



ASX RELEASE – 23 APRIL 2015

MARCH 2015 QUARTERLY ACTIVITIES REPORT

- 1.46M wmt of *Bonnie Fines* shipped from the NJV (BC Iron share 1.04M wmt)
- Average realised CFR price of US\$54/dmt, from average CFR 62% Fe price of US\$62/dmt
- BC Iron all-in cash costs¹ of A\$57/wmt (FOB) for the quarter and A\$52/wmt (FOB) for March
- Iron Valley EBITDA of A\$2.9M with MIN progressing beneficiation and transport initiatives
- Solid balance sheet position with cash of A\$107.5M and debt of A\$46.9M

BC Iron Limited (ASX: BCI) ('BC Iron' or the 'Company') is pleased to present shareholders with its quarterly activities report for the period ended 31 March 2015.

Commenting on the quarter, Managing Director, Morgan Ball said, *"The Nullagine Joint Venture had a strong operational quarter. Sales exceeded wet season expectations and the operation also managed to build product stockpiles to help mitigate risks during the contractor transition. Costs are continuing to improve through the contracting strategy and mine plan optimisations we are implementing.*

"Market conditions remain challenging for iron ore producers. BC Iron is underpinned by a strong balance sheet with A\$107.5 million cash, an improving cost position at Nullagine and ongoing cash flow from the Iron Valley operation. However, we are very cognisant of the external environment and will continue to make appropriate and pragmatic decisions."

The Nullagine Joint Venture ('NJV') reported a solid operational quarter, with mining, crushing and screening achieving a run-rate of 7Mtpa. The NJV shipped 1.46M wet metric tonnes ('wmt') (BC Iron share 1.04M wmt), which represents an average run-rate of 5.8Mtpa for the quarter. Product stockpiles also increased significantly to more than 0.5M wmt.

As previously reported, NJV C1 cash costs were A\$49/wmt (FOB) and BC Iron all-in cash costs were A\$57/wmt (FOB). Costs were lower in the month of March 2015 at A\$43/wmt (FOB) for C1 cash costs and A\$52/wmt for all-in cash costs due to reduced weather-related impacts and lower waste to ore ratios.

Going forward, costs are expected to benefit by A\$2-3/wmt from the Company's contracting strategy. Viento Group has been appointed to undertake mining, crushing and screening at the Warrigal hub whilst Watpac Limited's mining, crushing and screening contract was terminated effective 1 July 2015 subsequent to the quarter-end. BC Iron is also moving towards variable only contracts and direct ownership of surface miners to increase flexibility and reduce capital-related operating charges at site.

Iron Valley generated EBITDA to BC Iron of A\$2.9M from sales of 0.85M dry metric tonnes ('dmt'), which exceeded expectations due to the proportion of lump sold and its realised pricing. Operating partner, Mineral Resources Limited ('MIN'), continues to progress beneficiation and transport initiatives which are aimed at enhancing the long term viability of the Iron Valley operation.

¹ BC Iron all-in cash costs include NJV C1 cash costs plus royalties, marketing and corporate costs.

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Evaluation of the Buckland Project continued. A joint study will be undertaken with the Australian Premium Iron Joint Venture ('API') to assess potential cooperation around the mining of BC Iron's Bungaroo South deposit and API's Buckland Hills deposit, which are contiguous. BC Iron also advanced Cape Preston East port lease approvals.

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

	Mar Quarter 2015 (Mt)	Dec Quarter 2014 (Mt)	Variance Q-o-Q (%)	Mar Quarter 2014 (Mt)	Variance Y-o-Y (%)	FY15 YTD (Mt)
Ore Mined (dry)	1.74	1.69	3%	0.95	84%	4.32
Produced (wet)	1.77	1.42	24%	1.05	68%	3.97
Hauled (wet)	1.50	1.43	5%	1.09	37%	3.68
Railed (wet)	1.43	1.37	4%	1.08	32%	3.55
Shipped (wet)	1.46	1.38	6%	1.22	20%	3.79

TABLE 2: STOCKPILE INVENTORY

	Mar Quarter 2015 (kt wet)	Dec Quarter 2014 (kt wet)
ROM ¹	116	253
MOC Product ² (Site)	403	126 ⁴
RLF Product ³ (Christmas Creek)	94	63
Port	35	64
Low-grade Stocks (Site)	8,774	8,185

- Notes:
1. Run of Mine ('ROM').
 2. MOC Product – material treated and stockpiled ready for road haulage at Mine Operations Centre ('MOC').
 3. RLF Product – material ready for rail haulage at the Christmas Creek Rail Loadout Facility ('RLF').
 4. Restated.



The March quarter falls in the Pilbara's wet season and the NJV experienced periods of wet weather which affected operations. Notwithstanding this, operational performance was strong with the targeted March quarter wet season run-rate of 4.5Mtpa (1.13Mt for the quarter) exceeded across the entire operation.

BC Iron mined 1.74M dmt of DSO during the quarter and produced 1.77M wmt of *Bonnie Fines* at the NJV's two crushing & screening hubs. Mining commenced at Warrigal 1 in February 2015 and this deposit will be a key source of ore moving forward. Prior to this, ore was predominantly sourced from the Outcamp 2 and 3 deposits. As part of its cost reduction efforts, BC Iron continued to focus on optimising the NJV mine plan. Waste to ore ratios declined during the quarter to average 0.6 (December 2014 quarter: 1.1). Included in 'waste' was a total of 0.58M dmt of low-grade ore that was mined and hauled to stockpiles for later processing and/or blending.

Both mining and crushing and screening achieved a run-rate of approximately 7Mtpa during the quarter and the NJV is now in a strong inventory position with total product stockpiles of 0.53M wmt.

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, 1.50M wmt was hauled.

The Pilbara Infrastructure, a wholly owned subsidiary of Fortescue, provides contract rail haulage and port services to the NJV. During the quarter, 1.43M wmt was railed from the Christmas Creek RLF to the Herb Elliott Port in Port Hedland.

The NJV shipped 1.46M wmt (5.8Mtpa run-rate) of *Bonnie Fines* product during the quarter on eight capesize vessels, including two shipments in excess of 200,000 wmt. BC Iron's share of tonnes shipped for the quarter was 1.04M wmt or 71% of the NJV total. BC Iron's share of sales since increasing its NJV interest to 75% in January 2013 is 74.6%.

Operational Enhancements

A key component of BC Iron's cost reduction efforts at the NJV is its contracting strategy, which the Company continued to implement during the quarter. BC Iron appointed Viento Group to undertake a two year, 2Mtpa mining, crushing and screening contract at the Warrigal hub, which is expected to deliver a A\$2-3/wmt reduction in C1 cash costs in respect of Warrigal tonnes. Subsequent to the quarter-end, BC Iron terminated the NJV's mining, crushing and screening contract with Watpac Limited, which is expected to expedite the translation of the Viento contract savings across the entire NJV production base.

The NJV is also moving to direct ownership of surface miners, with one second hand Vermeer 1655 purchased from Fortescue and one to be purchased from Watpac upon contract end. This will provide greater flexibility in structuring any new contracts and reduce capital-related operating charges at site.

Marketing

Iron ore prices continued to decline, with the CFR China 62% Fe price ('CFR 62% Price') averaging US\$62/dmt for the quarter, down from US\$74/dmt in the December 2014 quarter.

The average CFR sales price achieved for BC Iron's share of *Bonnie Fines* was US\$54/dmt, with negligible pricing adjustments from shipments delivered in the previous quarter. BC Iron's price realisation against the CFR 62% Price benefited from a lower average discount compared to the December 2014 quarter and favourable quotation periods for March 2015 quarter shipments.



During the quarter, BC Iron senior management visited a number of existing and prospective customers in China, which reaffirmed the attractiveness of the *Bonnie Fines* product. Demand continues to be strong and discounts for uncommitted shipments remained steady during the quarter.

Operating Costs

NJV C1 cash costs for the March 2015 quarter were approximately A\$49/wmt (FOB) and BC Iron all-in cash costs were approximately A\$57/wmt (FOB). Costs were affected by wet weather for part of the quarter and the Company notes that, for the month of March 2015, NJV C1 cash costs were A\$43/wmt (FOB) and BC Iron all-in cash costs were A\$52/wmt.

BC Iron remains focused on further sustainable cost reductions and expects to achieve the lower end of the NJV's C1 cash cost guidance range of A\$47-51 per wmt (FOB) for the December 2014 to June 2015 period. BC Iron's all-in cash costs for this period were revised downwards again during the quarter and are now expected to be within the range of A\$53-57/wmt (FOB). As the Company continues to implement and realise these cost-focused initiatives, it is targeting a further material reduction to these ranges for FY16 cost guidance.

Development and Approvals

Development works at Warrigal 1 and 2 were finalised during the quarter and all approvals were secured to support the commencement of production, which began at Warrigal 1 in February 2015.

The approvals process for Warrigal 6 was progressed during the quarter, with the Mining Proposal, Clearing Permit and Section 18 approvals on track for submission to the regulators in the June 2015 quarter.

Additional approvals to support the commencement of production at Outcamp 4 and 5 were secured during the quarter, including the Mining Proposal Amendment and the Clearing Permit.

BC Iron continues to progress the development and approvals process for potential future mining areas, including Bonnie East and Coongan. Development of these areas will depend on the iron ore price outlook at the relevant time.

Resource Development and Exploration

Resource development continues to focus on grade control drilling and refining Mineral Resource estimates at mesas which are being mined or planned to be mined in the near future. During the quarter, grade control drilling was undertaken at Warrigal 1 and Outcamp 5 to close the drill spacing to 12.5m by 12.5m (from 25m by 25m) in certain parts of the mesas where geological continuity is not present. Results from this drilling will be incorporated into the Company's annual Mineral Resources and Ore Reserves update to be released in the September 2015 quarter.

Following positive results from initial exploration drilling at Warrigal 6, infill exploration drilling was completed during the March 2015 quarter, with 51 holes drilled for a total of 1,154 metres sampled. The previous drilling was confirmed and BC Iron now plans to complete a Mineral Resource estimate at Warrigal 6, which continues to show potential as a satellite development that would extend the mine life of the Warrigal hub.



Occupational Health & Safety

Two lost time injuries were recorded during the quarter. As at the end of March 2015, the rolling 12 month lost time injury frequency rate was 2.8 (December 2014: 1.9). BC Iron continues to review key risks and improve its systems and procedures to ensure a safe working environment for staff and contractors.

2. IRON VALLEY PROJECT

The Iron Valley mine is being operated by MIN 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 0.85M dmt of Iron Valley ore, which generated EBITDA for BC Iron of \$2.9M.

MIN is currently evaluating a range of initiatives aimed at enhancing the long term viability of the Iron Valley operation in a low iron ore price environment. These initiatives include beneficiation of Iron Valley ore to increase the iron grade from 58% to +62% and the introduction of a bulk ore transport system ('BOTS') to lower transport costs and facilitate increased production rates. For further information, refer to MIN's strategy presentation which was released to the ASX on 23 February 2015.

BC Iron's agreement with MIN contemplates the implementation of these initiatives and includes mechanisms to appropriately share the upside between the companies.

BC Iron and MIN are progressing various approvals required to facilitate below water table mining at Iron Valley. During the quarter, BC Iron commenced the preliminary environmental studies and assessments.

3. BUCKLAND PROJECT

Buckland is an iron ore development project located in the West Pilbara region, with a proposed independent infrastructure solution comprising a haul road and transshipment port at Cape Preston East. A feasibility study has been completed and all primary tenure and approvals have been secured.

During the quarter, BC Iron continued to evaluate a range of development and financing strategies for the Buckland Project to determine the optimal way forward for the project. As part of this process, BC Iron and API Management Pty Ltd, the manager of API, have agreed to undertake a joint study on the potential for cooperation in relation to the mining of BC Iron's Bungaroo South deposit and API's Buckland Hills deposit, which are contiguous. The study, which will be coordinated by API Management Pty Ltd, will assess options to maximise both parties' mineable inventory and possible synergies in extracting ore from the deposits.

BC Iron continued to advance the approvals process for the Cape Preston East port lease. All key Development Applications have now been approved by the Pilbara Ports Authority and Construction Applications are currently being prepared for submission.



4. CORPORATE

Cash and Debt Position

BC Iron's cash balance was A\$107.5M as at 31 March 2015.

Total debt outstanding was A\$46.9M, comprising US\$5M outstanding for the Henghou Facility and approximately US\$31M for the Term Loan Facility with repayments scheduled every six months until maturity in December 2016.

Cash Flows

BC Iron's cash position decreased by A\$2.6M during the quarter from A\$110.1M to A\$107.5M.

As previously noted, the Company increased NJV product stockpiles to more than 0.5M wmt during the quarter. Mining, crushing and screening operated at a run-rate of approximately 7Mtpa to achieve this, compared to a shipping run-rate of approximately 5.8Mtpa. While this impacted cash flows for the quarter, BC Iron will benefit as these stockpiles are utilised going forward.

Operating cash flows were also affected by BC Iron's share of NJV sales being 71% compared to its 75% share of NJV costs, however benefited from net Iron Valley cash flows of A\$1.1M relating to December 2014 quarter activities.

Other material cash movements during the quarter included:

- Capital expenditure of A\$3.9M, primarily for BC Iron's share of development and construction costs at the Warrigal hub; and
- An increase of A\$1.3M on cash held in US dollars, due to depreciation of the Australian dollar.

Hedging

As at 31 March 2015, BC Iron had 20,000dmt hedged at A\$75/dmt for delivery in April 2015.

Royalty Deferral

In December 2014, the Western Australian State Government announced it would provide financial assistance for small iron ore miners, in the form of a deferral of 50% of royalties payable over a 12 month period.

BC Iron worked closely with the government during the quarter and on 1 April 2015 announced it was successful in securing the royalty deferral. The deferral applies to BC Iron's NJV royalty payments for the December 2014 to September 2015 quarters, subject to BC Iron's FOB received price being less than A\$90/dmt in the quarter. The deferred royalties are then repayable in seven equal quarterly instalments with the first repayment due on 31 March 2016 and the last repayment due on 30 September 2017. This will effectively defer between A\$8-12M in royalties by one to two years, subject to sales prices and volumes.

- 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 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'.

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 and potential royalties over the Koodaideri South and North Marillana tenements.

KEY STATISTICS

Shares on Issue:	196.2 million	
Cash & Equivalents:	A\$107.5 million	as at 31 March 2015
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%

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