



ASX RELEASE - 28 JULY 2014

## JUNE QUARTER DELIVERS RECORD FULL YEAR PRODUCTION AND SALES

### HIGHLIGHTS

- Record full year figures across the entire NJV operation, including sales of 5.8M wmt (BC Iron share 4.3M wmt)
- Full year BC Iron revenue of \$467M (unaudited) and EBITDA of \$152M (unaudited)
- Record quarterly production at the NJV of 1.7M dmt of ore mined and 1.7M wmt crushed
- 1.4M wmt of *Bonnie Fines* shipped for the quarter (BC Iron share 1.1M wmt)
- Net operating cash flow of \$41M (pre-tax, unaudited) for the quarter, including cash received from two March quarter shipments
- Cash of \$159M after \$19M tax payment and \$10M debt repayment

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 June 2014.

The Nullagine Joint Venture ('NJV') exceeded dry season quarterly guidance of 1.6M wmt (6.5Mtpa run rate) across all areas of the operation except shipping, which was impacted by delay of the NJV's final scheduled shipment. The ship departed in early July, loaded with 165,000 tonnes of *Bonnie Fines*.

The strong quarterly figures contributed to record full year NJV sales of 5.8M wmt, which was within guidance. BC Iron's share of sales was 4.3M wmt of 74% of the total. BC Iron generated full year revenue of \$467M (unaudited) and EBITDA of \$152M (unaudited), and as at 30 June 2014, held cash of \$159M.

Managing Director, Morgan Ball said: "*The NJV finished the 2014 financial year strongly to achieve our sales guidance, despite the delay of our last June shipment.*"

*"It was pleasing to continue generating positive operating cash flows against a backdrop of soft iron ore prices, increasing product discounts and a resilient Australian dollar,"* Mr Ball added.

*"The NJV and BC Iron are managed to withstand the cyclical nature of our industry. BC Iron's balance sheet is also strong, which enhances our ability to face any further challenges in the coming year. We continue to consolidate this position through our ongoing focus on cost control and operational initiatives."*

Project Inventory continued to progress. Economic low-grade tonnages within the existing stockpiles and at several mesas that are currently being mined are expected to be included in the annual Ore Reserves update, to be released in conjunction with the annual financial statements in late August. Further work will then focus on evaluating low-grade tonnages at other mesas in the current mine plan and regional mesas.

Preliminary exploration work was completed at the BC Iron / Cleveland Alliance's Brazil projects. Promising results were received at Bahia and the Alliance is now considering next steps for that project.

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Listed: 15 December 2006

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## 1. NULLAGINE JOINT VENTURE ('NJV') – OPERATIONS

### Summary Results

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 quarter were as follows (Tables 1 and 2):

**TABLE 1: ORE PRODUCTION, HAULAGE & SHIPPING**

	Jun Quarter 2014 (Mt)	Mar Quarter 2014 (Mt)	Variance Q-o-Q (%)	Jun Quarter 2013 (Mt)	Variance Y-o-Y (%)	FY14 YTD (Mt)
Ore Mined (dry)	1.73	0.95	83%	1.58	10%	5.65
Crushed (wet)	1.73	1.05	64%	1.67	3%	5.81
Hauled (wet)	1.66	1.09	51%	1.57	5%	6.04
Railed (wet)	1.65	1.08	52%	1.63	1%	5.98
Shipped (wet)	1.43	1.22	17%	1.60	(11)% <sup>1</sup>	5.79

Notes: 1. If the delayed ship departed prior to the end of June as scheduled, year-on-year variance would have been negligible.

**TABLE 2: STOCKPILE INVENTORY**

	Jun Quarter 2014 (kt wet)	Mar Quarter 2014 (kt wet)
ROM <sup>1</sup>	204	136
MOC Product <sup>2</sup> (Site)	127	73
RLF Product <sup>3</sup> (Christmas Creek)	77	71
Port	269	50
Low-grade Stocks (Site)	5,475	4,328

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 Christmas Creek Rail Loadout Facility ('RLF').





### Mining, Crushing & Screening

Mining of ore continued at Outcamp 2, Warrigal 3 and Warrigal 4. Dry season guidance rates were exceeded this quarter, with 1.7M dry metric tonnes ('dmt') of ore mined and hauled to the ROM pad. Waste to ore ratios for the June quarter averaged 1.3:1 (excluding Outcamp 3 overburden), representing the anticipated improvement compared to the March quarter (2.6:1).

Significant progress was made with the overburden removal campaign at Outcamp 3, with a total of approximately 570,000 dmt of waste removed during the quarter. The campaign was completed in early July and Outcamp 3 will contribute ore during the current quarter. The trial, utilising dozer ripping to remove overburden, was a success from both an operational and cost perspective. BC Iron expects this will have positive implications for the larger overburden removal campaigns to be completed at Bonnie East and Coongan in future years.

1.7M wmt of ROM was crushed & screened during the quarter, exceeding dry season expectations of 1.6M wmt (or 6.5Mtpa). Strong performance in both mining and crushing & screening operations resulted in an increase in ROM and product stockpiles at the NJV site.

During the quarter, BC Iron awarded a three year, 2Mtpa crushing & screening contract to Exact Mining Services ('Exact'). Exact will supply and operate a mobile plant located near the Warrigal mesas. Ore from Warrigal 3 and 4 was previously hauled using dump trucks to the NJV's Mine Operations Centre for processing. Crushing & screening Warrigal ore through this new, closer plant will effectively replace ROM haulage by dump trucks, with more cost effective haulage of product by road trains directly to the Christmas Creek RLF. The award of this contract is part of BC Iron's ongoing optimisation of the NJV operation.

### Road Haulage

Road haulage takes place via a private 58km bitumen haul road from the NJV mine site to Fortescue's Christmas Creek RLF where the ore is loaded onto trains for rail haulage to Port Hedland. Haulage activity for the quarter totalled 1.7M wmt.

All eight Powertrans Pit Hauler rigs operated by Toll Mining Services have now had a fifth trailer fitted, which has increased the payload of each rig from 360 to 405 tonnes.

### 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 1.6M wmt of ore.

### Shipping

The NJV shipped 1.4M wmt of *Bonnie Fines* product during the quarter on eight capesize vessels. A ninth ship was scheduled to depart at the end of June, but was slightly delayed. NJV product stockpiles at port totalled approximately 269,000 wmt at the end of the quarter, with the delayed ship departing in early July and carrying approximately 165,000 wmt of *Bonnie Fines*.

BC Iron's share of tonnes shipped for the quarter was 1.1M wmt or 76% of NJV tonnes shipped.



### Operating Costs

The NJV's free on board C1 cash operating costs ('C1 cash costs') for the June quarter were approximately \$58 per wmt shipped. C1 cash costs were impacted primarily by shipped tonnes (which is the denominator in the C1 cash cost calculation) being lower than tonnages achieved in each of the other areas of the operation.

C1 cash costs exclude royalties, marketing and corporate costs.

### Marketing

Iron ore prices came under further pressure in the June quarter, primarily due to increased supply of iron ore from Australia, as the major producers increased production. The Platts 62% Fe, CFR North China price ('Platts Price') averaged US\$103 per dmt in the June quarter, down from US\$120 per dmt in the March quarter. Discounts for lower grade material also widened during the quarter.

The average CFR sales price achieved for BC Iron's share of *Bonnie Fines* was US\$87 per dmt for the current quarter, which was adjusted to US\$84 per dmt after recognising pricing adjustments from shipments delivered in the March quarter.

Committed shipments under the Henghou offtake agreement continued to be priced at the pre-agreed discount. Discounts for non-offtake shipments increased, reflecting current market conditions.

Demand for *Bonnie Fines* remains robust due to its desirability in the sinter feed.

### FY14 Full Year Highlights

NJV sales were a record 5.8M wmt for the year, within the FY14 guidance range. BC Iron's share of sales was 4.3M wmt or 74% of the total.

The Platts Price averaged US\$123 per dmt in FY14 and the average CFR sales price achieved for BC Iron's share of *Bonnie Fines* was US\$106 per dmt.

Full year NJV C1 cash costs were slightly above guidance at \$52 per wmt, while BC Iron C1 cash costs were in line with guidance at \$44 per wmt (different from NJV costs in FY14 due to a prepayment of rail and port charges, which was fully utilised in October 2013). If the final scheduled ship had departed in June, NJV C1 cash costs would have been in line with the upper end of FY14 guidance of \$46-\$50 per wmt.

BC Iron capital expenditure (including share of NJV capital expenditure) for FY14 was approximately \$10M, which is below guidance of \$15M due to the deferral of some expenditure until FY15.

BC Iron generated full year revenue of \$467M (unaudited) and EBITDA of \$152M (unaudited), representing a solid result given softness in the iron ore market in the second half of FY14.





### FY15 Outlook and Guidance

The NJV is operating at nameplate capacity of 6Mtpa, and sales are expected to continue to range from 5.8-6.2M wmt.

NJV C1 cash costs are expected to be in the range of \$49-53 per wmt on a FOB basis. Guidance has increased compared to FY14 due to cost inflation and progression of the operation to mesas that have slightly higher strip ratios and are further from the NJV's Mine Operations Centre.

BC Iron's total cash costs are expected to be \$60-68 per wmt on a FOB basis (note: total cash costs include C1 cash costs plus royalties, marketing and corporate costs). A range is provided for total cash costs because they are influenced by iron ore prices, freight rates and exchange rates.

NJV capital expenditure for FY15 is forecast to be \$30-35M (BC Iron's share \$23-26M), which includes \$6-7M of expenditure deferred from FY14. Expenditure for FY15 comprises primarily of:

- Major upgrades and resealing of the NJV's bitumen haul road, which is intended to maintain the desired operational standard of the road for a number of years to come;
- New access and haul roads to facilitate operations at the future mining areas of Warrigal 1 and 2, Outcamp 4 and 5 and Bonnie East; and
- Grade control drilling at Warrigal 1 and 2 and Bonnie East.

As the NJV operation has expanded its footprint, a slight change to the geological profile has been experienced, with additional limonitic clays detected in some of the new mesas. During the second half of July, the operation has experienced heavy unseasonal rains which can cause ore with higher limonitic clays to become "sticky". The NJV is stockpiling a portion of this ore at present for later blending and/or processing, to assist in managing the product from a materials handling perspective. The specifications of *Bonnie Fines* are not expected to be impacted.

Non-NJV related exploration and capital expenditure (including Brazil) is expected to range from \$3-5M (BC Iron's share) and will depend on assessment of preliminary exploration at the Bahia and Minas Novas projects and any decisions to proceed with further work.

## 2. NJV – RESOURCE DEVELOPMENT AND EXPLORATION

### Resource Development

Grade control drilling at Outcamp 2 and 4 is currently being interpreted with the intention of including results in the annual Ore Reserves and Mineral Resources update to be released in conjunction with the annual financial statements in late August. Reinterpretation of Outcamp 5 and Bonnie East will be completed subsequently. The results of grade control drilling at Warrigal 3 confirmed the previous interpretation.



### Project Inventory

Project Inventory is the study assessing mine life extensions at the NJV operation. During the quarter, BC Iron focused on the reinterpretation of a number of mesas in light of the beneficiation trial outcomes. It is anticipated that evaluation of low-grade tonnages at existing stockpiles and several mesas that are currently being mined will be completed for inclusion in the annual Ore Reserves update to be released in conjunction with the annual financial statements in late August.

Ore Reserve updates for other mesas in the current mine plan will then be completed sequentially. Further drilling is required to properly evaluate regional mesas which are not in the current mine plan.

### Exploration

The RC drilling programme that commenced last quarter was completed, with a further 29 holes drilled and 356m sampled across three prospects. This drilling targeted previously undrilled mesas near Outcamp and Bonnie East. Wide-spaced soil sampling programmes continue to be conducted across the NJV tenure to test for mineralisation outside identified mesas.

### Tenements

A single block tenement within the current package became available and was applied for during the quarter. The granting of this tenement will give the NJV full continuity of tenure and provide additional infrastructure layout options for the Coongan deposit.

## 3. NJV – SUSTAINABILITY

### Occupational Health & Safety

One lost time injury was recorded during the quarter, with a contractor sustaining a finger injury. The contractor has since returned to full-time duties. As at the end of June 2014, the rolling 12 month lost time injury frequency rate was 3.9 (March 2014: 3.0).

### Environment

Environmental approvals documentation for Warrigal 1 and 2 (M46/523) and Bonnie East (M46/522), including Mining Proposals, Clearing Permits and associated Closure Plans, are in their final stages of preparation and will be submitted in the September quarter for assessment by the WA Department of Mines and Petroleum.

### Native Title and Heritage

Identified heritage sites exist within the Bonnie East mining area (M46/522). Section 18 approval has been received from the State Department of Aboriginal Affairs allowing for the removal and safe storage of cultural materials, in accordance with the wishes of traditional owners. Similar approval is being sought for the proposed mining area at Warrigal 1 and 2 (M46/523) with a decision expected early in the September quarter.





## Community

BC Iron has continued its support of local Indigenous talent through sponsorship of the “Male Youth Finalist” at the 2014 NAIDOC Perth Awards in June. The winning recipient, Jayden Hansen, is a Banyjima youth who is excelling in the sport of boxing and recently travelled to Cuba as part of preparation for achieving his dream to represent Australia at the next Olympic Games.

## 4. BRAZIL EXPLORATION PROJECTS

A 50:50 Alliance between BC Iron and Cleveland Mining Company Ltd (ASX: CDG) (‘Cleveland’) is earning up to an 80% interest in the Bahia and Minas Novas projects in Brazil. The Alliance is targeting itabirite mineralisation ranging from 30-45% Fe that is easily beneficiated to a higher grade product.

The Alliance completed a first-pass exploration programme during the quarter. Exploration work comprised geophysics, mapping, approximately 2,000m of reverse circulation (‘RC’) drilling and Davis Tube Recovery (‘DTR’) test-work, with the purpose of testing known occurrences of iron mineralisation for thickness, continuity and grade.

**FIGURE 1: BRAZIL EXPLORATION PROJECT LOCATIONS**



At the Bahia Project, 1,584m were drilled across 25 holes at 6 prospects; Silvestre, Riacho and Caetité 1-4. The drilling programme recorded significant intersections of iron ore at the Caetité 2 prospect, where a mineralised horizon with a true thickness of approximately 30m was identified. Mineralisation remained open at a depth 140m based on a hole drilled down dip. Encouraging intersections were also recorded at all other prospects. Assays reported grades up to 54.9% Fe, with an average of 30.7% Fe.

Single and five point DTR tests were conducted on a number of composite samples from Riacho and Caetité 1-3. Results indicate a 63-71% Fe concentrate can be produced from a grind size typically above 100 microns. DTR mass recoveries range from 5.4-37.7% and further tests are currently being undertaken to determine if gravitational separation can improve overall recoveries by also recovering hematite.

Based on work conducted at the Bahia Project to date, the Alliance has determined the Caetité 2, Caetité 3 and Riacho prospects warrant further work. The Alliance is now considering the US\$2M payment to earn a 10% interest in the Bahia Project, which is due in September 2014.



The Minas Novas Project includes a number of prominent magnetic anomalies. A total of 464m of scout drilling was completed in 6 RC holes over two identified anomalies. Further work is required to adequately test the aeromagnetic targets and mineralisation potential. The Alliance believes the project retains potential and planning is currently underway for further geophysics, mapping and up to 1,500m of additional drilling. This will be completed ahead of the March 2015 deadline for the Minas Novas earn-in payment.

For further information, refer to ASX announcement entitled "Preliminary Exploration Completed at Brazil Iron Ore Projects" and dated 25 July 2014. The announcement is available to be viewed at <http://www.bcion.com.au/investors/asx-announcements/2014.html>.

## 5. CORPORATE

### Business Development

The NJV operation remains BC Iron's key focus. The Company also continues to assess a range of growth opportunities in a disciplined manner, both in the Pilbara and other iron ore jurisdictions.

### Cash and Debt Position

As at 30 June 2014, BC Iron was in a net cash position of \$105.4M (unaudited). Cash was \$158.9M and total debt outstanding was \$53.5M, comprising US\$10M outstanding for the Henghou Facility and approximately US\$40M for the Term Loan Facility.

### Cash Flows

The Company's cash balance increased by \$10.3M during the quarter, which was driven primarily by:

- Operating cash flow of \$41.3M (pre-tax, unaudited), which included \$22.7M in revenue received from two March quarter shipments;
- Tax payment of \$18.5M, which related to the first three quarters of FY14; and
- Scheduled repayment of the Term Loan Facility of \$10.2M.

- 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 April 2013, the NJV has been operating at a nameplate production rate of 6Mtpa. BC Iron was added to the S&P/ASX 200 Index in December 2013.

The Company's key focus moving forward is on total shareholder return, continued strong operational performance at the NJV and measured consideration of business development opportunities.

## KEY STATISTICS

<b>Shares on Issue:</b>	124.3 million	
<b>Cash &amp; Equivalents:</b>	\$158.9 million	as at 30 June 2014
<b>Board:</b>	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
<b>Major Shareholders:</b>	Tribeca Investments	6.3%
	National Australia Bank	6.1%
	AustralianSuper	6.1%
	AMP Limited	5.1%
	BlackRock Group	5.0%



#### 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.*