

Company Update - September 2016



Dear Shareholders

I have now been in the BC Iron CEO role for 100 days, and I wanted to mark the occasion by providing an informal update on the Company, to accompany the new corporate presentation released today.

BCI is currently going through a phase of transition after a successful period from 2011-2014 of profitably operating the Nullagine iron ore mine. With the Nullagine mine now on temporary suspension, our main focus has been on re-defining the business strategy to address the issues facing BCI and securing Board approval to implement that strategy. Our new corporate presentation is titled "*Resetting BC Iron for growth*", which indicates that we will focus more actively on generating value from all existing assets while also considering in a disciplined manner other growth opportunities.

During the last three months, we have achieved important interim milestones as part of the initial resetting of the Company, including completing an inclusive and structured business planning and budgeting process; settling the Watpac litigation and other related matters to minimise our financial risk; finalising and releasing our full 2016 financial year accounts early with an unqualified audit opinion; updating the Company's JORC Resources and Reserves; and reviewing in detail the strategic options with regards to our key assets.

BCI is differentiated in the ASX <\$100M market capitalisation category in that we have a suite of assets spanning the total mine development pipeline from exploration, feasibility studies, and two operating mines (one in temporary suspension). This pipeline includes four royalty streams, one active (Iron Valley) and three potential streams in the future. Subject to realised iron ore prices impacting the Iron Valley royalty, and capital allocation to project commitments and opportunities, BCI can actually remain cash positive during FY2017.

Clearly, being a minerals exploration and mining company exposes us to the vagaries of the commodity price cycle. At present, we are exposed entirely to the iron ore price cycle, and we've experienced both the ups and downs of the cycle in recent years. Although it appears to be an unfashionable commodity at present, we have confidence in the longer term dynamics of iron ore and the value potential of our three key iron ore assets:

- **Iron Valley** – an operating mine which is being managed by the capable team at Mineral Resources Ltd, which is expected to deliver more than \$10M EBIT to BCI in FY2017 and which is outperforming production and financial expectations every quarter.
- **Nullagine** – a mine which is on temporary suspension. Although recent iron ore prices have been positive when assessing Nullagine restart options, we are also mindful of the risks presented by a fluctuating ore price and the working capital requirements needed until revenue is generated. We will therefore be prudent in how we approach a restart decision. Alternatively, we may decide to divest the asset, and importantly, in doing so remove all rehabilitation liabilities and holding costs.
- **Buckland** – this strategic mine-to-port development project (which includes the proposed port at Cape Preston East) is our future flagship project. I am confident that we will be able to achieve over the next 9-months an attractive development solution together with other players in the West Pilbara region.

From these existing assets, BCI has increased the total tonnes of iron ore extracted and sold, with a record attributable iron ore sale of 8.5M tonnes for the 2016 financial year.

In addition to these core projects, we are selectively targeting new mineral investment opportunities, including opportunities outside iron ore. Any opportunity pursued should have a compelling

investment thesis with value upside, and potential for short term shareholder returns. If such a project is secured over the next year, the BCI team has clearly shown it can develop and manage mining projects very effectively and profitably. I will keep you informed about these matters as they progress.

Significant attention has also gone into restructuring the organisation and our cost base. Our team has been disciplined in further reducing corporate overheads. We have ensured our staffing levels and expenses are commensurate with a company of our means and size, but at the same time still maintain significant resource experience to be able to take advantage of any near term opportunities.

Regrettably, two dedicated and accomplished senior managers – Chris Hunt (Chief Financial Officer) and Blair Duncan (Chief Operating Officer) - exited the business on 31 August. Ian Goldberg has been appointed as new CFO and he brings significant experience in the resources sector having been CFO of Territory Resources and Matrix Metals, as well as senior roles in other base metals operations. The role of COO will remain vacant subject to the future development opportunities which BCI will be considering.

The BCI management team and Directors look forward to discussing any aspects of the Company, and in particular the contents of our updated corporate presentation, with any stakeholder to the extent that they can.

Thank you for your continued support.

Alwyn Vorster
Chief Executive Officer