ASX RELEASE – 10 DECEMBER 2012

BC IRON ACQUIRES ADDITIONAL 25% OF EXPANDED NULLAGINE JOINT VENTURE

HIGHLIGHTS

- **BC Iron's attributable iron ore exports will increase by 80% from 2.5 Mtpa to 4.5 Mtpa**
- **BC Iron will increase its interest in the NJV to 75%**
- **The Joint Venture will increase total export production to 6 Mtpa**
- **BC Iron will prepay for 3.5 Mt of its share of rail haulage and port services**
- **Transaction expected to be complete in the week ending 21 December 2012 and be effective from 1 January 2013**
- **Funding via debt, equity and existing cash**

Australian iron ore producer, BC Iron Limited (**"BC Iron"** or the **"Company"**) (**ASX: BCI**) is pleased to announce that it has signed agreements with its joint venture partner, Fortescue Metals Group Limited (**"Fortescue"**) (**ASX: FMG**) and subsidiaries, to acquire an additional 25% interest in the Nullagine Iron Ore Joint Venture (**"NJV"**), effective 1 January 2013 (**"Transaction"**).

As part of the Transaction, BC Iron, its subsidiary BC Iron Nullagine Pty Ltd (**"BCIN"**) and Fortescue have executed binding documentation to give effect to the following:
- BC Iron will increase its participating interest in the NJV from 50% to 75%;
- The capacity available to the NJV on Fortescue's rail and port infrastructure shall be formally increased to 6 Mtpa for the life of the NJV;
- BC Iron's share of annual production will increase by 80% from 2.5 Mtpa to 4.5 Mtpa;
- BC Iron shall make a once-off prepayment of rail haulage and port charges for 3.5 Mt (wet) of its share of production from the NJV (**"Rail and Port Prepayment"**);
- BC Iron's obligation to deliver product into its existing offtake agreement will remain unchanged; and
- Fortescue and BC Iron will continue to explore other opportunities in the East Pilbara Region.

The total consideration payable by BC Iron to Fortescue (including the Rail and Port Prepayment) has been agreed at A$190 million, plus a price participation arrangement payable to Fortescue in certain iron price conditions (described further below). The total consideration, plus associated Transaction costs, will be funded using a combination of existing cash, a new US$130 million debt facility, and approximately A$54-58 million in equity through an underwritten placement and Share Purchase Plan.

BC Iron's Managing Director, Mike Young, said, "*This Transaction reinforces the strong on-going relationship we have with Fortescue and we look forward to broadening that relationship going forward.*"

"*The Transaction is in line with our stated priorities to increase our resource base and export tonnes, and is something we have been working on with Fortescue for some time. It represents a low risk opportunity for BC Iron to almost double its annual production by acquiring more of a quality asset that we already operate and know extremely well.*"

Fortescue Chief Executive Officer, Nev Power, said, "*This is a fantastic outcome for both parties. It reflects the strong relationship we have established with BC Iron over the years and it forms part of our strategy to divest non-core assets.*"

Debt Funding

BC Iron's wholly owned subsidiary, BC Iron Nullagine Pty Ltd (**"BCIN"**), has entered into a US$130 million, amortising term loan facility (**"Debt Facility"**) with a consortium comprising Commonwealth Bank of Australia and Australia and New Zealand Banking Group.

The Debt Facility has a 5 year term and a competitive margin on USD LIBOR. Principal repayments are to be made every 6 months commencing on 30 June 2013 and BC Iron can make voluntary prepayments without penalty. The repayment schedule is moderately front-ended, to take into account BC Iron's increased cash generation during the first year of the facility while the Company benefits from lower C1 cash costs due to the Rail and Port Prepayment.

BC Iron has provided a parent company guarantee to the lenders and BCIN has provided security to the lenders that is typical for a loan of this nature. The structure of the Debt Facility allows the Board to consider continued payment of dividends by BC Iron, except in very limited circumstances.

"The terms agreed with Fortescue are expected to be materially accretive to BC Iron in terms of value per share, earnings per share and cash flow per share. Furthermore, the Transaction represents an opportunity for the Company to optimise its currently under-geared balance sheet, while also increasing and spreading the institutional ownership of BC Iron shares," said Morgan Ball, Finance Director of BC Iron.

Equity Funding

BC Iron will today launch an equity raising to raise approximately A$54-58 million, comprising an underwritten 15% institutional placement of approximately 15.6 million shares to raise approximately A$44-48 million (**"Placement"**), along with an associated Share Purchase Plan (**"SPP"**) to raise a maximum of A$10 million.

The Placement is underwritten by Macquarie Capital (Australia) Limited (**"Macquarie"**). The pricing of the Placement will be determined by a bookbuild to be conducted today and tomorrow with an indicative bookbuild price range of A$2.84-3.10 per share. This bookbuild price range represents between a 3% discount and a 6% premium to the Company's closing price on Friday, 7 December 2012. It is expected that the Company's trading halt will be lifted upon the announcement of the completion of the Placement, which is expected to occur prior to the commencement of trade on the ASX on Wednesday, 12 December 2012. Settlement of the Placement is expected to occur on Monday, 17 December 2012 and the new shares issued under the Placement are expected to commence trading on the ASX on Tuesday, 18 December 2012.

BC Iron's 23.9% shareholder, Consolidated Minerals, has irrevocably committed to the Company to participate in the Placement pro-rata to its existing shareholding at the final Placement price, whereas Regent Pacific Limited, a 23.1% shareholder, will not participate. Both shareholders are strongly supportive of the Transaction.

BC Iron is also delighted to offer eligible, existing shareholders of the Company at the record date with the opportunity to participate in a capped SPP and subscribe for up to A$15,000 in new, fully paid ordinary shares in the Company at a price that will be, to the extent possible, consistent with the Placement price.[1] The SPP will be capped at A$10 million and will not be underwritten. BC Iron reserves the right to scale back applications on a pro-rata basis, if the total value of applications received comprise greater than A$10 million. The record date for the SPP is 7pm Sydney time on 7 December 2012. Further details on the SPP will be released on the ASX and distributed to eligible shareholders in due course.

Sources & Uses of Funds

Any remaining consideration payable to Fortescue over and above the proceeds received from the Placement and Debt Facility will be met from existing cash reserves. The table below illustrates the expected sources and uses of funding.

Item	Amount (A$m)
Uses	
Upfront consideration payable to Fortescue	190
Upfront Transaction costs (excluding GST)	5
Total upfront uses	**195**
Sources	
US$130m Debt Facility (converted at AUD:USD of 1.048)	124
Placement (excluding SPP proceeds)	44-48
Existing cash used	23-27
Total upfront sources	**195**

Revised Production and Operating Cost Guidance

Prior to the Transaction, the Company had undertaken steps to establish a 'sprint capacity' of an additional 1 Mtpa in the event of available capacity on Fortescue's infrastructure. The establishment of a permanent capacity of 6 Mtpa will require further minor upgrades to infrastructure on top of that

[1] The SPP price will be the lower of the Placement price and the volume weighted average price of BC Iron shares on the ASX over the 5 business days immediately before the date the SPP opens (rounded down to the nearest cent).

already in place (i.e. expansion of the permanent camp). This will only involve minimal additional capital expenditure due to the NJV's contractor model of operations.

The NJV achieved a sustained export run-rate of 5 Mtpa iron ore exports in May 2012 and is currently on track, pre-transaction, to export 5 Mt (wet) during FY2013. The nameplate 6 Mtpa is expected to be effective during Q4 FY2013 following the forthcoming wet season during which operations are nominally scaled back. BC Iron anticipates that the NJV will achieve total sales of approximately 5.1 Mt (BC Iron share 3.2 Mt) for FY2013.

Underlying C1 cash costs in FY2013 are expected to stay in line with the Company's existing guidance range of A$45-50 per wet metric tonne (**"wmt"**). However, after adjusting for the effect of the Rail and Port Prepayment for the second half of FY2013, average C1 cash costs for the financial year are expected to be materially lower than the existing guidance range.

In FY2014, the NJV is expecting to export the full 6 Mt (BC Iron share 4.5 Mt) at underlying C1 cash costs in the range of A$45-50 per wmt. However, the C1 cash costs will again benefit from the Rail and Port Prepayment during first part of the financial year.

As at 30 September 2012, the NJV had Ore Reserves of 41.3 Mt @ 57.1% Fe,[2] a slight increase on the 30 June 2012 Ore Reserves after accounting for mining since then. The resulting mine life of the NJV at the increased production rate of 6 Mtpa is expected to be approximately 7 years. Project Inventory, announced in August 2012, continues to assess opportunities to increase the established Ore Reserves and the joint venture partners remain confident that this will lead to an increased mine life.

Price Participation Arrangement

BC Iron has agreed to a price participation arrangement with Fortescue in limited circumstances during the period from 1 April 2013 to 30 September 2014. If the "Platts Price" index averages more than US$120 per dry metric tonne (**"dmt"**) in a particular month, BC Iron must pay Fortescue an amount calculated as 50% of the difference between the actual average Platts Price and US$120 per dmt, multiplied by 158,300 dmt for that month.

Platts Price is defined as the published Platts IODEX Iron Ore Fines 62% Fe CFR North China.

The existing off take arrangements with Henghou will remain unchanged for both NJV partners.

Other Financial Considerations

The Transaction is expected to be materially accretive to BC Iron in terms of earnings, cash flow and value per share.[3] In addition, the Transaction has been financed in a manner that will enable the BC Iron Board to continue to consider dividend payments, except in very limited circumstances.

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[2] Refer to appendix.
[3] Based on the base case financial model prepared for the Debt Facility.

Other Matters

To facilitate the transaction, BC Iron has entered into a number of agreements with Fortescue and its subsidiaries, which are related to operation of the NJV. These agreements replace existing agreements that have been governing the NJV since it commenced in June 2009.

Under the terms of the amended JVA, Fortescue has been granted a matching right in respect of any proposals that would result in a change of control of BCI or BCIN. Under the matching right, BCI and BCIN must not enter into any agreement in relation to a change of control proposal unless they have first notified Fortescue of the key terms of the proposal and provided Fortescue four business days to match the proposal. This provision is subject to each party complying with the law and their directors' fiduciary duties.

Timetable

Completion of the Transaction is only subject to the payment of consideration by BC Iron to Fortescue once the Placement and Debt Facility drawdown are complete.

Completion of the Placement bookbuild is expected to be announced prior to the commencement of trading on the ASX on Wednesday, 12 December 2012, with the Placement expected to settle on Monday, 17 December 2012. In conjunction with this, BC Iron will draw down on the Debt Facility and the Transaction with Fortescue is expected to complete on or around Tuesday, 18 December 2012. The Transaction will be effective from 1 January 2013.

Advisers

Azure Capital Limited acted as independent corporate adviser to BC Iron in relation to all elements of the transaction with Fortescue and its financing. KPMG provided advice in relation to taxation. BC Iron's legal advisers are Johnson Winter Slattery and Herbert Smith Freehills, in relation to the Transaction and equity raising, and Ashurst in relation to the Debt Facility. Macquarie Capital (Australia) Limited is acting as sole lead manager, underwriter and bookrunner to the Placement.

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FOR FURTHER INFORMATION:

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Appendix – 30 September 2012 Mineral Resource and Ore Reserves Statement

Table 1: Proved and Probable Ore Reserves NJV (100%)

Deposit	Ore Reserves							
	Mt	**Fe%**	**CaFe%**	**Al_2O_3%**	**SiO_2%**	**P%**	**S%**	**LOI**
Proved	20.8	57.3	64.9	1.9	3.2	0.017	0.013	11.7
Probable	20.5	56.9	64.8	2.0	2.9	0.014	0.010	12.2
Total	**41.3**	**57.1**	**64.9**	**1.9**	**3.1**	**0.015**	**0.012**	**11.9**

Table 2: DSO Mineral Resource Estimate NJV (100%)

Classification	DSO Mineral Resources by Classification							
	Mt	**Fe%**	**CaFe%**	**Al_2O_3%**	**SiO_2%**	**P%**	**S%**	**LOI**
Measured	26.9	57.1	64.7	2.1	3.2	0.016	0.012	11.7
Indicated	20.1	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 DSO	**53.8**	**57.1**	**64.7**	**2.1**	**3.2**	**0.016**	**0.012**	**11.8**

Table 3: CID Mineral Resource Estimate NJV (100%)

Classification	CID Mineral Resources by Classification							
	Mt	**Fe%**	**CaFe%**	**Al_2O_3%**	**SiO_2%**	**P%**	**S%**	**LOI**
Measured	36.2	55.0	62.6	2.8	4.1	0.017	0.012	12.2
Indicated	39.9	53.8	61.6	3.3	4.5	0.017	0.012	12.8
Inferred	31.0	53.7	60.8	4.2	5.4	0.023	0.016	11.7
Total CID	**107.1**	**54.2**	**61.7**	**3.4**	**4.6**	**0.019**	**0.013**	**12.3**

**note some rounding errors do occur*

Table 4: Stockpile Inventory NJV (100%)

Stockpile	DSO Stocks			
	Tonnes	**Fe%**	**Al_2O_3%**	**SiO_2%**
ROM[1]	142,289	55.8	2.6	4.8
MOC Product[2]	33,707	56.5	2.4	4.4
RLF Product[3]	118,732	56.5	2.2	5.5
Port	56,458	56.5	2.2	5.5
Total	**351,186**	**56.2**	**2.3**	**5.1**

NB: 1. "ROM" – Run Of Mine
2. "MOC Product" – material treated and stockpiled for haulage at Mine Operations Centre.
3. "RLF Product" – material ready for rail haul at the Rail Load out Facility at Christmas Creek.

Notes to the Mineral Resources and Ore Reserves:

- The Mineral Resources and Ore Reserves have been estimated using mined surfaces as of September 30, 2012.
- 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 which 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% 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.
- Mine Production figures may differ from Ore Reserves due to the inclusion of Inferred material and/or low grade material for blending.

JORC Competent Persons Statement

The information that relates to the Mineral Resource Estimate at Outcamp, Coongan, and Warrigal has been compiled by Mr Mike Young who is a Member of the Australian Institute of Geoscientists and an employee of BC Iron, and 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. Both Mr Young and Mr Williams 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 Young and Mr Williams 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 Warrigal North 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.

The information that relates to the Mineral Resource Estimate at Bonnie East, Dandy and Shaw River has been compiled by 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. Mr Young 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 Young consents to the inclusion of his name in the matters based on their 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 an 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 and Mr Van Anen 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 each 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.

Forward Looking Statements

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, which could cause actual results to differ materially from such statements. BC Iron 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.

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 joint venture with Fortescue Metals Group Limited. The NJV uses Fortescue's infrastructure at Christmas Creek, 50 km 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 5.7Mt of iron ore. As of May 2012, the NJV is operating at a production rate of 5Mtpa and on successful completion of the Transaction, is expected to reach a nameplate production rate of 6Mtpa during Q4 FY2013.

In August 2012, BC Iron entered into an Iron Ore Strategic Alliance with Cleveland Mining to acquire and co-develop new iron ore projects in Brazil. Under the terms of this 50:50 Joint Venture, BC Iron acquired a 5% equity stake in Cleveland Mining.

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

Key Statistics (pre-transaction)

Current shares on Issue:	103.9 million	
Cash & equivalents:	30 September 2012	~$81m
Board and Management:	Tony Kiernan	Chairman & Non-Executive Director
	Mike Young	Managing Director
	Morgan Ball	Finance Director
	Terry Ransted	Non-Executive Director
	Andy Haslam	Non-Executive Director
	Malcolm McComas	Non-Executive Director
	Jamie Gibson	Non-Executive Director
	Linda Edge	Company Secretary
Major Shareholders:	Consolidated Minerals:	23.9%
	Regent Pacific Group:	23.1%
	Henghou Group:	9.9%

Website: www.bciron.com.au