QUARTERLY ACTIVITIES REPORT
DECEMBER QUARTER 2012

BC IRON LIMITED

ASX RELEASE - 24 JANUARY 2013

HIGHLIGHTS

BC Iron (**ASX: BCI**) completed a landmark transaction this quarter (the "**Transaction**", refer Section 4 of this Report), increasing the Company's interest in the Nullagine Iron Ore Joint Venture ("**NJV**") to 75%. The Transaction is materially accretive, and represented a rare opportunity to increase exposure to a low cost, high margin producing mine. As a result of this Transaction, BC Iron has now increased attributable iron ore production by 80% to 4.5Mtpa from the start of FY2014.

CORPORATE

- BC Iron acquired an additional 25% of NJV from Fortescue, lifting BC Iron's interest in the NJV to 75%
- Agreement with Fortescue increases NJV infrastructure capacity to 6Mtpa production rate for the life of the Joint Venture
- BC Iron's attributable annual iron ore exports to increase by 80% from 2.5Mtpa to 4.5Mtpa
- Total consideration paid to Fortescue of A$190 million - includes prepayment of rail and port charges for 3.5wmt of BC Iron's share of production
- Transaction funded via a combination of debt, an equity raising and existing cash
- Successful completion of A$47 million institutional placement with final issue price of A$3.04, a 6% premium to the 5 day VWAP for the period ending on 7 December 2012
- Share Purchase Plan at the institutional placement price closed 16 January 2013 raising A$10 million
- AGM held with all resolutions passed
- Regent Pacific CEO Jamie Gibson resigns as Non-Executive Director of BC Iron
- Cash on hand of $58.3M on 31 December 2012

OPERATIONS

- 1.09Mt mined for the quarter
- 1.05M wmt exported for the quarter
- Average sales price realised for the quarter of ~US$105/dmt CFR
- C1 cash operating costs for quarter of ~$51 per tonne

EXPLORATION & RESOURCE DEVELOPMENT

- Updated Resource statement as at 31 December 2012 has Ore Reserves at 39.9Mt @ 57.1% Fe
- Project Inventory study continues with ongoing beneficiation testwork and ~2,500m of exploratory RC drilling over 10 prospects

BC IRON LIMITED

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Listed: 15 December 2006

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1. OPERATIONS

Summary Results - Nullagine Joint Venture (BC Iron - 50%, Fortescue Metals Group - 50%)

BC Iron Nullagine Pty Ltd, a wholly owned subsidiary of BC Iron, is the operator and manager of the Nullagine Iron Ore Joint Venture, a 50:50 JV with Fortescue Metals Group Limited as at 31 December 2012. The project is located approximately 140km north of Newman in the East Pilbara region of Western Australia.

Production and shipments for the September quarter were as follows (Tables 1 and 2):

TABLE 1: ORE PRODUCTION, HAULAGE & SHIPPING

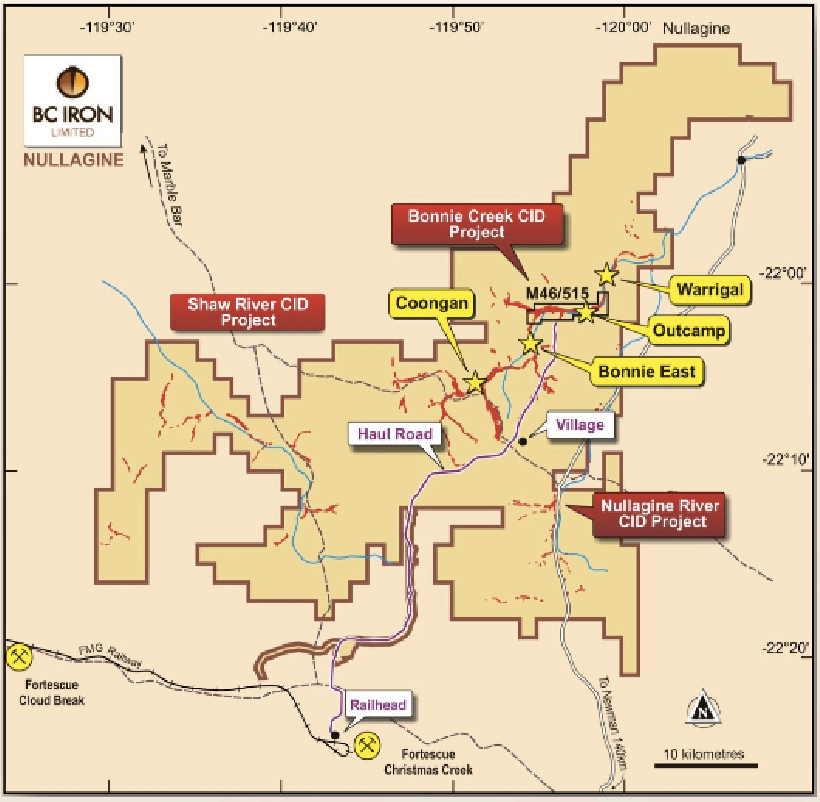
	Dec Quarter '12 (t)	Sep Quarter '12 (t)	Variance Q-o-Q (t)	Variance Q-o-Q (%)	FY2013 (t) Cumulative
Mined (ore)	1,089,839	1,100,314	-10,475	-1%	2,190,153
Crushed	994,044	1,065,456	-71,412	-7%	2,059,500
Hauled	1,021,844	1,227,292	-205,448	-17%	2,249,136
Railed	1,025,430	1,262,760	-237,330	-19%	2,288,190
Shipped	1,046,282	1,237,446	-191,164	-15%	2,283,728

TABLE 2: STOCKPILE INVENTORY

	Dec Quarter '12 (t)	Sep Quarter '12 (t)
ROM[1]	273,141	142,289
MOC Product[2] *(Site)*	15,118	33,707
RLF Product[3] *(Christmas Creek)*	116,100	118,732
Port	20,160	56,458
Low Grade Stocks *(Site)*	1,972,123	1,387,448

Notes:
1. Run of Mine ("**ROM**").
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.

Figure 1: Nullagine JV Location Map



Mining, Crushing and Screening

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

- 1,089,839t of ore mined and sent to the ROM pad;
- 584,675t of low grade ore mined and stockpiled; and
- 994,044t of ROM crushed.

ROM includes both Direct Shipping Ore ("**DSO**") and Low Grade ore ("**LG**") that is blended to achieve the required specification export grade. The remaining LG ore is being stockpiled for future blending or use following the finalisation of ongoing beneficiation studies.

In the previous quarter, Outcamp Pit 1 passed through an area of lower grade ore. This continued through the December quarter and this ore was stockpiled as low grade for future processing, with the higher grade ore zones coming back into the production profile towards the end of the quarter as expected. Warrigal Pit 4 came into production during the quarter, expanding the operation to four active pits which increases operational flexibility going forward.

A Vermeer 1655 surface miner, larger than existing units, commenced operations in October increasing the capacity of the fleet to approximately 16Mtpa. This capacity exceeds the expected ore and waste mining at the increased NJV iron ore production rate of 6Mtpa.

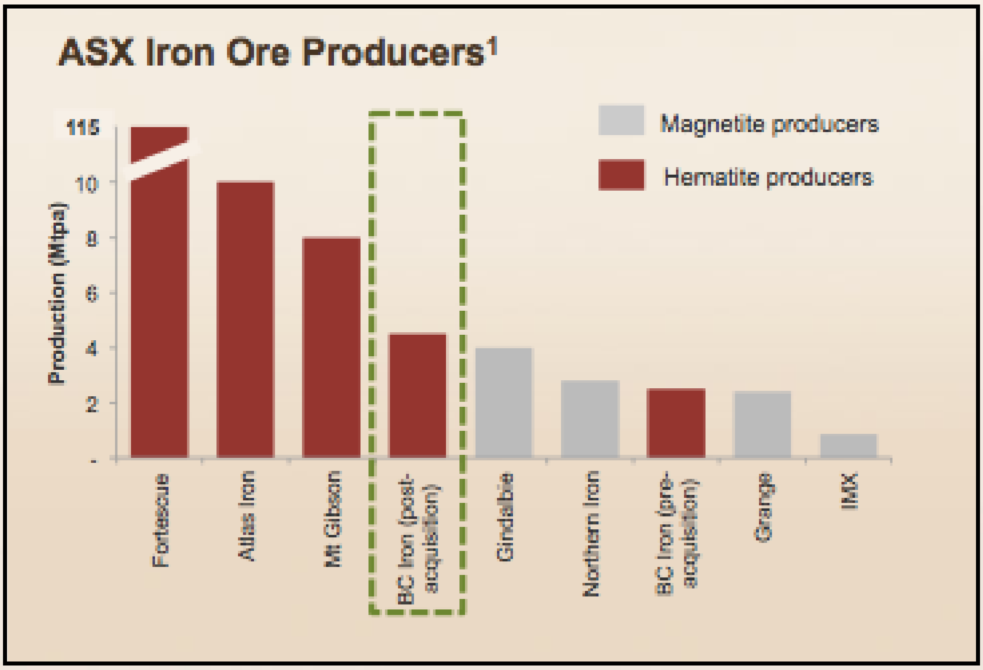
Following its upgrade and commissioning during the first half of FY2013, the crushing circuit did not perform as expected during the quarter. Furthermore, an independent review of the crusher configuration was conducted and found that the addition of a scalping circuit to the main crushing plant to scalp the fines from the ROM material earlier in the circuit would improve plant efficiency and throughput. The scalping circuit was installed into the main crushing plant during the final week of the quarter and was fully commissioned in the first half of January 2013. Following installation of the scalping circuit (Figure 2), the operation has seen a material improvement in crushing performance from the main plant. In addition to these improvements, a new mobile plant will be operational by the end of February 2013 to assist building stocks and raising production levels to greater than 6Mtpa during Q4 FY2013.

Figure 2: Kleeman scalping circuit at site

The combination of the ongoing low grade zone at Outcamp Pit 1 and the crusher performance issues resulted in lower than expected production and subsequent exports during the quarter. However, the low grade zone has now been mined out and the crusher performance has been addressed. Accordingly, the Company remains comfortable that the NJV's FY2013 production guidance of ~5Mt will be achieved. Post the Transaction, BC Iron's share of FY2013 production is expected to be ~3.2Mt up from the previously advised 2.5Mt.

Figure 3 below shows how BC Iron's attributable annual production compares to its ASX listed iron ore producer peers post the Transaction, and once the new guidance level is achieved.

Figure 3: Pure play ASX listed Iron Ore Producers



Ore Truck Haulage

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

A ninth Pit Hauler rig has been ordered to increase the fleet capacity following the Transaction and is scheduled to be commissioned during Q4 FY2013. During the quarter, BC Iron's haulage contractor, Toll Mining Services ("**TMS**") commissioned two 160t payload "Big Foot" road trains. These will supplement the Pit Hauler fleet and facilitate the NJV's planned maintenance programs for haulage activity.

Haulage activity for the three months to December totalled 1,021,844t with seasonal storms impacting towards the end of the quarter.

Rail Haulage and Port Services

Fortescue provides contract rail haulage and port services to the NJV from the Christmas Creek RLF to the Herb Elliott Port in Port Hedland. A key part of the Transaction was an agreement with Fortescue to expand available access to rail and port infrastructure to the NJV from 5Mtpa to 6Mtpa for the life of the NJV. The Company expects the NJV to achieve the 6Mtpa level during Q4 FY2013.

During the quarter, the NJV railed 1,025,430 tonnes of ore on 31 trains. The NJV stockpile at Fortescue's Herb Elliott Port was also relocated to create more logistical flexibility in the rail outload circuit allowing access from both sides of the stockpile.

Shipping

During the quarter, the NJV shipped 1,046,282 wet metric tonnes ("**wmt**") of *Bonnie Fines* product on six cape size vessels for a total of 2.3Mt of iron ore exported for the first half of FY2013.

Operating Costs

Free on Board ("**FOB**") cash operating costs ("**C1 costs**") for the December quarter were ~$51 per tonne. Unit costs for the quarter were slightly above expectations, primarily due to the lower tonnes exported (as a result of the ore grade and crusher issues discussed above) spread over the fixed cost component of the cost base. Year to date C1 costs were ~$47 per tonne within the Company's guidance range of $45-$50 per tonne for FY2013. C1 cash operating costs exclude State Government royalties, marketing and corporate costs.

Underlying C1 costs for FY2013 are expected to stay in line with the Company's existing guidance range of $45 to $50 per tonne over the Life of Mine ("**LOM**").

The Company has previously advised that the NJV budgeted ~$25 million (previous BC Iron share $12.5 million) in exploration and development expenditure for the full year FY2013. Following completion of the Transaction with Fortescue, it is estimated that BC Iron's remaining share of this expenditure in H2 FY2013 will be approximately $8 million.

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

- Sales receipts are reported on a CFR basis and reflect final invoice adjustments in relation to ore sales made during the September quarter. The reported sales do not include the last December NJV shipment of ~ 203,000t.
- Production payments include all operational payments made during the quarter as well as freight payments, State Government royalties and marketing fees; and
- A portion of the debt financing and transaction costs in relation to the Transaction are included in this quarter with the balance to be paid in the current quarter.

Development

Camp expansion works to facilitate the NJV expansion to the 6Mtpa production run rate commenced in December 2012 and are ongoing throughout the current quarter. Other activity for the quarter included the completion of the Warrigal Haul Road and annual maintenance on the main Haul Road including upgrades to five floodways.

Marketing

The Platts average CFR62 price (Cost and Freight of 62% Fe fines delivered into North China) for the December quarter was US$122 per dry metric tonne ("**dmt**"). The average CFR sales price achieved by the Company for its *Bonnie Fines* product for the quarter was US$105 per dmt up from US$95 per dmt last quarter.

The CFR price for *Bonnie Fines* is lower than CFR62 due to price adjustments for iron units and the application of the discount agreed with the NJV's primary off take partner, Henghou Industries (Hong Kong) Limited for its shipments, and other customers.

The Transaction has further strengthened the relationship with Fortescue who will continue providing marketing services to the NJV. A component of the Transaction agreement involved entering into a price participation arrangement with Fortescue from 1 April 2013 to 30 September 2014. If the Platts CFR62 Price averages more than US $120 per dmt in a particular month, BC Iron pay Fortescue 50% of the difference between the actual average Platts Price and US$120 per dmt, multiplied by BC Iron's share of the incremental increase to monthly production (ie. ~158,300 dmt per month).

2. EXPLORATION AND RESOURCE DEVELOPMENT

Nullagine Joint Venture (BC Iron - 50%, Fortescue Metals Group - 50% at 31 December 2012)

As at 31 December 2012, the NJV had Ore Reserves of 39.9Mt @ 57.1% Fe, a slight decrease on the 30 September 2012 Ore Reserves. The resulting mine life of the NJV at the increased production rate of 6Mtpa is now approximately 7 years.

However, the Company is committed to expanding its existing resource and reserves to extend the Nullagine mine life and is currently preparing the "Project Inventory" study, due for completion during Q3 FY2013. This study will establish the amount of total mineable DSO and Beneficiate before Shipping Ore ("**BBSO**") available for economic extraction from the NJV Project.

As part of this Project Inventory study, ~2,500m of RC exploration drilling was completed during the quarter. This involved drilling 153 holes across 10 separate prospects (two drilled for the first time) all close to current operations. Results are expected during Q3 FY2013 and drilling is currently suspended over the wet season, recommencing in Q4 FY2013.

Geological mapping and rock chip sampling was also conducted during the quarter, retrieving several DSO grade samples.

3. SUSTAINABILITY

Occupational Health & Safety

Two Lost Time Injuries ("**LTIs**") were reported during the quarter and both involved ankle injuries.

The results from the Safety Perception Survey completed last quarter have now been analysed and presented to all work groups. The results reinforce the direction of the BC Iron Safety Strategic Plan and have provided strong insight into the areas of focus for this Plan going forward.

Environment

During the quarter, BC Iron submitted its annual National Pollutants Inventory report to the WA Department of Environment and Conservation and its annual National Greenhouse and Energy Report to the Federal Government's Clean Energy Regulator. Amendments to the NJV's Prescribed Premises license were also completed to incorporate the site's new landfill facility.

Native Title and Heritage

Sustainable business development opportunities with the Palyku and Nyiyaparli People remain a particular focus. Recent developments include the employment of a Palyku member under an apprenticeship with the Company's mining contractor WATPAC and a proposal from WATPAC to support the Palyku in the purchase of a water cart for use at the NJV. BC Iron is also keen to support the continuing development of a Nyiyaparli heritage auditing business already operating successfully at Fortescue.

Community

The BC Iron sponsored Geology Scholarship was presented at the Inaugural Scholarship Awards Dinner hosted by the WA Mining Club in Perth in November 2012.

4. CORPORATE

Business Development

In December 2012, BC Iron completed a major transaction with Fortescue. The Transaction involves BC Iron:

a) acquiring a further 25% interest in the NJV;

b) increasing the capacity available to the NJV on Fortescue's rail and port infrastructure to 6 Mtpa;

c) making a once off pre-payment of rail haulage and port charges for 3.5 million wmt of its share of production; and

d) combined acquisition price and infrastructure prepayment amount of A$190 million plus an 18 month price participation arrangement payable to Fortescue in certain iron ore price conditions.

The Transaction is favourable to both parties and was negotiated over some time, involving a number of separate agreements outlined in the Company's ASX release on 10 December 2012. As a result, BC Iron has almost doubled its attributable production from 2.5Mtpa to 4.5Mtpa.

Following the Transaction, the NJV has a revised production guidance of 6Mtpa, expected to be effective during Q4 FY2013, post the current wet season when operations are nominally scaled back. BC Iron anticipates that the NJV will achieve total sales of approximately 5.1Mt (BC Iron share ~3.2Mt) for FY2013. The NJV is aiming to export the full 6Mt (BC Iron share ~4.5Mt) in FY2014.

The existing off take agreement obligations between each of the NJV partners and Henghou remain unchanged.

The Transaction was formally completed with BC Iron remitting A$190 million to Fortescue. BC Iron's increased interest in the NJV and increased capacity on Fortescue's rail and port infrastructure became effective on 1 January 2013.

The Transaction and associated transaction costs were funded using a combination of existing cash, a new US$130 million debt facility, and a $47 million fully underwritten institutional placement. In addition, a Share Purchase Plan to raise up to $10 million to contribute to working capital was announced with the plan closing after the end of the quarter, in mid January 2013.

The final Issue Price for the institutional placement and the Share Purchase Plan was A$3.04 per new fully paid ordinary share, representing a 6% premium to the 5 day volume weighted average price for the period ending 7 December 2012. This pleasing result affirmed the Company's view that the transaction would be accretive for all BC Iron shareholders. It has allowed BC Iron to grow its institutional shareholder base, which is expected to increase investor interest and improve liquidity.

Fortescue and BC Iron will continue to explore other joint opportunities in the East Pilbara region with a view to further expanding on this strong joint venture relationship.

During the quarter, BC Iron commenced reviews of a number of projects in Brazil with recently announced strategic alliance partner Cleveland Mining Company Ltd (ASX: CDG).

Cash Position

As at 31 December 2012, BC Iron held $58.3M in cash.

Board Resignation

During December, Jamie Gibson, the Chief Executive Officer of BC Iron's substantial shareholder Regent Pacific Group Limited, resigned as a Non-Executive Director of BC Iron. The Company thanks Mr Gibson for his effective contribution to the Board during his tenure.

Mr Gibson's resignation followed Regent Pacific's decision to seek a 12 month, non-obligatory disposal mandate from its shareholders to provide it with the flexibility to dispose of all or part of its BC Iron shares, should it wish to do so.

- 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 6.1Mt of iron ore. As of May 2012, the NJV has been operating at a production rate of 5Mtpa and 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 – December 31, 2012

Shares on Issue:	119.4 million	
Cash & equivalents:	$58.3M	
Board:	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
	Linda Edge	Company Secretary
Major Shareholders:	Consolidated Minerals	23.9%
	Regent Pacific Group	20.1%
	Henghou Industries	8.6%

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, 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 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 31 DECEMBER 2012

TABLE 1: ORE RESERVES NJV (100%)

	Ore Reserves							
Deposit	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI
Proved	19.4	57.4	65.0	1.9	3.2	0.016	0.013	11.7
Probable	20.5	56.9	64.8	2.0	2.9	0.014	0.010	12.2
TOTAL	39.9	57.1	64.9	1.9	3.1	0.015	0.011	12.0

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

	DSO Mineral Resources by Classification							
Deposit	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI
Measured	25.5	57.1	64.7	2.1	3.2	0.016	0.012	11.8
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	52.4	57.1	64.7	2.1	3.2	0.016	0.012	11.8

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

	CID Mineral Resources by Classification							
Deposit	Mt	Fe%	CaFe%	Al_2O_3%	SiO_2%	P%	S%	LOI
Measured	34.0	55.0	62.7	2.7	4.0	0.017	0.012	12.3
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	104.9	54.2	61.7	3.4	4.6	0.019	0.013	12.3

**note some rounding of metrics can occur*

TABLE 4: STOCKPILE INVENTORY NJV (100%)

	DSO Stocks			
Stockpile	Tonnes	Fe%	Al_2O_3%	SiO_2%
ROM[1]	273,141	56.2	2.4	4.1
MOC Product[2]	15,118	56.4	2.5	3.7
RLF Product[3]	116,100	56.8	2.3	4.2
Port	20,160	56.6	2.3	4.5
TOTAL	424,519	56.4	2.4	4.2

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 31 December 2012 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 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.