

ANNUAL GENERAL MEETING 2016 – CHAIRMAN’S ADDRESS

When I addressed our shareholders at last year's Annual General Meeting, we faced significant uncertainty, with the iron ore market depressed and pricing extremely volatile. As shareholders would be aware, in December 2015, BC Iron and its joint venture partner, Fortescue Metals Group (Fortescue), made the unanimous decision to suspend operations at the Nullagine mine.

This decision came at a time when the headline CFR 62% Fe iron ore price had fallen below US\$40 per tonne, with additional discounts applying for Nullagine's Bonnie Fines 57% Fe product. Sentiment was also strongly negative. The majority of forecasters were predicting low prices to continue for a number of years and some were predicting further declines into the mid US\$30's per tonne for the 62% Fe ore.

From the BC Iron board's perspective, the decision to suspend was made as a fully considered decision taking into account all available information - not only the current and expected future pricing, but also BC Iron's working capital and balance sheet position. BC Iron was not in a position to withstand any sustained continuation of lower iron ore prices and the risk of this occurring at the time was significant. The Board was not prepared to gamble with shareholders' funds and the Company's ongoing viability.

Very low prices did continue for several months, proving the suspension decision to be a prudent and correct one.

More recently, we entered into a conditional agreement to sell Fortescue our 75% interest in Nullagine. Although BC Iron will receive minimal upfront consideration as part of the sale, it is a good outcome for the Company. Our balance sheet has been further de-risked via elimination of a significant rehabilitation liability and elimination of ongoing holding costs. We continue to have exposure to Nullagine through an ongoing royalty with a restart of operations more likely under 100% Fortescue ownership.

Some may question the economics of the decision to sell rather than restart operations, particularly in light of recent increases in the iron ore price. The Board considered both options with several key factors contributing to a preference to sell:

- expectations of continued price volatility;
- requirements to renegotiate mining, crushing and transport contracts;
- general staff recruitment and mobilisation costs; and
- substantial working capital requirements leading up to receipt of first cash flows.

Any decision to restart Nullagine would also have required the full consent and cooperation of Fortescue.

The recent improvement in iron ore prices still benefits BC Iron, particularly in relation to our Iron Valley project which is outperforming expectations with record tonnage. Our guidance in the market is for BC Iron to record an EBITDA contribution from Iron Valley of between \$6-16m for financial year 2017. Given the contribution from the last two quarters, this is currently tracking strongly towards the upper part of this range.

The potential of the Buckland Project also increases with an improved iron ore market outlook. Our challenge on this is to achieve a cost structure that can withstand pricing volatility that has been present in the iron ore market for some time now. The BC Iron team on this project has embraced that challenge.

Shareholders will be aware of our recently concluded entitlement offer, which was very well supported and saw the full target of \$24.4m being raised after costs. The support of our shareholders and the underwriters is greatly appreciated. This includes the continued strong support of Australian Capital Equity (through its subsidiary Wroxby Pty Ltd) which took up its entitlement in full and was also a substantial sub-underwriter.

The capital raising coupled with the income stream from Iron Valley, possible royalties from Nullagine and our now low cost structure, puts the Company in a strong financial position.

An important pillar of BC Iron's growth strategy is to seek to diversify our commodity exposure and secure interests in selected non-iron ore projects offering short term earnings and / or long term growth upside. If the right iron ore assets come up, we will look at those too.

BC Iron is a company with a proven track record of identifying opportunities, extracting value and then returning value to our shareholders. We have the experience, tenacity and vision to recreate our future strategy and reset the Company for another period of growth. Our shareholders are getting behind our strategy, with the recent capital raising being a testament to this.

We have the right team in place to achieve our goals under recently appointed Managing Director Alwyn Vorster. As I've said before, Alwyn's knowledge of the projects BC Iron acquired from Iron Ore Holdings and the West Pilbara more broadly is a significant asset to BC Iron, as is his extensive experience and competence in the resources sector.

Finally, on behalf of the Board and management team, I'd like to thank our shareholders for your support of and confidence in our strategy to reset BC Iron to not only survive, but thrive in today's environment. Creating shareholder value is at the heart of every decision your Board takes.

I will now move on to the business of the meeting. At the conclusion of formal business, Alwyn will make a presentation, at which time shareholders are welcome to ask questions.

Of course shareholders are welcome to ask questions on the various resolutions as we move through these.

Tony Kiernan
Chairman

25 November 2016