

## HIGHLIGHTS

### **NULLAGINE IRON ORE JOINT VENTURE (“NIOJV” or “JV”) (BC Iron 50% : Fortescue Metals Group 50%)**

#### **Iron Ore Production & Shipments**

- ~600,000 tonnes of product mined during FY10/11
- 253,157 tonnes of product shipped during FY10/11 and a total of ~390,000 tonnes will have been shipped by end July 2011
- Tonnes mined and dressed increasing month by month

#### **Iron Ore Production & Shipment Targets**

- NIOJV forecast to increase mining and haulage rates to 3Mtpa during 1H FY11/12
- Production capacity forecast to increase to 5Mtpa during 2H FY11/12
- ~ 3.5Mt to be shipped in FY 11/12

#### **Operations**

- Private haul road construction now in final stages with haul road surface completion by late-August and bitumen surfacing in September/October
- Haulage rates of over 7,000t per day achieved in July 2011 with expectation to increase to greater than 10,000t per day once the haul road surface is complete in August
- Ore Processing Facility at Christmas Creek currently under construction and expected to be fully operational in November 2011

## **CORPORATE**

- Termination of Scheme Implementation Agreement proposed by Regent Pacific after Independent Expert’s Report stated not in best interests of BC Iron shareholders
- Board and management focused on expansion of BC Iron’s development portfolio through extensive exploration program and acquisition opportunities
- Cash position of circa \$17.5m at 30 June 2011 (including share of JV funds)

## OVERVIEW

BC Iron Nullagine Pty Ltd, a wholly owned subsidiary of BC Iron Limited (“BC Iron” or the Company”), is the Operator and Manager of the Nullagine Iron Ore Joint Venture, a 50:50 JV with Fortescue Metals Group Limited (“Fortescue”).

Despite extreme rainfall events during the quarter, BC Iron continued to progress with operations including improvement in mining production rates, crushing and screening rates (name plate levels achieved) and haulage rates as well as further development of the private haul road construction.

Following the JV’s first ore shipment to China from Fortescue’s Herb Elliott Port, Port Hedland in February 2011, BC Iron shipped during the June quarter a total of 215,148 Wet Metric Tonnes (“WMT”) of *Bonnie Fines* Direct Shipping Ore (“DSO”) from the Nullagine Iron Ore Project (“NIOP”).

On 18 April 2011, Elders of the Palyku People, Jonathon Ball of BC Iron and the Honourable Ken Baston MLC officially opened the Nullagine Iron Ore Project.

During the quarter, the Scheme Implementation Agreement proposed by Regent Pacific Group was terminated following an Independent Expert’s Report recommending that the proposed offer was neither fair nor reasonable and not in the best interests of BC Iron shareholders.

In the upcoming September 2011 quarter, BC Iron will focus on completing the construction of the private haul road and increasing the production rate towards the 3Mpta target to be achieved during H1 FY11/12. BC Iron management and the Board are also continuing to focus on expansion of the Company’s development portfolio through a strong exploration programme whilst considering a number of live acquisition opportunities.



Figure 1: First *Bonnie Fines* ore on ship – Feb ‘11

## OPERATIONS

### Mining & Crushing

During mid-June 2011, BC Iron provided a production update emphasising that mine production is achieving target tonnes and grades using the Wirtgen surface miners which are performing at better than expected rates with lower than expected wear rates on cutting tools. The crushing and screening circuit has been fully commissioned and is performing at design specifications.

Mining rates continued to improve during the quarter, with rates of 800t per hour regularly achieved. Surface miners have not experienced any significant issues with availability consistently around the 65% to 75% range, as expected. Production rates continue to be higher than expected, and tool wear is lower than expected.

Mining, crushing and screening rates continue to improve with 351,397t mined during the quarter. The crushing and screening plant achieved name plate capacity (700t/h) and at times achieved instantaneous rates of 900t/h.

The amount of ore dressed has been steadily increasing with a best monthly crushing figure achieved to date for June 2011 of 170,523 tonnes on a single shift.

Mine production (ROM) and haulage as at 30 June 2011:

Table 1: June 2011 Quarter Production Figures

Production Rates	Total Q4 (t)	Total FY10/11 (t)
DSO mined	351,397	593,450
DSO hauled to OPF	267,516	330,577
DSO railed to Port Hedland	226,517	272,353
DSO exported	215,148	253,157
DSO Test Pit (mined 1H FY09/10)	N/A	56,000
Low Grade Stocks (>54% Fe)	46,589	65,000

Table 1 demonstrates that mining and processing are performing well. Haulage of the product has been adversely affected by extreme rainfall events and delay of the completion of the private haul road. Further discussion on this and detail on construction progress is provided below.

### Haul Road Construction & Haulage

Ore haulage is to be via a private 55km bitumen haul road between the Nullagine Iron Ore Project and Fortescue's Christmas Creek Ore Processing Facility ("OPF") where the ore is loaded onto trains for rail haulage to port for export.

#### *Haul Road Construction*

Construction of the road has been adversely affected by rainfall (and by construction delays) which characterised much of Northern Australia over the summer months and unseasonal rain during June and into July. In the six months to 30 June 2011, Bonney Downs Station experienced 354mm of rain compared to 80mm for the same period in 2010. While 2010 was a particularly dry year, the 2011 rainfall is 41% above the average for the period (Bureau of Meteorology mean of 252mm).

Construction of the road to sub-grade (dirt) standard is expected to be completed in late-August allowing for an immediate step change in haulage rates. During late September and early October 2011, a bitumen surface will be added to the road which will facilitate lower operating costs and reduce downtime due to weather. The break between completion of the sub-grade and the bitumen surfacing will allow for final engineering assessment of the road under full load.

#### *Ore Haulage to Christmas Creek OPF*

From January to April 2011, product haulage was carried out via public roads resulting in a daily haulage of up to 3,000t over a distance of 120km. During May 2011, construction of the private haul road was sufficiently complete to allow 'haulage under construction' which halved the haulage distance. Further, in late May, approvals were granted to operate 110t payload triple road trains (up from 75t payload) on the private haul road where it crosses the public Hillside Road, a shire road. The shortened distance and the change to loads of 110t per truck allowed higher daily rates to be achieved notwithstanding weather and construction logistics. During June, an average of ~4,000t per day was achieved and recently rates of over 7,000t per day have been achieved.

As construction of the private haul road nears completion during the next quarter, haulage rates will continue to increase progressively with rates varying on a daily basis due to construction logistics. Once the initial dirt road surface is completed, daily haulage rates of greater than 10,000t per day will be possible, as the haulage trucks will have uninterrupted access to the road. However, the bitumen surfacing over September/October (2 to 3 week duration) will cause a temporary reduction of haulage rates.

Three PowerTrans road trains (~360t payload) are on site and these are expected to commence haulage on the private haul road after the sub-grade is completed in late-August. BC Iron and Toll Global Resources (formerly Mitchells) plan to have a total of eight PowerTrans road trains on site by early CY2012.

During the first quarter of FY2012, haulage will move to double shifts to clear the stocks at the NIOP. Mining and then processing operations will progressively move to double shifts soon afterwards to align mining and processing rates with haulage rates.

#### *Rail Haulage and Port Services*

Fortescue provide rail haulage and port services to the JV through its wholly owned subsidiary, The Pilbara Infrastructure Pty Ltd ("TPI") from the OPF at Fortescue's Christmas Creek operation.

The Fortescue outload facilities at Christmas Creek are currently under construction. Fortescue have advised that the reclaimer is expected to be commissioned during October and will be fully operational in November. Until that time, Fortescue have advised the JV

that delays in train loading and therefore shipping may be experienced as TPI move from a temporary stockpile and loading facility to the permanent stockpile at the reclaimer site.

In early 2011, Fortescue confirmed to the JV that it could ramp up production to >3Mtpa and accordingly, the JV requested Toll to bring the delivery of the 360t pit haulers forward with the eighth unit now slated for operation in early CY2012. At this point, throughput will be approximately 5Mtpa with exports for the FY2012 expected to be circa 3.5Mt.

### **Marketing**

Iron ore sales for the June 2011 quarter were 215,148 WMT. Pleasingly, both iron grades and deleterious element grades were in line with the specifications expected. All sales proceeds were received in cash within the quarter other than the last shipment of the quarter (~40,000 WMT). Advice from end users of *Bonnie Fines* is that the product is being well accepted by customers.

### **Official Mine Opening Ceremony**

On 18 April 2011, BC Iron and Fortescue hosted an official Mine Opening Ceremony at the Nullagine Iron Ore Project including Honourable Ken Baston MLC, Member for Mining and Pastoral, Barry Haase MP, Federal Member for Durack, representatives from the local Palyku, Irrungadji and Nyiyaparli people, senior staff from Fortescue and the media to recognise the importance of this achievement.

BC Iron would like to thank everyone involved with the Company and the Project, particularly our joint venture partner, Fortescue, and our major contractors: Watpac, Toll Global Resources, Precision Catering and Complete Portables.

### **Environment**

During June 2011, a Northern Quoll trapping programme was implemented. The Northern Quoll Management Plan was established by BC Iron in order to gauge the influence of mining related activities on the Northern Quoll which has significant conservation status.

### **Archaeological and Heritage Surveys**

Following consultation with the Palyku Aboriginal claimants, BC Iron submitted Section 18 notices to the Department of Indigenous Affairs covering heritage sites within areas at the Warrigal mesas. The Section 18 approval will allow appropriate removal of the heritage material ahead of mining-related activities, with the salvaged material relocated to a dedicated storage facility sanctioned by the Palyku People.

### **Community**

BC Iron is continuing its engagement with communities in the Pilbara and key centres including Marble Bar, Newman and Port Hedland. In early July, BC Iron sponsored Race 5 at the Marble Bar Cup, "The BC IronClad Stakes" through its association with the Marble Bar Turf Club.

### **Exploration and Resource Development**

During the September quarter, the Company will commence further resource definition drilling at the NIOP to increase confidence levels of existing Inferred Resources at the Bonnie East Prospect.

### **Bungaroo Project – Western Pilbara (BC Iron 100%)**

Heritage surveys at the Bungaroo Creek Project were completed during the quarter. Exploration drilling is expected to commence during the September quarter.

## **CORPORATE**

### **Regent Pacific Group**

In January 2011, BC Iron received a cash offer from Regent Pacific to acquire all of the outstanding BC Iron shares for \$3.30 per share by way of a Scheme of Arrangement. In March 2011, prior to the Scheme Booklet and Independent Expert's Report being distributed to shareholders, the Company received written notification from Regent Pacific seeking to terminate the Scheme Implementation Agreement ("SIA") following its Board's decision to withdraw its recommendation in support of the Scheme.

BC Iron then applied to the Takeovers Panel to challenge the validity of Regent Pacific's purported termination of the SIA. The Takeovers Panel ruled 'unacceptable circumstances' in response to BC Iron's application and ordered that Regent Pacific could not terminate the agreement and Regent Pacific reinstated its bid.

On 11 May 2011, BC Iron terminated the SIA following receipt of a report by independent expert, KPMG Corporate Finance (Aust) Pty Ltd ("KPMG"), which concluded that the offer was not fair and not reasonable and therefore not in the best interests of shareholders. On 17 May 2011, a summary of the Independent Expert's Report was released to the market in which KPMG provided an assessment valuing BC Iron between \$3.80 and \$4.13 per share, compared to Regent Pacific's offer of \$3.30.

### **Board Resignation**

On 17 May 2011, Steven Chadwick resigned as a director on the Board of BC Iron following his relocation to Canada due to work commitments. As a founding director, the Board would like to thank Mr Chadwick for his invaluable contribution to the Company's progress and development and wish him well with his future endeavours.

### **Cash Position**

As at 30 June 2011, the Company had \$17.5m in cash (including its share of JV funds).

**- ENDS -**

**Mike Young**  
**Managing Director**  
**BC Iron Limited**

**Morgan Ball**  
**CFO/Company Secretary**  
**BC Iron Limited**



## 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, a 50/50 joint venture with Fortescue Metals Group Limited. The JV uses Fortescue's infrastructure at Christmas Creek, 50km south of the Mine, to rail its ore to Port Hedland from where it is shipped direct to customers overseas. Mining commenced in November 2010 and first ore on ship occurred in February 2011 - just over four years from listing on the ASX.

### Key Statistics

<b>Shares on Issue:</b>	94.4 million	
<b>Cash &amp; equivalents:</b>	30 June 2011	~\$17.5m
<b>Board and Management:</b>	Tony Kiernan	Chairman & Non-Executive Director
	Mike Young	Managing Director
	Terry Ransted	Non-Executive Director
	Glenn Baldwin	Non-Executive Director
	David Coyne	Alternate Non-Executive Director
	Morgan Ball	CFO & Company Secretary
<b>Major Shareholders:</b>	Consolidated Minerals:	24.1%
	Regent Pacific Group:	22.8%

### **Qualifying Statement**

*This release may include forward-looking statements. These forward-looking statements are based on BC Iron's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of BC Iron Limited, which could cause actual results to differ materially from such statements. BC Iron Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.*

### **JORC Competent Persons Statement**

*The information that relates to the drilling data and geological interpretations is based on information compiled by Michael Young who is a Member of The Australian Institute of Geoscientists and a Director of the Company.*

*The information that relates to the Mineral Resource Estimate at Outcamp, Warrigal Well, and Coongan Well has been compiled by Mr Richard Gaze who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Golder Associates. Both Mr Young and Mr Gaze have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gaze and Mr Young consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.*

*The information that relates to the Mineral Resource Estimate at Bonnie East and Shaw River have been compiled by Mr Greg Hudson who is a member of the Australian Institute of Geologists and an employee of BC Iron, and Mr Mike Young who is a member of the Australian Institute of Geologists and an employee BC*

Iron. Mr Young has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hudson and Mr Young consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

The information that relates to the Ore Reserve has been compiled by Mr Blair Duncan who is an employee of the Company and a member of the Australasian Institute of Mining and Metallurgy, and Mr Pieter Doelman who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Coffey Mining Pty Ltd. Both Mr Duncan and Mr Doelman have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Duncan and Mr Doelman consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

**June 30, 2010 Ore Reserve Estimate – Nullagine Iron Ore Project (BCI 50%, FMG 50%)**

Area	Probable Ore						
	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	P	S	LOI <sub>1000</sub>
<b>OUTCAMP WELL</b>	19.2	56.8	1.9	3.2	0.01	0.01	12.2
<b>COONGAN WELL</b>	6.0	57.0	1.8	2.5	0.01	0.01	12.4
<b>WARRIGAL WELL</b>	10.3	57.0	2.1	3.7	0.02	0.01	11.7
<b>TOTAL</b>	<b>35.6</b>	<b>56.9</b>	<b>2.0</b>	<b>3.2</b>	<b>0.02</b>	<b>0.01</b>	<b>12.1</b>

**June 30, 2010 Total CID Resource Estimate – Nullagine Project (BCI 50%, FMG 50%)**

Resource Class	Mt	Fe	CaFe	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	P	S	LOI <sub>1000</sub>
<b>Measured</b>	2.2	54.5	62.1	3.65	4.94	0.018	0.017	12.1
<b>Indicated</b>	68.8	54.0	61.8	3.08	4.48	0.017	0.011	12.7
<b>Inferred</b>	30.7	54.4	61.8	3.54	4.63	0.016	0.060	11.8
<b>TOTAL CID</b>	<b>101.7</b>	<b>54.1</b>	<b>61.8</b>	<b>3.23</b>	<b>4.54</b>	<b>0.017</b>	<b>0.026</b>	<b>12.4</b>

**June 30, 2010 Total DSO Resource Estimate – Nullagine Project (BCI 50%, FMG 50%)**

Resource Class	Mt	Fe	CaFe	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	P	S	LOI <sub>1000</sub>
<b>Measured</b>	1.7	57.0	64.8	2.15	3.49	0.018	0.016	12.0
<b>Indicated</b>	38.6	57.0	64.7	2.09	3.15	0.016	0.011	12.0
<b>Inferred</b>	10.4	57.0	64.8	2.00	3.27	0.013	0.010	12.1
<b>TOTAL DSO</b>	<b>50.7</b>	<b>57.0</b>	<b>64.8</b>	<b>2.07</b>	<b>3.19</b>	<b>0.015</b>	<b>0.011</b>	<b>12.0</b>

**Notes:**

- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- DSO (Direct Shipping Ore) is a subset of the CID (Channel Iron Deposit)
- Calcined Fe (CaFe) = Fe / (100-LOI) \* 10
- LOI measured at 1000°C
- Mbcm – million bank cubic metres
- W:O – waste to ore ratio