



ASX RELEASE – 28 JANUARY 2014

## BC IRON GENERATES STRONG OPERATING CASH FLOWS IN SOLID SALES QUARTER

- 1.36M dmt mined by the NJV for the quarter
- 1.52M wmt shipped by the NJV for the quarter (BC Iron share 1.30M wmt)
- Record half year NJV sales of 3.14M wmt (BC Iron share 2.46M wmt)
- NJV sales guidance of 5.8 to 6.2M wmt maintained for FY14
- Average CFR sales price of US\$121/dmt, up 3% from US\$117/dmt in the previous quarter
- Project Inventory continues to progress with beneficiation trial underway
- BC Iron added to S&P/ASX 200 Index in December 2013
- Quarterly operating cash flow of A\$88.6M (pre-tax, unaudited)
- Cash of A\$197M after debt repayments of US\$37M (including US\$17M ahead of schedule)

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 31 December 2013.

The Nullagine Joint Venture ('NJV') shipped 1.52M wet metric tonnes ('wmt') of *Bonnie Fines* during the quarter, and was on track to exceed dry season guidance rates of 6.5Mtpa before a 170,000 wmt ship was delayed by Tropical Cyclone Christine in late December. BC Iron's share of sales for the quarter was 1.30M wmt, representing 85% of the total.

*"The NJV recorded another strong sales quarter, despite the early commencement of the wet season and some operational challenges for mining and crushing,"* said Managing Director Morgan Ball. *"This was achieved through our product stockpile strategy and continued strong performance in other areas of the operation. We expect to rebuild stockpiles during the March quarter and maintain the NJV's full year sales guidance of 5.8 to 6.2Mt."*

*"BC Iron continues to generate strong operational cash flows and ended December with a cash balance of A\$197 million after repaying further debt ahead of schedule, highlighting our focus on prudent balance sheet management."*

*"We were also pleased to be included in the ASX 200 Index in December, as recognition of BC Iron's growth, share price performance and increase in free-float and liquidity over the past 12 months."*

BC Iron also commenced its low-grade beneficiation trial during the quarter. The scope was expanded to trial several plant configurations and treat different types of low-grade material from a range of sources. The trial is progressing well and is now scheduled for completion in the first half of Q3 FY14. After the trial is completed and the beneficiated product is sold, the trial results will be used to assist in reserve evaluations.

### BC IRON LIMITED

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ASX Code: BCI

Listed: 15 December 2006

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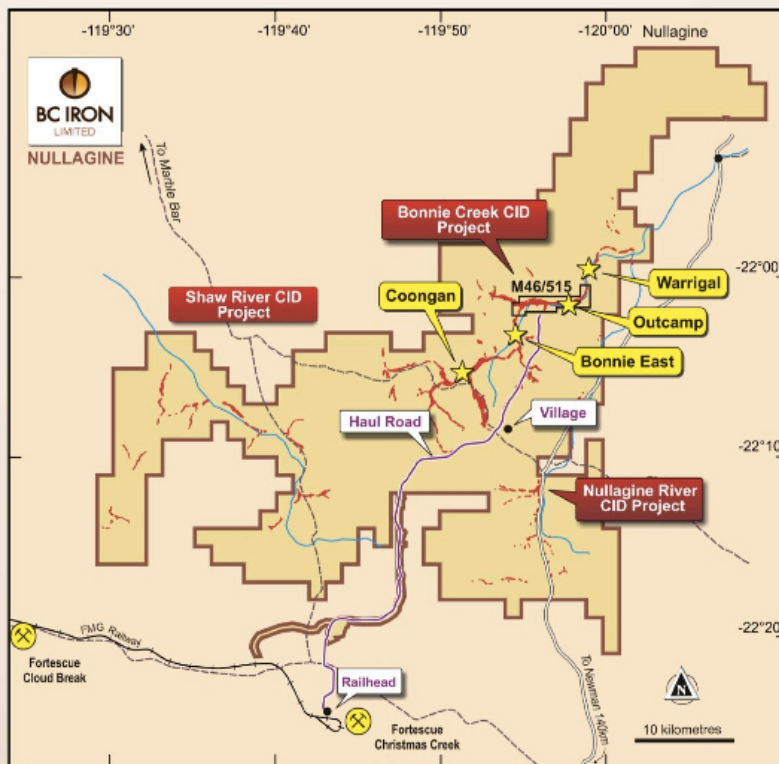


## 1. OPERATIONS

### 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.

**Figure 1: Nullagine JV Location Map**



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

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

	Dec Quarter '13 (t)	Sep Quarter '13 (t)	Variance Q-o-Q (%)	Dec Quarter '12 (t)	Variance Y-o-Y (%)	FY14 YTD (t)
Ore Mined (dry)	1,358,227	1,614,903	(16)%	1,089,839	25%	2,973,130
Crushed (wet)	1,369,215	1,663,544	(18)%	994,044	38%	3,032,759
Hauled (wet)	1,607,420	1,680,671	(4)%	1,021,844	57%	3,288,091
Railed (wet)	1,576,562	1,681,906	(6)%	1,025,430	54%	3,258,468
Shipped (wet)	1,520,854	1,621,418	(6)%	1,046,282	45%	3,142,272



TABLE 2: STOCKPILE INVENTORY

	Dec Quarter '13 (t wet)	Sep Quarter '13 (t wet)
ROM <sup>1</sup>	289,828	279,729
MOC Product <sup>2</sup> (Site)	24,364	222,096
RLF Product <sup>3</sup> (Christmas Creek)	78,828	54,236
Port	187,744	132,036
Low-grade Stocks (Site)	3,163,969	2,611,439

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.

### Mining, Crushing and Screening

The NJV's mining, crushing and screening rates for the quarter were:

- 1,358,227 dry metric tonnes ('dmt') of ore mined and hauled to the ROM pad;
- 1,369,215 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); and
- 552,530 dmt of LG added to stockpiles, which is net of LG treated in the Project Inventory beneficiation trial (refer to Section 2 below).

Mining during the quarter occurred at two Outcamp deposits (1 and 2) and two Warrigal deposits (3 and 4). Mining ceased at Outcamp 1 in November as limits of the pit design were reached. Mining at Outcamp 3 has been deferred while BC Iron investigates alternate overburden removal strategies that have the potential to uncover ore more rapidly and cost effectively.

Ore mined and crushed was lower than the previous quarter, as an increase in waste to ore ratios reduced the availability of DSO and unplanned downtime was experienced at the crushing circuits. These operational matters are currently being addressed and production guidance for FY14 remains unchanged.

### 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 December totalled 1,607,420 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 1,576,562 wmt of ore.

### Shipping

The NJV shipped 1,520,854 wmt of *Bonnie Fines* product on eight cape size vessels. A ninth ship was scheduled to depart in late December, but was delayed when operations in Port Hedland were suspended due to Tropical Cyclone Christine. This ship departed in early January containing approximately 170,000 wmt of *Bonnie Fines*.

BC Iron's share of tonnes shipped for the quarter was 1,299,976 wmt, which equates to 85% 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 on a quarterly basis, although it will on an annual basis. For H1 FY14, BC Iron's share of tonnes shipped was 2,464,010 wmt or 78% of the NJV total of 3,142,272 wmt.

In October, the NJV exported its largest ever shipment of iron ore, containing approximately 230,000 wmt of *Bonnie Fines*.

### Operating Costs

BC Iron's Free on Board cash operating costs ('C1 costs') for the December quarter were approximately A\$41 per wmt, representing an increase compared to the September quarter due to completion of the Fortescue rail and port prepayment during the quarter. C1 costs for the remainder of FY14 are expected to be in line with the Company's existing guidance range of A\$46 to A\$50 per wmt. BC Iron continues to maintain a strong focus on cost management.

C1 costs exclude royalties, marketing and corporate costs.

### Marketing

Iron ore prices remained strong and relatively stable throughout the quarter, with the Platts CFR62 price (cost and freight of 62% Fe fines delivered into North China) averaging US\$135 per dmt from a range of US\$130-140 per dmt. BC Iron continues to see strong demand and attractive pricing for *Bonnie Fines*. The average CFR sales price achieved for BC Iron's share of *Bonnie Fines* for the quarter was US\$121 per dmt, up approximately 3% from US\$117 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 were made in each month during the quarter, given the Platts CFR62 price averaged more than US\$120 per dmt. This arrangement is in place until 30 September 2014.



### FY14 Outlook & Guidance

BC Iron reaffirms its guidance for FY14:

- NJV sales – 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: Sales 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 rail and port prepayment during FY14);
- 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 exploration costs in relation to activities in Brazil (refer to Section 4).



## 2. EXPLORATION AND RESOURCE DEVELOPMENT

### Resource Development

Assays from the previously completed Bonnie East infill drilling program, which focused on the southern end of the deposit, were received during the quarter.

Grade control drilling at Bonnie East continued during the quarter and the current program is expected to conclude in early Q3 FY14. Following receipt of all assays, BC Iron will prepare a revised Mineral Resource estimate for Bonnie East incorporating both the infill drilling and grade control drilling results, during Q4 FY14.

Further grade control drilling, focusing on the southern end of Bonnie East, is planned for the next dry season.

### 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.

During the quarter, BC Iron commenced a beneficiation trial, utilising a simple dry crush and screen process. To develop a full understanding of the beneficiation potential of the low-grade material, the scope was expanded to trial several plant configurations and treat ore from a range of sources (existing stockpiles and low-grade from current mining areas). The trial is progressing well and is now expected to be completed during the first half of Q3 FY14.

The beneficiated product from the trial will then be transported as a discrete parcel to port where it will be blended with *Bonnie Fines* for sale. Following this, a number of other activities will be undertaken to determine the most attractive way forward in relation to the low-grade material, including detailed analysis of the trial outcomes, consideration of alternatives and ultimately, reviewing the NJV's reserves and mine plan. It is anticipated these activities will be completed by mid-2014.

**Figure 2: Beneficiation Trial Product**



**Figure 3: Beneficiation Trial Waste**





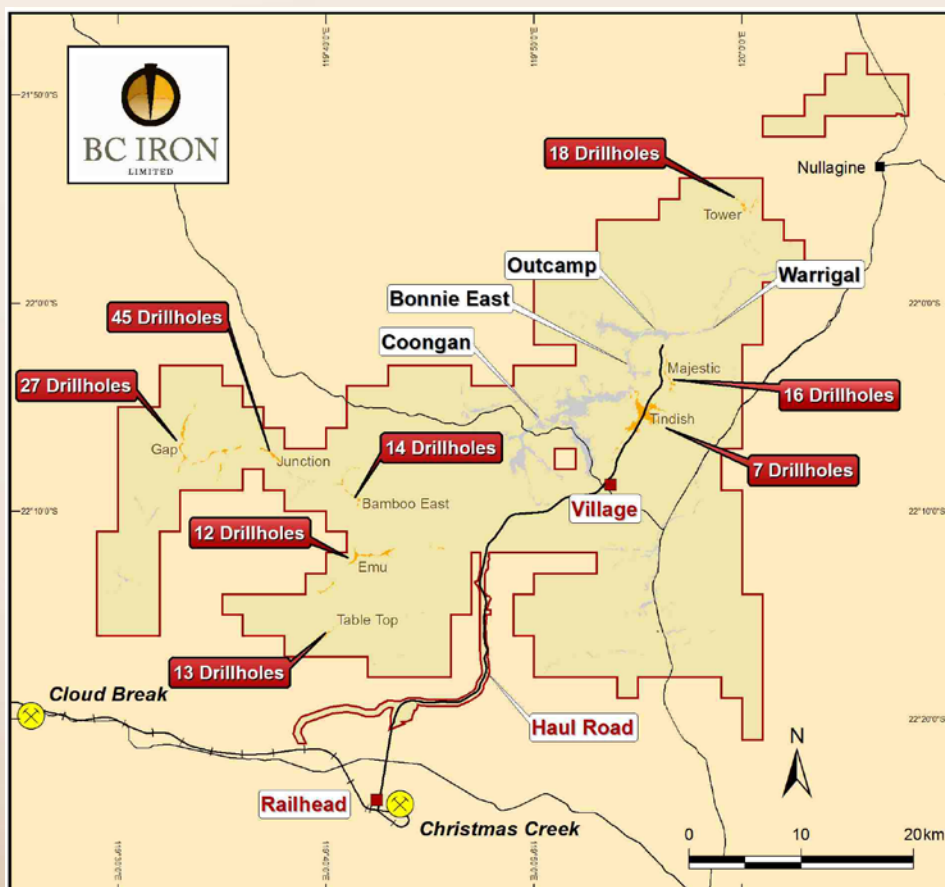


## Exploration

A total of 1,207m in 86 holes were drilled this quarter at one prospect in the Shaw River Project area and three prospects in the vicinity of the current NJV operations. Assays have been received from this drilling and also the drilling completed last quarter over four prospects in the Shaw River Project area. Following interpretation of results in Q3 FY14, BC Iron plans to update the CID Mineral Resource estimate.

Rock chip sampling and geological mapping of regional mesas continued during the quarter, with 21 samples taken. A number of soil sampling programs were also initiated to cover previously unexplored terrain in a number of tenements, with 792 samples dispatched for multi-element testing.

**Figure 4: Drilling Locations**



## Tenements

BC Iron continued to progress two mining lease applications, covering the northern extension of the Warrigal orebody and the Bonnie East orebody. BC Iron expects the mining leases will be granted during Q3 FY14.



### 3. SUSTAINABILITY

#### Occupational Health & Safety

There was one Lost Time Injury with a contractor sustaining an ankle injury in December. He has since resumed work on light duties.

Work area risk reviews continued during the quarter. The resulting risk reduction plans will be used by the NJV management team to control identified risks and monitor the effectiveness of controls. A number of improvements have also been made to safety procedures and are now being implemented.

#### Environment

BC Iron has developed and implemented an Environment and Heritage Management System aligned with quality standard AS/NZS ISO 14001:2004. The system reflects the risk profile of the Company and is aimed at maintaining legal compliance while seeking continuous improvement in environment and heritage risk management across the business.

#### Native Title and Heritage

A water cart owned and operated by members of the Traditional Owners, the Palyku People, arrived at the NJV site during the quarter and has now commenced operations.

#### Community

BC Iron has re-affirmed its long-term partnership with the Yirra Yaakin Aboriginal Theatre Company through sponsoring the development of a new play, "Crowbones and Carnivores", written by Palyku Working Group Chairman, David Milroy.

### 4. CORPORATE

#### Business Development

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

An Alliance between BC Iron and Cleveland Mining Company Ltd (ASX: CDG) ('Cleveland') is earning up to an 80% interest in a number of iron ore exploration projects in the Brazilian states of Bahia and Minas Gerais. During the quarter, mapping, geophysical interpretation and rock chip sampling was completed at the Bahia projects. Results were encouraging and the Alliance plans to commence a drilling program in Q3 FY14.

#### Cash and Debt Position

Cash as at 31 December 2013 was A\$196.7M. Total debt outstanding was A\$67.6M (unaudited), comprising US\$10M outstanding for the Henghou Facility and US\$50M for the Term Loan Facility. BC Iron has now repaid US\$80M of the Term Loan Facility, including US\$46.6M ahead of schedule.





### Cash Flows

BC Iron's reporting classification with the ASX was changed from explorer to producer during the quarter and the Company is therefore no longer required to release Appendix 5B Quarterly Cash Flow Reports.

Cash increased by A\$24.3M during the quarter, primarily represented by:

- Strong operating cash inflows of A\$88.6M (pre-tax, unaudited) as a result of a solid sales quarter, supported by continued iron ore price strength and depreciation of the AUD relative to the USD;
- Income taxation payments of A\$22.0M in respect of FY13; and
- Repayment of borrowings of A\$41.6M, including a scheduled US\$5M repayment of the Henghou Facility and a Term Loan Facility repayment of US\$32M, including US\$16.6M ahead of schedule.

### S&P/ASX 200 Index

BC Iron was included in the S&P/ASX 200 Index on 20 December 2013. The S&P/ASX 200 Index is recognised as the investable benchmark for the Australian equity market. Inclusion is expected to increase BC Iron's relevance amongst the global investment community and improve liquidity.

### Board Update

BC Iron appointed Mr Peter Wilshaw as Non-Executive Director in October 2013. 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. He is a Non-Executive Director of the Dampier Port Authority and was previously a Non-Executive Director of the Port Hedland Port Authority.

The Board also deemed Mr Malcolm McComas to be an independent Non-Executive Director, following the sale of Consolidated Minerals' shareholding in the Company.

The Board now has seven members, comprising six Non-Executive Directors (five of whom are deemed to be independent) and one Executive Director.

### Annual General Meeting

BC Iron held its Annual General Meeting in West Perth on 12 November 2013, with strong attendance from shareholders and the financial community. All six resolutions considered at the meeting were passed.

### Share Trading Policy

BC Iron reviewed and updated its share trading policy during the quarter to ensure best practice.

- 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 more than 12M wmt of iron ore. 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 is now set to move into the next phase of development through measured consideration of business development opportunities.

## KEY STATISTICS

<b>Shares on Issue:</b>	123.9 million	
<b>Cash &amp; Equivalents:</b>	\$196.7 million	as at 31 December 2013
<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%
	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.*