



BC IRON
LIMITED

2013 Annual General Meeting

Morgan Ball – Managing Director



ASX:BCI
12 Nov '13

BC IRON VIDEO

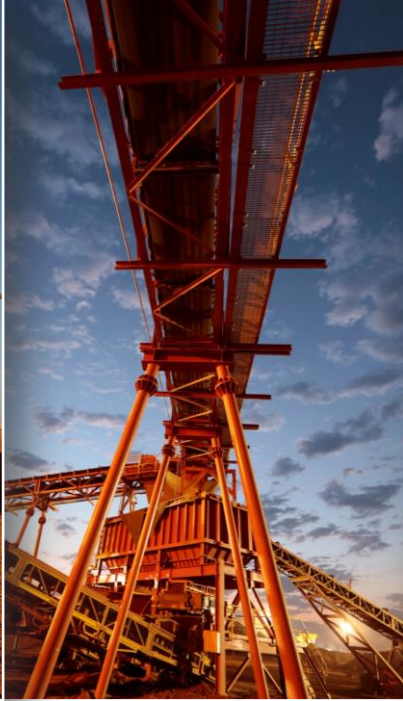


BC IRON
LIMITED



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LIMITED

<http://www.bciron.com.au/about-us.html>



Optimising the NJV | Paying dividends | Considering growth



ATTRACTIVE INVESTMENT PROPOSITION



- ✓ **Scale & liquidity:** ASX 300 member, liquidity significantly enhanced post Dec 12
- ✓ **TSR focus:** Outperformed peers on TSR basis since Jul-12
- ✓ **Capital management:** Robust balance sheet, conservative gearing, ongoing dividends
- ✓ **At target production:** 6Mtpa (BCI share 4.5Mtpa) for FY14
- ✓ **No significant development risk:** Current market value underpinned by existing production and Reserves
- ✓ **Low cost:** Life of mine FOB C1 cash costs of A\$46-50/wmt, with a continued focus on cost management
- ✓ **Quality product:** '*Bonnie Fines*' a highly sought-after DSO sinter feed and attractively priced relative to Fe grade
- ✓ **Strong partnerships:** End-to-end infrastructure and marketing solution with supportive JV partner, Fortescue



A year of achievement for the NJV and BC Iron:

- Shipped a record 5.0Mt (41% increase)
 - ❖ *BC Iron share 3.15Mt (77% increase)*
- Completed landmark transaction with Fortescue, including:
 - ❖ *Increasing NJV ownership from 50% to 75%*
 - ❖ *Increasing NJV infrastructure access from 5Mtpa to 6Mtpa*
 - ❖ *Prepaying 3.5Mt of BC Iron's share of rail and port charges*
- Achieved 6Mtpa production rate in April '13 ahead of schedule
- Achieved EBITDA of \$115.3M (63% increase) and underlying NPAT of \$71.4M (41% increase)
- Declared a total of 35 cents per share in fully franked dividends
 - ❖ *Payout ratio of 60% of underlying NPAT*
- Repaid an additional US\$30M in debt ahead of schedule
- Cash balance of \$138.5M at 30 June 2013
- Morgan Ball appointed Managing Director



FY2013 – PERFORMANCE



Full Year ended 30 June 2013	2013	2012	Variance	Variance
NJV				
NJV Tonnes Shipped (M wmt)	5.00	3.55	1.45	41%
BCI Tonnes Shipped (M wmt)	3.15	1.77	1.38	78%
BCI Average CFR Price Realised (\$US/dmt)	\$112	\$124	(\$12)	(10%)
BCI C1 Operating Cash Cost (\$/wmt)	\$38	\$55	(\$17)	(40%)
BC IRON				
Revenue (\$M)	325.3	204.5	120.8	59%
EBITDA (\$M)	115.3	70.6	44.7	63%
Statutory Net Profit after Tax (\$M)	48.8	50.6	(1.8)	(4%)
Underlying Net Profit after Tax (\$M)	71.4	50.6	20.8	41%
Operating Cash Flow – after Prepayment (\$M)	87.2	89.9	(2.7)	(3%)
Cash Balance (\$M)	138.5	92.8	45.7	49%
Dividend per Share – Interim + Final (cps)	35.0	15.0	20.0	133%
Earnings per Share* (cps)	57.9	48.7		
Return on Shareholders Funds* (%)	32.9%	38.4%		
Dividend Payout Ratio* (%)	60%	31%		

Note: * means calculated on underlying net profit after tax

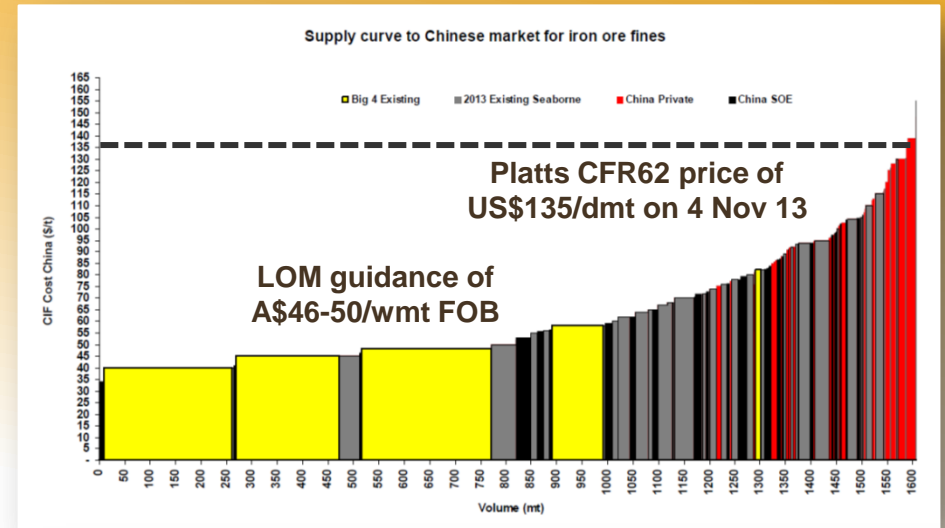
FY2014 – YEAR AHEAD

Guidance:

- NJV production guidance of 5.8-6.2Mt
 - ❖ *BCI share 4.4-4.6Mt*
- NJV C1 cash costs of A\$46-50/wmt (FOB)
 - ❖ *BCI C1 cash costs of A\$40-44/wmt (FOB), reflecting impact of rail and port prepayment*
- BCI capex (sustaining and exploration) of ~A\$20M
 - ❖ *Exploration drilling, grade control drilling, haul roads and improvements*

Year to date:

- 1.62Mt shipped in Sep quarter (BCI share 1.16Mt)
 - ❖ *Tracking at dry season guidance rate of 6.5Mtpa*
- Three ships in October, all above 200,000t
- Rail and port prepayment expired in October
- Project Inventory beneficiation trial underway
- Expanded Board and management team



CORPORATE OVERVIEW



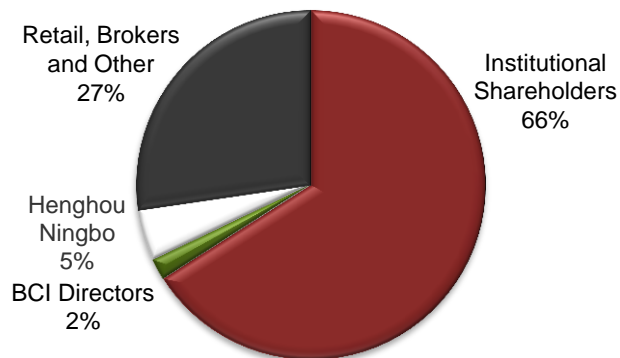
Capital Structure

Ordinary Shares	123.8m
Share Price (at 11-Nov-13)	\$5.03
Market Capitalisation	\$623m
Cash (at 30-Sep-13)	\$172m
Debt (at 30-Sep-13)	\$104m
Enterprise Value	\$555m
Options / Performance Rights	1.3m

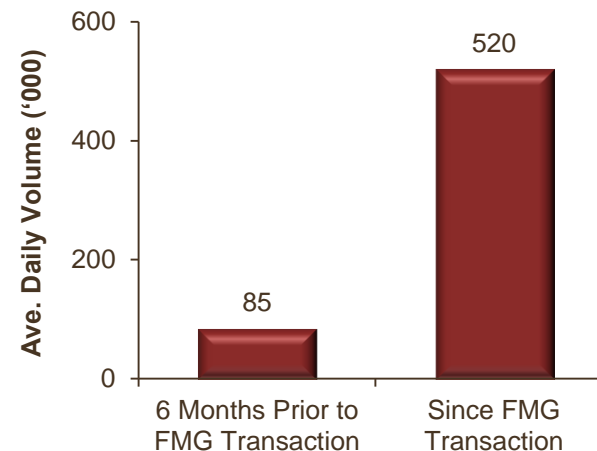
Share Price and Volume



Shareholder Breakdown



Enhanced Liquidity

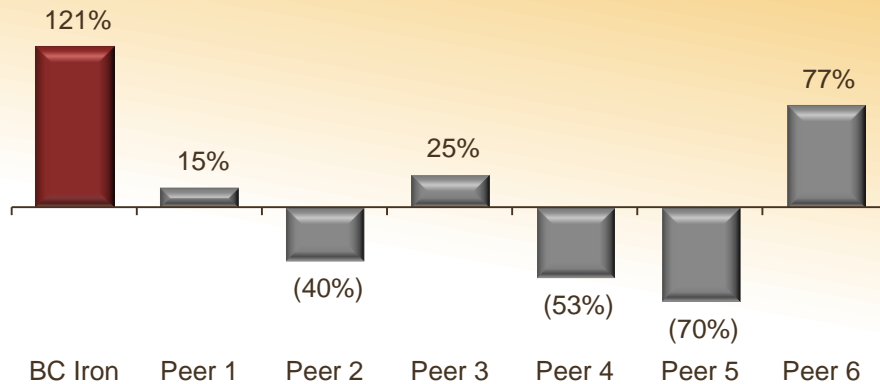


Research Coverage

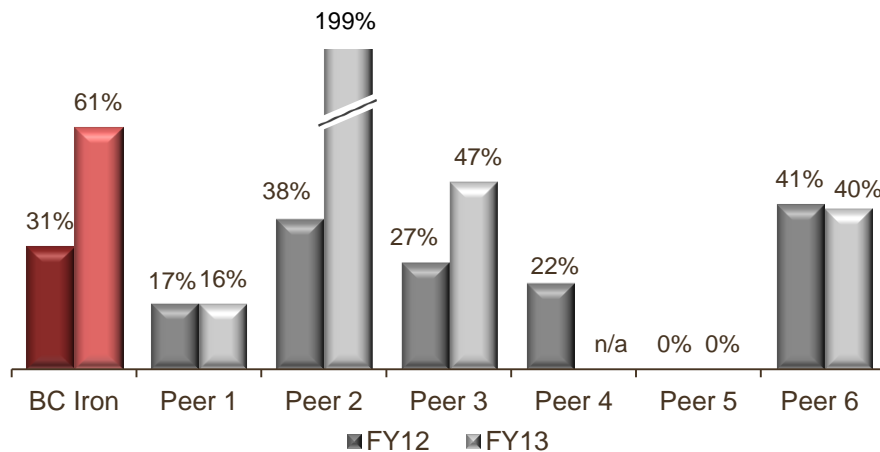


PEER COMPARISON

Total Shareholder Return – 1 Jul 12 to Current



Dividend Payout Ratio



Note: Based on underlying NPAT if reported. Dividends converted into reporting currency at ex-dividend date if applicable.

Why has BC Iron outperformed its peers?

- Quality project with low capital intensity
 - ❖ *Low risk*
- Continued strong operational performance
 - ❖ *Repeated delivery against guidance*
- Strong management and appropriate capital structure
- Completion of FMG transaction
 - ❖ *NPV per share, CFPS and EPS accretive*
 - ❖ *80% increase in equity production to 4.5Mtpa*
- Increased institutional ownership and liquidity
- Attractive payout ratio of fully franked dividends

NULLAGINE JOINT VENTURE (NJV)

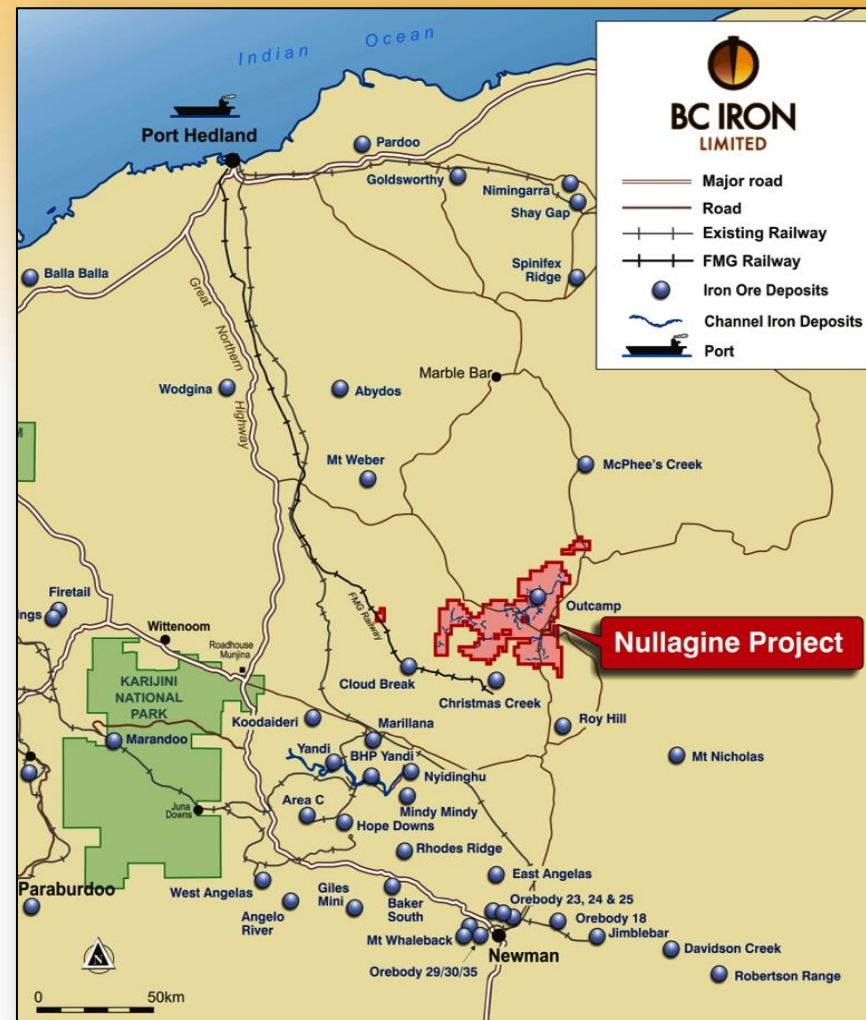


A producing DSO project with access to world-class infrastructure.

- Unincorporated joint venture – 75% BC Iron, 25% FMG
 - ❖ *BC Iron is the Operator and Manager of the NJV*
 - ❖ *FMG provides rail & port services (through its wholly-owned infrastructure subsidiary – TPI) and marketing services*
- Located ~55km north of FMG’s Chichester Hub operations
- NJV production has increased to 6Mtpa following the FMG transaction in December 2012
- Quality product – “Bonnie Fines” well established in Chinese market

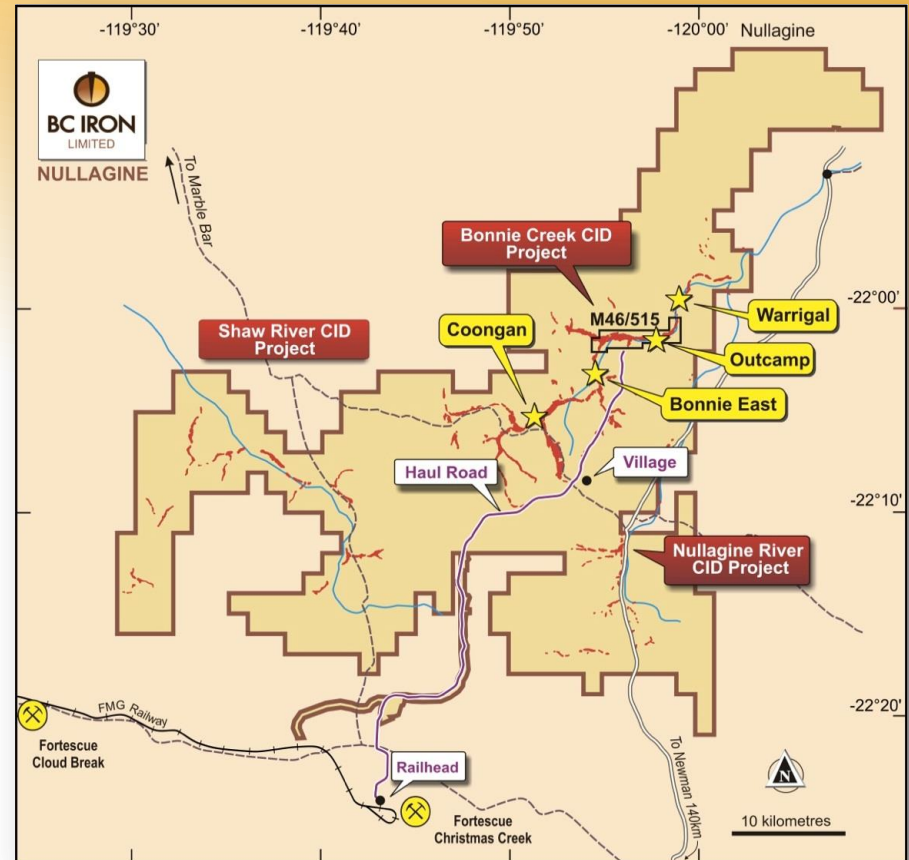
As at 30 June 2013

	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Total Reserves	37.2	57.1	64.9	1.9	3.0	0.015	0.012	12.0
Total DSO Resource	48.8	57.1	64.7	2.1	3.1	0.016	0.012	11.8
Total CID Resource	117.7	53.4	60.7	4.0	5.2	0.020	0.015	12.1

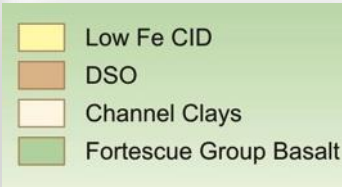
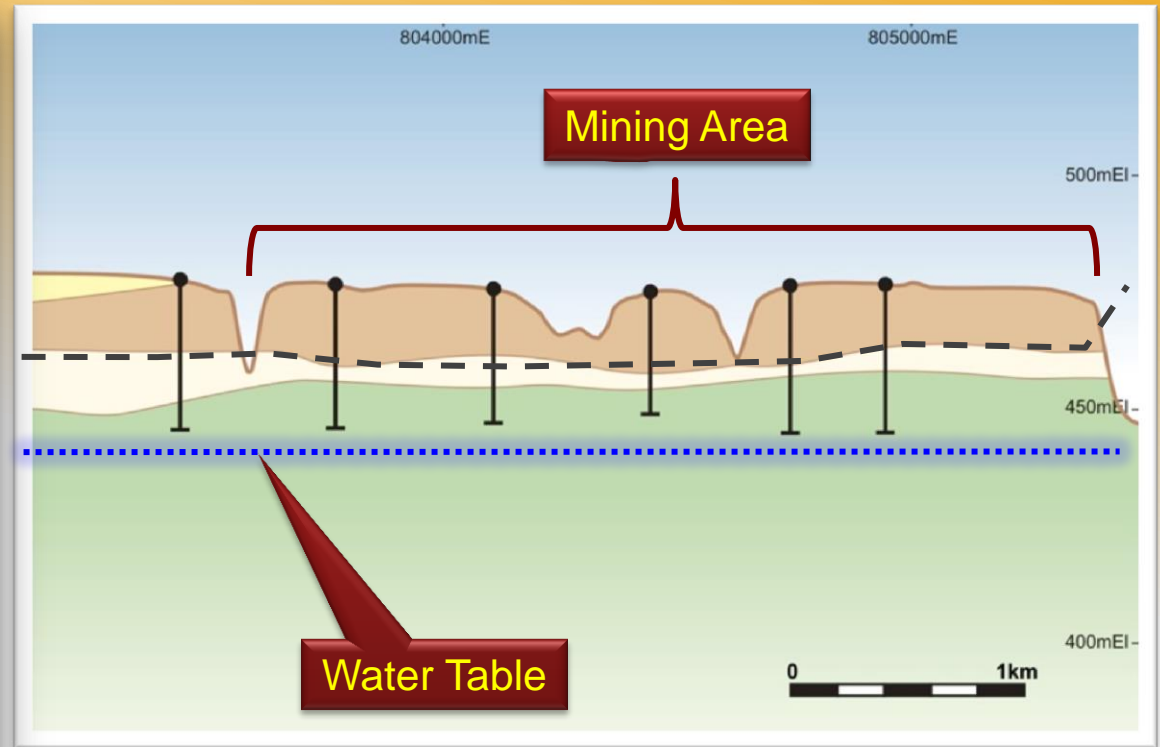
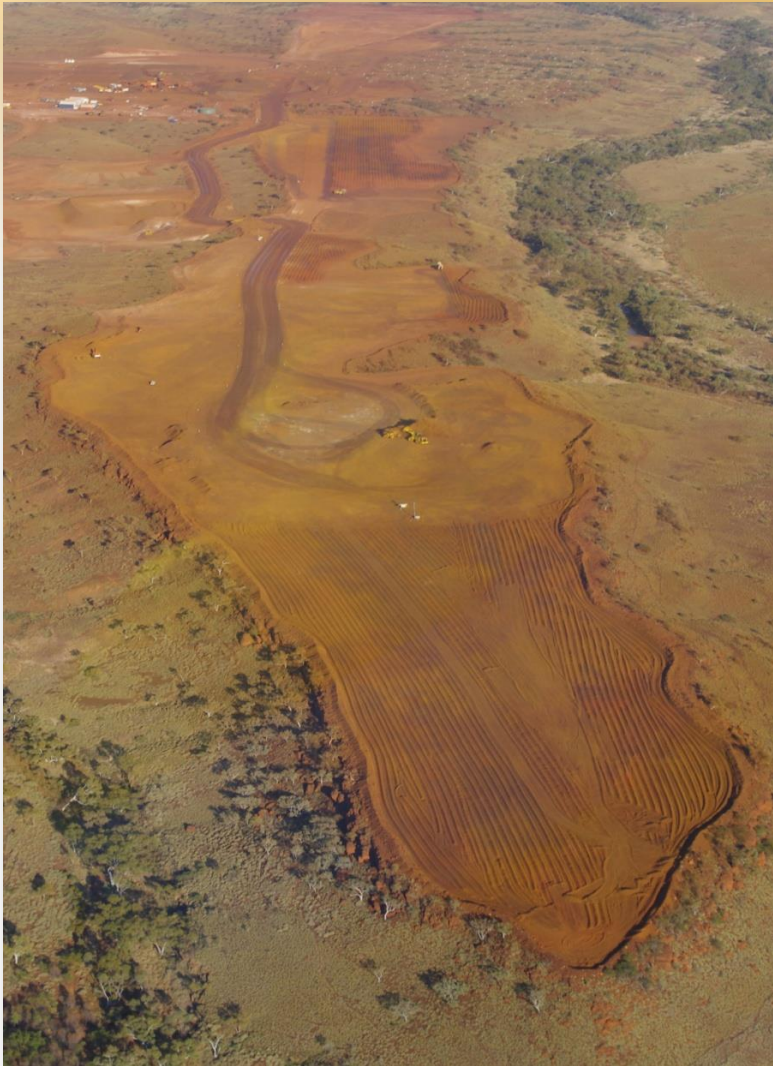


A fully contracted operation with low capital intensity.

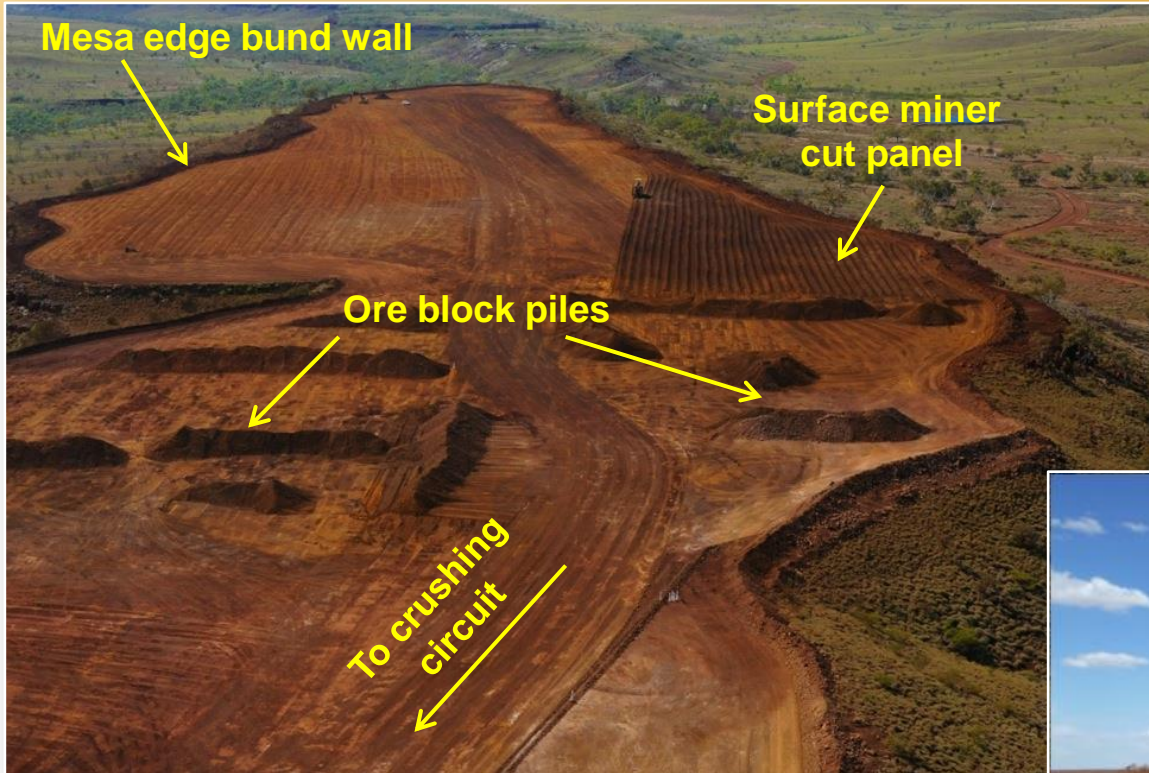
- Contract mining by WATPAC, utilising Wirtgen and Vermeer surface miners
- Mine plan comprises four major deposits
- Currently mining Outcamp and Warrigal
- Bonnie East contributes from FY16 and Coongan from FY19
- Mineralisation from surface and above the water table through Life Of Mine
- LOM strip ratio of 1:1 (maximum strip ratio of 1.6:1 in FY16)
- Current mine life of ~7 years
 - ❖ *History of Reserve replacement*
 - ❖ *Assessing extensions to LOM*



MINING – OVERVIEW



- **Shallow “pits”** using surface mining
- **Above water table** - lower environmental impact, no wet ore.



Wirtgen & Vermeer Surface Miners

- Rotating drum cutters – no drill & blast
 - ❖ *Environmental benefits, reduced run off*
- Provides primary crushing
- Surface mining results in reduced equipment wear
- 5 units on site – spare capacity

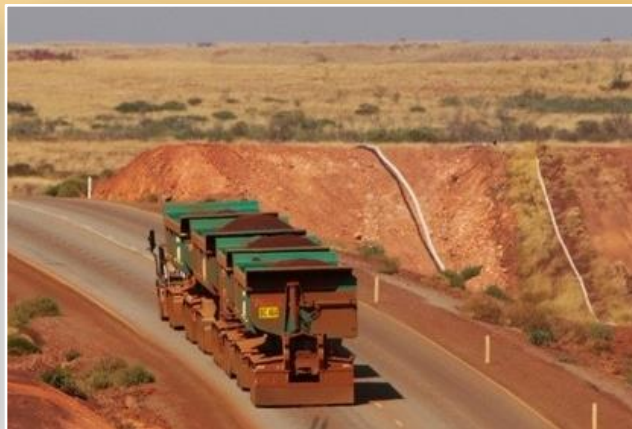


Crushing / Screening (WATPAC)



- Main plant upgrade now complete
- Additional smaller, mobile unit installed during Feb 2013
- Nameplate rates ~6.5Mtpa
 - ❖ *Sprint capacity*
- Building stockpile 'safety net'

Road Haulage (Toll & Roadtrim)



- Ore trucked via private sealed road to dedicated stockyard at Christmas Creek railhead
- Toll – 8 PowerTrans units (360t)
- Roadtrim – 4 Kenworth prime movers with Howard and Porter trailers (140-175t)
- Nameplate rates ~6.5Mtpa

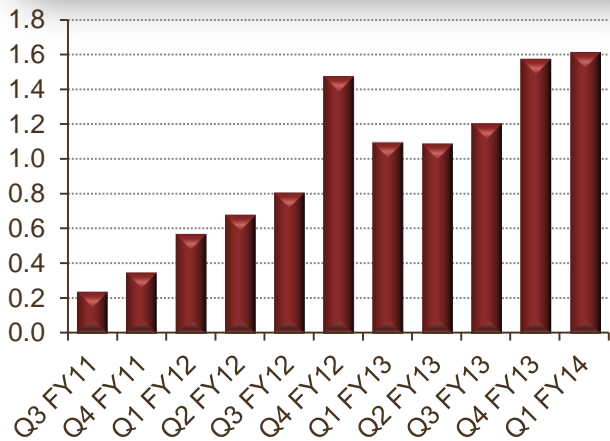
Rail and Port Services (FMG/TPI)



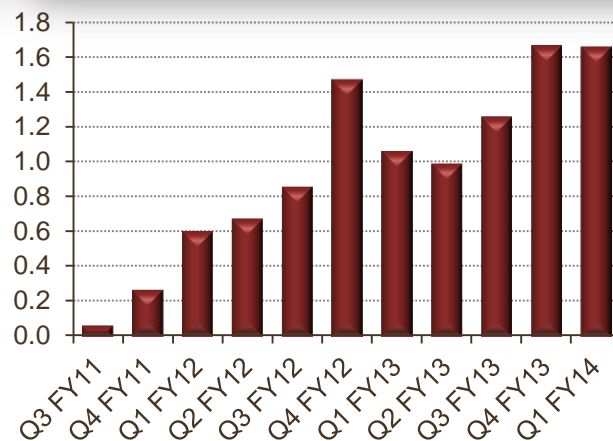
- World class rail and port
- Access to Capesize vessels up to 250,000wmt
- Dedicated NJV stockyards at railhead and port
- NJV capacity of 6Mtpa

NJV OPERATIONAL PERFORMANCE

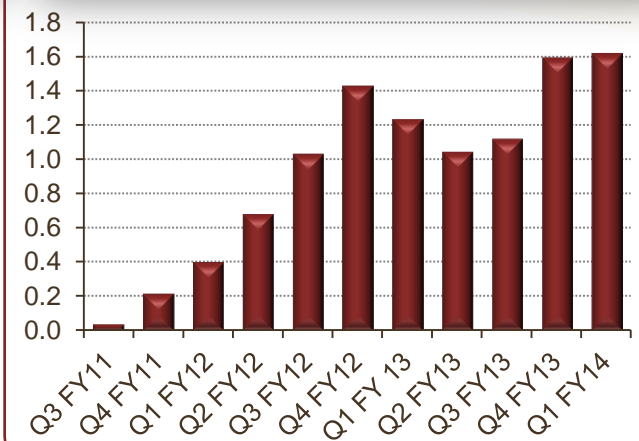
Ore Mined (wmt)



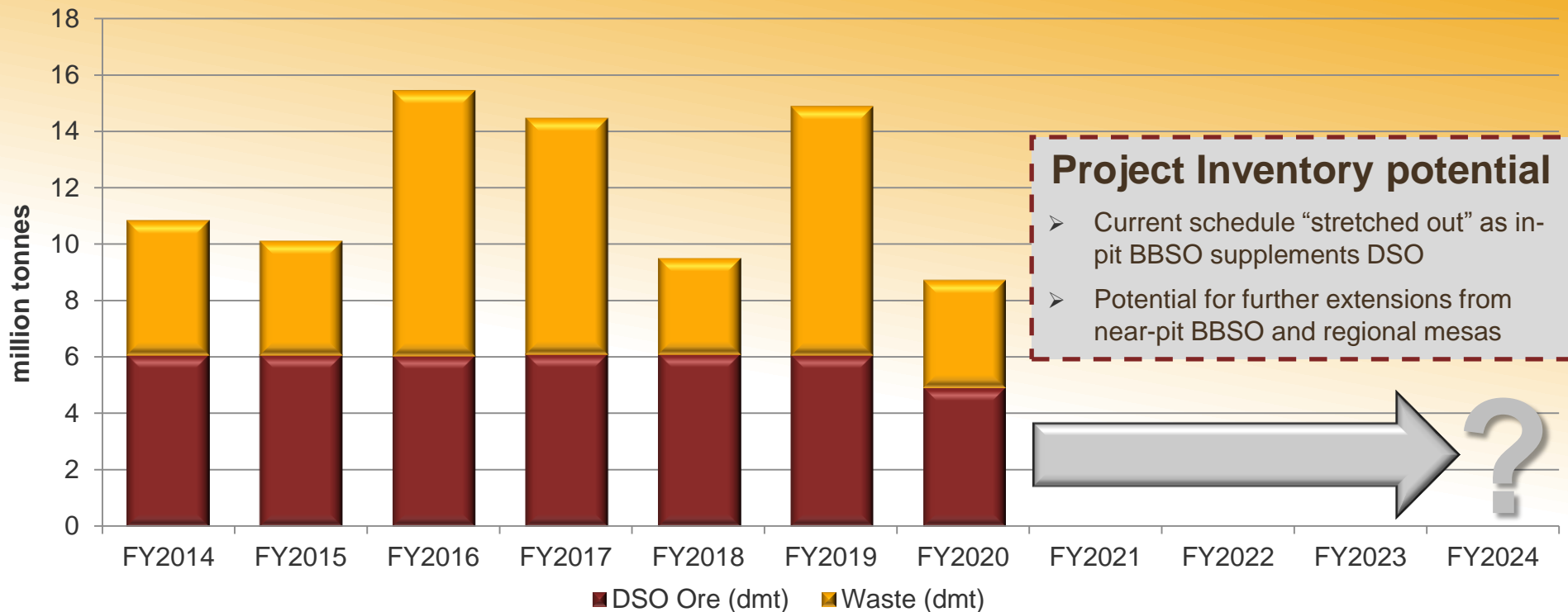
Ore Processed (wmt)



Ore Shipped (wmt)



PRODUCTION RATES



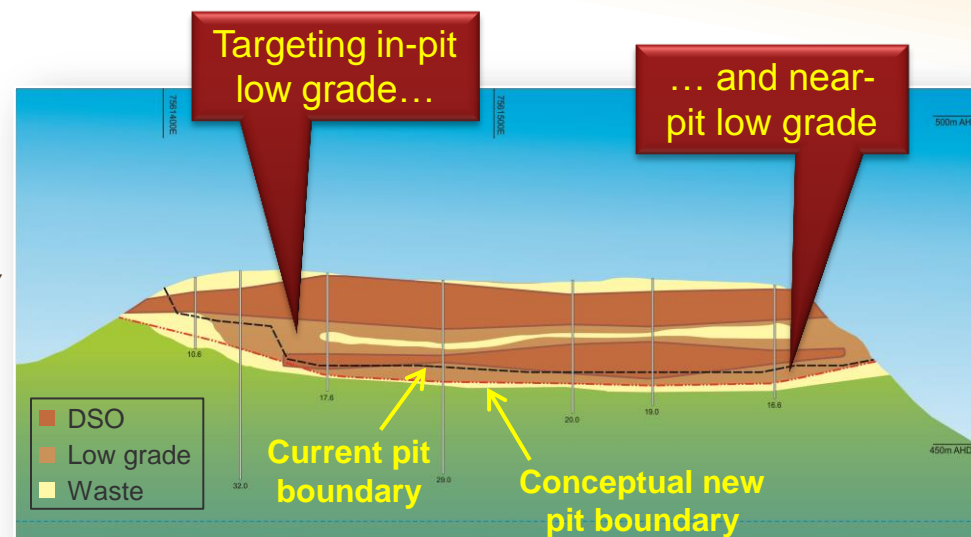
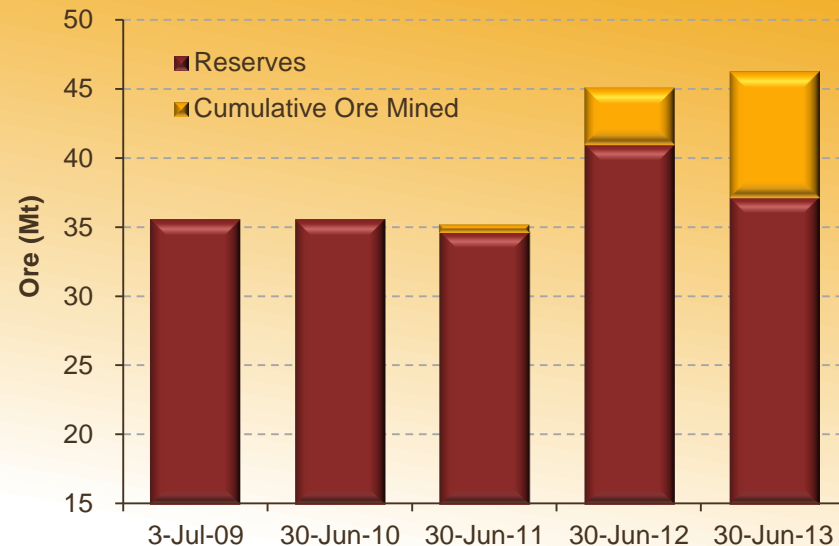
Forecast production FY14 to FY20

- Based on current mining plan for LOM
- LOM strip ratio of 1:1 (waste:ore) – maximum strip ratio of 1.6:1 in FY16
- Project Inventory – lab test work encouraging; beneficiation trial underway
 - ❖ *Potential to extend mine life by 2-5 years*

Note: Project Inventory is an Exploration Target and further work may not result in mineral resources or ore reserves

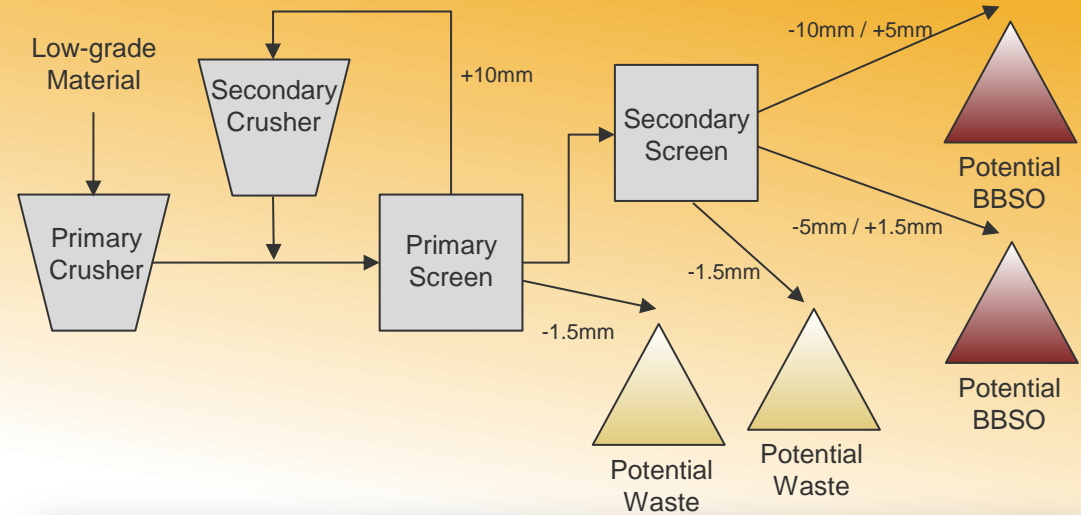
RESERVE REPLACEMENT & PROJECT INVENTORY

- History of reserve replacement
 - ❖ *Bonnie East added to Reserves in FY12*
 - ❖ *Grade control drilling delivered increased tonnages for all 5 pits remodeled to date*
- Project Inventory is assessing potential for further increases in Reserves and mine life
- Current focus on beneficiation of low grade ore (50-55% Fe) to produce a Beneficiate Before Shipping Ore (BBSO) product for blending with Bonnie Fines
- Potential to increase Reserves and mine life from:
 - ❖ *Low-grade within existing pit designs*
 - ❖ *Low-grade just outside pit boundaries*
 - ❖ *DSO and low-grade at regional mesas, previously assessed as being unviable for DSO only*
- Laboratory-based test work completed and beneficiation trial currently underway



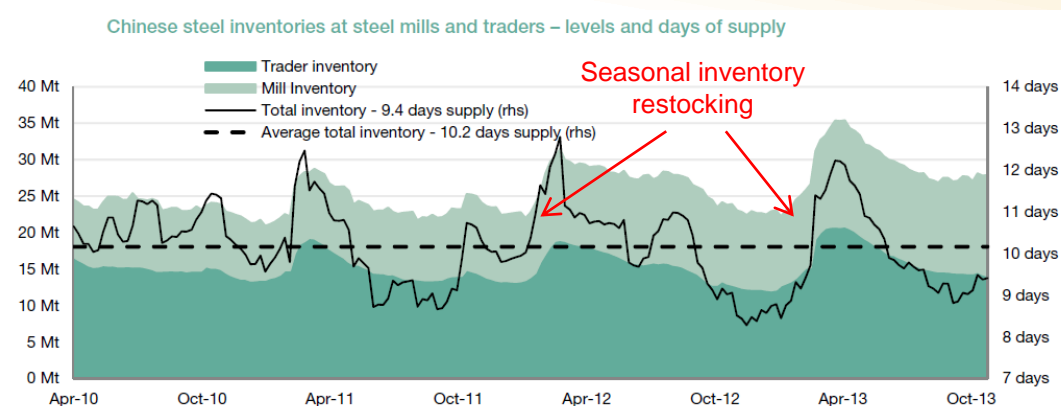
BENEFICIATION TRIAL

- Beneficiation trial now underway
- Simple crush and screen process
- Treating material from existing low-grade stockpile as well as newly mined low-grade
- Targeting specs similar to Bonnie Fines
- Trial to be completed by end of CY13
- Following completion, all available options will be assessed to determine best way forward for NJV



IRON ORE OUTLOOK – SHORT TERM

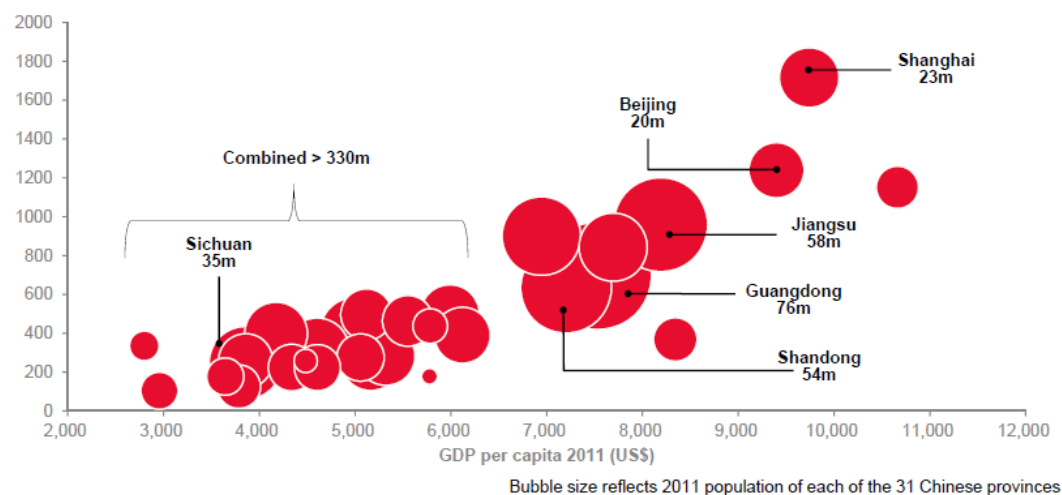
- Recent iron ore prices stronger than expected
 - ❖ *Absence of decline in Chinese steel production typically associated with December quarter*
 - ❖ *Ongoing Indian export restrictions*
- Mill and trader steel inventories and port iron ore inventories are currently low
- Seasonally moving into a period where iron ore prices rise
 - ❖ *Restocking ahead of Pilbara wet season and Chinese New Year and winter*
- Iron ore spot price remains volatile and will not always reflect the macro picture
 - ❖ *Strongly linked to inventories*



Chinese fundamentals drive robust long term outlook for iron ore.

- GDP growth metrics remain strong, particularly given now the world's 2nd largest economy
- New government positive about growth – Third Plenum expected to set framework for reform
- Urbanisation process expected to continue for the next 30 years
- China is climbing the steel intensity curve overall, but smaller cities and provinces remain low on the curve
- Domestic private production in China is the key marginal source of supply
 - ❖ *High on cost curve*
 - ❖ *Expected to react rationally to price falls*
- History indicates expected seaborne supply will not eventuate as forecast
 - ❖ *E.g. Simandou recently delayed by ~3 years to late 2018*

Chinese regional steel intensity (urban population)
Steel use per capita 2011 (kg)

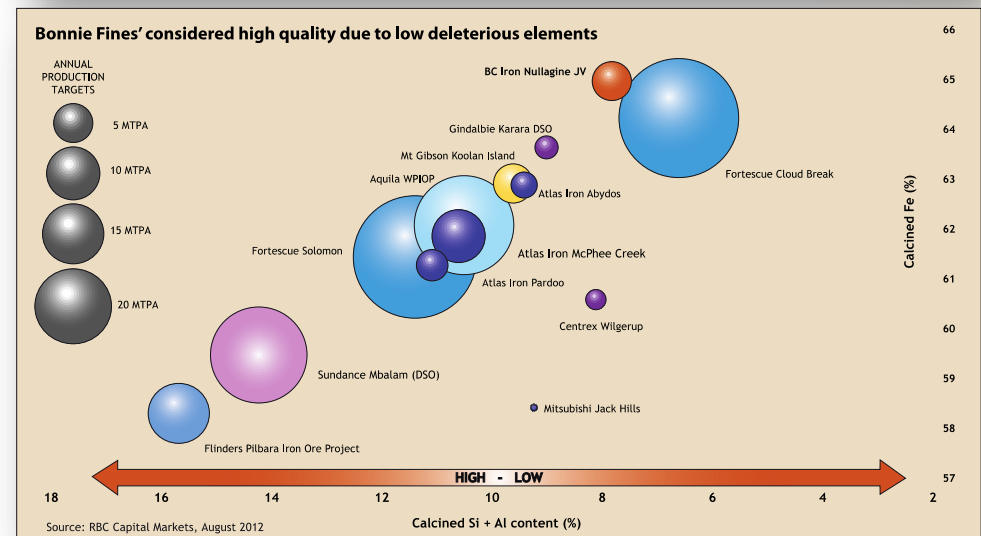
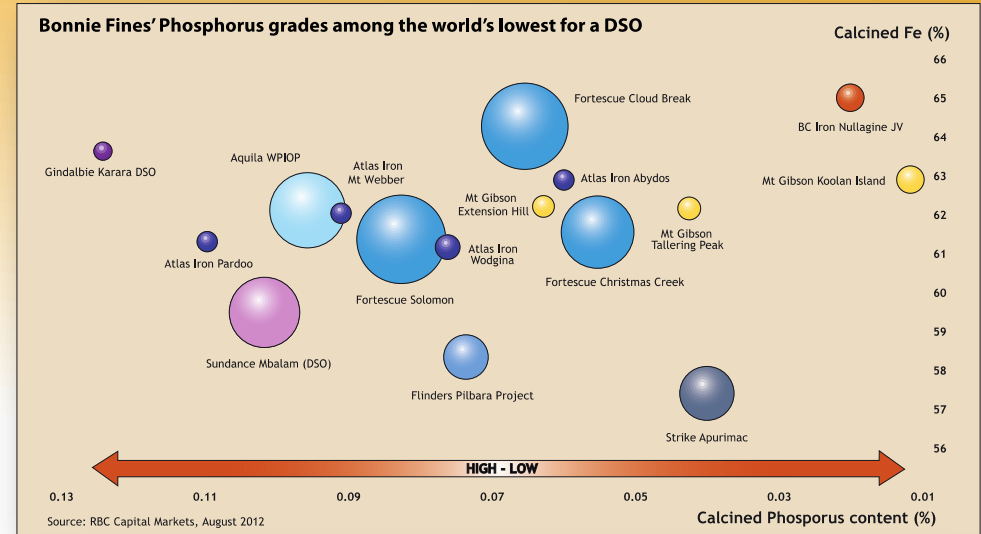


BONNIE FINES OVERVIEW



Bonnies Fines well accepted - consistent demand.

- “Bonnie Fines” pisolite sinter blend improves sintering productivity at the steel mill
- High calcined Fe driven by high Loss On Ignition (LOI)
- Low impurities, low ultra-fines and low moisture
- Low Al and Si a particular advantage in China now, given high gangue ores being sourced from major as well as non-traditional suppliers (e.g. Iran, Indonesia)
- Substitute for BHP Yandi, HIY (Rio Yandi), FMG Special Fines and FMG Super Special Fines
- Can be used at 20-30% level in sinter blends
- FMG provides marketing services to NJV
 - ❖ *Broad customer base*



BONNIE FINES MARKETING & PRICING

BCI Attributable Tonnes



~3.2Mtpa til 2018
~4.5Mtpa thereafter

Uncommitted ore

Sold at prices aligned with Platts CFR62 price (after Fe adjustment) under current market conditions

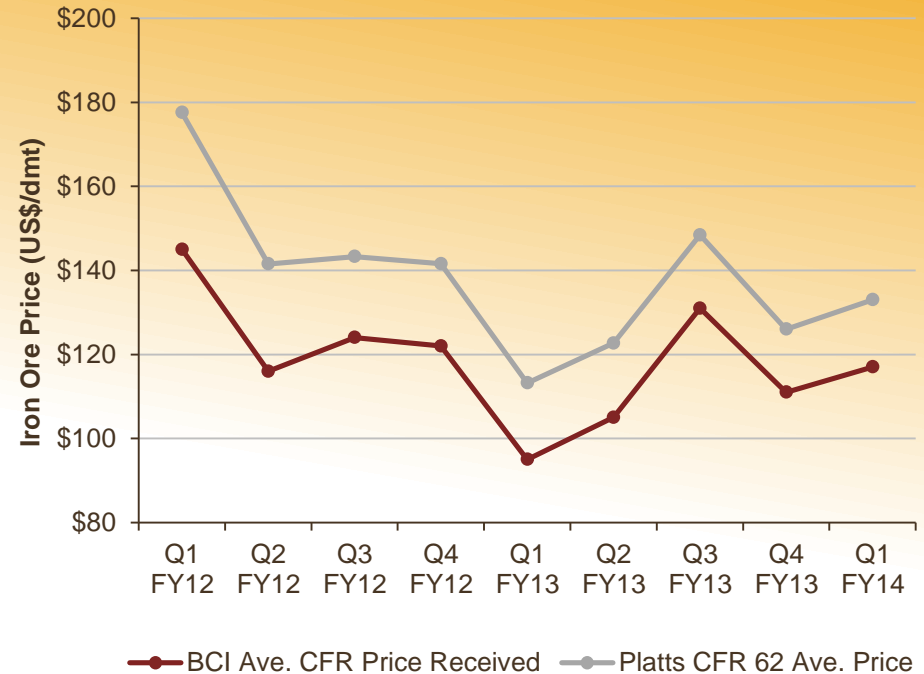
~1.3Mtpa til 2018
Nil thereafter

Henghou commitment

Sold at discount to Platts CFR62 price (after Fe adjustment)

- Henghou is a strong supporter of NJV – has also purchased a number of uncommitted shipments
- FMG transaction increased BC Iron's share of attractively priced uncommitted ore
 - ❖ *Henghou commitment remained ~1.3mtpa, but equity production increased to 4.5mtpa*

BCI CFR Received Price vs. Platts CFR62 Price



- Price participation arrangement with FMG
 - ❖ *BCI pays 50% of the difference between Platts CFR62 price and US\$120/dmt, multiplied by 158,300 dmt, each month*
 - ❖ *Payable between Apr 13 to Sep 14*

BUSINESS DEVELOPMENT



Goals

- ✓ Retain and enhance ability to pay dividends
- ✓ Generate value for shareholders (risk adjusted) via organic and inorganic opportunities

Three Priorities

- Priority 1 – extend life of NJV (Project Inventory)
 - Priority 2 – rest of Pilbara region
 - Priority 3 – other iron ore jurisdictions

Brazilian Exploration Projects

- BC Iron / Cleveland alliance staged earn-in to 3 exploration projects
- No upfront payments and appropriately staged expenditure provides optionality and upside



APPENDICES



BC IRON
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APPENDICES

Board of Directors



Tony Kiernan, Non-exec Chairman – formerly a solicitor with extensive experience in management and operation of Australian public companies. Chairman of Venturex Ltd and NED of Chalice Gold Ltd, Uranium Equities Ltd and South Boulder Mines Limited.



Andy Haslam, Non-exec Director – a mining engineer with 27 years operational and management experience. Currently General Manager – Iron Ore Operations of Mineral Resources Ltd. Prior to this he was Managing Director of ASX listed Territory Resources, a 2.0Mtpa producer of DSO in the Northern Territory.



Morgan Ball, MD and CEO – former Finance Director of BC Iron. A Chartered Accountant with over 20 years of Australian and international experience in the resources, logistics and finance industries. He has held various senior finance and commercial roles in both public and private companies.



Malcolm McComas, Non-exec Director - experienced company director and investment banker. Mr McComas is a NED of Consolidated Minerals, Fitzroy River Corp, Saunders International and Pharmaxis.



Mike Young, Non-exec Director – founding MD of BC Iron, a geologist with extensive experience in resource definition and feasibility studies. Chairman of Cassini Resources Ltd and Energy and Minerals Australia Ltd and Co-Patron of St Bartholomew's Foundation.



Peter Wilshaw, Non-exec Director - resources executive with over 30 years experience in mining, refining, smelting and port and rail operations, both internationally and locally. NED of Dampier Port Authority and previously NED of Port Hedland Port Authority.



Terry Ransted, Non-exec Director – a geologist with Alkane Resources managing exploration and development programs. Experience in iron ore at Hamersley and Yandicoogina pisolite deposit.

ORE RESERVES & MINERAL RESOURCES - 30 JUN '13



Ore Reserves NJV (BC Iron 75%, FMG 25%)

Classification	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Proved	18.9	57.3	65.0	1.8	3.0	0.015	0.012	11.8
Probable	18.3	56.9	64.8	2.0	3.0	0.014	0.011	12.2
Total	37.2	57.1	64.9	1.9	3.0	0.015	0.012	12.0

DSO Mineral Resource Estimate NJV (BC Iron 75%, FMG 25%)

Classification	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Measured	21.8	57.2	64.8	2.0	3.1	0.016	0.012	11.8
Indicated	20.2	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	48.8	57.1	64.7	2.1	3.1	0.016	0.012	11.8

CID Mineral Resource Estimate NJV (BC Iron 75%, FMG 25%)

Classification	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Measured	31.1	54.7	62.4	2.8	4.1	0.017	0.013	12.4
Indicated	40.0	53.8	61.6	3.3	4.5	0.017	0.012	12.8
Inferred	46.6	52.1	58.8	5.4	6.6	0.024	0.018	11.3
Total CID	117.7	53.4	60.7	4.0	5.2	0.020	0.015	12.1

COMPETENT PERSONS STATEMENTS



JORC Competent Persons Statement

The information that relates to the Mineral Resource Estimate at Outcamp, Bonnie East, Coongan, Dandy and Warrigal has been compiled by 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. Mr Williams has 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 Williams consents to the inclusion of his name 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, Ornamental, Roys, Trig, Soda and Shaw River 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.

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 a former 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.

IMPORTANT NOTICE



This document has been prepared by BC Iron Limited (“BC Iron” or “Company”) to provide an update of BC Iron to investors and potential new shareholders.

Past performance

Past performance information given in this document is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Forward-looking statements

This document contains “forward-looking” statements or projections based on current expectations. Forward looking words such as, “expect”, “anticipate”, “should”, “could”, “may”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target” and other similar expressions are intended to identify forward-looking statements within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Forward-looking statements include, among other things, statements regarding targets, estimates and assumptions in respect of iron production and prices, operating costs and results, capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates. Forward-looking statements, opinions and estimates provided in this document are based on estimates and assumptions related to future business, economic, market, political, social and other conditions that, while considered reasonable by BC Iron, are inherently subject to significant uncertainties and contingencies. Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Such factors include, but are not limited to: operating and development risks, counterparty risks, iron ore price risk and a number of other risks and also include unanticipated and unusual events, many of which are beyond BC Iron’s ability to control or predict. See the “Key Risks” section of this document for further details on the risks associated with an investment in BC Iron.

The forward-looking statements only speak as at the date of this document and, other than as required by law and the ASX Listing Rules, BC Iron disclaims any duty to update forward looking statements to reflect new developments.

Not financial product advice

This document is for information purposes only and is not financial product or investment advice nor a recommendation to acquire BC Iron shares. It has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice appropriate to their jurisdiction. BC Iron is not licensed to provide financial product advice in respect of BC Iron shares. Cooling off rights do not apply to the acquisition of BC Iron shares.



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