QUARTERLY REPORT
For the period ending
30 September 2011

HIGHLIGHTS FOR THE SEPTEMBER 2011 QUARTER

NULLAGINE IRON ORE JOINT VENTURE ("NJV")

(BC Iron 50% : Fortescue Metals Group 50%)

- **A record 570,203 tonnes of product mined for the quarter**
- **A record 402,428 tonnes of product shipped during the quarter**
- **Average CFR sales price of ~US$145/dmt**
- **NJV forecast to increase production rate to >3Mtpa during Q2 FY2012**
- **Production capacity rate expected to reach 5Mtpa during Q4 FY2012**
- **Total product shipped by June 2012 forecast to be ~3.5Mt**
- **Private haul road construction completed with bitumen surface in October 2011**

CORPORATE

- **Non-executive Director, Andy Haslam, appointed on 19 September 2011**
- **Cash on hand of $16.2m at 30 September 2011**
- **Annual General Meeting to be held on 16 November 2011**

NJV – Bituminised private haul road

BC IRON LIMITED

ABN 21 120 646 924

ASX Code: BCI
Shares On Issue: 95.1m
Listed: 15 December 2006

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NJV INTRODUCTION

BC Iron Nullagine Pty Ltd, a wholly owned subsidiary of BC Iron Limited ("BC Iron" or "the Company"), is the Operator and Manager of the Nullagine Iron Ore Joint Venture, a 50:50 Joint Venture with Fortescue Metals Group Limited ("Fortescue").

In January 2011, BC Iron achieved a significant and historical milestone with the NJV by successfully becoming the first junior mining company to access and utilise third party rail owned by a major company in the Pilbara. This was quickly followed by First Ore on Ship and its first iron ore export in February 2011.

Since mining commenced in November 2010, there have been ongoing improvements in mining, crushing and haulage rates with all three areas now nearing capacity. This quarter record rates were achieved in all areas.

NJV OPERATIONS

Production

Production, haulage and shipments for the September quarter were as follows:

Table 1: Ore Production

	Sept Quarter '11 (t)	June Quarter '11 (t)	Variance Quarter (t)	Variance Quarter
Mined	570,203	351,397	218,806	62%
Crushed	526,970	379,184	147,786	39%
Hauled	606,902	267,516	339,386	127%
Railed	400,532	226,517	174,015	77%
Shipped	402,428	215,148	187,280	87%

Table 2: Stockpile Inventory

	Sept Quarter '11 (t)	June Quarter '11 (t)	Variance Quarter (t)	Variance Quarter
ROM	191,157	104,283	86,874	83%
Product *(Site)*	155,352	193,066	(37,714)	(20%)
Project *(Xmas Creek OPF)*	214,172	53,758	160,414	298%
Port	22,068	16,644	5,424	33%
Low Grade Stocks *(Site)*	85,309	64,409	20,900	32%

During the quarter, BC Iron mined a record total of 570,203 Wet Metric Tonnes ("WMT") of *Bonnie Fines* Direct Shipping Ore ("DSO") from the NJV. In addition, a further 20,900t of low grade ore was mined and stockpiled to be used for blending with higher grade ore.

Tables 1 and 2 show the NJV's operating results significantly improved in comparison to the previous quarter. This was due to completion of the haul road resulting in markedly

increased haulage rates. This led to reduced stockpiles at the mine allowing for higher mining and crushing rates to occur. As stocks are further cleared, all facets of the operation will be able to achieve full run rates.

Mining & Crushing

During the quarter, mining and crushing continued as planned and stockpiles at the mine were approximately 300,000t at the end of July with the step change in haulage rates quickly clearing these stockpiles. Further to this, the crushing operation introduced nightshift in September with mining following in October.

A third surface miner has now arrived on site ahead of schedule allowing for regular maintenance to occur on the existing units without loss of production. Production rates were higher than expected and tool wear was lower than anticipated. During September, mining in the second pit (Outcamp Pit 2) commenced with waste removal.

Mining, crushing and screening rates continue to perform as expected with a total of 570,203t mined and 526,970t crushed during the quarter. The crushing and screening plant is readily running at the name plate capacity of 3Mtpa but achieves instantaneous rates approaching 4Mtpa.

The amount of ore processed or “dressed” has been steadily increasing with the best monthly crushing figure so far of 193,148t achieved in September.

During September, BC Iron introduced the use of a dust suppressing system comprising of chemical foam similar in consistency to shaving cream that is injected via the water spray nozzles located around the crushing plant. Early results from the use of the foam indicate reduced dust emissions from crusher to port. BC Iron’s innovative approach also means less water is required at the crusher and thus it promotes greater water efficiency and reduces the impact on local groundwater resources.

NJV – Loading triple road trains at mine site

Shipping

Table 3: Ore Shipping				
	Sept Quarter '11 (t)	**June Quarter '11 (t)**	**Variance Quarter (t)**	**Variance Quarter**
Shipped (Wet)	402,428	215,148	187,282	87%

During the quarter, the NJV shipped a record total of 402,428 WMT of *Bonnie Fines* DSO from Fortescue's Herb Elliott Port. Shipping of *Bonnie Fines* direct ship ore is occurring regularly each month under the management of Fortescue's Marketing and Shipping departments. During September, the largest shipment to date set sail (149,718t) and the NJV anticipates shipping its first full cape size vessel (~170,000t) in October.

Haul Road Construction & Haulage to Christmas Creek OPF

Ore haulage takes place via a private 55km bitumen haul road between the NJV mine site and Fortescue's Christmas Creek Ore Processing Facility ("OPF") where the ore is loaded onto trains for rail haulage to port for export.

During the June quarter, construction of the private haul road was sufficiently complete to allow 'haulage under construction' which halved the haulage distance compared to travel on the public roads. Haulage rates averaged ~4,000t per day in June, which increased to more than 7,000t per day in July.

Completion of the road construction to base-course pavement was achieved by mid-August, allowing for an immediate further step change in haulage rates with full load traffic on the road on double shift. Average daily haul rates increased to ~12,100t per day from mid-August to the end of the month. In August, the NJV also began using its PowerTrans pit haulers (~360t payload compared to the ~110t payload of a standard triple road train) supplemented by standard triple road trains.

NJV – Pit Hauler at Christmas Creek. Reclaimer in background.

During October, the Company began bitumen sealing of the private haul road, a four-week process, resulting in reduced haulage rates during this time. The sealing of the road will reduce operating costs, allow all weather access and reduce water consumption for dust suppression.

Following completion of the bitumen surface (in late October), the three PowerTrans pit haulers and ten standard triple road trains will resume haulage at rates expected to be ~9,000t per day. Toll Global Resources have an additional pit hauler scheduled for arrival on site at the end of October taking haulage to over 10,000t per day. The 5th unit is due by the end of November at which stage haulage rates should exceed of 12,000t per day. Toll plans to have the final total of eight PowerTrans pit haulers on site during Q4 FY2012.

Rail Haulage and Port Services

Fortescue provide rail haulage and port services to the NJV through its wholly owned subsidiary, The Pilbara Infrastructure Pty Ltd ("TPI") from the OPF at Fortescue's Christmas Creek operation. During the Quarter, as road haulage rates increased TPI commenced the process of establishing an additional permanent stockpile at Christmas Creek in readiness for the commissioning of the ore reclaimer.

Production Guidance

In the upcoming December 2011 quarter, the JV will focus on increasing the production rate towards the interim target of >3Mpta by the end of CY2011. Further, when Toll delivers the eighth and final pit hauler during Q4 FY2012, the throughput rate will be approximately 5Mtpa with exports for the FY2012 expected to be circa 3.5Mt. In addition, the NJV is expecting to reach the milestone of shipping more than 1 million tonnes of product by the end of CY2011.

NJV – Aerial view of Outcamp 1 Deposit. Mine Operation Centre in background.

Marketing

Iron ore shipping volumes for the September 2011 quarter were 402,428 WMT. The average CFR sales price for the quarter was approximately ~US$145 per dry metric tonne. Price movements within the quarter were quite pronounced as the reference point for the NJV's contracts, the PLATTS 62% Fe index, moved from a high of US$183/dmt to a low of US$170/dmt. Advice from end users of *Bonnie Fines* is that the product continues to be well accepted by customers, however, the recent falls in the Platts index will flow through to lower average sale prices in the current quarter.

EXPLORATION AND RESOURCE DEVELOPMENT

Exploration and Resource Development (NJV; BCI 50% : Fortescue 50%)

During the quarter, BC Iron completed further resource definition drilling at the NJV to increase confidence levels of existing Inferred Resources at the Bonnie East and Coongan deposits. A total of 316 holes were drilled with all assays pending.

Bungaroo Project – Western Pilbara (BC Iron 100%)

A Heritage survey at the Bungaroo Creek Project was completed in September 2011 and a working group meeting with the Kuruma-Marthudunera native title group was held in October resulting in authorisation to conduct drilling operations. Exploration is expected to commence during the December 2011 quarter pending government approvals and drill rig availability.

CORPORATE

Board Appointment

On 19 September 2011, the BC Iron Board announced the appointment of Andy Haslam as a non-executive Director. Mr Haslam is a highly experienced and well credentialed executive with 27 years of operational and executive experience in the Australian mining industry. Most recently, Mr Haslam was Managing Director of ASX listed Territory Resources where he was responsible for managing an iron ore operation exporting 2Mtpa in the Northern Territory to Chinese customers.

New Investment Opportunities

BC Iron's management and the Board continue to focus on expanding the Company's development portfolio through exploration activities and ongoing assessment of potential acquisition opportunities in Australia and overseas.

Cash Position

On 30 September 2011, BC Iron held $16.2m in cash (including its share of JV funds).

- ENDS -

Mike Young
Managing Director
BC Iron Limited

Morgan Ball
CFO/Company Secretary
BC Iron Limited

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, a 50/50 joint venture with Fortescue Metals Group Limited. The JV uses Fortescue's infrastructure at Christmas Creek, 50km south of the Mine, to rail its ore to Port Hedland from where it is shipped direct to customers overseas. Mining commenced in November 2010 and first ore on ship occurred in February 2011 - just over four years from listing on the ASX.

Key Statistics

Shares on Issue:	95.1 million	
Cash & equivalents:	30 September 2011	~$16.2m
Board and Management:	Tony Kiernan	Chairman & Non-Executive Director
	Mike Young	Managing Director
	Terry Ransted	Non-Executive Director
	Andy Haslam	Non-Executive Director
	Glenn Baldwin	Non-Executive Director
	David Coyne	Alternate Non-Executive Director
	Morgan Ball	CFO & Company Secretary
Major Shareholders:	Consolidated Minerals:	24.1%
	Regent Pacific Group:	22.7%

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 or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

JORC Competent Persons Statement

The information that relates to the Mineral Resource Estimate at Outcamp, Warrigal, and Coongan has been compiled by Mr Richard Gaze who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and an employee of Golder Associates, and Mr Mike Young who is a Member of the Australian Institute of Geoscientists and an employee of BC Iron. The resources were first reported on the ASX on 2 April 2009. The Outcamp resource estimate has been depleted by BC Iron to account for mining which commenced in November 2010. Both Mr Young and Mr Gaze have 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 Gaze and Mr Young consent to the inclusion in their names 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 Bonnie East, Dandy and Shaw River has been compiled by Mr Gregory Hudson who is a Member of the Australian Institute of Geoscientists and a former employee of BC Iron, and Mr Mike Young who is a Member of the Australian Institute of Geoscientists and an employee of BC Iron. The Bonnie East resources were first reported on the ASX on 2 April 2009, the Shaw River resources were first reported on the ASX on 30 July 2010, and the Dandy resources were first reported on the ASX on 20 September 2011. Both Mr Young and Mr Hudson have 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 Hudson and Mr Young consent to the inclusion of their names in the matters based on their information in the form and context in which it appears.

The information that relates to the Ore Reserve has been compiled by 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 Duncan consents to the inclusion of his name in the matters based on his information in the form and context in which it appears.

Mineral Resources and Ore Reserves as at 30 June 2011

Notes to the resource and reserves:

- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- DSO (Direct Shipping Ore) is a subset of the CID (Channel Iron Deposit)
- Calcined Fe (CaFe) = Fe / (100-LOI) * 10
- LOI measured at 1000°C
- The CID Mineral Resource is reported using a 45% cut-off grade
- The DSO Mineral Resource is reported using cut-off grades between 53% and 56% Fe. The cut off grades were selected to achieve a 57% Fe specification grade.

Ore Reserve Estimate by Deposit – NJV (BC Iron 50%, Fortescue 50%)

Deposit	Probable Ore Reserves by Deposit							
	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI_{1000}
Outcamp	18.3	56.8	64.7	1.92	3.17	0.014	0.010	12.2
Coongan	6.0	57.0	65.0	1.84	2.54	0.011	0.012	12.4
Warrigal	10.4	57.0	64.6	2.14	3.68	0.022	0.013	11.7
Total	**34.7**	**56.9**	**64.7**	**1.97**	**3.21**	**0.016**	**0.011**	**12.1**

Combined Mineral Resource Estimate for 57% Fe DSO by Deposit – NJV (BC Iron 50%, Fortescue 50%)

Deposit	DSO Mineral Resources by Deposit							
	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI_{1000}
Outcamp	19.5	56.9	64.8	2.03	3.07	0.014	0.010	12.1
Warrigal	14.4	57.0	64.5	2.29	3.64	0.023	0.013	11.6
Coongan	7.6	57.0	65.1	1.87	2.47	0.011	0.012	12.4
Bonnie East	8.6	56.8	64.7	3.33	2.08	0.014	0.009	12.2
Shaw River: Gap 11	2.8	57.1	63.4	2.88	4.79	0.021	0.029	10.1
Total DSO	**52.9**	**57.0**	**64.7**	**2.33**	**3.07**	**0.016**	**0.012**	**11.9**

Combined CID Mineral Resource Estimate for by Deposit – NJV (BC Iron 50%, Fortescue 50%)

Deposit	CID Mineral Resources by Deposit							
	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI_{1000}
Outcamp	37.9	53.8	61.8	2.83	4.44	0.015	0.010	12.9
Warrigal	23.4	54.5	62.0	3.46	4.73	0.024	0.013	12.0
Coongan	12.8	53.4	61.5	3.24	4.23	0.013	0.013	13.1
Bonnie East	12.6	55.0	62.9	4.17	2.72	0.016	0.010	12.5
Dandy	2.1	53.7	60.2	6.01	5.28	0.023	0.020	10.8
Shaw River	14.0	54.4	61.2	5.12	4.36	0.021	0.027	11.2
Total CID	**102.9**	**54.1**	**61.8**	**3.57**	**4.28**	**0.018**	**0.014**	**12.4**

Combined Mineral Resource Estimate for 57% Fe by Classification – NJV (BC Iron 50%, Fortescue 50%)

Classification	DSO Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI_{1000}
Measured	1.4	56.9	64.7	2.23	3.36	0.019	0.016	12.1
Indicated	38.0	57.0	64.8	2.09	3.14	0.016	0.011	12.0
Inferred	13.5	56.9	64.4	3.03	2.85	0.017	0.014	11.7
Total DSO	**52.9**	**57.0**	**64.7**	**2.33**	**3.07**	**0.016**	**0.012**	**11.9**

Combined CID Mineral Resource Estimate by Classification – NJV (BC Iron 50%, Fortescue 50%)

Classification	CID Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI_{1000}
Measured	1.8	54.1	61.6	3.98	5.08	0.020	0.018	12.3
Indicated	68.1	53.9	61.8	3.09	4.48	0.017	0.011	12.7
Inferred	32.9	54.5	61.8	4.58	3.86	0.019	0.018	11.9
Total CID	**102.9**	**54.1**	**61.8**	**3.58**	**4.29**	**0.018**	**0.014**	**12.4**