which we operate. We foster respectful working relationships with the Palyku, Nyiyaparli, Kuruma Marthudunera and Yaburara Mardudhunera people and we continue to work with them to develop business and potential future employment opportunities and provide support for the local communities.

I would also like to thank all BC Iron staff for their contributions during a challenging year. In my first few months as CEO, I have been well supported by a talented management team and Board, whose efforts have been greatly appreciated.

Looking ahead, we are excited by the opportunities presented by our suite of existing assets and the potential new opportunities in the market. With the support of our shareholders, the financial community and a skilled and committed team, we hope the 2017 financial year will result in BC Iron achieving further successes. I look forward to updating you on our progress over the next 12 months.

Alwyn Vorster
Managing Director

REVIEW OF OPERATIONS

IRON VALLEY

Iron Valley is an operating mine located in the Central Pilbara, which is being operated by Mineral Resources Limited ("MIN") under an ore purchase agreement. As at 30 June 2016, Iron Valley's Mineral Resource was 238.7Mt at 58.4% Fe and its Ore Reserve was 123.2Mt at 58.8% Fe (refer to the Mineral Resources and Ore Reserves section for more detail).

Iron Valley is generating low risk royalty-like earnings for BC Iron. MIN operates the mine entirely at its cost and purchases Iron Valley product from BC Iron at a price linked to MIN's realised sale price. BC Iron retains ownership of the tenements and certain statutory obligations, including payment of royalties.

Iron Valley is a relatively simple DSO operation which produces both lump and fines. Iron Valley product is currently hauled to Port Hedland utilising road trains and exported via Utah Point. MIN is assessing a range of improvement initiatives which have the potential to benefit both parties, including beneficiation and an innovative transport solution known as the "bulk ore transport system" or "BOTS".

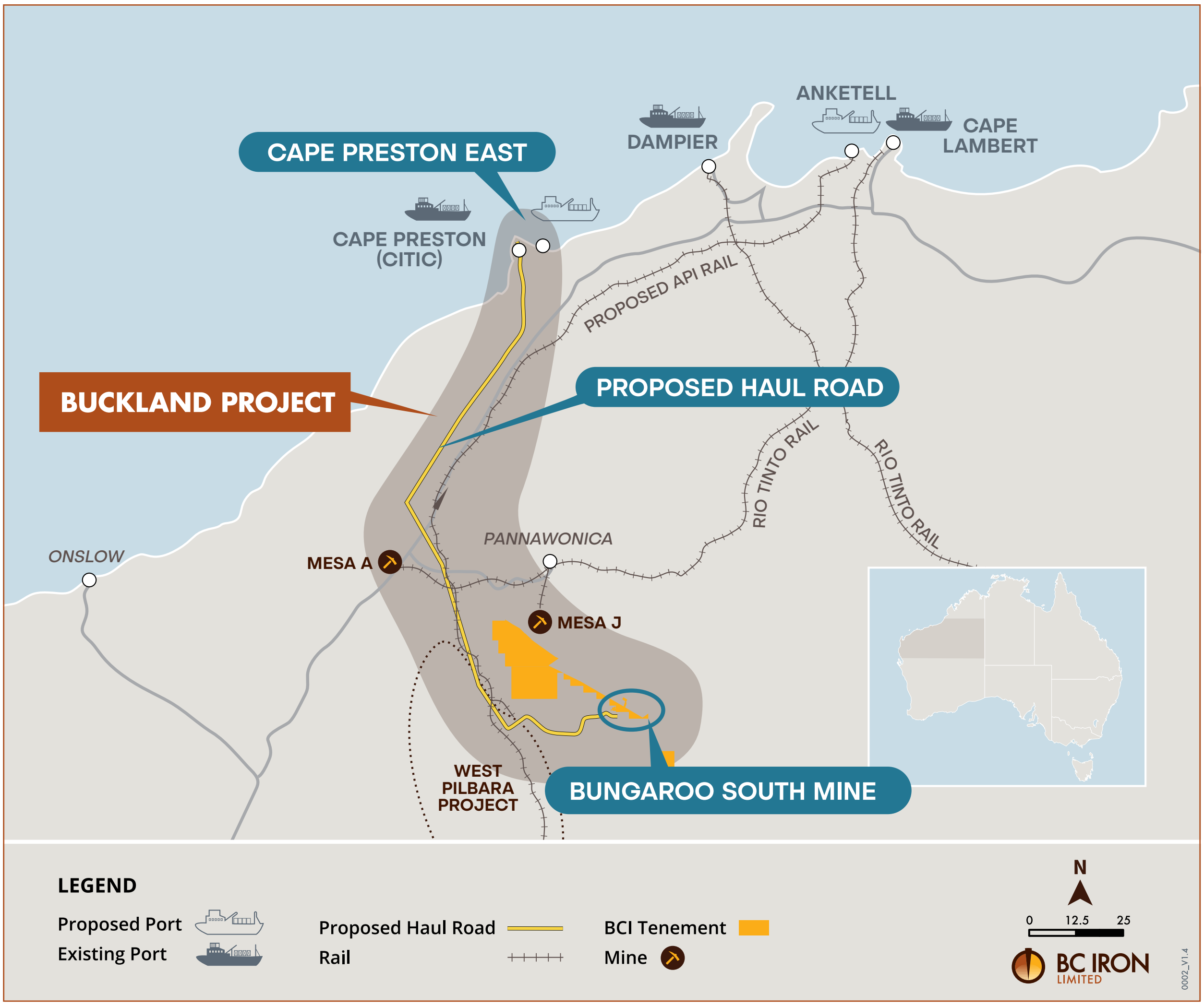
The agreement between BC Iron and MIN was amended during the year to provide MIN with more time to evaluate and implement BOTS and also provide for an adjustment to the price payable by MIN to BC Iron. The price adjustment, which was effective from 1 April 2016, will enhance BC Iron's earnings from Iron Valley at the expected range of future iron ore prices.

MIN shipped 6.5M wmt of Iron Valley product during FY16, which generated revenue for BC Iron of A$39.9M and EBITDA of A$10.2M. The June 2016 quarter, which was the first quarter that included the price adjustment, contributed A$4.6M in EBITDA to the full year figure.

BC Iron's FY17 EBITDA guidance for Iron Valley is A$6-16M based on a range of production rates and pricing-related metrics set out in previous ASX releases. BC Iron generated EBITDA of A$3.4M in the first two months of FY17 and is on track to comfortably achieve guidance.

BC Iron, as tenement holder, also supports the Iron Valley operation by coordinating key approvals. An amendment to the existing environmental approval was secured during the June 2016 quarter, which facilitates operational flexibility prior to the receipt of below water table approvals. BC Iron progressed the below water table approvals during FY16. Documentation was submitted in July 2016 and approval is anticipated in the March 2017 quarter.

Iron Valley mine.



BUCKLAND

Buckland is a strategic mine-to-port iron ore project located in the emerging West Pilbara region. The project comprises a proposed mine at Bungaroo South and a proposed independent infrastructure solution incorporating a private haul road and transhipment port at Cape Preston East. The project has a total Mineral Resource of 283.3Mt at 56.5% Fe and an Ore Reserve of 134.3Mt at 57.6% Fe.

BC Iron's target is to achieve a construction-ready status for the Buckland Project during the June 2017 quarter. A feasibility study has been completed and all primary approvals are in place, including an executed Construction Works Lease and Licence ("CWLL") with the Pilbara Ports Authority ("PPA") for a 20 Mtpa transhipment port at Cape Preston East for an initial term of 20 years. BC Iron anticipates the project will provide significant future value over its potential long operational life.

Optimisation and Expansion Studies

During FY16, significant further studies were completed for the Buckland Project. These studies evaluated the potential to optimise the proposed 8 Mtpa feasibility study development case and the potential for an expanded operation which utilises BC Iron's potential Cape Preston East capacity of 20 Mtpa.

BC Iron's infrastructure solution could potentially accommodate throughput greater than 20 Mtpa and the CWLL provides BC Iron with the right to expand its leased area and extend the term (subject to the satisfaction of certain conditions), which could facilitate this.

Approvals

BC Iron has previously secured all primary federal and state environmental approvals required to implement the integrated mine, road and port project under the Environmental Protection Act and the Environment Protection and Biodiversity Conservation Act, as well as all required Native Title and Heritage approvals.

BC Iron continued to progress further approvals with the PPA for Cape Preston East during the year. Following the approval of multiple development applications in FY15, BC Iron prepared and submitted the follow-on construction applications during FY16. These construction applications are currently being reviewed by the PPA.

Subsequent to the year-end, the Department of Mines and Petroleum approved the Mining Proposal and Mine Closure Plan for the Bungaroo South mine and private haul road between the mine and the North West Coastal Highway. The PPA also approved an extension to the deadline for BC Iron to satisfy (or waive) conditions included in the CWLL for the development of the Cape Preston East Port.

Further approval-related actions required to achieve construction-ready status at the Buckland Project include:

- finalise the taking and vesting of the land for the Cape Preston East site (State Government / PPA);
- finalise all development applications and construction applications with the PPA; and
- secure DMP approval for the private haul road from the North West Coastal Highway to Cape Preston East.

The extensive work completed to date and nature of the relatively few remaining approvals are expected to result in the Buckland Project achieving construction ready status during the June 2017 quarter.

Potential Partner Discussions

A joint study between BC Iron and API Management Pty Ltd (manager of the Australian Premium Iron Joint Venture ("API") between Aquila Steel Pty Ltd and AMCI (IO) Pty Ltd) was completed during FY16. The study confirmed that the parties' contiguous Bungaroo South and Buckland Hills deposits can be mined in a co-operative manner, with increased mineable inventory available to both parties.

BC Iron also held and continues to hold preliminary discussions with a number of potential partners for the Buckland Project on a range of concepts, including funding solutions, operating solutions, joint ventures and the provision of third party infrastructure services.

NULLAGINE

Nullagine is an unincorporated 75:25 joint venture between BC Iron and Fortescue Metals Group Limited ("Fortescue") ("NJV") that is located 140km north of Newman in the Pilbara region of Western Australia.

In December 2015, the NJV partners made the decision to temporarily suspend operations at Nullagine due to low iron ore prices. This decision was made despite material cost savings being achieved, including co-operatively renegotiating the rail and port tariff with Fortescue such that it varied with iron ore prices.

The final DSO shipment departed in the March 2016 quarter and the NJV exported a total of 2.7M wmt during FY16, of which BC Iron's share was 2.0M wmt.

Subsequent to the end of the financial year, BC Iron entered into a legally binding conditional terms sheet with Fortescue in connection with the disposal of the Company's 75% interest in the Nullagine project (and related assets).

Under the terms sheet, Fortescue will pay BC Iron a royalty on 75% of the future iron ore that is mined from the project tenements. Fortescue will assume the Company's liabilities and obligations, including the existing rehabilitation liability, whilst BC Iron will retain its remaining debt and deferred royalty payment obligations.

The transaction is subject to conditions precedent including regulatory approvals, various third party consents and the execution of formal documentation required to implement the sale.

OTHER ASSETS

BC Iron holds a number of other exploration stage projects in Western Australia, which are prospective for a range of commodities including iron ore, gold, base metals and salt. BC Iron is conducting low cost greenfields exploration at the most prospective projects and rationalising low priority projects.

The Company also holds three potential iron ore royalties in the Pilbara, namely Rio Tinto's Koodaideri South tenement, Australian Aboriginal Mining Corporation's Extension tenement and its Breakaway tenement (subject to the exercise of its option to acquire).

SAFETY

At BC Iron, we are passionate about health and safety and all our activities are planned and conducted to protect the health and safety of our people.

During FY16, no lost time injuries ("LTIs") were recorded in the Company and as at 30 June 2016, the lost time injury frequency rate ("LTIFR") was zero.

BC Iron is not responsible for Occupational Health and Safety matters at Iron Valley and therefore does not report LTIs or the LTIFR. However, BC Iron monitors the safety performance of MIN at Iron Valley, which was of a high standard during FY16 with no LTIs occurring.

SUSTAINABILITY

Native Title and Heritage

BC Iron's key assets lay in the claim areas for the following aboriginal groups; Palyku (Nullagine), Nyiyaparli (Nullagine and Iron Valley), Kuruma Marthudunera (Buckland) and Yaburara Mardudhunera (Buckland). BC Iron has strong relationships and agreements in place with these groups. The Company works closely with each group to minimise impacts to cultural heritage values associated with the lands where BC Iron conducts its business and provide opportunities to benefit from the operations where possible.

During the year, BC Iron worked with the Nyiyaparli in relation to additional approvals and surveys to support ongoing operations and future development of the Iron Valley operation. The Company also continues to look at ways to increase employment and contracting opportunities for the Nyiyaparli people.

BC Iron worked with the Palyku in relation to the management of heritage values at planned mining areas at Nullagine. Approvals were secured to support future mining operations.

BC Iron also worked with the Kuruma Marthudunera and Yaburara Mardudhunera to progress project approvals and plan for future opportunities associated with the Buckland project.

Environmental

BC Iron maintains a systematic and proactive approach to environmental management. During the year, the Company continued to maintain compliance with existing approvals and also worked towards new approvals to support optimisation of operations and future development at Nullagine and Iron Valley. In addition, BC Iron continues to obtain all necessary approvals for the implementation of the Buckland project.

BC Iron continued to support conservation of the environmental values associated with the Nullagine and Iron Valley, through diligent implementation of State and Federal endorsed environmental management plans.

Community

BC Iron works closely with the local communities in which it operates to support community initiatives and promote employment and business opportunities. Due to current iron ore prices and BC Iron's financial position, there has been reduced capacity to financially support as many community initiatives as BC Iron has supported in the past.

CORPORATE

Board and Management Changes

On 20 May 2016, Mr Morgan Ball resigned as Chief Executive Officer and Managing Director. Mr Alwyn Vorster was appointed Chief Executive Officer on 23 May 2016. Mr Vorster has more than 25 years' experience with numerous mining houses in technical and commercial roles covering the total supply chain from mine to market for iron ore, coal and other minerals. Mr Vorster has most recently been employed as Group Executive Mining at Australian Capital Equity, and his recent other roles included CEO of API Management, a company responsible for developing the multi-billion dollar West Pilbara Iron Ore Project for owners Baosteel, Posco and AMCI; Managing Director of Iron Ore Holdings Ltd; and Regional Manager – China Marketing & Sales for Rio Tinto Iron Ore.

Subsequent to the year-end, Chief Financial Officer Chris Hunt and Chief Operating Officer Blair Duncan left the Company. Ian Goldberg was appointed as Chief Financial Officer. Mr Goldberg brings significant experience in the resources sector having been Chief Financial Officer of Territory Resources and Matrix Metals, as well as senior roles in other base metals operations. The role of Chief Operating Officer will remain vacant subject to the future development opportunities which BC Iron will be considering.

Royalty Relief

BC Iron previously secured a conditional deferral of 50% of its share of NJV royalties in respect of the December 2014 to September 2015 quarters from the Western Australian State Government. In total, A$9.0M in royalties were deferred. In March 2016 and June 2016, BC Iron made its first two repayments of A$1.3M each to the Western Australian State Government. The remaining balance as at 30 June 2016 of A$6.4M is repayable in five equal quarterly instalments with the last repayment due on 30 September 2017.

Impairments

As a result of the decline in iron ore prices, BC Iron recorded non-cash impairments of A$40.1M (pre-tax) during the year, comprising A$37.5M in relation to BC Iron's share of NJV inventory and A$2.6M in relation to the Koodaideri South royalty.

Litigation

On 24 June 2016, BC Iron Nullagine Pty Ltd (as manager of the NJV) and Watpac settled their litigation. The settlement and legal expenses incurred during the year were A$5.3M (BC Iron's share). This settlement reduced financial exposure for BC Iron and allows the Company to reposition its focus to Buckland and other growth opportunities.

Business Development

BC Iron has commenced selective consideration of new mineral investment opportunities, both in iron ore and other commodities. Key criteria include a location in Australia, the requirement for a compelling investment thesis with value upside and, in the case of non-iron ore opportunities, near term earnings potential.

Dividends

Due to current iron ore market conditions and BC Iron's financial position, no dividends were declared in relation to FY16.

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 share of Mineral Resources and Ore Reserves is summarised in the following tables and further details are provided below.

Mineral Resources (BC Iron Share)

Project	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
Iron Valley	50	238.7	58.4	62.8	3.2	5.2	0.17	7.0
Nullagine – CID	45	56.6	53.3	60.7	4.2	5.1	0.019	11.9
Buckland	50	283.3	56.5	61.4	2.7	7.8	0.14	8.1
Total – Hematite	**n.a.**	**578.6**	**57.0**	**61.9**	**3.1**	**6.5**	**0.14**	**8.0**
Maitland River	26	1,106.0	30.4	30.8	2.3	44.0	0.06	1.2

Ore Reserves (BC Iron Share)

Project	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
Iron Valley	54	123.2	58.8	63.3	3.0	4.8	0.18	7.1
Nullagine – DSO	55	16.2	56.6	64.4	2.2	3.3	0.011	12.1
Nullagine – BSO Product	50	4.8	54.2	61.9	2.7	4.3	0.015	12.5
Buckland	54	134.3	57.6	62.6	2.4	6.5	0.15	8.0
Total	**n.a.**	**278.5**	**58.0**	**63.0**	**2.7**	**5.5**	**0.15**	**7.9**

IRON VALLEY

Mineral Resource and Ore Reserve estimates for Iron Valley as at 30 June 2016 are set out below, with a comparison to 30 June 2015 figures. The estimates have been completed by MIN, the operator of the Iron Valley mine. Mineral Resources and Ore Reserves have been depleted according to mining undertaken at Iron Valley during the year and reduced by 8.1Mt and 6.7Mt respectively.

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	27.4	59.5	64.0	2.8	4.3	0.18	7.0
Indicated	50	172.2	58.4	63.0	3.1	5.0	0.18	7.4
Inferred	50	39.1	57.8	61.0	3.9	7.0	0.15	5.3
Total as at 30-Jun-16	**50**	**238.7**	**58.4**	**62.8**	**3.2**	**5.2**	**0.17**	**7.0**
Total as at 30-Jun-15	*50*	*246.8*	*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	18.4	60.3	64.7	2.5	3.8	0.18	6.7
In-situ Probable	54	99.9	58.7	63.3	3.1	4.8	0.18	7.2
Stockpiles Proved	54	4.9	55.7	59.6	3.0	9.8	0.11	6.5
Total as at 30-Jun-15	**54**	**123.2**	**58.8**	**63.3**	**3.0**	**4.8**	**0.18**	**7.1**
Total as at 30-Jun-14	*54*	*129.9*	*58.9*	*63.4*	*3.0*	*4.8*	*0.17*	*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%).*
- *The Ore Reserve estimate is based on beneficiable (upgradable) ore.*
- *Ore Reserve stockpiles have been converted to dry metric tonnes based on a 5.5% moisture content. Stockpiles include 1.25Mt of post-process lump and fines products.*

NULLAGINE JOINT VENTURE

Mineral Resource and Ore Reserve estimates for the NJV as at 30 June 2016 are set out in the tables below, with a comparison to 30 June 2015 figures.

Changes to DSO Mineral Resources and DSO Ore Reserves compared to 30 June 2015 were due to:

- Inclusion of maiden estimates for Warrigal 6, Mulla Mulla 2 and Mulla Mulla 3;
- Re-interpretation and re-estimation of Outcamp 4 and Outcamp 5 following completion of additional grade control drilling; and
- Depletion due to mining completed up to the temporary suspension of operations.

CID Mineral Resources changed for the above reasons and also due to a rationalisation of NJV tenements, some of which contained sub-economic CID Mineral Resources.

BSO Ore Reserves also increased due to inclusion of the maiden estimates and the mining and stockpiling of increased levels of low grade material during operations.

There were no changes in the application of modifying factors for the DSO and BSO Ore Reserves compared to the 30 June 2015 estimates.

NJV CID Mineral Resource Estimate (75% BC Iron, 25% Fortescue)

Classification	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
Measured	3.2	53.0	59.9	5.0	5.4	0.024	0.014	11.5
Indicated	48.3	53.7	61.2	3.6	4.6	0.017	0.012	12.2
Inferred	23.9	52.5	59.8	5.3	5.8	0.020	0.020	11.4
Total as at 30-Jun-16	**75.4**	**53.3**	**60.7**	**4.2**	**5.1**	**0.019**	**0.015**	**11.9**
Total as at 30-Jun-15	*91.9*	*52.8*	*60.0*	*4.5*	*5.6*	*0.020*	*0.015*	*12.0*

NJV DSO Mineral Resource Estimate (75% BC Iron, 25% Fortescue)

Classification	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
Measured	1.4	57.1	64.0	3.0	3.5	0.023	0.014	10.8
Indicated	25.7	57.0	64.5	2.2	3.0	0.015	0.011	11.6
Inferred	3.7	57.0	64.3	2.7	3.5	0.016	0.015	11.4
Total as at 30-Jun-16	**30.9**	**57.0**	**64.5**	**2.3**	**3.1**	**0.016**	**0.012**	**11.5**
Total as at 30-Jun-15	*31.3*	*57.0*	*64.6*	*2.2*	*3.1*	*0.017*	*0.012*	*11.8*

NJV DSO Ore Reserve Estimate (75% BC Iron, 25% Fortescue)

Classification	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
Proved	0.0	0.0	0.0	0.0	0.0	0.000	0.000	0.0
Probable	21.6	56.6	64.4	2.2	3.3	0.011	0.011	12.1
Total as at 30-Jun-16	**21.6**	**56.6**	**64.4**	**2.2**	**3.3**	**0.011**	**0.011**	**12.1**
Total as at 30-Jun-15	*20.7*	*56.9*	*64.7*	*2.0*	*3.0*	*0.011*	*0.011*	*12.1*

NJV BSO Probable Ore Reserve Estimate (75% BC Iron, 25% Fortescue)

	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
BSO Feed	15.9	51.6	59.0	3.6	5.5	0.017	0.011	12.6
BSO Product as at 30-Jun-16	**6.4**	**54.2**	**61.9**	**2.7**	**4.3**	**0.015**	**0.010**	**12.5**
BSO Product as at 30-Jun-15	*5.4*	*54.0*	*62.2*	*2.8*	*4.3*	*0.015*	*0.010*	*13.0*

NJV DSO Stockpile Inventory (75% BC Iron, 25% Fortescue)

Classification	Mt	Fe %	Al_2O_3 %	SiO_2 %
ROM	-	-	-	-
MOC Product	-	-	-	-
RLF Product	-	-	-	-
Port Product	-	-	-	-
Total as at 30-Jun-16	**-**	**-**	**-**	**-**
Total as at 30-Jun-15	*0.56*	*55.1*	*2.8*	*3.5*

Notes:

- *Tonnages are dry metric tonnes and have been rounded. Small difference in totals may exist due to rounding.*
- *CaFe means "calcined Fe" equals Fe% / (1- LOI%).*
- *CID Mineral Resources are inclusive of DSO Mineral Resources, which are in turn inclusive of DSO Ore Reserves. CID Mineral Resources are also inclusive of a portion of BSO Ore Reserves (Feed) that does not sit within existing low grade stockpiles.*
- *CID means "channel iron deposit", DSO means "direct shipping ore" and BSO means "beneficiated shipping ore".*

BUCKLAND

Mineral Resource and Ore Reserve estimates for Buckland as at 30 June 2016 are set below, with a comparison to 30 June 2015 figures. There were no changes to the Mineral Resource and Ore Reserve estimates.

Buckland Mineral Resource Estimate (100% BC Iron)

Deposit	Classification	Cut-off % Fe	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	LOI %
Bungaroo South	Measured	50	30.9	57.4	62.1	3.0	6.7	0.15	7.6
	Indicated	50	214.9	56.6	61.6	2.4	7.8	0.15	8.1
Dragon	Indicated	50	9.1	55.8	60.9	3.1	8.1	0.14	8.3
	Inferred	50	3.4	54.7	59.4	3.0	10.2	0.13	7.9
Rabbit	Indicated	50	5.9	55.0	58.9	3.4	10.3	0.13	6.6
	Inferred	50	1.3	53.7	58.1	3.3	11.2	0.08	7.5
Rooster	Indicated	50	5.2	55.8	60.2	4.6	7.2	0.08	7.3
	Inferred	50	5.4	52.1	56.8	6.3	9.6	0.06	8.3
Snake	Inferred	50	7.1	57.0	62.6	2.8	5.8	0.15	9.0
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-16		**50**	**283.3**	**56.5**	**61.4**	**2.7**	**7.8**	**0.14**	**8.1**
Total as at 30-Jun-15		*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	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
Dragon	Proved	54	-	-	-	-	-	-	-
	Probable	54	4.4	57.1	62.3	2.8	6.5	0.14	8.4
Sub-total	Proved	54	23.2	58.3	62.9	2.9	5.8	0.15	7.4
	Probable	54	111.1	57.5	62.6	2.3	6.6	0.15	8.1
Total as at 30-Jun-16		**54**	**134.3**	**57.6**	**62.6**	**2.4**	**6.5**	**0.15**	**8.0**
Total as at 30-Jun-15		*54*	*134.3*	*57.6*	*62.6*	*2.4*	*6.5*	*0.15*	*8.0*

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%).*

MAITLAND RIVER

The Mineral Resource estimate for Maitland River as at 30 June 2016 is set out below, with a comparison to 30 June 2015 figures. No drilling was undertaken during the year and therefore the estimate has not changed.

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-16	**26**	**1,106.0**	**30.4**	**30.8**	**2.3**	**44.0**	**0.06**	**1.2**
Total as at 30-Jun-15	*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 2015 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 the NJV, 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 estimate at the NJV is based on, and fairly represents, information which has been compiled by and under the guidance of Mr Rob Williams, who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of BC Iron. Mr Williams 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 Williams 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 the NJV is based on, and fairly represents, information which has been compiled under the guidance of Mr Blair Duncan, who is a Member of the Australasian Institute of Mining and Metallurgy and was a full time employee of BC Iron at the time the information was prepared. Mr Duncan 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 Duncan 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 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.

DIRECTORS' REPORT

(ISSUED 1 AUGUST 2016)

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 2016.

PRINCIPAL ACTIVITY

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

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:

Anthony W Kiernan	Chairman *(Non-Executive)*
Morgan S Ball	Managing Director *(Executive) resigned 20 May 2016*
Martin Bryant	Director *(Non-Executive)*
Andrew M Haslam	Director *(Non-Executive)*
Brian F O'Donnell	Director *(Non-Executive)*

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Mr Anthony (Tony) William Kiernan *LL B*

Chairman (Non-Executive) appointed October 2006
Period of office at August 2016 – 9 years and 10 months

Mr Kiernan, formerly a solicitor, has extensive experience in the management and operation of listed public companies. He is a director of the following entities, which are listed on the Australian Securities Exchange:

- Chalice Gold Mines Limited (since 2007) - Chairman;
- Danakali Limited (since 2013);
- Venturex Resources Limited (since 2010) - Chairman; and
- Pilbara Minerals Limited (appointed 1 July 2016) - Chairman.

Mr Kiernan was a director of Uranium Equities Limited from 2003 to 2013, and Liontown Resources Limited from 2006 to 2013. Mr Kiernan is Chairman of the Fiona Wood Foundation which focuses on research into burn injuries and the Black Dog Ride which raises awareness of depression and suicide prevention.

Mr Kiernan is a member of the Audit and Risk Committee and Remuneration Committee.

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

Director (Non-Executive) appointed September 2011
Period of office at August 2016 – 4 years and 11 months

Mr Haslam is a mining professional with 30 years of operational and executive experience in the Australian mining industry. He is a director of the following entity, which is listed on the Australian Securities Exchange:

- Vimy Resources Limited, appointed April 2016

Mr Haslam has worked for HSE Group (100% owned by Swire), was Executive General Manager Iron Ore Operations of Mineral Resources Limited from 2012 to May 2014, Managing Director of ASX listed Territory Resources Limited and held a number of key operational roles in the mining contracting industry in Australia.

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

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

Director (Non-Executive) appointed October 2014
Period of office at August 2016 – 1 year and 10 months

Mr O'Donnell has 30 years' experience in the finance and investment industry. Mr O'Donnell was a Non-Executive Director of Iron Ore Holdings Ltd from 2008 until 2014 following the completion of the off-market takeover of Iron Ore Holdings Ltd by BC Iron Limited.

He joined Australian Capital Equity (ACE) as Group Treasurer in 1996, and was appointed to the Board in 2001. Prior to joining ACE, Mr O'Donnell was employed by the Deutsche Bank Group (1991–1996), Challenge Bank (1988–1991) and Arthur Andersen (1985–1988).

Mr O'Donnell is Chairman of the Audit and Risk Committee.

Mr Martin Bryant ***B Bus***

Director (Non-Executive) appointed May 2015
Period of office at August 2016 – 1 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. Mr Bryant is a director of Sime Darby Industrial Sdn Bhd, a division of the Kuala Lumpur stock exchange listed Sime Darby group.

From 2007 to 2016, Mr Bryant was Managing Director and Chief Executive Officer of WesTrac China. Prior to this, Mr Bryant held senior management positions with other equipment companies.

Mr Bryant is a member of the Remuneration Committee.

COMPANY SECRETARIES

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

Ms Anthea Bird ***B.Com, CPA, MBA, GAICD***

Appointed May 2013, resigned 28 August 2015

Ms Bird is a Certified Practising Accountant with over 20 years' experience working for large listed companies in Australia and the United Kingdom. In addition to being Company Secretary, she was also General Manager – Finance for the Company.

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

Appointed November 2014

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. Prior to joining BC Iron, Mrs McNamara was a senior associate of a leading Australian law firm. Mrs McNamara is admitted to practice as a lawyer in Western Australia.

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 Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
A W Kiernan	28	28	4	4	2	2	–	–
M S Ball	26	26	4	4	–	–	–	–
M Bryant	28	28	–	–	2	2	–	–
A M Haslam	26	28	4	4	2	2	–	–
B F O'Donnell	28	28	4	4	–	–	–	–

A – Meetings attended
B – Meetings held whilst a director/committee member

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
A W Kiernan	229,515	488,839	–	–
M Bryant	–	–	–	–
A M Haslam	30,000	–	–	–
B F O'Donnell	–	25,999	–	–
Total	**259,515**	**514,838**	**–**	**–**

DIVIDENDS

No dividends have been declared in relation to the year ended 30 June 2016 (2015: Nil).

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

REVIEW OF RESULTS AND OPERATIONS

The operations and results of the Company for the financial year are reviewed below. This review includes information on the financial position of the Company, and its business strategies and prospects for future financial years.

a. Review of operations

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

Iron Valley is operated by Mineral Resources Limited ("MIN") under an iron ore sales agreement. MIN operates the mine at its cost and purchases iron ore from BC Iron at a price linked to MIN's received price. BC Iron is responsible for paying royalties related to the project and securing key approvals. During FY2016, 6.5M wet metric tonnes ("wmt") was shipped from Iron Valley, which generated revenue for BC Iron of A$39.9M and EBITDA of A$10.2M. MIN continued to progress a number of value-enhancing initiatives which have the potential to improve the value of Iron Valley for both parties, including an innovative bulk ore transport system ("BOTS").

BC Iron continued to assess and optimise its 100% owned Buckland mine-to-port development project, which comprises a proposed mine at Bungaroo South and a proposed independent infrastructure solution consisting of a private haul road and transhipment port facility at Cape Preston East. During FY2016, BC Iron completed revised capital and operating cost estimates for a range of operational scenarios. Despite significant improvements in the financial viability of an 8 million tonne per annum ("Mtpa"), particularly in relation to C1 cash operating costs, BC Iron is focused on opportunities to increase throughput and utilisation of Cape Preston East's potential 20 Mtpa capacity.

The NJV is an unincorporated joint venture between BC Iron (75%) and Fortescue Metals Group Limited ("Fortescue") (25%). Due to the decline in iron ore prices and the expected future outlook, the NJV partners made the decision to temporarily suspend operations in December 2015. The final iron ore shipment occurred in early March 2016, with the NJV shipping a total of 2.65M wmt in FY2016 (BC Iron share: 2.02M wmt). Holding costs have been minimised and BC Iron is assessing its strategic options in relation to the NJV, which include a potential sale of the Company's interest or a restart of operations.

Selected performance indicators are summarised in the table below.

	2016	2015	2014	2013	2012
Operational					
NJV tonnes sold (M wmt) – 100% basis	2.65	5.26	5.79	5.00	3.55
NJV tonnes sold (M wmt) – BC Iron share	2.02	4.00	4.30	3.14	1.78
Iron Valley tonnes sold (M wmt)	6.50	2.98	N/A	N/A	N/A
Financial					
Revenue (A$M)	151.3	281.2	471.4	328.3	204.5
EBITDA (A$M)	(7.6)	0.1	149.9	108.4	66.5
Net (loss)/profit after tax (A$M)	(80.0)	(158.5)	71.8	46.5	49.0

b. Safety performance

BC Iron places a high priority on facilitating a safe working environment for all staff and contractors.

During FY2016, no lost time injuries ("LTIs") were recorded for the NJV and as at 30 June 2016, the lost time injury frequency rate ("LTIFR") was zero (2015: 3.0).

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

No LTIs were recorded at BC Iron's other projects and as at 30 June 2016, the LTIFR was zero (2015: zero).

c. Loss after income tax from continuing operations

The Company's loss after income tax from continuing operations for the year ended 30 June 2016 was A$80.0M (2015: loss A$158.5M), primarily due to declining iron ore prices, temporary suspension of the NJV from December 2015, and asset impairments. This was partially offset by strong returns from Iron Valley, minimal holding costs for NJV and reductions in administration and finance costs.

The Company's underlying loss after income tax for the year ended 30 June 2016 was A$9.3M (2015: loss A$18.2M). The following table reconciles underlying profit or loss after income tax to statutory profit or loss after income tax:

	30 June 2016 A$M	30 June 2015 A$M
Underlying loss after income tax	(9.3)	(18.2)
Adjust for:		
IOH acquisition costs	(0.2)	(6.4)
Tax losses not recognised	(23.0)	(11.5)
Derecognition of deferred tax assets	(18.6)	-
Unrealised foreign exchange loss	-	(0.6)
Impairment of mining assets and inventory	(28.9)	(121.8)
Statutory loss after income tax	(80.0)	(158.5)

d. Statement of cash flows

Cash and cash equivalents as at 30 June 2016 decreased to A$9.5M (2015: A$67.7M), primarily due to declining iron ore prices, the NJV temporary suspension, legal costs incurred in respect to litigation against Watpac Civil & Mining Pty Ltd ("Watpac") and the subsequent settlement with Watpac on acceptable terms. This decrease was partially offset by Iron Valley income.

e. Statement of financial position

Net assets decreased to A$76.7M (2015: $159.3M) primarily as a result of the impairment of assets and derecognition of deferred tax assets.

The Company's gross debt position at 30 June 2016 was A$2.0M (2015: A$6.3M). The debt is represented by a facility with Henghou Industries (Hong Kong) Limited, which is interest and security free, with the final repayment due in October 2016.

At 30 June 2016, cash and cash equivalents exceeded debt by A$7.5M.

f. Dividends

The Directors have not paid or declared any dividends since the commencement of the financial year ended 30 June 2016.

		2016	2015
(a)	out of the profits for the year ended 30 June 2015 and retained earnings on fully paid ordinary shares (2014: 15 cents).	Nil	A$18.7M
(b)	out of the profits for the year ended 30 June 2016 and retained earnings on fully paid ordinary shares.	Nil	Nil

g. Corporate

BC Iron previously secured a conditional deferral of 50% of its share of NJV royalties in respect of the December 2014 to September 2015 quarters from the Western Australian State Government. In total, A$9.0M in royalties were deferred. In March 2016 and June 2016, BC Iron made its first two repayments of A$1.3M each to the Western Australian State Government. The A$6.4M remaining balance is repayable in five equal quarterly instalments with the last repayment due on 30 September 2017.

On 20 May 2016, Mr Morgan Ball resigned as Managing Director. Mr Alwyn Vorster was appointed Chief Executive Officer on 23 May 2016. Mr Vorster has more than 25 years' experience with numerous mining houses in technical and commercial roles covering the total supply chain from mine to market for iron ore, coal and other minerals. Mr Vorster has most recently been employed as Group Executive Mining at Australian Capital Equity, and his recent other roles included CEO of API Management, a company responsible for developing the multi-billion dollar West Pilbara Iron Ore Project for owners Baosteel, Posco and AMCI; Managing Director of Iron Ore Holdings Ltd; and Regional Manager – China Marketing & Sales for Rio Tinto Iron Ore.

On 24 June 2016 BC Iron Nullagine Pty Ltd (as manager of the NJV) and Watpac settled their litigation. The settlement and legal expenses incurred during the year were A$5.3M (BCI's 75% share). This settlement allows BC Iron to reposition its focus to Buckland and other growth opportunities.

h. Financial year 2017 outlook and guidance

BC Iron expects MIN will continue to operate Iron Valley as a DSO, truck haulage operation throughout FY2017 while MIN continues to evaluate its BOTS initiative. BC Iron expects FY2017 EBITDA from Iron Valley will be in the range of A$6-16M, based on a range of production rates and pricing-related assumption. Specifically, the low case is based on production of 6 Mtpa, CFR 62% Fe price of US$40/dmt, capesize freight rate of US$6/wmt and AUD:USD exchange rate of 0.80. The high case is based on production of 7 Mtpa, CFR 62% Fe price of US$60/dmt, capesize freight rate of US$4/wmt and AUD:USD exchange rate of 0.70.

BC Iron plans to continue to evaluate development options for the strategic Buckland mine-to-port development project, with the intention of identifying and securing an economic viable business case for the project.

At the NJV, operations are temporarily suspended due to low iron ore prices. BC Iron is currently assessing all of its strategic options in relation to the NJV, including a potential sale of its interest or a restart of operations. While this process continues holding costs, including temporary suspension costs and tenement commitments, are expected to be on average, A$0.15M per month.

i. 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. BC Iron was also subject to fluctuations in the iron ore price and the AUD:USD exchange rate at the NJV prior to the temporary suspension of operations during the 2016 financial year.

The iron ore price declined during the 2016 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.

	2016 US$/dmt	2015 US$/dmt	2014 US$/dmt	2013 US$/dmt	2012 US$/dmt
Platts Average CFR 62%	51	72	123	127	151

Source: www.platts.com

The following table summarises the AUD:USD exchange rate over the last five years:

	2016 $	2015 $	2014 $	2013 $	2012 $
AUD:USD (average)	0.7283	0.8371	0.9179	1.0269	1.0323
AUD:USD (closing)	0.7426	0.7672	0.9419	0.9133	1.0159

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

Likely developments and expected results

As described in the sections titled "Review of operations" and "Financial year 2017 outlook and guidance", BC Iron is focused on continuing to support MIN's ongoing operation and future improvement of the Iron Valley project and continuing to assess opportunities to improve the economic viability of the Buckland Project. BC Iron is also assessing its strategic options in relation to the NJV, which include a potential sale of the Company's interest or a restart of operations.

In the opinion of the Directors, further disclosure about these matters could result in unreasonable prejudice to the Company and accordingly, no additional information has been included in this report.

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. BC Iron also reported a small number of potential non-compliances to the Department of Mines and Petroleum in relation to minor breaches to tenement conditions. All matters were minor in nature, were self-reported and have been cooperatively resolved with the regulator.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

BC Iron and Fortescue made the decision to temporarily suspend operations at the NJV in December 2015 and the final iron ore shipment occurred in early March 2016. NJV holding costs have been minimised and BC Iron is assessing its strategic options in relation to the NJV.

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 2016.

SHARE OPTIONS AND PERFORMANCE RIGHTS

As at the date of this report, there were no options over ordinary shares and 8,131,147 performance rights on issue (8,264,073 performance rights at 30 June 2016). Refer to the Remuneration Report for further details of performance rights outstanding.

Date performance rights granted	Expiry date	Fair value at grant date	Number
9 September 2015	8 September 2022	$0.015	2,131,147
25 May 2016	24 May 2023	$0.065	2,000,000
25 May 2016	24 May 2023	$0.069	2,000,000
25 May 2016	24 May 2023	$0.069	2,000,000
Total			8,131,147

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

On 15 July 2016 the Company issued 66,463 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 auditors report and forms part of the Directors' Report.

Non-audit services

For the year ended 30 June 2016 the Board of Directors is satisfied that the auditor, BDO, did not provide any non-audit services to the Company.

AUDITED REMUNERATION REPORT

(ISSUED 1 AUGUST 2016)

The Remuneration Report outlines remuneration information for key management personnel which includes the non-executive directors, the executive directors and executive managers who have authority and responsibility for planning, directing and controlling the activities of the Company. This report forms part of the Directors' Report and has been audited in accordance with section 308 (3c) of the *Corporations Act 2001*.

The report covers the following key management personnel:

Non-executive directors

A W Kiernan	Chairman
M Bryant	
A M Haslam	
B F O'Donnell	

Executive directors

M S Ball	Managing Director (resigned 20 May 2016)

Executive managers

A P Vorster	Chief Executive Officer (appointed 23 May 2016)
B L Duncan	Chief Operations Officer
C J Hunt	Chief Financial Officer (resigned effective 6 September 2016)

EXECUTIVE REMUNERATION POLICY

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward 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.

The Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy for the organisation.

Role of Remuneration Committee

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- Remuneration levels of executive directors and other key management personnel;
- The executive remuneration framework and operation of any incentive plans;
- Key performance indicators and performance hurdles for the executive team; and
- Non-executive director fees.

The objective is to ensure that remuneration policies and structures are fair and competitive, and aligned with the long-term interests of the Company. In doing this, the Remuneration Committee seeks advice from independent remuneration consultants when necessary.

The Corporate Governance statement found in the Annual Report provides further information on the role of the Committee.

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.

McDonald & Company (Australasia) Pty Ltd provided industry focused remuneration reports during the year and were paid $5,533 (2015: $5,225). These reports were used to understand market conditions in order 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.

The Company encourages directors and employees to adopt a long-term attitude to their investment in the Company's securities. Consequently, directors and employees may not engage in short-term or speculative trading of the Company's securities. Directors and employees are prohibited from trading in financial products issued or created over, or in respect of the Company's securities during a non-trading period.

Voting and comments made at the Company's 2015 Annual General Meeting

The Company received 92% of 'yes' votes cast on its remuneration report for the 2015 financial year.

EXECUTIVE REMUNERATION FRAMEWORK

Under the executive remuneration policy, the remuneration of executives may comprise of the following:

- Competitive fixed remuneration that is based on criticality of role, market and individual skills and experience;
- Short term performance bonus designed to reward actual achievement by the individual of performance objectives and Company performance;
- Longer term performance bonus designed to reward overall Company performance and retain critical talent on a peer comparative basis that may include deferred cash payments and/or participation in equity based schemes; and
- Statutory superannuation.

Short term incentives

The Board is responsible for assessing short term incentives ("STI") for key management personnel if predefined targets are achieved. Service agreements may establish STIs against key performance indicators ("KPIs") which are assessed by the Board. These KPIs will typically be aligned to specific operating and corporate objectives in relation to each financial year. For the 2015 and 2016 financial years, the Managing Director and key management personnel had a target STI opportunity of 30% of base remuneration. All targets are reviewed annually.

These cash incentives are determined based on financial years and are payable in the following financial year after the relevant year's financial results have been audited.

Potential STI awards for the executive team in relation to the 2015 financial year, payable during the 2016 financial year, were based on operational performance, safety and leadership. These targets were set by the Remuneration Committee and align to the Company's strategic and business objectives. The Remuneration Committee is responsible for assessing whether the KPIs are met. To assist in this assessment, the Committee receives detailed reports on performance from management. This is not verified by any external consultants. The Committee has the discretion to adjust STIs in light of unexpected or unintended circumstances.

Long term incentives

Long-term incentives in the form of deferred cash and equities are provided to certain employees at the discretion of the Board. Equities are provided via the Company's Employee Performance Rights Plan ("PR plan"), which was approved by shareholders at the 2010 general meeting, and renewed at the 2013 general meeting. The PR plan is designed to provide incentives for executives to deliver long-term shareholder returns.

The Company established the PR plan to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance, and rewarding and retaining executives.

A performance right is, in effect, a contractual right to be issued with a fully paid ordinary share in the Company on the satisfaction of certain conditions. The performance rights issued will not vest (and the underlying shares will not be issued) unless certain performance conditions have been satisfied. The grant of performance rights is designed to reward long term sustainable business performance measured. For the 2015 and 2016 financial years, for rights issued to the Managing Director and the key management personnel, that performance was measured by relative total shareholder return ("TSR") performance conditions. The testing period for the rights issued prior to 1 July 2015 was a two year period, but that period was extended to three years in relation to performance rights issued from 1 July 2015.

The performance conditions for rights issued prior to 1 July 2015 are measured by comparing the Company's TSR with that of an appropriate comparator group of companies as determined by the Remuneration Committee over the period from the grant of the performance rights, to the end of the financial year that is 2 years after that date (vesting date). The performance rights will vest depending on the Company's percentile ranking within the comparator group on the relevant vesting date as follows:

BC Iron TSR rank	Performance rights vesting
Below 50th percentile	0%
At 50th percentile	50%
Between 51st and 100th percentile	Between 51% and 100% on a straight line basis

The performance conditions for rights issued after 1 July 2015 but before 23 May 2016 will be measured by comparing the Company's TSR with that of an appropriate comparator group of companies as determined by the Remuneration Committee over the period from the grant of the performance rights, to the end of the financial year that is 3 years after that date (vesting date). The performance rights will vest depending on the Company's percentile ranking within the comparator group on the relevant vesting date as follows:

BC Iron TSR rank	Performance rights vesting
Below 50th percentile	0%
Between 50th and 75th percentile	Pro-rate 50 to 100%
At or above 75th percentile	100%

The performance conditions for rights issued to the Chief Executive Officer on 23 May 2016 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 and 3 – BC Iron share price
100%	30 day VWAP at any time during the relevant financial year > 100% than 30 day VWAP as at comparative date	30 day VWAP at any time during the relevant financial year > 50% than 30 day VWAP as at comparative date
66%	30 day VWAP at any time during the relevant financial year > 50% and < 100% than 30 day VWAP as at comparative date	30 day VWAP at any time during the relevant financial year > 30% and < 50% than 30 day VWAP as at comparative date
33%	30 day VWAP at any time during the relevant financial year > 20% and < 50% than 30 day VWAP as at comparative date	30 day VWAP at any time during the relevant financial year > 15% and < 30% than 30 day VWAP as at comparative date
0%	30 day VWAP at any time during the relevant financial year < 20% than 30 day VWAP as at comparative date	30 day VWAP at any time during the relevant financial year < 15% than 30 day VWAP as at comparative date

Note: The comparative dates are Tranche 1 - 23 May 2016, Tranche 2 – 30 June 2017 and Tranche 3 – 30 June 2018.

Company performance

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

		2016	2015	2014	2013	2012
Revenue from continuing operations	$million	151.3	281.2	471.4	328.3	204.5
Net profit/(loss) after tax	$million	(80.0)	(158.5)	71.8	46.5	49.0
Basic earnings/(loss) per share	Cents	(40.8)	(90.7)	58.0	42.9	51.1
Dividends paid per share	Cents	–	15.0	47.0	20.0	–
Share price (last trade day of financial year)	A$	0.11	0.29	3.20	3.23	2.60

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									
M S Ball (Managing Director resigned 20 May 2016)									
2016	**622,963**	**–**	**28,049**	**64,525**	**20,792**	**–**	**585,577**	**1,321,906**	**5%**
2015	686,749	58,684	25,973	113,576	30,574	83,986	–	999,542	26%
A P Vorster (Chief Executive Officer appointed 23 May 2016)									
2016	**51,269**	**–**	**2,645**	**–**	**2,083**	**406,000**	**–**	**461,997**	**88%**
B L Duncan (Chief Operations Officer)									
2016	**433,841**	**–**	**48,966**	**48,548**	**31,534**	**7,446**	**–**	**570,335**	**10%**
2015	436,590	44,153	96,485	94,532	32,978	63,190	–	767,928	26%
C J Hunt (Chief Financial Officer)									
2016	**380,625**	**–**	**20,732**	**–**	**30,000**	**6,570**	**–**	**437,927**	**2%**
2015	384,125	36,329	15,272	–	29,952	51,991	–	517,669	17%

(1) The percentage performance related for A P Vorster is high relative to other KMP as the value at (d) is the full value of all performance rights granted on commencement, whereas the remaining remuneration components are for part of the year only.

(a) Relates to performance in financial year ended 30 June 2015. 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 financial years ended 30 June 2014. Please refer to section on long-term incentive payments below.

(d) 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.

(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 actually paid, but relate to performance in previous reporting periods.

Short-term incentive payments

For each short term incentive benefit, the percentage of the available bonus that was paid, or that vested, in the current financial year, and the percentage that was forfeited because the service and performance criteria were not met, is set out in the following table. No part of the incentive is payable in future years.

	2016 (relates to FY2015 performance)			2015 (relates to FY2014 performance)		
	Maximum possible incentive award	Percentage of incentive awarded	Amount of award in cash	Maximum possible incentive award	Percentage of incentive awarded	Amount of award in cash
Executive directors						
M S Ball	**$195,000**	**0%**	**Nil**	$163,012	36%	$58,684
Executive managers						
A P Vorster*	**NA**	**NA**	**NA**	NA	NA	NA
B L Duncan	**$127,500**	**0%**	**Nil**	$122,647	36%	$44,153
C J Hunt	**$112,500**	**0%**	**Nil**	$100,912	36%	$36,329

**Under the CEO's agreement, the CEO is eligible for a short term incentive benefit. Under the terms of that agreement, no benefit was available for payment or vesting for the current financial year.*

Long-term incentive payments

The long-term incentive plan ("LTIP") that was in place for the Managing Director and the KMP for the 2015 and 2016 financial years, was subject to Company performance and consists 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, LTIP is made up of:

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

The deferred cash component is determined by measuring the Company's actual sales volumes and earnings per share against budget on an annual basis. The deferred cash component is 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.

The performance criteria for financial year 2014 were partially met, and deferred cash was awarded as indicated in the following table for payment on 30 June 2015 and 30 June 2016.

	Maximum possible incentive award	Percentage of incentive awarded	Amount of award in cash	Paid 30 June 2015	Paid 30 June 2016*
Executive directors					
M S Ball	$172,069	75%	$129,052	$64,526	$64,526
Executive managers					
B L Duncan	$129,461	75%	$97,096	$48,548	$48,548

**M S Ball LTIP was paid on termination date 20 May 2016.*

Performance rights

The Employee Performance Rights Plan ("PR Plan") was approved at a shareholder's annual general meeting on 19 November 2010, which was subsequently renewed at the 2013 annual general meeting. Under the terms of the PR Plan, these long-term incentives are provided to certain employees at the discretion of the Board and linked to long-term shareholder returns.

a. Performance rights issued in financial year 2016

The terms and conditions of performance rights granted to key management personnel during the year ended 30 June 2016 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 during the year
Executive directors								
M S Ball	08/09/2015	30/06/2018	08/09/2022	1.85%	$0.015	175,000	$2,625	–
M S Ball	23/11/2015	30/06/2018	23/11/2022	1.85%	$0.015	584,200	$8,763	–
Executive managers								
A P Vorster	25/05/2016	30/06/2017	24/05/2023	1.90%	$0.065	2,000,000	$130,000	–
A P Vorster	25/05/2016	30/06/2018	24/05/2023	2.20%	$0.069	2,000,000	$138,000	–
A P Vorster	25/05/2016	30/06/2019	24/05/2023	2.40%	$0.069	2,000,000	$138,000	–
B L Duncan	08/09/2015	30/06/2018	08/09/2022	1.85%	$0.015	496,400	$7,446	–
C J Hunt	08/09/2015	30/06/2018	01/09/2022	1.85%	$0.015	438,000	$6,570	–

**AP Vorster performance rights comprised of 3 tranches and the comparative dates are Tranche 1 - 23 May 2016, Tranche 2 – 30 June 2017 and Tranche 3 – 30 June 2018. For all other performance rights the performance and valuation period commenced on 1 July 2015.*

A Monte Carlo simulation was used to value the performance rights. The Monte Carlo simulates the returns of the Company in relation to the peer group or the Company's share price depending on the hurdle, and arrives at a value based on the number of rights that are likely to vest. The risk free rate of the performance rights on the date granted are shown in the table above.

b. Performance rights issued in financial year 2015

Performance rights issued immediately after 30 June 2014 in the 2015 financial year vested at 50% on 30 June 2016. The performance conditions for these rights were measured by comparing the Company's TSR with that of a comparator group of companies based on the Argonaut Junior Iron Ore Index over the period from the grant of the performance rights to the end of the financial year that is 2 years after that date (vesting date), being 30 June 2016. The companies included in the index may change periodically as determined by Argonaut, but are determined when the performance rights are issued.

For the relevant two year period, BC Iron was the fifth ranked Company in the comparator group with a TSR of (91.9%), and accordingly, 50% of the performance rights vested on 30 June 2016 and 50% expired.

The companies included in the Argonaut Junior Iron Ore Index and their TSR for the assessment period were:

Atlas Iron Limited	ASX:AGO	(95.4%)
Fortescue Metals Group Limited	ASX: FMG	(15.4%)
Grange Resources Limited	ASX:GRR	(36.3%)
Mount Gibson Iron Limited	ASX:MGX	(56.5%)
Moly Mines Limited	ASX:MOL	(100.0%)
Mineral Resources Limited	ASX:MIN	(6.8%)
Northern Iron Limited	ASX:NFE	(100.0%)
South American Ferro Metals Limited	ASX:SFZ	(100.0%)

The table below summarises performance rights issued immediately after 30 June 2014, in financial year 2015 that vested or expired on 30 June 2016.

	Grant date*	Date to vest	Value per right at grant date	Number granted during the year	Value at grant date	Number vested 30 June 2016^	Number expired 30 June 2016^
Executive directors							
M S Ball	01/09/2014	30/06/2016	$1.20	69,988	$83,986	–	69,988
Executive managers							
B L Duncan	01/09/2014	30/06/2016	$1.20	52,658	$63,190	26,329	26,329
C J Hunt	01/09/2014	30/06/2016	$1.20	43,326	$51,991	21,663	21,663

**Performance and valuation period commences on 1 July 2014.*

^Performance rights which have vested based on performance conditions are converted to shares shortly after 30 June. Performance rights which have not vested based on performance conditions are cancelled shortly after 30 June.

c. Performance rights issued in financial year 2014

Performance rights issued immediately after 30 June 2013 in the 2014 financial year did not vest on 30 June 2015. The performance conditions for these rights were measured by comparing the Company's TSR with that of a comparator group of companies based on the Argonaut Junior Iron Ore Index over the period from the grant of the performance rights to the end of the financial year that is 2 years after that date (vesting date), being 30 June 2015. The companies included in the index may change periodically as determined by Argonaut, but are determined when the performance rights are issued.

For the relevant two year period, BC Iron was the eighth ranked Company in the comparator group with a TSR of (71.8%), and accordingly, the performance rights expired on 30 June 2015.

The companies included in the Argonaut Junior Iron Ore Index and their TSR for the assessment period were:

Atlas Iron Limited	ASX:AGO	(86.8%)
Centrex Metals Limited	ASX: CXM	(3.1%)
Flinders Mines Limited	ASX:FMS	(44.8%)
Gindalbie Metals Limited	ASX:GBG	(81.8%)
Grange Resources Limited	ASX:GRR	0.0%
Iron Ore Holdings Limited	ASX:IOH	1.1%
Ironclad Mining Limited	ASX:IFE	(78.7%)
Iron Road Limited	ASX:IRD	(61.8%)
Mount Gibson Iron Limited	ASX:MGX	(44.1%)
Pluton Resources Limited	ASX:PLU	(100.0%)
Red Hill Iron Limited	ASX:RHI	0.0%
Royal Resources Limited	ASX:ROY	(68.6%)

The table below summarises performance rights issued immediately after 30 June 2013, in financial year 2014 that expired on 30 June 2015.

	Grant date*	Date to vest	Value per right at grant date	Number granted during the year	Value at grant date	Number vested 30 June 2015^	Number expired 30 June 2015^
Executive directors							
M S Ball	04/10/2013	30/06/2015	$2.68	73,614	$197,433	0	73,614
Executive managers							
B L Duncan	04/10/2013	30/06/2015	$2.68	55,386	$148,545	0	55,386

**Performance and valuation period commenced on 1 July 2013.*

^Performance rights which have vested based on performance conditions are converted to shares shortly after 30 June. Performance rights which have not vested based on performance conditions are cancelled shortly after 30 June.

Employee Incentive plans for 2017 financial year

The Company is in the process of reviewing each of the employee incentive plans currently in place for the KMP and employees. Following that review, the Company intends to amend or update the existing incentive plans that would apply for the 2017 financial year to reflect the repositioning of the Company.

Options

There were no options issued to key management personnel during the period and no options were converted by key management personnel. There are currently no options on issue to key management personnel.

SERVICE AGREEMENTS

The remuneration and other terms of employment for executive directors and key management personnel are covered in formal employment contracts.

Name	Terms/Notice periods/Termination payment
A P Vorster (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.
M S Ball (Managing Director resigned 20 May 2016)	Base salary inclusive of superannuation of $602,250 reviewed annually on 31 December (or such other times as agreed), for a fixed term of three years.
	Six months' notice by Mr Ball. Twelve months by the Company.
	Termination payment to reflect appropriate notice except in case of summary dismissal.
B L Duncan (Chief Operations Officer)	Base salary inclusive of superannuation $465,375 reviewed annually on 31 December (or such other times as agreed).
	One months' notice by Mr Duncan. Three months by the Company.
	Termination payment to reflect appropriate notice except in case of summary dismissal.
C J Hunt (Chief Financial Officer)	Base salary inclusive of superannuation $410,625 reviewed annually on 31 December (or such other times as agreed).
	Three months' notice by Mr Hunt. Three months by the Company.
	Termination payment to reflect appropriate notice except in case of summary dismissal.

Note that due to market conditions, the Managing Director's salary was reduced and no salary increases were granted at the annual review on 31 December 2015.

NON-EXECUTIVE DIRECTOR REMUNERATION

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman is not present at any discussions relating to determination of his own remuneration.

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. The table below provides details of Board and committee fees for the 2015 and 2016 financial years.

On 1 July 2014, directors' fees were increased to reflect the Company's promotion to the ASX 200. In November 2014, the Board resolved to reduce director fees by 10% effective 1 January 2015. In June 2016, the Board resolved to further reduce director fees by 10% effective 1 July 2016.

Main board	30 June 2016 $	30 June 2015 $
Chairman – A W Kiernan*	**157,500**	157,500
Members	**76,500**	76,500
Audit and Risk Committee		
Chairman	**9,000**	9,000
Members	**4,500**	4,500
Remuneration Committee		
Chairman	**9,000**	9,000
Members	**4,500**	4,500

**Mr Kiernan does not receive any additional fees as a member of committees.*

Committee membership for the year is outlined below.

Board member	Committee
A W Kiernan	Audit and Risk Committee - member Remuneration Committee - member
M Bryant	Remuneration Committee – member
A M Haslam	Audit and Risk Committee – member Remuneration Committee – Chairman
B F O'Donnell	Audit and Risk Committee - Chairman

The fees paid or payable to the non-executive directors in relation to the 2016 financial year are set out below. The Company has no specific performance based remuneration component for non-executive director remuneration.

	Short-term employment benefits		Post-employment benefits	
	Salary and fees $	Non-monetary benefits [a] $	Superannuation $	Total $
A W Kiernan (Chairman)				
2016	**157,500**	**15,578**	**–**	**173,078**
2015	166,250	10,022	–	176,272
M Bryant (Non-executive director)				
2016	**73,973**	**15,578**	**7,027**	**96,578**
2015	9,407	1,153	–	10,560
A M Haslam (Non-executive director) [b]				
2016	**90,000**	**15,578**	**–**	**105,578**
2015	92,500	10,022	–	102,522
B F O'Donnell (Non-executive director)				
2016	**78,082**	**15,578**	**7,418**	**101,078**
2015	52,858	7,304	5,021	65,183
M J McComas (Non-executive director resigned 26 November 2014) [c]				
2016	**–**	**–**	**–**	**–**
2015	47,500	4,064	–	51,564
T W Ransted (Non-executive director resigned 12 May 2015) [d]				
2016	**–**	**–**	**–**	**–**
2015	79,565	8,649	–	88,214
P J Wilshaw (Non-executive director resigned 26 November 2014)				
2016	**–**	**–**	**–**	**–**
2015	43,379	4,064	4,121	51,564
M C Young (Non-executive director resigned 26 November 2014) [e]				
2016	**–**	**–**	**–**	**–**
2015	45,000	4,064	–	49,064
TOTAL				
2016	**399,555**	**62,312**	**14,445**	**476,312**
2015	536,459	49,342	9,142	594,943

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

(b) A M Haslam's fees are paid to Hasbar Pty Ltd.

(c) M J McComas' fees were paid to McComas Capital Pty Ltd.

(d) T W Ransted's fees were paid to Kyim Pty Ltd.

(e) M C Young's fees were paid to Jocelyn Young Management Consulting.

EQUITY INSTRUMENT DISCLOSURES

The interests of key management personnel and directors in shares at the end of the financial year 2016 are 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 W Kiernan	718,354	–	–	–	–	718,354
M Bryant	–	–	–	–	–	–
A M Haslam	30,000	–	–	–	–	30,000
B F O'Donnell	25,999	–	–	–	–	25,999
Executive directors						
M S Ball [(a)]	190,990	–	–	–	–	190,990
Executive managers						
A P Vorster	–	–	–	–	–	–
B L Duncan	–	–	–	–	–	–
C J Hunt	2,000	–	–	–	–	2,000
Total	**967,343**	**–**	**–**	**–**	**–**	**967,343**

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

The interest of key management personnel and directors in shares at the end of financial year 2015 are as follows:

	Balance at 1 July 2014	Acquired during year	Performance rights converted during year	Disposed during the year	Owned on commencement of employment	Balance at 30 June 2015
Non-executive directors						
A W Kiernan	693,354	25,000	–	–	–	718,354
M Bryant	–	–	–	–	–	–
A M Haslam	–	30,000	–	–	–	30,000
B F O'Donnell*	–	25,999	–	–	–	25,999
Executive directors						
M S Ball	181,784	–	69,206	(60,000)	–	190,990
Executive managers						
B L Duncan	30,000	–	64,881	(94,881)	–	–
C J Hunt	2,000	–	–	–	–	2,000
Total	**907,138**	**80,999**	**134,087**	**(154,881)**	**–**	**967,343**

**Mr O'Donnell's shares were acquired on sale of his Iron Ore Holdings Ltd shares.*

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	Vested at 30 June 2016	Unvested at 30 June 2016*
Executive directors							
M S Ball	143,602	759,200	–	(902,802)	–	–	–
Executive managers							
A P Vorster	–	6,000,000	–	–	6,000,000	–	6,000,000
B L Duncan	108,044	496,400	–	(55,386)	549,058	26,329	522,729
C J Hunt	43,326	438,000	–	–	481,326	21,663	459,663
Total	**294,972**	**7,693,600**	–	**(958,188)**	**7,030,384**	**47,992**	**6,982,392**

The interests of key management personnel and directors in performance rights at the end of the financial year 2015 are as follows.

	Balance at 1 July 2014	Granted as compensation	Converted to shares	Rights lapsed/ cancelled*	Balance at 30 June 2015	Vested at 30 June 2015	Unvested at 30 June 2015*
Executive directors							
M S Ball	142,820	69,988	(69,206)	-	143,602	-	143,602
Executive managers							
B L Duncan	120,267	52,658	(64,881)	-	108,044	-	108,044
C J Hunt	-	43,326	-	-	43,326	-	43,326
Total	**263,087**	**165,972**	**(134,087)**	-	**294,972**	-	**294,972**

**Performance rights which have vested based on performance conditions are converted to shares shortly after 30 June. Performance rights which have not vested based on performance conditions are cancelled shortly after 30 June.*

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND DIRECTORS

There were no transactions with related parties in 2015 or 2016.

OTHER INFORMATION

Insurance of officers

During the financial period, the Company incurred premiums of $132,440 (2015: $99,633) 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 54 of this report for BDO's report on the Remuneration Report.

Signed in accordance with a resolution by the Directors.

Anthony Kiernan
Chairman

Perth, Western Australia
1 August 2016

Alwyn Vorster
Chief Executive Officer

Perth, Western Australia
1 August 2016

DIRECTOR'S DECLARATION

In the opinion of the Directors of BC Iron Limited:

a. the financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, 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 Company as at 30 June 2016 and of its performance for the financial year ended 30 June 2016; 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 Company 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:

Anthony Kiernan
Chairman

Perth, Western Australia
1 August 2016

BC IRON LIMITED

ABN 21 120 646 924

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
30 JUNE 2016

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

BC Iron Limited and its controlled entities for the year ended 30 June 2016

	Notes	2016 $000's	2015 $000's
Revenue from continuing operations			
Sale of goods		149,776	277,775
Other revenue		1,503	3,436
Total revenue from continuing operations	1	151,279	281,211
Foreign exchange gain/(loss)		812	(2,935)
Cost of sales	2	(137,482)	(249,396)
Selling and marketing	2	(18,647)	(39,382)
Administration expenses	2	(4,464)	(14,708)
Exploration and evaluation expenditure		(3,308)	(3,815)
Impairment of mine property and other assets	3	(40,108)	(170,881)
Loss before finance cost and income tax		(51,918)	(199,906)
Finance costs	2	(951)	(3,505)
Loss before income tax		(52,869)	(203,411)
Income tax benefit/(expense)	4	(27,086)	44,912
Loss after income tax from continuing operations		(79,955)	(158,499)
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	16	(2,706)	2,706
Items that may not be reclassified to profit or loss			
Changes in the fair value of financial assets	16	-	(3,735)
Loss for the year attributable to owners of BC Iron Limited		(82,661)	(159,528)
Basic loss per share (cents per share)	19	(40.75)	(90.66)

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 2016

	Notes	2016 $000's	2015 $000's
Current assets			
Cash and cash equivalents	5	**9,450**	67,671
Trade and other receivables	6	**13,694**	24,427
Inventory	7	**61**	9,886
Derivative financial instruments	21	-	390
Total current assets		**23,205**	102,374
Non-current assets			
Receivables	6	**5,986**	2,294
Inventory	7	-	30,495
Property, plant and equipment	8	**52,928**	64,172
Exploration and evaluation assets	9	**4,100**	4,100
Intangibles	10	**23,532**	26,132
Deferred tax assets	4	-	27,711
Total non-current assets		**86,546**	154,904
Total assets		**109,751**	257,278
Current liabilities			
Trade and other payables	12	**19,749**	70,947
Provisions	13	**415**	1,109
Loans and borrowings	20	**2,020**	6,275
Total current liabilities		**22,184**	78,331
Non-current liabilities			
Provisions	13	**10,892**	19,664
Total non-current liabilities		**10,892**	19,664
Total liabilities		**33,076**	97,995
Net assets		**76,675**	159,283
Shareholders' equity			
Contributed equity	15	**242,467**	242,467
Reserves	16	**4,883**	7,536
Accumulated losses	17	**(170,675)**	(90,720)
Total shareholders' equity		**76,675**	159,283

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 2016

	Contributed equity $000's	Accumulated losses $000's	Reserves $000's	Total $000's
Balance at 1 July 2014	131,339	86,431	8,624	226,394
Loss for the year	-	(158,499)	-	(158,499)
Reclassification to profit or loss	-	-	(1,029)	(1,029)
Total comprehensive income	-	(158,499)	(1,029)	(159,528)
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	110,652	-	-	110,652
Performance rights converted	476	-	(476)	-
Share based payments	-	-	417	417
Dividends paid	-	(18,652)	-	(18,652)
Balance at 30 June 2015	242,467	(90,720)	7,536	159,283
Loss for the year	-	(79,955)	-	(79,955)
Reclassification to profit or loss	-	-	(2,706)	(2,706)
Total comprehensive gains/(losses)	-	(79,955)	(2,706)	(82,661)
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	-	-	-	-
Performance rights converted	-	-	-	-
Share based payments	-	-	53	53
Dividends paid	-	-	-	-
Balance at 30 June 2016	**242,467**	**(170,675)**	**4,883**	**76,675**

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 2016

	Notes	2016 $000's	2015 $000's
Cash flows from operating activities			
Receipts from customers		159,173	258,543
Payments to suppliers and employees		(207,112)	(290,245)
Management fees received		530	791
Interest received		603	2,418
Income tax paid		–	(4,281)
Net cash flows from operating activities	5	(46,806)	(32,774)
Cash flows from investing activities			
Payments for mine property and development expenditure		(7,982)	(10,984)
Payments for plant and equipment		(93)	(319)
Divestment of financial assets		–	316
Net cash receipt on acquisition of subsidiary		–	24,338
Net cash flows from investing activities		(8,075)	13,351
Cash flows from financing activities			
Repayment of borrowings		(4,850)	(58,169)
Interest and finance costs paid		–	(1,120)
Dividends paid		–	(18,652)
Net cash flows from financing activities		(4,850)	(77,941)
Net decrease in cash and cash equivalents		(59,731)	(97,364)
Cash and cash equivalents at beginning of year		67,671	158,917
Effect of exchange rate changes on cash and cash equivalents		1,510	6,118
Cash and cash equivalents at end of year	5	9,450	67,671

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 2016

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 2016 were authorised for issue in accordance with a resolution of the directors on 1 August 2016. BC Iron Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. BC Iron Limited and its subsidiaries together are referred to in these financial statements as the 'Company' or the 'consolidated entity'.

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

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 2015.

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.

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 4: Income taxes
Note 7: Inventory
Note 8: Property, plant and equipment
Note 9: Exploration and evaluation
Note 13: Provisions
Note 31: Share based payments

KEY NUMBERS

NOTE 1 – REVENUE

	2016 $000's	2015 $000's
Sales – Nullagine Project	**109,913**	259,003
Sales – Iron Valley	**39,863**	18,772
Management fees	**529**	791
Interest revenue	**684**	2,617
Other income	**290**	28
Total	**151,279**	281,211

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.

Sale of goods

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 recognises revenue when the risks and rewards transfer to the buyer which is typically the bill of lading date. The sale agreements allow for an adjustment to the sales price based on a survey of the goods by the customer, therefore the recognition of the sales revenue is based on the most recently determined estimate of product specifications.

Additionally, the sales price is determined on a provisional basis at the date of sale and adjustments to the sale price may subsequently occur depending on movements in quoted market or contractual iron ore prices to the date of final pricing. The date of final pricing is typically when a notice of readiness is received which is when the vessel has arrived at its final destination. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable.

Traded freight

Revenue from freight services is recognised on the bill of lading date of the customer.

Interest revenue

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

Management fee

Management fee income from the Nullagine Joint Venture has been recognised, on an accruals basis, based on an agreed percentage of operating expenditure.

NOTE 2 – EXPENSES

	2016 $000's	2015 $000's
Mining and ore dressing	26,461	91,470
Haulage	48,359	99,105
Site administration	17,977	20,805
Depreciation of plant and equipment	2,640	2,589
Amortisation of mine properties	2,621	24,925
Royalties	37,156	32,597
Inventory movement	2,268	(22,095)
Cost of sales	137,482	249,396
Shipping, marketing and demurrage	18,647	39,382
Acquisition-related costs	249	6,389
Employee benefits expense	1,890	3,139
Depreciation and amortisation	431	1,322
Share based payments	53	1,225
Non-executive directors' fees	414	545
Occupancy related expenses	457	498
Consultant and legal fees	240	435
Other	730	1,155
Administration expenses	4,464	14,708
Interest expense on project finance (non-cash)	257	664
Interest expense on loan facilities	-	1,087
Amortisation of facility fees	-	527
Provisions: unwinding of discount (non-cash)	456	647
Other	238	580
Finance costs	951	3,505

Accounting policy

Finance costs are recognised as an expense when incurred, with the exception of interest charges attributable to major projects with substantial development and construction phases which are capitalised.

Finance costs include interest on loans and borrowings (short and long term), loan facility establishment fees, interest on finance leases and unwinding of discount on provisions.

Provisions and other payables are discounted to their present value when the time value of money is material.
The carrying amount of a provision increases in each period to reflect the passage of time. The increase is recognised as a discount adjustment in finance costs.

Refer to note 20 for further information on borrowings.

NOTE 3 – IMPAIRMENT OF NON-FINANCIAL ASSETS

	2016 $000's	2015 $000's
Impairment of mine property	–	161,167
Impairment of goodwill	–	7,317
Impairment of other intangibles	**2,600**	400
Impairment of inventory	**37,508**	1,997
Total	**40,108**	170,881

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 sustained fall in iron ore prices the Company has reviewed its assets for impairment and considered impairment of the following assets to be necessary.

i) Intangible assets – Royalty

The intangible asset relating to the Koodaideri South royalty has been tested for impairment. The recoverable amount of the royalty was estimated based on its FVLCD. The estimated recoverable amount at 31 December 2015 was $13.5M and an impairment loss of $2.6M was recorded. The estimated recoverable amount at 30 June 2016 of $14.5M was above the carrying value of the asset and no further impairment was recorded. 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 valuation is categorised within level 3 of the fair value hierarchy due to the unobservable nature of some of the inputs used. The post-tax nominal discount rate used in determining FVLCD was 7.8%.

Future changes in assumptions upon which these estimates are based may give rise to material adjustments, including further impairments or possible impairment reversals. For example a 10% decrease in the average forecast iron ore price, while holding other factors constant, would reduce the FVLCD by $1.4M, resulting in an impairment charge of $0.6M. Increasing the discount rate by 1% would reduce the FVLCD by $2.1M, resulting in an impairment charge of $1.1M

ii) Inventory

An impairment assessment of inventory was undertaken as at 31 December 2015. An impairment has been recorded to write inventory down to the lower of cost and net realisable value ("NRV"). The NRV has been calculated using estimates for the prevailing price at the point of selling the inventory. Low grade stockpiles classified as non-current inventory were fully impaired at 31 December 2015.

Other assets were assessed and based on their recoverable amount no impairment was deemed necessary.

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:

	June 2016	June 2015
CFR 62% Fe iron ore price (USD/dmt, nominal)		
Years 1-5	48-55	60-69
Years 6-10	59-65	71-81
Years 11-20	66-74	81-93
Foreign exchange rate (AUD:USD, nominal)		
Years 1-5	0.72-0.76	0.74-0.78
Years 6-10	0.76	0.78
Years 11-20	0.76	0.78
Inflation (% per annum)		
AUD inflation rate	1.5%	2.0%
USD inflation rate	1.4%	1.5%

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 – INCOME TAXES

	2016 $000's	2015 $000's
Current tax expense/(benefit)		
Current period	–	–
Adjustments for prior periods	–	(2,475)
	–	(2,475)
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	7,948	(44,733)
De-recognition of deferred tax assets	18,558	–
Adjustments for prior periods	580	2,296
	27,086	(42,437)
Income tax expense/(benefit) reported in the Statement of profit or loss and other comprehensive income	27,086	(44,912)
Reconciliation of effective tax rate		
Loss before tax	(52,868)	(203,411)
Income tax at the statutory rate of 30 per cent (2015: 30 per cent)	(15,860)	(61,023)
Non-deductible expenses	877	4,821
Temporary differences derecognised	18,558	–
Tax losses not recognised	23,011	11,524
Under/(over) provided in prior periods and other	500	(234)
Income tax expense/(benefit) reported in the Statement of profit or loss and other comprehensive income	27,086	(44,912)

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.

For information on the tax consolidated group refer to note 32.

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 2016 the Company had unrecognised deferred tax assets relating to tax losses of $49.4M (2015: $26.4M). The Company also has an R&D off-set available of $5.7M (June 2015 $5.7M).

Deferred tax assets not recognised

	2016 $000's	2015 $000's
Temporary differences	18,558	–
Income Tax losses	47,813	24,803
Capital losses	1,598	1,598

Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2016 $000's	2015 $000's	2016 $000's	2015 $000's	2016 $000's	2015 $000's
Amounts recognised in Profit or Loss:						
Inventory	–	–	(18)	(68)	(18)	(68)
Mine property, plant and development expenditure	18,821	23,026	–	–	18,821	23,026
Provisions	1,596	4,760	–	–	1,596	4,760
Intangibles	–	–	(2,409)	(2,409)	(2,409)	(2,409)
Exploration	–	–	(250)	–	(250)	–
Other items	702	1,706	(12)	(186)	690	1,520
Amounts recognised directly in equity:						
Derivative financial instruments	–	624	–	–	–	624
Share issue costs in equity	128	257	–	–	128	257
	21,247	30,374	(2,689)	(2,663)	18,558	27,711
Temporary differences derecognised	(18,558)	–	–	–	(18,558)	–
Tax assets/(liabilities)	2,689	30,374	(2,689)	(2,663)	–	27,711

Movements in deferred tax assets

	Financial assets $000's	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 2014	2,260	4,898	429	–	1,946	–	9,533
(Charged)/credited							
– to profit or loss	–	(138)	–	25,324	(729)	–	25,705
– to (under)/over prior period	–	–	–	(2,298)	–	–	(2,298)
– directly to equity	(2,260)	–	(172)	–	624	–	(3,056)
Acquisition of subsidiary	–	–	–	–	490	–	490
At 30 June 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

Movement in deferred tax liabilities

	Inventory $000's	Intangibles $000's	Exploration $000's	Other $000's	Total $000's
At 1 July 2014	(122)	–	–	–	(20,940)
(Charged)/credited					
– to profit or loss	55	–	–	(187)	20,686
Acquisition of subsidiary	–	(2,409)	–	–	(2,409)
At 30 June 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)

NOTE 5 – CASH AND CASH EQUIVALENTS

	2016 $000's	2015 $000's
Cash at bank	**8,979**	57,671
Cash on deposit	**471**	10,000
Total	**9,450**	67,671
Reconciliation of loss after income tax to net cash flows from operating activities		
Net loss	**(79,955)**	(158,499)
Depreciation and amortisation	**5,691**	28,836
Share based payments	**53**	1,225
Impairment of non-financial assets	**40,108**	170,881
Finance costs	**713**	3,505
(Gains)/losses on derivatives	**(1,691)**	2,294
Foreign exchange (gains)/losses	**(1,136)**	4,464
Other	**(429)**	(1,065)
(Increase)/decrease in assets		
Trade and other receivables	**10,733**	(19,463)
Inventories	**3,773**	(20,487)
Deferred tax assets	**27,086**	(30,414)
Increase/(decrease) in liabilities		
Trade and other payables	**(51,469)**	6,903
Current tax payable	–	(6,520)
Deferred tax liabilities	–	(13,326)
Provisions	**(284)**	(1,108)
Net cash outflows by operating activities	**(46,806)**	(32,774)

Cash on deposit relates to an overnight term deposits held with financial institutions due to mature on or before 1 July 2016.

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 6 – TRADE AND OTHER RECEIVABLES

	2016 $000'S	2015 $000'S
Current		
Trade receivables and prepayments	**13,138**	23,409
Interest receivable	**3**	113
Receivables due from the NJV	**146**	418
Other receivables	**407**	487
Total current	**13,694**	24,427
Non-current		
Security deposits	-	50
Other receivables	**5,986**	2,244
Total non-current	**5,986**	2,294
Total trade and other receivables	**19,680**	26,721

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

As at 30 June 2016 no receivables were past due or impaired (2015: Nil).

Other current receivables include $0.2M for GST receivable (2015: $0.4M). 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 21 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 7 days for provisional sales invoices and for the final sale invoice adjustment within 60 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 practice is to secure export sales under letters of credit and other 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 7 – INVENTORY

	2016 $000's	2015 $000's
Current		
Raw materials	**61**	675
Iron ore stockpiles	-	9,211
Total current	**61**	9,886
Non-current		
Iron ore stockpiles	-	30,495
Total non-current	-	30,495
Total inventory	**61**	40,381

The amount of inventories recognised as an expense for the year was $96.4M (2015: $216.2M). The amount of current inventories carried at net realisable value is nil (2015: $9.2M). Non-current iron ore stockpiles are nil due to impairment of low grade stockpiles. Refer to note 3 for details of the inventory impairment expense.

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Cost is determined primarily on the basis of weighted average costs. Cost for raw materials and stores is the purchase price, and for partly processed and saleable products cost is derived on an absorption costing basis. For this purpose the costs of production include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- the amortisation of mine property expenditure and depreciation of plant and equipment used in the extraction and processing of ore; and
- production overheads, including attributable mining overheads.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence (e.g. because it exceeds the mine's cut-off grade), it is valued at the lower of cost and net realisable value. If the ore will not be processed within 12 months of the statement of financial position date, it is included in non-current assets. Quantities are assessed primarily through surveys and volume conversions.

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 2015				
Opening net book value	182,847	4,760	1,660	189,267
Additions	12,372	1,644	205	14,221
Acquisition of subsidiary	50,900	169	28	51,097
Disposals	(217)	(48)	(9)	(274)
Reclassifications of assets between categories	288	(288)	–	–
Reclassified to profit or loss	(135)	–	–	(135)
Depreciation and amortisation expense	(26,899)	(1,118)	(820)	(28,837)
Impairment	(161,167)	–	–	(161,167)
Closing net book value	57,989	5,119	1,064	64,172
At 30 June 2015				
Cost	119,877	10,567	5,201	135,645
Accumulated depreciation and amortisation	(61,888)	(5,448)	(4,137)	(71,473)
Net carrying amount	57,989	5,119	1,064	64,172
Year ended 30 June 2016				
Opening net book value	**57,989**	**5,119**	**1,064**	**64,172**
Additions	**2,742**	**4,992**	**98**	**7,832**
Disposals	**–**	**(4)**	**–**	**(4)**
Changes to rehabilitation estimate	**(13,380)**	**–**	**–**	**(13,380)**
Depreciation and amortisation expense	**(3,514)**	**(1,620)**	**(558)**	**(5,692)**
Impairment	**–**	**–**	**–**	**–**
Closing net book value	**43,837**	**8,487**	**604**	**52,928**
At 30 June 2016				
Cost	**109,238**	**15,477**	**5,298**	**130,013**
Accumulated depreciation and amortisation	**(65,401)**	**(6,990)**	**(4,694)**	**(77,085)**
Net carrying amount	**43,837**	**8,487**	**604**	**52,928**

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.

The NJV area of interest requires minimal stripping during the production phase. Therefore production stripping costs for these mines are not deferred but charged to the profit or loss over the useful life of the component of the ore-body to which they relate, which typically does not exceed one year.

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:

i) **Nullagine Joint Venture**

   As a result of this assessment, the carrying value of the Nullagine Joint Venture ("NJV") $5.0M was determined to be supported by its recoverable amount. The recoverable amount is based on estimated asset sale values for plant and equipment.

ii) **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 8.8%. 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 and 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

	2016 $000's	2015 $000's
Opening balance	**4,100**	–
Acquisition of subsidiary	–	4,100
Net carrying amount	**4,100**	4,100

Accounting policy

The Company accounts for exploration and evaluation activities as follows:

Acquisitions

Exploration and evaluation costs arising from acquisitions 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 on the basis either that this 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.

NOTE 10 – INTANGIBLES

	Notes	2016 $000's	2015 $000's
Opening balance		**26,132**	–
Additions through acquisition:			
Royalties		–	18,502
Port access rights		–	8,030
Goodwill		–	7,317
Impairment charge	3	**(2,600)**	(7,717)
Net carrying amount		**23,532**	26,132

Net carrying value of intangibles:

Royalties	**15,502**	18,102
Port access rights	**8,030**	8,030
Net carrying amount	**23,532**	26,132

Accounting policy

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that they may be impaired. The amortisation period and method is reviewed at each financial year end.

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. Refer to note 3 for details of the impairment assessment undertaken on royalties.

Port access 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 post-tax nominal discount rate used in determining FVLCD was 9.8%. 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.

Goodwill

The Company recognised goodwill on the acquisition of Iron Ore Holdings Limited. The Company tested the goodwill for impairment at 1 November 2014 and assessed that the carrying value was fully impaired at that date.

NOTE 11 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2016 $000's	2015 $000's
Opening balance	–	1,791
Disposals	–	(316)
Revaluation	–	(1,475)
Closing balance	–	–

At the beginning of 2015 the financial assets related to two investments in listed securities on the ASX. During 2015, one of these investments was divested. At 30 June 2015, the remaining investment had entered voluntary administration and is therefore ascribed a nil value. At 30 June 2016 the Company is still in suspension.

Details on how the fair value of financial instruments is determined are disclosed in note 32.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership.

NOTE 12 – TRADE AND OTHER PAYABLES

	2016 $000's	2015 $000's
Current		
Trade payables and accruals	**19,749**	70,947
Total	**19,749**	70,947

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 21).

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

NOTE 13 – PROVISIONS

	2016 $000's	2015 $000's
Current		
Employee benefits	**415**	1,109
Total current	**415**	1,109
Non-current		
Rehabilitation	**10,892**	19,664
Total non-current	**10,892**	19,664
Total	**11,307**	20,773

Movement in Provisions in 2016

	Rehabilitation and site closure $000's	Employee benefits $000's	Total $000's
Opening balance 1 July 2015	19,664	1,109	20,773
Changes in rehabilitation estimate	(9,719)	–	(9,021)
Charged/(credited) to profit or loss:			
– additional provisions recognised	699	297	297
– unused amounts reversed	–	(113)	(113)
– unwinding of discount (non-cash)	537	–	537
Amounts used during the year	(288)	(878)	(1,166)
Closing balance	10,892	415	11,307

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.

CAPITAL

NOTE 14 – 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.

	2016 $000's	2015 $000's
Net debt to equity		
Total debt	**2,020**	6,275
Less cash and cash equivalents	**9,450**	67,671
Excess of cash over debt	**7,430**	61,396
Equity	**76,675**	159,283

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

NOTE 15 – CONTRIBUTED EQUITY

	2016		2015	
	Number	$000's	Number	$000's
Share capital				
Ordinary shares – fully paid	**196,196,992**	**242,467**	196,196,992	242,467
Movements in ordinary share capital				
Opening balance	**196,196,992**	**242,467**	124,028,630	131,339
Issue of shares on acquisition of subsidiary	–	–	71,851,553	110,652
Issue of shares under employee performance rights plan	–	–	316,809	476
Closing balance	**196,196,992**	**242,467**	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. Shares issued as consideration for the acquisition of Iron Ore Holdings Limited were measured at fair value being the share price of BC Iron on the unconditional offer date.

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 16 – RESERVES

	2016 $000's	2015 $000's
Share based payments reserve		
Balance as at 1 July	**10,052**	10,111
Share based payments expense	**53**	417
Issue of shares under Employee Performance Rights Plan	–	(476)
Balance as at 30 June	**10,105**	10,052
Financial assets at fair value through other comprehensive income		
Balance as at 1 July	**(9,009)**	(5,274)
Gains and losses on financial instruments recognised in equity	–	(3,735)
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)**	2,706
Balance as at 30 June	–	2,706
Total reserves	**4,883**	7,536

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 17 – ACCUMULATED LOSSES

	2016 $000's	2015 $000's
Balance as at 1 July	**(90,720)**	86,431
Net loss	**(79,955)**	(158,499)
Dividends paid	–	(18,652)
Balance as at 30 June	**(170,675)**	(90,720)

NOTE 18 – DIVIDENDS

	2016 $000's	2015 $000's
Dividend paid during the financial year (fully franked at 30 per cent)		
Final franked dividend for 2015: Nil (2014: $0.15)	–	18,652
Interim franked dividend for 2016: Nil (2015: Nil)	–	–
Total dividends paid	–	18,652
Dividend declared not recognised as a liability (fully franked at 30 per cent)		
Final franked dividend for 2016: Nil (2015: Nil)	**–**	–

NOTE 19 – EARNINGS PER SHARE

	2016 $000's	2015 $000's
Earnings per share from continuing operations		
Loss after income tax from continuing operations	(79,955)	(158,499)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	196,196,272	174,827,204
	Cents	**Cents**
Earnings per share attributable to the ordinary equity holders of the company		
Basic loss per share	(40.75)	(90.66)

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 20 – LOANS AND BORROWINGS

	2016 $000's	2015 $000's
Current		
Unsecured – Henghou facility	2,020	6,275
Total current	2,020	6,275
Total	2,020	6,275

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 million (interest free) in project finance with Henghou Industries (Hong Kong) Limited. Henghou made a payment of USD15 million on 17 December 2009 (being USD7.5 million to BCIN), a payment of USD15 million on 3 February 2010 (being USD7.5 million to BCIN) and a payment of USD20 million on 2 July 2010 (being USD10 million to BCIN).

The final repayment of US1.5 million is due 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.

The total borrowings above do not agree to the total outstanding loan owing by the Company of USD1.5 million due to conversion from USD to AUD foreign exchange.

RISK MANAGEMENT

NOTE 21 – FINANCIAL RISK MANAGEMENT

The Company holds the following financial instruments:

	2016 $000's	2015 $000's
Financial assets		
Cash and cash equivalents	**9,450**	67,671
Trade and other receivables	**19,778**	26,721
Derivative financial instruments	–	390
	29,228	94,782
Financial liabilities		
Trade and other payables	**19,847**	70,947
Loans and borrowings	**2,020**	6,275
	21,867	77,222

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	2016 $000's	2015 $000's
Exchange rate at reporting date		**0.7426**	0.7672
Financial assets			
Cash and cash equivalents	AUD	**6,713**	13,499
	USD	**4,985**	10,357
Trade receivables	AUD	–	8,433
	USD	–	6,469
Derivative financial instruments	AUD	–	716
	USD	–	550
Financial liabilities			
Loans and borrowings	AUD	**(2,020)**	(6,275)
	USD	**(1,500)**	(4,814)

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) 2016 $000's	Effect on reserves 2016 $000's	Effect on profit/(loss) 2015 $000's	Effect on reserves 2015 $000's
Appreciation of AUD to USD by 5% from 0.7426 to 0.7797 (2015: 0.7672 to 0.8056)	**(223)**	**-**	(746)	(34)
Depreciation of AUD to USD by 5% from 0.7426 to 0.7072 (2015: 0.7672 to 0.7288)	**235**	**-**	824	38

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.

During the year the Company has entered into cash flow hedges to mitigate the risk arising from fluctuations in commodity prices on revenue. The Company uses a combination of iron ore swaps and put options, forward foreign exchange contracts and purchased foreign exchange call options as hedging instruments to achieve this.

As at 30 June 2016 the Company recognised the following amounts in relation to its cash flow hedges.

	2016 $000's	2015 $000's
Cash flow hedges at fair value		
Iron ore swaps	–	713
Forward foreign exchange contracts	–	(328)
Purchased AUD/USD call options	–	5
Total	–	390

The commodity swaps and forward foreign exchange contracts are classified as level 2 measurements under the fair value hierarchy prescribed by accounting standards.

As at 30 June 2016 there were no open hedge contracts. During the year effective hedge losses of $1,741K (2015: losses $2,002K) were recognised in revenue relating to effective hedges. No hedge ineffectiveness was recognised during the year (2015: nil).

The following table summarises the sensitivity to a reasonably possible change in the USD iron ore price, 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) before tax 2016 $000's	Effect on reserves 2016 $000's	Effect on profit/ (loss) before tax 2015 $000's	Effect on reserves 2015 $000's
Appreciation of Iron Ore price by 10% from USD55.00to USD60.50 (2015:USD62.33to USD68.56)				
Trade receivables	–	–	843	–
Iron ore swaps	–	–	–	(3,659)
Depreciation of Iron Ore price by 10% from USD55.00 to USD49.50 (2015:USD62.33 to USD56.09)				
Trade receivables	–	–	(843)	–
Iron ore swaps	–	–	–	3,659

Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Company designates derivatives as hedges of risk associated with the cash flows of highly probable forecast transactions (cash flow hedges). The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment of whether the derivatives that are used in hedging transactions will be effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

iii. Interest rate risk

The Henghou unsecured loan facility is 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 $9,450K (2015: $67,671K) held with banks with minimum long term external credit ratings of AA-.
- Trade receivables $13,117k (2015: $8,433K) 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 (2015: $718K) 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 is due in October 2016. Refer to note 20 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 2016						
Financial liabilities						
Trade and other payables	**19,847**	-	-	-	**19,847**	**19,847**
Loans and borrowings	**2,020**	-	-	-	**2,020**	**2,020**
Total non-derivatives	**21,867**	-	-	-	**21,867**	**21,867**
Gross settled (forward foreign exchange contracts - cash flow hedges)						
(Inflow)	-	-	-	-	-	-
Outflow	-	-	-	-	-	-
Year ended 30 June 2015						
Financial liabilities						
Trade and other payables	70,947	-	-	-	70,947	70,947
Loans and borrowings	6,275	-	-	-	6,275	6,275
Total non-derivatives	77,222	-	-	-	77,222	77,222
Gross settled (forward foreign exchange contracts - cash flow hedges)						
(Inflow)	(44,360)	-	-	-	(44,360)	-
Outflow	44,767	-	-	-	44,767	(328)

GROUP STRUCTURE

NOTE 22 – 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 2016 %	Beneficial interest 2015 %
BC Iron Nullagine Pty Ltd	Australia	AUD	**100**	100
BC Iron (SA) Pty Ltd	Australia	AUD	**100**	100
BC Iron Finance Pty Ltd	Australia	AUD	**100**	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 2016, 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 23 – SEGMENT INFORMATION

	Iron Valley		Buckland		Nullagine Iron Ore JV (BCI 75% share)*		Other		Consolidated	
	2016 $000's	2015 $000's	2016 $000's	2015 $000's	2016 $000's	2015 $000's	2016 $000's	2015 $000's	2016 $000's	2015 $000's
Segment revenue										
Sale of goods	**39,863**	18,772	–	–	**109,913**	259,003	–	–	**149,776**	277,775
Other revenue	–	–	–	–	**950**	2,446	**553**	990	**1,503**	3,436
Total	**39,863**	18,772	–	–	**110,863**	261,449	**553**	990	**151,279**	281,211
Segment results										
EBITDA	**10,187**	4,136	**(1,938)**	(2,067)	**(11,471)**	11,388	**(4,392)**	(13,328)	**(7,614)**	129
Interest revenue	–	–	–	–	**420**	1,652	**264**	965	**684**	2,617
Finance costs	–	–	–	–	**(951)**	(3,505)	–	–	**(951)**	(3,505)
Foreign exchange	–	–	–	–	**812**	(2,933)	–	–	**812**	(2,933)
Depreciation and amortisation	**(2,621)**	(1,269)	–	–	**(2,877)**	(26,354)	**(194)**	(1,213)	**(5,692)**	(28,836)
Impairment of mine property and other assets	–	–	–	–	**(37,508)**	(163,164)	**(2,600)**	(7,717)	**(40,108)**	(170,881)
Profit / (loss) before income tax	**7,566**	2,867	**(1,938)**	(2,067)	**(51,575)**	(182,916)	**(6,922)**	(21,295)	**(52,869)**	(203,411)
Segment assets	**52,987**	51,875	**8,030**	8,030	**14,093**	129,225	**34,641**	68,148	**109,751**	257,278
Segment liabilities	**15,274**	2,243	–	–	**16,871**	84,299	**931**	11,453	**33,076**	97,995

**The Nullagine Iron Ore JV Segment is inclusive of all revenues, expenses, assets and liabilities relating to the Company's 75% share in the Nullagine Iron Ore JV.*

Management has determined that the Company has four reportable segments, being Iron Valley, Buckland, Nullagine Joint Venture 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 China 73% and Australia 27%. The Company's product sold into China predominantly relates to shipments made to Henghou Industries (Hong Kong) Limited including committed shipments made under the off-take agreement.

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 24 – INTEREST IN JOINT OPERATION

On 1 January 2010, the Company and Fortescue Metals Group Ltd ("FMG") commenced a 50:50 Joint Venture to develop the Nullagine Iron Ore Project in the East Pilbara of Western Australia.

The Company announced on 10 December 2012 that it had entered into an agreement with FMG to acquire an additional 25% interest in the NJV. As part of the transaction, the Company increased its participating interest in the NJV from 50% to 75%. Voting rights over decision making for the NJV remain at 50:50 between the Company and FMG. The joint venture agreement requires unanimous consent from both parties for all relevant activities. Under the joint venture agreement each partner is severally liable, in proportion to its percentage share, for all obligations and liabilities incurred in the course of carrying out joint venture activities.

Accounting policy

The NJV is recognised as a joint operation and the Company recognises 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.

UNRECOGNISED ITEMS

NOTE 25 – COMMITMENTS

	2016 $000's	2015 $000's
Operating leases – buildings		
The Company has non-cancellable operating leases for office and storage buildings.		
Within one year	288	447
Greater than one year but not more than five years	513	74
More than five years	–	–
	801	521
Operating leases – vehicles		
The Company has non-cancellable operating leases for vehicles.		
Within one year	40	80
Greater than one year but not more than five years	27	114
More than five years	–	–
	67	194
Capital commitments		
The Company currently has no Capital commitments.		
Within one year	–	4,596
Greater than one year but not more than five years	–	–
More than five years	–	–
	–	4,596

NOTE 26 – CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2016, the Company has no contingent liabilities or assets.

NOTE 27 – 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 2016.

OTHER NOTES

NOTE 28 – PARENT ENTITY

The following details information related to the parent entity, BC Iron Limited, as at 30 June 2016. The information presented here has been prepared using accounting policies consistent with those presented in the notes to the accounts.

	2016 $000's	2015 $000's
Balance sheet		
Current assets	1,057	53,264
Total assets	127,936	180,161
Current liabilities	13,097	4,017
Total liabilities	31,293	3,417
Shareholders' equity		
Issued capital	242,467	242,467
Reserves	5,011	4,958
Accumulated losses	(150,835)	(70,681)
Total shareholders' equity	96,643	176,744
Loss for the year	(80,154)	(82,318)
Total comprehensive loss for the year	(80,154)	(82,318)

Included in note 25 are commitments incurred by the parent entity relating to the lease of offices.

NOTE 29 – AUDITOR'S REMUNERATION

	2016 $	2015 $
The auditor of BC Iron Limited is BDO Audit (WA) Pty Ltd.		
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
Audit or review of financial reports for the Company	66,029	123,052
Non audit services – assurance services	2,550	3,773
Total	68,579	126,825

NOTE 30 – RELATED PARTY TRANSACTIONS

a. Parent entity

BC Iron Limited is the parent entity.

b. Subsidiaries

Interests in subsidiaries are set out in note 22.

c. Joint operations

Interests in joint operations are set out in note 2

d. Key management personnel

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

	2016 $000's	2015 $000's
Short-term employee benefits	**1,589,090**	1,784,360
Long-term employee benefits	**113,074**	208,108
Termination payments	**585,577**	-
Share based payments	**420,016**	199,167
Post-employment benefits	**84,409**	93,504
Total	**2,792,166**	2,285,139

e. Transactions with related parties

	2016 $000's	2015 $000's
Management fee income from joint operation	**529,195**	790,916
Payment for services made to other related parties	-	216,328

During the 2015 financial year office lease payments were made to an entity related to Wroxby Pty Ltd, an investor with significant influence over the Company. The lease was terminated on 31 January 2015. All transactions were on normal commercial terms and conditions.

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

Joint operation

	2016 $000's	2015 $000's
Receivables	**145,643**	418,114

NOTE 31 – SHARE BASED PAYMENTS

During the 2011-2016 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 approved at the shareholder's annual general meeting of 19 November 2010, was renewed at the Company's 2013 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

Share options and performance rights have been granted to provide long-term incentive for senior employees to deliver long-term shareholder returns. Participation in employee share options and performance rights is at the Board's discretion and no individual has a contractual right to participate in a plan or to receive any guaranteed benefits.

During the 2015 financial year the remaining 300,000 options that had been granted in the 2012 financial year lapsed. The weighted average remaining contractual life of share options outstanding at the end of the financial year 2015 was 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.

A Monte Carlo simulation has been used to value the performance rights. The Monte Carlo model simulates the returns of the Company in relation to the peer group and share price, depending on the hurdle, to arrive at a value based on the number of rights that are likely to vest.

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

2016 – Performance rights

Grant date	Expiry date	Granted during the year	Vesting date	Fair value per right at grant date	Share price on grant date*	Life of right	Expected dividends
Executive director performance rights							
09/09/2015	08/09/2022	175,000	30/06/2018	$0.015	$0.23	7 years	0%
23/11/2015	23/11/2022	584,200	30/06/2018	$0.015	$0.25	7 years	0%
Employee performance rights							
09/09/2015	08/09/2022	2,895,972	30/06/2018	$0.015	$0.23	7 years	0%
25/05/2016	24/05/2023	2,000,000	01/07/2017	$0.065	$0.16	7 years	0%
25/05/2016	24/05/2023	2,000,000	01/07/2018	$0.069	$0.16	7 years	0%
25/05/2016	24/05/2023	2,000,000	01/07/2019	$0.069	$0.16	7 years	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%

2015 – Performance rights

Grant date	Expiry date	Granted during the year	Vesting date	Fair value per right at grant date	Share price on grant date	Life of right	Expected dividends
Executive director performance rights							
01/09/2014	01/09/2021	69,988	30/06/2016	$1.20	$2.54	7 years	0%
Employee performance rights							
01/09/2014	01/09/2021	298,248	30/06/2016	$1.20	$2.54	7 years	0%

The fair value per performance right on grant date was determined as follows;

Grant date	1 September 2014
Grant date share price	$2.54
Volatility (per cent)	39.7%
Dividend yield (per cent)	12.6%
Risk free rate	2.54%

Summary of performance rights on issue

Vesting date	Opening balance at 1 July 2015	Rights granted during the year	Rights cancelled during the year	Rights converted to shares during the year	Closing balance at 30 June 2016	Rights vested as at 30 June 2016
30/06/2015	261,622	-	(261,622)	-	-	NA
30/06/2016	302,726	-	(169,800)	-	132,926	66,463
30/06/2018	-	3,655,172	(1,524,025)	-	2,131,147	NA
01/07/2017	-	2,000,000	-	-	2,000,000	NA
01/07/2018	-	2,000,000	-	-	2,000,000	NA
01/07/2019	-	2,000,000	-	-	2,000,000	NA
Total	564,348	9,655,172	(1,955,447)	-	8,264,073	66,463

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.

	2016 $	2015 $
Director benefits	**(7,544)**	151,634
Employee benefits	**60,306**	265,977
Total	**52,762**	417,611

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 returns of the Company in relation to a peer group and arrives at a value based on the number of 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 rights that are likely to vest.

NOTE 32 – 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

A number of new standards, amendment of standards and interpretations have recently been issued but are not yet effective and have not been adopted by the Company as at the financial reporting date.

The Company has reviewed these standards and interpretations, and with the exception of the items listed below for which the final impact is yet to be determined, none of the new or amended standards will significantly affect the Company's accounting policies, financial position or performance.

Standard title	Application date of the standard	Summary
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.
Amendments to Australian Accounting Standards - Disclosure initiative - Amendments to AASB 107	Periods beginning on or after 1 January 2017	These amendments affect presentation and disclosures only. Additional disclosures will be required for the first time during the year ended 30 June 2018 and comparatives will not be required in the first year.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the members of BC Iron Limited

Report on the Financial Report

We have audited the accompanying financial report of BC Iron Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 the basis of preparation preface to the notes, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of BC Iron Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in the basis of preparation preface to the notes.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of BC Iron Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Glyn O'Brien

Director

Perth, 1 August 2016

AUDITOR'S DECLARATION OF INDEPENDENCE

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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 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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

Partner

BDO Audit (WA) Pty Ltd

Perth, 1 August 2016

CORPORATE GOVERNANCE STATEMENT

YEAR ENDED 30 JUNE 2016

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, code of conduct 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 or Chief Executive Officer (as relevant), if the matter concerns the Managing Director or the Chief Executive Officer (as relevant), 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 25.

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 on page 20 of the Directors' Report. 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 established a Diversity Policy which embraces 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 diversity policy can be found on the Corporate Governance page of the Company's website.

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

The Company's measurable objectives for achieving gender diversity and progress towards achieving them include:

Measurable Objectives	Progress towards achievement
Introducing alternative workplace arrangements and improving workplace flexibility.	Flexible workplace arrangements policy is actively implemented.
Providing support for family and personal choices.	Providing a culture which not only supports workplace diversity but also recognises that employees at all levels of the Company may have domestic responsibilities and different family needs. All employees have access to confidential counselling at no cost through the Employee Assistance programme.
Utilisation of professional intermediaries to assess candidates.	Commitment to a corporate environment conducive to the appointment of well qualified employees, senior management and Board candidates so there is appropriate diversity to maximise the achievement of corporate goals. Use of independent professionals as appropriate.

As at 30 June 2016 there was 1 woman in a senior management position in the Company, representing 10% of senior management, and 5 women employees across the Company, representing 26% of the whole organisation. There are no women on the Board at this time, nor executive managers as disclosed in the Remuneration Report. 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 Chairman, in consultation with the other Board members, is responsible for evaluating the Managing Director and Chief Executive Officer (as relevant). The performance of the Managing Director or the Chief Executive Officer (as relevant) is undertaken by the Chairman in the form of interviews with the Managing Director or Chief Executive Officer (as relevant) and other Directors. 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 did occur in accordance with the above disclosed process. Further information can be found in the remuneration report. An evaluation of the Chief Executive Officer was conducted prior to his appointment on 23 May 2016.

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.**

A separate nomination committee has not been formed. The responsibilities of a nomination committee are carried out by the full Board. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. To assist the Board to fulfil its function as a nomination committee, it has adopted a nomination committee 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 2016 is outlined in table two below.

Table two – Details of directors

Name of director	Term in office	Length of service as at 30 June 2016	Status
A Kiernan (Chairman)	Director and Chairman since October 2006	9 years and 8 months	Independent
M Bryant	Director since May 2015	1 year and 1 month	Independent
A Haslam	Director since September 2011	4 years and 9 months	Independent
B O'Donnell	Director since October 2014	1 year 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.

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, Mr Kiernan, the Chairman of the Company, is an independent director. The roles of Chairman and Chief Executive Officer (and the former Managing Director) are carried out by different persons, namely Mr Kiernan and Mr Vorster (and Mr Ball previously) 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 a code of conduct. A summary is available on the Company's website www.bciron.com.au/corporate/corporate-governance.

The Company also has established policies for 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 20 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 is chaired by Mr O'Donnell. 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 is the most suitably experienced and qualified director for the role of chair of the Audit and Risk Committee.

The Board considers that Mr O'Donnell is capable of demonstrating independence, consistently making decisions and taking action designed to be in the best interest of the Company.

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 Chief Executive Officer 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 20 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 is chaired by Mr O'Donnell. Mr O'Donnell, as detailed above, although a Non-Executive Director of the Company, is deemed to be 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 is the most suitably experienced and qualified director for the role of chair of the Audit and Risk Committee.

The Board considers that Mr O'Donnell is capable of demonstrating independence, consistently making decisions and taking action designed to be in the best interest of the Audit and Risk Committee.

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 an Operational Risk Management Framework, which sets out the Company's risk profile and management. The framework was reviewed during the reporting period and continues to be appropriate for the Company.

Under the framework, the Board, through the Audit and Risk Committee, is responsible for approving the Company's policies 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 framework, 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
- a corporate governance manual which contains other policies 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 Committee made up of 3 independent directors and chaired by an independent director.

A copy of the Remuneration 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 25 of the Annual Report).

Recommendation 8.3 – A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

The Company has a policy for trading in the Company's securities which prohibits directors and employees from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

The Company's share trading policy for directors and employees is available on the corporate governance page of the Company's website.

SHAREHOLDER INFORMATION
AS AT 12 OCTOBER 2016

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	37,371,845	19.04

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholding	Number of holders	Number of shares	% of issued capital
1-1,000	1,968	1,000,830	0.51
1,001-5,000	2,999	8,396,555	4.28
5,001-10,000	1,232	9,744,396	4.96
10,001 – 100,000	1,831	58,074,237	29.59
100,001 and over	194	119,047,437	60.66
Total	8,224	196,263,455	100.00

UNMARKETABLE PARCELS

There were 3,350 members holding less than a marketable parcel of shares in the Company at $0.215 per unit.

TWENTY LARGEST SHAREHOLDERS

#	Shareholder	Shares held	% of issued capital
1	Wroxby Pty Ltd	37,371,845	19.04
2	Citicorp Nominees Pty Limited	7,904,885	4.03
3	3rd Wave Investors Ltd	7,000,000	3.57
4	J P Morgan Nominees Australia Limited	6,623,350	3.37
5	HSBC Custody Nominees (Australia) Limited	2,613,669	1.33
6	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,183,922	1.11
7	Mr Timothy Francis Buckett	1,736,400	0.88
8	Glenn Hargraves Investments Pty Ltd	1,672,500	0.85
9	National Nominees Limited	1,586,469	0.81
10	Mr Matthew James Rimes + Mrs Robin Lyn Rimes <The Revolver Super Fund A/C>	1,120,488	0.57
11	Ms Karen Anne Davies + Mr Bruce Donald Maclean <Maclean Super Fund A/C>	1,091,956	0.56
12	Mr Muir Mathieson	1,000,000	0.51
13	Mr Nickolas Papairaklis	930,000	0.47
14	Minton Ltd	902,673	0.46
15	Dr Dennis Jonathan Kar Que Lum <Dennis Jonathan Kar Que A/C>	822,612	0.42
16	Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	778,995	0.40
17	Perron Investments Pty Ltd	778,800	0.40
18	HSBC Custody Nominees (Australia) Limited – A/C 2	678,208	0.35
19	Wavet Fund No 2 Pty Ltd	650,000	0.33
20	Mr Godfrey Taylor	622,600	0.32
	Total	**78,069,372**	**39.78**

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	7,196,747	9

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

Anthony Kiernan – Chairman
Martin Bryant
Andrew Haslam
Brian O'Donnell

Company Secretary

Hayley McNamara

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)
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 2015 AGM of BC Iron Limited will be held at 2:30pm (AWST) on Friday 25 November 2016 at the Duxton Hotel, 1 St Georges Terrace, 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 2016 quarter report:	27 October 2016
Annual General Meeting:	25 November 2016
Half-year end:	31 December 2016

**Timing of events is subject to change*

BC IRON LIMITED

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