28 August 2014

The Manager
Company Announcements Office
ASX Limited

Dear Sir/Madam

Takeover bid by BC Iron Limited for Iron Ore Holdings Ltd
First Supplementary Bidder's Statement

We refer to the off-market takeover bid by BC Iron Limited (BC Iron) for all the ordinary shares in Iron Ore Holdings Ltd. We attach, by way of service pursuant to paragraph 647(3)(b) of the *Corporations Act 2001* (Cth), BC Iron's first supplementary bidder's statement dated 28 August 2014.

Yours faithfully

ANTHEA BIRD
COMPANY SECRETARY

BC Iron Limited
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BC Iron Limited

ABN 21 120 646 924

First Supplementary Bidder's Statement

1 INTRODUCTION

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth). It is the first supplementary bidder's statement (**First Supplementary Bidder's Statement**) issued by BC Iron Limited ABN 21 120 646 924 (**BC Iron**) in relation to its off-market takeover bid for all the ordinary shares in Iron Ore Holdings Ltd ABN 17 107 492 517 (**IOH**). This First Supplementary Bidder's Statement supplements, and should be read together with, BC Iron's bidder's statement dated 22 August 2014 (**Bidder's Statement**).

2 FULL YEAR FINANCIAL RESULTS, FINAL DIVIDEND, AND ANNUAL RESERVES AND RESOURCES UPDATE

On 27 August 2014, BC Iron announced its audited financial results for the full year ended 30 June 2014 and a final, fully franked dividend for the year ended 30 June 2014 of A$0.15 per BC Iron Share.

The following announcements were released to ASX regarding the financial results and the dividend, and are included in Attachment A to this First Supplementary Bidder's Statement:

- Announcement of financial results for the year ending 30 June 2014;
- BC Iron's full-year financial report to 30 June 2014 and Appendix 4E; and
- Announcement of 15 cents per share final dividend.

On 27 August 2014, BC Iron also announced its annual reserves and resources update, referred to in section 2.4 of the Bidder's Statement. The announcement released to ASX regarding this update is also included in Attachment A to this First Supplementary Bidder's Statement.

BC Iron encourages all IOH shareholders to read the information contained in Attachment A to this First Supplementary Bidder's Statement, together with the Bidder's Statement.

However, BC Iron does not consider that there are any material changes to any of the information as presented in the Bidder's Statement.

3 OTHER INFORMATION REGARDING THE OFFER

The directors of IOH unanimously recommend that IOH shareholders accept the Offer, in the absence of a superior proposal.

The Offer is scheduled to close at 5:00pm (Australian Western Standard Time) on Tuesday, 30 September 2014 (unless extended).

IOH shareholders who have any questions in relation to the Offer or who would like another Acceptance Form can call the BC Iron Offer Information Line on 1800 237 687 (for callers within Australia) or +61 1800 237 687 (for callers outside Australia).

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4 OTHER NOTICES

Unless the context otherwise requires, terms defined in the Bidder’s Statement have the same meaning in this First Supplementary Bidder’s Statement.

A copy of this First Supplementary Bidder’s Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

Signed for and on behalf of BC Iron following a unanimous resolution of the directors of BC Iron.

sign here ►

Morgan Ball
Managing Director

date 28 August 2014

Attachment A

Announcements

FINANCIAL RESULTS FOR YEAR ENDING 30 JUNE 2014
RECORD REVENUE AND PROFITS

HIGHLIGHTS

- **Total revenue of $471.4M (2013: $328.3M)**
- **EBITDA of $152.3M (2013: $111.7M)**
- **Net profit after tax of $73.6M (2013: $48.8M)**
- **Underlying net profit after tax[1] of $79.2M (2013: $71.4M)**
- **Net cash flow from operating activities of $147.5M (2013: $87.2M)**
- **Final FY2014 dividend of 15 cents per share fully franked – full year payout ratio of 54%**
- **Strong balance sheet position with cash of $158.9M and debt of $52.2M**

BC Iron Limited (ASX:BCI) ("BC Iron" or "the Company") is pleased to report its FY2014 full year net profit after tax of $73.6M, reflecting record financial results notwithstanding the macroeconomic and industry challenges experienced in the second half of the financial year.

Underlying net profit after tax was $79.2M after adjusting for the reassessment of the Company's MRRT deferred tax asset, write-back of the Fortescue price participation royalty and an unrealised foreign exchange gain in relation to USD denominated assets and liabilities.

These figures represent record full year statutory and underlying profit for BC Iron and were supported by record full year figures for revenue and EBITDA.

BC Iron's financial results were underpinned by a 37% increase in BC Iron's share of sales from the Nullagine Joint Venture ("NJV") to 4.30M wet metric tonnes ("wmt") (2013: 3.14M wmt), reflecting a full year operating at the increased 6Mtpa run-rate with a 75% joint venture interest.

BC Iron continued to build on its strong balance sheet position, generating net cash flows from operating activities of $147.5M and repaying USD46.6M in debt, including USD16.6M ahead of schedule. The Company finished the year with cash of $158.9M and debt of $52.2M, for a net cash position of $106.7M (2013: $35.2M).

BC Iron's Board of Directors is pleased to confirm the Company's previous guidance and declare a final FY2014 dividend of 15 cents per share fully franked. Combined with the interim dividend of 17 cents per share fully franked, BC Iron has delivered shareholders total dividends in relation to FY2014 of 32 cents per share. This equates to a payout ratio of 54% on net profit after tax, which is slightly above the Company's guidance range of 30-50%.

[1] The Directors believe underlying net profit after tax is an appropriate measure to assist investors with their understanding of the Company's operational performance in FY2014. Refer to page 3 for a detailed reconciliation of underlying net profit to statutory net profit.

BC Iron Limited **ABN** 21 120 646 924 | Level 1, 15 Rheola Street West Perth WA 6005 | GPO Box 2811 West Perth WA 6872 | T +61 8 6311 3400 F +61 8 6311 3449 | E info@bciron.com.au W www.bciron.com.au

BC Iron Managing Director Morgan Ball said, "*We are pleased to now confirm BC Iron's financial results for the 2014 financial year. Record full-year figures were achieved on all key measures, despite a second half which saw declining iron ore prices, increased product discounts and a strong Australian dollar. Formal declaration of the 15 cents per share final dividend has delivered a full year payout ratio slightly above our guidance range, confirming our focus on returning value to shareholders through dividends subject to market conditions.*"

Key metrics for the NJV and BC Iron

	30 June 2014	30 June 2013	Variance
Operational			
Iron ore shipments – NJV (M wmt)	5.79	5.00	16%
Iron ore shipments – BC Iron share (M wmt)	4.30	3.14	37%
Average CFR price realised (US$/dmt)	$106	$112	(5%)
FOB C1 cash operating costs – NJV ($/wmt)	$52	$49	6%
Financial			
Revenue[2] ($M)	471.4	328.3	44%
EBITDA ($M)	152.3	111.7	36%
Profit before income tax ($M)	119.9	68.7	75%
Net profit after income tax ($M)	73.6	48.8	51%
Net underlying profit after income tax ($M)	79.2	71.4	11%
Net cash flow from operating activities ($M)	147.5	87.2	69%
Cash balance ($M)	158.9	138.5	15%
Debt ($M)	52.2	103.3	(49%)
Dividends (cps)	32	35	(9%)
Number of shares on issue (M)	124.0	123.3	
Shareholders' equity ($M)	235.2	217.1	
Earnings per share – statutory profit (cps)	59.4	39.6	
Earnings per share – underlying profit (cps)	63.9	57.9	
Return on Equity – statutory profit (%)	31.3%	22.5%	
Return on Equity – underlying profit (%)	33.7%	32.9%	

[2] Revenue from FY2013 has been revised from $325.3M reported on 28 August 2013 to $328.3M due to the reclassification of interest revenue.

The reconciliation of net underlying profit after tax to statutory net profit after tax is outlined below:

	30 June 2014 $M	30 June 2013 $M
Underlying net profit after tax	79.2	71.4
Adjust for:		
• Unrealised foreign exchange gain/(loss)	1.2	(11.4)
• MRRT	(9.8)	-
• Price participation write-back	3.0	-
• Exploration write-off at Bungaroo	-	(1.2)
• Fortescue transaction costs	-	(2.3)
• Impairment of available-for-sale assets	-	(7.7)
Statutory net profit after tax	73.6	48.8

Offer to Acquire Iron Ore Holdings

Subsequent to the year-end, on 11 August 2014, the Company announced a recommended off-market takeover offer for Iron Ore Holdings Limited (ASX: IOH) ("IOH").

The proposed transaction is in line with BC Iron's stated business development strategy, and if successful, will create a leading mid-cap iron ore company with an attractive and complimentary portfolio of production and development assets in the Pilbara region of Western Australia.

The combined group's key assets will comprise:

- NJV: A 75% joint venture interest in the NJV, a 6Mtpa operation in the East Pilbara;
- Iron Valley: an under-construction iron ore mine located in the Central Pilbara, that is expected to start generating cash flows imminently via an existing mine gate sale agreement with Mineral Resources Limited (the purchaser); and
- Buckland: An iron ore development project located in the West Pilbara, with a completed feasibility study, its own proposed mine-to-port infrastructure comprising a haul road and transhipment facility at Cape Preston East.

BC Iron lodged its bidder's statement in relation to the proposed transaction with ASIC and the ASX on Friday, 22 August 2014 and completed dispatch to all IOH shareholders on Monday, 25 August 2014. IOH Directors have recommended the transaction in the absence of a superior proposal and its major shareholder, Wroxby Pty Ltd, has stated its intention to accept the Offer in relation to its 52.7% shareholding in the absence of a superior proposal. The Offer is scheduled to close on 30 September 2014 (unless extended).

- ENDS -

FOR FURTHER INFORMATION:

MORGAN BALL / CHRIS HUNT
MANAGING DIRECTOR / CHIEF FINANCIAL OFFICER
BC IRON LIMITED
TELEPHONE: +61 8 6311 3400

MEDIA ENQUIRIES:

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ABOUT BC IRON LIMITED

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

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

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

KEY STATISTICS

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

Website: www.bciron.com.au

27 August 2014

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir,

FULL-YEAR FINANCIAL REPORT TO 30 JUNE 2014

In accordance with ASX Listing Rule 4.3A, the following documents are attached for release to the market:

- Appendix 4E for the full-year ended 30 June 2014; and
- Financial Report for the full-year ended 30 June 2014.

An analyst briefing will be held at 11:00am (AWST)/ 1:00pm (AEST) on Wednesday 27 August 2014 following the release of this announcement. A recording of the briefing will be made available on our website www.bciron.com.au.

Yours faithfully

ANTHEA BIRD
COMPANY SECRETARY

APPENDIX 4E
For the year ended 30 June 2014

BC IRON LIMITED

This information should be read in conjunction with BC Iron Limited's Financial Report for the full-year ended 30 June 2014.

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

Results for announcement to the market

Full-year ended 30 June	**2013 ($000's)**	**2014 ($000's)**	**Variance %**
Revenue from ordinary activities	up from $328,336	to $471,382	44%
Profit from ordinary activities after tax attributable to members	up from $48,800	to $73,648	51%
Net profit attributable to members	up from $48,800	to $73,742	51%

Dividends	**Amount per ordinary share**	**Franked amount per ordinary share**
Interim dividend	$0.17	$0.17
Final dividend	$0.15	$0.15
Previous corresponding period		
Interim dividend	$0.05	$0.05
Final dividend	$0.30	$0.30
Record date of final dividend	3 September 2014	
Payment date of final dividend	25 September 2014	

Net tangible asset backing
Net tangible asset backing per ordinary share: $1.90 (2013: $1.76).

Previous corresponding period
The previous corresponding period is the full-year ended 30 June 2013.

Joint ventures
BC Iron Limited, through its 100% owned subsidiary BC Iron Nullagine Pty Ltd, holds a 75% interest in the Nullagine Iron Ore Joint Venture ("NJV"). Prior to 18 December 2012, BC Iron Limited held 50% of the NJV.

Audit
This report is based on financial statements which have been audited.

Commentary on results for the period
A commentary on the results for the period is contained in the press release and the financial report that accompany this announcement.

BC IRON LIMITED

ABN 21 120 646 924

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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Key dates calendar*

Final dividend – record date	3 September 2014
Final dividend – payment date	25 September 2014
Q1 FY2015 activities statement	28 October 2014
Annual General Meeting	19 November 2014

**Timing of events is subject to change.*

Directors' Report

The Directors present their report on the results of the consolidated entity (referred 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 2014.

Principal activity

The principal activities of the Company during the course of the financial year were mining, crushing and export of direct shipping iron ore and mineral exploration, focussing primarily on iron ore deposits near Nullagine, 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
Andrew M Haslam	Director (Non-Executive)
Malcolm J McComas	Director (Non-Executive)
Terrence W Ransted	Director (Non-Executive)
Peter J Wilshaw	Director (Non-Executive) appointed 23 September 2013
Michael C Young	Director (Non-Executive) appointed 10 July 2013, previously Managing Director

Directors' qualifications, experience and special responsibilities

Mr Anthony William (Tony) Kiernan LL B

Chairman (Non-Executive) appointed October 2006
Period of office at August 2014 - 7 years and 10 months
Age 63

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:

- Venturex Resources Limited (since 2010) – Chairman;
- Chalice Gold Mines Limited (since 2007); and
- South Boulder Mines Limited (since 2013).

Mr Kiernan was a director of Uranium Equities Limited from 2003 to 2013, and Liontown Resources Limited from 2006 to 2013. He has not been a director of any other ASX listed companies during the past three years. Mr Kiernan is Chairman of the Fiona Wood Foundation which focuses on research into burn injuries.

Mr Kiernan is a member of the Audit, Remuneration and Diversity Committees.

Mr Morgan Scott Ball B Com, CA, FFin

Managing Director appointed May 2013, previously Finance Director appointed December 2011
Period of office at August 2014 – 2 year and 8 months
Age 45

Mr Ball is a Chartered Accountant with over 20 years of Australian and international experience in the resources, logistics and finance industries. He has held various senior management roles in a number of significant public companies. Mr Ball was appointed as Managing Director and CEO of BC Iron Limited in May 2013 and prior to this was Finance Director of the Company.

Previously, Mr Ball was CFO and Company Secretary of Indago Resources – an ASX listed company developing the Nyanzaga gold deposit in northern Tanzania. Mr Ball has also held senior commercial roles with WMC Resources, Brambles, P&O and Ernst & Young. Mr Ball has not been a director of any other ASX listed companies during the past three years.

Mr Ball is a member of Council at Presbyterian Ladies College in Perth and Chairman of its Finance Sub-committee. He also sits on the Council of the Association of Mining & Exploration Companies ("AMEC"). Mr Ball attends committee meetings by invitation.

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

Director (Non-Executive) appointed September 2011
Period of office at August 2014 – 2 years and 11 months
Age 55

Mr Haslam is a mining professional with 30 years of operational and executive experience in the Australian mining industry. Mr Haslam was Executive General Manager Iron Ore Operations of Mineral Resources Ltd from 2012 to May 2014. He was previously Managing Director of ASX listed Territory Resources Ltd and was responsible for managing an iron ore operation exporting 2 million tonnes per annum of DSO Lump and Fines in the Northern Territory to Chinese customers. Prior to this role, he held a number of key operational roles in the mining contracting industry in Australia. Mr Haslam was also Managing Director of Vital Metals from 2008-2009.

Mr Haslam has not been a director of any other ASX listed companies during the past three years. Mr Haslam is Chairman of the Remuneration Committee, and was a member of the Audit and Risk Management Committees to February 2014.

Mr Malcolm John McComas BEc, LLB, SF Fin, FAICD

Director (Non-Executive) appointed December 2011
Period of office at August 2014 – 2 year and 8 months
Age 59

Mr McComas has 25 years in investment banking with experience in equity and debt finance, acquisitions, divestments and privatisations across a range of industry sectors. He is also a former commercial lawyer. Mr McComas is the principal of McComas Capital, an investment company based in Sydney. He was a senior advisor and director of Grant Samuel for 11 years. Prior to that, he was Managing Director of investment banking at County NatWest and its successor organisation, Salomon Smith Barney (now Citigroup) for 10 years and also spent 5 years in various executive roles with Morgan Grenfell (now Deutsche Bank) in Melbourne, Sydney and London.

Mr McComas is a director of the following entities:

- Pharmaxis Limited (Chairman) (since 2003);
- Consolidated Minerals Limited (since 2012);
- Saunders International Limited (since 2012);
- Fitzroy River Corporation Limited (Chairman) (since 2012); and
- Australian Leukaemia & Lymphoma Group (since 2010).

Mr McComas was a director of Ocean Capital Limited, an entity previously listed on the ASX during the past three years. He has not been a director of any other ASX listed companies during the past three years. Mr McComas is Chairman of the Audit Committee.

Mr Terrence William (Terry) Ransted B. (App) Sc, MAusIMM, MGSA

Director (Non-Executive) appointed July 2006
Period of office at August 2014 – 8 years and 1 month
Age 58

Mr Ransted is a geologist and a graduate of the Western Australian Institute of Technology with a Bachelor of Applied Science. Mr Ransted is Chief Geologist for Alkane Resources Ltd, managing the geological aspects of Company's exploration, development and mining projects in New South Wales. He has 36 years of experience in the resources industry mainly in the exploration for, and development of, gold and base metals deposits within Australia. Of particular relevance to BC Iron is the work he undertook in the early part of his career with Hamersley Exploration Pty Limited exploring for bedded iron ore deposits in the Hamersley region and again in the early 1990's when he was responsible for the onsite management of the drilling, metallurgical sampling, and geological assessment and interpretation for the Yandicoogina Pisolite and Marandoo Iron Ore Projects.

Mr Ransted has not been a director of any other ASX listed companies during the past three years. Mr Ransted is Chairman of the Risk Management Committee and a member of the Remuneration Committee.

Mr Peter John Wilshaw BSc (Hons) Chemistry, MBL, MAICD

Director (Non-Executive) appointed October 2013
Period of office at August 2014 – 11 months
Age 56

Mr Wilshaw is an experienced resources industry executive, graduating from Loughborough University of Technology in the United Kingdom with a BSc (Honours) in Chemistry and later obtaining a Masters Degree in Business Leadership from the University of South Africa. He has a career spanning over 30 years in the resources industry and has occupied executive level roles in large business units in internationally diverse environments (South Africa, Mozambique, Australia) across precious metals, aluminium and iron ore. Mr Wilshaw consults to the resources industry as an associate of Virtual Consulting International.

Mr Wilshaw is a non-executive director of Dampier Port Authority and Mercy Ships Australia. Mr Wilshaw has not been a director of any other ASX listed companies during the past three years.

Mr Wilshaw was appointed as a member of the Audit and Risk Management Committees in February 2014.

Mr Michael Charles (Mike) Young BSc (Hon), MAIG, MAICD

Director (Non-Executive) appointed May 2013, previously Managing Director
Period of office as non-executive director at August 2014 – 1 year and 1 month
Age 53

Mr Young is a geologist and a graduate of Queens University, Canada, with a Bachelor of Science (Honors) degree in Geological Sciences (1985). He has over 20 years of experience in exploration and mining in Australia. Mr Young was a founding director of BC Iron Limited and served as Managing Director from December 2006 to May 2013. He is a member of the Australian Institute of Geoscientists, the Australian Institute of Company Directors, and was until recently the Vice-President of AMEC. He is also Co-Patron of the St Bartholomew's House Foundation.

Mr Young is a director of the following entities:

- Cassini Resources Limited (Chairman) (since 2011);
- Energy and Minerals Australia Limited (Managing Director) (since February 2014).

Mr Young was Chairman and non-executive director of Energy and Minerals Australia Limited from April 2013 to February 2014, and a director of Waratah Resources Limited from 2011 to 2012. Mr Young has not been a director of any other ASX listed companies during the past three years.

Mr Young is a member of the Risk Management and Diversity Committees.

Company Secretaries

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

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

Company Secretary appointed May 2013

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

Ms Linda Edge B.Com

Company Secretary appointed December 2011

Ms Edge is an accountant who has held a number of financial roles in the resources industry. In addition to being Company Secretary, she is also the Project Accountant for the Company.

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 Committee		Risk Committee		Remuneration Committee		Nomination Committee		Diversity Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
A W Kiernan	16	18	2	2	-	-	3	3	1	1	1	1
M S Ball	18	18	2	2	4	4	-	-	1	1	-	-
A M Haslam	18	18	2	2	3	3	3	3	1	1	-	-
M J McComas	16	18	2	2	-	-	-	-	1	1	-	-
T W Ransted	14	18	-	-	4	4	3	3	1	1	-	-
M C Young	12	18	-	-	2	4	-	-	1	1	1	1
P J Wilshaw	11	12	-	-	1	1	-	-	1	1	-	-

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

Corporate governance

In recognising the need for the 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	429,515	263,839	-	-
M S Ball	-	250,990	73,614	-
A M Haslam	-	-	-	-
M J McComas	-	33,891	-	-
T W Ransted	-	626,492	-	-
P J Wilshaw	-	-	-	-
M C Young	150,000	211,564	-	-
Total	579,515	1,386,776	73,614	-

Dividends

In August 2014, the Directors resolved to pay a final fully franked dividend for the year ended 30 June 2014 of 15 cents per share. Combined with the interim fully franked dividend of 17 cents per share paid in March 2014, the Company has in total declared fully franked dividends for the year ended 30 June 2014 of 32 cents per share.

In August 2013, the Directors resolved to pay a full year fully franked dividend for the year ended 30 June 2013 of 30 cents per share. This was paid in September 2013.

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

The Company is involved in iron ore production and export, focussing on the Nullagine Iron Ore Joint Venture ("NJV") in the Pilbara region of Western Australia, a 75:25 joint venture with Fortescue Metals Group Limited ("Fortescue").

Key NJV and Company achievements during the year ended 30 June 2014 include:

- Record NJV production of 5.8 million wet metric tonnes ("wmt") shipped – BC Iron attributable tonnes 4.3 million wmt.
- The low grade beneficiation trial was completed in the March quarter. Approximately 30,000 wmt of beneficiated product was blended with direct shipping ore ("DSO").
- Declared and paid a fully franked final dividend in relation to financial year ended 30 June 2013 of 30 cents per share.
- Declared and paid a fully franked interim dividend in relation to the 6 months ended 31 December 2013 of 17 cents per share.
- Drilling and exploration work commenced in Brazil with our alliance partner Cleveland Mining Company Limited to assess early stage iron ore projects in the Bahia and Minas Gerais states.
- Following a strong first half, reduced the Company's debt facility by an additional USD16.6M ahead of the agreed repayment schedule.
- Completed the financial year with a strong cash balance of $158.9M.

The Company continues to focus on continuing strong operational performance, shareholder returns and the measured consideration of growth opportunities.

Selected NJV and Company performance indicators are summarised below:

NJV	2014	2013	2012	2011
Tonnes sold (M wmt) - NJV	5.79	5.00	3.55	0.25
Tonnes sold (M wmt) – BC Iron share	4.30	3.14	1.78	0.13
Average CFR price realised (USD/dmt)	$106	$112	$124	$161
BC Iron				
Revenue	$471.4M	$328.3M	$204.5M	$19.1M
EBITDA	$152.3M	$111.7M	$68.8M	$(1.4M)
NPAT	$73.7M	$48.8M	$50.6M	$1.0M

b. Safety performance

During FY2014, four lost time injuries were recorded. The lost time injury frequency rate as at 30 June 2014 was 3.9 (2013: 3.3). Initiatives embarked upon during the FY2014 included:

- A second company-wide roll out of the Safety Perception Survey to provide an insight into the safety culture of the Company, and identify any trends or significant changes from the previous year;
- An emphasis on risk management with an external consultant brought in to conduct a whole of operations risk review;
- Fatigue management training delivered site-wide. This involved an in-depth one day course on sleep and health, sleep conditions, the causes of fatigue and being 'fit for work'; and
- The establishment of a Safety Communication Strategy. A communications strategy consultant has been engaged with the strategy to be implemented in FY2015.

c. Profit after income tax from continuing operations

Profit after income tax from continuing operations for the Company for the financial year ended 30 June 2014 increased by 51% to $73.6M (2013: $48.8M). This was primarily due to increased sales volume resulting from the increase in ownership of the NJV from 50% to 75% which occurred on 1 January 2013, combined with the increase in name-plate capacity at the NJV from 5 million tonnes per annum ("Mtpa") to 6Mtpa, when compared to the previous financial year.

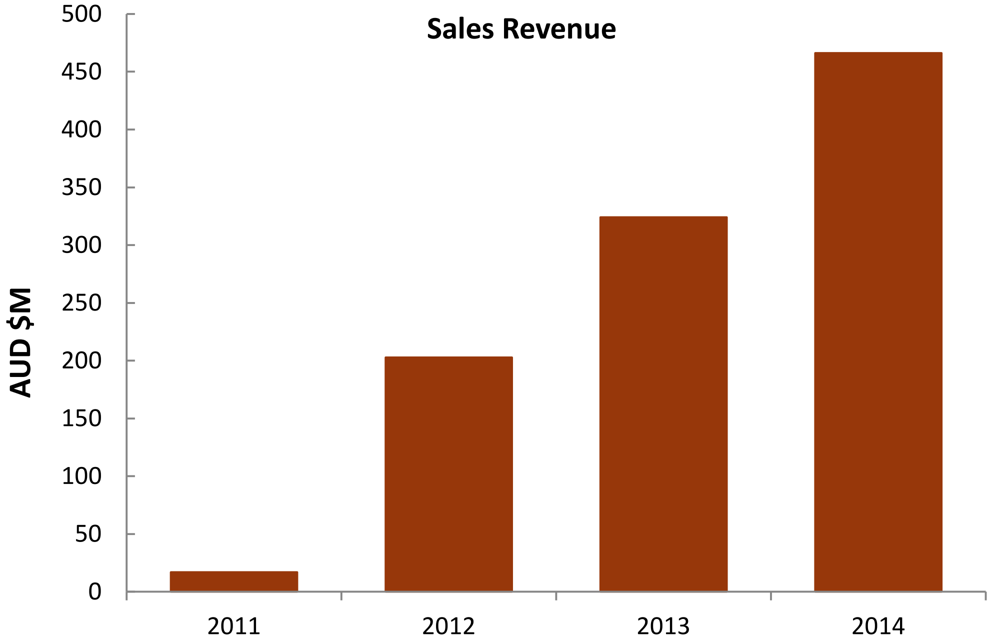
	FY2014			FY2013		
Tonnes sold	**H1**	**H2**	**FY**	**H1**	**H2**	**FY**
Tonnes sold (M wmt) - NJV	3.14	2.65	5.79	2.28	2.72	5.00
Tonnes sold (M wmt) – BC Iron share	2.46	1.84	4.30	1.14	1.99	3.14

The following table reconciles underlying profit after income tax to statutory profit after income tax:

	30 June 2014 $M	30 June 2013 $M
Underlying profit after income tax	79.2	71.4
Adjust for:		
MRRT (reversal of deferred tax asset)	(9.8)	
FMG price participation write-back	3.0	
Unrealised foreign exchange gain/(loss)	1.2	(11.4)
Writedown of exploration tenements		(1.2)
Acquisition of NJV 25% transaction costs		(2.3)
Impairment of available-for-sale assets		(7.7)
Statutory profit after income tax	73.6	48.8

Revenue

Revenue from continuing operations increased this year by 44%. This was mainly due to a 37% increase in sales tonnes, with 63% of that increase due to the increase in ownership of the NJV, and 37% attributable to increased production at the NJV. The Company's average realised iron ore price decreased by 5.4% due to prices achieved in the second half of the financial year. This was offset by a depreciation of the AUD relative to the USD of 9.4%.



Expenses

Cost of sales (inclusive of C1 costs, royalties, inventory movement and depreciation and amortisation) increased by 47% in line with increased sales tonnes. Average cost per sales tonne increased by 7% due to increased fixed costs attributable to new and existing contractors on site and increased waste to ore ratios in the second half of the year. Selling and marketing expenses increased by 72% in line with increased sales revenue.

Excluding one-off foreign exchange losses in FY2013, administration expenses decreased by 12%. This decrease was mainly due to consulting and legal fees incurred in the acquisition of the additional 25% of the NJV in FY2013.

Finance costs

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

Income tax expense

Income tax expense includes a $9.8M expense attributable to the Minerals Resource Rent Tax ("MRRT"). This charge represents a reassessment of the MRRT deferred tax asset (recognised in FY2012 and FY2013) due to lower forecast iron ore prices, combined with a stronger AUD:USD exchange rate. No MRRT was paid or is payable in relation to FY2014.

d. Statement of cash flows

Cash and cash equivalents at 30 June 2014 increased by 15% to $158.9M (2013: $138.5M).

Operating cash flows

Cash flow from operating activities increased by 69% to $147.5M (2013: $87.2M). Receipts from customers increased by $158.8M due to increased sales volumes. Income tax paid includes the full payment attributable to FY13, and three quarterly instalments for FY2014.

Investing cash flows

Cash outflow from investing activities decreased by $131.7M, as FY2013 included payments for the 25% acquisition of the NJV.

Financing cash flows

Cash outflow from financing activities was $109.7M. This included loan repayments of $51.8M and dividends paid of $58.2M. Funding for the 25% acquisition of the NJV was received in FY2013.

Effect of exchange rates

The effect of exchange rates on cash and cash equivalents at 30 June 2014 was an increase of $0.1M (2013: $8.1M).

e. Statement of financial position

Current assets

Current assets decreased by 9% to $183.8M (2013: $202.6M). Cash and cash equivalents increased 15% to $158.9M (2013: $138.5M) mainly due to increased sales tonnes. Trade receivables decreased by 91% to $5.0M (2013: $52.9M) due to a combination of:

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

Inventory increased by 77% to $19.9M (2013: $11.3M) mainly due to the delay of the final scheduled shipment in June 2014.

Non-current assets

Non-current assets decreased by 7% to $203.4M (2013: $218.9M) mainly due to continuing amortisation of mine properties and depreciation of plant and equipment.

Current liabilities

Current liabilities decreased by 30% to $94.5M (2013: $134.1M). Trade and other payables decreased by 18% to $62.0M (2013: $75.3M) mainly due to price participation liabilities attributable to the 25% acquisition of the NJV being finalised. Loans and borrowings decreased by $11.8M due to the additional repayments on the USD130M loan facility changing the amortisation profile of the loan. Income tax payable decreased by $14.3M due to the Company moving to quarterly PAYG payments in April 2014.

Non-current liabilities

Non-current liabilities decreased by $12.9M to $57.5M (2013: $70.4M). Loans and borrowings decreased $39.3M due to repayments on two facilities outlined below. The rehabilitation and site closure provision increased by $11.4M based on an independent assessment of costs to meet current regulatory requirements for site closure. Due to the reversal of deferred tax assets attributable to MRRT and a change in the tax treatment of assets, the Company has moved to a net deferred tax liability position of $15.0M (2013: deferred tax asset $3.3M).

Debt position

The Company's gross debt position at 30 June 2014 was $52.2M (2013: $103.3M). In December 2012, the Company's wholly owned subsidiary BC Iron Nullagine Pty Ltd entered into a USD130M amortising 5 year term loan facility as part of the funding for the 25% acquisition of the NJV. A scheduled principal payment of USD15.4M, and a voluntary principal payment of USD16.6M was made on 27 December 2013. A scheduled principal payment of USD9.6M was made on 27 June 2014.

The balance of the loan at 30 June 2014 was USD40.4M, with twice yearly payments made in June and December. This facility is subject to interest based on USD London Interbank Offered Rate plus a margin.

In December 2013 the Company paid its third instalment of USD5M of the USD25M project finance facility in place with Henghou Industries (Hong Kong) Limited ("Henghou"), leaving a balance of USD10M. The facility is due for repayment at the amount of USD5M annually to Henghou over 5 years from December 2011.

f. Dividends

The following dividends have been paid or declared by the Directors since the commencement of the financial year ended 30 June 2014:

		2014	2013
(a)	out of the profits for the year ended 30 June 2013 and retained earnings on fully paid ordinary shares, fully-franked final dividend of 30 cents per share (2012: 15 cents) paid on 25 September 2013.	$37.1M	$15.6M
(b)	out of profits for the year ended 30 June 2014 and retained earnings on fully paid ordinary shares:		
	(i) fully-franked interim dividend of 17 cents (2013: 5 cents) per share paid on 25 March 2014	$21.1M	$6.1M
	(ii) fully-franked final dividend of 15 cents (2013: 30 cents) per share to be paid on 25 September 2014	$18.7M	$37.1M

g. Corporate

The Company appointed Mr Chris Hunt as Chief Financial Officer in September 2013. Mr Hunt is a CPA with approximately 20 years' experience, including 17 years in the iron ore industry. Prior to joining BC Iron, Mr Hunt was previously Chief Financial Officer and Company Secretary at Crosslands Resources Limited, and FerrAus Limited. Prior to these roles, he worked with Portman Limited/Cliffs Natural Resources Pty Ltd and Robe River Iron Associates.

The Company appointed Mr Peter Wilshaw as a non-executive director in October 2013. Mr Wilshaw is a former senior executive with BHP Billiton and has significant experience in mining, refining, smelting and port and rail operations, both local and internationally. He is a Non-Executive Director of the Dampier Port Authority and Mercy Ships Australia, and was previously a Non-Executive Director of the Port Hedland Port Authority.

In September 2013, Consolidated Minerals Pty Ltd, one of BC Iron's founding shareholders, sold its 23.1% interest in the Company. The shares were sold to a range of high quality domestic institutional investors, which resulted in an increase to BC Iron's free-float and liquidity. Following the sale, the Board deemed Mr Malcolm McComas, a director of Consolidated Minerals Limited, to be an independent Non-Executive Director.

In December 2013, the Company was included in the S&P/ASX 200 Index. The S&P/ASX 200 Index is recognised as the investable benchmark for the Australian equity market. Inclusion is expected to increase the Company's relevance amongst the global investment community and has improved share liquidity.

h. Financial year 2015 outlook and guidance

The Company has provided the following guidance to the market in relation to FY2015:

- NJV sales of 5.8 to 6.2M wmt.
- NJV C1 cash costs of $49 to $53 per wmt on a free on board ("FOB") basis.
- BC Iron total cash costs of $60 to $68 per wmt on a FOB basis (note: total cash costs include C1 cash costs plus royalties, marketing and corporate costs).
- NJV capital expenditure of approximately $30M to $35M (BC Iron share of $23M to $26M).
- Other non-NJV related exploration and capital expenditure (including Brazil) of $3M to $5M.

As announced on 21 August 2014, BC Iron is currently encountering additional clays in some ore from new mesas and is implementing a number of initiatives to better anticipate and manage product quality and performance. The Company is currently considering any impact of the new initiatives outlined above on its cost guidance and will advise the market if there is a material change.

i. Other considerations

Iron ore marketing

The Company's Bonnie Fines product is marketed by our marketing agent, Fortescue. This relationship gives the Company access to Fortescue's large existing customer base. Demand for Bonnie Fines remains strong with new enquiries received each month.

In addition, our Bonnie Fines product is now a well-accepted and well recognised brand at a number of Chinese mills due to its excellent sintering properties.

Sales markets

The Company currently sells its product to customers in China. The Company receives and develops informed marketing and industry information from our marketing agent, Fortescue, our primary off-take partner, Henghou, and other contacts in China to maintain intelligence on both the steel industry and the Chinese economy and its outlook. We consider that the outlook in relation to Chinese demand for iron ore remains robust.

Iron ore price and AUD:USD exchange rate

Iron ore prices during the year were impacted by increased supply of product, particularly as the major producers in Australia ramped-up production in the second half of the year. Demand for iron ore was also affected by economic conditions in China. Key factors contributing to the price decline included tightening credit conditions, concerns relating to the property sector and increased environmental standards for steel mills. BC Iron believes that continued growth and urbanisation in China support a robust outlook for iron ore, but prices will continue to exhibit volatility on a short term basis. The table below sets out the average headline iron ore price in recent years.

	2014 USD/dmt	2013 USD/dmt	2012 USD/dmt	2011 USD/dmt
Platts Average CFR 62%	123	127	151	163

Source: www.platts.com

The Company sells approximately 30% of its Bonnie Fines product to its off-take partner, Henghou, at an agreed discount to the Platts CFR62 price (on a dry metric tonne unit ("dmtu") basis). The balance of its production is uncommitted and sold on a short term basis. Prices have typically been aligned to the Platts CFR62 Index (on a dmtu basis). However, since March 2014, BC Iron has been required to offer discounts for these shipments, reflecting softer iron ore market conditions.

The Company is exposed to fluctuations in the AUD:USD exchange rate as it sells Bonnie Fines in US dollars and then converts the sales receipts to Australian dollars as appropriate. The Company has USD denominated debt and some USD expenses for which it holds USD, which provide a partial natural hedge.

The AUD:USD exchange rate is a variable in determining the Company's revenue and profits. The following table summarises the AUD:USD exchange rate over the last four years:

	2014 $	2013 $	2012 $	2011 $
AUD:USD (average)	0.9179	1.0269	1.0323	0.9899
AUD:USD (closing)	0.9419	0.9133	1.0159	1.0595

Source: www.oanda.com

Debt and interest rates

To fund the additional 25% acquisition of the NJV in December 2012, the Company entered into a USD130M five year debt facility with Commonwealth Bank of Australia and Australia and New Zealand Banking Group. This facility is subject to interest based on USD London Interbank Offered Rate ("LIBOR") plus a margin.

Project Inventory

BC Iron continued to progress its assessment of the potential to beneficiate lower grade iron ore on the NJV tenure. The Company completed a beneficiation trial during FY2014 and approximately 30,000 wmt of beneficiated product was blended with DSO and exported to China at the Bonnie Fines specification. Following completion of the trial, the Company focused on the re-interpretation of a number of mesas in light of the beneficiation trial outcomes. BC Iron is currently finalising its initial evaluation of low-grade tonnages and will provide further information in the annual Ore Reserves update.

Business Development

During the year, BC Iron continued to evaluate a range of business development opportunities, with a focus on the Pilbara region to leverage off existing knowledge and relationships. The Company also considered opportunities in other iron ore jurisdictions on a case by case basis.

On 11 August 2014, the Company announced a recommended off-market takeover offer ("Offer") for Iron Ore Holdings Limited (ASX: IOH) ("IOH"). Under the Offer, BC Iron is offering IOH shareholders 0.44 BC Iron shares and $0.10 cash for each IOH share.

If successful, the transaction will create a leading mid-cap iron ore company with an attractive and complimentary portfolio of production and development assets in the Pilbara region of Western Australia. The combined group's key assets will comprise:

- **NJV**: A 75% joint venture interest in the NJV, a 6Mtpa operation in the East Pilbara;
- **Iron Valley**: an under-construction iron ore mine located in the Central Pilbara, that is expected to start generating cash flows imminently via an existing mine gate sale agreement with Mineral Resources Limited (the purchaser); and
- **Buckland**: An iron ore development project located in the West Pilbara, with a completed feasibility study, its own proposed mine-to-port infrastructure comprising a haul road, and transhipment facility at Cape Preston East.

The Offer is scheduled to close on 30 September 2014 (unless extended).

Brazil

A 50:50 Alliance between BC Iron and Cleveland Mining Company Ltd (ASX: CDG) ("Cleveland") is entitled to earn up to an 80% interest in the Bahia and Minas Novas exploration projects in Brazil. The Alliance is targeting itabirite mineralisation ranging from 30-45% Fe that can be beneficiated to a higher grade product.

The Alliance completed a first-pass exploration programme during the final quarter of FY2014. Exploration work comprised geophysics, mapping, approximately 2,000m of reverse circulation ("RC") drilling and Davis Tube Recovery ("DTR") test-work, with the purpose of testing known occurrences of iron mineralisation for thickness, continuity and grade.

At the Bahia Project, 1,584m were drilled across 25 holes at 6 prospects; Silvestre, Riacho and Caetité 1-4. The drilling programme recorded significant intersections of iron ore at the Caetité 2 prospect, where a mineralised horizon with a true thickness of approximately 30m was identified. Mineralisation remained open at a depth 140m based on a hole drilled down dip. Encouraging intersections were also recorded at all other prospects. Assays reported grades up to 54.9% Fe, with an average of 30.7% Fe.

Single and five point DTR tests were conducted on a number of composite samples from Riacho and Caetité 1-3. Results indicate a 63-71% Fe concentrate can be produced from a grind size typically above 100 microns. DTR mass recoveries range from 5.4-37.7% and further tests are currently being undertaken to determine if gravitational separation can improve overall recoveries by also recovering hematite.

Based on work conducted at the Bahia Project to date, the Alliance has determined the Caetité 2, Caetité 3 and Riacho prospects warrant further work. The Alliance is now considering the discretionary USD2M payment due in September 2014, which would give the Alliance a 10% interest in the Bahia Project and continue it rights to earn up to an 80% interest.

The Minas Novas Project includes a number of prominent magnetic anomalies. A total of 464m of scout drilling was completed in 6 RC holes over two identified anomalies. Further work is required to adequately test the aeromagnetic targets and mineralisation potential. The Alliance believes the project retains potential and planning is currently underway for further geophysics, mapping and up to 1,500m of additional drilling. This will be completed ahead of the March 2015 deadline for the Minas Novas discretionary earn-in payment.

Environmental regulation

The Company is subject to a number of state and federal environmental obligations with respect to its mining tenements. The implementation of a business-wide Environment and Heritage Management System has enhanced the Company's ability to meet these obligations, and to identify and interrogate matters of non-compliance, providing greater opportunity for continuous improvement. During the year, this increased rigour has helped the Company maintain a high level of environmental compliance while identifying matters of historical minor non-compliance which have since been reported to the appropriate regulatory authorities.

The Company is also subject to obligations under the *Native Title Act 1993 (Cth)* and the *Aboriginal Heritage Act 1972 (WA)* and has demonstrated full compliance throughout the year.

Significant changes in state of affairs

Other than the progress documented above, the state of affairs of the Company was not affected by any other significant changes during the year.

Matters subsequent to the reporting date

On 11 August 2014, the Company announced an off-market takeover offer for Iron Ore Holdings Limited (ASX: IOH).

On 26 August 2014, the Directors declared a fully-franked dividend of 15 cents (2013: 30 cents) per share payable on 25 September 2014. The amount of this dividend will be $18.7M (2013: $37.1M). No provision has been made for this dividend in the financial statements as the dividend was not declared or determined by the Directors on or before the end of the financial year.

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 2014.

Share options and performance rights

As at the date of this report, there were 300,000 options over ordinary shares and 393,948 performance rights on issue (300,000 options and 710,757 performance rights at the reporting date). Refer to the Remuneration Report for further details of options and performance rights outstanding.

Date options granted	Expiry date	Exercise price	Number
20 January 2012	31 December 2014	$4.05	100,000
20 January 2012	31 December 2014	$4.32	100,000
22 June 2012	30 June 2015	$4.09	100,000
Total			300,000

Date performance rights granted	Expiry date	Fair value at grant date	Number
4 October 2013	1 October 2020	$2.68	393,948
Total			393,948

No option or performance rights holder has any right to be provided with any other share issue of the Company by virtue of their current option or performance rights holding. None of the existing options or 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 ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Date options granted	Date options exercised	Number exercised	Number of shares issued	Exercise price of option/issue price of share
12 April 2010	29 August 2013	125,000	125,000	$1.50
22 June 2012	30 August 2013	50,000	50,000	$3.66
20 January 2012	15 October 2013	50,000	50,000	$3.86
20 January 2012	4 November 2013	100,000	100,000	$4.05
22 June 2012	14 November 2013	50,000	50,000	$3.83
22 June 2012	21 November 2013	50,000	50,000	$3.86
20 January 2012	10 December 2013	50,000	50,000	$3.86
20 January 2012	27 February 2014	100,000	100,000	$4.32
Total			575,000	
Weighted average issue price				$3.44

Shares issued as a result of conversion of performance rights

During or since the end of the financial year, the Company issued ordinary shares as a result of the conversion of performance rights:

Date performance rights granted	Date performance rights converted	Number converted	Number of shares issued
1 December 2011	3 July 2013	174,246	174,246
31 August 2012	1 July 2014	247,603	247,603
20 November 2012	1 July 2014	69,206	69,206
Total		491,055	491,055

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 2014 the Board of Directors is satisfied that the auditor, BDO, did not provide any non-audit services to the Company (2013: $50,314).

Audited Remuneration Report

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
A M Haslam	
M J McComas	
T W Ransted	
P J Wilshaw	(appointed 23 October 2013)
M C Young	(appointed 10 July 2013)
Executive directors	
M S Ball	Managing Director (appointed 10 May 2013, previously Finance Director)
M C Young	Managing Director (resigned 10 May 2013)
Executive managers	
B L Duncan	Chief Operations Officer
C J Hunt	Chief Financial Officer (appointed 9 September 2013)

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 $5,225 (2013: $4,750). These reports were used to ascertain market relevance in relation to key management personnel and used to check appropriateness and propose base salaries.

The Remuneration Committee also approved the engagement of Ernst & Young ("EY") to provide remuneration recommendations regarding executive and non-executive director remuneration quantum. EY has provided its recommendations.

The Committee is satisfied the advice received from EY is free from undue influence from key management personnel ("KMP") to whom the advice relates, and the relevant criteria as established by the Board have been satisfied. The criteria used by the Board are that the KMP to whom the advice relates were not involved in the selection and appointment of, or contract negotiation with, EY as remuneration advisors. All documentation and communication (including confirmation by EY that the remuneration recommendations were free from undue influence from the KMP to whom the advice relates) were provided directly to the Board. Additionally, the Board has put in place policies managing EY's access to KMP on remuneration-related matters, including parameters for communication and the types of communication that can take place between EY and KMP, to further ensure the recommendations are free from undue influence.

The remuneration recommendations were provided to the Company as an input into decision making only. The Remuneration Committee considered the recommendations along with other factors in making its remuneration decisions.

The fees paid to EY for the remuneration recommendations were $41,500 (2013: Nil). Other services provided by EY relate to advice on the remuneration framework and business tax advisory services, and the fee for these services was $26,500 (2013: Nil).

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. Designated officers 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 2013 Annual General Meeting

The Company received 98% of 'yes' votes cast on its remuneration report for the 2013 financial year. The Company received specific feedback on the Company's Long Term Incentive Plan regarding the length of the performance period for performance rights, and automatic vesting of performance rights in the event of a takeover.

The Chairman advised the meeting that performance rights issued from 1 July 2015 would have a vesting period of 3 years as opposed to 2 and further, that in the event of a takeover offer or similar event (in relation to the Company), performance rights would not automatically vest but their position would be at the discretion of the Board. The Chairman confirmed legal advice had been received that this was permissible under the Plan.

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. The Managing Director and key management personnel have 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 year after the relevant year’s financial results have been audited.

STI awards for the executive team during the 2014 financial year in relation to the 2013 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 by relative total shareholder return (“TSR”) performance conditions over a two year period, or three year period from 1 July 2015.

The performance conditions 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 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

Company performance

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

		2010	2011	2012	2013	2014
Revenue from continuing operations	$million	1.5	19.1	204.5	328.3	471.4
Net profit/(loss) after tax	$million	(1.4)	1.0	50.1	48.8	73.6
Basic earnings per share	Cents	(1.7)	1.1	51.1	42.9	59.5
Dividends paid per share*	Cents	-	-	-	20.0	47.0
Share price (last trade day of financial year)	A$	1.62	3.05	2.60	3.23	3.20

**2014 dividend payments consist of a full year dividend of 30 cps in relation to financial year 2013 paid in September 2013, and an interim dividend of 17 cps in relation to the 6 months to 31 December 2013 paid in March 2014.*

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	Other benefits (a)	Deferred cash benefit	Superannuation	Value of performance rights (b)	Termination benefits	Total	Percentage performance related(c)
Executive directors									
M S Ball (Managing Director appointed 10 May 2013, previously Finance Director)									
2014	**572,823**	**78,750**	**45,969**	**86,175**	**17,775**	**197,433**	**-**	**998,925**	**36%**
2013	460,111	130,800	18,057	37,125	16,470	124,571	-	787,134	37%
M C Young (Managing Director resigned 10 May 2013)									
2014	**-**	**-**	**-**	**50,625**	**1,481**	**-**	**39,520**	**91,626**	**NA**
2013	488,351	218,000	41,880	-	16,470	(35,681)	73,387	802,407	23%
Executive managers									
B L Duncan (Chief Operations Officer)									
2014	**419,570**	**59,250**	**103,467**	**84,797**	**24,996**	**148,545**	**-**	**840,625**	**35%**
2013	338,622	122,625	97,582	38,812	17,891	92,131	-	707,663	36%
C J Hunt (Chief Financial Officer appointed 9 September 2013)									
2014	**269,299**	**-**	**11,463**	**-**	**24,910**	**-**	**-**	**305,672**	**NA**

a. Other benefits include vehicles, fuel, parking, travel and insurances.
b. Share-based payments referred to above comprise performance rights over ordinary shares in the Company. The performance rights have been valued using a Monte Carlo simulation.
c. 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.

Termination agreement – Mr Young

Mr Young resigned as Managing Director effective 10 May 2013. Agreed terms and conditions of his termination agreement were as follows:

- Termination payment equal to two months base salary plus superannuation paid over two months, with final payment made on 10 July 2013;
- Long term incentive attributable to financial year 2011, generally payable on 30 June 2013, paid on 10 July 2013; and
- All issued performance rights have lapsed.

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.

	2014 (relates to FY2013 performance)			2013 (relates to FY2012 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	**$157,500**	**50%**	**$78,750**	$130,800	100%	$130,800
M C Young	**-**	**-**	**-**	$218,000	100%	$218,000
Executive managers						
B L Duncan	**$118,500**	**50%**	**$59,250**	$122,625	100%	$122,625

Long-term incentive payments

The long-term incentive plan ("LTIP") is 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 2012 were partially met, and deferred cash was awarded as indicated in the following table for payment on 30 June 2013 and 30 June 2014.

Performance year FY2012	Maximum possible incentive award	Percentage of incentive awarded	Amount of award in cash	Paid 30 June 2013	Paid 10 July 2013	Paid 30 June 2014
Executive directors						
M S Ball	$99,000	75%	$74,250	$37,125	**-**	**$37,125**
M C Young	$135,000	75%	$101,250	-	**$50,625**	**-**
Executive managers						
B L Duncan	$103,500	75%	$77,625	$38,812	**-**	**$38,813**

The performance criteria for financial year 2013 were partially met, and deferred cash was awarded as indicated in the following table for payment on 30 June 2014 and 30 June 2015.

Performance year FY2013	Maximum possible incentive award	Percentage of incentive awarded	Amount of award in cash	Paid 30 June 2014	Payable 30 June 2015
Executive directors					
M S Ball	$130,800	75%	$98,100	**$49,050**	$49,050
Executive managers					
B L Duncan	$122,625	75%	$91,968	**$45,984**	$45,984

Performance rights

The Employee Performance Rights Plan ("PR Plan") was approved at a shareholder's annual general meeting on 19 November 2010. Approval of the PR Plan was 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 2014

The terms and conditions of performance rights granted to key management personnel during the year ended 30 June 2014 affecting remuneration in the current or future reporting periods are set out in the following table:

	Grant date*	Date to vest	Expiry 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	04/10/2013	30/06/2015	01/10/2020	$2.68	73,614	$197,433	-
Executive managers							
B L Duncan	04/10/2013	30/06/2015	01/10/2020	$2.68	55,386	$148,545	-

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

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 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 was 2.52%.

b. Performance rights issued in financial year 2013

Performance rights issued immediately after 30 June 2012 in the 2013 financial year vested at 100% on 30 June 2014. 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 2014. 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 best performing Company in the comparator group with a TSR of 48.8%, and accordingly, the performance rights were converted to shares on 1 July 2014.

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

Atlas Iron Limited	(ASX: AGO)	(65.8%)	Centrex Metals Limited	(ASX: CXM)	5.6%
Flinders Mines Limited	(ASX: FMS)	(84.6%)	Gindalbie Metals Limited	(ASX: GBG)	(88.2%)
Grange Resources Limited	(ASX: GRR)	(59.6%)	Iron Ore Holdings Limited	(ASX: IOH)	1.1%
Ironclad Mining Limited	(ASX: IFE)	(85.2%)	Iron Road Limited	(ASX: IRD)	(1.6%)
Mount Gibson Iron Limited	(ASX: MGX)	(12.8%)	Pluton Resources Limited	(ASX: PLU)	(80.0%)
Red Hill Iron Limited	(ASX: RHI)	(13.2%)	Royal Resources Limited	(ASX: ROY)	(73.3%)

The table below summarises performance rights issued immediately after 30 June 2012, in financial year 2013 that vested on 30 June 2014.

	Grant date*	Date to vest	Value per right at grant date	Number granted during the year	Value at grant date	Number vested 30 June 2014	Number lapsed 30 June 2014
Executive directors							
M S Ball	20/11/2012	30/06/2014	$1.80	69,206	$124,571	69,206	-
M C Young	31/08/2012	30/06/2014	$1.42	86,508	$122,841	-	86,508^
Executive managers							
B L Duncan	31/08/2012	30/06/2014	$1.42	64,881	$92,131	64,881	-

**Performance and valuation period commenced on 1 July 2012.*

^Mr Young's performance rights lapsed on his resignation as Managing Director on 10 May 2013.

c. Performance rights issued in financial year 2012

Performance rights issued immediately after 30 June 2011 in the 2012 financial year vested at 100% on 30 June 2013. 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 2013. 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 best performing Company in the comparator group with a TSR of 15.3%, and accordingly, the performance rights were converted to shares on 3 July 2013.

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

Atlas Iron Limited	(ASX: AGO)	(78.4%)	Brockman Mining Limited	(ASX: BCK)	1.5%
Flinders Mines Limited	(ASX: FMS)	(75.8%)	Gindalbie Metals Limited	(ASX: GBG)	(86.5%)
Grange Resources Limited	(ASX: GRR)	(56.2%)	Iron Ore Holdings Limited	(ASX: IOH)	(43.8%)
Pluton Resources Limited	(ASX: PLU)	(78.6%)	Red Hill Iron Limited	(ASX: RHI)	(62.3%)

The table below summarises performance rights issued immediately after 30 June 2011, in financial year 2012 that vested on 30 June 2013.

	Grant date*	Date to vest	Value per right at grant date	Number granted during the year	Value at grant date	Number vested at 30 June 2013	Number lapsed during FY2013
Executive directors							
M S Ball	01/12/2011	30/06/2013	$1.57	45,361	$71,216	45,361	-
M C Young	01/12/2011	30/06/2013	$1.57	61,856	$97,113	-	61,856^
Executive managers							
B L Duncan	01/12/2011	30/06/2013	$1.57	47,423	$74,454	47,423	-

**Performance and valuation period commenced on 1 July 2011 with performance rights granted after shareholder approval of the LTIP at the November 2011 AGM.*

^Mr Young's performance rights lapsed on his resignation as Managing Director on 10 May 2013.

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
M S Ball (Managing Director)	Base salary inclusive of superannuation of $593,637 reviewed annually on 31 December (or such other times as agreed), for a fixed term of 3 years. Six months notice by Mr Ball. Twelve months by Company. Termination payment to reflect appropriate notice except in case of summary dismissal.
B L Duncan (Chief Operations Officer)	Base salary inclusive of superannuation $446,641 reviewed annually on 31 December (or such other times as agreed). One months notice by Mr Duncan. Three months by Company. Termination payment to reflect appropriate notice except in case of summary dismissal.
C J Hunt (Chief Financial Officer)	Base salary inclusive of superannuation $367,490 reviewed annually on 31 December (or such other times as agreed). Three months notice by Mr Hunt. Three months by Company. Termination payment to reflect appropriate notice except in case of summary dismissal.

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 $700,000 in aggregate and was approved by shareholders at the annual general meeting of 16 November 2011. 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 2013 and 2014 financial years and current committee membership. The fee levels shown were current as at 30 June 2014.

Main board	2014 $	2013 $
Chairman – A W Kiernan	**130,000**	125,000
Members – all non-executive directors	**75,000**	70,000
Audit Committee*		
Chairman – M J McComas	**5,000**	5,000
Members – A W Kiernan, P J Wilshaw	**5,000**	5,000
Risk Committee*		
Chairman – T W Ransted	**5,000**	5,000
Members – P J Wilshaw, M C Young	**5,000**	5,000
Remuneration Committee*		
Chairman – A M Haslam	**5,000**	5,000
Members – A W Kiernan, T W Ransted	**5,000**	5,000

** On 26 February 2014, the Mr Haslam rotated off the Audit and Risk Committees, and was appointed Chairman of the Remuneration Committee. Mr Wilshaw was appointed to the Audit and Risk Committees.*

The fees paid or payable to the non-executive directors in relation to the 2014 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)				
2014	**137,500**	**8,246**	**-**	**145,746**
2013	135,000	9,203	-	144,203
A M Haslam (Non-executive director) (b)				
2014	**84,034**	**8,246**	**-**	**92,280**
2013	85,000	9,203	-	94,203
M J McComas (Non-executive director) (c)				
2014	**77,500**	**8,246**	**-**	**85,746**
2013	75,000	9,203	-	84,203
T W Ransted (Non-executive director) (d)				
2014	**82,500**	**8,246**	**-**	**90,746**
2013	80,000	9,203	-	89,203
P J Wilshaw (Non-executive director appointed 23 October 2013)				
2014	**49,605**	**5,648**	**4,588**	**59,841**
2013	-	-	-	-
M C Young (Non-executive director) (e)				
2014	**75,258**	**8,246**	**-**	**83,504**
2013	-	-	-	-
J A Gibson (Non-executive director appointed 16 July 2012, resigned 19 December 2012) (f)				
2014	**-**	**-**	**-**	**-**
2013	29,674	-	-	29,674
TOTAL				
2014	**506,397**	**46,878**	**4,588**	**557,863**
2013	404,674	36,812	-	441,486

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 are paid to McComas Capital Pty Ltd.
d) T W Ransted's fees are paid to Kyim Pty Ltd.
e) M C Young's fees are paid to Jocelyn Young Management Consulting.
f) J A Gibson's fees were paid to Regent Pacific Group Limited.

Equity instrument disclosures

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

FY2014	Balance at 1 July 2013	Acquired during year	Performance rights converted during year	Disposed during the year	Owned on commencement of employment	Balance at 30 June 2014
Non-executive directors						
A W Kiernan	693,354	-	-	-	-	693,354
A M Haslam	-	-	-	-	-	-
M J McComas	33,891	-	-	-	-	33,891
T W Ransted	626,492	-	-	-	-	626,492
P J Wilshaw	-	-	-	-	-	-
M C Young	661,564	-	-	(300,000)	-	361,564
Executive directors						
M S Ball	136,423	-	45,361	-	-	181,784
Executive managers						
B L Duncan	1,000	-	47,423	(18,423)	-	30,000
C J Hunt	-	-	-	-	2,000	2,000
Total	**2,152,724**	**-**	**92,784**	**(318,423)**	**2,000**	**1,929,085**

FY2013	Balance at 1 July 2012	Acquired during year	Performance rights converted during year	Disposed during the year	Owned on commencement of employment	Balance at 30 June 2013
Non-executive directors						
A W Kiernan	874,463	-	-	(181,109)	-	693,354
A M Haslam	-	-	-	-	-	-
M J McComas	30,000	3,891	-	-	-	33,891
T W Ransted	622,601	3,891	-	-	-	626,492
Executive directors						
M S Ball	278,000	3,891	-	(145,468)	-	136,423
M C Young	961,564	-	-	(300,000)	-	661,564
Executive managers						
B L Duncan	1,000	-	-	-	-	1,000
Total	**2,767,628**	**11,673**	**-**	**(626,577)**	**-**	**2,152,724**

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

FY2014	Balance at 1 July 2013	Granted as compensation	Converted to shares	Rights lapsed/ cancelled	Balance at 30 June 2014	Vested at 30 June 2014	Unvested at 30 June 2014
Executive directors							
M S Ball	114,567	73,614	(45,361)	-	142,820	69,206	73,614
Executive managers							
B L Duncan	112,304	55,386	(47,423)	-	120,267	64,881	55,386
Total	**226,871**	**129,000**	**(92,784)**	**-**	**263,087**	**134,087**	**129,000**

FY2013	Balance at 1 July 2012	Granted as compensation	Converted to shares	Rights lapsed/ cancelled	Balance at 30 June 2013	Vested at 30 June 2013	Unvested at 30 June 2013
Executive directors							
M S Ball	45,361	69,206	-	-	114,567	45,361	69,206
M C Young	61,856	86,508	-	(148,364)	-	-	-
Executive managers							
B L Duncan	47,423	64,881	-	-	112,304	47,423	64,881
Total	**154,640**	**220,595**	**-**	**(148,364)**	**226,871**	**92,784**	**134,087**

Transactions with key management personnel and directors

The following transactions occurred with related parties. Transactions between related parties are on normal commercial terms no more favourable than those available to other parties unless otherwise stated.

AW Kiernan (Non-executive director)	2014	2013
Professional fees paid to A W Kiernan for services in excess of normal director duties.	**15,000**	52,500
Amount outstanding at the reporting date.	**15,000**	-

Other information

Insurance of officers

During the financial period, the Company incurred premiums of $100,863 (2013: $81,724) 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 70 of this report for BDO's report on the Remuneration Report.

Signed in accordance with a resolution by the Directors.

Anthony Kiernan	**Morgan Ball**
Chairman	**Managing Director**
Perth, Western Australia	**Perth, Western Australia**
26 August 2014	**26 August 2014**

Directors' 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 2014 and of its performance for the financial year ended 30 June 2014; 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 Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001 (Cth)*.

This declaration is made in accordance with a resolution of the Directors and is signed on their behalf by:

Anthony Kiernan
Chairman
Perth, Western Australia
26 August 2014

BC IRON LIMITED

ABN 21 120 646 924

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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Consolidated statement of profit and other comprehensive income

BC Iron Limited and its controlled entities

for the year ended 30 June 2014

	Notes	**2014 $000's**	2013 $000's
Revenue from continuing operations			
Sale of goods	2	**466,175**	323,971
Other revenue	2	**5,207**	4,365
Total revenue from continuing operations		**471,382**	328,336
Foreign exchange gain		**1,591**	-
Other income		**1,591**	-
Cost of sales	3	**(277,922)**	(189,505)
Selling and marketing	3	**(63,256)**	(36,806)
Administration expenses	4	**(7,550)**	(19,930)
Impairment of available-for-sale assets		**-**	(7,668)
Written down exploration leases		**-**	(1,187)
Profit before finance cost and income tax		**124,245**	73,240
Finance costs	5	**(4,340)**	(4,543)
Profit before income tax		**119,905**	68,697
Income tax expenses	6	**(46,257)**	(19,897)
Profit after income tax from continuing operations		**73,648**	48,800
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale assets		**94**	-
Profit for the year attributable to owners of BC Iron Limited		**73,742**	48,800
Basic earnings per share (cents per share)	19	**59.48**	42.92
Diluted earnings per share (cents per share)	19	**59.48**	42.88

The above consolidated statement of profit 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 2014

	Notes	**2014 $000's**	2013 $000's
Current assets			
Cash and cash equivalents	7	**158,917**	138,488
Trade and other receivables	8	**4,964**	52,907
Inventory	9	**19,894**	11,253
Total current assets		**183,775**	202,648
Non-current assets			
Property, plant and equipment	10	**189,267**	204,010
Exploration and evaluation assets	11	**12,356**	9,918
Available-for-sale financial assets	12	**1,791**	1,658
Deferred tax assets	6	**-**	3,349
Total non-current assets		**203,414**	218,935
Total assets		**387,189**	421,583
Current liabilities			
Trade and other payables	13	**61,976**	75,291
Loans and borrowings	14	**24,077**	35,922
Provisions	15	**1,899**	2,042
Tax payable		**6,520**	20,825
Total current liabilities		**94,472**	134,080
Non-current liabilities			
Trade and other payables	13	**-**	157
Loans and borrowings	14	**28,132**	67,417
Provisions	15	**14,428**	2,836
Deferred tax liabilities	6	**14,983**	-
Total non-current liabilities		**57,543**	70,410
Total liabilities		**152,015**	204,490
Net assets		**235,174**	217,093
Shareholders' equity			
Contributed equity	16	**131,339**	129,300
Reserves	17	**13,992**	13,425
Retained earnings	18	**89,843**	74,368
Total shareholders' equity		**235,174**	217,093

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 2014

	Contributed equity $000's	Retained earnings $000's	Reserves $000's	Total $000's
Balance at 1 July 2012	72,037	47,302	12,305	131,644
Profit for the year	-	48,800	-	48,800
Other comprehensive income	-	-	482	482
Total comprehensive income	-	48,800	482	49,282
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	56,233	-	-	56,233
Options exercised	1,030	-	-	1,030
Share based payments	-	-	638	638
Dividends paid	-	(21,734)	-	(21,734)
Balance at 30 June 2013	129,300	74,368	13,425	217,093
Balance at 1 July 2013	**129,300**	**74,368**	**13,425**	**217,093**
Profit for the year	**-**	**73,648**	**-**	**73,648**
Other comprehensive income	**-**	**-**	**94**	**94**
Total comprehensive income	**-**	**73,648**	**94**	**73,742**
Transactions with equity holders in their capacity as equity holders				
Shares issued net of transaction costs	**-**	**-**	**(274)**	**(274)**
Performance rights converted	**274**	**-**	**-**	**274**
Options exercised	**1,765**	**-**	**-**	**1,765**
Share based payments	**-**	**-**	**747**	**747**
Dividends paid	**-**	**(58,173)**	**-**	**(58,173)**
Balance at 30 June 2014	**131,339**	**89,843**	**13,992**	**235,174**

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 2014

	Note	2014 $000's	2013 $000's
Cash flows from operating activities			
Receipts from customers		**480,762**	322,115
Payments to suppliers and employees		**(297,681)**	(230,311)
Management fees received		**3,229**	2,946
Interest received		**3,684**	2,290
Income tax paid		**(42,446)**	(9,859)
Net cash flows from operating activities	25	**147,548**	87,181
Cash flows from investing activities			
Payments for mine property and development expenditure		**(13,959)**	(130,656)
Payments for plant and equipment		**(971)**	(10,151)
Payments for available-for-sale assets		**-**	(5,644)
Payments for exploration expenditure		**(2,512)**	(2,723)
Refund of security deposit		**-**	25
Net cash flows used in investing activities		**(17,442)**	(149,149)
Cash flows from financing activities			
Proceeds from issue of shares net of costs		**1,978**	56,200
Proceeds from borrowings		**-**	123,226
Repayment of borrowings		**(51,821)**	(56,378)
Interest and finance costs paid		**(1,781)**	(1,810)
Dividends paid		**(58,173)**	(21,734)
Net cash flows from financing activities		**(109,797)**	99,504
Net increase/(decrease) in cash and cash equivalents		**20,309**	37,536
Cash and cash equivalents at beginning of year		**138,488**	92,817
Effect of exchange rate changes on cash and cash equivalents		**120**	8,135
Cash and cash equivalents at end of year	7	**158,917**	138,488

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The financial statements for BC Iron Limited for the full-year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 26 August 2014. 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 activity of BC Iron Limited is the exploration for and production of iron ore.

1. Summary of significant accounting policies

a. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. 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 available-for-sale financial assets at fair value through other comprehensive income.

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013.

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- AASB 2012-2 *Amendments to Australian Accounting Standards Disclosures – Offsetting Financial Assets and Financial Liabilities*

The Company's assessment of the impact of adoption for those standards applicable to the Company's activities is outlined below.

i. AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and *Interpretation 112 Consolidation – Special Purpose Entities*. Under the new principles, 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 over the entity.

The Company has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Company has assessed the nature of its joint arrangement (Nullagine Iron Ore Joint Venture) and determined it to be a joint operation.

The accounting for the Company's joint operation has not changed as a result of the adoption of AASB 11. The Company continues to recognise its share of the assets, liabilities, income and expenses of the joint operation.

ii. AASB 12 Disclosure of Interests in Other Entities

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in AASB 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. AASB 12 disclosures are provided in notes 27 and 32.

iii. AASB 13 *Fair Value Measurement*

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Company re-assessed its policies for measuring fair values.

Application of AASB 13 has not impacted the fair value measurements of the Company.

iv. AASB 119 *Employee Benefits*

AASB 119 (revised) changes the definition of short-term employee benefits. The distinction between short-term and long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The adoption of the standard has not impacted the measurement or presentation of employee benefits in the financial statements.

v. Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20*

This interpretation and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine. The interpretation requires the capitalisation of waste removal costs that provide improved access to the ore body. The Nullagine Iron Ore Joint Venture 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 and loss over the useful life of the component of the ore-body to which they relate, which typically does not exceed one year. The adoption of the interpretation and the amendments from 1 July 2013 did not have a material impact on the Company.

b. Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 28.

c. Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BC Iron Limited as at 30 June 2014, 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 asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit and loss.

A list of controlled entities at year end is contained in note 32.

ii. Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has a joint operation.

The Company's interests in joint operations are accounted for by recognising its direct right to the assets, liabilities, revenues and expenses of joint operations 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 and loss on transactions with joint operations are eliminated to the extent of the Company's ownership interest until such time as they are realised by the joint operation on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred. Details of joint operations are set out in note 27.

d. Segment reporting

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 Board of BC Iron Limited.

The Company operates in one operating segment being predominantly in the area of mineral exploration, development and production in the Pilbara region, Western Australia.

e. Revenue recognition

Revenue is measured at the fair value of the gross consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 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.

Other revenue

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

f. Income tax

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.

Mineral Resources Rent Tax

On 19 March, 2012, the Australian Government passed through the Senate, the Minerals Resource Rent Tax Act 2012, with application to certain profits arising from the iron ore and coal extracted in Australia. In broad terms, the tax is imposed on a project-by-project basis.

This tax applies to upstream mining operations only, and the effective rate of Minerals Resource Rent Tax is 22.5%. This tax is considered to be an "income tax" for the purposes of AASB 112.

Certain transition measures are contained in the legislation which can give rise to deductions in future years, for Minerals Resource Rent Tax purposes.

Based on modelling and valuations performed on behalf of the Company, a balance of $nil (2013: $9.8M) was recognised in deferred tax assets.

g. 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. The net amount of GST recoverable from, or payable to, the taxation authority is included with receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and 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.

h. Impairment of assets

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 the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

i. Cash and cash equivalents

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.

j. Trade and other receivables

Receivables from the sale of iron ore are recognised initially at fair value and, in accordance with the revenue recognition policy (e), 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. An allowance for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the allowance is recognised in profit and loss.

k. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value, less impairment allowance, of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

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.

l. Property, plant and equipment

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 and 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 Nullagine Iron Ore Joint Venture 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 and 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.

m. Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and;

i. the area has proven commercially recoverable reserves; or
ii. exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

At the end of each financial year the Directors assess the carrying value of the exploration expenditure carried forward in respect of each area of interest. Capitalised exploration expenditure is considered for impairment based upon areas of interest on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

n. Inventories

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 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.

o. Provision for rehabilitation

The mining, extraction and processing activities of the Company give rise to obligations for site rehabilitation. Rehabilitation obligations can include facility decommissioning and dismantling; removal or treatment of waste materials; land rehabilitation; and site restoration. The extent of work required and the associated costs are estimated based on feasibility and engineering studies using current rehabilitation standards and techniques. Provisions for the cost of each rehabilitation program are recognised at the time that environmental disturbance occurs.

Rehabilitation provisions are initially measured at the expected value of future cash flows required to rehabilitate the relevant site, discounted to their present value. The value of the provision is progressively increased over time as the effect of discounting unwinds. When provisions for rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation.

The capitalised cost of rehabilitation activities is recognised in within mine properties as a rehabilitation asset and amortised accordingly.

Where rehabilitation is expected to be conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the present obligation or estimated outstanding continuous rehabilitation work at each statement of financial position date and the costs charged to the profit and loss in line with remaining future cash flows.

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.

p. Mineral tenements

The Company's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decision in what is known generally as the "Mabo" case and any State or Federal legislation regarding native and mining titles. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined and could affect any mining title area whether granted by the State or not.

q. Trade and other payables

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.

r. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating. Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the period of the lease.

s. Interest-bearing loans and borrowings

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 and 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.

t. Finance costs

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.

u. Foreign currency translation

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

Foreign currency transactions

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 and loss.

v. Provisions

General

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.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an expense.

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 national government 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.

w. Share-based payments expense

Share-based remuneration benefits are provided to employees via an employee performance rights plan. Information relating to this plan is set out in note 26.

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.

The fair value of options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted is adjusted to reflect market conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable.

A Monte Carlo simulation is used to value performance rights. The Monte Carlo model 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 in to 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 and loss with a corresponding adjustment to equity.

x. Contributed equity

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.

y. Earnings per share

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.

z. Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

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.

Available-for-sale assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, which are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gains or losses previously reported in the available-for-sale reserve are recognised in profit and loss when assets are derecognised or impaired.

Available-for-sale assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Details on how the fair value of financial instruments is determined are disclosed in note 24.

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

aa. Acquisition of interests in joint operations

When the Company acquires an interest in a joint operation, and the activity of the joint operation constitutes a business as defined in AASB3 *Business Combinations*, it applies to the extent of its interest, the relevant principles of business combinations accounting in AASB3. The principles of accounting for business combinations include;

i. Measuring identifiable assets and liabilities at fair value other than those items for which exceptions are given;
ii. Recognising acquisition related costs as expenses in the periods in which the costs are incurred and the services received, with the exception of costs to issue debt or equity securities which are recognised in accordance with AASB 132 *Financial Instruments: Presentation*;
iii. Recognising deferred tax assets and deferred tax liabilities that arise from the initial recognition of assets and liabilities, except for deferred tax liabilities that arise from the initial recognition of goodwill; and
iv. Recognising the excess of the consideration transferred over the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed, if any, as goodwill.

bb. Comparatives

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

cc. New and revised Accounting Standards and Interpretations

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.

When adopted, the standard will not significantly affect the Company's accounting for its available-for-sale financial assets, since AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit and loss and the Company does not have any such liabilities. The new hedging rules align hedge accounting more closely with the Company's risk management practices. The new standard also introduces expanded disclosure requirements and changes in presentation.

The standard must be applied for financial years commencing on or after 1 January 2017. The Company has assessed that adopting the standard would be beneficial should it wish to enter hedges in the future, and has decided to adopt AASB 9 early from 1 July 2014. In order to apply the new hedging rules, the group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

Interpretation 21 Accounting for Levies

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The Company has determined that the adoption of the Interpretation will not impact on the way the Company accounts for levies.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods.

dd. Critical accounting estimates & judgements

The preparation of the Company's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Estimates and assumptions are continuously evaluated and are based on management's experience. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying value of assets or liabilities affected in future periods.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Income taxes

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

Capitalisation of exploration and evaluation expenditure

The Company has capitalised significant 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. This better reflects the operating position of the Company.

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

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

As at 30 June 2014, the carrying value of exploration expenditure is $12.4M (2013: $9.9M).

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.

As discussed in note 1(l), mine properties are assessed for impairment if facts and circumstances suggest that carrying amount may exceed recoverable amount. If a judgement is made that a development asset is impaired, the relevant capitalised amount will be written off to profit or loss. See further details in note 10.

Share-based payment transactions

The cost of share-based payments to employees is measured by reference to the fair value of the option instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

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.

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.

Iron ore reserve estimates

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 2 – REVENUE

	2014 $000's	2013 $000's
Sale of iron ore	**466,175**	323,971
Management fees	**805**	1,335
Interest revenue	**4,402**	3,030
Total	**471,382**	328,336

NOTE 3 – OPERATING EXPENSES

Mining and ore dressing	**85,888**	54,385
Haulage	**114,827**	79,115
Site administration	**23,093**	20,844
Depreciation of plant and equipment	**916**	10,103
Amortisation of mine properties	**32,140**	10,811
Royalties	**29,500**	20,798
Inventory movement	**(8,442)**	(6,551)
Total	**277,922**	189,505
Shipping, marketing and demurrage	**63,256**	36,806

NOTE 4 – ADMINISTRATION EXPENSES

Foreign exchange loss	**-**	11,374
Consultant and legal fees	**1,561**	2,813
Employee benefits expense	**1,635**	1,455
Depreciation and amortisation	**991**	889
Share based payments	**747**	638
Non-executive directors' fees	**493**	408
Occupancy related expenses	**329**	373
Other	**1,794**	1,980
Total	**7,550**	19,930

NOTE 5 – FINANCE COSTS

Interest expense on project finance	**1,044**	1,363
Interest expense on loan facilities	**1,814**	1,822
Amortisation of facility fees	**545**	594
Other	**937**	764
Total	**4,340**	4,543

In November 2009, the NJV secured, via the Joint Venture Partners, USD50 million (BC Iron share - USD25 million) in project finance (interest free) from Henghou Industries (Hong Kong) Limited ("Henghou"). As part of this facility the Company issued 8 million options to Henghou. This amount was offset against the liability on initial recognition and the liability is discounted using the effective interest rate method. The non-cash effective interest recognised during the year was $1.0M (2013: $1.4M). Interest expense on loan facilities and amortisation of facility fees relate to USD130 million debt facility. Refer to note 14 for further information.

NOTE 6 – INCOME TAXES

	2014 $000's	2013 $000's
Current tax expense		
Current period	**27,797**	21,501
Adjustments for prior periods	**123**	835
	27,920	22,336
Deferred tax expense		
Origination and reversal of temporary differences	**8,534**	(435)
Mining resources rent tax	**9,813**	(1,386)
Adjustments for prior periods	**(10)**	(619)
	18,337	(2,440)
Income tax expense reported in statement of profit and other comprehensive income	**46,257**	19,896
Reconciliation of effective tax rate		
Profit for the period	**119,905**	68,697
Income tax using the Company's domestic tax rate of 30 per cent (2013: 30 per cent)	**35,971**	20,609
Non-deductible expenses	**611**	213
Mining resources rent tax temporary difference	**9,813**	(1,386)
Recognised directly in equity	**211**	244
(Under)/over provided in prior periods	**(349)**	216
Income tax expense reported in statement of profit and other comprehensive income	**46,257**	19,896

	Assets $000's		Liabilities $000's		Net $000's	
Deferred tax assets and liabilities	**2014**	2013	**2014**	2013	**2014**	2013
Amounts recognised in Profit or Loss:						
Inventory	**-**	-	**(122)**	(62)	**(122)**	(62)
Available-for-sale financial assets	**2,260**	2,300	**-**	-	**2,260**	2,300
Capitalised exploration expenditure	**-**	-	**(3,576)**	(2,976)	**(3,576)**	(2,976)
Mine property, plant and development expenditure	**-**	-	**(20,818)**	(12,131)	**(20,818)**	(12,131)
Provisions	**4,898**	1,463	**-**	-	**4,898**	1,463
Mining resources rent tax	**-**	9,813	**-**	-	**-**	9,813
Other items	**1,946**	4,463	**-**	(161)	**1,946**	4,302
Amounts recognised directly in equity:						
Share issue costs in equity	**429**	640	**-**	-	**429**	640
Tax assets/(liabilities)	**9,533**	18,679	**(24,516)**	(15,330)	**(14,983)**	3,349
Deferred tax assets/(liabilities) expected to be recovered/(settled) within 12 months	**2,080**	14,359	**(122)**	(512)	**1,958**	13,847
Deferred tax assets/(liabilities) expected to be recovered/(settled) after more than 12 months	**7,453**	4,320	**(24,394)**	(14,818)	**(16,941)**	(10,498)

Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and there is a legally recognised right to offset.

Movement in deferred tax assets	Accrued expenses $000's	Available-for-sale assets $000's	Provisions $000's	Share issue costs $000's	MRRT $000's	Other $000's	Total $000's
At 1 July 2012	41	-	462	248	8,426	262	9,439
(Charged)/credited							
- to profit or loss	(41)	2,300	1,001	-	1,386	4,202	8,848
- directly to equity	-	-	-	392	-	-	392
At 30 June 2013	-	2,300	1,463	640	9,812	4,464	18,679
(Charged)/credited							
- to profit or loss	**-**	**-**	**3,435**	**-**	**(9,812)**	**(2,534)**	**(8,911)**
- to under/over prior period	**-**	**-**	**-**	**-**	**-**	**16**	**16**
- directly to equity	**-**	**(40)**	**-**	**(211)**	**-**	**-**	**(251)**
At 30 June 2014	**-**	**2,260**	**4,898**	**429**	**-**	**1,946**	**9,533**

Movement in deferred tax liabilities	Inventory $000's	Exploration and evaluation $000's	Mine property, plant & equipment $000's	Other $000's	Total $000's
At 1 July 2012	-	(1,972)	(6,008)	(1,058)	(9,038)
(Charged)/credited					
- to profit or loss	(62)	(1,004)	(6,123)	897	(6,292)
- directly to equity	-	-	-	-	-
At 30 June 2013	(62)	(2,976)	(12,131)	(161)	(15,330)
(Charged)/credited					
- to profit or loss	**(60)**	**(600)**	**(8,931)**	**161**	**(9,430)**
- to under/over prior period	**-**	**-**	**244**	**-**	**244**
- directly to equity	**-**	**-**	**-**	**-**	**-**
At 30 June 2014	**(122)**	**(3,576)**	**(20,818)**	**-**	**(24,516)**

Mineral resources rent tax ("MRRT")

The Company has an unrecognised MRRT tax benefit of $139.8M (2013: $113.7M) arising in Australia that is available for offset against future taxable profits. The Company is of the view that the availability of the benefit is not probable as it is subject to significant uncertainty, refer to note 1(dd). A deferred tax asset has not been recognised at 30 June 2014.

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, in the opinion of the Directors, 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/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which 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.

NOTE 7 – CASH AND CASH EQUIVALENTS

	2014	2013
	$000's	$000's
Cash at bank and on hand	**117,917**	116,582
Cash on deposit	**41,000**	21,906
Total	**158,917**	138,488

Cash on deposit relates to term deposits held with financial institutions due to mature on or before 16 September 2014. Further information can be found at note 24.

NOTE 8 – TRADE RECEIVABLES

Trade receivables and prepayments	**1,262**	50,250
Interest receivable	**293**	201
Receivables due from joint arrangement	**710**	363
Other receivables	**2,699**	2,093
Total	**4,964**	52,907

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

As at 30 June 2014 no receivables were past due or impaired (2013: Nil).

Other receivables include $2.2M for GST receivable (2013: $2.0M).

Refer to note 24 for information on the risk management policy of the Company.

NOTE 9 – INVENTORY

Raw materials	**3,721**	3,472
Iron ore stockpiles	**16,173**	7,781
Total inventories at lower of cost and net realisable value	**19,894**	11,253

The amount of inventories recognised as an expense for the year was $214.0M (2013: $142.9M)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	2014 $000's	2013 $000's
Mine Properties		
Cost	**246,154**	146,606
Accumulated depreciation	**(63,307)**	(16,453)
Net carrying amount	**182,847**	130,153
Net carrying amount at beginning of year	**130,153**	26,822
Additions	**18,887**	114,142
Reclassified from plant and equipment	**66,316**	-
Reclassified to profit and loss	**(369)**	-
Amortisation	**(32,140)**	(10,811)
Net carrying amount at end of the year	**182,847**	130,153
Plant and equipment		
Cost	**7,238**	91,516
Accumulated depreciation	**(2,478)**	(18,315)
Net carrying amount	**4,760**	73,201
Net carrying amount at beginning of year	**73,201**	49,143
Additions	**381**	34,514
Reclassified to profit and loss	**(110)**	(525)
Reclassified to mine properties	**(66,316)**	-
Reclassified to office furniture, equipment and IT equipment	**(1,409)**	-
Depreciation expense	**(987)**	(9,931)
Net carrying amount at end of year	**4,760**	73,201
Office furniture, equipment and IT equipment		
Cost	**4,676**	1,723
Accumulated depreciation	**(3,016)**	(1,067)
Net carrying amount	**1,660**	656
Net carrying amount at beginning of year	**656**	496
Additions	**514**	337
Reclassified from plant and equipment	**1,409**	-
Disposals	**-**	(4)
Depreciation expense	**(919)**	(173)
Net carrying amount at end of year	**1,660**	656
Total property, plant and equipment	**189,267**	204,010

During the year the Company reviewed the classification of its plant and equipment and reclassified costs associated with various permanent installations of plant and equipment directly related to mining activities out of plant and equipment into mine properties.

All expenditure for mine development is included in mine properties. Mine properties are recorded at historical cost.

During the period, management made an assessment on the recoverable amount of the cash generating unit which the mine properties relate to. The recoverable amount has been estimated as the asset's fair value less costs of disposal, using the present value of future cash flows based upon available reserves calculated by the Company's geologists in accordance with industry guidelines. The fair value less costs of disposal calculation requires the use of certain assumptions, in particular iron ore prices, forward exchange rates and discount rates. As a result of the assessment, no impairment was deemed necessary at 30 June 2014.

NOTE 11 – EXPLORATION AND EVALUATION

	2014 $000's	2013 $000's
Opening balance	**9,918**	6,572
Additions	**2,438**	4,534
Unsuccessful exploration expenditure derecognised	**-**	(1,188)
Net carrying amount	**12,356**	9,918

Exploration and evaluation expenditure is recorded at historical cost on an area of interest basis. Recovery of these costs is dependent upon the commercial success of future exploration and development or realisation by disposal of the interests therein.

There may exist on the Company's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

The unsuccessful exploration expenditure derecognised in 2013 relates to five exploration tenements at Bungaroo Creek. Following first pass drilling and analysis, the iron potential was assessed to be low in grade and tonnage with no further plans to explore the remaining areas. Accordingly the tenements were relinquished in April 2013 and the exploration costs incurred derecognised.

Cleveland Alliance

During the year the Company entered into an alliance with Cleveland Mining Company Limited to undertake exploration activities in Brazil. Exploration costs incurred are reported within exploration assets and are carried forward based on the expectation that the costs can be recovered through sale or exploitation.

NOTE 12 – AVAILABLE-FOR-SALE ASSETS

Opening balance	**1,658**	3,200
Equity securities acquired	**-**	5,644
Revaluation	**133**	482
Impairment	**-**	(7,668)
Closing balance	**1,791**	1,658

Available-for-sale assets relates to two investments in listed securities on the ASX. In the prior year both investments were assessed as impaired as there had been a significant and prolonged decline in value below initial cost.

NOTE 13 – TRADE AND OTHER PAYABLES

Current		
Trade payables and accruals	**61,976**	75,291
Total current	**61,976**	75,291
Non-current		
Trade payables and accruals	**-**	157
Total non-current	**-**	157
Total trade and other payables	**61,976**	75,448

Current trade payables are unsecured and payable on supplier credit terms, usually payable within 30 days of recognition. Non-current trade payables relate to an amount of consideration payable to key contractors. These are non-interest bearing and repayable within 24 months. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe (refer to note 24).

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

NOTE 14 – LOANS AND BORROWINGS

	2014 $000's	2013 $000's
Current		
Secured - loan facility (a)	**18,769**	30,447
Unsecured - Henghou facility (b)	**5,308**	5,475
Total current	**24,077**	35,922
Non-current		
Secured - loan facility (a)	**23,621**	58,340
Unsecured - Henghou facility (b)	**4,511**	9,077
Total non-current	**28,132**	67,417
Total	**52,209**	103,339

a. Secured loan facility

On 18 December 2012, the Company's wholly owned subsidiary BC Iron Nullagine Pty Ltd ("BCIN") entered into a five year USD130 million amortising term loan facility as part of the funding of the 25% acquisition of the NJV. The loan is secured and the carrying value equals the fair value. The term of the loan was 5 years with a floating interest rate based on USD LIBOR plus a margin. Due to additional principal payments, the term of the loan reduced to 4 years with the final repayment due in December 2016. The terms of the facility are such that voluntary repayments of principal amounts are unable to be re-drawn.

BCIN has granted a security interest, pursuant to a General Security Deed, in favour of CBA Corporate Services (NSW) Pty Limited ("Security Trustee") over all BCIN's assets and undertaking (including certain mining tenements) to secure the due and punctual payment of all money which BCIN or the Company is liable to pay in connection with the Syndicated Facility agreement between BCIN, the Company, Commonwealth Bank of Australia (as agent), the Security Trustee and the lenders ("Secured Money").

The Company has granted a security interest, pursuant to a Specific Security Deed, in favour of the Security Trustee in the Company's shares in BCIN, amounts owing to the Company by BCIN and certain mining tenements to secure the Secured Money. The Company has also granted a featherweight security interest in favour of the Security Trustee over all its other present and after acquired assets and undertaking (other than those shares, amounts owing and mineral tenements). The Company is not restricted from dealing with the featherweight collateral, unless a voluntary administrator has been appointed.

The structure of the debt facility allows the Board to consider continued payment of dividends by the Company except in very limited circumstances.

b. 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 Company will repay its share of the facility at the amount of USD5 million annually to Henghou over 5 years from December 2011. The third repayment was made in December 2013. 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 consolidated entity of USD10 million due to foreign exchange differences and discounting of the loan (as it is interest free). These borrowings are unsecured and the carrying value equals fair value.

c. Compliance with loan covenants

The Company complied with the financial covenants of its borrowing facilities during FY2014 and FY2013.

d. Fair value

For the secured facility, the fair value is not materially different to its carrying amount, since the interest payable is close to current market rates. Material differences are identified only for the Henghou facility:

	2014	2013
	$000's	$000's
Unsecured - Henghou facility		
Discount rate	**3.25%**	3.25%
Carrying value	**9,819**	14,552
Fair value	**10,121**	15,417

The fair value of the unsecured facility is based on discounted cash flows using the rates disclosed in the table above. It is classified as level 3 in the fair value hierarchy (note 24) due to the use of unobservable inputs, including own credit risk.

NOTE 15 – PROVISIONS

Current		
Employee benefits	**1,899**	2,042
Total current	**1,899**	2,042
Non-current		
Rehabilitation	**14,110**	2,669
Employee benefits	**318**	167
Total non-current	**14,428**	2,836
Total	**16,327**	4,878
Movement in provisions		
Rehabilitation and site closure		
Carrying amount at beginning of year	**2,669**	1,306
Capitalised to development - additional provision recognised	**11,441**	1,363
Carrying amount at end of year	**14,110**	2,669

Employee benefits

The provision for employee benefits represents annual leave, vested long service leave entitlements and incentives accrued by employees.

Rehabilitation and site closure

The Company makes provision for the future cost of rehabilitating mine sites on a discounted basis upon the development of mines. This provision represents the present value of rehabilitation costs relating to current disturbance at the NJV, which are expected to be incurred through to the end of rehabilitation activites, and the costs of infrastructure removal. Assumptions, based on the current economic environment, have been made in determining current rehabilitation provisions, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed at each reporting date to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the NJV ceases to produce at economically viable rates. This, in turn, will depend upon future iron ore prices, which are inherently uncertain.

In FY2014, the Company assessed the site closure and rehabilitation provision, with input from an independent expert, to meet regulatory requirements. Increases in the area of land disturbed due to extensions in mining operations, and in closure cost rates compared to prior year, resulted in an increase of the provision to $14.1M.

NOTE 16 – CONTRIBUTED EQUITY

	2014		2013	
	Number	**$000's**	Number	$000's
Share capital				
Ordinary shares - fully paid			103,861,000	72,037
Movement in share capital				
At 1 July 2012				
Capital raising 18 December 2012 @ $3.04			15,579,150	47,361
Issue costs				(2,132)
Tax effect of issue costs				1,003
Capital raising 24 January 2013 @ $3.04			3,289,234	9,999
Exercise of options 8 March 2013 @ $1.50			375,000	563
Exercise of options 17 May 2013 @ $2.39			50,000	120
Exercise of options 17 May 2013 @ $2.64			50,000	132
Exercise of options 12 June 2013 @ $2.89			75,000	217
At 30 June 2013			123,279,384	129,300
At 1 July 2013	**123,279,384**	**129,300**		
Issue of shares under Employee Performance Rights Plan 3 July 2013	**174,246**	**274**		
Exercise of options 29 August 2013 @ $1.50	**125,000**	**188**		
Exercise of options 30 August 2013 @ $3.66	**50,000**	**183**		
Exercise of options 15 October 2013 @ $3.86	**50,000**	**193**		
Exercise of options 4 November 2013 @ $4.05	**100,000**	**405**		
Exercise of options 14 November 2013 @ $3.83	**50,000**	**192**		
Exercise of options 21 November 2013 @ $3.83	**50,000**	**192**		
Exercise of options 10 December 2013 @ $3.86	**50,000**	**193**		
Exercise of options 27 February 2014 @ $4.32	**100,000**	**432**		
Tax effect of issue costs		**(213)**		
At 30 June 2014	**124,028,630**	**131,339**		

a. 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.

b. 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.

	2014 $000's	2013 $000's
Net debt to equity		
Total interest bearing debt	**52,209**	103,339
Less cash and cash equivalents	**158,917**	138,488
Excess of cash over debt	**106,708**	35,149
Equity	**235,174**	217,093

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

	2014 $000's	2013 $000's
Cash interest cover		
Profit before income tax	**119,905**	68,697
Interest revenue	**(4,402)**	(3,030)
Finance costs	**4,340**	4,543
Depreciation and amortisation	**34,047**	21,264
Impairments	**-**	8,855
Foreign exchange (gains)/losses	**(1,591)**	11,374
EBITDA	**152,299**	111,703
Net cash interest paid	**1,818**	1,809
Cash interest cover	**84**	62

NOTE 17 – RESERVES

	2014 $000's	2013 $000's
Share based payments reserve		
Balance as at 1 July	**10,222**	10,293
Share based payments expense	**747**	638
Issue of shares under Employee Performance Rights Plan	**(274)**	-
Options transferred to options exercised reserve	**(584)**	(709)
Balance as at 30 June	**10,111**	10,222
Available-for-sale reserve		
Balance as at 1 July	**-**	(482)
Gains and losses on financial instruments recognised in equity	**94**	482
Balance as at 30 June	**94**	-
Options exercised reserve		
Balance as at 1 July	**3,203**	2,494
Options transferred from share based payments reserve	**584**	709
Balance as at 30 June	**3,787**	3,203
Total reserves	**13,992**	13,425

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.

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

Changes in the fair value and exchange differences arising on translation of investments such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate available-for-sale reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

NOTE 18 – RETAINED EARNINGS

	2014	2013
	$000's	$000's
Balance as at 1 July	**74,368**	47,302
Net profit	**73,648**	48,800
Dividends paid	**(58,173)**	(21,734)
Balance as at 30 June	**89,843**	74,368

NOTE 19 – EARNINGS PER SHARE

Earnings per share from continuing operations

Profit after income tax from continuing operations	**73,648**	48,800
Interest on convertible options	**-**	8
Profit after income tax used in calculating diluted earnings per share	**73,648**	48,808
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**123,821,718**	113,689,123
Adjustments for calculation of diluted earnings per share:		
Vested share options outstanding at year end	**-**	125,000
Weighted average number of shares used in calculating diluted earnings per share	**123,821,718**	113,814,123
	Cents	Cents
Basic earnings per share attributable to the ordinary equity holders of the company	**59.48**	42.92
Diluted earnings per share attributable to the ordinary equity holders of the company	**59.48**	42.88

NOTE 20 – COMMITMENTS

	2014 $000's	2013 $000's
Mining tenement leases		

In order to maintain current rights of tenure to exploration tenements the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the WA State Government and pay tenement lease rents.

The estimated exploration expenditure commitment for the ensuing years, which is not recognised as a liability in the financial statements, is as follows:

	2014 $000's	2013 $000's
Within one year	**1,571**	1,009
Greater than one year but not more than five years	**6,623**	5,569
More than five years	**-**	-
	8,194	6,578

Operating leases - buildings

The Company has non-cancellable operating leases for offices in West Perth, Western Australia, expiring 31 August 2016 and a core storage unit in Maddington, Western Australia, expiring 7 March 2015.

	2014 $000's	2013 $000's
Within one year	**416**	383
Greater than one year but not more than five years	**659**	869
More than five years	**-**	-
	1,075	1,252

Operating leases - vehicles

The Company has non-cancellable operating leases for vehicles expiring 20 August 2015.

	2014 $000's	2013 $000's
Within one year	**89**	94
Greater than one year but not more than five years	**3**	92
More than five years	**-**	-
	92	186

Capital commitments

	2014 $000's	2013 $000's
Within one year	**127**	-
Greater than one year but not more than five years	**-**	-
More than five years	**-**	-
	127	-

NOTE 21 – CONTINGENT LIABILITIES AND ASSETS

The Company is bound to the Minister in the State of Western Australia to the sum of $228,938 (2013: $177,099) security in order to comply with the conditions of the leases for the mining tenements.

NOTE 22 – SEGMENT INFORMATION

Management has determined that the Company has one reportable segment, being mineral exploration, development and production in Western Australia. As the Company is focused on mineral exploration, development and production, the Board monitors the Company based on actual versus budgeted expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Company and its ongoing activities, while also taking into consideration the results of exploration and development work that has been performed to date.

	2014	2013
	$000's	$000's
Total segment revenue	**471,382**	328,336
EBITDA	**152,299**	111,703
Total segment assets	**382,671**	419,926
Total segment liabilities	**93,287**	80,326
Reconciliation of reportable segment profit or loss		
EBITDA	**152,299**	111,703
Interest revenue	**4,402**	3,030
Finance costs	**(4,340)**	(4,543)
Depreciation and amortisation	**(34,047)**	(30,119)
Foreign exchange	**1,591**	(11,374)
Profit before income tax	**119,905**	68,697
Segment liabilities	**93,287**	80,326
Provision for income tax	**6,520**	20,825
Loans	**52,209**	103,339
Total liabilities per statement of financial position	**152,016**	204,490
Segment assets	**382,671**	419,925
Unallocated: Available-for-sale financial assets, deferred tax asset, exploration and cash	**4,518**	1,658
Total assets per statement of financial position	**387,189**	421,583

NOTE 23 – RELATED PARTY TRANSACTIONS

a. Parent entity

BC Iron Limited is the parent entity.

b. Subsidiaries

Interests in subsidiaries are set out in note 32.

c. Joint operations

Interests in joint operations are set out in note 27.

d. Key management personnel

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

	2014	2013
	$'s	$'s
Short-term employee benefits	**1,560,591**	1,916,028
Long-term employee benefits	**221,597**	75,937
Termination payments	**39,520**	73,387
Share based payments	**345,978**	181,021
Post-employment benefits	**69,162**	50,831
Total	**2,236,848**	2,297,204

e. Transactions with related parties

Management fee income from joint operation	**804,812**	1,335,054

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

Joint operation		
Receivables	**709,938**	362,559
Payables	**1,899**	-

NOTE 24 – FINANCIAL RISK MANAGEMENT

The Company holds the following financial instruments:

Financial assets	**$000's**	$000's
Cash and cash equivalents	**158,917**	138,488
Available-for-sale assets	**1,791**	1,658
Trade and other receivables	**4,964**	52,907
	165,672	193,053
Financial liabilities		
Trade and other payables	**61,977**	75,448
Loans and borrowings	**52,209**	103,339
	114,186	178,787

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. BC Iron's policy is, where possible, to allow Company entities to settle foreign liabilities with the cash generated from their own operations in that currency. The Company's exposure to foreign currency risk at reporting date was as follows:

	Currency	**2014 $000's**	2013 $000's
Exchange rate at reporting date		**0.9419**	0.9133
Financial assets			
Cash and cash equivalents	AUD	**38,321**	50,408
	USD	**36,094**	46,037
Trade receivables	AUD	**817**	13,946
	USD	**770**	12,737
Financial liabilities			
Loans and borrowings	AUD	**(52,712)**	(106,208)
	USD	**(49,649)**	(97,000)

The following table summarises the sensitivity to a reasonably possible change in the USD rate, with all other variables held constant, of the Company's profit before tax due to changes in the carrying value of financial assets and liabilities at reporting date. The impact on equity is the same as the impact on profit before tax.

	Effect on profit before tax 2014 $000's	Effect on profit before tax 2013 $000's
Appreciation of AUD to USD by 5% from 0.9419 (2013: 0.9133) to 0.9890 (2013: 0.9590)	**646**	1,995
Depreciation of AUD to USD by 5% from 0.9419 (2013: 0.9133) to 0.8948 (2013: 0.8698)	**(714)**	(2,093)

ii. Commodity price risk

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

Trade receivables outstanding at year end are subject to commodity price risk due to potential changes in future iron ore prices. Due to the low value of outstanding amounts at the reporting date, the potential impact is immaterial for the year ended 30 June 2014.

iii. Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's secured loan facility with a floating interest rate.

The following table summarises the sensitivity of interest bearing liabilities to a reasonably possible change in USD London Interbank Offered Rate ("LIBOR") on the Company's profit before tax, with all other variables held constant.

	Effect on profit before tax 2014 $000's	Effect on profit before tax 2013 $000's
Increase USD LIBOR 100 basis points	**(719)**	(709)
Decrease USD LIBOR 25 basis points	**180**	177

Weighted average USD LIBOR applicable for the financial year was 0.25% (2013: 0.3%). The Henghou unsecured loan facility is not subject to interest rate risk. The impact of interest rates on the Company's financial position are reviewed regularly.

iv. Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the balance sheet as available-for-sale.

The price risk for the available-for-sale assets is immaterial in terms of the potential impact on profit or loss or total equity. It has therefore not been included in a sensitivity analysis.

The Company's equity investments are publicly traded on the ASX.

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. All receivables at 30 June 2014 were received within one month. There is no significant concentration of credit risk, whether through exposure to individual customers, specific industry sectors and regions.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2014	2013
	$000's	$000's
Trade receivables		
Counterparties without external credit rating		
Group 1	**818**	-
Group 2	**1,490**	17,837
Group 3	**-**	-
Total trade receivables	**2,308**	17,837

Group 1 - new customers (less than 6 months).

Group 2 - existing customers (more than 6 months) with no defaults in the past.

Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults fully recovered.

Cash and cash equivalents		
AA-	**158,917**	138,488
	158,917	138,488

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 Company's wholly owned subsidiary BC Iron Nullagine Pty Ltd ("BCIN") has an amortising term loan facility denominated in USD. Refer to note 14 for further information.

The Nullagine Iron Ore Joint Venture, via the Joint Venture Partners, has a US$50 million financing facility (US$25m Company share) with Henghou Industries (Hong Kong) Limited. Refer note 14 for further information.

Maturity analysis of financial assets and liabilities

The table below splits the Company’s financial liabilities into relevant maturity groupings based on their contractual maturities on all non-derivative financial liabilities and are disclosed at their undiscounted amounts.

	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 2013						
Financial liabilities						
Trade and other payables	75,291	-	157	-	75,448	75,448
Loans and borrowings	6,525	31,301	69,376	-	107,202	103,339
Net maturity	81,816	31,301	69,533	-	182,650	178,787
Year ended 30 June 2014						
Financial liabilities						
Trade and other payables	**61,978**	**-**	**-**	**-**	**61,978**	**61,978**
Loans and borrowings	**5,308**	**19,004**	**29,196**	**-**	**53,508**	**52,209**
Net maturity	**67,286**	**19,004**	**29,196**	**-**	**115,486**	**114,187**

d. Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company’s assets and liabilities measured and recognised at fair value at 30 June 2014

	2014 **$**	2013 $
Available-for-sale financial assets		
Level 1	**1,791**	1,658
Level 2	**-**	-
Level 3	**-**	-
	1,791	1,658

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for sale-securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

NOTE 25 – RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2014	2013
	$000's	$000's
Profit for the financial year	**73,648**	48,800
Non-cash flows in operating profit		
Depreciation and amortisation	**34,047**	21,263
Employee benefit - share based payment	**747**	638
Release of exploration tenements	**-**	1,187
Impairment of available-for-sale assets	**-**	7,668
Finance costs	**4,340**	4,544
Other	**146**	197
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**47,550**	(33,659)
Decrease/(increase) in inventories	**(8,641)**	(6,902)
Decrease/(increase) in deferred tax assets	**9,146**	(9,240)
(Decrease)/increase in trade and other payables	**(8,722)**	31,723
(Decrease)/increase in provision for income taxes payable	**(13,908)**	11,980
(Decrease)/increase in deferred tax liabilities	**9,186**	6,293
(Decrease)/increase in provisions	**9**	2,689
Net cash inflows/(outflows) by operating activities	**147,548**	87,181

NOTE 26 – SHARE BASED PAYMENTS

During the 2014, 2013, 2012 and 2011 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.

2014 - Options

Grant date	Expiry date	Exercise price	Balance at 1 July 2013	Granted during the year	Exercised during the year	Lapsed or forfeited during the year	Balance at 30 June 2014	Vested and exercisable at 30 June 2014
Employee options								
20/01/2012	31/12/2014	$3.86	50,000	-	(50,000)#	-	-	-
20/01/2012	31/12/2014	$4.05	100,000	-	-	-	100,000	100,000
20/01/2012	31/12/2014	$4.32	100,000	-	-	-	100,000	100,000
20/01/2012	31/12/2014	$3.86	50,000	-	(50,000)%	-	-	-
20/01/2012	31/12/2014	$4.05	100,000	-	(100,000)+	-	-	-
20/01/2012	31/12/2014	$4.32	100,000	-	(100,000)!	-	-	-
22/06/2012	30/06/2015	$3.66	50,000	-	(50,000)@	-	-	-
22/06/2012	30/06/2015	$3.83	100,000	-	(100,000)*	-	-	-
22/06/2012	30/06/2015	$4.09	100,000	-	-	-	100,000	100,000
Others options								
12/04/2010	19/02/2015	$1.50	125,000	-	(125,000)^	-	-	-
Total			**875,000**	**-**	**(575,000)**	**-**	**300,000**	**300,000**
Weighted average exercise price			**$3.68**	**-**	**$3.44**	**-**	**$4.15**	**$4.15**

Options exercised on 10 December 2013. Weighted average share price on this day was $4.97.
% Options exercised on 15 October 2013. Weighted average share price on this day was $4.73.
+ Options exercised on 4 November 2013. Weighted average share price on this day was $5.05.
! Options exercised on 27 February 2014. Weighted average share price on this day was $4.90.
@ Options exercised on 30 August 2013. Weighted average share price on this day was $4.33.
* Options exercised on 14 and 21 November 2013. Weighted average share price on these days was $5.17 and $5.16 respectively.
^ Options exercised on 29 August 2013. Weighted average share price on this day was $4.33.

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.7 years.

Options granted carry no dividend or voting rights.

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

2013 - Options

Grant date	Expiry date	Exercise price	Balance at 1 July 2012	Granted during the year	Exercised during the year	Lapsed or forfeited during the year	Balance at 30 June 2013	Vesting Date	Vested and exercisable at 30 June 2013
Employee options									
9/07/2010	30/06/2013	$2.39	50,000	-	(50,000)#	-	-	2/11/2010	-
9/07/2010	30/06/2013	$2.64	50,000	-	(50,000)#	-	-	15/12/2010	-
9/07/2010	30/06/2013	$2.89	75,000	-	(75,000)^	-	-	31/01/2011	-
9/07/2010	30/06/2013	$3.14	75,000	-	-	(75,000)	-	31/01/2011	-
20/01/2012	31/12/2014	$3.86	50,000	-	-	-	50,000	20/01/2012	50,000
20/01/2012	31/12/2014	$4.05	100,000	-	-	-	100,000	16/01/2013	100,000
20/01/2012	31/12/2014	$4.32	100,000	-	-	-	100,000	16/01/2014	-
20/01/2012	31/12/2014	$3.86	50,000	-	-	-	50,000	20/01/2012	50,000
20/01/2012	31/12/2014	$4.05	100,000	-	-	-	100,000	16/01/2013	100,000
20/01/2012	31/12/2014	$4.32	100,000	-	-	-	100,000	16/01/2014	-
22/06/2012	30/06/2015	$3.66	50,000	-	-	-	50,000	30/06/2012	50,000
22/06/2012	30/06/2015	$3.83	100,000	-	-	-	100,000	30/06/2013	100,000
22/06/2012	30/06/2015	$4.09	100,000	-	-	-	100,000	30/06/2014	-
Others options									
12/04/2010	19/02/2015	$1.50	250,000	-	(250,000)*	-	-	31/12/2010	-
12/04/2010	19/02/2015	$1.50	250,000	-	(125,000)*	-	125,000	31/12/2010	125,000
Total			**1,500,000**	**-**	**(550,000)**	**(75,000)**	**875,000**		**575,000**
Weighted average exercise price			**$2.99**	**-**	**$1.87**	**$3.14**	**$3.68**		**$3.39**

* Options exercised on 8 March 2013. Weighted average share price on this day was $3.82.
# Options exercised on 17 May 2013. Weighted average share price on this day was $3.24.
^ Options exercised on 12 June 2013. Weighted average share price on this day was $3.18.

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.

b. Other option expense

Share options were granted to consultants in 2010 for their services as consideration for the provision of services with respect to broker support and capital raising costs. Options were also issued to Henghou Industries (Hong Kong) Limited in 2010, refer to note 14. No options or performance rights were issued to consultants in 2014 (2013: Nil).

c. 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 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 was 2.52% (2013: 2.68%). Performance rights issued to key management personnel vested during the period and converted to ordinary shares on 3 July 2014.

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

2014 – 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							
4/10/2013	1/10/2020	73,614	30/06/2015	$2.68	$4.57	7 years	0%
Employee performance rights							
4/10/2013	1/10/2020	320,334	30/06/2015	$2.68	$4.57	7 years	0%

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

Grant date	4 October 2013
Grant date share price	$4.57
Volatility (per cent)	37.7%
Dividend yield (per cent)	7.65%
Risk free rate	2.52%

2013 – Performance rights

Grant date	Expiry date	Granted during the year	Vesting date	Fair value at grant date	Share price on grant date	Life of right	Expected dividends
Executive director performance rights							
31/08/2012	1/09/2019	86,508	30/06/2014	$1.42	$2.35	7 years	0%
20/11/2012	1/11/2019	69,206	30/06/2014	$1.80	$3.05	7 years	0%
Employee performance rights							
1/12/2011	16/11/2018	262,136	30/06/2013	$1.57	$2.35	7 years	0%

Summary of performance rights on issue

Vesting date	Opening balance at 1 July 2013	Rights granted during the year	Rights cancelled during the year	Rights converted to shares during the year	Closing balance at 30 June 2014	Rights vested as at 30 June 2014
30/06/2013	236,102	-	(61,856)	(174,246)	**-**	**NA**
30/06/2014	417,850	-	(101,041)	-	**316,809**	**316,809**
30/06/2015	-	393,948	-	-	**393,948**	**NA**
Total	653,952	393,948	(162,897)	(174,246)	**710,757**	**316,809**

d. Expenses arising from share-based payment transactions

Total expenses arising from share based-based payments recognised during the financial period as part of employee benefits expense were as follows.

	2014	2013
	$	$
Director benefits	**161,228**	92,162
Employee benefits	**585,642**	545,575
Total	**746,870**	637,737

NOTE 27 – INTEREST IN JOINT OPERATION

a. Jointly controlled 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%. The Company also made a once-off prepayment of rail haulage and port charges for 3.5Mt (wet) of its share of production from the NJV. The prepayment was fully utilised by October 2013. Voting rights over decision making for the NJV remain at 50:50 between the Company and FMG. The Joint Venture agreement between the Company and FMG gives the parties rights to assets and obligations for the liabilities of the arrangement.

The total consideration paid by the Company to FMG was $190 million (including the rail and port prepayment), plus a limited price participation arrangement payable to FMG if certain iron price conditions are met. This was estimated at $14.3 million and was included in trade and other payables in the prior year. The arrangement will cease in September 2014 and based on current forecast iron ore prices the estimated amount payable at 30 June 2014 is nil. At the acquisition date the consideration paid gave rise to a surplus over net assets. As part of the fair value allocation of the assets acquired, this surplus was assigned to plant and equipment, and mine properties. No goodwill was recognised as part of the transaction.

The total consideration plus associated transaction costs was funded using a combination of cash, USD130 million debt facility (refer note 14) and $57 million in equity through an underwritten placement and share purchase plan (refer note 16).

The Company's interest in the assets and liabilities of the NJV are included in the consolidated statement of financial position in accordance with accounting policies described in note 1. The Company has a 75% share of the following NJV 100% financial position.

	2014	2013
	$000's	$000's
Current assets		
Cash and cash equivalents	**26,514**	28,110
Trade and other receivables	**3,229**	3,373
Inventory	**23,770**	15,004
Total current assets	**53,513**	46,487
Non-current assets		
Plant and equipment	**8,223**	98,045
Exploration and evaluation assets	**12,451**	9,785
Mine properties	**133,810**	43,829
Total non-current assets	**154,484**	151,659
Total assets	**207,997**	198,146
Current liabilities		
Trade and other payables	**61,905**	57,732
Provisions	**830**	1,552
Total current liabilities	**62,735**	59,284
Non-current liabilities		
Trade and other payables	**490**	490
Provisions	**19,119**	3,738
Total non-current liabilities	**19,609**	4,228
Total liabilities	**82,344**	63,512
Net assets	**125,653**	134,634

b. Mining tenement leases

In order to maintain current rights of tenure to exploration tenements the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the WA State Government and pay tenement lease rents.

The estimated exploration expenditure commitment for the ensuing year, but not recognised as a liability in the financial statements:

	2014 $000's	2013 $000's
Within one year	**2,027**	952
Greater than one year but not more than five years	**8,639**	5,264
More than five years	**-**	-
	10,666	6,216

c. Capital commitments

Within one year	**169**	-
Greater than one year but not more than five years	**-**	-
More than five years	**-**	-
	169	-

d. Interest in joint operation

The NJV joint arrangement was set up as an unincorporated joint venture. 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. The joint venture is therefore 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, as disclosed above.

NOTE 28 – PARENT ENTITY

The following details information related to the parent entity, BC Iron Limited, as at 30 June 2014. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

Balance sheet		
Current assets	**157,220**	158,492
Total assets	**175,085**	178,144
Current liabilities	**8,200**	1,408
Total liabilities	**8,289**	1,441
Shareholders' equity		
Issued capital	**131,339**	129,300
Reserves	**5,017**	4,544
Retained earnings	**30,441**	42,859
Total shareholders' equity	**166,796**	176,703
Profit for the year	**45,754**	44,710
Total comprehensive income for the year	**45,754**	44,710

Included in note 20 are commitments incurred by the parent entity relating to the lease of offices in West Perth, Western Australia, under a non-cancellable operating lease expiring August 2016.

NOTE 29 – DIVIDENDS

	2014	2013
	$000's	$000's
Dividend paid during the financial year (fully franked at 30 per cent)		
Final franked dividend for 2013: $0.30 (2012: $0.15)	**37,088**	15,579
Interim franked dividend for 2014: $0.17 (2013: $0.05)	**21,085**	6,155
Total dividends paid	**58,173**	21,734
Dividend declared not recognised as a liability (fully franked at 30 per cent)		
Final franked dividend for 2014: $0.15 (2013: $0.30)	**18,652**	37,036
Franking credit balance		
Franking credits available for future years at 30 per cent adjusted for debits and credits arising from the payment of income tax payable and from recognised dividends receivable or payable	**(18,058)**	(21,369)
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to shareholders during the period	**7,994**	15,873

The franking credit balance is based on estimated tax payable for the 2014 financial year.

NOTE 30 – AUDITOR'S REMUNERATION

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

	2014	2013
	$	$
Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:		
Audit or review of financial reports for the Company	**62,704**	99,000
Amounts received or due and receivable by related entities of BDO Audit (WA) Pty Ltd for:		
Non audit services - tax compliance	**-**	50,314
Total	**62,704**	149,314

NOTE 31 – EVENTS OCCURRING AFTER THE REPORTING PERIOD

A fully franked dividend of 15 cents per share resulting in a dividend payment of $18.7M was declared for a payment date of 25 September 2014. The dividend has not been provided for in the 30 June 2014 full-year financial statements.

On 11 August 2014, the Company announced an off-market takeover offer for Iron Ore Holdings Limited (ASX: IOH).

NOTE 32 – SUBSIDIARIES

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

			Beneficial interest	
	Country of incorporation	Functional currency	2014 %	2013 %
BC Iron Nullagine Pty Ltd	Australia	AUD	**100**	100
BC Iron (SA) Pty Ltd	Australia	AUD	**100**	100
BC Iron (Pilbara) Pty Ltd	Australia	AUD	**100**	0

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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 2014, 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements* 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.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

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 2014 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 Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 26 August 2014

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF BC IRON LIMITED

As lead auditor of BC Iron Limited for the year ended 30 June 2014, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 26 August 2014

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

BC IRON DECLARES 15 CENTS PER SHARE FINAL DIVIDEND

HIGHLIGHTS

- **Declares 15 cents per share fully franked final dividend, representing a full-year payout ratio of 54% on NPAT**

The Board of BC Iron Limited ("BC Iron" or the "Company") (ASX:BCI) is pleased to announce that it has resolved to pay a final dividend on ordinary shares for the full-year ended 30 June 2014.

The final dividend is 15 cents per share, fully franked. This equates to a total amount of $18.7 million, which represents a dividend payout ratio of 54% on net profit after tax ("NPAT") for the full-year.

Important dates with respect to the final dividend are:

Ex-dividend date	Monday 1 September 2014
Record date	5:00pm WST Wednesday 3 September 2014
Payment date	Thursday 25 September 2014

Dividend Guidance

The BC Iron Board has previously provided guidance in relation to future dividends. The Company intends to declare an interim and final dividend each financial year, targeting an overall annual payout ratio of 30% to 50% on NPAT. Dividends will be franked to the maximum extent possible, but BC Iron will also consider partially franked or unfranked dividends if sufficient franking credits are not available.

The declaration and payment of dividends remains at the discretion of the Board, and actual dividends may vary from the annual target based on prevailing market conditions, the Company's financial and operational performance, and current and future cash requirements.

Payment of Dividends

In order to facilitate the payment of this and future dividends, BC Iron encourages its shareholders to contact our share registry, Computershare Investor Services Pty Limited ("Computershare") and provide direct credit details for your nominated bank account.

The direct credit payment method provides a number of benefits to shareholders. There will be no delay in waiting for a cheque to be delivered in the mail – your funds should be deposited on the date of payment of the dividend and will be cleared and available for your immediate use. As well as enhanced convenience for shareholders, direct credit dividend payments also minimise the potential for fraud and reduce processing costs for BC Iron.

If you have any queries regarding the above information or your shareholding in general, please contact Computershare Investor Services:

Phone:	Australia: 1300 850 505 International: +61 3 9415 4000
Mail:	GPO Box 2975 MELBOURNE VIC 3001
Internet:	www.investorcentre.com/contact

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

- ENDS -

FOR FURTHER INFORMATION:

ANTHEA BIRD
COMPANY SECRETARY
BC IRON LIMITED
TELEPHONE: +61 8 6311 3400

About BC Iron Limited

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

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

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

KEY STATISTICS – 30 June 2014

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

Website: www.bciron.com.au

NJV ORE RESERVES AND MINERAL RESOURCES

BC Iron Limited (ASX:BCI) ("BC Iron" or "the Company") is pleased to report Ore Reserves and Mineral Resources for the Nullagine Iron Ore Joint Venture ("NJV") as at 30 June 2014 in accordance with JORC (2012) guidelines.

The NJV is an unincorporated joint venture between BC Iron (75% interest) and Fortescue Metals Group Limited ("Fortescue") (25% interest) located approximately 150 kilometres north of Newman in the Pilbara region of Western Australia.

The NJV has been mining direct shipping ore ("DSO") since operations commenced in November 2010. The NJV completed a beneficiation trial in the March quarter 2014 and is pleased to report an Ore Reserve estimate for beneficiated shipping ore ("BSO") for the first time. Currently the BSO Ore Reserve only considers existing low grade (50-55% Fe) stockpiles and low grade material within the current DSO pit designs. Further work is required to evaluate low grade material just outside the boundaries of the current pit designs and at regional mesas.

As at 30 June 2014, the NJV had total scheduling inventory available for the life of mine plan within current pit designs and existing stockpiles of 35.4Mt at 56.5% Fe, comprising:

- DSO Ore Reserves of 27.7Mt at 56.8% Fe;
- BSO Ore Reserves and stockpiles of 3.9Mt at 54.2% Fe;
- DSO stockpiles of 0.5Mt at 55.6% Fe; and
- DSO Inferred Mineral Resources within the current pit designs of 3.3Mt at 57.0% Fe.

The NJV's Ore Reserves and Mineral Resources as at 30 June 2014 are set out in the tables below, along with a summary of material information. The JORC (2012) Table 1 is provided in Appendix 1.

Table 1: CID Mineral Resource Estimate

Classification	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
Measured	21.2	54.0	61.7	3.4	4.3	0.014	0.012	12.5
Indicated	38.1	53.8	61.7	3.3	4.5	0.017	0.012	12.7
Inferred	46.7	52.1	58.8	5.4	6.6	0.024	0.018	11.3
Total	**105.9**	**53.1**	**60.4**	**4.2**	**5.4**	**0.020**	**0.015**	**12.1**

Table 2: DSO Mineral Resource Estimate

Classification	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
Measured	12.9	57.2	64.8	2.2	2.9	0.013	0.011	11.8
Indicated	19.1	57.0	64.9	2.0	2.9	0.014	0.011	12.1
Inferred	6.8	57.0	64.1	2.6	3.9	0.023	0.014	11.1
Total	**38.8**	**57.1**	**64.7**	**2.2**	**3.1**	**0.015**	**0.012**	**11.8**

Table 3: DSO Ore Reserve Estimate

Classification	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
Proved	8.4	57.6	65.3	1.8	2.6	0.012	0.012	11.9
Probable	19.3	56.5	64.4	2.1	3.3	0.016	0.011	12.3
Total	**27.7**	**56.8**	**64.7**	**2.0**	**3.1**	**0.015**	**0.011**	**12.1**

Table 4: BSO Probable Ore Reserve Estimate

	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
BSO Feed	9.7	51.5	59.2	3.8	5.8	0.018	0.012	13.0
BSO Product	**3.9**	**54.2**	**62.1**	**2.9**	**4.4**	**0.016**	**0.012**	**12.8**

Table 5: DSO Stockpile Inventory

Classification	Mt	Fe %	Al_2O_3 %	SiO_2 %
ROM	0.08	55.1	3.5	4.1
MOC Product	0.12	54.2	3.1	4.8
RLF Product	0.07	56.2	3.0	3.9
Port Product	0.25	56.3	2.8	3.9
Total	**0.52**	**55.6**	**3.0**	**4.1**

Note: 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 don't sit within existing low grade stockpiles. CID stands for "channel iron deposit". Totals may not sum due to rounding.

Summary of Material Information – Mineral Resources

BC Iron previously reported Mineral Resources as at 31 December 2013 in accordance with JORC (2012) guidelines. With the exception of Outcamp 2 and Outcamp 4, there has been no material change to the methodology or assumptions underlying the estimates, and the 31 December 2013 estimates have been depleted based on mining completed as at 31 December 2013. BC Iron's Mineral Resource estimate as at 31 December 2013 and accompanying JORC (2012) Table 1 and Competent Persons Statement was released to the ASX on 3 March 2014 under the title 'NJV Ore Reserves and Mineral Resources' and is available to view on http://www.bciron.com.au/investors/asx-announcements/2014.html.

At Outcamp 2 and Outcamp 4, Mineral Resources have been re-estimated due to a re-interpretation of the mineralised envelopes at Outcamp 2 and completion of grade control drilling at Outcamp 4.

The Outcamp 2 and Outcamp 4 deposits are channel iron deposits ("CID"), presented as topographic highs or mesas. Outcamp 2 has a strike length of 1,200 metres while the Outcamp 4 mesa has a strike length of 600 metres. Mineralisation outcrops at surface and typically extends to a depth of 10 to 15 metres below surface.

Drilling at Outcamp 2 consists of 969 reverse circulation ("RC") holes and drilling at Outcamp 4 consists of 192 RC holes. RC drilling utilised a 5.5 inch diameter face sampling hammer. Drill holes ranged in depth from 4 to 41 metres, with an average depth of 16 metres at Outcamp 2 and 12 metres at Outcamp 4. Given the sub-horizontal nature of the CID deposits, the holes are vertically orientated.

Early RC samples were split using a three tier riffle splitter to gain a one-eighth split sample. Later RC drilling utilised an RC drill rig with a cone splitter attached. Samples were prepared by crushing to minus 3mm and pulverising the sample to achieve 90% passing 105 microns. Pulverised material was assayed using XRF techniques. Industry standard QAQC procedures were adopted by BC Iron, including the submission of standards and duplicates at a frequency of 1 per 20 samples.

For the purpose of generating mineralised envelopes, material with grades of greater than 45% Fe coincides with geologically-logged CID and material with grades of greater than 55% Fe is considered DSO. Sectional interpretation of the drill results was undertaken and the interpretations were wireframed to produce mineralised envelopes. Mineral Resources were estimated using the ordinary kriging methods, with a block size equal to half the drill spacing dimension. A bulk density of 2.80-2.84t/m^3 was assigned to the mineralisation, as calculated by the caliper method.

Outcamp 2 and Outcamp 4 have typically been drilled to a 25 by 25 metre spacing, with some infill drilling completed to 12.5 by 25 metre spacing. Mineral Resources were classified as Measured where continuity of geology and mineralisation was demonstrated with a confidence level sufficient to allow the application of Modifying Factors to support detailed mine planning. Certain areas of Outcamp 4 were classified as Indicated where the confidence level in the application of Modifying Factors was lower, or Inferred where there was a lack of continuity in mineralisation and geology.

Summary of Material Information – Ore Reserves

Mineral Resources at the NJV were first converted to Ore Reserves in accordance with JORC (2004) guidelines as part of a feasibility study completed in 2009. The current Ore Reserve estimate is based on Mineral Resources as at 30 June 2014.

Ore Reserves were estimated by completing pit optimisations and subsequent detailed pit designs. For DSO Ore Reserves, two cut-off grades were applied, with DSO characterised as being both above 55% Fe and below 3% Al_2O_3. These parameters were derived to achieve a product grade of 57% Fe and 2% Al_2O_3, which are the desired specifications for the NJV's Bonnie Fines product. For BSO Ore Reserves, a cut-off grade of 50% Fe was applied to classify material as suitable for beneficiation feed.

Mining at the NJV is undertaken using surface miners with a minimum mining width of 3.5 metres based on size of the surface miners, and a minimum bench width of 20 metres to cater for safe and efficient load and haul activities.

The use of surface miners allows for selective mining resulting in minimal dilution from the edges of the orebody. Mining dilution has been estimated based on non-DSO ore that exists within the geologically modelled DSO zones. Mining dilution varies from mesa to mesa and accounts for approximately 10% of the DSO Ore Reserve estimate. Mining recovery factors have been determined based on historical reconciliations and also envisage decreasing recoveries for mesas approaching depletion. The average mining recovery of DSO is estimated at 92%.

For DSO material, a dry crushing and screening process is being utilised at the NJV, which was selected based on bulk sampling and metallurgical test work undertaken as part of the feasibility study.

A beneficiation trial has been completed at the NJV on low grade feed material. The trial utilised a dry crushing and screening process, where natural fines of less than 1mm were screened off using a piano wire screen. The BSO Ore Reserve estimate is based on the results of the beneficiation trial, and incorporates a mass recovery of 40% and preliminary regressions to derive iron and impurities grades of BSO product from the low grade feed material. BC Iron believes opportunities exist for the recoveries and grades to be improved through further geological domaining and/or alternative processing techniques. Once initiated, BC Iron expects that BSO will be blended with DSO to maintain Bonnie Fines specification throughout the remaining life of mine. Further updates will be provided to the market as planning for beneficiation progresses.

All material assumptions relating to costs are based on existing agreements with contractors. The terms of these agreements are considered commercially sensitive and are not publicly disclosed. However, BC Iron has provided NJV C1 cash cost guidance for FY15 of A$49-53 per wet metric tonne and BC Iron total cash costs of $60-68 per wet metric tonne (total cash costs include C1 cash costs plus royalties, marketing and corporate costs).

Mining approvals, permits and licences were granted prior to the commencement of operations. Further approvals are sought as and when required. All arrangements to facilitate mining, production and sale of the NJV product are in place, including agreements with contractors and an infrastructure agreement with Fortescue for the provision of rail and port services. Agreements with all key stakeholders are in place and active.

Competent Persons Statements

The information in this report that relates to the Mineral Resource estimates at Outcamp is based on, and fairly represents, information which has been compiled by Mr Robert Williams who is a Member of the Australasian Institute of Mining and Metallurgy and an 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 is based on, and fairly represents, information which has been compiled by Mr Blair Duncan who is an employee of BC Iron and a Member of the Australasian Institute of Mining and Metallurgy. 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.

- ENDS -

FOR FURTHER INFORMATION:

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ABOUT BC IRON LIMITED

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

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

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

KEY STATISTICS

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

Website: www.bciron.com.au

APPENDIX 1: JORC CODE, 2012 EDITION – TABLE 1 REPORT

SECTION 1 SAMPLING TECHNIQUES AND DATA

(Criteria in this section apply to all following sections.)

Criteria	JORC Code Explanation	Commentary
Sampling Techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• The Outcamp 2 and Outcamp 4 mesas have been tested by Reverse Circulation ("RC") drilling on spacings of predominantly 25m by 25m, with some sections closed in to 12.5m by 25m. • Given the sub-horizontal nature of the channel iron deposits ("CID"), the holes are vertically orientated. Down hole survey is not completed given the relatively shallow nature of the drill holes which have an average depth of approximately 16m for Outcamp 2 and 12m for Outcamp 4. • All hole locations have been surveyed using RTK instruments by either industry consultants or qualified BC Iron surveying staff.
Drilling Techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• The Outcamp 2 database consists of 969 RC drill holes. The Outcamp 4 database consists of 192 RC drill holes. • RC drilling within the resource areas comprises 5.5 inch diameter face sampling hammer drilling, and ranges in depth from 4m to 41m, with an average depth of 16m for Outcamp 2 and 12m for Outcamp 4.

Criteria	JORC Code Explanation	Commentary
Drill Sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• RC samples are visually checked for recovery, moisture and contamination. A minimal gap between hammer diameter and shroud exists to maximize sample recovery. • No sample recovery issues have impacted on a potential sample bias.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• All resource and grade control holes have been geologically logged to a standard that is appropriate for the category of resource being reported.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Early RC samples were split using a 3 tier riffle splitter to gain a 1/8th split sample for submission. Later grade control campaigns were drilled with an RC rig that had a cone splitter attached. • The CID mesas sit proud of the surrounding plains, and as such drilling into the water table is rarely observed. • QAQC procedures included the insertion of field duplicates, and certified reference material (standards) at a combined frequency of 1 sample per 20, which is considered standard industry practice. Laboratory QAQC (Lab standards and lab duplicates) were analysed at a frequency of 1 per 20 BC Iron samples. • The sample preparation followed standard industry practice, involving crushing to minus 3mm and pulverisation of the entire sample to achieve 90% passing 105micron size. • Field duplicate samples were taken on RC holes as a matter of course, and these indicate no issues with sample representivity. • The sample size is considered appropriate for CID mineralisation.

Criteria	JORC Code Explanation	Commentary
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Samples collected since drilling started in 2007 have been assayed by either Ultra Trace or SGS laboratories. Assaying has been completed using XRF, while LOI has been measured at 400°C, 650°C and 1000°C using thermogravimetric analysis. • No assays in the database have been determined through handheld XRF devices or any geophysical tool. • BC Iron QAQC processes involve submission of coarse standards (Certified Reference Material - CRM) to assess the pulverisation stage of the sample preparation. Pulp standards are submitted to assess the analytical accuracy. Repeat analyses are completed by the laboratory in every assay job. In all cases the results of the QAQC processes have indicated the data is fit for use in estimation.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Bulk rejects from intervals in early drill campaigns were stored in a bag farm onsite which allowed reference once the assay data is returned. • There are 16 twin hole pairs separated by less than 4m drilled in the Outcamp 2 deposit, while a further 5 twin hole pairs have been drilled in the Outcamp 4 deposit. While comparisons between each vary, the correlation between the bulk of the twin holes is very good. • Assay jobs sent from the lab are stored as csv files, and validated prior to inclusion into the drill hole database. Validation includes review of the total assay calculation, and a review of standards and repeats within the job. • No assay adjustments/factoring/calibrations have occurred.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• All holes have been surveyed by RTK differential GPS in the MGA_GDA94 zone50 grid system. Surveys have been completed by qualified consultant or BC Iron surveyors. • Given the sub-horizontal nature of the CID deposits, the holes are vertically orientated. Down hole survey is not completed given the relatively shallow nature of the drill holes which have an average depth of approximately 16m in Outcamp 2 and 12m in Outcamp 4. • The topographic surface has been determined by Light and Detection Ranging (Lidar) surveys completed by Fugro and Whelans. This is standard industry practice, and is considered appropriate for the local topography.

Criteria	JORC Code Explanation	Commentary
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Both the Outcamp 2 and Outcamp 4 deposits have been RC drilled to a spacing of 25m by 25m. Further infill drilling has been conducted on selected drill lines to close in the spacing to 12.5m within 25m spaced sections. • No composite samples have been used in the estimation.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• The vertical orientation of drilling is designed to give an orthogonal intersection of the mineralised CID package.
Sample security	• *The measures taken to ensure sample security.*	• Samples are stored onsite and then collected by a transport company and delivered to Perth. Whilst in custody of the laboratory they are stored in a locked yard.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Industry consultant QG reviewed the assay data when completing the latest estimate. A review of the sampling processes and the associated data was conducted by Golder Associates in 2009 when completing the Maiden Resource estimate.

SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code Explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	• Assay data files are generated electronically by the laboratory is emailed to BC Iron, so at no stage is there a manual data entry step which could introduce errors. • Collar surveys are downloaded from RTK GPS instruments, which also negates data entry. Sequence of drilling is checked against sequential hole_id, and the drill geologist notes, to ensure the correct positioning of the drill hole.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• The Competent Person for the Outcamp 2 and Outcamp 4 Mineral Resource statement is a full-time employee of BC Iron Limited and visits the site on a regular basis.
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	• Interpretation is based on geological knowledge acquired through drilling and mining since the operations commenced in November 2010. • The geological interpretation of mineralised boundaries is considered robust and alternative interpretations do not have the potential to impact significantly on the Mineral Resource. • Logged lithological information has been considered at the interpretation and estimation stages. • The CIDs are Tertiary aged deposits with no identified structural control. Local grade variability has been identified through grade control drilling and production reconciliations.
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	• The Mineral Resources are contained within preserved palaeochannels which are now topographic highs (mesas) with a curvi-linear strike. The Outcamp 2 mesa has a strike length from 1,200m while the Outcamp 4 mesa has a strike length of 600m. • The CID resources outcrop at surface, and the deepest portion of the resource extends approximately 10 to 15m below surface.

Criteria	JORC Code Explanation	Commentary
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).* • *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.* • *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.* • *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	• The Outcamp 2 and Outcamp 4 estimates were completed by QG Consulting ("QG") in conjunction with BC Iron in 2014. The geological and mineralisation interpretations were completed by BC Iron using Minesight software, while geostatistical assessment was completed by QG. The resulting parameters were used to estimate both deposits using the Ordinary Kriging (OK) estimation technique. The estimate was completed using Minesight software. • When modelling a grade control estimate over a deposit, the estimate is reconciled against previous Resource estimates. • There are no by-products, therefore no assumptions are required regarding by-products. • Work by environmental consultants has indicated that levels of arsenic and chromium are at negligible levels. Also with the lack of sulphide in the deposits, acid mine drainage is not a concern. • The block size used reflects half the drill spacing dimension. • No assumptions have been made regarding selective mining units. • Correlation plots are generated for the main elements and can be used to assess domaining. No regression equations have been derived from the plots to estimate any elements; rather each element is estimated using composite information. • Interpretation is completed using geology and mineralisation. All material >55% Fe in grade is considered Direct Shipping Ore ("DSO"). Sectional interpretation of the DSO envelopes was undertaken. The sectional interpretations are then wireframed and the drill hole intervals within the wireframes coded to a database. Assays are composited based on the coded intervals. The wireframes are also used as hard boundaries for estimation into the model. • High grade cutting has not been used. However, QG did use a "restrictive" approach to mitigate over-smoothing of high or low grades throughout the Outcamp 2 and 4 estimates. • Validation is completed visually by assessing sections and plans looking at estimated grades and comparing to drill hole composite input. Mean grades are also calculated on a domain basis for both the composites and the estimate, and trend analyses are completed for easting, northing and elevation to assess the average grades for both the composites and the model output. Project to date reconciliations are within acceptable limits considering the nature and style of the deposit.

Criteria	JORC Code Explanation	Commentary
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	• Tonnages are estimated on a dry tonnes basis.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	• The DSO is interpreted inside a 55% Fe boundary. The CID domain is interpreted inside a 45% Fe boundary.
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	No assumptions on mining method were made. Mining commenced in November 2010 using surface mining units and a conventional load and haul fleet of mobile equipment.
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	• A standard crushing and screening operation was assumed for the DSO Mineral Resource Estimate, and operations commenced in November 2010.
Environmen-tal factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	• No tailings are produced during the crushing and screening of the DSO material. Waste material is inert.

Criteria	JORC Code Explanation	Commentary
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	• A bulk density of 2.80-2.84t/m^3 was assigned to the CID mineralisation based upon the results of 91 core samples. The bulk density was calculated using the caliper method where the length of core was measured and numerous caliper measurements were recorded for the diameter. The core was dried in an oven before being weighed and divided by the calculated volume.
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	• Mineral Resources have been classified into Measured, Indicated and Inferred categories based on drill hole spacing, sample interval, geological interpretation and representivity of all available assay data. • The Outcamp 2 and Outcamp 4 mesas have been drilled on spacings of predominantly 25m by 25m, with some sections closed in to 12.5m by 25m. • Measured Mineral Resources are classed as such where the drill spacing supports both geological and grade continuity, and with a confidence level sufficient to allow the application of Modifying Factors to support detailed mine planning. • Areas of the Outcamp 4 deposit that was classified as Indicated Mineral Resource were done so on a basis that the drill spacing was adequate to assume continuity to the geological and mineralisation models, while the areas of Outcamp 4 which were classified as Inferred Mineral Resource where the drill spacing identified a lack of continuity in the mineralisation and geology models. • The Mineral Resource Estimate classification appropriately reflects the Competent Person's view of the deposit.
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	• Initial Mineral Resource Estimates for Outcamp 2 and Outcamp 4 were completed by Golder Associates in 2009. An updated grade control estimate of Outcamp 2 was completed by QG in 2012, and the latest estimates were also completed by QG.

Criteria	JORC Code Explanation	Commentary
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	• The Mineral Resource Estimate is considered robust in light of current production reconciliation data and standard geostatistical estimation methods. • The Mineral Resource Estimate is a global assessment of the NJV. • The accuracy and confidence limits are based on the cut-off grade analysis employed in the technical evaluation and from reconciliation of current production data. The limits are considered appropriate.

SECTION 4 ESTIMATION AND REPORTING OF ORE RESERVES

(Criteria listed in section 1, and where relevant in section 2 and 3, also apply to this section.)

Criteria	JORC Code Explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• *Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.* • *Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.*	• The Mineral Resource estimate as at 30 June 2014 was used for the conversion of a portion of the Mineral Resource to Ore Reserve status. • The Mineral Resource estimate reported is inclusive of the Ore Reserves.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• The Competent Persons for this Mineral Resource and Ore Reserve Statement are full-time employees of BC Iron Limited and visit the site on a regular basis.
Study status	• *The type and level of study undertaken to enable Mineral Resources to be converted to Ore* • *Reserves.* • *The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.*	• A Definitive Feasibility Study was completed in 2008, prior to the commencement of mining operations. This study reported an Ore Reserve in accordance with the JORC (2004) guidelines. Since the commencement of mining operations in November 2010 production data has been reconciled on a monthly basis to inform and update the physical and economic models which are used as the basis for this reporting in accordance with JORC (2012) guidelines.
Cut-off parameters	• *The basis of the cut-off grade(s) or quality parameters applied.*	• Cut-off grades and quality parameters were derived and applied after consideration of recoveries and costs associated with mining, processing, site administration, transport, marketing agreements (including penalty costs), and royalties. • To achieve a target product head grade of 57% Fe and 2% Al_2O_3, two cut-off grades were applied, with DSO characterised as being both >55% Fe and <3% Al_2O_3. Stockpiling of material in the 55-57% Fe grade range is periodically employed to accommodate local geological variability and is used for on-site blending. • Low grade material considered suitable as feed for beneficiated shipping ore ("BSO") has an iron grade between 50-55% Fe.
Mining factors or assumptions	• *The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).*	• The Mineral Resources were partially converted to Ore Reserves from spatial pit optimisations and subsequent detailed pit designs which form the basis for the current operations.

Criteria	JORC Code Explanation	Commentary
	• *The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.* • *The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling.* • *The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).* • *The mining dilution factors used.* • *The mining recovery factors used.* • *Any minimum mining widths used.* • *The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.* • *The infrastructure requirements of the selected mining methods.*	• The Nullagine CIDs are situated at the top of mesa structures, with waste to ore ratios that are moderate to low (average 1.6:1 for the remaining life of mine, based on DSO only). Further to a technical and economic evaluation, direct excavation with rock cutting technology (surface miners) was chosen as the preferred mining method. This mining method has been employed since operations commenced in November 2010 and is considered appropriate to the geometry and style of mineralisation. • A geotechnical study was undertaken as part of the Definitive Feasibility Study. The study recommended an overall pit slope design of 45° on each mesa based on rock mass quality and defect orientation. This recommendation was incorporated in the detailed pit designs which are used at the operations. A 10% gradient on pit access ramps and internal pit ramps is used. • Grade control drilling is undertaken on 25m X 25m spacing with a vertical interval of one metre or less, which is considered appropriate for the geometry and style of mineralisation and the mining equipment used. In areas where reconciliations have indicated higher proportions of clay, tighter grade control drilling to a spacing nominally of 10m by 10m has been identified as being required. • The use of surface miners allows selective mining resulting in minimal dilution from the edges of the orebody. Dilution used in the Ore Reserve estimate is based on sub-55% Fe ore within the geologically modelled ore zone. The dilution varies from mesa to mesa with total mining dilution accounting for 10% of the DSO Ore Reserve estimate. • Mining recovery factors were determined from historical reconciliation numbers. The estimate reflects mining recoveries decreasing for mesas approaching depletion. The average mining recovery used for the DSO Ore Reserve estimate was 92%. • Minimum mining width used during operations is 3.5m based on machine width (Wirtgen) and drum width (Vermeer), and minimum bench width is 20m to cater for safe and efficient load and haul activities. • Inferred Mineral Resources are not included in the Ore Reserves. However, it should be noted that significant inferred material is contained within the current pit designs. That inferred material is estimated as 3.3Mt @ 56.98% Fe, 2.15% Al_2O_3, 3.20% SiO_2, 0.02% P, 0.01% S and 11.96% LOI.

Criteria	JORC Code Explanation	Commentary
		• The existing site infrastructure caters for the current mining method. The construction of internal haul roads will be required as the operation decentralises.
Metallurgical factors or assumptions	• *The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.* • *Whether the metallurgical process is well-tested technology or novel in nature.* • *The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.* • *Any assumptions or allowances made for deleterious elements.* • *The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.* • *For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?*	• Bulk sampling and metallurgical test work was undertaken as part of the Definitive Feasibility Study prior to production. This identified simple geometallurgical domaining. These domains were used for technical marketing and production planning. Production data to date suggests that the geometallurgical domaining is appropriate for the nature and style of mineralisation. In-pit sampling of surface miner milled material is ongoing. • For DSO material, a dry crushing and screening process is being utilised at the NJV, which was selected based on bulk sampling and metallurgical test work undertaken as part of the feasibility study. This is considered well-tested standard industry practice considering the nature and quality of the mineralisation. • DSO is crushed and screened through one fixed and two mobile plants to produce an all in sub 10mm fines product. Sampling and assaying is performed on crushed product from each plant. • The fixed plant has the capacity to crush and screen approximately 4.5Mt per annum whilst the two mobile plants each have the capacity to process approximately 2Mt per annum. Combined capacity is in excess of the 6Mt shipping guidance allowing for the growth of product stocks and also capability to switch on and off satellite mobile crushers as the required. • Approx. 50% of ore material is at product size after surface mining (i.e. passing 10mm sizing). Oversize from mesa edge mining methods (excavator cutting/rock breaking and surface mining) is handled by jaw crushers located at the front end of the crushing & screening plants. • A beneficiation trial has been completed to determine the potential to upgrade below specification material to BSO for blending with DSO. The trial utilised a dry crushing and screening process, where natural fines of less than 1mm were screened off using a piano wire screen. • Results showed that geologically modelled low grade material (50-55% Fe) could be upgraded to BSO with a 40% mass recovery to be used as a blendable product. Beneficiated ore is allocated to the Probable category.

Criteria	JORC Code Explanation	Commentary
		• Low grade material considered as feed material for the BSO Ore Reserve was won from within current planned pits and existing stockpiles. Further assessment of low grade material just outside planned pits and within regional mesas is ongoing. • Recovery factors used in the calculation of BSO product quantities were derived from the Beneficiation Study completed in the March quarter 2014. Resultant grades of iron and deleterious elements within the BSO product were derived from regressions determined during the Beneficiation Study.
Environmental	• *The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.*	• Mining approval, permitting and licensing were granted prior to the commencement of current operations. The applications and submissions relating to these permissions include environmental baseline surveys and impact assessments. A dedicated environmental department comprised of full-time employees of BC Iron undertake regular environmental monitoring and ensure all clearing and works permits are in place for new areas of disturbance.
Infrastructure	• *The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.*	• Current operations form part of the NJV (75% BC Iron, 25% Fortescue). The NJV includes an agreement signed with the Fortescue to allow the NJV to utilise Fortescue's infrastructure at Christmas Creek approximately 60km south of the mine, to rail its ore to Port Hedland for shipping. Infrastructure allocation is currently 6Mtpa (with 4.5Mtpa attributable to BC Iron).Existing onsite infrastructure (including accommodation village, fixed plant and haul roads) supports the current operation.

Criteria	JORC Code Explanation	Commentary
Costs	• *The derivation of, or assumptions made, regarding projected capital costs in the study.* • *The methodology used to estimate operating costs.* • *Allowances made for the content of deleterious elements.* • *The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co-products.* • *The source of exchange rates used in the study.* • *Derivation of transportation charges.* • *The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.* • *The allowances made for royalties payable, both Government and private.*	• Initial operating cost estimates were derived from first principles and formal tenders received from a range of third party suppliers. Cost estimates continue to be updated as new projects utilising competitive tenders are put to market. • Full allowance was made for product quality risk based on metallurgical test work and technical marketing. • Metal price and foreign exchange assumptions were based on the analysis of independent forecasts from a range of third party providers. • Transport costs were based on derived from formal tenders received from a range of third party suppliers and the infrastructure agreement signed as part of the NJV. • Full allowance was made for all Government and private royalties' payable. • Production cost data from the existing operation is monitored and reconciled on a monthly basis to ensure the project remains on budget.
Revenue factors	• *The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.* • *he derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.*	• All revenue factor assumptions are based on inputs from the current production plan, pricing received under the NJV and from other third party agreements which include penalty rates and payability factors. • Metal / product price and foreign exchange assumptions are based on the analysis of independent forecasts and ongoing in-house forecasting (allowing for acceptable risk).
Market assessment	• *The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.* • *A customer and competitor analysis along with the identification of likely market windows for the product.* • *Price and volume forecasts and the basis for these forecasts.* • *For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.*	• In-house and independent analysis of future commodity markets is undertaken on a periodic basis. • Studies to date, together with product volume and quality information / reconciliation from the current operation suggest that, at the time of reporting extraction could be reasonably justified for the life of the current mining plan. • The NJV product is named 'Bonnie Fines'. Bonnie Fines is marketed by Fortescue and continues to be well received by the market.

Criteria	JORC Code Explanation	Commentary
Economic	• *The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.* • *NPV ranges and sensitivity to variations in the significant assumptions and inputs.*	• Economic inputs to the Definitive Feasibility Study were based on fixed and variable cost pricing with relevant revenue assumptions. As operations have commenced, the economic model is updated on a regular basis for planning and reporting purposes and considers depreciation and inflation rates and tax calculations based on current accounting standards.
Social	• *The status of agreements with key stakeholders and matters leading to social licence to operate.*	• Contractual agreements with all key stakeholders are in place and active. Operations commenced in November 2010. These agreements include a mining agreement with the Palyku people and an infrastructure agreement with the Nyiaparli people.
Other	• *To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:* • *Any identified material naturally occurring risks.* • *The status of material legal agreements and marketing arrangements.* • *The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.*	• Operations commenced in November 2010. As part of the Definitive Feasibility Study and subsequent project financing, a risk register was developed to identify and control project risk (naturally occurring and otherwise). • All material legal, marketing and governmental approvals and arrangements are in place and current for the existing operations.
Classification	• *The basis for the classification of the Ore Reserves into varying confidence categories.* • *Whether the result appropriately reflects the Competent Person's view of the deposit.* • *The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).*	• The Ore Reserve classification is considered appropriate given the nature of the deposit, geological confidence, economic modelling and significant production reconciliation data. The Ore reserve classification appropriately reflects the Competent Person's view of the deposit. • None of the Probable Ore Reserve is derived from Measured Resources.

Criteria	JORC Code Explanation	Commentary
Audits or reviews	• *The results of any audits or reviews of Ore Reserve estimates.*	• A review of the initial Ore Reserve (prior to the commencement of operations) was undertaken by Coffey Mining in 2009. • No formal independent audit of the current Ore Reserves has been undertaken, however a number of internal reviews and audits have been undertaken.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.* • *It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	• The Ore Reserve estimate is considered robust in light of current production reconciliation data and estimation methods. No statistical analysis procedures have been applied. • The Ore Reserve report is a global assessment of the NJV based on the contracted infrastructure agreement with Fortescue (life of mine contract). • The accuracy and confidence limits are based on the current mine design and cut-off grade analysis employed in the technical and economic evaluation. The limits are considered robust and appropriate. • This DSO Ore Reserve estimate has been compared with production data. Those comparisons have resulted in the DSO mining recoveries in the Outcamp 2, Warrigal 3 & Warrigal 4 mesas being reduced to 80%, 65% & 65% respectively. These discrete areas have been identified as containing higher proportions of clay material.
Mineral Resource estimate for conversion to Ore Reserves	• *Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.* • *Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.*	• The Mineral Resource Estimate as at 30 June 2014 was used for the conversion of a portion of the Mineral Resource to Ore Reserve status. • The Mineral Resource Estimate reported is inclusive of the Ore Reserves.