

SEPTEMBER 2017 QUARTERLY ACTIVITIES REPORT

- **Iron Valley – quarterly operations contributed A\$2.4M EBITDA to BCI from shipments of 1.5Mt. This positive result was impacted by a negative prior-quarter adjustment of A\$2.3M due to lower than forecast final prices for June-quarter shipments**
- **Buckland Project – Kumina and Cane River tenements acquired from Mineralogy Pty Ltd, which are being positioned to enhance the overall Buckland Project business case and product blend**
- **Mardie Salt Project – PFS underway following completion of a positive Scoping Study in July 2017**
- **Carnegie Potash Project – desktop studies progressed during the quarter. Section 18 approval received subsequent to the quarter allowing on-site exploration activities to proceed. Scoping Study to be fast-tracked targeting completion during Q1 CY18**
- **Increasing exploration activities at the 100% owned Black Hills, Marble Bar, Maitland and Peak Hill tenements, which are prospective for gold (paleoplacer and shear-hosted), base metals and lithium**
- **Cash balance of A\$23.6M and debt-free**

BC Iron Limited (ASX:BCI) (“BCI” or “the Company”) presents its quarterly activities report for the period ended 30 September 2017.

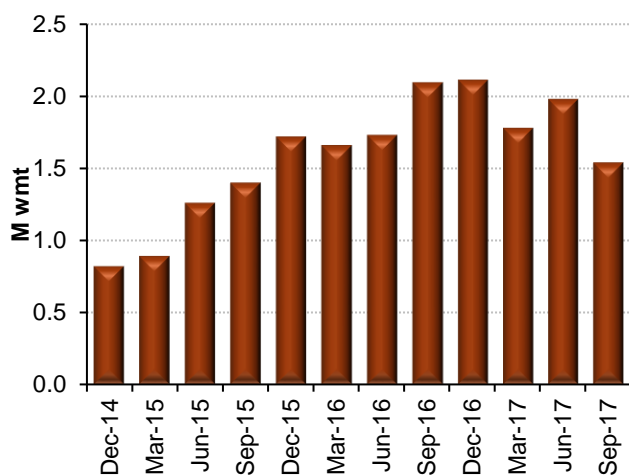
1. IRON VALLEY PROJECT

BCI’s Iron Valley EBITDA from September 2017 quarter shipments was A\$2.4M, before a negative June-quarter adjustment of A\$2.3M (mainly due to higher than previously forecast discounts for 58-60% Fe products).

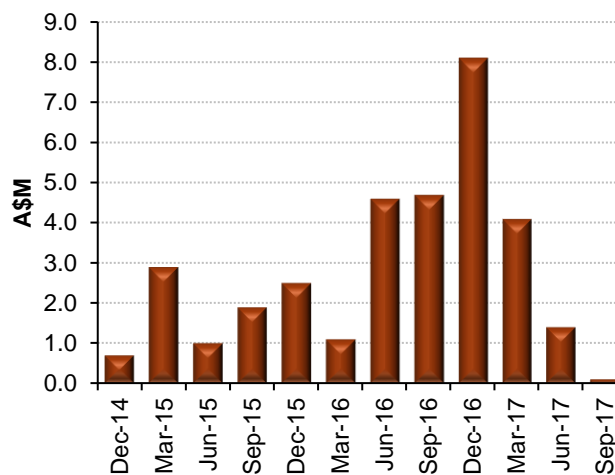
Iron Valley operator, Mineral Resources Limited (“MIN”), shipped 1.5 million wet metric tonnes (“M wmt”) during the quarter. July and August tonnages were adversely impacted by iron ore shipping constraints at Utah Point, which MIN utilises to export Iron Valley product. Shipments recovered in September, with 0.7M wmt exported for the month.

Whilst the headline CFR 62% Fe iron ore price averaged US\$71/dmt (June 2017 quarter: US\$63/dmt), it declined in the latter part of the quarter coinciding with the increased level of Iron Valley shipments at that time. Freight rates and the Australian dollar exchange rate also increased and discounts for 58-60% Fe products remained high.

Iron Valley Quarterly Shipments (M wmt)



Iron Valley Quarterly EBITDA (A\$M)



2. BUCKLAND PROJECT

Buckland is a 100% owned strategic mine-to-port iron ore development project located in the West Pilbara region. It comprises a proposed mine at Bungaroo South and an independent infrastructure solution incorporating a private haul road and transshipment port at Cape Preston East (“CPE Port”). Key approvals have been secured for the mine, road and port, including a port lease agreement with the Pilbara Ports Authority for a low capital intensity transshipment facility at CPE Port with a capacity of up to 20 Mtpa.

BCI’s current focus is on defining the optimal development concept for the Buckland Project to increase throughput rates, improve the cost structure and enhance product marketability. During the quarter, BCI took a significant step towards being able to achieve these outcomes, acquiring two West Pilbara tenement packages from Mineralogy Pty Ltd for a total of \$9M plus a FOB royalty of 2.0-3.5%.

The tenement packages, known as Kumina and Cane River, comprise more than 600km² of prospective and underexplored tenements that are within economic trucking distance of the proposed CPE Port (refer to Figure 1 below).

Kumina is one of the Pilbara’s largest underexplored tenement packages and is prospective for iron ore and other commodities. The tenements are contiguous with the Australian Premium Iron Joint Venture’s (“API”) Kumina Creek and Kumina Creek East deposits (JORC 2004 Mineral Resources of 59Mt at 57.5% Fe and 102Mt at 57.3% Fe respectively¹). Initial exploration efforts will in part focus on defining extensions of these API deposits into the BCI ground.

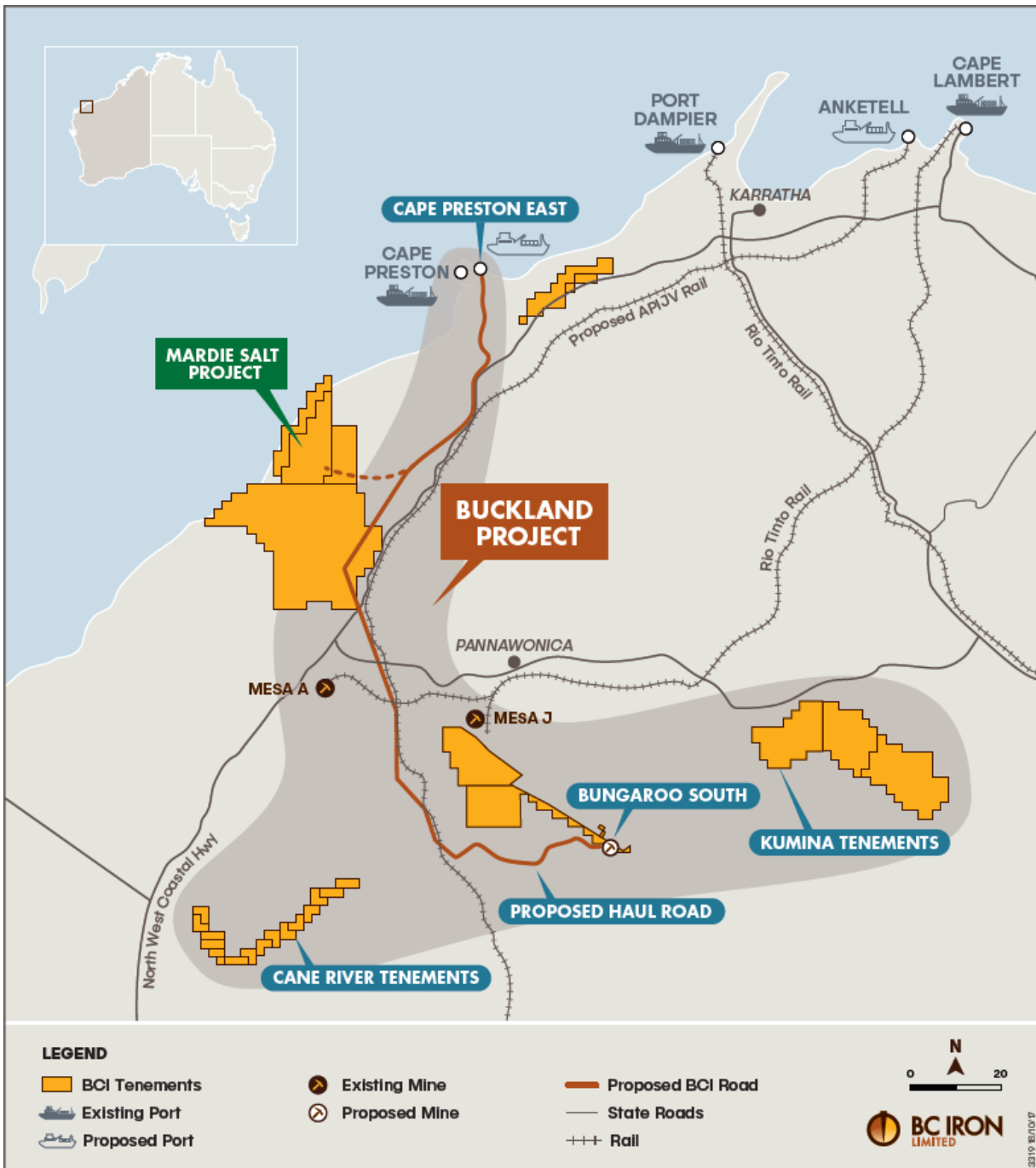
The Cane River tenements contain mapped and interpreted paleochannels which have the potential to host channel iron deposits.

BCI has elected to defer the planned Buckland bulk sample until exploration is completed to ensure a representative “Buckland Blend” bulk sample is provided to potential offtake partners for testing.

During the quarter, BCI also continued to progress additional design work and approvals for the CPE Port, including to incorporate other minerals into the port designs, including salt from the Mardie Salt Project.

¹ Refer to ASX announcements by Aquila Resources Limited dated 24 April 2009 and 31 January 2013.

Figure 1: Buckland Project Map



3 MARDIE SALT PROJECT

The Mardie tenements are located on the coast in the West Pilbara region, approximately 50km south-west of the proposed CPE Port (70km by road). The Mardie Salt Project has the potential to produce salt (NaCl) from solar evaporation of seawater.

In July 2017, BCI finalised and released a Scoping Study which demonstrated the potential technical and economic viability of a 3.0-3.5 million tonne per annum (“Mtpa”) solar evaporation operation. The Scoping Study was based on the export of salt via BCI’s proposed CPE Port, with potential project

economics over a 20-year life as follows: capital cost of A\$225-255M; operating cost of A\$19-21/t FOB; average revenue of approximately A\$45/t FOB; pre-tax NPV₁₀ of A\$290-380M; pre-tax IRR 25-27%; payback period of 5 years. Refer to BCI's ASX announcement dated 18 July 2017 for further details, including the relevant cautionary statements.

Following completion of the Scoping Study, BCI commenced a pre-feasibility study ("PFS"). Activities undertaken during the quarter included:

- Detailed environmental surveys and desktop studies to assess the potential environmental impacts of the Mardie Salt Project and inform the optimal development plan and site layout;
- Commencement of storm surge, surface hydrology and inundation modelling;
- Initial heritage surveys;
- Geotechnical site investigations, including in relation to soil permeability (infiltration testing) and availability of construction materials; and
- Planning and approvals preparation for salt export facilities at the CPE Port.

BCI is targeting completion of the PFS in the first half of 2018.

4. CARNEGIE POTASH PROJECT

The Carnegie Potash Project is an exploration project located approximately 220km north-east of Wiluna, that is prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation that produces sulphate of potash ("SOP").

BCI currently holds a 15% interest in the Carnegie Potash Project in a joint venture with ASX-listed potash development company, Kalium Lakes Limited ("Kalium"), who is the joint venture manager. BCI has rights to earn up to a 50% interest through sole-funding a further A\$10M in exploration and development expenditure.

During the quarter, Kalium continued desktop study work, completing initial geophysics studies, an environmental review and assessment of approval requirements for the project. Desktop hydrology assessments are ongoing. Kalium and BCI also continued consultation with the Wiluna People (the relevant Native Title Claim Group).

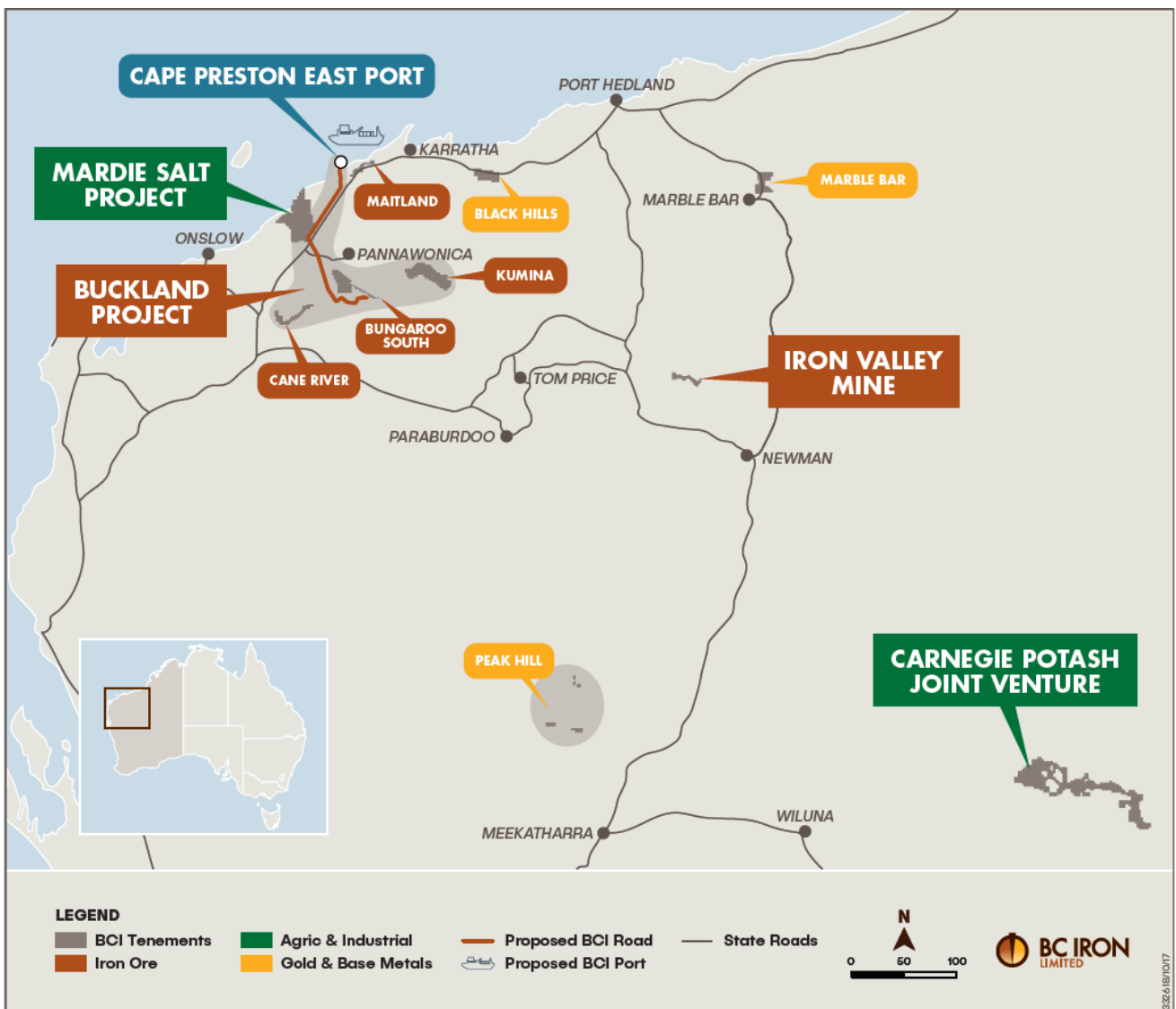
Subsequent to the quarter-end, Section 18 approval was granted by the Minister for Aboriginal Affairs, which will allow site exploration activities to proceed. BCI and Kalium plan to commence an initial exploration programme shortly and will fast-track a Scoping Study, targeting completion during the first quarter of 2018.

5. EXPLORATION TENEMENTS

BCI has a number of early stage exploration projects in the Pilbara and Murchison regions of Western Australia. Figure 2 below shows the location of the Black Hills, Maitland, Marble Bar and Peak Hill projects.

In light of recent developments in these regions and external market factors, BCI completed a review of these projects during the quarter. The review indicated these projects have potential for a range of commodities, including gold (both shear-hosted and conglomerate-hosted paleoplacer), lithium, zinc and copper. BCI has increased field activities at these projects.

Figure 2: Location of Black Hills, Maitland, Marble Bar and Peak Hill Projects



Black Hills

The Black Hills project is prospective for conglomerate-hosted paleoplacer gold as well as volcanic-hosted massive sulphide base metals (zinc and copper):

- Gold: a review of geological information in conjunction with details of recent conglomerate-hosted gold discoveries by other companies has indicated BCI’s tenements contain the formations that are prospective for such mineralisation, including conglomerates at the contact of the Fortescue Group and underlying basement. Site reconnaissance, mapping and sampling is underway to further assess potential.
- Base metals: the Black Hills tenements are along strike and to the west of the historical Whim Creek mine. An electromagnetic survey undertaken by a previous owner identified a number of interpreted sulphide conductors and drilling intersected anomalous zinc grades. Further mapping, sampling and geophysics are planned to generate targets for follow-up drilling programmes.

Maitland

The Maitland project contains a magnetite iron ore Mineral Resource of 1,106Mt at 30.4% Fe. A review of geological information has indicated the tenements also contain formations that are prospective for conglomerate gold mineralisation, including the Mt Roe Basalt and Hardey Formation. Site reconnaissance, mapping and sampling is underway to further assess potential.

Marble Bar

The Marble Bar tenements are prospective for both lithium and shear-hosted gold:

- Lithium: the Marble Bar tenements are adjacent to the historical Moolyella tin-tantalum mining area. Previous rock chip and soil sampling of pegmatites on BCI's tenements identified anomalous lithium grades. Further mapping and sampling is underway, which will inform potential future drilling programmes.
- Gold: a potential gold trend extends across the tenements between the Talga Talga (Novo Resources Corp) and Deussenberg (privately held) prospects. Anomalous gold soil and rock chip samples have been identified on BCI's tenements at an area known as Scotty Well. The style of mineralisation along this trend may have similarities with Calidus Resources' Warrawoona Gold Project, which has a Mineral Resource of 410,000 ounces. Further mapping and sampling is planned along this trend.

Peak Hill

The Peak Hill tenements are located in the Bryah Basin, which contains a number of current and historic mines including DeGrussa, Monty, Horseshoe Lights, Peak Hill and Fortnum. The tenements cover the prospective Narracoota Formation which has the potential to host volcanic massive sulphide base metals (copper) and shear-hosted gold mineralisation. BCI is planning to undertake a target generation exercise based on geophysical surveys, mapping and sampling.

6. CORPORATE

Cash and Debt Position

BCI's cash balance as at 30 September 2017 was A\$23.6M (30 June 2017: A\$36.4M). The change in the Company's cash position was due to the following key factors:

- Iron Valley cash flows were impacted by ongoing weakness in realised iron ore prices for 58-60% Fe and a negative prior-quarter adjustment;
- A\$8.9M was paid to Mineralogy Pty Ltd reflecting the acquisition cost of the Kumina and Cane River tenements;
- The final A\$1.3M repayment of deferred Nullagine royalties to the State Government, following which the Company has no debt or deferred royalty obligations; and
- Ongoing project, corporate and business development expenditure.

Business Development

As part of its growth and diversification strategy, BCI continued to assess a number of new opportunities in the gold / base metals and industrial minerals industries. BCI will keep the market informed of any material developments.

Health and Safety

BCI is committed to providing a safe working environment for its staff and contractors, and despite significant exploration and field activities, the Company has not recorded any lost time injuries for more than 2 years.

Change in Company Name

In line with strategy and reflecting that BCI has a diverse portfolio of assets across a range of commodities, but acknowledging the history of the Company, a name change to 'BCI Minerals Limited' is proposed. The Company's ASX code will remain unchanged as 'BCI'.

Shareholders will have the opportunity to vote on the proposed name change at the Company's Annual General Meeting on 23 November 2017.

- ENDS -

For further information:

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BC Iron Limited

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ABOUT BCI

BCI is an ASX-listed resources company that is managing a portfolio of mineral interests.

BCI's strategy is to maximise value from its iron ore portfolio, create a presence in gold and/or base metals, and become an influential Australian player in the agricultural and industry minerals industry.

Iron ore remains the Company's core focus, with the key assets of Iron Valley and Buckland providing a complementary mix of existing earnings and growth potential.

Iron Valley is an iron ore mine located in the Central Pilbara, which is operated by Mineral Resources Limited (ASX: MIN) and is generating royalty earnings for the Company.

Buckland is a 100%-owned strategic iron ore development project located in the West Pilbara region, comprising proposed mines at Bungaroo South, Kumina and other deposits, and a proposed private infrastructure solution incorporating a haul road and transshipment port at Cape Preston East.

The Company's iron ore portfolio also includes potential royalties over the Nullagine, Koodaideri South, Breakaway and Extension tenements.

BCI is establishing an agricultural and industrial minerals business, which currently includes a joint venture over the Carnegie Potash Project with Kalium Lakes Limited (ASX: KLL) and the 100%-owned Mardie Salt Project, which has a completed scoping study.

BCI is also seeking to create a presence in gold and/or base metals, primarily targeting its 100% owned regional exploration tenements and acquiring new project level interests in Australian assets.

KEY STATISTICS

Shares on issue:	395.0 million	
Cash and cash equivalents:	\$23.6 million	as at 30 September 2017
Board:	Brian O'Donnell	Non-Executive Chairman
	Alwyn Vorster	Managing Director
	Michael Blakiston	Non-Executive Director
	Jenny Bloom	Non-Executive Director
	Martin Bryant	Non-Executive Director
	Andy Haslam	Non-Executive Director
Major shareholders:	Wroxby Pty Ltd	27.7%

Website: www.bcion.com.au