



ASX RELEASE – 25 OCTOBER 2013

BC IRON POSTS STRONG PRODUCTION QUARTER WITH RECORD EXPORTS

- 1.61M dmt mined by NJV for the quarter
- 1.62M wmt shipped by NJV for the quarter (BC Iron share 1.16M wmt)
- NJV surpassed 10M wmt export milestone
- Average CFR sales price of US\$117/dmt, up 5% from US\$111/dmt in the previous quarter
- Contractor appointed to undertake beneficiation trial for Project Inventory
- Final fully franked dividend of 30 cents per share paid - FY13 payout ratio of 60%
- Appointment of Mr Chris Hunt as Chief Financial Officer
- Strong cash balance of A\$172.4M

BC Iron Limited (ASX: BCI) ('BC Iron' or the 'Company') is pleased to present shareholders with the Company's quarterly activities report for the period ended 30 September 2013.

During the quarter, the Nullagine Joint Venture ('NJV') consistently operated at approximately 6.5Mtpa in line with guidance rates for the dry season and achieved a record of 1.62M wet metric tonnes ('wmt') shipped, up 13% from the corresponding period last year. The NJV also passed the significant milestone of exporting over 10M wmt since the first ore shipment in February 2011.

The Company announced its FY13 results during the quarter, achieving record exports, profits and cash generation. This strong performance was shared with investors by paying a final fully franked dividend of 30 cents per share, bringing the dividend payout ratio for FY13 to 60% of underlying net profit after tax ('NPAT').

Other highlights for the quarter included progression of Project Inventory with a contractor appointed to undertake the low-grade beneficiation trial (now underway), formalisation of arrangements for the Alliance with Cleveland Mining Company Limited (ASX: CDG) ('Cleveland') to earn into exploration projects in Brazil and strengthening of the corporate team including, the appointment of Chris Hunt as Chief Financial Officer.

BC Iron Managing Director Mr Morgan Ball said, "*This was an excellent quarter of consolidation with the NJV demonstrating the capability to consistently operate in excess of a 6Mtpa run-rate. Our cash balance of \$172 million after payment of \$37 million in dividends emphasises the robustness of the operation. As the Company continues to mature, we have expanded our skill set by bolstering our management team which, combined with our operational performance and strong cash reserves, positions us well to extend our current operations and consider future opportunities.*"

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1. OPERATIONS

Summary Results - Nullagine Joint Venture (BC Iron - 75%, Fortescue Metals Group - 25%)

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.

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

TABLE 1: ORE PRODUCTION, HAULAGE & SHIPPING

	Sep Quarter '13 (t)	Jun Quarter '13 (t)	Variance Q-o-Q (%)	Sep Quarter '12 (t)	Variance Y-o-Y (%)
Ore Mined (dry)	1,614,903	1,577,471	2%	1,479,116	9%
Crushed (wet)	1,663,544	1,670,671	(0.4)%	1,476,290	13%
Hauled (wet)	1,680,671	1,570,520	7%	1,394,765	20%
Railed (wet)	1,681,906	1,632,472	3%	1,357,672	24%
Shipped (wet)	1,621,418	1,598,151	1%	1,431,260	13%

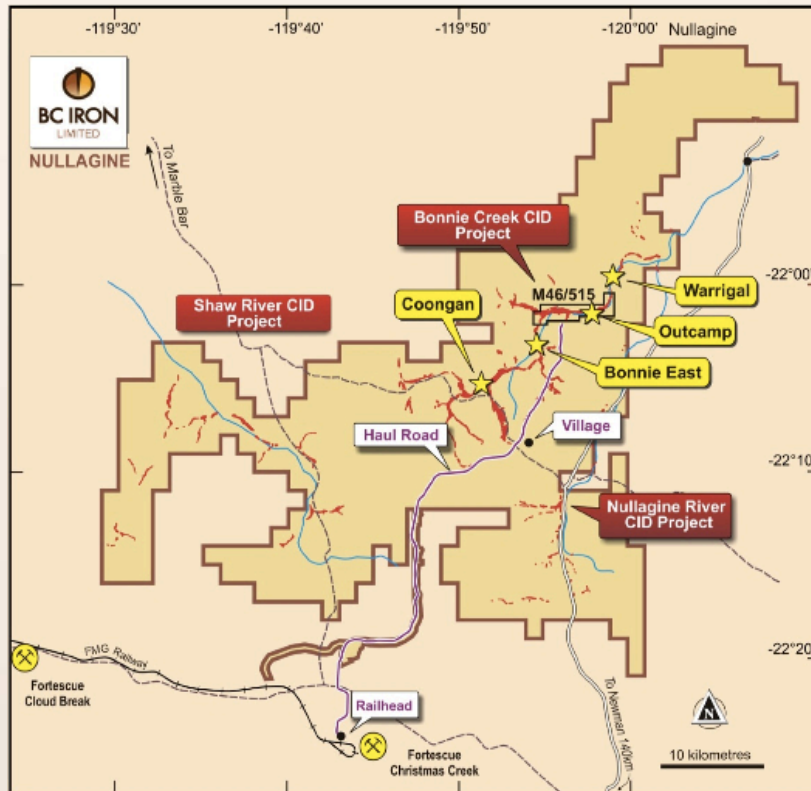
TABLE 2: STOCKPILE INVENTORY

	Sep Quarter '13 (t)	Jun Quarter '13 (t)
ROM (dry) ¹	279,729	294,068
MOC Product (wet) ² (Site)	222,096	198,292
RLF Product (wet) ³ (Christmas Creek)	54,236	74,100
Port (wet)	132,036	71,548
Low-grade Stocks (dry) (Site)	2,611,439	2,292,953

- Notes:
1. Run of Mine ('ROM').
 2. MOC Product – material treated and stockpiled ready for road haulage at Mine Operations Centre.
 3. RLF Product – material ready for rail haulage at the Rail Loadout Facility at Christmas Creek.



Figure 1: Nullagine JV Location Map



Mining, Crushing and Screening

BC Iron's mining, crushing and screening rates for the quarter were:

- 1,614,903 dry metric tonnes ('dmt') of ore mined and sent to the ROM pad;
- 318,486 dmt of low-grade ore mined and stockpiled; and
- 1,663,544 wmt of ROM crushed.

ROM includes both Direct Shipping Ore ('DSO') and Low-grade ore ('LG') that is blended to achieve the required export specifications. The remaining LG ore is being stockpiled for potential future blending or use following the beneficiation studies as part of Project Inventory (refer to Section 2 below).

Road Haulage

Road haulage takes place via a private 58km bitumen haul road from the NJV mine site to Fortescue's Christmas Creek Rail Loadout Facility ('RLF') where the ore is loaded onto trains for rail haulage to Port Hedland (Figure 1 above).

Haulage activity for the three months to September totalled 1,680,671 wmt.



Rail Haulage and Port Services

The Pilbara Infrastructure, a wholly owned subsidiary of Fortescue, provides contract rail haulage and port services to the NJV from the Christmas Creek RLF to the Herb Elliott Port in Port Hedland.

During the quarter, the NJV railed 1,681,906 wmt of ore.

Shipping

During the quarter, the NJV shipped 1,621,418 wmt of *Bonnie Fines* product on nine cape size vessels, representing another record quarter for the NJV and a 13% increase on the corresponding FY13 quarter. BC Iron's attributable tonnes for the quarter were 1,164,034 wmt, which equates to 72% of NJV tonnes shipped. Due to logistics planning and off-take commitments, BC Iron's share will not always exactly reflect 75% of NJV output, although it will on an annual basis.

Subsequent to the quarter, the NJV exported its largest ever shipment of iron ore, containing approximately 230,000 wmt of *Bonnie Fines*. BC Iron understands this is a record for a junior iron ore company for an iron ore shipment from Port Hedland.

Operating Costs

The Company's Free on Board cash operating costs ('C1 costs') for the September quarter were approximately \$31 per wmt, reflecting the Company's strong cost management focus and the ongoing impact of the rail and port prepayment to Fortescue. This prepayment is expected to continue to be reflected in reduced C1 costs until the first half of Q2 FY14, following which C1 costs are expected to remain in line with the Company's existing guidance range of \$46 to \$50 per wmt over the Life of Mine.

C1 costs exclude State Government royalties, marketing and corporate costs.

Key matters to note in relation to the Company's cash flow statement for the quarter reported in the accompanying Appendix 5B include:

- BC Iron's interest in the NJV is 75%. Due to logistics planning and off-take commitments, BC Iron's share of quarterly sales may not exactly reflect this 75%, although it will on an annual basis. In this quarter, BC Iron sales of 1.16M wmt of the NJV total of 1.62M wmt equates to 72%, however the Company's share of cash costs is set at 75%. For operational simplicity, this difference will be reconciled every 6 months; and
- The NJV's last ship for the quarter, *Berge Prosperity*, a large cape size vessel of approximately 200,000 wmt, departed Port Hedland on 26 September. As a result of this timing, sales receipts in relation to this contract are not reflected in this quarter's receipts reported.

Development

Improvement work along the Outcamp 3 haul road was completed during the quarter, to support mining activities, which are due to commence at this deposit in Q2 FY14.



Marketing

Strong Chinese steel production and inventory re-stocking resulted in continued iron ore price strength during the quarter, with the Platts CFR62 price (cost and freight of 62% Fe fines delivered into North China) averaging US\$133 per dmt. The average CFR sales price achieved for BC Iron's share of *Bonnie Fines* for the quarter was US\$117 per dmt, up approximately 5% from US\$111 per dmt last quarter.

The realised CFR price for *Bonnie Fines* is lower than the headline CFR62 price due to adjustments for iron units and application of the discount agreed with the NJV's primary off-take partner, Henghou Industries (Hong Kong) Limited for its committed shipments. Uncommitted ore is sold at prices aligned with the Platts CFR62 price (after Fe adjustment) under current market conditions.

Payments to Fortescue under the price participation agreement entered into as part of the December 2012 transaction were made in each month during the quarter, given the Platts CFR62 price averaged more than US\$120 per dmt. This arrangement will remain in place until 30 September 2014.

BC Iron senior management accompanied senior members of Fortescue's marketing team to a major conference in China during the quarter, where feedback from steel mills and traders on *Bonnie Fines* was highly favourable. The *Bonnie Fines* pisolite sinter feed has one of the world's lowest levels of impurities (particularly phosphorus) for a DSO and as a result, improves productivity at steel mills. The low alumina and silica is a particular advantage in China currently, given the high gangue content of ores being sourced from major as well as non-traditional suppliers such as Iran and Indonesia.

FY14 Outlook & Guidance

- NJV production – between 5.8Mt and 6.2Mt of DSO (the NJV's mine planning generally allows for the operation to run at a rate of up to 6.5Mtpa for nine months of the year, and at 4.5Mtpa for three months of the year during the January to March wet season in the Pilbara);

Note: Production guidance is provided as a range, rather than an absolute number, due to the unpredictability of rainfall in the Pilbara during the wet season;

- NJV C1 costs – between A\$46 and \$50 per wmt;
- BC Iron C1 costs – between A\$40 and \$44 per wmt (reflecting the impact of the remainder of the prepayment of rail and port charges);
- BC Iron capital expenditure – approximately A\$20 million, including BC Iron's share of NJV capital expenditure (scheduled grade control drilling programs at Bonnie East and Warrigal 1 & 2, waste mining, approvals in relation to Mining Leases, exploration activity at the NJV and haul road improvements) and possible exploration costs in relation to the Company's activities in Brazil (refer to Section 4).



2. EXPLORATION AND RESOURCE DEVELOPMENT

As at 30 June 2013, the NJV had Ore Reserves of 37.2Mt @ 57.1% Fe, and a DSO Mineral Resource of 48.8Mt @ 57.1% Fe. Mining of DSO for the quarter totalled 1.6Mt @ 56.7% Fe. The Ore Reserves are a subset of the DSO Mineral Resource.

Project Inventory

Project Inventory is the study assessing mine life extensions at the NJV operation. Work continues to focus on the potential to beneficiate low-grade material.

BC Iron appointed Rapid Crushing & Screening Contractors Pty Ltd to undertake a beneficiation trial at the NJV to follow up initial laboratory-based metallurgical test work completed in Q3 FY13. The trial will utilise a simple crush and screen process to treat approximately 1,000t per day of material from the existing low-grade stockpile and newly mined low-grade material, with the aim of producing a beneficiated product at a similar specification to the *Bonnie Fines* product stream.

The trial has now commenced and is due for completion by the end of the 2013 calendar year. Following completion, BC Iron and Fortescue will assess each of the available options in relation to the low-grade product and determine the most effective way to realise value for the NJV.

Figure 2: Beneficiation Trial



Exploration

Follow-up drilling from the June quarter commenced over four prospects in the Shaw River Project area and will continue into Q2 FY14. A total of 1,029 metres in 66 holes were drilled during the quarter, with assay results due late in Q2 FY14. These regional mesas continue to grow in terms of drilled areas and following interpretation of results, are expected to translate to an increased CID Mineral Resource inventory.



Results were received for rock chip samples across several prospects previously not sampled. The best result was 59.9% Fe from the 'Matt' prospect, located just 2km north of the pending mining lease over Warrigal.

Resource Development

Grade control drilling commenced at Bonnie East during the quarter to prepare for future mining activities at this deposit.

Results from a separate infill drilling program completed last quarter at Bonnie East are currently being interpreted. The program focused on the southern end of the deposit where existing drilling allowed for an Inferred Mineral Resource to be estimated. A revised estimate, which is due for completion in Q2 FY14, is expected to increase the confidence level of the existing Inferred Mineral Resource.

Tenements

The two mining lease applications, covering the northern extension of the Warrigal orebody and the Bonnie East orebody, have progressed to the final stage and are awaiting execution of the State Deed before presentation to the Minister for approval.

During the quarter, the Department of Mines & Petroleum granted an extension of term for all exploration tenements in the NJV that were up for renewal. This has secured the tenements for a further two years.

3. SUSTAINABILITY

Occupational Health & Safety

There was one Lost Time Injury with a worker sustaining a shoulder injury, who has since resumed full time duties.

During the quarter, a mining safety risk specialist was engaged to facilitate comprehensive work area risk reviews at the NJV. The resulting risk reduction plans will be used by the NJV management team to control identified risks and monitor the effectiveness of controls.

The annual Safety Strategic Planning Workshop took place in September to identify key objectives for 2013-2014 which will form the framework for strategies to further improve safety management and reinforce the Company's positive safety culture.

Environment

State and Commonwealth regulatory authorities have completed key assessment decisions relating to the Bonnie East and Warrigal North mining extension areas. The Department of Mines and Petroleum (WA) will assess the extension areas through the Mining Proposal process while the Federal Department of Sustainability, Environment, Water, Population and Communities will review the areas as a Controlled Action with assessment set at the level of ARI (Assessment on Referral Information).



Native Title and Heritage

The Monitoring and Liaison Committee meeting held in July continued to demonstrate full compliance with conditions identified in the Mining Agreement and provided the local Palyku People with an opportunity to tour the NJV mining operations.

Following the success of BC Iron entering into its first indigenous business contract last quarter, a second water cart, owned and operated by the Palyku People, is due to commence working at the NJV in the near term.

Community

The second annual Employment Day was held in July and was attended by key BC Iron staff and contractors to promote employment and training opportunities available at the NJV.

Separately, BC Iron's partnership with Yirra Yaakin Aboriginal Theatre Group received 'Good Practice' recognition at the 2013 Creative Partnerships Australia awards held at Government House in Perth in September.

4. CORPORATE

Year End Results

During the quarter, BC Iron announced annual results for the year ended 30 June 2013 including:

- Underlying NPAT of \$71.4M;
- NPAT of \$48.8M;
- EBITDA of \$115.3M;
- Cash balance of \$138.5M.

Final Dividend

During September, the Company paid a fully franked final dividend of 30 cents per share, representing approximately \$37 million. Combined with the interim dividend of five cents per share paid in March 2013, this equates to a dividend payout ratio of 60% on underlying NPAT for FY13.

This payment reflects the Board's continued commitment to creating value for shareholders and caps off another outstanding year with record annual production and all guidance targets met or exceeded.

Business Development

BC Iron's interest in the NJV operation and the Pilbara remains the key focus for growth and the Company continued to assess a number of opportunities during the quarter.

As part of developing a balanced project pipeline, BC Iron formed an Alliance with Cleveland in 2012 to investigate South American iron ore projects. During the quarter, the Alliance formalised a number of binding option agreements with Bahia Mineral Exploration Ltda. ('Bahmex') to potentially acquire an interest in two companies ('Project Companies') which will hold the concessions for three exploration projects across two project areas in the Brazilian states of Bahia and Minas Gerais.



These projects were selected for further work based on their favourable geology, stakeholders' attitudes to mining, and options for port and rail logistics. The Alliance is targeting itabirite iron mineralisation which ranges from 30-45% Fe which is typical for Brazilian iron ores in Minas Gerais state. Itabirite ores are typically easier and cheaper to beneficiate than comparable grade magnetite ores in other parts of the world.

Under the option agreements, the Alliance can earn an interest (up to 80%) in the relevant Project Company in a staged manner by sole-funding exploration and evaluation expenditure and making option payments to Bahmex. The earn-in structure allows the Alliance to assess the prospectivity of the Brazilian tenure in a staged manner with low initial expenditure whilst offering attractive options for growth in the future.

Cash and Debt Position

The cash balance as at 30 September 2013 was \$172.4 million and total debt outstanding was \$104.2 million.

Share Registry

In early September, BC Iron founding shareholder Consolidated Minerals sold its 23.1% interest in the Company to a range of high quality institutional investors via a book build at \$3.90 per share. This increased BC Iron's free-float and has since improved liquidity.

Board and Management Changes

BC Iron expanded its corporate team during the quarter and the senior management team was strengthened with the appointment of highly experienced iron ore executive, Mr Chris Hunt, as Chief Financial Officer.

Subsequent to the quarter end, BC Iron appointed Mr Peter Wilshaw as Non-Executive Director. Mr Wilshaw is a former senior executive with BHP Billiton and has significant experience in mining, refining, smelting and port and rail operations, both locally and internationally.

These appointments reflect BC Iron maturing into a well-established mid-tier iron ore producer and provide the Company with the platform to further consolidate existing operations and consider future opportunities.

- ENDS -

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ABOUT BC IRON LIMITED

BC Iron is an iron ore development and mining company with key assets in the Pilbara region of Western Australia. The Company's core focus is the Nullagine Iron Ore Project, an unincorporated 75:25 joint venture with Fortescue Metals Group Limited. The NJV uses Fortescue's infrastructure at Christmas Creek, 50km south of the Nullagine mine, to rail its ore to Port Hedland from where it is shipped directly to customers overseas.

BC Iron has had outstanding success since listing in December 2006. Iron ore exports commenced in February 2011 and since then, the NJV has exported approximately 10M wmt of iron ore. Since April 2013, the NJV has been operating at a nameplate production rate of 6Mtpa.

The Company is now set to move into the next phase of development through measured consideration of business development opportunities.

KEY STATISTICS

Shares on Issue:	123.7 million	
Cash & equivalents:	\$172.4 million	as at 30 September 2013
Board:	Tony Kiernan	Chairman & Non-Executive Director
	Morgan Ball	Managing Director
	Andy Haslam	Non-Executive Director
	Malcolm McComas	Non-Executive Director
	Terry Ransted	Non-Executive Director
	Peter Wilshaw	Non-Executive Director
	Mike Young	Non-Executive Director
	Anthea Bird	Company Secretary
	Linda Edge	Company Secretary
Major Shareholders:	Tribeca Investments	6.3%
	National Australia Bank	6.1%
	Australian Super	6.1%
	Ausbil Dexia	6.0%



Qualifying Statement

This release may include forward-looking statements. These forward-looking statements are based on BC Iron's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of BC Iron Limited, which could cause actual results to differ materially from such statements. BC Iron Limited makes no undertaking to subsequently update the forward-looking statements made in this release to reflect events after the date of this release.

JORC Competent Persons Statement

The information that relates to the Mineral Resource Estimate at Outcamp, Bonnie East, Coongan, Dandy and Warrigal has been compiled by Mr Rob Williams who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron. The resources were first reported on the ASX on 2 April 2009. Mr Williams has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Williams consents to the inclusion of his name in the matters based on their information in the form and context in which it appears.

The information that relates to the Mineral Resource Estimate at Warrigal North, Ornamental, Roys, Trig, Soda and Shaw River has been compiled by Mr Paul Hogan who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron. This is a maiden resource estimate for Warrigal North. Mr Hogan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hogan consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

Mining schedules may differ from Ore Reserves due to the inclusion of Inferred Resources and low grade for scheduling purposes.

The information that relates to the Ore Reserve has been compiled by Mr Joel Van Anen who is a former employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy, and Mr Blair Duncan who is an employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Duncan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Van Anen and Mr Duncan consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.



MINERAL RESOURCES AND ORE RESERVES AS AT 30 JUNE 2013

TABLE 1: ORE RESERVES NJV (100%)

Deposit	Ore Reserves							
	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Proved	18.9	57.4	65.0	1.9	3.2	0.016	0.013	11.7
Probable	18.3	56.9	64.8	2.0	2.9	0.014	0.010	12.2
TOTAL	37.2	57.1	64.9	1.9	3.1	0.015	0.011	12.0

TABLE 2: DSO MINERAL RESOURCE ESTIMATE NJV (100%)

Deposit	DSO Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Measured	21.8	57.2	64.8	2.0	3.1	0.016	0.012	11.8
Indicated	20.2	57.0	64.9	2.0	2.9	0.014	0.011	12.1
Inferred	6.8	57.0	64.1	2.6	3.9	0.023	0.014	11.1
TOTAL	48.8	57.1	64.7	2.1	3.1	0.016	0.012	11.8

TABLE 3: CID MINERAL RESOURCE ESTIMATE NJV (100%)

Deposit	CID Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Measured	31.1	54.7	62.4	2.8	4.1	0.017	0.013	12.4
Indicated	40.0	53.8	61.6	3.3	4.5	0.017	0.012	12.8
Inferred	46.6	52.1	58.8	5.4	6.6	0.024	0.018	11.3
TOTAL	117.7	53.4	60.7	4.0	5.2	0.020	0.015	12.1

**note some rounding of metrics can occur*



Notes to the Mineral Resources and Ore Reserves:

- The Mineral Resources and Ore Reserves have been estimated using mined surfaces as of 30 June 2013 and does not account for mined material since then.
- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- The Channel Iron Deposit (CID) Mineral Resource is inclusive of the Direct Shipping Ore (DSO) mineral resource.
- DSO is all material that is mined, dressed and exported with no upgrade or beneficiation.
- Loss of Ignition (LOI) measured at 1000°C.
- Calcined Fe (CaFe) = $Fe / (100 - LOI) * 100$.
- The CID Mineral Resource is reported using a 45% Fe cut-off grade.
- The DSO Mineral Resource is reported using cut-off grades between 52% and 56% Fe. The cut off grades were selected to achieve a 57% Fe specification grade.
- Mine Production figures may differ from Ore Reserves due to the inclusion of Inferred material and/or low-grade material for blending.