ASX RELEASE – 28 JANUARY 2016

DECEMBER 2015 QUARTERLY ACTIVITIES REPORT

- **Temporary suspension of DSO operations at the NJV announced in December 2015**
- **NJV shipments and costs for the quarter impacted by changeover to new haulage contractor**
- **0.87M wmt of *Bonnie Fines* shipped from the NJV (BC Iron share 0.70M wmt)**
- **NJV C1 cash costs of A$54/wmt (FOB) and BC Iron all-in cash costs[1] of A$59/wmt (FOB)**
- **Realised CFR price of US$37/dmt (A$52/dmt) from average CFR 62% Fe price of US$47/dmt**
- **Iron Valley EBITDA of A$2.5M from shipments of 1.72M wmt**
- **Initial Buckland optimisation studies completed with outcomes including an expected capital and operating cost reduction to be announced during the March 2016 quarter**
- **Cash balance of A$42.9M**

BC Iron Limited (ASX: BCI) ('BC Iron' or the 'Company') presents shareholders with its quarterly activities report for the period ended 31 December 2015.

In December 2015, BC Iron announced that the Nullagine Joint Venture ('NJV') would temporarily suspend direct shipping ore ('DSO') operations due to low iron ore prices. The decision was made by NJV partners, BC Iron (75%) and Fortescue Metals Group Limited ('Fortescue') (25%), despite material cost reductions being achieved, including a variation of the rail and port tariff which varies with iron ore prices.

During the quarter, the NJV shipped 0.87M wet metric tonnes ('wmt') of *Bonnie Fines* (BC Iron share: 0.70M wmt). This was two shipments below expectations due primarily to the changeover of road haulage contractor in the quarter and a slower than expected ramp-up by the new contractor. The reduced shipped tonnes also impacted costs with NJV C1 cash costs of A$54/wmt (FOB) and BC Iron all-in cash costs[1] of A$59/wmt (FOB).

Following the decision to temporarily suspend DSO operations at the NJV, operational focus has been on achieving the final DSO tonnages for shipment. However, the NJV continues to assess options in relation to its 11.1M wmt stockpile of low grade iron ore. The trial to sell an unprocessed parcel of low grade ore to Fortescue at Christmas Creek under a mine gate sale arrangement is now expected to be completed in February 2016.

Managing Director Morgan Ball said, *"The decision to suspend DSO operations at Nullagine was an extremely difficult one but the right one for our shareholders. We will continue to assess alternative operating models for Nullagine, such as the potential low grade operation, and also ensure we are well placed to restart DSO operations if there is a sustained price recovery or if further cost savings are identified."*

At Iron Valley, 1.72M wmt was shipped by operating partner Mineral Resources Limited ('MIN'), generating an EBITDA for BC Iron of A$2.5M with negligible prior period adjustments. MIN continues to progress the beneficiation and bulk ore transport system ('BOTS') initiatives that have the potential to improve the economics at Iron Valley for both BC Iron and MIN.

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[1]BC Iron all-in cash costs include NJV C1 cash costs plus royalties, marketing, exploration and evaluation expenses and corporate costs.

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Listed: 15 December 2006

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Improvements to the Buckland Project continued with road haulage optimisation studies and a partial re-pricing of capital and operating costs completed. BC Iron is also finalising preliminary cost estimates for an expanded road and port operation that makes use of the full 20 Mtpa port capacity contemplated in the Company's port lease agreement. Results of these activities will be announced during the March 2016 quarter.

"We are starting to see material improvements from our ongoing assessment work at Buckland," said Mr Ball. *"We expect the results of this work will enhance the viability of a standalone development through reduced costs and also indicate that our road and port infrastructure has the potential to be a low capital intensity project with a very competitive operating solution for third parties*."

BC Iron entered into a term sheet with the Australian Premium Iron Joint Venture ('API') in relation to co-operating around the mining of the parties' contiguous Bungaroo South and Buckland Hills deposits.

1. NULLAGINE JOINT VENTURE ('NJV')

BC Iron Nullagine Pty Ltd, a wholly owned subsidiary of BC Iron, is the operator and manager of the NJV, a 75:25 unincorporated joint venture with Fortescue Metals Group Limited ('Fortescue'). The project is located approximately 140km north of Newman in the East Pilbara region of Western Australia.

Operations

Key operational statistics for the quarter were as follows (Tables 1 and 2):

TABLE 1: ORE PRODUCTION, HAULAGE & SHIPPING

	Dec Quarter 2015 (Mt)	Sep Quarter 2015 (Mt)	Variance Q-o-Q (%)	Dec Quarter 2014 (Mt)	Variance Y-o-Y (%)	FY16 YTD (Mt)
Ore Mined (dry)	0.97	1.21	(19)%	1.69	(42)%	2.18
Produced (wet)	1.14	1.32	(13)%	1.42	(19)%	2.47
Hauled (wet)	0.88	1.41	(38)%	1.43	(38)%	2.28
Railed (wet)	0.87	1.44	(40)%	1.37	(36)%	2.31
Shipped (wet)	0.87	1.40	(38)%	1.38	(37)%	2.27

TABLE 2: STOCKPILE INVENTORY

	Dec Quarter 2015 (kt wet)	Sep Quarter 2015 (kt wet)
ROM Ore[1]	110	231
Site Product	235	36
RLF Product[2]	36	70
Port Product	70	70
Low-grade Ore	11,120	11,180

Notes:

1. Run of Mine ('ROM')
2. Christmas Creek Rail Loadout Facility ('RLF')

In December 2015, BC Iron announced that the NJV would temporarily suspend DSO operations due to low iron ore prices. The NJV is assessing options for its existing low grade stockpile of approximately 11.1M wmt. A trial to haul low grade to Christmas Creek and sell it to Fortescue under a mine gate sale arrangement will be undertaken during the March 2016 quarter. If successful, the NJV may continue to operate and sell part of this low grade stockpile to Fortescue on an ongoing basis.

The NJV mined 0.97M dmt of DSO and produced 1.14M wmt of Bonnie Fines. Waste to ore ratios increased to 1.6:1 for the quarter (September 2015 quarter: 1.0:1) as mining took place in a part of the mine plan that was expected to have higher levels of waste. Following the decision to temporarily suspend DSO operations at the NJV, mining and crushing activities were completed in mid-January 2016 and Viento Contracting Services Pty Ltd is demobilising from site.

Road haulage takes place via a private 60km bitumen haul road from the NJV mine site to Fortescue's Christmas Creek RLF. During the Quarter, the NJV awarded a new road haulage contract to Qube Bulk Pty Ltd ('Qube'), who commenced operations on 1 December 2015. Qube's ramp-up was slower than expected, which impacted the overall December 2015 quarter tonnage of 0.88M wmt hauled. However, road haulage is now running at expected operational rates and haulage of *Bonnie Fines* is scheduled to be completed in late January 2016. Following this, Qube will commence hauling low grade material to Christmas Creek as part of the mine gate sale trial.

The Pilbara Infrastructure Pty Ltd ('TPI'), a wholly owned subsidiary of Fortescue, provides contract rail haulage and port services to the NJV. In October 2015, the NJV and TPI agreed to a three-month trial (1 November 2015 to 31 January 2016) to vary the rail and port tariff according to iron ore prices, such that it is below the existing tariff at iron ore prices below US$56/dmt CFR and above the existing tariff at prices above US$56/dmt CFR.[2]

During the quarter, 0.87M wmt was railed from the Christmas Creek RLF to Port Hedland and 0.87M wmt of *Bonnie Fines* product was shipped on five capesize vessels. This was two shipments below expectations due to the road haulage contractor changeover and slower than expected ramp-up by the new contractor. BC Iron's share of tonnes shipped for the quarter was 0.70M wmt or 80% of the NJV total. BC Iron's share of sales since increasing its NJV interest to 75% in January 2013 is 75%.

Occupational Health & Safety

No lost time injuries were recorded during the quarter. As at 31 December 2015, the rolling 12 month lost time injury frequency rate was 3.9. This is a slight increase compared to 30 September 2015 (3.4), because man-hours reduced in the rolling 12 month period while the number of lost time injuries remained the same.

[2] Tariff varies according to FOB prices. CFR price of US$56/dmt assumes a freight rate of US$5.1/wmt. Refer ASX announcement dated 26 October 2015.

Marketing

The iron ore price steadily declined during the quarter, reaching a new low price of US$38.50/dmt in mid-December 2015. Overall, the CFR China 62% Fe price averaged US$47/dmt for the quarter, down from US$55/dmt in the September 2015 quarter.

The average CFR sales price achieved for BC Iron's share of *Bonnie Fines* was US$37/dmt or A$52/dmt, which includes minor prior period and hedging adjustments.

Operating Costs

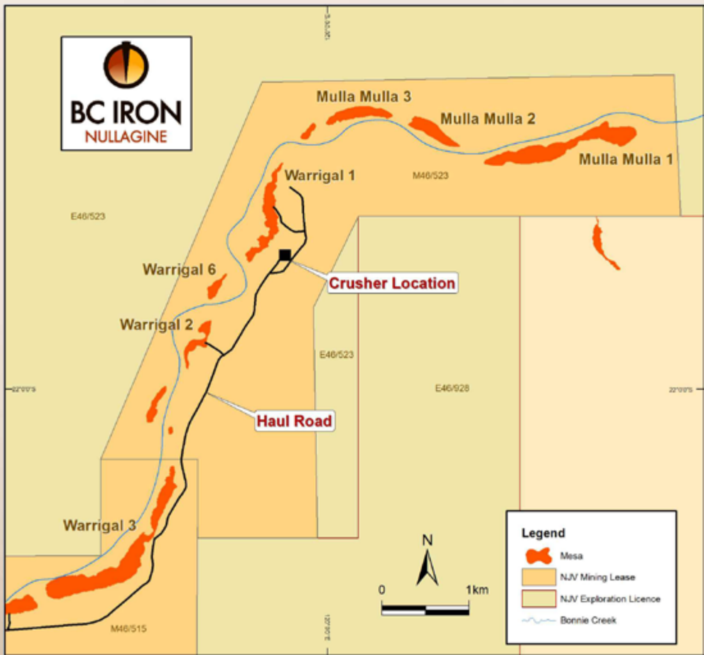
NJV C1 cash costs for the December 2015 quarter were approximately A$54/wmt (FOB) and BC Iron all-in cash costs were approximately A$59/wmt (FOB). This is an increase compared to September 2015 quarter costs of A$44/wmt (FOB) and A$52/wmt (FOB) respectively, primarily as a result of reduced sales tonnages due to changeover and ramp-up issues with the new road haulage contractor. This increase was despite further material cost saving initiatives, including the trial variation to rail and port costs.

Resource Development and Exploration

BC Iron received assays for the previously completed exploration and grade control drilling at Mulla Mulla 2 & 3. Results confirmed the presence of significant iron mineralisation with good continuity and these mesas continue to have potential as satellite developments should DSO operations resume.

Exploration and grade control drilling at Mulla Mulla 1 was completed during the quarter and assays were also received. Results indicate Mulla Mulla 1 is less attractive from a potential development perspective than Mulla Mulla 2 & 3 due to a higher strip ratio.

FIGURE 1: LOCATION OF MULLA MULLA MESAS



2. IRON VALLEY PROJECT

MIN operates the Iron Valley mine under an iron ore sale agreement with BC Iron. It is currently being operated as a DSO, truck haulage operation. During the quarter, MIN shipped 1.72M wmt of Iron Valley ore, generating an EBITDA for BC Iron of A$2.5M with negligible adjustments relating to prior periods.

MIN continues to progress the beneficiation and BOTS initiatives. These initiatives offer potential upside to BC Iron in the future through increased production rates and increased received prices.

3. BUCKLAND PROJECT

Buckland is an iron ore development project located in the West Pilbara region. The base case development concept for the project includes an 8 Mtpa mine at Bungaroo South and an independent infrastructure solution comprising a private haul road and transhipment port at Cape Preston East.

BC Iron continues to work on optimising the Buckland Project. Assessment is ongoing in relation to alternative development concepts, including those utilising other transport methods and potential third party infrastructure solutions. These concepts are being assessed in conjunction with optimisation studies on the base case development concept. During the quarter, BC Iron completed road haulage optimisation studies and a partial re-pricing of feasibility study capital and operating costs. Results are still being evaluated, but BC Iron anticipates this will deliver a material reduction in costs and continue to support the base case as the most attractive option for a standalone development of the Bungaroo South deposit.

BC Iron is also finalising preliminary capital and operating cost estimates for an expanded road and port infrastructure operation that utilises the full 20 Mtpa Cape Preston East capacity contemplated in the Company's port lease agreement. This has the potential to be an attractive solution for other prospective West Pilbara iron ore producers and could also facilitate a joint operation with API's Buckland Hills deposit (which is contiguous with Bungaroo South) and/or development of BC Iron's western satellite deposits (i.e. Rabbit, Rooster and other potential deposits) in conjunction with Bungaroo South.

BC Iron anticipates announcing results of the above activities during the March 2016 quarter.

BC Iron continues to progress commercial discussions with API in relation to co-operatively mining the parties' contiguous deposits. During the quarter, a term sheet was signed and drafting of a binding agreement has commenced.

The approvals process for Cape Preston East also continues to be progressed as planned.

4. CORPORATE

Cash and Debt Position

BC Iron's cash balance was A$42.9M as at 31 December 2015. The main factors impacting cash flow from the 30 September 2015 figure of A$71.8M are:

- The impact of falling iron ore prices on BC Iron's sales prices;
- Reduced NJV shipments for the December 2015 quarter, due to an anticipated short term increase in strip ratio and transition to the new road haulage contractor;
- Payment of creditors in early October 2015 (including the quarterly payments for royalties and marketing). This was in line with the Company's normal working capital cycle, but related to a period with higher production and therefore higher absolute costs;
- A$1.8M in positive cash flow from Iron Valley, relating to the September 2015 quarter;
- Expensed exploration and evaluation expenditure in relation to the Buckland Project of A$0.9M;
- Royalty rebate of A$2.4M from the State Government as part of the iron ore royalty assistance programme; and
- A decrease of A$0.8M on cash held in US dollars, due to an appreciation of the Australian dollar.

BC Iron's debt balance as at 31 December 2015 remained at US$5M (or A$6.8M), reflecting the interest-free and security-free facility with offtake partner, Henghou. A US$3.5M repayment of this facility was made in early January 2016 and the final US$1.5M repayment is due in October 2016.

BC Iron also has an obligation to repay A$9.0M in rebated royalties to the State Government in seven equal quarterly instalments commencing on 31 March 2016.

As previously advised, BC Iron anticipates incurring further net cash outflows relating to the temporary suspension of DSO operations at the NJV during the March 2016 quarter, including a finalisation of working capital positions. However, this could be partially offset by any cash flows from an alternative NJV operating model (such as the mine gate sale of low grade stockpiles).

Impairment

BC Iron is currently reviewing the carrying value of its assets for any impairment as part of its normal period end reporting requirements for 31 December 2015. The assessment is currently ongoing and the Company will update the market as required.

Hedging

BC Iron has been hedging iron ore prices and foreign exchange rates to protect its profitability and breakeven price at the NJV. The trial variation of the TPI rail and port tariff (effective 1 November 2015 to 31 January 2016) causes the rail and port tariff to vary with the iron ore price during that period, providing a partial iron ore price hedge. Accordingly, BC Iron closed out all existing iron ore hedges upon entering into the variation and ceased further iron ore price hedging activity. Overall, BC Iron delivered into 0.26M dmt at an average CFR 62% Fe price of approximately A$71.2/dmt in respect of October 2015 and closed out 0.18M dmt of November 2015 iron ore hedges for a gain of US$0.5M.

BC Iron continued to hedge foreign exchange rates throughout the quarter. US$10.2M was hedged, which achieved an average exchange rate of 0.720. As at 31 December 2015, BC Iron had no outstanding foreign exchange rate hedges.

Watpac Dispute

The NJV participants are in dispute with Watpac Civil & Mining Pty Ltd ('Watpac'), the former mining services contractor for the NJV, with the NJV commencing legal proceedings against Watpac during the quarter. The NJV considers that during the term of the contract, Watpac breached its primary service obligations to BCIN as manager (and accordingly the NJV). The NJV believes that it has suffered losses as a consequence of those breaches, and BCIN has filed a writ of summons and statement of claim in the Supreme Court of Western Australia against Watpac seeking the recovery of damages. Watpac has also stated that it is owed various amounts from the NJV. The NJV believes that it has paid Watpac all of the money due under the terms of the contract and considers that Watpac's claims have no contractual basis or merit. As such, the NJV will be defending any claims made by Watpac.

Annual General Meeting

BC Iron's annual general meeting was held in Subiaco, Western Australia on 24 November 2015. All five resolutions considered at the meeting were passed.

- ENDS –

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Forward-looking Statements

Forward-looking statements can be identified by the use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or similar words. These statements discuss future expectations concerning the results of operations or financial condition, or provide other forward looking statements. They are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this ASX update. Readers are cautioned not to put undue reliance on forward looking statements.

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 transhipment 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 & Equivalents:	A$42.9 million	as at 31 December 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%

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