ASX RELEASE – 27 AUGUST 2014

NJV ORE RESERVES AND MINERAL RESOURCES

BC Iron Limited (ASX:BCI) ("BC Iron" or "the Company") is pleased to report Ore Reserves and Mineral Resources for the Nullagine Iron Ore Joint Venture ("NJV") as at 30 June 2014 in accordance with JORC (2012) guidelines.

The NJV is an unincorporated joint venture between BC Iron (75% interest) and Fortescue Metals Group Limited ("Fortescue") (25% interest) located approximately 150 kilometres north of Newman in the Pilbara region of Western Australia.

The NJV has been mining direct shipping ore ("DSO") since operations commenced in November 2010. The NJV completed a beneficiation trial in the March quarter 2014 and is pleased to report an Ore Reserve estimate for beneficiated shipping ore ("BSO") for the first time. Currently the BSO Ore Reserve only considers existing low grade (50-55% Fe) stockpiles and low grade material within the current DSO pit designs. Further work is required to evaluate low grade material just outside the boundaries of the current pit designs and at regional mesas.

As at 30 June 2014, the NJV had total scheduling inventory available for the life of mine plan within current pit designs and existing stockpiles of 35.4Mt at 56.5% Fe, comprising:

- DSO Ore Reserves of 27.7Mt at 56.8% Fe;
- BSO Ore Reserves and stockpiles of 3.9Mt at 54.2% Fe;
- DSO stockpiles of 0.5Mt at 55.6% Fe; and
- DSO Inferred Mineral Resources within the current pit designs of 3.3Mt at 57.0% Fe.

The NJV's Ore Reserves and Mineral Resources as at 30 June 2014 are set out in the tables below, along with a summary of material information. The JORC (2012) Table 1 is provided in Appendix 1.

Table 1: CID Mineral Resource Estimate

Classification	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
Measured	21.2	54.0	61.7	3.4	4.3	0.014	0.012	12.5
Indicated	38.1	53.8	61.7	3.3	4.5	0.017	0.012	12.7
Inferred	46.7	52.1	58.8	5.4	6.6	0.024	0.018	11.3
Total	**105.9**	**53.1**	**60.4**	**4.2**	**5.4**	**0.020**	**0.015**	**12.1**

Table 2: DSO Mineral Resource Estimate

Classification	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
Measured	12.9	57.2	64.8	2.2	2.9	0.013	0.011	11.8
Indicated	19.1	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	**38.8**	**57.1**	**64.7**	**2.2**	**3.1**	**0.015**	**0.012**	**11.8**

Table 3: DSO Ore Reserve Estimate

Classification	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
Proved	8.4	57.6	65.3	1.8	2.6	0.012	0.012	11.9
Probable	19.3	56.5	64.4	2.1	3.3	0.016	0.011	12.3
Total	**27.7**	**56.8**	**64.7**	**2.0**	**3.1**	**0.015**	**0.011**	**12.1**

Table 4: BSO Probable Ore Reserve Estimate

	Mt	Fe %	CaFe %	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
BSO Feed	9.7	51.5	59.2	3.8	5.8	0.018	0.012	13.0
BSO Product	**3.9**	**54.2**	**62.1**	**2.9**	**4.4**	**0.016**	**0.012**	**12.8**

Table 5: DSO Stockpile Inventory

Classification	Mt	Fe %	Al_2O_3 %	SiO_2 %
ROM	0.08	55.1	3.5	4.1
MOC Product	0.12	54.2	3.1	4.8
RLF Product	0.07	56.2	3.0	3.9
Port Product	0.25	56.3	2.8	3.9
Total	**0.52**	**55.6**	**3.0**	**4.1**

Note: CID Mineral Resources are inclusive of DSO Mineral Resources, which are in turn inclusive of DSO Ore Reserves. CID Mineral Resources are also inclusive of a portion of BSO Ore Reserves (Feed) that don't sit within existing low grade stockpiles. CID stands for "channel iron deposit". Totals may not sum due to rounding.

Summary of Material Information – Mineral Resources

BC Iron previously reported Mineral Resources as at 31 December 2013 in accordance with JORC (2012) guidelines. With the exception of Outcamp 2 and Outcamp 4, there has been no material change to the methodology or assumptions underlying the estimates, and the 31 December 2013 estimates have been depleted based on mining completed as at 31 December 2013. BC Iron's Mineral Resource estimate as at 31 December 2013 and accompanying JORC (2012) Table 1 and Competent Persons Statement was released to the ASX on 3 March 2014 under the title 'NJV Ore Reserves and Mineral Resources' and is available to view on http://www.bciron.com.au/investors/asx-announcements/2014.html.

At Outcamp 2 and Outcamp 4, Mineral Resources have been re-estimated due to a re-interpretation of the mineralised envelopes at Outcamp 2 and completion of grade control drilling at Outcamp 4.

The Outcamp 2 and Outcamp 4 deposits are channel iron deposits ("CID"), presented as topographic highs or mesas. Outcamp 2 has a strike length of 1,200 metres while the Outcamp 4 mesa has a strike length of 600 metres. Mineralisation outcrops at surface and typically extends to a depth of 10 to 15 metres below surface.

Drilling at Outcamp 2 consists of 969 reverse circulation ("RC") holes and drilling at Outcamp 4 consists of 192 RC holes. RC drilling utilised a 5.5 inch diameter face sampling hammer. Drill holes ranged in depth from 4 to 41 metres, with an average depth of 16 metres at Outcamp 2 and 12 metres at Outcamp 4. Given the sub-horizontal nature of the CID deposits, the holes are vertically orientated.

Early RC samples were split using a three tier riffle splitter to gain a one-eighth split sample. Later RC drilling utilised an RC drill rig with a cone splitter attached. Samples were prepared by crushing to minus 3mm and pulverising the sample to achieve 90% passing 105 microns. Pulverised material was assayed using XRF techniques. Industry standard QAQC procedures were adopted by BC Iron, including the submission of standards and duplicates at a frequency of 1 per 20 samples.

For the purpose of generating mineralised envelopes, material with grades of greater than 45% Fe coincides with geologically-logged CID and material with grades of greater than 55% Fe is considered DSO. Sectional interpretation of the drill results was undertaken and the interpretations were wireframed to produce mineralised envelopes. Mineral Resources were estimated using the ordinary kriging methods, with a block size equal to half the drill spacing dimension. A bulk density of 2.80-2.84t/m^3 was assigned to the mineralisation, as calculated by the caliper method.

Outcamp 2 and Outcamp 4 have typically been drilled to a 25 by 25 metre spacing, with some infill drilling completed to 12.5 by 25 metre spacing. Mineral Resources were classified as Measured where continuity of geology and mineralisation was demonstrated with a confidence level sufficient to allow the application of Modifying Factors to support detailed mine planning. Certain areas of Outcamp 4 were classified as Indicated where the confidence level in the application of Modifying Factors was lower, or Inferred where there was a lack of continuity in mineralisation and geology.

Summary of Material Information – Ore Reserves

Mineral Resources at the NJV were first converted to Ore Reserves in accordance with JORC (2004) guidelines as part of a feasibility study completed in 2009. The current Ore Reserve estimate is based on Mineral Resources as at 30 June 2014.

Ore Reserves were estimated by completing pit optimisations and subsequent detailed pit designs. For DSO Ore Reserves, two cut-off grades were applied, with DSO characterised as being both above 55% Fe and below 3% Al_2O_3. These parameters were derived to achieve a product grade of 57% Fe and 2% Al_2O_3, which are the desired specifications for the NJV's Bonnie Fines product. For BSO Ore Reserves, a cut-off grade of 50% Fe was applied to classify material as suitable for beneficiation feed.

Mining at the NJV is undertaken using surface miners with a minimum mining width of 3.5 metres based on size of the surface miners, and a minimum bench width of 20 metres to cater for safe and efficient load and haul activities.

The use of surface miners allows for selective mining resulting in minimal dilution from the edges of the orebody. Mining dilution has been estimated based on non-DSO ore that exists within the geologically modelled DSO zones. Mining dilution varies from mesa to mesa and accounts for approximately 10% of the DSO Ore Reserve estimate. Mining recovery factors have been determined based on historical reconciliations and also envisage decreasing recoveries for mesas approaching depletion. The average mining recovery of DSO is estimated at 92%.

For DSO material, a dry crushing and screening process is being utilised at the NJV, which was selected based on bulk sampling and metallurgical test work undertaken as part of the feasibility study.

A beneficiation trial has been completed at the NJV on low grade feed material. The trial utilised a dry crushing and screening process, where natural fines of less than 1mm were screened off using a piano wire screen. The BSO Ore Reserve estimate is based on the results of the beneficiation trial, and incorporates a mass recovery of 40% and preliminary regressions to derive iron and impurities grades of BSO product from the low grade feed material. BC Iron believes opportunities exist for the recoveries and grades to be improved through further geological domaining and/or alternative processing techniques. Once initiated, BC Iron expects that BSO will be blended with DSO to maintain Bonnie Fines specification throughout the remaining life of mine. Further updates will be provided to the market as planning for beneficiation progresses.

All material assumptions relating to costs are based on existing agreements with contractors. The terms of these agreements are considered commercially sensitive and are not publicly disclosed. However, BC Iron has provided NJV C1 cash cost guidance for FY15 of A$49-53 per wet metric tonne and BC Iron total cash costs of $60-68 per wet metric tonne (total cash costs include C1 cash costs plus royalties, marketing and corporate costs).

Mining approvals, permits and licences were granted prior to the commencement of operations. Further approvals are sought as and when required. All arrangements to facilitate mining, production and sale of the NJV product are in place, including agreements with contractors and an infrastructure agreement with Fortescue for the provision of rail and port services. Agreements with all key stakeholders are in place and active.

Competent Persons Statements

The information in this report that relates to the Mineral Resource estimates at Outcamp is based on, and fairly represents, information which has been compiled by Mr Robert Williams who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron. Mr Williams 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 Williams consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

The information in this report that relates to the Ore Reserve estimate is based on, and fairly represents, information which has been compiled by Mr Blair Duncan who is an employee of BC Iron 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 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 Duncan consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

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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:	$158.9 million	as at 30 June 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:	National Australia Bank	7.6%
	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.*	• The Outcamp 2 and Outcamp 4 mesas have been tested by Reverse Circulation ("RC") drilling on spacings of predominantly 25m by 25m, with some sections closed in to 12.5m by 25m. • Given the sub-horizontal nature of the channel iron deposits ("CID"), the holes are vertically orientated. Down hole survey is not completed given the relatively shallow nature of the drill holes which have an average depth of approximately 16m for Outcamp 2 and 12m for Outcamp 4. • All hole locations have been surveyed using RTK instruments by either industry consultants or qualified BC Iron surveying staff.
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).*	• The Outcamp 2 database consists of 969 RC drill holes. The Outcamp 4 database consists of 192 RC drill holes. • RC drilling within the resource areas comprises 5.5 inch diameter face sampling hammer drilling, and ranges in depth from 4m to 41m, with an average depth of 16m for Outcamp 2 and 12m for Outcamp 4.

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.*	• RC samples are visually checked for recovery, moisture and contamination. A minimal gap between hammer diameter and shroud exists to maximize sample recovery. • No sample recovery issues have impacted on a potential sample bias.
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 resource and grade control holes have been geologically logged to a standard that is appropriate for the category of resource being reported.
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.*	• Early RC samples were split using a 3 tier riffle splitter to gain a 1/8th split sample for submission. Later grade control campaigns were drilled with an RC rig that had a cone splitter attached. • The CID mesas sit proud of the surrounding plains, and as such drilling into the water table is rarely observed. • QAQC procedures included the insertion of field duplicates, and certified reference material (standards) at a combined frequency of 1 sample per 20, which is considered standard industry practice. Laboratory QAQC (Lab standards and lab duplicates) were analysed at a frequency of 1 per 20 BC Iron samples. • The sample preparation followed standard industry practice, involving crushing to minus 3mm and pulverisation of the entire sample to achieve 90% passing 105micron size. • Field duplicate samples were taken on RC holes as a matter of course, and these indicate no issues with sample representivity. • The sample size is considered appropriate for CID mineralisation.

Criteria	JORC Code Explanation	Commentary
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.*	• Samples collected since drilling started in 2007 have been assayed by either Ultra Trace or SGS laboratories. Assaying has been completed using XRF, while LOI has been measured at 400°C, 650°C and 1000°C using thermogravimetric analysis. • No assays in the database have been determined through handheld XRF devices or any geophysical tool. • BC Iron QAQC processes involve submission of coarse standards (Certified Reference Material - CRM) to assess the pulverisation stage of the sample preparation. Pulp standards are submitted to assess the analytical accuracy. Repeat analyses are completed by the laboratory in every assay job. In all cases the results of the QAQC processes have indicated the data is fit for use in estimation.
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.*	• Bulk rejects from intervals in early drill campaigns were stored in a bag farm onsite which allowed reference once the assay data is returned. • There are 16 twin hole pairs separated by less than 4m drilled in the Outcamp 2 deposit, while a further 5 twin hole pairs have been drilled in the Outcamp 4 deposit. While comparisons between each vary, the correlation between the bulk of the twin holes is very good. • Assay jobs sent from the lab are stored as csv files, and validated prior to inclusion into the drill hole database. Validation includes review of the total assay calculation, and a review of standards and repeats within the job. • No assay adjustments/factoring/calibrations have occurred.
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.*	• All holes have been surveyed by RTK differential GPS in the MGA_GDA94 zone50 grid system. Surveys have been completed by qualified consultant or BC Iron surveyors. • Given the sub-horizontal nature of the CID deposits, the holes are vertically orientated. Down hole survey is not completed given the relatively shallow nature of the drill holes which have an average depth of approximately 16m in Outcamp 2 and 12m in Outcamp 4. • The topographic surface has been determined by Light and Detection Ranging (Lidar) surveys completed by Fugro and Whelans. This is standard industry practice, and is considered appropriate for the local topography.

Criteria	JORC Code Explanation	Commentary
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.*	• Both the Outcamp 2 and Outcamp 4 deposits have been RC drilled to a spacing of 25m by 25m. Further infill drilling has been conducted on selected drill lines to close in the spacing to 12.5m within 25m spaced sections. • No composite samples have been used in the estimation.
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.*	• The vertical orientation of drilling is designed to give an orthogonal intersection of the mineralised CID package.
Sample security	• *The measures taken to ensure sample security.*	• Samples are stored onsite and then collected by a transport company and delivered to Perth. Whilst in custody of the laboratory they are stored in a locked yard.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• Industry consultant QG reviewed the assay data when completing the latest estimate. A review of the sampling processes and the associated data was conducted by Golder Associates in 2009 when completing the Maiden Resource estimate.

SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

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

Criteria	JORC Code Explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	• Assay data files are generated electronically by the laboratory is emailed to BC Iron, so at no stage is there a manual data entry step which could introduce errors. • Collar surveys are downloaded from RTK GPS instruments, which also negates data entry. Sequence of drilling is checked against sequential hole_id, and the drill geologist notes, to ensure the correct positioning of the drill hole.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• The Competent Person for the Outcamp 2 and Outcamp 4 Mineral Resource statement is a full-time employee of BC Iron Limited and visits the site on a regular basis.
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	• Interpretation is based on geological knowledge acquired through drilling and mining since the operations commenced in November 2010. • The geological interpretation of mineralised boundaries is considered robust and alternative interpretations do not have the potential to impact significantly on the Mineral Resource. • Logged lithological information has been considered at the interpretation and estimation stages. • The CIDs are Tertiary aged deposits with no identified structural control. Local grade variability has been identified through grade control drilling and production reconciliations.
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	• The Mineral Resources are contained within preserved palaeochannels which are now topographic highs (mesas) with a curvi-linear strike. The Outcamp 2 mesa has a strike length from 1,200m while the Outcamp 4 mesa has a strike length of 600m. • The CID resources outcrop at surface, and the deepest portion of the resource extends approximately 10 to 15m below surface.

Criteria	JORC Code Explanation	Commentary
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).* • *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.* • *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.* • *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	• The Outcamp 2 and Outcamp 4 estimates were completed by QG Consulting ("QG") in conjunction with BC Iron in 2014. The geological and mineralisation interpretations were completed by BC Iron using Minesight software, while geostatistical assessment was completed by QG. The resulting parameters were used to estimate both deposits using the Ordinary Kriging (OK) estimation technique. The estimate was completed using Minesight software. • When modelling a grade control estimate over a deposit, the estimate is reconciled against previous Resource estimates. • There are no by-products, therefore no assumptions are required regarding by-products. • Work by environmental consultants has indicated that levels of arsenic and chromium are at negligible levels. Also with the lack of sulphide in the deposits, acid mine drainage is not a concern. • The block size used reflects half the drill spacing dimension. • No assumptions have been made regarding selective mining units. • Correlation plots are generated for the main elements and can be used to assess domaining. No regression equations have been derived from the plots to estimate any elements; rather each element is estimated using composite information. • Interpretation is completed using geology and mineralisation. All material >55% Fe in grade is considered Direct Shipping Ore ("DSO"). Sectional interpretation of the DSO envelopes was undertaken. The sectional interpretations are then wireframed and the drill hole intervals within the wireframes coded to a database. Assays are composited based on the coded intervals. The wireframes are also used as hard boundaries for estimation into the model. • High grade cutting has not been used. However, QG did use a "restrictive" approach to mitigate over-smoothing of high or low grades throughout the Outcamp 2 and 4 estimates. • Validation is completed visually by assessing sections and plans looking at estimated grades and comparing to drill hole composite input. Mean grades are also calculated on a domain basis for both the composites and the estimate, and trend analyses are completed for easting, northing and elevation to assess the average grades for both the composites and the model output. Project to date reconciliations are within acceptable limits considering the nature and style of the deposit.

Criteria	JORC Code Explanation	Commentary
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	• Tonnages are estimated on a dry tonnes basis.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	• The DSO is interpreted inside a 55% Fe boundary. The CID domain is interpreted inside a 45% Fe boundary.
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	No assumptions on mining method were made. Mining commenced in November 2010 using surface mining units and a conventional load and haul fleet of mobile equipment.
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	• A standard crushing and screening operation was assumed for the DSO Mineral Resource Estimate, and operations commenced in November 2010.
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	• No tailings are produced during the crushing and screening of the DSO material. Waste material is inert.

Criteria	JORC Code Explanation	Commentary
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	• A bulk density of 2.80-2.84t/m^3 was assigned to the CID mineralisation based upon the results of 91 core samples. The bulk density was calculated using the caliper method where the length of core was measured and numerous caliper measurements were recorded for the diameter. The core was dried in an oven before being weighed and divided by the calculated volume.
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	• Mineral Resources have been classified into Measured, Indicated and Inferred categories based on drill hole spacing, sample interval, geological interpretation and representivity of all available assay data. • The Outcamp 2 and Outcamp 4 mesas have been drilled on spacings of predominantly 25m by 25m, with some sections closed in to 12.5m by 25m. • Measured Mineral Resources are classed as such where the drill spacing supports both geological and grade continuity, and with a confidence level sufficient to allow the application of Modifying Factors to support detailed mine planning. • Areas of the Outcamp 4 deposit that was classified as Indicated Mineral Resource were done so on a basis that the drill spacing was adequate to assume continuity to the geological and mineralisation models, while the areas of Outcamp 4 which were classified as Inferred Mineral Resource where the drill spacing identified a lack of continuity in the mineralisation and geology models. • The Mineral Resource Estimate classification appropriately reflects the Competent Person's view of the deposit.
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	• Initial Mineral Resource Estimates for Outcamp 2 and Outcamp 4 were completed by Golder Associates in 2009. An updated grade control estimate of Outcamp 2 was completed by QG in 2012, and the latest estimates were also completed by QG.

Criteria	JORC Code Explanation	Commentary
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	• The Mineral Resource Estimate is considered robust in light of current production reconciliation data and standard geostatistical estimation methods. • The Mineral Resource Estimate is a global assessment of the NJV. • The accuracy and confidence limits are based on the cut-off grade analysis employed in the technical evaluation and from reconciliation of current production data. The limits are considered appropriate.

SECTION 4 ESTIMATION AND REPORTING OF ORE RESERVES

(Criteria listed in section 1, and where relevant in section 2 and 3, also apply to this section.)

Criteria	JORC Code Explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• *Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.* • *Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.*	• The Mineral Resource estimate as at 30 June 2014 was used for the conversion of a portion of the Mineral Resource to Ore Reserve status. • The Mineral Resource estimate reported is inclusive of the Ore Reserves.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• The Competent Persons for this Mineral Resource and Ore Reserve Statement are full-time employees of BC Iron Limited and visit the site on a regular basis.
Study status	• *The type and level of study undertaken to enable Mineral Resources to be converted to Ore* • *Reserves.* • *The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.*	• A Definitive Feasibility Study was completed in 2008, prior to the commencement of mining operations. This study reported an Ore Reserve in accordance with the JORC (2004) guidelines. Since the commencement of mining operations in November 2010 production data has been reconciled on a monthly basis to inform and update the physical and economic models which are used as the basis for this reporting in accordance with JORC (2012) guidelines.
Cut-off parameters	• *The basis of the cut-off grade(s) or quality parameters applied.*	• Cut-off grades and quality parameters were derived and applied after consideration of recoveries and costs associated with mining, processing, site administration, transport, marketing agreements (including penalty costs), and royalties. • To achieve a target product head grade of 57% Fe and 2% Al_2O_3, two cut-off grades were applied, with DSO characterised as being both >55% Fe and <3% Al_2O_3. Stockpiling of material in the 55-57% Fe grade range is periodically employed to accommodate local geological variability and is used for on-site blending. • Low grade material considered suitable as feed for beneficiated shipping ore (“BSO”) has an iron grade between 50-55% Fe.
Mining factors or assumptions	• *The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).*	• The Mineral Resources were partially converted to Ore Reserves from spatial pit optimisations and subsequent detailed pit designs which form the basis for the current operations.

Criteria	JORC Code Explanation	Commentary
	• *The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.* • *The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling.* • *The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).* • *The mining dilution factors used.* • *The mining recovery factors used.* • *Any minimum mining widths used.* • *The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.* • *The infrastructure requirements of the selected mining methods.*	• The Nullagine CIDs are situated at the top of mesa structures, with waste to ore ratios that are moderate to low (average 1.6:1 for the remaining life of mine, based on DSO only). Further to a technical and economic evaluation, direct excavation with rock cutting technology (surface miners) was chosen as the preferred mining method. This mining method has been employed since operations commenced in November 2010 and is considered appropriate to the geometry and style of mineralisation. • A geotechnical study was undertaken as part of the Definitive Feasibility Study. The study recommended an overall pit slope design of 45° on each mesa based on rock mass quality and defect orientation. This recommendation was incorporated in the detailed pit designs which are used at the operations. A 10% gradient on pit access ramps and internal pit ramps is used. • Grade control drilling is undertaken on 25m X 25m spacing with a vertical interval of one metre or less, which is considered appropriate for the geometry and style of mineralisation and the mining equipment used. In areas where reconciliations have indicated higher proportions of clay, tighter grade control drilling to a spacing nominally of 10m by 10m has been identified as being required. • The use of surface miners allows selective mining resulting in minimal dilution from the edges of the orebody. Dilution used in the Ore Reserve estimate is based on sub-55% Fe ore within the geologically modelled ore zone. The dilution varies from mesa to mesa with total mining dilution accounting for 10% of the DSO Ore Reserve estimate. • Mining recovery factors were determined from historical reconciliation numbers. The estimate reflects mining recoveries decreasing for mesas approaching depletion. The average mining recovery used for the DSO Ore Reserve estimate was 92%. • Minimum mining width used during operations is 3.5m based on machine width (Wirtgen) and drum width (Vermeer), and minimum bench width is 20m to cater for safe and efficient load and haul activities. • Inferred Mineral Resources are not included in the Ore Reserves. However, it should be noted that significant inferred material is contained within the current pit designs. That inferred material is estimated as 3.3Mt @ 56.98% Fe, 2.15% Al_2O_3, 3.20% SiO_2, 0.02% P, 0.01% S and 11.96% LOI.

Criteria	JORC Code Explanation	Commentary
		• The existing site infrastructure caters for the current mining method. The construction of internal haul roads will be required as the operation decentralises.
Metallurgical factors or assumptions	• *The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.* • *Whether the metallurgical process is well-tested technology or novel in nature.* • *The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.* • *Any assumptions or allowances made for deleterious elements.* • *The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.* • *For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?*	• Bulk sampling and metallurgical test work was undertaken as part of the Definitive Feasibility Study prior to production. This identified simple geometallurgical domaining. These domains were used for technical marketing and production planning. Production data to date suggests that the geometallurgical domaining is appropriate for the nature and style of mineralisation. In-pit sampling of surface miner milled material is ongoing. • For DSO material, a dry crushing and screening process is being utilised at the NJV, which was selected based on bulk sampling and metallurgical test work undertaken as part of the feasibility study. This is considered well-tested standard industry practice considering the nature and quality of the mineralisation. • DSO is crushed and screened through one fixed and two mobile plants to produce an all in sub 10mm fines product. Sampling and assaying is performed on crushed product from each plant. • The fixed plant has the capacity to crush and screen approximately 4.5Mt per annum whilst the two mobile plants each have the capacity to process approximately 2Mt per annum. Combined capacity is in excess of the 6Mt shipping guidance allowing for the growth of product stocks and also capability to switch on and off satellite mobile crushers as the required. • Approx. 50% of ore material is at product size after surface mining (i.e. passing 10mm sizing). Oversize from mesa edge mining methods (excavator cutting/rock breaking and surface mining) is handled by jaw crushers located at the front end of the crushing & screening plants. • A beneficiation trial has been completed to determine the potential to upgrade below specification material to BSO for blending with DSO. The trial utilised a dry crushing and screening process, where natural fines of less than 1mm were screened off using a piano wire screen. • Results showed that geologically modelled low grade material (50-55% Fe) could be upgraded to BSO with a 40% mass recovery to be used as a blendable product. Beneficiated ore is allocated to the Probable category.

Criteria	JORC Code Explanation	Commentary
		• Low grade material considered as feed material for the BSO Ore Reserve was won from within current planned pits and existing stockpiles. Further assessment of low grade material just outside planned pits and within regional mesas is ongoing. • Recovery factors used in the calculation of BSO product quantities were derived from the Beneficiation Study completed in the March quarter 2014. Resultant grades of iron and deleterious elements within the BSO product were derived from regressions determined during the Beneficiation Study.
Environmental	• *The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.*	• Mining approval, permitting and licensing were granted prior to the commencement of current operations. The applications and submissions relating to these permissions include environmental baseline surveys and impact assessments. A dedicated environmental department comprised of full-time employees of BC Iron undertake regular environmental monitoring and ensure all clearing and works permits are in place for new areas of disturbance.
Infrastructure	• *The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.*	• Current operations form part of the NJV (75% BC Iron, 25% Fortescue). The NJV includes an agreement signed with the Fortescue to allow the NJV to utilise Fortescue's infrastructure at Christmas Creek approximately 60km south of the mine, to rail its ore to Port Hedland for shipping. Infrastructure allocation is currently 6Mtpa (with 4.5Mtpa attributable to BC Iron).Existing onsite infrastructure (including accommodation village, fixed plant and haul roads) supports the current operation.

Criteria	JORC Code Explanation	Commentary
Costs	• *The derivation of, or assumptions made, regarding projected capital costs in the study.* • *The methodology used to estimate operating costs.* • *Allowances made for the content of deleterious elements.* • *The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co-products.* • *The source of exchange rates used in the study.* • *Derivation of transportation charges.* • *The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.* • *The allowances made for royalties payable, both Government and private.*	• Initial operating cost estimates were derived from first principles and formal tenders received from a range of third party suppliers. Cost estimates continue to be updated as new projects utilising competitive tenders are put to market. • Full allowance was made for product quality risk based on metallurgical test work and technical marketing. • Metal price and foreign exchange assumptions were based on the analysis of independent forecasts from a range of third party providers. • Transport costs were based on derived from formal tenders received from a range of third party suppliers and the infrastructure agreement signed as part of the NJV. • Full allowance was made for all Government and private royalties' payable. • Production cost data from the existing operation is monitored and reconciled on a monthly basis to ensure the project remains on budget.
Revenue factors	• *The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.* • *he derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.*	• All revenue factor assumptions are based on inputs from the current production plan, pricing received under the NJV and from other third party agreements which include penalty rates and payability factors. • Metal / product price and foreign exchange assumptions are based on the analysis of independent forecasts and ongoing in-house forecasting (allowing for acceptable risk).
Market assessment	• *The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.* • *A customer and competitor analysis along with the identification of likely market windows for the product.* • *Price and volume forecasts and the basis for these forecasts.* • *For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.*	• In-house and independent analysis of future commodity markets is undertaken on a periodic basis. • Studies to date, together with product volume and quality information / reconciliation from the current operation suggest that, at the time of reporting extraction could be reasonably justified for the life of the current mining plan. • The NJV product is named 'Bonnie Fines'. Bonnie Fines is marketed by Fortescue and continues to be well received by the market.

Criteria	JORC Code Explanation	Commentary
Economic	• *The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.* • *NPV ranges and sensitivity to variations in the significant assumptions and inputs.*	• Economic inputs to the Definitive Feasibility Study were based on fixed and variable cost pricing with relevant revenue assumptions. As operations have commenced, the economic model is updated on a regular basis for planning and reporting purposes and considers depreciation and inflation rates and tax calculations based on current accounting standards.
Social	• *The status of agreements with key stakeholders and matters leading to social licence to operate.*	• Contractual agreements with all key stakeholders are in place and active. Operations commenced in November 2010. These agreements include a mining agreement with the Palyku people and an infrastructure agreement with the Nyiaparli people.
Other	• *To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:* • *Any identified material naturally occurring risks.* • *The status of material legal agreements and marketing arrangements.* • *The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.*	• Operations commenced in November 2010. As part of the Definitive Feasibility Study and subsequent project financing, a risk register was developed to identify and control project risk (naturally occurring and otherwise). • All material legal, marketing and governmental approvals and arrangements are in place and current for the existing operations.
Classification	• *The basis for the classification of the Ore Reserves into varying confidence categories.* • *Whether the result appropriately reflects the Competent Person's view of the deposit.* • *The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).*	• The Ore Reserve classification is considered appropriate given the nature of the deposit, geological confidence, economic modelling and significant production reconciliation data. The Ore reserve classification appropriately reflects the Competent Person's view of the deposit. • None of the Probable Ore Reserve is derived from Measured Resources.

Criteria	JORC Code Explanation	Commentary
Audits or reviews	• *The results of any audits or reviews of Ore Reserve estimates.*	• A review of the initial Ore Reserve (prior to the commencement of operations) was undertaken by Coffey Mining in 2009. • No formal independent audit of the current Ore Reserves has been undertaken, however a number of internal reviews and audits have been undertaken.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.* • *It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	• The Ore Reserve estimate is considered robust in light of current production reconciliation data and estimation methods. No statistical analysis procedures have been applied. • The Ore Reserve report is a global assessment of the NJV based on the contracted infrastructure agreement with Fortescue (life of mine contract). • The accuracy and confidence limits are based on the current mine design and cut-off grade analysis employed in the technical and economic evaluation. The limits are considered robust and appropriate. • This DSO Ore Reserve estimate has been compared with production data. Those comparisons have resulted in the DSO mining recoveries in the Outcamp 2, Warrigal 3 & Warrigal 4 mesas being reduced to 80%, 65% & 65% respectively. These discrete areas have been identified as containing higher proportions of clay material.
Mineral Resource estimate for conversion to Ore Reserves	• *Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.* • *Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.*	• The Mineral Resource Estimate as at 30 June 2014 was used for the conversion of a portion of the Mineral Resource to Ore Reserve status. • The Mineral Resource Estimate reported is inclusive of the Ore Reserves.