



NULLAGINE JOINT VENTURE TEMPORARILY SUSPENDS DSO OPERATIONS

- **Nullagine Joint Venture to temporarily suspend production of DSO pending market conditions**
- **Potential for ongoing low grade operation being assessed, including a trial mine gate sale arrangement with Fortescue**
- **Iron Valley operation and Buckland project unaffected**
- **Expected cash position as at 31 December 2015 of A\$42-47M (before payment of any further suspension-related costs), with debt of US\$1.5M and a staged royalty repayment obligation of A\$9M**

BC Iron Limited (ASX:BCI) ("BC Iron" or "the Company") advises that due to the ongoing and material fall in iron ore price, the decision has been made to temporarily suspend the production of Direct Shipping Ore ("DSO") at the Nullagine Joint Venture ("NJV") operation. The NJV is a joint venture between BC Iron (75%) and Fortescue Metals Group Limited ("Fortescue", 25%).

The Company remains in a net cash position and its other iron ore projects, namely Iron Valley (operated by Mineral Resources Limited) and the Buckland mine and port development project in the West Pilbara, remain unaffected.

Temporary Suspension of DSO Operations

Despite achieving material cost reductions at the NJV, including co-operatively re-negotiating the rail and port tariff with Fortescue, the continued decline of the iron ore price, in particular the sharp drop in the last two weeks, has resulted in an iron price and outlook whereby the BC Iron Board believes it is not in the best interests of the Company's shareholders for the NJV to continue to operate in its current form.

The suspension of DSO operations at the NJV will occur progressively over December 2015 and January 2016, with DSO exports expected to be completed during January 2016. The suspension will be managed such that if the BC Iron Board and Fortescue decide there is an appropriate change in external market conditions in the future, then DSO operations will be able to be efficiently recommenced.

The NJV has a significant stockpile of mined low grade ore (approximately 11 million wet metric tonnes) and it is currently assessing its options in relation to this stockpile. The NJV has agreed to undertake a trial whereby an unprocessed parcel of low grade ore will be sold to Fortescue at Christmas Creek under a mine gate sale arrangement. Subject to the outcome of this trial, the NJV could continue to operate at a reduced rate and sell part of the low grade stockpile to Fortescue on an ongoing basis. A decision on this alternative is expected by the end of the month.

BC Iron Managing Director, Morgan Ball said, "*Whilst this has been a difficult decision for the Board, we have consistently advised that our primary focus at BC Iron is to create value for our shareholders. BC Iron is a price taker and unfortunately, despite the commitment and achievements of all BC Iron staff and contractors to successfully reduce our cost base, the iron ore market is such that we have had to make this decision.*"

"I would like to thank our joint venture partner, Fortescue, for their strong contribution to the success of the NJV over the last 5 years of operations and also the Western Australian Government for its willingness to work with and support the resources industry.

"Most importantly, I thank all of our committed employees and contractors who have worked so hard to build the NJV to a 6Mtpa operation and worked even harder again during the last 18 months to maintain BC Iron's competitive position in a very challenging market."

BC Iron Outlook and Cash Position

FY16 guidance for the NJV is under review pending a decision on an ongoing low grade operation.

BC Iron advises that its cash balance as at 31 December 2015 is expected to be A\$42-47 million (subject to timing of sales receipts for December 2015 exports). The change compared to the 30 September 2015 cash balance of A\$71.8 million is due to:

- The impact of the falling iron ore price on BC Iron's sales prices, including finalisation of sales prices for previous shipments;
- Reduced NJV shipments for the December 2015 quarter, due to an anticipated short term increase in strip ratio and transition to a new road haulage contractor;
- Payment of creditors in early October 2015 (including the quarterly payments for royalties and marketing), in line with the Company's normal working capital cycle; and
- An expected US\$3.5 million repayment of the debt facility with offtake partner, Henghou, following which US\$1.5 million will remain outstanding (repayable in October 2016).

Further costs associated with the temporary suspension of DSO operations will be incurred in 2016, including a net working capital outflow as final creditors are paid, contractor demobilisation costs, staff-related costs and the staged repayment of rebated royalties to the State Government of Western Australia. Repayment of the royalty obligation is currently scheduled to occur in seven quarterly instalments commencing on 31 March 2016. The other costs referred to above are still being quantified.

BC Iron will continue to support Iron Valley partner, Mineral Resources Limited, in its ongoing operation of the mine and assessment of value-enhancing processing and transport initiatives. BC Iron will also continue to progress the Buckland Project in the West Pilbara, which includes a potential port at Cape Preston East.

"Importantly, in making the temporary suspension decision now, BC Iron will have options going forward. With no material debt on the balance sheet and ongoing cash flow from our Iron Valley operation, we will assess the potential to run a low grade operation at the NJV and continue to appropriately progress the potential for the Buckland / Cape Preston East port project in the West Pilbara." Mr Ball said.

Regrettably, the decision to suspend DSO operations at the NJV will impact the Company's employees, however this will be considered based on the outcome of the trial low grade operation at the NJV. BC Iron directly employs approximately 30 employees and indirectly 200 contractors at its NJV operation and a further 30 employees at its head office.

The Company will provide a further update on these matters in due course.

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FOR FURTHER INFORMATION:

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ABOUT BC IRON LIMITED

BC Iron is an iron ore mining and development company with assets in the Pilbara region of Western Australia, including the Nullagine Joint Venture (“NJV”), Iron Valley and Buckland. BC Iron is listed on the ASX under the code ‘BCI’.

The NJV is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited (“Fortescue”), which commenced exports in February 2011. The NJV has the capacity to rail and export up to 6Mtpa of ore on Fortescue’s infrastructure. Direct shipping ore operations at the NJV are currently being suspended due to market conditions, with the potential for an ongoing low grade operation being assessed.

Iron Valley is a mine located in the Central Pilbara that is operated by Mineral Resources Limited (“MIN”) under an iron ore sale agreement. MIN operates the mine at its cost and purchases Iron Valley product from BC Iron at a price linked to MIN’s realised sale price. MIN is currently evaluating a range of initiatives that have the potential to improve the long term viability of Iron Valley and its value to both parties.

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.

BC Iron also has an interest in a number of other exploration stage projects in the Pilbara and potential royalties over the Koodaideri South and North Marillana tenements.

KEY STATISTICS

Shares on issue:	196.2 million	
Cash and cash equivalents:	A\$71.8 million	as at 30 September 2015
Board:	Tony Kiernan	Chairman and Non-Executive Director
	Morgan Ball	Managing Director
	Martin Bryant	Non-Executive Director
	Andy Haslam	Non-Executive Director
	Brian O’Donnell	Non-Executive Director
	Hayley McNamara	Company Secretary
Major shareholders:	Wroxby Pty Ltd	19.0%

Website: www.bcion.com.au