

## DECEMBER 2016 QUARTERLY ACTIVITIES REPORT

- Record Iron Valley EBITDA of A\$8.1 million from shipments of 2.1 million tonnes
- Iron Valley below water table mining approvals granted in early January
- Entitlement offer successfully completed, raising \$24.2M after costs
- Cash balance increased to A\$32.3M due to receipt of entitlement offer funds and strong Iron Valley cash flows

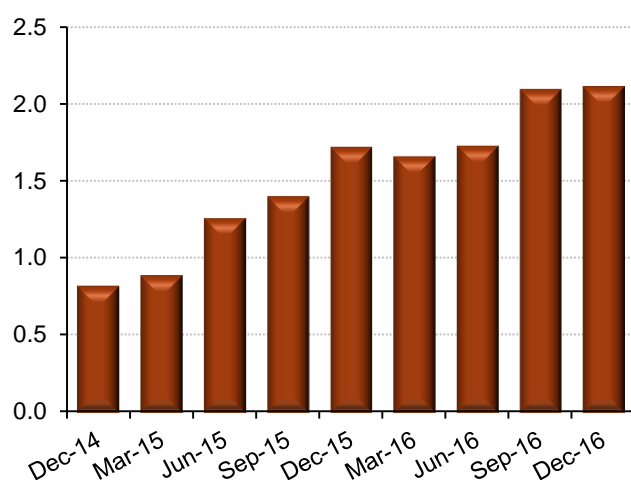
BC Iron Limited (ASX:BCI) (“BC Iron” or “the Company”) presents its quarterly activities report for the period ended 31 December 2016.

### 1. IRON VALLEY PROJECT

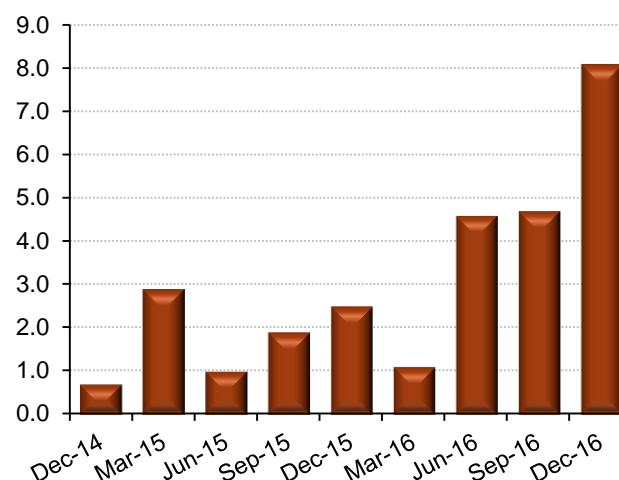
Mineral Resources Limited (“MIN”), which operates Iron Valley, shipped a record of 2.1 million wet metric tonnes (“M wmt”) from the mine in the December 2016 quarter. Continued robust iron ore pricing during the quarter and the strong operating result translated into a record quarterly EBITDA for BC Iron of A\$8.1M (unaudited), which includes a positive adjustment of A\$0.8M relating to the finalisation of pricing for shipments that departed in prior periods.

Quarterly Iron Valley shipments and EBITDA figures since the start of operations are shown in the charts below, highlighting that this is the third consecutive quarter that record production and EBITDA figures have been achieved.

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



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



For the first half of FY17, BC Iron's EBITDA from Iron Valley totalled A\$12.8M (unaudited) from shipments of 4.2M wmt.

In light of the strong figures for the first half of FY17, BC Iron has revised its FY17 Iron Valley EBITDA guidance to A\$18-25M (previously A\$6-16M), based on the assumptions set out below.<sup>1</sup>

### Iron Valley Approvals

All approvals have now been secured for below water table mining at the Iron Valley mine as announced to the market on 4 January 2017. This allows MIN to access the entire Iron Valley Ore Reserves and significantly extend the mine life at current production rates.

## 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"). 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.

BC Iron continues to assess the development concept for the Buckland Project to potentially allow for a 20 Mtpa mining operation, which would increase utilisation of the CPE port and achieve a more competitive cost structure. A number of strategies are being pursued to achieve this.

## 3. CORPORATE

### Sale of Nullagine Interest

On 10 October 2016, BC Iron entered into a binding terms sheet in relation to the sale of its 75% interest in the Nullagine Joint Venture ("NJV") to Fortescue Metals Group Limited ("Fortescue") for an ongoing royalty on all future iron ore mined from the Nullagine tenements. In December 2016, BC Iron and Fortescue executed a formal sale and purchase agreement in connection with the transaction.

Completion of the transaction is subject to the satisfaction of certain conditions including regulatory approvals and various third party consents, which BC Iron and Fortescue are continuing to progress. It is expected that completion will occur during the March quarter.

### Entitlement Offer

In October 2016, BC Iron announced a 1 for 1 pro-rata renounceable entitlement offer at an issue price of A\$0.13 per share. The entitlement offer was successfully completed in November 2016, with strong take-up by existing shareholders of 74%. The net funds raised after costs of A\$24.2M has strengthened the Company's balance sheet and supports its strategy to actively generate value from existing assets and consider new investment opportunities.

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<sup>1</sup> Lower end based on FY17 production of 7M wmt, CFR 62% Fe iron ore price of US\$75/dmt in Jan-17 and US\$55/dmt for Feb-17 to Jun-17. Upper end based on FY17 production of 8M wmt, CFR 62% Fe iron ore price of US\$75/dmt in Jan-17 and US\$70/dmt for Feb-17 to Jun-17. Capesize freight rate of US\$6/wmt and exchange rate of 0.75 for Jan-17 to Jun-17 are assumed for both cases.

## Cash and Debt Position

During the quarter, BC Iron's cash balance increased to A\$32.3M (30 September 2016: A\$9.5M), as a result of the entitlement offer and positive Iron Valley cash flows.

BC Iron's debt obligations were further reduced during the quarter, with the final US\$1.5M repayment of the debt facility with NJV offtake partner, Henghou, and a further A\$1.3M repayment of the State Government deferred royalty obligation. The remaining balance of A\$3.9M is repayable to the State Government over the next three quarters.

## Annual General Meeting

The Company's annual general meeting was held in Perth on 25 November 2016. All seven resolutions considered at the meeting were passed.

## Board and Management Changes

During the quarter, Anthony Kiernan resigned as Chairman and Non-Executive Director after 10 years of service with the Company and Brian O'Donnell was appointed to the role of Chairman. Mr O'Donnell has been a Non-Executive Director since completion of the Iron Ore Holdings Limited takeover in 2014 and was a Non-Executive Director of Iron Ore Holdings Limited since 2008.

BC Iron is pleased to announce the appointment of two senior executives effective 1 February 2017.

Simon Hodge has been appointed Chief Financial Officer. Mr Hodge has extensive experience across many industry sectors, including as Executive Director and Co-Founder of Quickflix Limited; Corporate Advisor, Poynton & Partners; Equity Research Analyst, Hartley Poynton and Institutional Equity Research Analyst, JP Morgan Securities London.

Rubini Ventouras has been appointed General Counsel and Company Secretary. Ms Ventouras has extensive legal and commercial experience involving exploration, project construction, HSE legislation, mining operations and marketing throughout Australasia, Asia and Europe. Most recently, she held senior roles with Newmont Asia Pacific where she was Group Executive Legal Affairs from 2007 to 2016.

**- ENDS -**

### FOR FURTHER INFORMATION:

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## ABOUT BC IRON LIMITED

BC Iron is an ASX-listed development and mining company with a portfolio of assets primarily located in the Pilbara region of Western Australia. The Company's key assets include Iron Valley, Buckland and Nullagine.

Iron Valley is a mine located in the Central Pilbara. The mine is operated by Mineral Resources Limited ("MIN") under an ore purchase agreement with BC Iron and is generating low risk royalty earnings for the Company.

Buckland is a strategic 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. It has a completed feasibility study and all primary tenure and approvals secured.

Nullagine is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited ("Fortescue"). BC Iron has entered into a binding sale agreement for the sale of its 75% interest to Fortescue for a royalty on future iron ore mined.

BC Iron holds a number of other exploration stage projects in a range of commodities and potential iron ore royalties over the Koodaideri South, Extension and Breakaway tenements.

The Company is also targeting new opportunities with a strong value proposition and near-term earnings potential, including commodities other than iron ore.

## KEY STATISTICS

<b>Shares on issue:</b>	392.5 million	
<b>Cash and cash equivalents:</b>	A\$32.3 million	as at 31 December 2016
<b>Board:</b>	Brian O'Donnell	Non-Executive Chairman
	Alwyn Vorster	Managing Director
	Martin Bryant	Non-Executive Director
	Andy Haslam	Non-Executive Director
<b>Major shareholders:</b>	Wroxby Pty Ltd	26.0%

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