

## JUNE 2017 QUARTERLY ACTIVITIES REPORT

- **Cash flow positive result for the quarter even after significant development activities and repayment of Nullagine deferred royalties to the WA Government**
- **Iron Valley – Quarterly operations contributed A\$1.4M EBITDA to BCI**
- **Iron Valley - strong quarterly shipments of 2Mt, but revenue affected by relatively high discounts for 58% Fe products and a negative adjustment to prior-quarter revenue assumptions**
- **Buckland Project – progress on resetting the optimal mine development scenario to support multi-user, multi-commodity transshipping port at Cape Preston East**
- **Mardie Salt Project – Scoping Study finalised in July 2017, demonstrates the potential technical and financial viability of a 3.0-3.5Mtpa solar salt operation**
- **Carnegie Potash Project – heritage discussions progressing and desktop exploration and design works progressed**
- **Increase in cash balance to A\$36.4M – well positioned to execute growth strategy**

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BC Iron Limited (ASX:BCI) (“BCI” or “the Company”) presents its quarterly activities report for the period ended 30 June 2017.

### 1. IRON VALLEY PROJECT

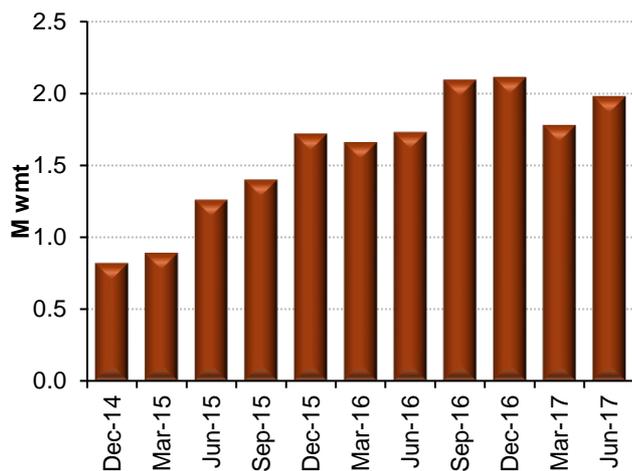
Production rates at Iron Valley returned to a more typical level in the June 2017 quarter, following the rain-affected March 2017 quarter. Mineral Resources Limited (“MIN”), which operates Iron Valley, shipped 2.0 million wet metric tonnes (“M wmt”) during the quarter, compared to 1.8M wmt in the March 2017 quarter.

The headline CFR 62% Fe iron ore price trended down steeply during the quarter to average US\$63/dmt for the June 2017 quarter compared to US\$86/dmt for the March 2017 quarter. In addition, discounts for 58-60% Fe products increased and the lump premium remained soft. These factors impacted the margin BCI received on tonnes that were shipped during the quarter and also resulted in a significant negative adjustment to prior-quarter shipments that finalised pricing in the June 2017 quarter.

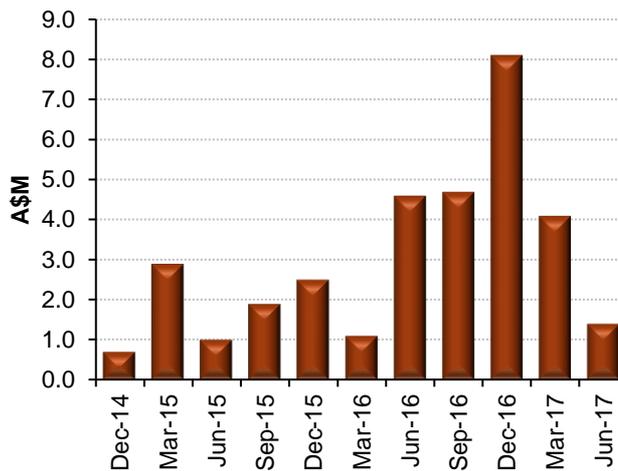
Overall, BCI’s Iron Valley EBITDA for the June 2017 quarter was A\$1.4M, which included a negative prior-quarter adjustment of A\$2.6M.

Iron Valley shipments for the entire FY17 period totalled 8.0M wmt and BCI’s Iron Valley EBITDA was A\$18.3M, which is within previous market guidance.

**Iron Valley Quarterly Shipments (M wmt)**



**Iron Valley Quarterly EBITDA (A\$M)**



## 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 (“CPE Port”). Key approvals have been secured, including a port lease agreement with the Pilbara Ports Authority, for a low capital intensity transshipment facility at CPE Port with a capacity of up to 20 Mtpa.

BCI’s current focus is on defining the optimal development concept for the Buckland Project to increase throughput rates, improve the cost structure and enhance product marketability. A number of strategies are being pursued to achieve this and BCI continued to make progress during the quarter.

BCI is intending to undertake a bulk sample to facilitate test work programmes with potential offtake partners and validate BCI’s route to market. Planning for the bulk sample commenced during the quarter and included the scoping of activities required to facilitate export of the bulk sample from limited early works at CPE Port.

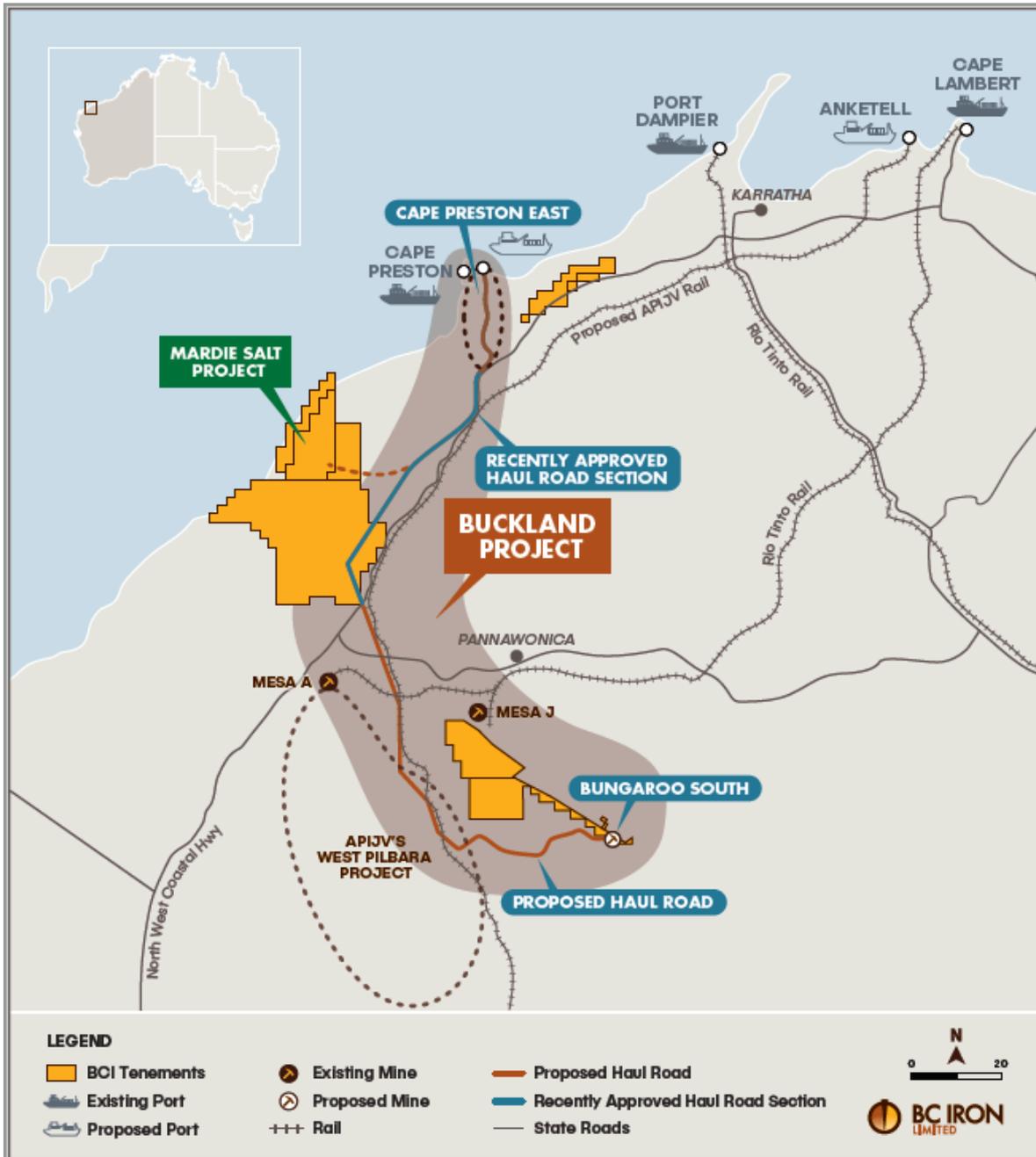
Additional design work was also undertaken at CPE Port to incorporate other minerals into the port designs, including salt from the Mardie Salt Project.

Various approvals and approval amendments were submitted to regulatory bodies during the quarter to facilitate the extraction of a bulk sample. These approvals are currently under consideration and are expected to be granted during the September 2017 quarter.

### **Buckland Haul Road Stage 2 - Mining Proposal Approved**

In July 2017, the WA Department of Mines, Industry Regulation and Safety (formerly the Department of Mines and Petroleum) approved the last remaining Mining Proposal for BCI’s private haul road covering the section from North West Coastal Highway to CPE Port (refer Figure 1).

Figure 1: Cape Preston East Port, Bungaroo South and Mardie Salt Project Locations



This approval completes the primary approvals required for the private haul road that links its Bungaroo South deposit to CPE Port and for the Buckland Project iron ore pit to port solution to be construction ready (refer Table 1). All primary approvals are in place for the development of the Buckland Project.

**Table 1: Buckland Project - Status of Primary Approvals**

<b>Mine - Bungaroo South</b>	Mining leases granted	✓
	Environmental approval – EPA Act	✓
	Environmental approval – EPBC Act	✓
	Mining Proposal approval	✓
<b>Private Haul Road</b>	Miscellaneous licences for 100% private road	✓
	Environmental approval for 100% private road – EPA Act	✓
	Environmental approval for 100% private road – EPBC Act	✓
	Mining Proposal approval (private road from Mine to CPE Port)	✓
<b>Cape Preston East Port</b>	Establishment of CPE Port tenure (WA Government & PPA)	✓
	Environmental approval – EPA Act	✓
	Construction Works Lease & Licence Executed for 20 Mtpa facility	✓
	Operating Lease for initial term of 20 years	✓
<b>Native Title</b>	Native Title Agreements – Mine, Road & Port	✓
	Section 18 Heritage approvals – Mine, Road and Port	✓

Construction of the 175km sealed private haul road facilitates the utilisation of larger haulage trucks to deliver iron ore to CPE Port at a lower unit cost, than a public road solution. The approved haul road alignment is proximate to other development projects in the region including BCI’s 100% Mardie Salt Project (as described in the ASX announcement of 18th July 2017) enhancing the accessibility and economics of CPE Port as a potential solution for other products and customers.

### 3 MARDIE SALT PROJECT

The Mardie tenements are located on the coast in the West Pilbara region, approximately 50km south-west of the proposed Cape Preston East Port (70km by road). The Mardie Salt Project has the potential to produce salt (NaCl) from solar evaporation of seawater.

During the quarter, BCI continued to progress a Scoping Study on the Mardie Salt Project. The Scoping Study was finalised and released to the ASX in July 2017, and demonstrated the potential technical and economic viability of a 3.0-3.5 million tonne per annum (“Mtpa”) operation producing high-purity industrial grade salt via solar evaporation, crystallisation and raw salt purification.

The Scoping Study was based on the export of salt via BCI’s proposed CPE Port, with potential project economics over a 20-year life as follows: capital cost of A\$225-255M; operating cost of A\$19-21/t FOB; average revenue of approximately A\$45/t FOB; pre-tax NPV<sub>10</sub> of A\$290-380M; pre-tax IRR 25-27%; payback period of 5 years.

BCI has committed to proceeding with pre-feasibility study (PFS) on the Mardie Salt Project, targeting completion by the end of 2017.

Refer to BCI's ASX announcement dated 18 July 2017 for further details, including the relevant cautionary statements.

## 4. CARNEGIE POTASH PROJECT

The Carnegie Potash Project is an exploration project located approximately 220km north-east of Wiluna, that is prospective for hosting a large sub-surface brine deposit which could be developed into a solar evaporation and processing operation that produces sulphate of potash ("SOP").

BCI currently holds a 15% interest in the Carnegie Potash in a joint venture with ASX-listed potash development company, Kalium Lakes Limited ("Kalium"). BCI has rights to earn up to a 50% interest through sole-funding a further A\$10M in exploration and development expenditure.

During the quarter, joint venture manager Kalium, with support from BCI staff, continued desktop study works and consultation with the Native Title Claim Group with the aim of securing tenement access and commencing on-ground exploration activities during the second half of 2017. Works approvals from the Department of Mines and Petroleum and the Departments of Parks and Wildlife were received during the quarter for planned exploration activities.

## 5. CORPORATE

### Cash and Debt Position

BCI's cash balance as at 30 June 2017 increased to A\$36.4M (31 March 2017: A\$32.9M).

The increase was due to net cash flow received in respect of March 2017 quarter Iron Valley shipments, offset by project expenditure, corporate costs and a further A\$1.3M repayment of deferred Nullagine royalties to the State Government. The remaining deferred Nullagine royalties balance of A\$1.3M will be repaid in the September 2017 quarter.

### Business Development

As part of its growth and diversification strategy, BCI continued to assess a number of new opportunities in the gold / base metals and industrial minerals space. BCI will keep the market informed of any material developments.

### Health and Safety

BCI's commitment to safety is reflected in the Company now having achieved a two years' lost time injury (LTI) free period.

**- ENDS -**

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BC Iron Limited  
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## ABOUT BCI

BCI is an ASX-listed resources company that is managing a portfolio of iron ore and other mineral interests.

Iron ore is the Company's core focus, with the key assets of Iron Valley and Buckland providing a complimentary mix of existing earnings and growth potential.

Iron Valley is an iron ore mine located in the Central Pilbara, which is operated by Mineral Resources Limited (ASX: MIN) and is generating low risk royalty earnings for the Company.

Buckland is a strategic iron ore development project located in the West Pilbara region, comprising a proposed mine at Bungaroo South and a proposed infrastructure solution incorporating a haul road and transshipment port at Cape Preston East.

The Company's iron ore portfolio also includes potential royalties over the Nullagine, Koodaideri South and Extension tenements.

BCI is establishing an agricultural and industrial minerals business, which currently includes a joint venture over the Carnegie Potash Project with Kalium Lakes Limited (ASX: KLL) and the 100%-owned Mardie Salt Project.

BCI is also seeking to build a strong gold and/or base metals business, primarily targeting project level interests in Australian assets with near-term earnings potential.

## KEY STATISTICS

<b>Shares on issue:</b>	392.5 million	
<b>Cash and cash equivalents:</b>	\$36.4 million	as at 30 June 2017
<b>Board:</b>	Brian O'Donnell	Non-Executive Chairman
	Alwyn Vorster	Managing Director
	Michael Blakiston	Non-Executive Director
	Jenny Bloom	Non-Executive Director
	Martin Bryant	Non-Executive Director
	Andy Haslam	Non-Executive Director
<b>Major shareholders:</b>	Wroxby Pty Ltd	27.9%

Website: [www.bciron.com.au](http://www.bciron.com.au)