

JUNE 2016 QUARTERLY ACTIVITIES REPORT

- **Iron Valley shipments of 1.73M wmt, which generated BC Iron EBITDA from Iron Valley of A\$4.6M**
- **Buckland development model being re-evaluated to allow increased utilisation of Cape Preston East port capacity and more competitive cost structure**
- **BC Iron’s share of NJV holding costs minimised to A\$0.15M per month while strategic options are assessed**
- **Management change with Alwyn Vorster commencing as CEO in late-May**
- **Watpac litigation settled and paid, reducing exposure for the Company**
- **Cash balance of A\$9.5M. Net cash position expected to improve going forward**

BC Iron Limited (ASX:BCI) (“BC Iron” or “the Company”) presents its quarterly activities report for the period ended 30 June 2016.

1. IRON VALLEY PROJECT

Iron Valley is subject to an iron ore sales agreement between Mineral Resources Limited (“MIN”) and BC Iron. Under the agreement, BC Iron remains the tenement holder and MIN operates the mine at its cost and purchases Iron Valley product from BC Iron before on selling it to customers. BC Iron receives a quarterly payment from MIN based on product tonnages purchased by MIN and MIN’s realised sales price.

The iron ore sales agreement was amended during the quarter to provide MIN with more time to evaluate and implement its innovative bulk ore transport system (“BOTS”), which has the potential to improve Iron Valley economics for both parties. The revised agreement also provides for an adjustment in the price payable by MIN to BC Iron effective 1 April 2016. The adjustment varies with iron ore prices, such that the price payable to BC Iron has increased at higher iron ore prices and decreased at lower iron ore prices. Overall, BC Iron anticipates this adjustment will enhance the Company’s earnings from Iron Valley going forward, based on the range of iron ore prices achieved by MIN for Iron Valley product to date and BC Iron’s current iron ore price expectations.

During the quarter, MIN shipped 1.73M wet metric tonnes (“wmt”) of Iron Valley ore. This generated an EBITDA for BC Iron of A\$4.6M, which includes a positive adjustment of A\$1.8M relating to the finalisation of pricing for shipments that departed in prior periods. BC Iron’s EBITDA from Iron Valley for the full year was A\$10.2M from 6.5M wmt shipments.

For the year ended 30 June 2017, BC Iron expects Iron Valley EBITDA will be in the range of A\$6-16M, based on a range of production rates and pricing-related assumption. Specifically, the low case is based on production of 6.0M wmt, CFR 62% Fe price of US\$40/dmt, capesize freight rate of US\$6/wmt and AUD:USD exchange rate of 0.80. The high case is based on production of 7.0M wmt, CFR 62% Fe price of US\$60/dmt, capesize freight rate of US\$4/wmt and AUD:USD exchange rate of 0.70.

BC Iron also supports the Iron Valley operation by preparing key approvals. An amendment to the existing environmental approval was secured during the quarter, which facilitates operational flexibility prior to the receipt of below water table approvals, which is anticipated in the March 2017 quarter.

2. BUCKLAND PROJECT

Buckland is a strategic mine-to-port iron ore development project located in the West Pilbara region. A feasibility study was completed in 2014 that envisaged an 8 Mtpa mine at Bungaroo South and an independent infrastructure solution comprising a private haul road and transshipment port at Cape Preston East. All key approvals have been secured, including a port lease agreement with the Pilbara Ports Authority, for a low capital intensity transshipment facility at Cape Preston East with a capacity of up to 20 Mtpa.

BC Iron's focus is on reassessing the development concept for the Buckland Project to potentially allow for a larger mining operation, which would increase utilisation of the Cape Preston East port and achieve a more competitive cost structure. A number of strategies are being pursued to achieve this.

3. NULLAGINE JOINT VENTURE ("NJV")

The NJV is an unincorporated joint venture between BC Iron (75%) and Fortescue Metals Group Limited ("Fortescue") (25%).

Operations were temporarily suspended due to iron ore prices in the March 2016 quarter and remained suspended for the duration of the June 2016 quarter. Significant activities were undertaken during the quarter to reduce the ongoing NJV temporary suspension costs. As a result, BC Iron's share of holding costs and tenement commitments are expected to average A\$0.15M per month going forward.

BC Iron is currently considering all of its strategic options in relation to the NJV, which include a potential sale of the Company's interest or a restart of operations.

4. EXPLORATION PROJECTS

BC Iron continues to undertake minimal work on regional tenements in the Pilbara that are prospective for base metals and gold.

5. CORPORATE

Watpac Dispute

During the quarter, the litigation between BC Iron Nullagine Pty Ltd (as manager of the NJV) and Watpac Civil & Mining Pty Ltd ("Watpac") was settled. The settlement terms remain confidential, and a final payment by the NJV parties was made to Watpac prior to 30 June 2016.

Cash and Debt Position

During the quarter, a net cash outflow of A\$12.3M was associated with BC Iron's interest in the NJV. This included State Government royalties, Native Title royalties and other selling-related expenses for March 2016 quarter shipments and final creditor payments for operational activities in the lead up to the temporary suspension. The cash outflow also included one-off legal expenses in relation to the Watpac dispute and the final settlement amount paid by the NJV to Watpac.

Other significant items that contributed to the Company's change in cash position during the quarter include:

- A\$1.1M in positive cash flow from Iron Valley, which includes cash flows related to the March 2016 quarter operations and capital expenditure associated with below water table approvals;
- A\$1.3M repayment to the State Government for the second instalment of royalties that were rebated as part of the iron ore royalty assistance programme; and
- A\$1.2M in corporate costs.

BC Iron's cash balance was A\$9.5M as at 30 June 2016.

BC Iron's interest-free and security-free debt facility with NJV offtake partner, Henghou, remains at US\$1.5M (or A\$2.0M). The final repayment is due by 31 October 2016.

BC Iron's State Government royalty repayment obligation reduced to A\$6.4M, which is repayable over the next five quarters in equal instalments.

With strong cash flows expected from Iron Valley at current prices, NJV holding costs and tenement commitments significantly reduced and the Watpac dispute settled, BC Iron expects to improve on its net cash position going forward. The Company's cash balance as at 31 July 2016 is forecast to be A\$13.5-14.5M, which includes the net cash inflow from Iron Valley in respect of the June 2016 quarter.

Impairment Testing

BC Iron is currently assessing its assets for impairment as part of the FY16 year-end process. Further details will be announced in due course when the assessment is complete.

Management Changes

During the quarter, Morgan Ball stepped down from his position as Managing Director of the Company. Alwyn Vorster was appointed to the role of Chief Executive Officer effective 23 May 2016. Mr Vorster was appointed after consideration of the Company's strategic focus going forward and is well placed to lead BC Iron into a new period focusing on its West Pilbara assets and other potential growth opportunities.

Chief Financial Officer, Chris Hunt, resigned during the quarter with an effective date of 6 September 2016. A process is underway to appoint a suitable replacement. Subsequent to the end of the quarter, the position of Chief Operating Officer, held by Blair Duncan, was made redundant due to the current status of NJV operations. Mr Duncan will conclude his employment on 31 August 2016.

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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 Iron Valley, Buckland and the Nullagine Joint Venture (“NJV”). BC Iron is listed on the ASX under the code ‘BCI’.

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.

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. Operations are temporarily suspended due to market conditions.

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:	196.3 million	
Cash and cash equivalents:	A\$9.5 million	as at 30 June 2016
Board:	Tony Kiernan	Chairman and Non-Executive 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