



ASX RELEASE – 21 OCTOBER 2015

SEPTEMBER 2015 QUARTERLY ACTIVITIES REPORT

- 1.40M wmt of *Bonnie Fines* shipped from the NJV (BC Iron share 1.06M wmt)
- NJV C1 cash costs reduced by A\$5/wmt to A\$44/wmt (FOB)
- BC Iron all-in cash costs¹ reduced by A\$6/wmt to A\$52/wmt (FOB)
- Realised CFR price of US\$47/dmt (A\$65/dmt) before prior period and hedging adjustments, from average CFR 62% Fe price of US\$55/dmt
- Iron Valley EBITDA of A\$1.9M
- Buckland co-operative mining study completed with API
- Cash increased by A\$4.1M to A\$71.8M

BC Iron Limited (ASX: BCI) ('BC Iron' or the 'Company') is pleased to present shareholders with its quarterly activities report for the period ended 30 September 2015.

The Nullagine Joint Venture ('NJV') shipped 1.40M wet metric tonnes ('wmt') of *Bonnie Fines* (BC Iron share: 1.06M wmt) during the quarter, which was in line with expectations. Costs reduced materially with NJV C1 cash costs down A\$5/wmt to A\$44/wmt (FOB) and BC Iron all-in cash costs¹ down A\$6/wmt to A\$52/wmt (FOB).

The NJV generated a positive operating cash flow for BC Iron of A\$7.7M. This figure is after corporate costs, but excludes a A\$2.0M rebate BC Iron received from the State Government as part of the iron ore royalty assistance programme.

At Iron Valley, 1.40M wmt was shipped by operating partner Mineral Resources Limited ('MIN'), generating an EBITDA for BC Iron of A\$1.9M, with negligible prior period adjustments. MIN continues to progress the beneficiation and bulk ore transport system ('BOTS') initiatives that have the potential to improve the economics at Iron Valley for both BC Iron and MIN.

Commenting on the quarter, Managing Director Morgan Ball said, "*It was pleasing to improve our cash position during another challenging quarter for iron ore companies. This result was underpinned by positive cash flow from the Nullagine operation, where costs reduced materially following the successful transition to a new mining services contractor and an ongoing Company-wide cost focus.*"

The review of development and financing options for the Buckland Project continued throughout the quarter. A joint study between BC Iron and the Australian Premium Iron Joint Venture ('API') was also completed, which confirmed the parties' contiguous deposits can be mined co-operatively with increased mineable inventory available to both parties. Discussions with API have commenced in relation to the potential commercial arrangements for co-operative mining.

¹BC Iron all-in cash costs include NJV C1 cash costs plus royalties, marketing, exploration and evaluation expenses and corporate costs.

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1. NULLAGINE JOINT VENTURE ('NJV')

BC Iron Nullagine Pty Ltd, a wholly owned subsidiary of BC Iron, is the operator and manager of the NJV, a 75:25 unincorporated joint venture with Fortescue Metals Group Limited ('Fortescue'). The project is located approximately 140km north of Newman in the East Pilbara region of Western Australia.

Operations

Key operational statistics for the quarter were as follows (Tables 1 and 2):

TABLE 1: ORE PRODUCTION, HAULAGE & SHIPPING

	Sep Quarter 2015 (Mt)	Jun Quarter 2015 (Mt)	Variance Q-o-Q (%)	Sep Quarter 2014 (Mt)	Variance Y-o-Y (%)	FY16 YTD (Mt)
Ore Mined (dry)	1.21	1.56	(22)%	0.92	36%	1.21
Produced (wet)	1.32	1.22	8%	0.89	70%	1.32
Hauled (wet)	1.41	1.51	(7)%	0.75	87%	1.41
Railed (wet)	1.44	1.45	(0)%	0.76	91%	1.44
Shipped (wet)	1.40	1.46	(4)%	0.95	47%	1.40

TABLE 2: STOCKPILE INVENTORY

	Sep Quarter 2015 (kt wet)	Jun Quarter 2015 (kt wet)
ROM Ore ¹	231	341
Site Product	36	126
RLF Product ²	70	98
Port Product	70	25
Low-grade Ore	11,180	10,023

Notes:

1. Run of Mine ('ROM')
2. Christmas Creek Rail Loadout Facility ('RLF')

The NJV mined 1.21M dmt of Direct Shipping Ore ('DSO') and produced 1.32M wmt of Bonnie Fines. Warrigal 1 & 2 and Outcamp 2 & 3 continued to contribute ore throughout the quarter. Waste to ore ratios averaged 1.0:1 for the quarter (June 2015 quarter: 0.9:1).

The transition to Viento Contracting Services Pty Ltd ('VCS') as the NJV's sole mining, crushing and screening contractor was successfully completed. As advised in April 2015, VCS's parent company, Viento Group Limited ('Viento'), entered voluntary administration but continued to provide services to the NJV. VCS has since been acquired by new owners with VCS no longer part of the old Viento group and therefore no longer in voluntary administration.



Road haulage takes place via a private 60km bitumen haul road from the NJV mine site to Fortescue's Christmas Creek RLF. During the quarter, 1.41M wmt of product was hauled.

The Pilbara Infrastructure Pty Ltd ('TPI'), a wholly owned subsidiary of Fortescue, provides contract rail haulage and port services to the NJV. During the quarter, 1.44M wmt was railed from the Christmas Creek RLF to the Herb Elliott Port in Port Hedland.

The NJV shipped 1.40M wmt of *Bonnie Fines* product during the quarter on eight capesize vessels and one shared capesize vessel. BC Iron's share of tonnes shipped for the quarter was 1.06M wmt or 76% of the NJV total. BC Iron's share of sales since increasing its NJV interest to 75% in January 2013 is 74.9%.

Occupational Health & Safety

No lost time injuries were recorded during the quarter. As at the end of September 2015, the rolling 12 month lost time injury frequency rate was 3.4, a slight increase compared to June 2015 (3.0) due to reduced man-hours. Safety is a key focus for BC Iron and the Company seeks to continually improve its systems and procedures to ensure a safe working environment.

Marketing

Iron ore prices came under further pressure in the early part of the quarter, with the CFR China 62% Fe price declining to the mid US\$40s per dmt in July 2015. Prices recovered from this low point and were more stable during August and September, trading between US\$55/dmt and US\$60/dmt. Overall, the CFR China 62% Fe price averaged US\$55/dmt for the quarter, down from US\$58/dmt in the June 2015 quarter.

Demand for *Bonnie Fines* remains strong and discounts for uncommitted sales continued to decline during the quarter. The average CFR sales price achieved for BC Iron's share of *Bonnie Fines* was US\$47/dmt, slightly lower than the June 2015 quarter price of US\$49/dmt due to the lower average CFR China 62% Fe price. However, this was more than offset by the depreciation of the Australian dollar and BC Iron's CFR received price in Australian dollar terms increased from A\$63/dmt to A\$65/dmt. A downwards adjustment of A\$3/dmt was then recognised in relation to hedging and finalisation of shipments delivered in the previous quarter.

Operating Costs

Operating costs decreased during quarter due to the successful transition to a single mining, crushing and screening contractor at the NJV, ownership of key operating equipment and an ongoing focus on cost management. NJV C1 cash costs for the September 2015 quarter were approximately A\$44/wmt (FOB) and BC Iron all-in cash costs were approximately A\$52/wmt (FOB), both within FY16 guidance ranges.

Resource Development and Exploration

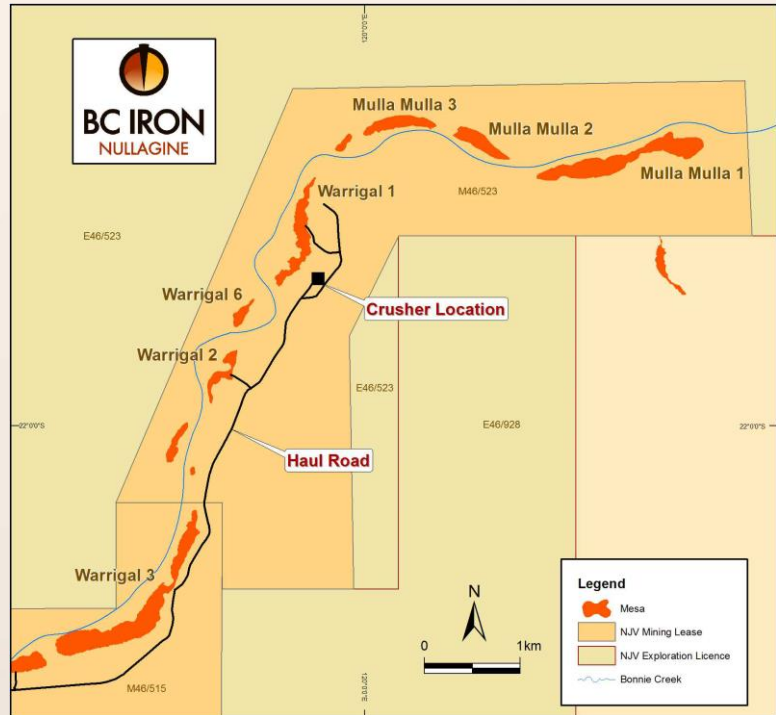
An updated Mineral Resources and Ore Reserves estimate for the NJV was released in August 2015, capturing mining depletion up to 30 June 2015 and additional grade control drilling completed in the second half of FY15. The NJV's DSO Ore Reserve as at 30 June 2015 was 20.7Mt at 56.9% Fe and the Beneficiated Shipping Ore ('BSO') Ore Reserve was 5.4Mt at 54.0% Fe. For further information, please refer to BC Iron's announcement entitled 'NJV Ore Reserves and Minerals Resources', which was released to the ASX on 25 August 2015.



In the September 2015 quarter, BC Iron commenced an exploration and grade control drilling programme in the Mulla Mulla area (previously known as Warrigal North), which hosts three prospective mining areas. Mulla Mulla is located in close proximity to Warrigal 1 & 2 and associated infrastructure. Subject to the outcome of the drilling, the Mulla Mulla mesas have the potential to be low capital and operating cost developments that can defer more capital intensive development at Bonnie East and Coongan.

During the September 2015 quarter, drilling at Mulla Mulla 2 & 3 was completed and drilling commenced at Mulla Mulla 1. A total of 269 holes were drilled and 7,285 metres were sampled.

FIGURE 1: LOCATION OF MULLA MULLA MESAS



Progress of the Mulla Mulla drilling programme will be advised as assays are received and assessed.

2. IRON VALLEY PROJECT

MIN operates the Iron Valley mine under an iron ore sale agreement with BC Iron. It is currently being operated as a DSO, truck haulage operation. During the quarter, MIN shipped 1.40M wmt of Iron Valley ore, which generated an EBITDA for BC Iron of A\$1.9M, with negligible adjustments relating to prior periods.

MIN continues to progress the beneficiation and BOTS initiatives. These initiatives offer potential upside to BC Iron in the future through increased production rates and increased received prices.

BC Iron released an updated Mineral Resource and Ore Reserve estimate for Iron Valley during the quarter. As at 30 June 2015, Mineral Resources were 246.8Mt at 58.4% Fe and Ore Reserves were 129.9Mt at 58.9% Fe. The updated estimates capture mining depletion to 30 June 2015, additional infill drilling completed by MIN and also reflect the proposed implementation of the beneficiation and BOTS initiatives. For further information, please refer to BC Iron's announcement entitled 'Iron Valley Ore Reserves and Minerals Resources', which was released to the ASX on 25 August 2015.



3. BUCKLAND PROJECT

Buckland is an iron ore development project located in the West Pilbara region, including a proposed mine at Bungaroo South and an independent infrastructure solution comprising a private haul road and transshipment port at Cape Preston East. A feasibility study has been completed and all primary tenure and approvals have been secured.

BC Iron is continuing to evaluate a range of development and financing strategies for the Buckland Project to determine the optimal way forward for the project. The co-operative mining study between BC Iron and API (a joint venture between Aquila Steel Pty Ltd and AMCI (IO) Pty Ltd) was completed during the quarter. The study confirmed that the parties' contiguous Bungaroo South and Buckland Hills deposits can be mined in a co-operative manner, with increased mineable inventory available to both parties. BC Iron has commenced discussions with API in relation to the potential commercial arrangements for co-operative mining.

BC Iron continued to advance the approvals process for the Cape Preston East port lease. All Construction Applications have now been submitted to the Pilbara Ports Authority, with approvals anticipated during 2016.

4. CORPORATE

Cash and Debt Position

BC Iron's cash balance was A\$71.8M as at 30 September 2015. Debt outstanding was A\$7.1M, reflecting a US\$5M interest-free and security-free facility with offtake partner Henghou, due for repayment in December 2015.

Cash Flows

BC Iron's cash position increased by A\$4.1M during the quarter from A\$67.7M to A\$71.8M.

The Company generated a positive operating cash flow of A\$7.2M, which included:

- A\$7.7M in positive cash flow from BC Iron's NJV interest less corporate costs;
- A\$1.2M in positive cash flow from Iron Valley, relating to the June 2015 quarter;
- Royalty rebate of A\$2.0M from the State Government as part of the iron ore royalty assistance programme;
- Stamp duty payment of A\$2.8M relating to the Iron Ore Holdings Limited acquisition; and
- Expensed exploration and evaluation expenditure in relation to the Buckland Project of A\$0.9M.

Other material cash movements during the quarter included:

- Capital expenditure of A\$5.4M, including A\$4.6M for the purchase of a surface miner, mobile crushing and screening plant and four haul trucks from the previous mining services contractor; and
- An increase of A\$2.4M on cash held in US dollars, due to depreciation of the Australian dollar.

Ownership of equipment (in particular, the surface miner) forms part of the NJV's contracting strategy, facilitating an improved outcome from the new mining services contract and reducing inbuilt capital-related operating charges at the NJV site.



Hedging

BC Iron undertakes hedging of iron ore prices and foreign exchange rates to protect profitability and its breakeven price.

In the September 2015 quarter, 0.59M dmt (or 58% of BC Iron's share of sales) was delivered into at an average CFR 62% Fe price of approximately A\$74/dmt. As at 30 September 2015, BC Iron had 0.44M dmt hedged for delivery during the December 2015 quarter at an average CFR 62% Fe price of approximately A\$72/dmt.

Company Secretary Resignation

Anthea Bird resigned as Company Secretary during the quarter. Hayley McNamara continues as sole Company Secretary of BC Iron.

- ENDS -

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Forward-looking Statements

Forward-looking statements can be identified by the use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or similar words. These statements discuss future expectations concerning the results of operations or financial condition, or provide other forward looking statements. They are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this ASX update. Readers are cautioned not to put undue reliance on forward looking statements.



ABOUT BC IRON LIMITED

BC Iron is an iron ore mining and development company with assets in the Pilbara region of Western Australia, including the Nullagine Joint Venture (“NJV”), Iron Valley and Buckland. BC Iron is listed on the ASX under the code ‘BCI’.

The NJV is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited (“Fortescue”), which commenced exports in February 2011. The NJV utilises Fortescue’s infrastructure at Christmas Creek, 50km south of the Nullagine mine, to rail up to 6Mtpa of ore to Port Hedland from where it is shipped directly to customers overseas.

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.

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:	196.2 million	
Cash & Equivalents:	A\$71.8 million	as at 30 September 2015
Board:	Tony Kiernan	Chairman and Non-Executive Director
	Morgan Ball	Managing 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%

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