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BC IRON LIMITED

FINANCIAL RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

- **Nullagine Joint Venture ("NJV") sales of 2.33M wmt (H1 2014: 3.14M wmt) at an average realised CFR price of US$64/dmt (H1 2014: US$119/dmt)**
- **Financial results impacted by clay-related production issues at NJV in August to October**
- **Revenue of $133.3M and net loss after tax of $96.3M**
- **Non-cash impairments of $100.2M (pre-tax) in relation to NJV mine property and inventory**
- **Underlying net loss after tax of $18.4M after adjusting for non-cash and one-off items**
- **Iron Ore Holdings acquisition completed – expanded BC Iron's balance sheet and capital structure, and provided attractive suite of Pilbara iron ore assets**
- **First revenue from Iron Valley, with Mineral Resources Limited shipping 0.79M dmt**
- **Solid balance sheet position at 31 December 2014 with net cash of approximately $70M**

BC Iron Limited (ASX: BCI) ("BC Iron" or the "Company") is pleased to report its financial results for the half-year ended 31 December 2014.

BC Iron Managing Director, Morgan Ball, said. *"It was a challenging half-year period for BC Iron with our financial results affected by both the soft iron ore price and clay-related production issues. However, we estimate that, notwithstanding the commodity price environment, BC Iron would have generated an underlying EBITDA for the period of approximately $5-15 million in a more typical operational half.*

"Importantly, the NJV has addressed the operational challenges and ramped back up to its nameplate 6Mtpa run-rate in November, and in the three months following this, BC Iron has generated operational cash flow in the order of $15 million. This highlights BC Iron's ability to operate profitably despite the challenging macro-economic outlook for the industry. BC Iron remains focused on operating the NJV in an efficient and productive manner, while continuing to build on the sustainable C1 cash cost savings of $2-3 per wmt that we have delivered to date.

"The acquisition of Iron Ore Holdings materially expanded BC Iron's asset and resource base with an attractive suite of long-life Pilbara iron ore projects. We have commenced assessing the Buckland Project feasibility study and it was pleasing to see Mineral Resources Limited commence operations at Iron Valley which will create a steady additional earnings stream for BC Iron."

Summary

The first half of FY2015 was challenging for BC Iron. The 62% Fe CFR China iron ore price continued to decline and averaged US$82 per dry metric tonne ("dmt"). BC Iron also experienced clay-related production issues at its key operating asset, the NJV, which affected production and costs. During the half-year the NJV shipped 2.33M wet metric tonnes ("wmt") (BC Iron's share: 1.83M wmt) at C1 cash costs of A$60 per wmt on a free on board ("FOB") basis. BC Iron's average realised CFR price was US$64 per dmt.

BC Iron recorded revenue of $133.3M, an EBITDA loss of $8.2M and net loss after tax of $96.3M for the half-year. After adjusting for non-cash and one-off items, the Company's underlying net loss after tax was $18.4M.[1]

BC Iron's net loss after tax includes non-cash impairments of $100.2M (pre-tax), comprising $99.7M in relation to BC Iron share of NJV mine property and $0.6M in relation to inventory. The impairments follow a review of the carrying value of assets as at 31 December 2014 and reflect the current outlook for the iron ore market.

As noted above, BC Iron's financial results for the period were materially impacted by operational challenges at the NJV, where additional clays were detected in discrete areas of certain orebodies at the NJV during the September 2014 quarter. The occurrence of these clays necessitated the implementation of various initiatives which resulted in both reduced production and increased costs during the August to October period. During this period, the NJV shipped 0.78M wmt (3.1Mtpa run-rate) or approximately four shipments below expectations, and realised an increased waste to ore ratio of 3:1 and a processing yield of approximately 80%. These figures are not reflective of typical steady-state operational figures generally experienced at the NJV, and resulted in fixed costs being spread over lower tonnages and an increase in unit mining and processing costs.

If tonnes shipped for the half-year had reflected a typical operational period, BC Iron expects that it would have generated an EBITDA of approximately $5-15M, primarily because incremental tonnes would have been more profitable and only incurred variable costs. This figure also assumes transaction costs associated with the acquisition of Iron Ore Holdings Limited ("IOH") of $7M are added back.

The NJV successfully ramped back up to steady-state operations during November 2014 and achieved sales of 1.03M wmt during November and December (6.2Mtpa run-rate) at a C1 cash cost of A$49 per wmt (FOB). Significant improvements in the waste to ore ratio (0.9:1) and processing yield (90%) were also achieved during this period. These improvements have been reflected in BC Iron's operating cash flow for the three months from November to January of approximately $15 million despite further falls in the iron ore price.

In light of BC Iron's half-year financial results and current market conditions, the Board has made the decision not to pay an interim dividend.

Key Metrics

Key metrics for the half-year ended 31 December 2014 are presented below, with comparisons to the previous corresponding half-year (31 December 2013 period).

Item	Half-year to 31 Dec 2014	Half-year to 31 Dec 2013
NJV shipments – 100% basis (M wmt)	2.33	3.14
NJV shipments – BC Iron share (M wmt)	1.84	2.46
Iron Valley shipments (M dmt)	0.79	n.a.
Average 62% Fe CFR price (US$/dmt)	82	134
Average realised CFR price for *Bonnie Fines* (US$/dmt)	64	119
Average Capesize freight rate to China (US$/wmt)	7.8	10.2
Average exchange rate (AUD:USD)	0.8908	0.9225
Revenue ($M)	133.3	301.0
EBITDA ($M)	(8.2)	119.2

[1] Refer to page 3 for the reconciliation between underlying and statutory net loss after tax.

Item	Half-year to 31 Dec 2014	Half-year to 31 Dec 2013
NPAT ($M)	(96.3)	69.6
Underlying NPAT ($M)[1]	(18.4)	67.8
Net cash inflow / (outflow) from operating activities ($M)	(34.0)	145.8
Cash balance ($M)	110.1	196.7
Debt outstanding ($M)	42.9	65.6
Dividend per share (cps)	-	17.0
Number of shares on issue	196,196,992	123,928,630
Shareholders' equity ($M)	221.2	244.6
Basic earnings per share (cps)	(62.7)	56.1
Return on equity (%)[2]	(43.5)%	27.7%

Notes:
1. Reconciliation between underlying NPAT and statutory NPAT is provided below.
2. Statutory NPAT for the six month period divided by shareholders' equity at period end date.

Underlying NPAT reconciles to statutory NPAT as follows:

	Half-year to 31 Dec 2014 $M	Half-year to 31 Dec 2013 $M
Underlying (loss) / profit after tax	(18.4)	67.8
Adjust for:		
• Unrealised foreign exchange (losses) / gains	(2.8)	1.8
• IOH transaction costs	(7.0)	-
• IOH gain on acquisition	4.6	-
• De-recognition of deferred tax assets	(2.6)	-
• Impairment of mining assets after tax effect	(70.1)	-
Statutory net profit after tax	(96.3)	69.6

As noted above, BC Iron's net loss after tax included impairments of $100.2M pre-tax, or $70.1M on a tax-effected basis.

It also includes accounting adjustments related to the acquisition of IOH. The fair value of assets acquired and liabilities assumed as part of this transaction was evaluated to be higher than the consideration paid, allowing BC Iron to recognise a $4.6M gain on acquisition. During the half-year, BC Iron also incurred direct transaction costs of $7.0M related to the IOH acquisition.

The IOH acquisition also resulted in an additional 71.9 million shares being issued and net cash of $24.3M being acquired by BC Iron, which is before the direct transaction costs noted above.

Outlook

NJV

The NJV continues to operate at its nameplate capacity after ramping back up to a 6Mtpa run-rate during November 2014. BC Iron reaffirms NJV sales guidance for FY15 of 5.2-5.6M wmt. Cost guidance for the December 2014 to June 2015 period is also reaffirmed at A$47-51 per wmt (FOB) for NJV C1 cash costs and A$54-61 per wmt (FOB) for BC Iron all-in cash costs. All-in cash costs include C1 cash costs plus royalties, marketing and corporate costs.

BC Iron continues to focus on efficient operation of the NJV and sustainable cost reductions. Key catalysts for further cost reductions include the award of a discrete contract for the Warrigal hub (tender process underway) and assessment of the other main contracts in the second half of calendar year 2015.

Preliminary submissions for the Warrigal hub mining and crushing & screening tender have been encouraging and award of the contract is expected to deliver further cost savings relative to the operation's current cost guidance.

Iron Valley

Iron Valley is expected to continue generating positive EBITDA for the Company. The project's operator, Mineral Resources Limited ("MIN"), is currently evaluating a range of initiatives that have the potential to increase the price received by BC Iron from MIN and also increase production rates. These initiatives include beneficiation of the Iron Valley product and construction of an innovative bulk ore transport system ("BOTS") from Iron Valley to Port Hedland.

Buckland Project

The Buckland Project provides a long term, low capital intensity mine to port development project. In light of the current macro-economic environment, BC Iron is evaluating a number of overall development options with a view to updating the current Feasibility Study and engaging with potential Project partners. The BOTS currently being evaluated by MIN for Iron Valley also has the potential to be applied to the Buckland Project and will be considered as part of this process. The Company is also making strong progress in finalising the development and construction approvals for its proposed Cape Preston East transhipment port.

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FOR FURTHER INFORMATION:

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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.

ABOUT BC IRON LIMITED

BC Iron is an iron ore mining and development company with key assets in the Pilbara region of Western Australia, including the Nullagine Joint Venture (NJV), Buckland and Iron Valley. BC Iron is listed on the ASX under the code 'BCI' and is a member of the S&P/ASX 200 Index.

The NJV is an unincorporated 75:25 joint venture with Fortescue Metals Group Limited, which commenced exports in February 2011. The NJV utilises Fortescue's infrastructure at Christmas Creek, 50km south of the Nullagine mine, to rail up to 6Mtpa of ore to Port Hedland from where it is shipped directly to customers overseas.

Buckland is a development project located in the West Pilbara region. It has Ore Reserves of 134.3 Mt at 57.6% Fe, a completed and announced feasibility study, its own proposed infrastructure solution comprising a haul road and transhipment port at Cape Preston East, and all primary tenure and licences secured. BC Iron is currently evaluating all options to determine the optimal development and financing path for Buckland.

Iron Valley is a mine with Ore Reserves of 134.7 Mt at 58.5% Fe that was developed and is being operated by Mineral Resources Limited under an iron ore sale agreement.

BC Iron also has an interest in a number of other earlier stage projects in the Pilbara and royalties over the Koodaideri South and North Marillana tenements.

KEY STATISTICS

Shares on issue:	196.2 million	
Cash and cash equivalents:	$110.1 million	as at 31 December 2014
Board:	Tony Kiernan	Chairman and Non-Executive Director
	Morgan Ball	Managing Director
	Andy Haslam	Non-Executive Director
	Brian O'Donnell	Non-Executive Director
	Terry Ransted	Non-Executive Director
	Anthea Bird	Company Secretary
	Hayley McNamara	Company Secretary
Major shareholders:	Wroxby Pty Ltd	19.0%

Website: www.bciron.com.au