

NULLAGINE JOINT VENTURE – UPDATE ON LITIGATION AGAINST WATPAC

BC Iron Limited (ASX:BCI) (“**Company**”) wishes to update the market on the litigation that the Company’s wholly owned subsidiary, BC Iron Nullagine Pty Ltd (“**BCIN**”), in its capacity as manager of the Nullagine Joint Venture (“**NJV**”), commenced against Watpac Civil & Mining Pty Ltd (“**Watpac**”).

The NJV is an unincorporated 75:25 joint venture with FMG Pilbara Pty Ltd (a wholly owned subsidiary of Fortescue Metals Group Limited).

As announced on 24 December 2015, BCIN initiated legal proceedings on behalf of the NJV participants against Watpac seeking damages for failures by Watpac to comply with its obligations under its mining services contract (“**Proceedings**”).

On 19 February 2016 Watpac served a defence and counterclaim in these Proceedings. The counterclaim seeks \$52,783,310 (including GST where applicable) from BCIN. A significant portion of the counterclaim is for amounts which were not invoiced or claimed by Watpac until after the contract had been terminated. This portion relates to retrospective claims for additional amounts or adjustments to amounts previously invoiced by Watpac and paid by BCIN during the course of its mining services contract with Watpac. In some cases, these claims are in relation to work conducted by Watpac in months as far back as June 2011.

BCIN disputes the claims made by Watpac in its defence against the Proceedings commenced by BCIN and Watpac’s counterclaim. BCIN will strongly defend these in addition to continuing to pursue Watpac for breaches by Watpac of its contractual obligations.

The Company will continue to keep the market informed of further developments in respect of these matters.

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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 temporarily 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\$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%

Website: www.bcion.com.au