

BC IRON FORMS IRON ORE STRATEGIC ALLIANCE IN BRAZIL

- **Strategic Alliance formed between Cleveland Mining Company Ltd and BC Iron Limited to acquire and co-develop new iron ore projects in Brazil**
 - **BC Iron to take 5% cornerstone ownership of Cleveland Mining Company Ltd**
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BC Iron Limited (**ASX:BCI**) ("**BC Iron**") is pleased to announce that it has entered into an Iron Ore Strategic Alliance with Cleveland Mining Company Ltd (**ASX: CDG**) ("**Cleveland**"), an emerging Brazilian iron ore development company. Under the terms of the Alliance, BC Iron is taking a 5% equity stake in Cleveland for approximately \$6 million. BC Iron and Cleveland will form a 50:50 joint venture aimed at acquiring and developing new iron ore projects in Brazil.

BC Iron continues to maintain a strong focus on growing its Pilbara operations in line with its three tiered growth strategy. As the third tier of its growth strategy, this development provides BC Iron with the opportunity to enter the Brazilian iron ore space without the long lead time needed to 'come up to speed' in a new jurisdiction, and at a relatively low cost.

Cornerstone Shareholding

BC Iron will take a 5% interest in Cleveland Mining Company Ltd through a placement at ~A\$0.64 per share.

As part of the placement, and subject to it maintaining a 5% holding and regulatory approvals, BCI will have top up rights for two (2) years enabling it to participate in any new offerings so it can maintain its percentage interest.

Brazilian Joint Venture

BC Iron's prime focus to date has been on the development and ramp-up of the Nullagine Joint Venture in the Pilbara Region of Western Australia which successfully reached its 5Mtpa production rate in May 2012. Similarly, Cleveland has been focussed on its current project hubs and therefore has not been in a position to date to assess other iron ore project opportunities. With this Alliance, both companies are now able to more quickly advance their growth plans.

Cleveland and BC Iron will form an incorporated 50:50 joint venture which will seek to acquire and develop iron ore projects in Brazil, utilising their respective expertise and operating histories. The Alliance provides BC Iron with an entry into the Brazilian iron ore space with a company experienced in operating in Brazil and with quality people in-country, with BC Iron also providing further technical and operational support.

Cleveland has a very capable and proven management team and Board, most of whom were on the Fortescue team which discovered and developed the Chichester Project. Furthermore, Cleveland Non-Executive Director, Russell Scrimshaw, worked closely with BC Iron during and after the establishment of the Nullagine Joint Venture (BCI 50%: FMG 50%). With its strong presence and experience in Brazil, the Brazilian Joint Venture is well positioned to efficiently fast-track the potential development of iron ore projects, a number of which are already under consideration.

The existing projects in Cleveland's Amapá Hub, including the Ferradura Iron Project, will not at this stage form part of the Alliance.

BC Iron's continued focus on its Nullagine iron ore project and the new JV with Cleveland is consistent with BC Iron's growth strategy of:

- Maximising the iron ore resources at the existing Nullagine Joint Venture;
- Expanding the footprint of the BC Iron – Fortescue JV in the Pilbara; and
- Establishing strategic global exploration and development partnerships in known iron ore jurisdictions.

Managing Director of BC Iron, Mike Young, said, *"This new Joint Venture will allow BC Iron to enter a new country and new market with key people, relationships and their intellectual property already in place. The nature and size of the transaction is entirely consistent with our stated Business Development strategy."*

"Brazil has a vibrant iron ore industry including a domestic market, a very skilled and able workforce and geology that is very prospective for further discoveries. In fact, where I see a mature iron ore industry in Australia with limited infrastructure availability, in Brazil I see a growing industry in a growing country."

The Managing Director of Cleveland, David Mendelawitz said that the partnership between Cleveland and BC Iron has great potential. *"BC Iron has successfully built a 5 million tonnes per annum Joint Venture operation, with Fortescue, in the Pilbara in rapid time. They have the leadership, experience and financial strength that make for an excellent JV partner,"* said Mendelawitz.

"Cleveland is conducting a scoping study on the Ferradura project, in order to build its own 5 million tonnes per annum operation in Amapá state in Brazil. The collaboration with BC Iron will allow the Company to drive its growth plans beyond Ferradura without delay, whilst providing BC Iron with exposure to the amazing potential of Brazil."

"Most of Cleveland's Board and many of our managers have previously worked with the management of BC Iron in the past and we look forward to resuming the relationship."

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FOR FURTHER INFORMATION:

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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, a 50/50 joint venture with Fortescue Metals Group Limited. The JV 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 the JV exported ~3.55Mt of iron ore during FY2012. As of May 2012, the JV is operating at its nameplate production rate of 5Mtpa.

The Company is now set to move into the next phase of development through measured consideration of business development opportunities.

BC Iron - Key Statistics

Shares on Issue:	103.9million	
Cash & equivalents:	30 June 2012	\$92.8M
Board:	Tony Kiernan	Chairman & Non-Executive Director
	Mike Young	Managing Director
	Morgan Ball	Finance Director
	Terry Ransted	Non-Executive Director
	Andy Haslam	Non-Executive Director
	Malcolm McComas	Non-Executive Director
	Jamie Gibson	Non-Executive Director
	Linda Edge	Company Secretary
Major Shareholders:	Consolidated Minerals	23.9%
	Regent Pacific Group	23.1%
	Henghou Industries	10.2%

Website: www.bciron.com.au

About Cleveland Mining

Cleveland Mining is an Australian-managed, publicly-listed minerals company, squarely focused on developing projects to owner-operate. Cleveland has three distinct project hubs:

- The Crixás Hub, Goiás State, central Brazil. Projects: The Premier Gold Mine JV, O Capitão, Baú, Guarinhos, Pantera – Gold-focused;
- The Amapá Hub, Amapá State, northern Brazil. Projects: Ferradura, Porto Grande and Lebre – Iron ore-focused; and
- The Canela Hub, central Chile. A small portfolio of projects between La Serena and Santiago – Gold/Copper-focused.

The Company's most advanced project is the Premier Gold Project, which is currently being commissioned for mining. Cleveland also has promising exploration results for projects in all three hubs. Cleveland has a different approach to project selection, with project economics driving target selection. Geological prospects, local costs and infrastructure are rigorously scrutinised before entering into a project. Projects are chosen according to their potential to generate returns at the bottom of the economic cycle, with Cleveland only operating in areas backed by legislation and government that can provide stable and transparent operating environments.