

VARIATION TO THE IRON VALLEY AGREEMENT

HIGHLIGHTS

- **Iron Valley Agreement with Mineral Resources varied to facilitate evaluation and implementation of certain initiatives aimed at improving the financial robustness and long term viability of Iron Valley**
- **Mineral Resources to continue operating Iron Valley as a DSO mine while this work occurs, providing an ongoing earnings stream to BC Iron**

BC Iron Limited (ASX: BCI) (“BC Iron” or the “Company”) advises that it has agreed with Mineral Resources Limited (“MIN”) to vary the terms of the existing Iron Valley iron ore sale agreement (“Iron Valley Agreement”).

The Iron Valley Agreement was entered into by MIN and Iron Ore Holdings Limited (recently acquired by BC Iron) on 28 February 2013. At the time, it was envisaged that Iron Valley would be developed and operated by MIN as a direct shipping ore (“DSO”) operation. MIN has developed Iron Valley in line with this strategy and commenced production in the September 2014 quarter, followed by the commencement of road haulage and shipping in the December 2014 quarter.

In light of current market conditions, MIN and BC Iron have been collaboratively exploring a range of potential initiatives both at the mine and within the mine to port logistics supply chain. These initiatives were not contemplated at the time the Iron Valley Agreement was entered into, but are seen as necessary to reduce the costs of production at Iron Valley and improve the saleability and value of its product. They will significantly enhance the long term viability of the Iron Valley operation in a lower iron ore price environment, and potentially bring forward iron ore sale payments to BC Iron through increased production rates.

If approved, development of the initiatives will require MIN to sole fund additional capital, and the parties have varied the terms of the Iron Valley Agreement to facilitate this and also provide certainty to the parties.

MIN expects to make a final investment decision on these initiatives by April 2015 and in the interim period MIN will continue to operate Iron Valley as a DSO operation. During this period, and assuming FOB received prices of A\$70-\$110/t and production rates of 3-5 Mtpa, the annual EBITDA that could flow to BC Iron is between approximately \$2 million and \$24 million. Further, the agreements continue to be structured such that BC Iron cannot incur losses from the operation of the Iron Valley mine.

Further guidance on potential earnings that could flow to BC Iron post implementation of the initiatives will be provided at the relevant time.

The key principles of the original Iron Valley Agreement remain in effect, and should the initiatives not progress, the parties will revert to the original Iron Valley Agreement with some minor amendments.

BC Iron Managing Director, Morgan Ball, said: *“We are pleased to agree this variation with Mineral Resources, which ensures BC Iron continues to generate an earnings stream from Iron Valley in the current environment and facilitates Mineral Resources investing further capital to develop Iron Valley into a robust, long term operation. This is clearly an outcome which benefits both companies.*

“We have a strong working relationship with Mineral Resources and look forward to them applying their significant expertise in progressing the Iron Valley initiatives.”

- ENDS -

FOR FURTHER INFORMATION:

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ABOUT BC IRON LIMITED

BC Iron is an iron ore mining and development company with key assets in the Pilbara region of Western Australia, including the Nullagine Joint Venture (NJV), Buckland and Iron Valley. BC Iron is listed on the ASX under the code 'BCI' and is a member of the S&P/ASX 200 Index.

The NJV is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited, which commenced exports in February 2011. The NJV utilises Fortescue's infrastructure at Christmas Creek, 50km south of the Nullagine mine, to rail up to 6Mtpa of ore to Port Hedland from where it is shipped directly to customers overseas.

Buckland is a development project located in the West Pilbara region. It has Ore Reserves of 134.3 Mt at 57.6% Fe, a completed and announced feasibility study, its own proposed infrastructure solution comprising a haul road and transshipment port at Cape Preston East, and all primary tenure and licences secured. BC Iron is currently evaluating all options to determine the optimal development and financing path for Buckland.

Iron Valley is a mine with Ore Reserves of 134.7 Mt at 58.5% Fe that was developed and is being operated by Mineral Resources Limited under an iron ore sale agreement.

BC Iron also has an interest in a number of other earlier stage projects in the Pilbara, royalties over the Koodaideri South and North Marillana tenements, and is earning into two greenfields exploration projects in Brazil via a 50:50 alliance with Cleveland Mining Company Limited.

KEY STATISTICS

Shares on Issue:	196.2 million	
Board:	Tony Kiernan	Chairman and Non-Executive Director
	Morgan Ball	Managing Director
	Andy Haslam	Non-Executive Director
	Brian O'Donnell	Non-Executive Director
	Terry Ransted	Non-Executive Director
	Anthea Bird	Company Secretary
	Hayley McNamara	Company Secretary
Major Shareholders:	Wroxby Pty Ltd	19.0%

Website: www.bcion.com.au