ASX RELEASE – 23 JULY 2015

JUNE 2015 QUARTERLY ACTIVITIES REPORT

- **1.46M wmt of *Bonnie Fines* shipped from the NJV (BC Iron share 1.12M wmt)**
- **Realised CFR price of US$49/dmt (A$63/dmt) from average CFR 62% Fe price of US$58/dmt**
- **5.26M wmt of Bonnie Fines shipped in FY15 (BC Iron share 4.00M wmt)**
- **FY15 guidance achieved for production, operating costs and capital expenditure**
- **Iron Valley EBITDA of A$1.0M for the quarter, after prior period adjustments of A$(0.9)M**
- **All interest bearing debt (US$30.8M) repaid ahead of schedule**
- **Cash position of A$67.7M**

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 June 2015.

The Nullagine Joint Venture ('NJV') had a solid quarter, shipping 1.46M wet metric tonnes ('wmt') of *Bonnie Fines* (BC Iron share: 1.12M wmt) which was one ship below expectations due to unseasonal wet weather in April and May. NJV C1 cash costs were A$49/wmt (FOB) and BC Iron all-in cash costs[1] were A$58/wmt (FOB). This is materially lower than at the same time last year and does not reflect the lower current and expected future cost base due to a transition in the NJV's major mining, crushing and screening contractor during the quarter.

In line with volatile and generally downward trending iron ore prices, BC Iron's CFR received price declined to US$49 per dry metric tonne ('dmt'), or A$63/dmt, before prior period and hedging adjustments. Notwithstanding this, the NJV continued to generate positive operating cash flow during the quarter.

The quarterly production results contributed to full year NJV sales of 5.26M wmt (BC Iron share: 4.00M wmt). C1 cash costs for the December 2014 to June 2015 period were A$47/wmt (FOB) and BC Iron all-in cash costs were A$56/wmt (FOB). Both sales and costs were within guidance.

Managing Director Morgan Ball said, *"The June quarter results were solid given the transition in our major contractor at the NJV during the period and the ongoing iron ore market challenges. Our cost base is now materially lower as a result of changes implemented over the last six months, which is reflected in our FY16 guidance. We are continuing to strive for further cost reductions in light of expected ongoing volatility in iron ore prices and also remain focused on ensuring we make decisions that are in the best interests of our shareholders."*

"Significantly in this environment, we fully repaid our term loan facility during the quarter. BC Iron now has a de-risked balance sheet with A$68 million cash and minimal debt, providing a clean platform going forward in a difficult market," Mr Ball added.

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

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Iron Valley continues to generate positive cash flow for BC Iron. Operating partner Mineral Resources Limited ('MIN') shipped 1.19M dmt for the quarter, generating an EBITDA for BC Iron of A$1.0M after adjustments of A$(0.9)M relating to previous periods. This brought BC Iron's full year EBITDA to A$4.6M for the operation, which commenced exports in October 2014. MIN continues to progress the beneficiation and alternative transport initiatives that have the potential to improve economics for both BC Iron and MIN.

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', a joint venture between Aquila Steel Pty Ltd and AMCI (IO) Pty Ltd) is assessing potential co-operation around mining of the parties' contiguous Bungaroo South and Buckland Hills deposits.

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

	Jun Quarter 2015 (Mt)	Mar Quarter 2015 (Mt)	Variance Q-o-Q (%)	Jun Quarter 2014 (Mt)	Variance Y-o-Y (%)	FY15 YTD (Mt)
Ore Mined (dry)	1.56	1.70	(8)%	1.73	(10)%	5.84
Produced (wet)	1.22	1.77	(31)%	1.73	(29)%	5.19
Hauled (wet)	1.51	1.50	0%	1.66	(9)%	5.19
Railed (wet)	1.45	1.43	1%	1.65	(12)%	5.00
Shipped (wet)	1.46	1.46	0%	1.43	3%	5.26

TABLE 2: STOCKPILE INVENTORY

	Jun Quarter 2015 (kt wet)	Mar Quarter 2015 (kt wet)
ROM Ore[1]	341	116
Site Product	126	403
RLF Product[2]	98	94
Port Product	25	35
Low-grade Ore	10,023	8,774

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

BC Iron continued to execute its NJV contracting strategy during the quarter, with a transition in the major mining, crushing and screening contractor. Following award of the Warrigal hub contract to Viento Group in March 2015, BC Iron announced in April 2015 that it had exercised its early termination rights for the contract with Watpac Limited ('Watpac'). Watpac worked through a three month notice period and ceased work in June, meaning that there were two contractors operating at the NJV for a short period of time.

BC Iron mined 1.56M dmt of DSO during the quarter and produced 1.22M wmt of *Bonnie Fines*. Warrigal 1 and Outcamp 2 and 3 continued to contribute ore throughout the quarter. Mining was completed at Warrigal 4 in April 2015, whilst mining commenced at Warrigal 2 in May 2015. Management of waste to ore ratios continued to be a key area for cost control and averaged 0.9 for the quarter (March 2015 quarter: 0.6).

Operating rates (particularly crushing and screening rates) were affected by the transition between contractors as well as several periods of unseasonal wet weather at the NJV. However, BC Iron leveraged the strong inventory position attained during the March 2015 quarter to achieve higher rates for road haulage, rail haulage and shipping.

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, 1.51M 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, 1.45M wmt was railed from the Christmas Creek RLF to the Herb Elliott Port in Port Hedland.

The NJV shipped 1.46M wmt of *Bonnie Fines* product during the quarter on eight capesize vessels and one shared capesize vessel. This was approximately one shipment below expectations due to unseasonal wet weather in April and May. BC Iron's share of tonnes shipped for the quarter was 1.12M wmt or 76% of the NJV total. BC Iron's share of sales since increasing its NJV interest to 75% in January 2013 is 74.8%.

Marketing

Iron ore prices were volatile during the quarter. The CFR China 62% Fe price ('CFR 62% Fe Price') declined to US$47.5/dmt in early April 2015, which at the time represented the lowest price in the 6-7 year history of key indices, before recovering into the low US$60s in June 2015. Overall, the CFR 62% Fe Price averaged US$58/dmt for the quarter, down from US$62/dmt in the March 2015 quarter.

The average CFR sales price achieved for BC Iron's share of *Bonnie Fines* was US$49/dmt, which equates to A$63/dmt. A downwards adjustment of A$2/dmt was recognised in relation to hedging and finalisation of shipments delivered in the previous quarter.

Price realisation was reflective of a typical quarter, whereas March 2015 quarter price realisation was higher due to favourable quotation periods. Price realisation benefited from improved discounts for uncommitted sales in the June 2015 quarter and an increased proportion of uncommitted sales, which attract a lower discount. Improvement in uncommitted product discounts in a challenging iron ore market reflects the ongoing strong demand for *Bonnie Fines* and its attractiveness to steel makers.

Operating Costs

NJV C1 cash costs for the June 2015 quarter were approximately A$49/wmt (FOB) and BC Iron all-in cash costs were approximately A$58/wmt (FOB). Costs, although further affected by the weather-related reduction in shipping, were expected to be higher this quarter due to the planned contractor transition which resulted in two mining, crushing and screening contractors being on site for a short period of time. The NJV has now returned to a single contractor model and on-site costs will be lower going forward. BC Iron is continuing to focus on achieving further cost reductions with a particular focus on offsite activities, including transport costs.

FY15 Operating Result

BC Iron met guidance for the NJV for sales and operating costs and achieved better than guidance for capital expenditure.

NJV sales for FY15 totalled 5.26M wmt, which is within the guidance range of 5.2-5.6M wmt. BC Iron's share of sales was 4.00M wmt or 76.1% of the total.

The CFR 62% Fe Price averaged US$72/dmt for the year and BC Iron's received price averaged US$57/dmt (or A$69/dmt) with negligible adjustments from shipments delivered in FY14. BC Iron's price realisation appears low against the annual average CFR 62% Fe Price because of reduced shipments due to operational issues in the first half of FY15, when iron ore prices were at a higher level.

The NJV's C1 cash costs for FY15 were A$54/wmt on an FOB basis. However, C1 cash costs averaged A$47/wmt (FOB) for December 2014 to June 2015, which is at the bottom end of the A$47-51/wmt (FOB) guidance range for that period. BC Iron all-in cash costs were A$63/wmt (FOB) for FY15 and A$56/wmt (FOB) for the December 2014 to June 2015 period, which is within the guidance range of A$53-57/wmt (FOB) for that period.

BC Iron's share of NJV capital expenditure was approximately A$12M, which is below the A$13-16M guidance range. A further A$3M was incurred on Iron Valley capital expenditure and Buckland exploration and evaluation expenditure.

FY16 Guidance

BC Iron expects NJV sales for FY16 will be 4.9-5.3M wmt (BC Iron share: 3.7-4.0M wmt). Slightly lower production rates will facilitate deferral of capital expenditure associated with the higher cost Bonnie East and Coongan mesas and provide additional time for evaluation of other Warrigal mesas which have potential as more attractive new developments. Given that the NJV's key contracts now predominantly reflect a variable cost position, production can be varied with minimal impact on the cost profile of the operation.

NJV C1 cash costs are expected to be in the range of A$42-45/wmt (FOB) and BC Iron's all-in cash costs are expected to be A$48-54/wmt (FOB). These costs represent a material reduction to the costs achieved in the second half of FY15 and reflect BC Iron's ongoing focus on reducing costs and optimising the NJV.

NJV capital expenditure for FY16 is forecast to be A$16-19M (BC Iron share: A$12-14M) and includes:

- Sustaining capital expenditure of A$3-4M, including a scheduled rebuild for each of the NJV's two Vermeer 1655 surface miners;
- Approximately A$6M to purchase equipment from Watpac, including a Vermeer 1655 surface miner, a 2Mtpa mobile crushing and screening plant and four Haulmax trucks; and
- Development capital expenditure of A$7-9M, which is primarily costs associated with approvals, grade control drilling and development of mesas near the existing Warrigal hub.

Non-NJV capital expenditure and exploration and evaluation expenditure is expected to be A$4-6M and includes further studies and approvals at the Buckland Project as well as approvals at Iron Valley to facilitate below water table mining by MIN.

Resource Development and Exploration

An update of the NJV's Mineral Resources and Ore Reserves as at 30 June 2015 will be released in the September 2015 quarter, encompassing work completed in the second half of FY15.

Occupational Health & Safety

One lost time injury was recorded during the quarter. As at the end of June 2015, the rolling 12 month lost time injury frequency rate was 3.0 (March 2015: 2.8). Safety is a key focus for BC Iron and the Company continues to review key risks and improve its systems and procedures to ensure a safe working environment for staff and contractors.

2. IRON VALLEY PROJECT

The Iron Valley mine is being operated by MIN 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 1.19M dmt of Iron Valley ore, which generated EBITDA for BC Iron of A$1.9M before downward adjustments of A$0.9M relating to shipments delivered in previous quarters.

BC Iron and MIN are continuing to progress the various approvals required to facilitate below water table mining at Iron Valley. During the quarter, BC Iron completed all on-site components of the environmental studies as well as archaeological and ethnographic heritage surveys.

For FY15, MIN shipped a total of 2.83M dmt after commencing exports in October 2014, which generated EBITDA for BC Iron of A$4.6M.

Iron Valley is expected to continue being operated as a DSO, truck haulage operation throughout FY16 while MIN continues to progress the beneficiation and bulk ore transport system ('BOTS') initiatives. BC Iron expects FY16 EBITDA from Iron Valley of A$5-14M, based on a range of production rates and A$ FOB received iron ore prices for Iron Valley ore.[2]

[2] Low case based on production of 3Mtpa, CFR 62% Fe price of US$45/dmt, freight rate of US$8/wmt and AUD:USD rate of 0.80. High case based on production of 5Mtpa, CFR 62% Fe price of US$65/dmt, freight rate of US$5/wmt and AUD:USD rate of 0.70.

BC Iron's agreement with MIN contemplates the implementation of the beneficiation and BOTS initiatives, which offer the potential for upside to BC Iron in the future through increased production rates and increased received prices.

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 transhipment port at Cape Preston East. A feasibility study has been completed and all primary tenure and approvals have been secured.

During the quarter, BC Iron continued to evaluate a range of development and financing strategies for the Buckland Project to determine the optimal way forward for the project. The joint mining study between BC Iron and API (a joint venture between Aquila Steel Pty Ltd and AMCI (IO) Pty Ltd) continues to progress. The study is assessing the potential for co-operation around mining of the parties' contiguous Bungaroo South and Buckland Hills deposits, including options to maximise mineable inventory and possible synergies in extracting the ore.

BC Iron continued to advance the approvals process for the Cape Preston East port lease. All key Development Applications are now approved and submissions for Construction Applications have commenced.

4. CORPORATE

Board Changes

During the quarter, Mr Terry Ransted resigned from his position of Non-executive Director to allow sufficient time to focus on his role as Chief Geologist with Alkane Resources Limited. My Ransted was an inaugural Non-executive Director of BC Iron and made a valuable contribution to the Board during his tenure of nearly nine years.

Mr Martin Bryant was appointed as an independent Non-executive Director. Mr Bryant has extensive international business experience with a particular focus on Asia. Most recently, he was Managing Director and Chief Executive Officer of WesTrac China.

Cash and Debt Position

BC Iron's cash balance was A$67.7M as at 30 June 2015.

BC Iron repaid the remaining balance of the Term Loan Facility (approximately US$31M) during late June 2015. This materially de-risked the Company's balance sheet and reduced total debt outstanding to A$6.5M, reflecting a US$5M interest-free and security-free facility with offtake partner Henghou which is due for repayment in December 2015.

Cash Flows

BC Iron's cash position decreased by A$39.8M during the quarter from A$107.5M to A$67.7M.

This change in cash position was due to the following key movements:

- Repayment of Term Loan Facility noted above, which equated to A$40.2M;
- Positive operating cash flow of approximately A$1.9M;
- Capital expenditure of A$0.9M, primarily for Viento mobilisation costs and grade control drilling;
- Expensed exploration and evaluation expenditure of A$1.5M, primarily related to ongoing evaluation of the Buckland Project; and
- An increase of A$0.8M on cash held in US dollars, due to depreciation of the Australian dollar.

Impairment Testing

BC Iron is currently assessing its assets for impairment. Further details will be announced in due course when the assessment is complete.

Hedging

BC Iron undertakes hedging of iron ore prices and foreign exchange rates to protect profitability and its breakeven price. The Company's policy is to hedge up to 50% of its share of NJV tonnes sold no more than three months ahead.

In respect of the June 2015 quarter, 0.38M dmt (or 34% of BC Iron's share of sales) was hedged at an average CFR 62% Fe Price of approximately A$73/dmt. As at 30 June 2015, BC Iron had 0.53M dmt hedged for delivery during the September 2015 quarter at an average CFR 62% Fe Price of approximately A$74/dmt.

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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 key assets in the Pilbara region of Western Australia, including the Nullagine Joint Venture (NJV), Buckland and Iron Valley. 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, 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.

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 transhipment 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.

Iron Valley is a mine with Ore Reserves of 134.7 Mt at 58.5% Fe that was developed and is being operated by Mineral Resources Limited under an iron ore sale agreement.

BC Iron also has an interest in a number of other earlier 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$67.7 million	as at 30 June 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
	Anthea Bird	Company Secretary
	Hayley McNamara	Company Secretary
Major Shareholders:	Wroxby Pty Ltd	19.0%

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