

SALE OF 75% NULLAGINE INTEREST TO FORTESCUE

- **Binding terms sheet entered into for the sale of BC Iron’s 75% interest in the Nullagine Joint Venture (“NJV”) to Fortescue**
- **Transaction will eliminate BC Iron’s ongoing holding costs and tenement commitments, as well as the existing environmental rehabilitation liability**
- **Fortescue to pay an ongoing royalty on all future iron ore mined from the Nullagine tenements**
- **Future royalty payment will initially be partly waived by BC Iron up to an agreed fixed amount to offset the obligations assumed by Fortescue as part of the transaction (including rehabilitation)**

BC Iron Limited (ASX:BCI) (“BC Iron” or “the Company”) advises that it has entered into a binding terms sheet for the sale of its 75% interest in the Nullagine Joint Venture (“NJV”) to a subsidiary of Fortescue Metals Group Limited (“Fortescue”).

Background

The NJV is a 75:25 unincorporated joint venture between BC Iron and Fortescue. The Nullagine mine successfully operated for more than 5 years before the joint venture partners resolved to temporarily suspend operations in December 2015 due to low iron ore prices. Since the temporary suspension was put in place, BC Iron has been considering its strategic options in relation to Nullagine, including a potential restart of operations or a sale of its NJV interest.

Despite the identification of further operating cost savings and an improvement in iron ore prices, the Nullagine mine has remained marginal from BC Iron’s perspective and, based on projected future iron ore prices, it is unlikely that a restart of operations will become viable in the medium term under the current joint venture structure. Accordingly, BC Iron initiated a sale process for its 75% interest in the NJV. Discussions have been held with numerous third parties. Ultimately, a sale has been agreed with Fortescue, and BC Iron’s view is that this is the appropriate transaction to maximise value for the Company’s interest in Nullagine.

Key Terms of Transaction

Subject to the satisfaction of certain conditions, BC Iron has agreed to sell to Fortescue its 75% NJV interest and related assets, which includes the following:

- 75% interest in the iron ore rights over the NJV tenements;
- 100% title in the NJV tenements;
- existing fixed assets and equipment;
- existing low grade stockpiles; and
- all associated mining information.

Fortescue will assume BC Iron’s liabilities and obligations, including the existing rehabilitation liability. BC Iron will retain its US\$1.5M debt obligation to Henghou Industries and an obligation to pay A\$5.2M in deferred State Government royalties.

As consideration for the sale, Fortescue will pay BC Iron a royalty on 75% of the future iron ore that is mined from the NJV tenements. Specifically, the royalty is:

- 1.0%-2.0% of free-on-board revenue received by Fortescue for direct shipping ore ($\geq 55\%$ Fe); and
- A\$0.50-1.50 per tonne for low grade ore ($< 55\%$ Fe), adjusted for 15% yield loss.

A 50% reduction in the royalty rate will apply to all iron ore mined above 15 million tonnes, and a 75% reduction for all iron ore mined above 25 million tonnes.

Fortescue will initially pay BC Iron 33% of the agreed royalty in cash, until the total amount waived by BC Iron equals A\$7.5M. Thereafter, Fortescue will pay BC Iron 100% of the agreed royalty. The amount to be waived by BC Iron is intended to offset the obligations Fortescue assumes as part of the transaction, including rehabilitation liabilities.

The sale is subject to conditions precedent, including regulatory approvals, various third party consents and the execution of formal documentation.

Commenting on the sale, BC Iron Chairman, Tony Kiernan, said:

“Nullagine has been a successful operation and BC Iron shareholders have extracted significant value from it over a number of years. BC Iron has now concluded that the sale to Fortescue offers the best potential from a future BC Iron value and risk perspective. We acknowledge the role played by Fortescue who have been on a journey with BC Iron from day one at the Nullagine project.”

BC Iron Managing Director, Alwyn Vorster, said:

“BC Iron will continue to have exposure to future Nullagine operations via an ongoing royalty payment. Importantly, the sale will also reduce exposure for BC Iron by eliminating its rehabilitation liability, as well as monthly costs of \$150k-\$200k associated with holding the NJV interest. Management will also be in a position to direct additional time and resources towards maximising the value of our Buckland project, and potentially securing attractive new project opportunities.”

BC Iron will provide updates on the progress of the sale as appropriate.

- ENDS -

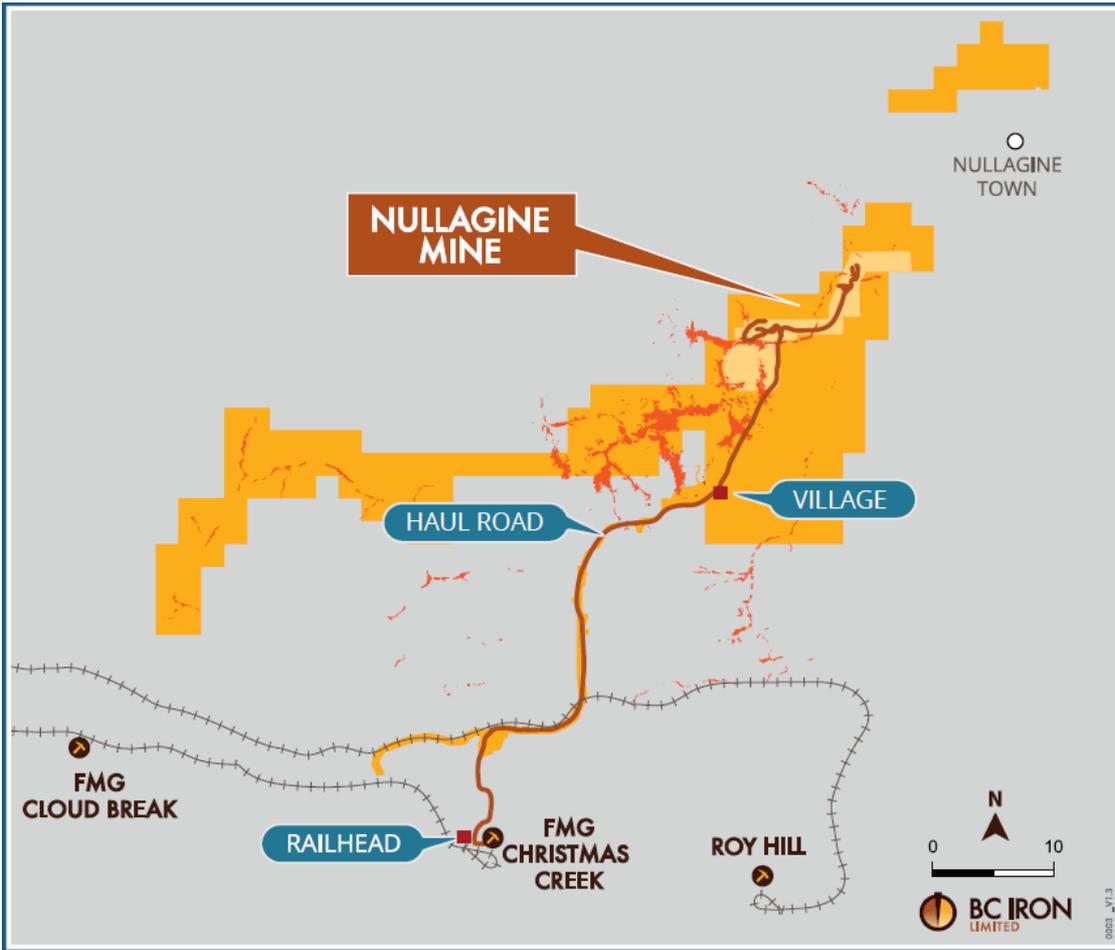
FOR FURTHER INFORMATION:

ALWYN VORSTER
MANAGING DIRECTOR
BC IRON LIMITED
TELEPHONE: +61 8 6311 3400

MEDIA ENQUIRIES:

DAVID TASKER
PROFESSIONAL PUBLIC RELATIONS
TELEPHONE: +61 8 9388 0944

MAP OF NULLAGINE



ABOUT BC IRON LIMITED

BC Iron is an iron ore mining and development company with assets in the Pilbara region of Western Australia, including Iron Valley, Buckland and Nullagine. BC Iron is listed on the ASX under the code 'BCI'.

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, comprising a proposed mine at Bungaroo South and its own proposed independent infrastructure solution incorporating a haul road and transshipment port at Cape Preston East. It has Ore Reserves of 134.3 Mt at 57.6% Fe, a completed and announced feasibility study, and all primary tenure and licences secured.

Nullagine is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited ("Fortescue"), which commenced exports in February 2011. The Nullagine Joint Venture has the capacity to rail and export up to 6Mtpa of ore on Fortescue's infrastructure. Operations are temporarily suspended due to market conditions and BC Iron has entered into a binding terms sheet for the sale of its 75% interest to Fortescue.

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:	196.3 million	
Cash and cash equivalents:	A\$9.5 million	as at 30 June 2016
Board:	Tony Kiernan	Non-Executive Director Chairman
	Alwyn Vorster	Managing Director
	Martin Bryant	Non-Executive Director
	Andy Haslam	Non-Executive Director
	Brian O'Donnell	Non-Executive Director
Major shareholders:	Wroxby Pty Ltd	19.0%

Website: www.bciron.com.au