

BC IRON ENTERS INTO BRAZILIAN IRON ORE MOU

- **MOU signed for first projects of the Cleveland Mining and BC Iron Alliance.**
- **High potential exploration projects comprising more than 1200km² of tenure.**
- **Projects close to planned open access rail connecting to existing ports capable of loading cape-sized vessels.**
- **Opportunities structured with staged earn-in terms and no consideration paid upfront.**
- **Pro-development jurisdictions.**

BC Iron Limited (“**BC Iron**”) (**ASX:BCI**) and Cleveland Mining Company Limited (**ASX:CDG**) have signed two Memoranda of Understanding (“**MoU**”) to earn the rights to acquire up to 80% of three separate iron ore exploration projects in the Brazilian states of Salvador da Bahia and Minas Gerais.

The MoU propose a staged earn-in process linked to appropriate levels of exploration and development assessment for each successive stage and are conditional upon the satisfactory completion of long form Option to Purchase Agreements.

The proposed acquisitions constitute the first iron ore projects in Brazil for the Strategic Alliance (“**The Alliance**”) between BC Iron and Cleveland, which was formed in August 2012. Since being formed, the Alliance has considered a number of Brazilian iron ore opportunities, ranging from greenfields exploration prospects to producing mines. The projects subject to the MoU were selected for further work based on outcropping iron mineralisation, geology, geophysical signatures, community attitude to mining development, and options for port and rail logistics.

The Alliance has been targeting itabirite iron mineralisation that is expected to be in the range of 30 - 45% Fe which could then be upgraded to a higher grade product. This is typical of Brazilian iron ores, which are highly sought after by the international steel industry.

The Projects

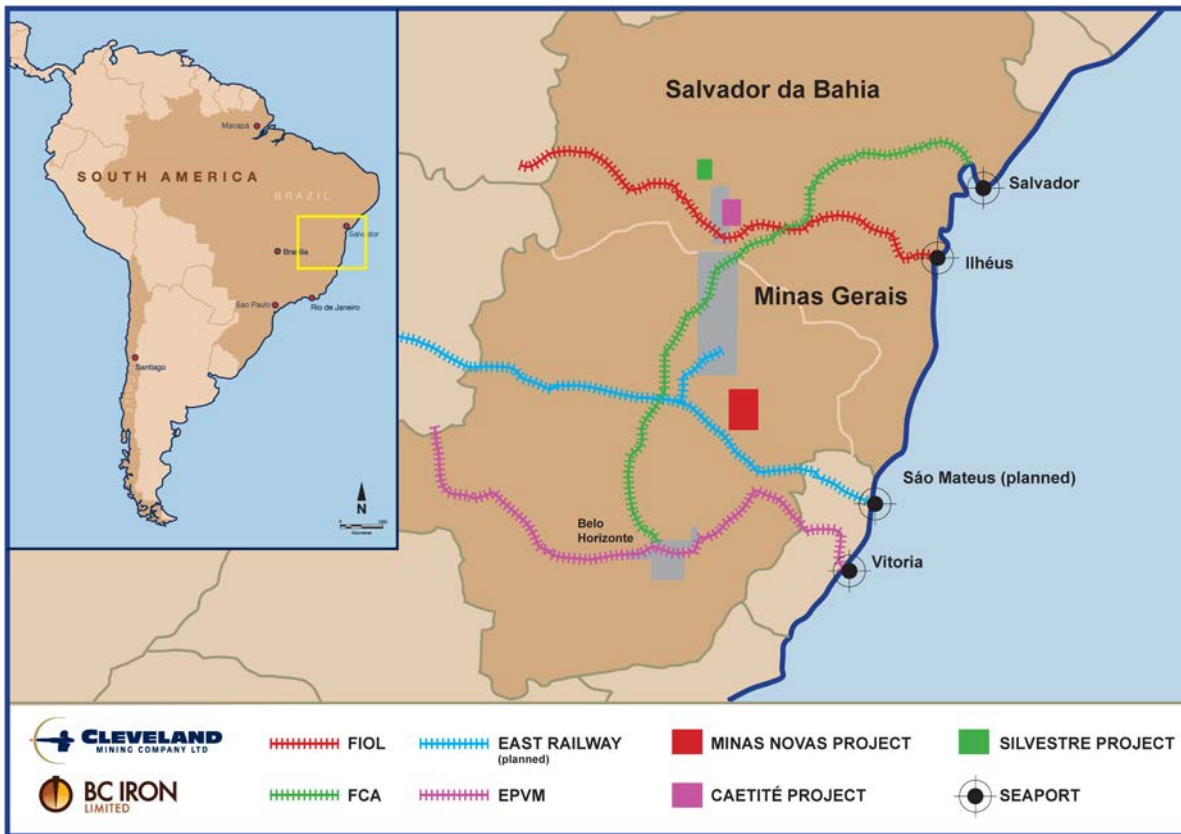
The Salvador da Bahia and Minas Gerais projects are 194 km² and 1,070 km² respectively, and all proximal to rail infrastructure that is either under construction (Bahia) or proposed (Minas Gerais). These rail lines will connect to open access ports which are capable of loading cape-sized vessels with iron ore.

The Projects are close to known iron ore mining regions such as the ENRC Project & the Northern Minas Gerais Iron Ore district, however, interest in these areas has only occurred recently following the release of promising aeromagnetic data and subsequent ground acquisition by the Vendors.

The Alliance believes that these Projects represent the best grass roots projects identified and were worthy of meaningful follow-up work. This assessment was based on geophysics and preliminary field work as well as work carried out by Coffey Partners in Brazil.

The intent of the MoU is to enable the Alliance to assess the potential for iron ore mineralisation in these areas. The three projects will be treated separately as two project areas, divided by State boundaries, and will be subject to discrete MoU agreements.

Figure 1 – Location plan of proposed MoU projects



Proposed Agreements

Under the terms of the MoU, the Alliance has the rights to earn up to 80% of the projects against an assessment of exploration and development potential (Table 1) which may include a drilling program with predetermined metrics, mapping, geophysics, legal and social issues, and access to infrastructure. At the end of each stage, the Alliance will make an assessment as to whether to proceed and has the option to pay the Vendors the required amount to earn the agreed equity and move to the next stage.

The expenditure commitment for the completion of Stage 1(a) will be in the order of US\$4 million (100% Alliance), with no minimum spend required. Expenditure for each stage following will be dependant on the success of the preceding work to delineate economic mineralisation.

Until the Alliance earns 80% equity, BC Iron and Cleveland will co-fund all expenditure on a 50:50 basis. After this point, and when construction and operations begin, the Alliance and Vendor will contribute in line with their retained equity. The Vendor, a private Brazilian group that currently owns the projects, has expressed an interest in maintaining ownership of up to 20% at completion of the Definitive Feasibility Study and granting of licences, but will have the option to dilute to a retained royalty. This Vendor brings with it significant local experience and important relationships from within the States of Bahia and Minas Gerais.

The MoU allows the Alliance to enter into a period of exclusivity, whilst a binding Option to Purchase Contract is formalised along with any remaining due diligence.

Table 1 – Earn-in schedule.

| Stage | Description | Cumulative Alliance Equity |
|--------------|--|-----------------------------------|
| Stage 1(a) | First Pass Assessment <ul style="list-style-type: none">• Legal & tenure• Field work, including drilling• Community & access Election and associated payment on moving to next stage | 10% |
| Stage 1(b) | Follow up Assessment <ul style="list-style-type: none">• follow up field work• mineralisation modelling Election and associated payment on moving to next stage | 51% |
| Stage 2 | Definitive Feasibility Study <ul style="list-style-type: none">• Final payment to Vendors on grant of all licences required to construct and mine. | 80% |

Business Development Strategy

Managing Director Mike Young said, “The Cleveland Alliance and these MoU are a natural part of BC Iron’s ‘Three Priorities’ Business Development strategy. The deal structure is consistent with our approach to potential growth opportunities in Brazil; that is, the upfront expenditure is relatively small but increases with success and de-risking, and we maintain a tight, commercial relationship with the Vendors, who have the in-country knowledge to assist with approvals and community liaison.

“The main game for BC Iron is, as always, maintaining its focus and operational efforts on the Nullagine JV and considering growth potential in the Pilbara, to maintain positive shareholder return and a strong balance sheet. This deal introduces early stage greenfield opportunities into the BC Iron stable which compliments the Pilbara focus appropriately.”

- ENDS -

FOR FURTHER INFORMATION:

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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 8Mt 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 FY13.

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.

BC Iron - Key Statistics

| | | |
|--------------------------------|-------------------------------------|-----------------------------------|
| Shares on Issue: | 123.1 million | |
| Cash & equivalents: | 31 March 2013 | \$99.8M |
| 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 | 23.2% |
| | Henghou Industries | 6.8% |
| | Tribeca Investment Partners Pty Ltd | 6.3% |

Website: www.bcion.com.au