

CHAIRMAN'S STATEMENT TO THE 2012 AGM

The last financial year was an excellent one for BC Iron, with a substantial increase in sales and in both operating and after tax profit.

Revenue for the year was \$205M (which compares to the previous year of \$19M). Earnings before interest, tax and depreciation (EBITDA) was \$69M with an after-tax profit for the Company of \$50.6M (which compared with the previous year's \$980,000). Earnings per share were 48.7 cents and the Company paid a fully franked dividend of 15 cents per share; a payout ratio of 31% of NPAT.

In relation to the dividend, it was exceptionally high, reflecting the Board's view that shareholders must be able to participate in the earnings of the Company other than by way of increased share price. I can assure you it gave the Board considerable pleasure in declaring a 15 cent fully franked dividend.

The Nullagine Joint Venture (which is 50:50 BCI and FMG) mined and exported 3.6M tonnes and in May 2012 achieved the run rate of 5MTpa.

During the year the JV resources were increased by 10M tonnes by including the Bonnie East Ore Reserve, taking the JV reserves to 41M tonnes, which extends the life of the JV to over 9 years.

In relation to the reserves, I should make it clear that further exploration on site continues.

At the same time as enjoying excellent financial and operating results, we have been able to keep the capital structure of the Company fairly tight, with only some 104M shares on issue.

I think by any test it is fair to say that it was a very good year, and substantial credit needs to go to the operating team on site and in the Perth office. Credit also needs to go to the finance team which, in conjunction with Operations, has closely monitored the very important operating costs.

As a producer and seller of iron ore, we are a price taker and really only have the ability to control the quality of our unique product, our production schedule and operating and administration costs.

Obviously a point of discussion is the outlook for iron ore prices, and I am not about to join the long line of experts waxing lyrical on these. Suffice to say that the Board acknowledges the volatility in iron ore pricing and addresses its balance sheet and financials on that basis. Notwithstanding my desire not to join the long line of experts, it is fair to say that we anticipate the CFR 62% pricing to trade within the range of \$110 to \$130 per tonne in the short to medium term.

The engine room of BC Iron is clearly its operations on site, and substantial credit must go to that team ably led by Site Manager John McCarthy.

The executive management team of Mike Young, Morgan Ball and Blair Duncan, has done an excellent job of leading the Company through the year and will no doubt continue to do so.

I think it is also appropriate to commend the Board on the direction in which it has taken the Company and also its discipline in maintaining consistency of that direction.

Again to shareholders, thank you for your support during the year and we look forward to that continuing.

I will now move to the business of the meeting, and following that Mike will make a presentation at which time shareholders will be more than welcome to ask questions on the Company or business generally.

Shareholders of course are welcome to ask questions on the various resolutions as we move through these.

Tony Kiernan
Chairman

20 November 2012