ASX RELEASE – 25 JULY 2014

PRELIMINARY EXPLORATION COMPLETED AT BRAZIL IRON ORE PROJECTS

HIGHLIGHTS

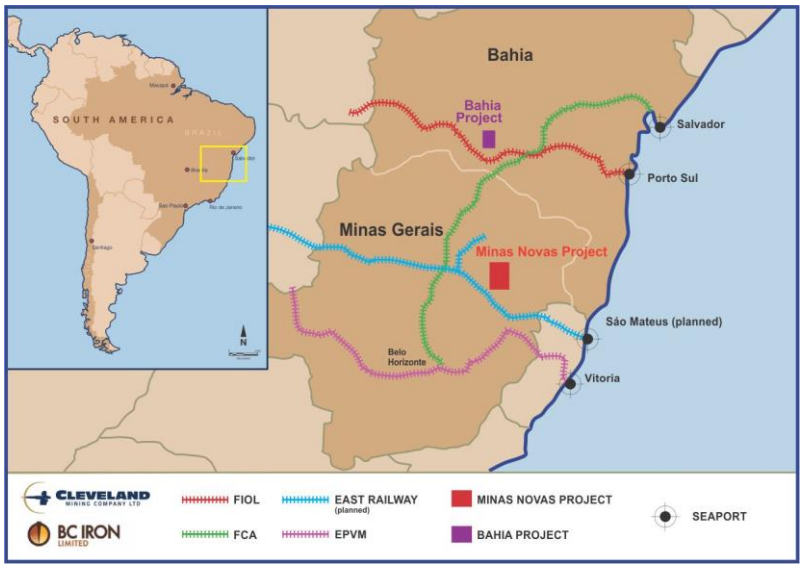
- **Scout RC drilling of 1,584m completed at the Bahia Project on 6 prospects**
- **Iron grades typical of itabirite – up to 55% Fe at an average of 31% Fe (above a 25% Fe cut-off)**
- **DTR test-work indicates a 63-71% Fe concentrate can be produced from a grind size typically above 100 microns, with mass recoveries of up to 38%**
- **Caetité 2, Caetité 3 and Riacho prospects at Bahia warrant further work and the Alliance is now considering next steps**
- **Scout RC drilling of 464m completed at the Minas Novas Project on targets over two anomalies**
- **Further work required to adequately test aeromagnetic targets and mineralisation potential – additional geophysics, mapping and drilling is planned**

BC Iron Limited (ASX:BCI) ("BC Iron" or the "Company") is pleased to announce completion of the initial exploration programme at the Bahia and Minas Novas iron ore projects in Brazil.

Exploration work is being managed by Cleveland Mining Company Limited (ASX:CDG) ("Cleveland") on behalf of a 50/50 alliance between BC Iron and Cleveland (the "Alliance"), which has the rights to earn up to an 80% interest in each project.

The exploration programme comprised geophysics, mapping, approximately 2,000m of reverse circulation ("RC") drilling and Davis Tube Recovery ("DTR") test-work, with the purpose of testing known occurrences of iron mineralisation for thickness, continuity and grade.

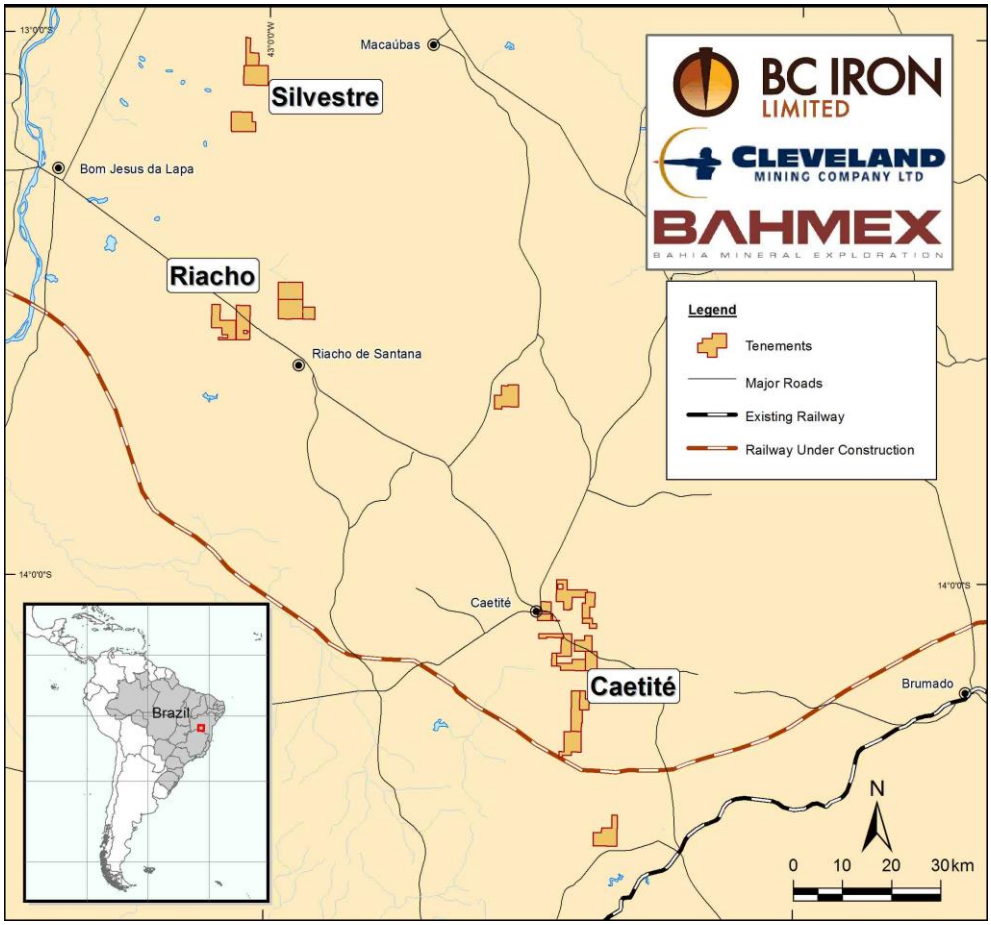
Figure 1: Location of Alliance Projects



Bahia

The Bahia Project comprises concessions located at Silvestre, Riacho de Santana ("Riacho"), and Caetité in the state of Bahia. The concessions are located in close proximity to the east-west FIOL railway, which is currently being constructed to transport bulk materials to the proposed Porto Sul capesize port near Ilhéus.

Figure 2: Bahia Project Locations



1,584m were drilled across 25 holes at 6 prospects; Silvestre, Riacho and Caetité 1-4. The drilling programme recorded significant intersects of iron ore within the main target zone at the Caetité 2 prospect and encouraging intersections on all other prospects. Grades were up to 54.9% Fe and averaged 30.7% Fe above a 25% Fe cut-off (significant intersections are shown in Table 1 below). Mineralised rock intersected is predominantly magnetite dominated itabirite and magnetite amphibolite. Based on the work conducted to date, the Caetité 2, Caetité 3 and Riacho prospects warrant further work.

Table 1: Bahia Intercepts of Greater Than 25% Fe

Hole ID	From	To	Width	Fe %	SiO_2 %	Al_2O_3 %	P %	LOI %
Silvestre								
SIPRC00001	0	2	2	29.1	50.8	2.4	0.08	3.7
SIPRC00002	0	13	13	45.4	28.2	0.7	0.03	2.7
Riacho								
RIPRC00001	1	7	6	28.4	56.3	1.0	0.05	0.7
RIPRC00002	1	6	5	25.3	52.3	2.1	0.06	2.8
RIPRC00002	13	14	1	30.1	54.1	0.4	0.09	0.3
RIPRC00002	26	28	2	25.7	57.0	0.5	0.08	0.4
RIPRC00003	0	7	7	28.5	54.4	1.8	0.04	1.6
RIPRC00004	2	4	2	27.0	53.3	4.2	0.04	2.6
Caetité 2								
CIPRC00001	4	20	16	31.5	39.8	3.8	0.02	3.7
CIPRC00002	0	10	10	29.0	48.6	2.1	0.03	3.1
CIPRC00002	22	43	21	27.6	43.7	1.2	0.04	0.9
CIPRC00002	46	53	7	26.8	42.8	1.5	0.04	-0.3
CIPRC00002	68	88	20	25.7	44.3	1.1	0.05	-3.2
CIPRC00002	105	121	16	25.8	46.2	0.9	0.05	-4.8
CIPRC00003	6	9	3	26.5	45.1	6.2	0.03	6.0
CIPRC00004	2	6	4	26.5	50.4	3.6	0.04	4.8
CIPRC00004	34	64	30	26.8	44.6	1.5	0.05	-4.0
CIPRC00005	18	70	52	38.2	34.5	4.0	0.03	5.7
CIPRC00005	81	83	2	28.7	47.1	2.0	0.03	3.2
CIPRC00006	25	27	2	28.8	38.7	10.9	0.03	8.1
CIPRC00006	30	33	3	29.1	44.8	7.9	0.03	5.1
CIPRC00006	48	65	17	29.9	49.6	1.7	0.02	4.0
CIPRC00007	27	29	2	26.7	36.8	14.7	0.03	9.4
Caetité 1								
CIPRC00008	24	34	10	28.7	42.8	1.5	0.07	4.9
CIPRC00010	69	79	10	27.9	47.8	1.2	0.06	2.6
CIPRC00012	55	59	4	29.2	42.3	1.7	0.06	4.0
CIPRC00012	63	64	1	25.5	38.4	1.5	0.04	7.8
Caetité 3								
CIPRC00013	32	36	4	29.4	47.5	4.1	0.02	3.5
CIPRC00014	0	4	4	32.7	45.0	4.3	0.03	3.3
CIPRC00014	19	20	1	27.9	50.9	5.3	0.03	2.7
CIPRC00015	0	3	3	32.3	46.2	4.2	0.03	2.3
CIPRC00016	0	3	3	35.0	41.7	4.7	0.02	2.5

Caetité 2, which was considered the lead prospect by the Alliance, appears at this stage to have the greatest potential in terms of potential tonnage and metallurgical qualities. This prospect was tested by seven RC holes on two sections which were 2km apart. Drill collar locations are shown in Figure 3 with interpreted cross sections shown in Figure 4 and Figure 5. The drilling defined a magnetite amphibolite horizon with a true thickness of approximately 30m, which was confirmed to remain open at depth to 140m by a hole drilled down dip. Further drilling is required to substantiate the interpretation, particularly for the southern section.

Magnetic susceptibility readings taken at the northern section were low compared to the aeromagnetic response, which indicates the iron mineralisation intersected here may be hematite dominated. Therefore, it is possible that the true source of the principal, kilometre long, magnetic anomaly at the northern end of the prospect remains to be located by drilling.

Figure 3: Caetité 2 Collar and Cross Section Locations

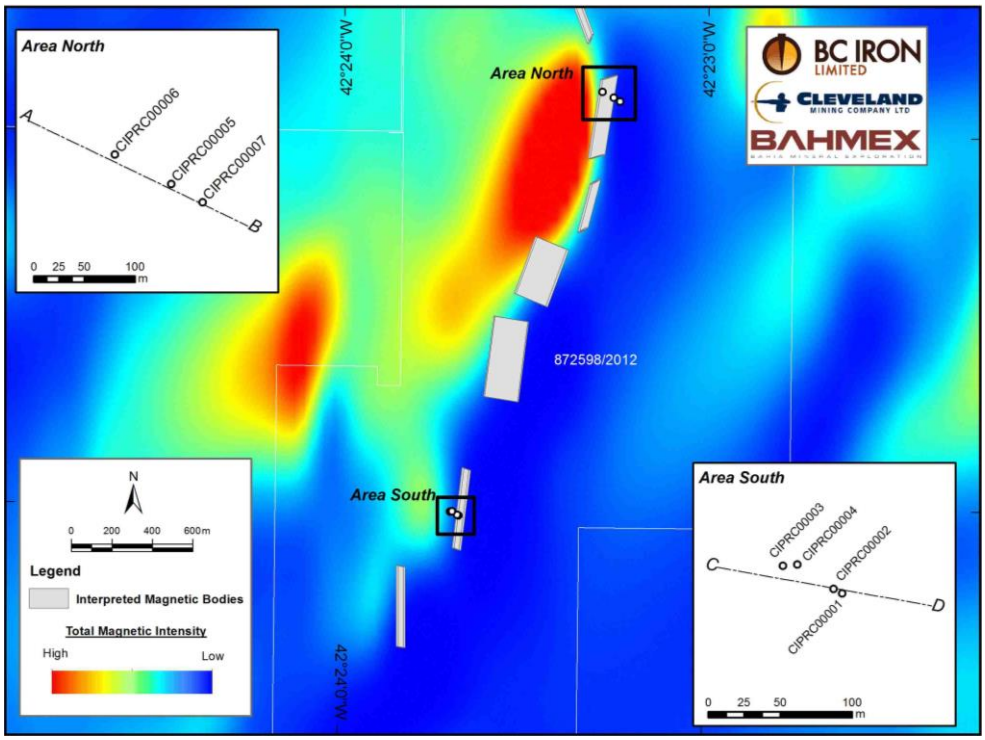


Figure 4: Caetité 2 Northern Interpreted Cross Section

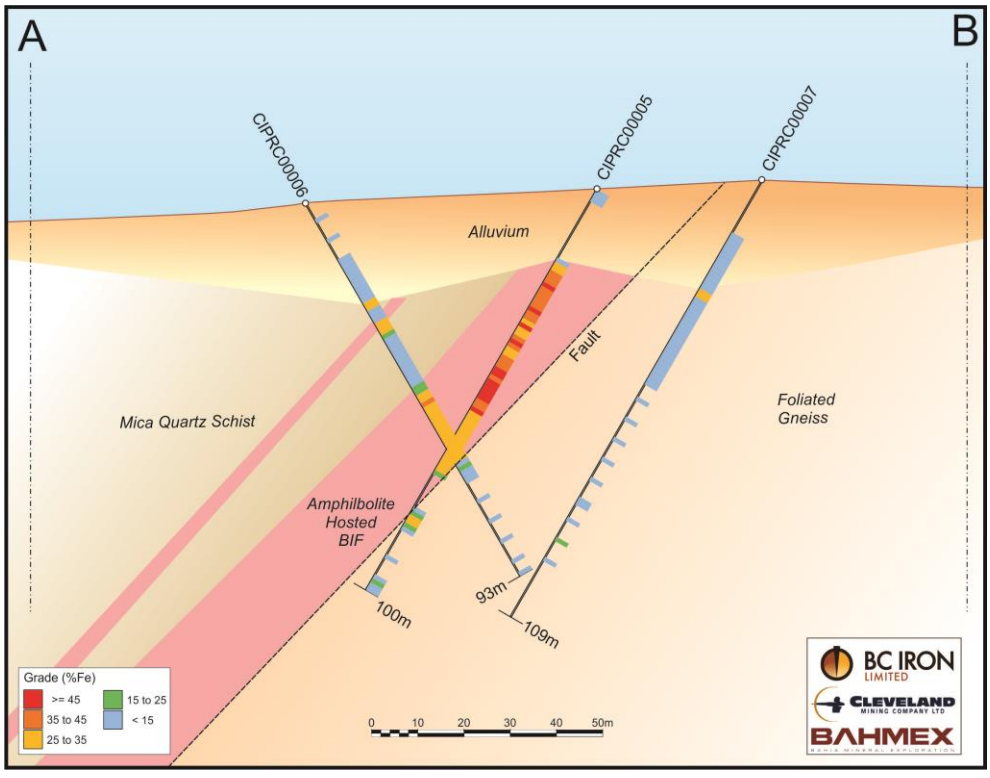
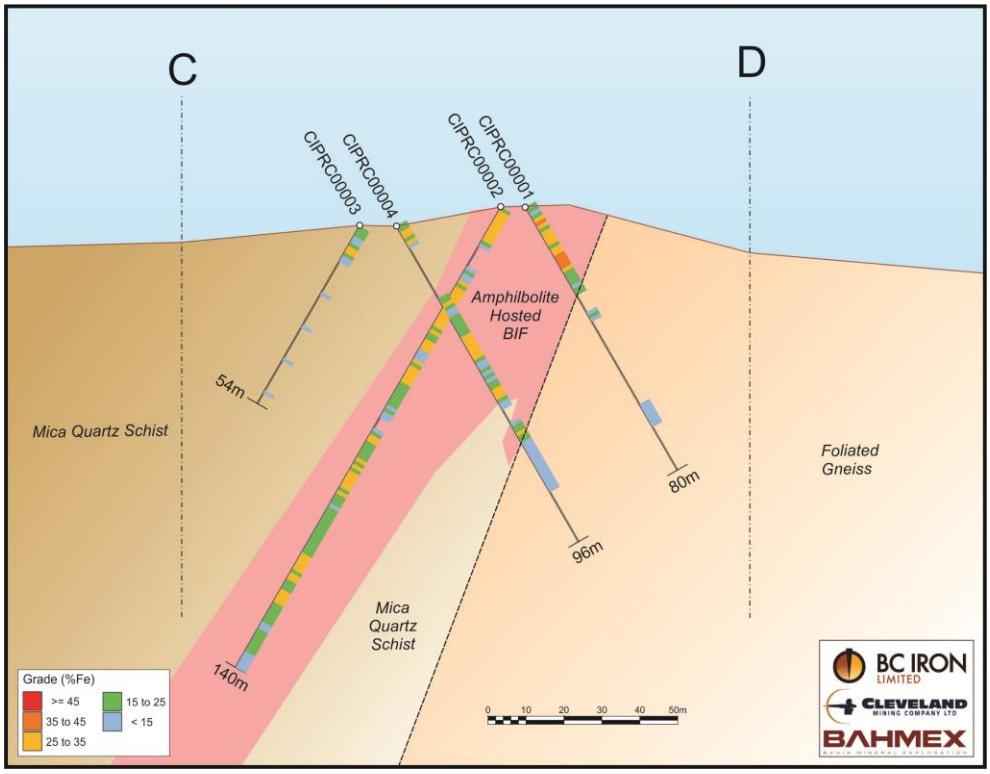


Figure 5: Caetité 2 Southern Interpreted Cross Section



Caetité 3 was tested by four RC drill holes. Figure 7 shows three interpreted horizons of itabirite, up to 10m true thickness. The prospective iron formations trend east to west through the central portion of the concession, dipping 10-20 degrees to the north.

Figure 6: Caetité 3 Collar and Cross Section Locations

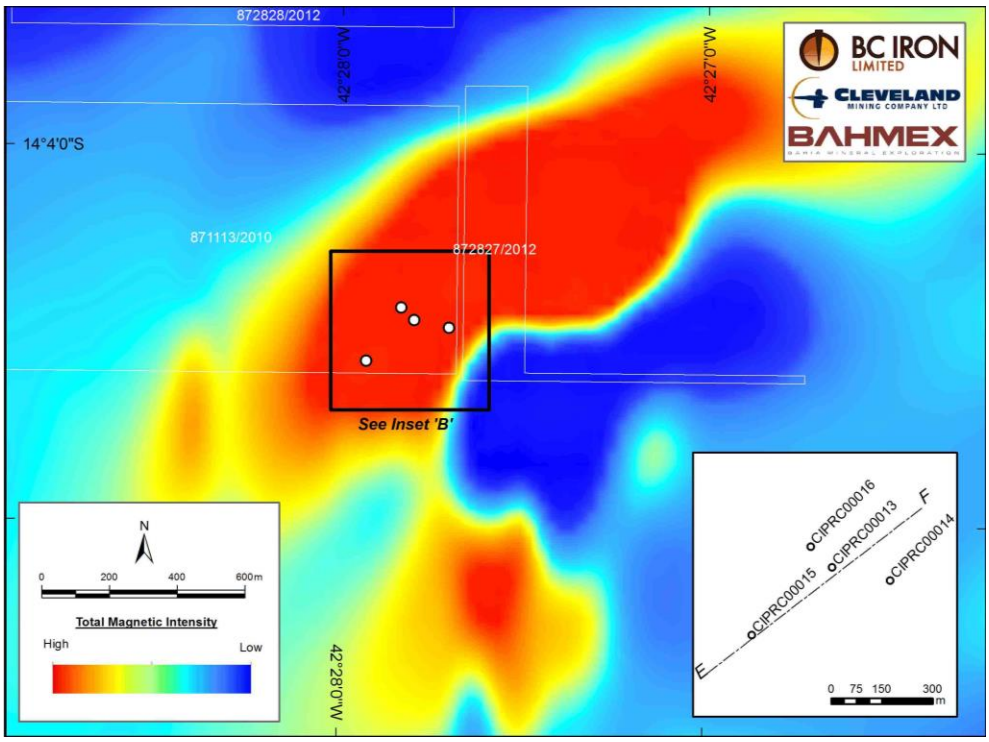
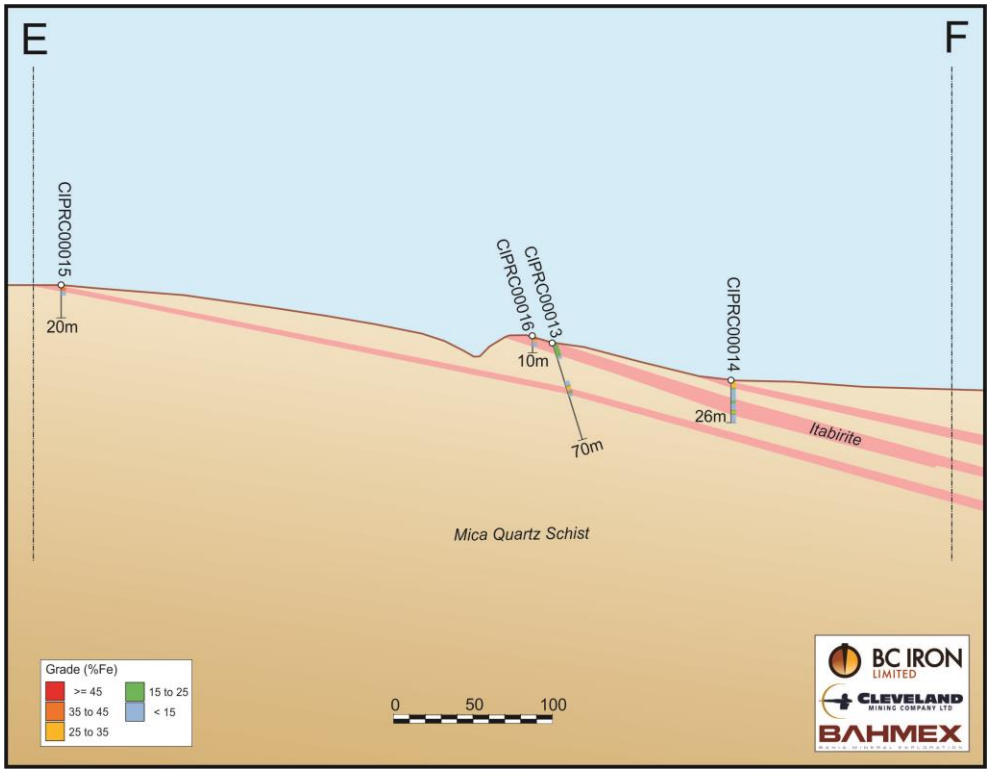


Figure 7: Caetité 3 Interpreted Cross Section



The Riacho prospect is located approximately 84km to the north-west of the Caetité prospects. Six RC holes were drilled to test 2 areas. Four of the six holes drilled as a section along a 300m outcrop of banded iron identified a sequence of moderately dipping itabirite units.

Figure 8: Riacho Collar and Cross Section Locations

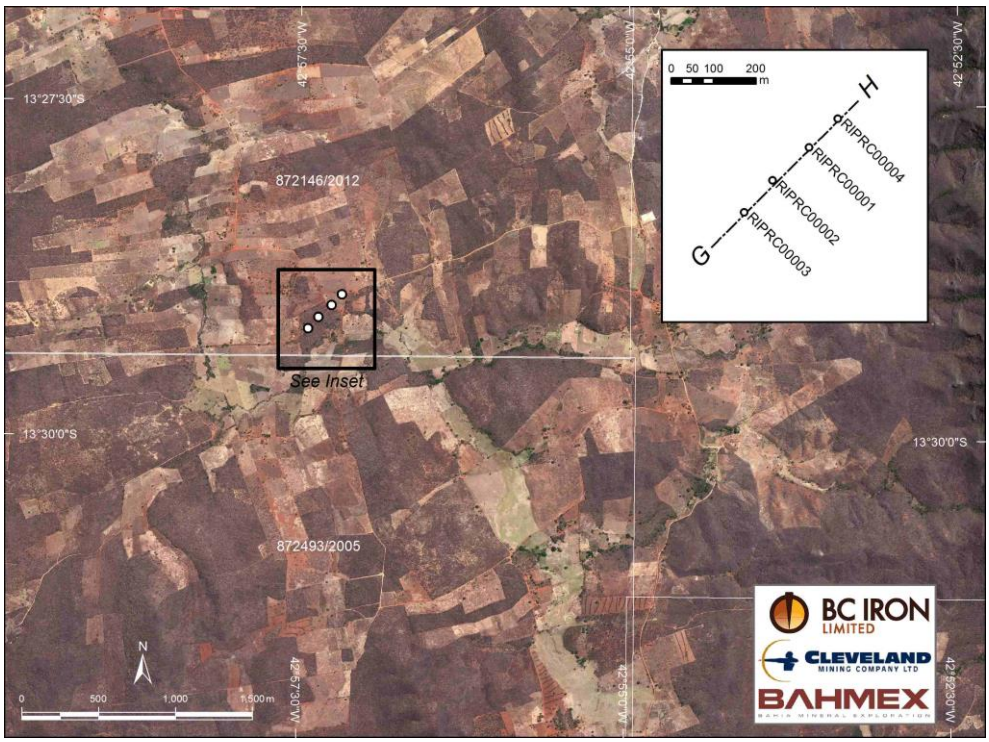
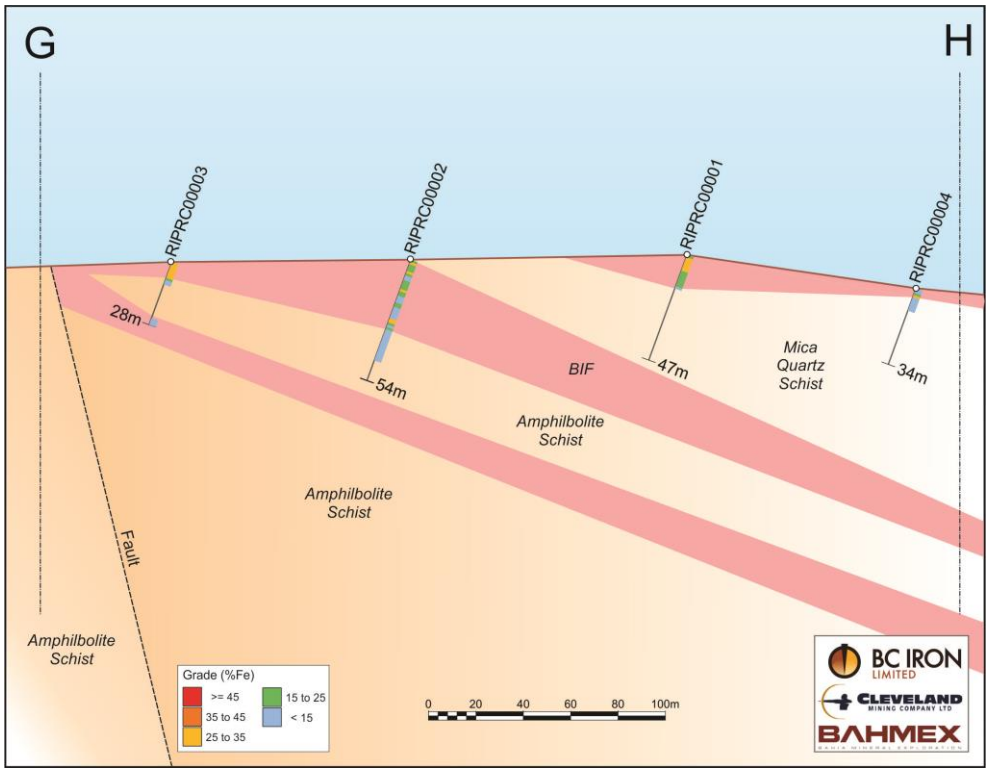


Figure 9: Riacho Interpreted Cross Section



Bureau Veritas in Perth conducted five point DTR tests on two composite samples from Caetité 2, which were selected to represent mean down-hole grades from that prospect. One composite was taken from the southern magnetite dominated section, with the other from the northern hematite dominated section. The test-work showed that finer grinds did not benefit grade and recovery. With a coarse grind size of 107-113 microns and simple magnetic separation, a concentrate could be produced with an iron grade of 68-71%.

Table 2: Five Point DTR Tests on Caetité 2 Samples

Prospect	Sample ID	Hole ID	Interval (m)	Head Assay (%)				Grind Size (µm)	Mass Rec. (%)	Concentrate Assay (%)			
				Fe	SiO_2	Al_2O_3	P			Fe	SiO_2	Al_2O_3	P
Caetité 2	CLV229996	CIPRC00004	49-54	26.1	46.0	1.5	0.05	113	23.2	70.5	1.3	0.2	-0.00
								84	23.1	71.3	0.8	0.2	0.00
								69	22.9	70.8	0.8	0.2	0.00
								57	22.7	71.3	0.8	0.2	0.00
								49	22.8	71.0	0.9	0.2	-0.00
Caetité 2	CLV229998	CIPRC00005	59-64	28.9	54.0	1.0	0.02	158	17.5	66.8	4.1	0.4	0.01
								107	17.1	68.2	2.5	0.4	0.00
								85	14.6	68.7	1.9	0.4	0.00
								72	14.0	69.1	1.6	0.4	0.00
								60	12.8	69.6	1.2	0.4	0.00

Single point DTR tests were conducted on the remaining composites. The metallurgical test-work showed that the samples were able to produce concentrate with grades of 63-70% Fe, typically with a grind size above 100 microns. Mass recoveries ranged from 5.4-37.7%. Magnetic separation utilised in the DTR tests is inefficient at recovering hematite and further tests are currently being undertaken to determine if additional hematite can be separated utilising gravitational separation.

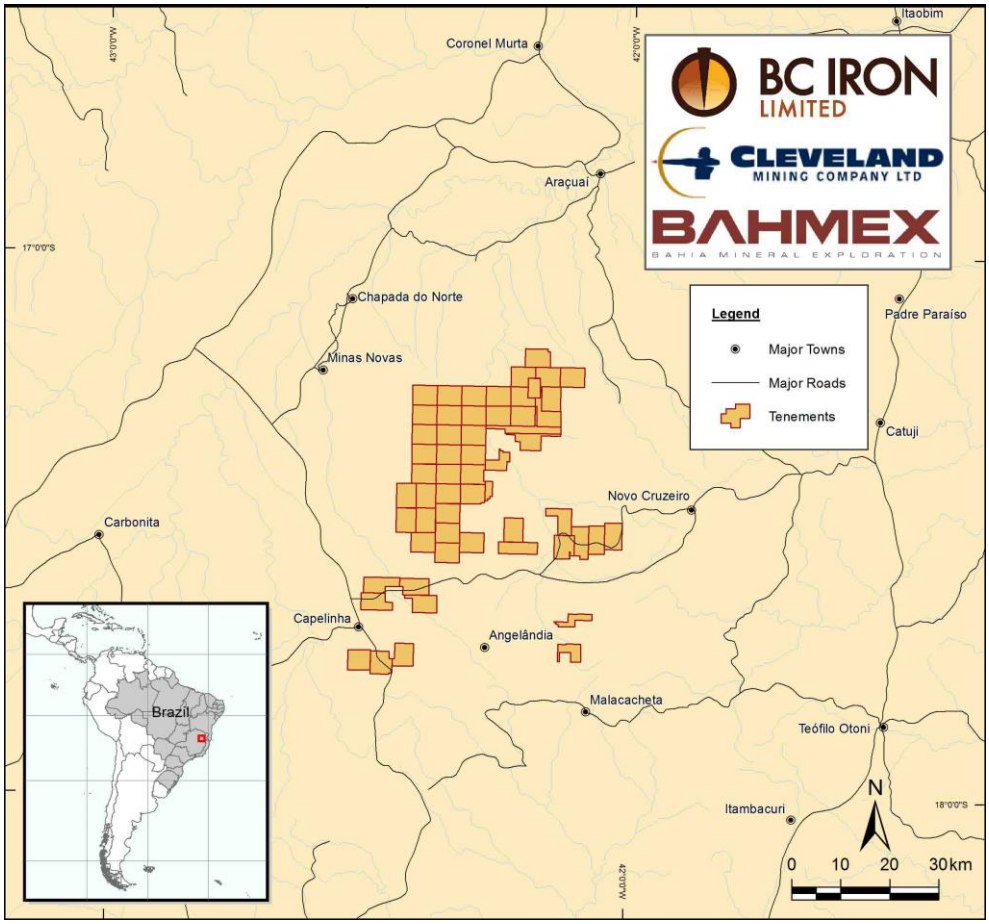
Table 3: One Point DTR Tests

Prospect	Sample ID	Hole ID	Interval (m)	Head Assay (%)				Grind Size (µm)	Mass Rec. (%)	Concentrate Assay (%)			
				Fe	SiO_2	Al_2O_3	P			Fe	SiO_2	Al_2O_3	P
Riacho	CLV229992	RIPC00002	11-16	24.6	60.3	1.0	0.07	127	24.5	64.4	8.3	0.1	0.02
Caetité 2	CLV229993	CIPRC00004	25-30	20.5	55.4	3.2	0.07	108	13.3	62.9	9.9	0.1	0.02
Caetité 2	CLV229994	CIPRC00004	31-34	20.6	53.1	4.3	0.04	122	5.4	69.8	1.4	0.2	0.01
Caetité 2	CLV229995	CIPRC00004	36-41	29.7	46.0	0.8	0.05	122	10.9	70.4	1.6	0.3	0.00
Caetité 2	CLV229997	CIPRC00005	38-43	34.1	39.6	5.7	0.02	128	16.1	68.0	1.6	0.5	0.01
Caetité 1	CLV229987	CIPRC00010	0-3	31.2	43.2	0.8	0.05	85	37.7	69.3	3.4	0.2	0.01
Caetité 1	CLV229988	CIPRC00008	0-3	28.1	43.9	1.5	0.06	99	35.1	68.2	4.5	0.2	0.01
Caetité 3	CLV229984	CIPRC00013	31-34	32.1	48.0	2.3	0.02	107	32.4	64.4	7.9	0.1	0.01
Caetité 3	CLV229985	CIPRC00013	24-34	18.9	59.5	7.8	0.02	109	6.1	67.4	3.1	0.4	0.01
Caetité 3	CLV229986	CIPRC00015	69-79	34.5	43.0	4.2	0.03	115	35.3	69.4	1.0	0.3	0.01

Minas Novas

The Minas Novas project is located in a part of the state of Minas Gerais where limited previous exploration for iron ore has occurred.

Figure 10: Minas Novas Project Location



The Alliance's concessions covers a number of prominent magnetic anomalies (refer to Figure 11 below).

A total of 464m of scout drilling was completed in 6 RC holes over two of the aeromagnetic anomalies identified at Minas Novas. The targets were established from the coarse, low resolution aeromagnetic data available over the area, adjusted for the limited access and mapping points. While good intersections of itabirite were logged at the time of drilling, the assays results suggest that further work is required to adequately test the aeromagnetic targets and thus the mineralisation potential.

The magnetic response is strong and the Alliance believes the project retains excellent potential for the existence of economic magnetite. Planning is currently underway for up to 1,500m of additional drilling, which will follow the acquisition of detailed, high resolution magnetic data over Anomalies 1 to 3 and intensive field mapping.

Figure 11: Minas Novas Concessions Showing Aeromagnetic Anomalies

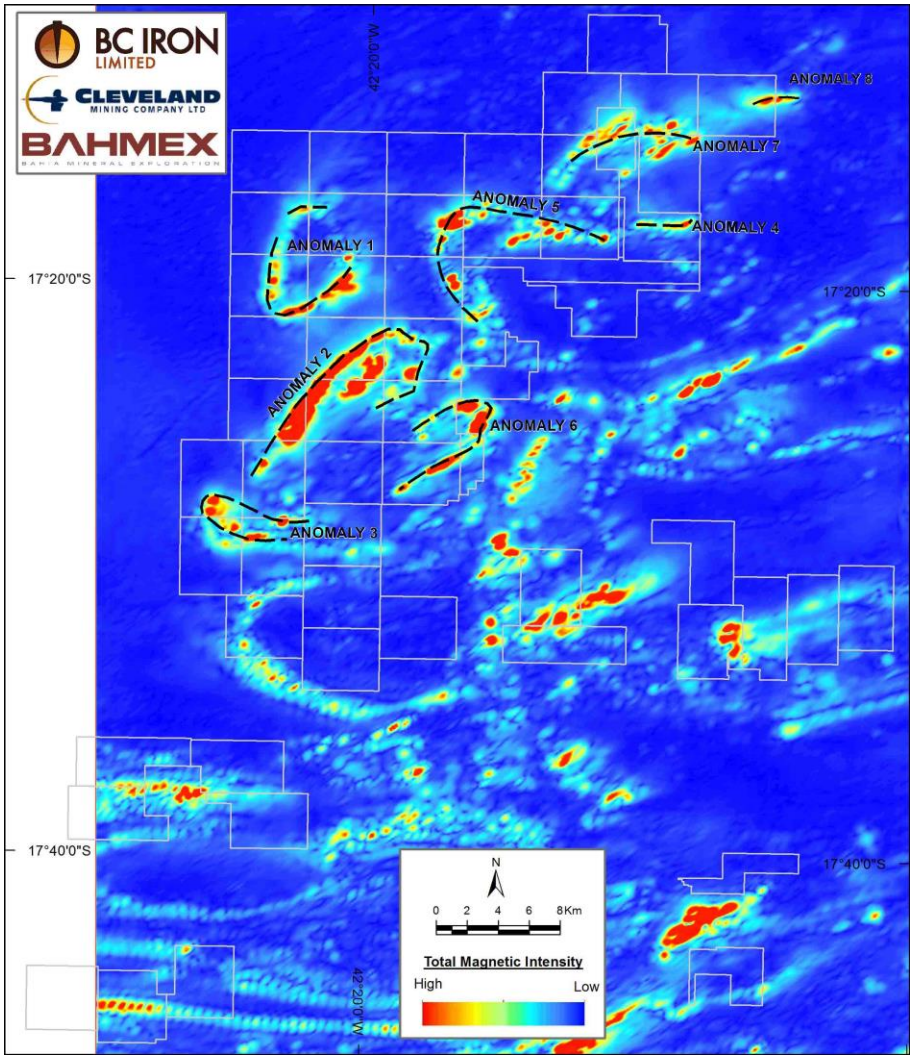
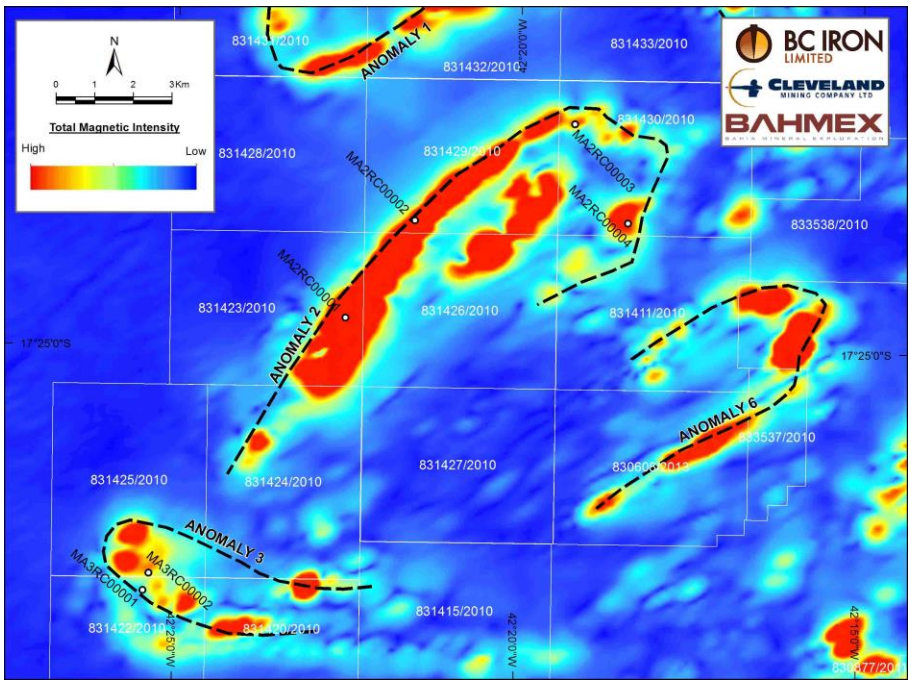


Figure 12: Minas Novas Collar Locations



Next Steps

The Alliance can elect to make a US$2 million payment in respect of each project to earn a 10% interest, with the Bahia Project payment due in September 2014 and the Minas Novas Project payment due in March 2015. BC Iron's share of each payment would be 50% or US$1 million.

Sufficient exploration has been undertaken for the Alliance to now consider the Bahia Project payment. If the Alliance proceeds, up to 3,000m of further drilling will be undertaken with the goal of defining a JORC-compliant Exploration Target. A further payment of US$1 million for each 100 million tonnes of Exploration Target (up to a cap of US$15 million) will earn the Alliance a 51% interest in the project.

The Alliance intends to undertake the further exploration at Minas Novas before considering the payment in respect of that project.

Forward-looking Statements

Forward-looking statements can be identified by the use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or similar words. These statements discuss future expectations concerning the results of operations or financial condition, or provide other forward looking statements. They are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this ASX update. Readers are cautioned not to put undue reliance on forward looking statements.

Competent Person's Statement

The information in this report that relates to Exploration Results is based on, and fairly represents, information which has been compiled by Mr Peter Powell, who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron Limited. Mr Powell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Powell consents to the inclusion of the matters based on his information in the form and context in which they appear.

- 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 April 2013, the NJV has been operating at a nameplate production rate of 6Mtpa. BC Iron was added to the S&P/ASX 200 Index in December 2013.

The Company's key focus moving forward is on total shareholder return, continued strong operational performance at the NJV and measured consideration of business development opportunities.

KEY STATISTICS

Shares on Issue:	124.3 million	
Cash & Equivalents:	$148.6 million	as at 31 March 2014
Board:	Tony Kiernan	Chairman and Non-Executive Director
	Morgan Ball	Managing Director
	Andy Haslam	Non-Executive Director
	Malcolm McComas	Non-Executive Director
	Terry Ransted	Non-Executive Director
	Peter Wilshaw	Non-Executive Director
	Mike Young	Non-Executive Director
	Anthea Bird	Company Secretary
	Linda Edge	Company Secretary
Major Shareholders:	Tribeca Investments	6.3%
	National Australia Bank	6.1%
	AustralianSuper	6.1%
	AMP Limited	5.1%
	BlackRock Group	5.0%

Website: www.bciron.com.au

APPENDIX 1: JORC CODE, 2012 EDITION – TABLE 1 REPORT

SECTION 1 SAMPLING TECHNIQUES AND DATA

(Criteria in this section apply to all following sections.)

Criteria	JORC Code Explanation	Commentary
Sampling Techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Reverse circulation ("RC") drilling with a face sampling hammer was used and samples collected at one metre intervals via a cyclone/riffle splitter system mounted on the rig. Bulk sample weights were recorded for each metre, which included the split sample weight. • The primary magnetite rich samples weighed ~5kg. This was then re-split using a standalone two way splitter with primary and secondary samples taken at one metre intervals. When duplicate samples were required, the secondary sample was used and a replacement secondary sample split from the bulk residue using the stand-alone two way riffle splitter. • All one-metre samples were weighed in their entirety using a beam balance at the rig and weights were recorded by the contractor. The weight of the primary sample was recorded by the laboratory prior to sample preparation. • The beam balance at the rig was calibrated using a known standard i.e. a 20 litre bucket of water. • The riffle splitter was cleaned at metre intervals. The cyclone was cleaned at the end of each hole. Wet samples were noted and generally drilling ceased when wet samples prevailed. • Samples were analysed by ACME at the Vespasiano Laboratory in Belo Horizonte, Brazil using method PKA-XRF01-03, with one in fifty check samples sent to an umpire laboratory, Bureau Veritas in Perth, Australia. • The secondary and remaining primary samples were collected in calico bags, placed inside labelled bulk plastic bags, tied up and placed in a sample farm for future reference.
Drilling Techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• Servitec provided a track mounted Explorpac RC drill rig, with a design capacity for ~150m deep holes, using a 5.5 inch face sampling hammer and a trailer mounted Ingersoll Rand compressor with 350psi.

Criteria	JORC Code Explanation	Commentary
Drill Sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• The metre intervals drilled were marked on the three metre rods with chalk as drilling progressed. • A riffle splitter system mounted beneath a rig mounted cyclone was used and all samples were split at one metre intervals. The entire sample was weighed by the sampling crew using a beam balance and weights recorded. These weights were then used to ascertain sample loss or over drill on a metre basis, with rock type and density taken into consideration. The iron formation samples generally weighed ~40kg each. • Care was taken to clear the drill's sampling circuit for each metre interval, prior to resumption of drilling of the next metre. All sample was expelled from the drill sampling circuit prior to rod changes. • Minimal sample was lost during the RC drilling process. Fines vented through the exhaust port of the cyclone and during the sampling process. The use of the riffle splitter minimised sampling bias and was considered a more effective sampling process than a cone splitter, which is prone to sample bias if not aligned vertically.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• All samples were logged using a tablet and commercially designed logging system with inbuilt validation processes. All logging was completed at one metre intervals, with representative samples being stored in chip trays for future reference. These chip trays were also photographed as a digital reference of material logged. • RC samples were logged hole by hole by a geologist and re-logged on completion of each drill section line to ensure continuity of nomenclature. Logging codes were continuously refined to reflect rock types intersected at each prospect. Logging recorded magnetic susceptibility (Bahia), magnetic intensity as indicated by a hand magnet (Minas Novas), lithology, colour, weathering, principal mineralogy, veining, alteration and structure where possible. Sections were drawn hole by hole and correlations made and interpreted. Nomenclature codes and a rock chip reference library was developed to assist with standardisation of logging nomenclature. • Magnetic susceptibility measurements were taken using a Fugro RT-1 meter, with readings standardised to x10-5 SI units. Readings were taken from the outside of the duplicate ~2kg plastic sample bag and results averaged. • A total of 1,584m of RC drilling has been completed for 25 holes at Bahia, with 1,584m or 100% of RC chips logged and photographed. • For Minas Novas, 6 RC holes were drilled for 464m, with 100% of the intervals logged and photographed.

Criteria	JORC Code Explanation	Commentary
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• All samples were riffle split and the moisture content recorded. Drilling ceased when wet conditions prevailed for more than 3 metres. • Field sample duplicates were taken at 30m intervals for analysis and secondary samples were taken in labelled plastic bags of all samples for subsequent reference and storage. All sample residues, secondary samples in labelled plastic bags and non-analysed primary samples in calico bags were stored within the bulk sample plastic bag and sealed. These were transported to a secure sample bag farm located at each prospect for future reference. • Samples generally weighed ~2.5kg and these were sent to ACME laboratories. • These were subsequently crushed, split and ~1kg pulverised. This sampling process is considered suitable for the grain size of the iron formation being sampled.

Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*
	• *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.*
	• *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*
		• ACME Laboratory at Vespasiano-Belo Horizonte, Brazil was engaged to complete the sample preparation and XRF analysis. ACME Vespasiano is a subsidiary of Bureau Veritas.
		• The sample preparation method used by ACME was R200-1000, which includes**:**
		  ○ Crushing the entire sample to 80% passing 10mesh, splitting 1000gms and pulverising to 85% passing 200mesh**;**
		  ○ Followed by XRF analysis method PKA-XRF01-03 for 15 analytes, including Al2O3, BaO, CaO, CrO3, Fe2O3, K2O, MgO, MnO, Na2O, NiO, P2O5, SiO2, SrO, TiO2, V2O5 and LOI at 1000°C.
		  ○ When requested, sulphur was analysed by method PKA_Leco1-02.
		• Numbered calico and plastic sample bags were used during the sampling process, with sample ticket numbers included in the bags. Analytical standards, blanks and duplicates were routinely inserted into the sample stream for every tenth sample submitted. These QAQC samples made up ~10% of the samples submitted for analysis.
		• Four analytical Standards were supplied by ITAK and Geostats for both magnetite and hematite samples. The iron content ranged from ~35% to ~60% Fe.
		• Blank samples were of “marble” composition.

Criteria	JORC Code Explanation	Commentary
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• Two percent of the mineralised samples will be sent to an umpire laboratory to verify the primary analysis. • Twinned holes are not considered necessary at this scout drilling stage of exploration. • Primary Data was captured either electronically using a template with locked nomenclature or as hard copy**,** or sent to BC Iron Perth for entry into a primary digital database. The data was validated using Micromine validation software prior to export and subsequent use.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• The exploration data were located using Garmin GPS map 62s, with an error range of +/-5m for co-ordinates. Collar RLs were taken from national topographic maps with 5m contours. This survey control was used for all drill collar, trench and geological observations. • The datum used was the South American Datum (SAD) 69, and projection UTM zone 23S.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• The objective of this phase of drilling was to scout drill and identify the better prospects. Thus collar locations are widely spaced, testing outcrops of iron formations and discrete magnetic anomalies. • Reconnaissance mapping in the vicinity of proposed drill collars was completed so as to verify previously reported data and identify prospective outcrops for drilling. • Multiple RC holes were completed across specific target areas to establish continuity of geology and mineralisation. Drill lines were also mapped so as to give surface control to the cross sectional interpretation. • RC chip samples were taken as one metre samples, no compositing of samples was undertaken for the head assays. • 22 composite samples were submitted for DTR analysis, based on similar magnetic susceptibility measurements and rock type, up to a maximum of 10m. • At Minas Novas, aeromagnetic flight line spacing of the aeromagnetic survey was 500m, with readings taken every 8m along flight lines. • The data spacing is considered sufficient to establish geological continuity of magnetic rock horizons. • Drilling was of a scouting nature only and is not considered sufficient for the establishment of Mineral Resources or Ore Reserves • No compositing was applied for assay analysis.

Criteria	JORC Code Explanation	Commentary
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Drilling was of a scouting nature only and apart from one section at Riacho and two at Caetité 2, is not considered sufficient to confirm strike and dip orientation. • The Minas Novas orientation of the aeromagnetic survey flight lines were NW-SE, with an azimuth of 155°-335°, which are perpendicular to the strike directions of the targets.
Sample security	• *The measures taken to ensure sample security.*	• Samples sent for analysis were sealed in labelled poly-weave bags, which were in-turn enclosed in a bulk-a-bag when delivered by Alliance personnel to the transport company for delivery to ACME in Belo Horizonte. ACME confirmed what samples were received on delivery.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No external audits or reviews were carried out. • Rock samples were collected on the ground and then compared with the aeromagnetic images. A strong correlation was noted between the magnetic anomalies and the magnetic itabirite samples.

SECTION 2 REPORTING OF EXPLORATION RESULTS

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code Explanation	Commentary
General tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The concessions are held by a wholly-owned subsidiary of Bahia Mineral Exploration Ltda ("Bahmex"). A 50/50 alliance between BC Iron Limited and Cleveland Mining Company Limited ("Alliance") can earn up to an 80% interest by funding exploration and evaluation activity and making vendor payments. • Bahia Project: ○ The Caetité, Riacho and Silvestre Projects are located in the southern portion of the State of Bahia, approximately 440km west of Salvador, in the municipalities of Caetité, Raicho de Santana and Bom Jesus da Lapa. ○ Concessions subject to the Alliance comprise 22 granted concessions and 2 pending concessions, as follows: 870.270/2011; 870.271/2011; 870.272/2011; 870.522/2013; 870.523/2013; 870.524/2013; 870.525/2013; 870.570/2011; 870.607/2009; 870.618/2009; 870.934/2010; 871.113/2010; 871.248/2011; 871.249/2011; 871.936/2011; 871.937/2011; 871.938/2011; 872.146/2012 (pending); 872.328/2007; 872.598/2012; 872.827/2012; 872.828/2012; 872.839/2010; 874.267/2011 (pending). • Minas Novas Project: ○ The Minas Novas Project is located in the north eastern region of the state of Minas Gerais, approximately 325km north east of Belo Horizonte. ○ Concessions subject to the Alliance comprise 52 granted concessions and 5 pending concessions, as follows: 831.410/2010; 831.411/2010; 831.412/2010; 831.413/2010; 831.414/2010; 831.415/2010; 831.416/2010; 831.417/2010; 831.418/2010; 831.419/2010; 831.420/2010; 831.421/2010; 831.422/2010; 831.423/2010; 831.424/2010; 831.425/2010; 831.426/2010; 831.427/2010; 831.428/2010; 831.429/2010; 831.430/2010; 831.431/2010; 831.432/2010; 831.433/2010; 831.434/2010; 831.435/2010; 831.436/2010; 831.437/2010; 831.438/2010; 831.439/2010; 833.534/2010; 833.535/2010; 833.537/2010; 833.538/2010; 833.539/2010; 830.813/2011; 830.867/2011; 830.868/2011; 830.869/2011; 830.870/2011;

Criteria	JORC Code Explanation	Commentary
		830.871/2011 (pending); 830.872/2011; 830.873/2011; 830.874/2011; 830.875/2011; 830.876/2011; 830.877/2011; 830.878/2011; 830.879/2011; 830.880/2011; 830.881/2011; 830.882/2011; 830.883/2011; 831.549/2012 (pending); 833.478/2012 (pending); 830.604/2013 (pending); 830.608/2013 (pending). • In the exploration phase, concessions have an initial term of 3 years, with extension for a further 3 year possible by application, for all minerals. • No native title interests, historical sites, wilderness or national parks or significant environmental restrictions exist over the project areas. • Standard government royalty apply to these concessions.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• At Bahia, Coffey Mining (on behalf of Bahmex) completed site appraisals during 2012 at Silvestre, Riacho and Caetité as a precursor to the reconnaissance RC drilling program. Target generation and drill collar locations were identified by subsequent field activities. • At Minas Novas, Coffey Mining (on behalf of Bahmex) completed site appraisals during 2012 as a precursor to the reconnaissance RC drilling program. Target generation and drill collar locations were identified by subsequent field activities.

Geology	• *Deposit type, geological setting and style of mineralisation.*	• The style of mineralisation explored for is itabirite, a form of banded iron formation (“BIF”). It is related to volcanic sedimentary sequences of Paleo Proterozoic and Archean age. BIF is associated with both carbonate metasediments and oxide clastic sediments. The carbonate BIF’s are associated with marbles, chert and silicate rocks, whilst the BIF’s in the oxide material are within micaceous schists and quartzites.
		• The volcanic host sequences for the BIF are located on a regional scale in the Riacho de Santana Unit, Licinio and Mosquito Formations. These rock sequences have been deformed on a regional scale, with localised parasitic folding containing thickened layers of BIF.
		• Two types of itabirite have been identified:
		  ○ At Riacho, Silvestre, Caetité 1, 3 and 4; A laminated fissile hematite-magnetite-silica itabirite, intercalated with mica schist and micaceous quartzite; and
		  ○ At Caetité 2: A calc-silicate type, consisting of amphibole-magnetite associated with chert, marble and mica schist.
		• Structural deformation includes folding and faulting which impact on the thickness and distribution of the mineralisation.

Criteria	JORC Code Explanation	Commentary
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole collar* ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• Refer to Table 4 and Table 5 in Appendix 2 for drill hole collar information at Bahia and Minas Novas respectively. • Refer to Table 6 in Appendix 2 for significant magnetic susceptibility readings above $1000x10^{-5}$ SI units associated with iron formation at Bahia Project. • No magnetic susceptibility readings were taken at the Caetité 4 prospect at the Bahia Project or the Minas Novas Project. • Refer to Table 1 in the ASX announcement for significant intercepts of greater than 25% Fe at Bahia.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• No data aggregation has been undertaken except for the magnetic susceptibility measurements which have been used to highlight prospective iron formation.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• All intercepts of iron formation and associated elevated magnetic susceptibility measurements are reported as down-hole intervals.

Criteria	JORC Code Explanation	Commentary
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• For Bahia, refer to: ○ Figure 2 to Figure 9 in the ASX announcement. ○ ○ Figure 13 in Appendix 2. • For Minas Novas, refer to Figure 10 to Figure 12 in the ASX announcement.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• The Alliance is targeting iron mineralisation with intercepts reported as drill hole length weighted averages of grades greater than or equal to 25% Fe, as shown in Table 1. Where higher grades are mentioned the term "up to" provides an upper limit to drill hole assays within these composites, or are as the result of DTR testwork. • The release has attempted to provide a balanced view of the potential thickness and grade of the target geology by making generalised statements that cover a balance of all observations made in the field. • The objective of the drill program was to substantiate the nature of mineralisation, and rank targets for the next stage of drilling, not to quantify grade, strike and thickness of mineralisation.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Preliminary DTR metallurgical test-work for Bahia indicates that the silica can be readily removed and iron content upgraded, as shown in Table 2 and Table 3 in the ASX announcement. These results are similar to "standard" iron ores in Brazil that are beneficiated into high quality, high demand products and represent one of the most commonly mined styles of iron ores globally. • The regional aeromagnetics flown for the States of Bahia and Minas Gerais, covering Caetité 2, 3 and the Minas Novas Projects have been modelled by Resource Potential (Perth), with priority targets identified for all projects. Ground magnetic traverses were also completed over limited traverses at Caetité 2, 3 and Minas Novas to confirm airborne magnetic anomalies. The ground traverses confirmed the reliability of the aeromagnetic data. During February and March 2014, geological observations were recorded during reconnaissance mapping to assist in locating drill collar positions.

Criteria	JORC Code Explanation	Commentary

Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).*
	• *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*
		• The itabirite has multiple kilometres of strike over the project areas. There are indications of continuity of iron formation under cover.
		  ○ Extensive itabirite outcrops and magnetic anomalies at Caetité 1 and 3 Prospects have been partially tested by the current reconnaissance drilling program.
		  ○ There are extensive itabirite outcrops and magnetic anomalies at Minas Novas identified by the follow-up reconnaissance mapping program completed in March 2014, supporting the Coffey Geological assessment undertaken in 2012.
		  ○ The next stage of the earn-in will be upon this scout, reconnaissance drilling and is aimed at developing JORC compliant exploration targets. Strike and dip extensions to the mineralisation will be more clearly defined in this stage.

APPENDIX 2: SUPPORTING TABLES AND FIGURES

Table 4: Bahia Drilling Statistics

Prospect	Hole ID	Depth	East	North	RL	Dip	Azimuth	Lease ID
Silvestre	SIPRC00001	37	714373	8552602	496	-60	115	870607/2009
Silvestre	SIPRC00002	45	714403	8552518	499	-60	80	870607/2009
Sub-total	**2**	**82**						**1**
Riacho	RIPRC00001	47	721607	8508071	615	-70	225	872146/2012
Riacho	RIPRC00002	54	721521	8507993	613	-70	225	872146/2012
Riacho	RIPRC00003	28	721454	8507918	612	-70	225	872146/2012
Riacho	RIPRC00004	34	721675	8508139	601	-70	225	872146/2012
Riacho	RIPRC00005	51	720719	8509277	577	-60	20	872146/2012
Riacho	RIPRC00006	54	720725	8509298	601	-60	30	872146/2012
Sub-total	**6**	**268**						**1**
Caetité 2	CIPRC00001	80	781363	8445137	894	-60	100	872598/2012
Caetité 2	CIPRC00002	140	781357	8445140	894	-60	280	872598/2012
Caetité 2	CIPRC00003	54	781322	8445156	869	-60	280	872598/2012
Caetité 2	CIPRC00004	96	781332	8445157	833	-60	100	872598/2012
Caetité 2	CIPRC00005	100	782134	8447202	957	-60	295	872598/2012
Caetité 2	CIPRC00006	93	782078	8447231	959	-60	115	872598/2012
Caetité 2	CIPRC00007	109	782165	8447184	957	-60	295	872598/2012
Sub-total	**7**	**672**						**1**
Caetité 1	CIPRC00008	73	775092	8439560	765	-65	230	872328/2007
Caetité 1	CIPRC00009	28	775331	8439468	740	-90	0	872328/2007
Caetité 1	CIPRC00010	103	775252	8439405	759	-90	0	872328/2007
Caetité 1	CIPRC00011	70	775094	8439311	788	-90	0	872328/2007
Caetité 1	CIPRC00012	82	775272	8439271	774	-60	225	872328/2007
Sub-total	**5**	**356**						**1**
Caetité 3	CIPRC00013	70	773923	8442573	827	-60	110	871113/2010
Caetité 3	CIPRC00014	26	774095	8442534	805	-90	0	871113/2010
Caetité 3	CIPRC00015	20	773686	8442373	844	-90	0	871113/2010
Caetité 3	CIPRC00016	10	773860	8442634	831	-90	0	871113/2010
Sub-total	**4**	**126**						**1**
Caetité 4	CIPRC00017	80	773931	8444886	822	-90	0	872828/2012
Sub-total	**1**	**80**						**1**
Total	**25**	**1,584**						**6**

Table 5: Minas Novas Drilling Statistics

Prospect	Hole ID	Depth	East	North	RL	Dip	Azimuth	Lease ID
Anomaly 3	MA3RC00001	70	773580	8067161	967	-90	0	831425/2010
Anomaly 3	MA3RC00002	64	773738	8066596	979	-90	0	831425/2010
Sub-total	**2**	**134**						**1**
Anomaly 2	MA2RC00001	50	778789	8073269	917	-60	290	831423/2010
Anomaly 2	MA2RC00002	140	780363	8075112	895	-60	290	831426/2010
Anomaly 2	MA2RC00003	82	784793	8078199	903	-90	0	831430/2010
Anomaly 2	MA2RC00004	58	786161	8075642	909	-90	0	831430/2010
Sub-total	**4**	**330**						**3**
Total	**6**	**464**						**4**

Table 6: Bahia Significant Magnetic Susceptibility Readings above 1,000 x 10^{-5} SI Units

Hole ID	From	To	Width	Magnetic Susceptibility
Silvestre				
SIPRC00002	0	19	19	3,200 x 10^{-5} Si Units
Riacho				
RIPRC00001	0	14	14	3,200 x 10^{-5} Si Units
RIPRC00002	0	31	31	6,700 x 10^{-5} Si Units
RIPRC00003	0	8	8	11,800 x 10^{-5} Si Units
Caetité 2				
CIPRC00002	47	58	11	9,800 x 10^{-5} Si Units
CIPRC00002	68	135	67	17,800 x 10^{-5} Si Units
CIPRC00004	23	54	31	13,700 x 10^{-5} Si Units
CIPRC00005	36	69	33	2,700 x 10^{-5} Si Units
CIPRC00006	53	62	9	2,200 x 10^{-5} Si Units
Caetité 1				
CIPRC00008	23	33	10	34,200 x 10^{-5} Si Units
CIPRC00010	69	80	11	54,800 x 10^{-5} Si Units
CIPRC00012	34	65	31	21,600 x 10^{-5} Si Units
Caetité 3				
CIPRC00013	0	11	11	1,130 x 10^{-5} Si Units
CIPRC00013	31	37	6	7,700 x 10^{-5} Si Units
CIPRC00014	0	5	5	13,000 x 10^{-5} Si Units
CIPRC00014	12	14	2	4,500 x 10^{-5} Si Units
CIPRC00014	17	21	4	3,000 x 10^{-5} Si Units
CIPRC00015	0	3	3	13,000 x 10^{-5} Si Units
CIPRC00016	0	3	3	14,900 x 10^{-5} Si Units

Figure 13: Bahia Regional Geology