

SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

- Iron Valley EBITDA of A\$4.7M from shipments of 2.1M wmt - new quarterly record
- Buckland development strategy on track with a number of approvals received in the quarter to move closer to construction-ready status by the June 2017 quarter
- Binding terms sheet for the sale of BC Iron’s 75% interest in the Nullagine Joint Venture (“NJV”) to Fortescue executed in early October
- Entitlements offer to raise \$25.5 million (before costs) announced in early October
- Cash balance of A\$9.5M, and net cash position expected to improve going forward

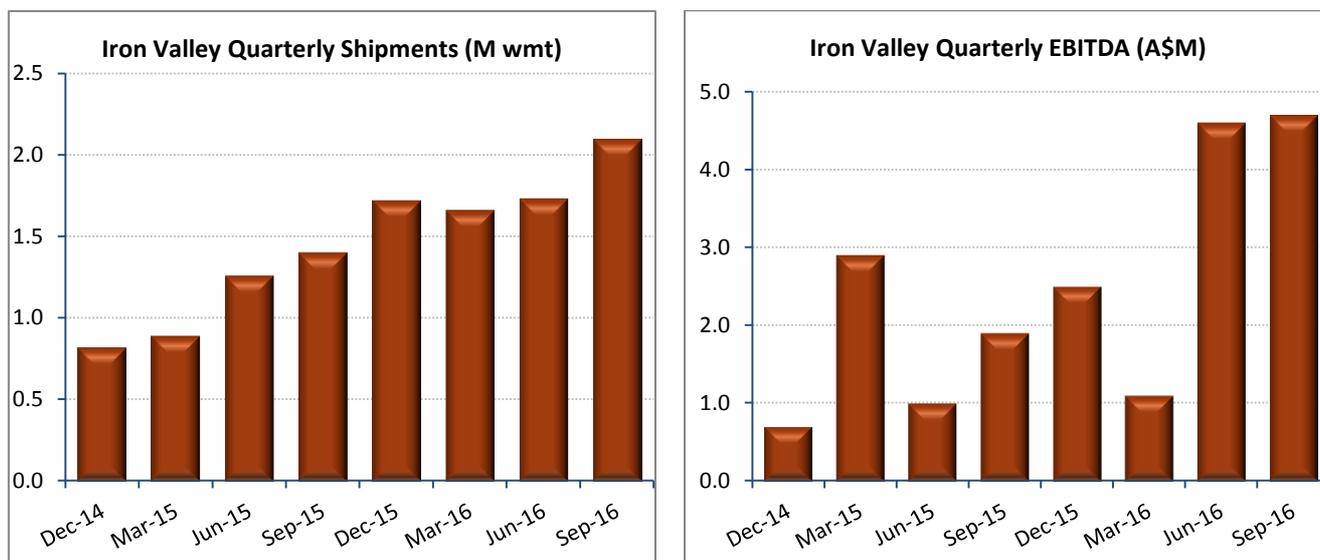
BC Iron Limited (ASX:BCI) (“BC Iron” or “the Company”) presents its quarterly activities report for the period ended 30 September 2016.

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.

As anticipated in the announcement dated 14 September 2016, BC Iron is continuing to benefit from strong performance by MIN and relatively resilient iron ore prices. During the quarter, MIN shipped 2.1M wet metric tonnes (“wmt”) of Iron Valley ore. This generated an EBITDA for BC Iron of A\$4.7M, which includes a positive adjustment of A\$.0.3M relating to the finalisation of pricing for shipments that departed in prior periods.

Following records achieved in the June 2016 quarter, BC Iron again achieved records for both shipment tonnes and EBITDA from Iron Valley in the September quarter.



Iron Valley is on track to comfortably achieve BC Iron's FY17 EBITDA guidance of \$6-16M, which is based on a range of production rates and pricing-related assumptions.¹ BC Iron will consider revising Iron Valley guidance depending on sales tonnages and iron ore pricing in coming months.

In preparation for below water table mining, MIN implemented plant modifications during the quarter and dewatering infrastructure installation proceeded as planned.

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 a 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.

During the quarter the Department of Mines and Petroleum ("DMP") approved the Mining Proposal and Mine Closure Plan for the Buckland Project, which provides approval to commence development and operation of the Bungaroo South mine and private haul road of the integrated mine, road and port solution.

Also during the quarter, the Pilbara Ports Authority approved an extension to the deadline for BC Iron to satisfy (or waive) conditions for the development of the Cape Preston East port. This extension provides BC Iron with increased time and flexibility to progress its Buckland development plans and approvals. Extensive work has been completed over a number of years to advance the Buckland Project to its current status and BC Iron continues to target a construction ready-status for the Buckland Project by the June 2017 quarter.

BC Iron continues to reassess the development concept for the Buckland Project to potentially allow for a 20Mtpa 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. CORPORATE

Capital Raising

On 10 October 2016, BC Iron announced a pro-rata renounceable entitlement offer to raise approximately \$25.5M before costs ("Offer").

As announced previously, BC Iron is currently transitioning to a new phase, 'resetting for growth' and focusing activities on actively generating value from existing assets while also considering, in a disciplined manner, other new opportunities. The funds to be raised under the Offer will support this strategy and also strengthen the Company's balance sheet.

Under the Offer, eligible BC Iron shareholders will be invited to subscribe for 1 new share for every 1 share held on the record date at an issue price of \$0.13 per share.

The Offer details together with the important dates relating to the Offer were announced to the market on 13 October 2016 and the prospectus was lodged with ASIC on 17 October 2016.

Sale of Nullagine Interest

On 10 October 2016, BC Iron advised that it had entered into a binding terms sheet for the sale of its 75% interest in the Nullagine Joint Venture ("NJV") to a subsidiary of Fortescue Metals Group Limited ("Fortescue").

1. Refer to June 2016 quarterly report (released on 29 July 2016) for details of the assumptions that underpin Iron Valley guidance.

The NJV is a 75:25 unincorporated joint venture between BC Iron and Fortescue. The Nullagine mine successfully operated for more than 5 years before the joint venture partners resolved to temporarily suspend operations in December 2015 due to low iron ore prices. Since the temporary suspension was put in place, BC Iron has been considering its strategic options in relation to Nullagine, including a potential restart of operations or a sale of its NJV interest.

The Nullagine mine has however remained uneconomic from BC Iron's perspective and, based on projected future iron ore prices, it remained unlikely that a restart of operations will become viable in the medium term under the current joint venture structure. Accordingly, BC Iron initiated a sale process for its 75% interest in the NJV. Discussions were held with numerous third parties. Ultimately, a sale was agreed with Fortescue, and BC Iron's view is that the transaction with FMG is appropriate to maximise value for the Company's interest in Nullagine.

The key terms of the transaction were announced on 10 October 2016. Completion of the transaction is subject to the satisfaction of certain conditions including regulatory approvals, various third party consents and the execution of formal documentation.

Cash and Debt Position

During the quarter cash flows were neutral with cash at bank remaining at A\$9.5M as a result of positive Iron Valley cash flows offsetting costs and State Government royalty repayment obligations.

Net cash improved as BC Iron's State Government royalty repayment obligation reduced to A\$5.24M, which is repayable over the next four quarters in equal instalments. 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.

The Company's cash balance as at 31 December 2016 is forecasted to be significantly higher due to the announced capital raise, Iron Valley's continued strong performance and reduced NJV holding costs and tenement commitments.

Management Changes

During the quarter, Ian Goldberg was appointed to the role of Chief Financial Officer. Mr Goldberg is a chartered accountant with more than 20 years' experience in corporate practice and ASX listed companies.

In September BC Iron's Chief Executive Officer, Alwyn Vorster, was appointed to the Company's Board in the position of Managing Director.

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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 Nullagine. BC Iron is listed on the ASX under the code 'BCI'.

Iron Valley is a mine located in the Central Pilbara with Ore Reserves of 123.2Mt at 58.8% Fe.¹ The mine is operated by Mineral Resources Limited ("MIN") under an iron ore sale agreement, whereby 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, comprising a proposed mine at Bungaroo South and its own proposed independent infrastructure solution incorporating a haul road and transshipment port at Cape Preston East. It has Ore Reserves of 134.3 Mt at 57.6% Fe,² a completed and announced feasibility study, and all primary tenure and licences secured.

Nullagine is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited ("Fortescue"), which commenced exports in February 2011. The Nullagine Joint Venture has the capacity to rail and export up to 6Mtpa of ore on Fortescue's infrastructure. Operations are temporarily suspended due to market conditions. On 10 October 2016, BC Iron entered into a conditional binding terms sheet for the sale of its 75% interest to Fortescue.

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 September 2016
Board:	Tony Kiernan	Non-Executive Director Chairman
	Alwyn Vorster	Managing Director
	Martin Bryant	Non-Executive Director
	Andy Haslam	Non-Executive Director
	Brian O'Donnell	Non-Executive Director
Major shareholders:	Wroxby Pty Ltd	19.0%

Website: www.bciron.com.au

1: Refer to ASX announcement released on 30 August 2016.

2: Refer to BC Iron's 2015 Annual Report released on 26 August 2015.