

## ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS

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Given where the iron market is today and how much it's changed over the past 12 months, it's appropriate I address shareholders on two quite different fronts.

Firstly, the results for the previous financial year and secondly where the Company is today.

As to the last financial year, it was an excellent one for BC Iron, with our share of exports being a record 4.30 million tonnes from a joint venture total of 5.79 million tonnes. The Company achieved revenue of \$471 million, EBITDA (earnings before interest, tax and depreciation) of \$152 million and net profit after tax of \$74 million – all of which were record figures for BC Iron.

This equated to extremely healthy after tax earnings of 59.5 cents per share and led to fully franked dividends of 32 cents per share declared for that financial year.

Clearly an excellent result and an achievement shareholders and the Company can be proud of.

However, now let's address the elephant in the room being the current price for iron ore. In contrasting then and now, let's look at iron prices as they stood at last year's AGM and as at today.

As you may be aware, BC Iron's ore is sold off the 62% Fe CFR Index with appropriate adjustments for iron ore content and impurities.

On the day of last years' AGM, being 12 November 2013, the 62% Fe CFR price was US\$136 per tonne. That was also the average for the month of November 2013. As I write this speech, the equivalent price is US\$76 per tonne, a 45% decrease in 12 months. On the positive side, this has been slightly offset by a fall in the Australian dollar. But overall, there has been a substantial fall in the price we receive.

As miners we are price takers and effectively there is little we can do to substantially influence the price we are paid. What we can do, however, is address the costs of running our business together with capital expenditure and other expenditures not directly and immediately related to production.

I can assure shareholders, the Board and management are not sitting back reflecting on past performance and hoping for iron ore prices to recover. We are facing the issue squarely and are very focussed on our business costs and the use of cash.

Having said that, I should make it clear, we are firmly of the view that the longer term outlook for iron ore remains positive. An outlook that for BC Iron, is substantially enhanced following its acquisition of Iron Ore Holdings and the mineral resources and other assets that came with that acquisition.

We believe the iron ore price will improve as China and other customers in different markets continue with infrastructure development and general economic growth. Also, we see high cost operations struggling and

possibly closing. Certainly a number of projects pencilled in for coming on stream in the next couple of years will in all probability not see the light of day in the near to medium term.

We also need to appreciate that Australia's terms of trade will necessitate a further fall in the Australian dollar. This will improve BC Iron's competitiveness. Earlier on I mentioned that the changed exchange rate helped cushion, to a certain extent the effect of the drop in price received for our iron ore.

BC Iron's fundamental view is that Pilbara ore will find a market, given its quality and freight advantage to Asia. This is important in enabling owners of ore bodies to operate profitability.

Cost reductions across the industry are a fact of life and the boom cost levels of the early part of this decade will be unwound. This process isn't instantaneous and takes some time to achieve. BC Iron has a strong cash position and will have a profitable niche in the market for many years, especially with growth options provided by the recently acquired Iron Valley and Buckland projects.

Those that have been with us for a while know we run a conservative balance sheet and have brought forward scheduled debt repayments. As I noted in my Chairman's Report in the 2014 Annual Report, over the 12 months of that financial year, we reduced debt from more than \$100 million to approximately \$50 million as at 30 June 2014. Next month we will reduce that by a further US\$15 million. Our cash position was further enhanced by the acquisition of Iron Ore Holdings.

Our balance sheet is in good shape and we continue to be in a net cash position.

As referred to, we recently completed the acquisition of Iron Ore Holdings – a transaction that brought together two companies to create a mid-cap iron ore company with an attractive portfolio of production and development assets in the Pilbara, which is arguably the best iron ore province in the world. An added benefit arising from the transaction, and part of the imperative for doing it, was to improve the geographical spread of BC Iron's assets and to remove reliance on one mine.

The merger created a substantial combined DSO/CID ore reserve of 293 million tonnes at 57.9% Fe from a DSO/CID mineral resource of 622 million tonnes at 56.8% Fe. Additionally a magnetite mineral resource of 1,106 million tonnes at 30.4% Fe now sits within the Company's portfolio as a result of the transaction.

Additionally the merger came with an independent infrastructure solution for the Buckland Project, including a lease at Cape Preston East. Given what is happening in the West Pilbara, particularly following the Boasteel and Aurizon acquisition of Aquila Resources and what that is likely to mean for potential infrastructure solutions, BC Iron is well placed to take advantage of the optionality that owning an advanced project with scale in that region presents.

In conclusion, I would like to acknowledge the Palyku People, who are the Traditional Owners of the land at Nullagine where we mine. I also acknowledge and thank our joint venture partner and rail and port provider Fortescue Metals Group.

Finally, I acknowledge the efforts and persistence of Morgan Ball and his staff, which obviously includes our Resident Mine Manager at the Nullagine operation, Strauss de Villiers, and his onsite staff.

I will now move to the statutory business of the meeting and after that Morgan will make a further presentation.

Anthony (Tony) Kiernan  
19 November 2014

## 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 near production mine with Ore Reserves of 134.7 Mt at 58.5% Fe, that is being developed and operated by Mineral Resources Limited under a mine gate 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

<b>Shares on Issue:</b>	191.7 million	
<b>Cash &amp; Equivalents:</b>	\$135.6 million	pro-forma as at 30 September 2014 <sup>1</sup>
<b>Board:</b>	Tony Kiernan	Chairman and Non-Executive Director
	Morgan Ball	Managing Director
	Andy Haslam	Non-Executive Director
	Malcolm McComas	Non-Executive Director
	Brian O'Donnell	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
<b>Major Shareholders:</b>	Wroxby Pty Ltd	19.7%

Website: [www.bcion.com.au](http://www.bcion.com.au)

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<sup>1</sup> BC Iron cash of \$92.1M plus IOH cash of \$43.5M (excludes cash consideration paid to IOH shareholders and transaction costs).