



ASX RELEASE - 28 APRIL 2014

BC IRON DELIVERS SOLID QUARTER OF SALES, MAINTAINS FY14 GUIDANCE

- 1.22M wmt shipped by the NJV for the quarter (BC Iron share 0.76M wmt)
- NJV sales guidance of 5.8 to 6.2M wmt maintained for FY14
- Mining leases granted over Warrigal 1 and 2 and Bonnie East deposits
- Project Inventory evaluation continues after low grade trial and sale of blended product
- Alliance with Cleveland Mining commences exploration drilling in Brazil
- First half FY14 financial results released, including a record half-year NPAT of \$70.3M
- Cash of \$148.6M after dividend payment of \$21.1M

BC Iron Limited (ASX: BCI) ('BC Iron' or the 'Company') is pleased to present shareholders with the Company's quarterly activities report for the period ended 31 March 2014.

The Nullagine Joint Venture ('NJV') completed a solid quarter of sales with 1.22M wet metric tonnes ('wmt') of *Bonnie Fines* shipped, exceeding wet season guidance of 1.13M wmt (4.5Mtpa run rate).

January experienced the fourth heaviest rainfall recorded for that month in more than 100 years at the nearby Bonney Downs weather station, as the area was impacted by Tropical Cyclone Christine and other material rainfall events. Rainfall in February and March was below average, which allowed the NJV to catch up from the periods of downtime experienced in January.

The wet weather affected load & haul activities, which had flow-on effects to the short term mine schedule and resulted in increased mining of waste compared to budget. Consequently, ore mined of 0.95M dmt was lower than wet season guidance rates. However, the total material mined target was achieved and waste to ore ratios improved as the quarter progressed. Material from existing stockpiles provided supplemental crusher feed and total ore crushed for the quarter was 1.05M wmt.

Project Inventory progressed during the quarter, with the low grade beneficiation trial completed. Approximately 30,000 wmt of beneficiated product was blended with DSO and exported at *Bonnie Fines* specifications. A detailed evaluation of the trial is now underway, with the completion of all activities required to revise the NJV's reserves and mine plan anticipated in mid-2014.

Commenting on the quarter, Managing Director Morgan Ball said: "*the NJV met the challenges of an extremely wet January well to record strong March quarter sales of 1.22M wmt.*"

"*We were also pleased our alliance with Cleveland commenced drilling in Brazil,*" Mr Ball added. "*Greenfields exploration provides BC Iron with the potential for a longer term growth option to complement the shorter term focus of seeking to extend the NJV mine life through Project Inventory.*"

BC IRON LIMITED

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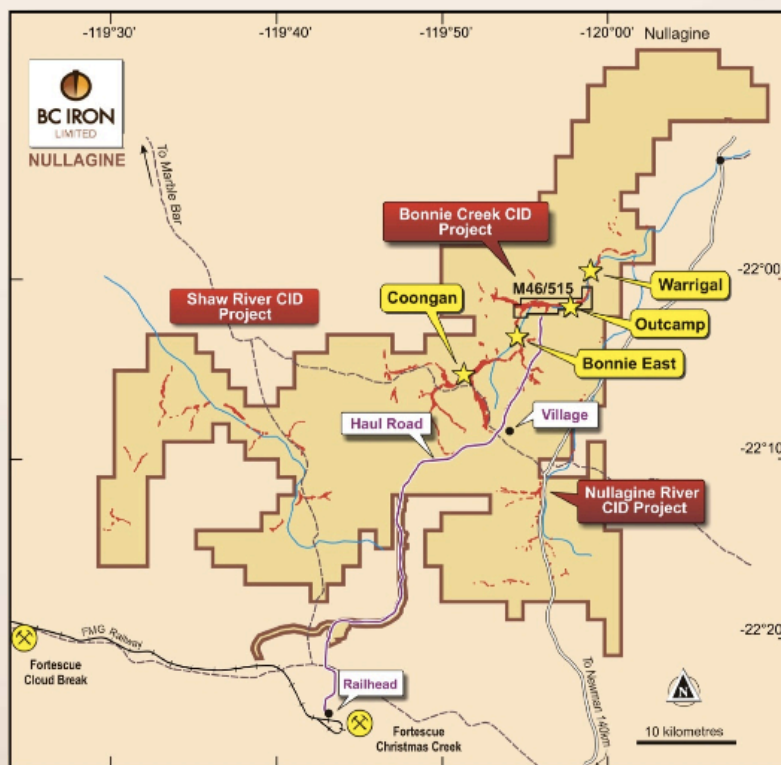


1. NULLAGINE JOINT VENTURE ('NJV') – OPERATIONS

Summary Results

BC Iron Nullagine Pty Ltd, a wholly owned subsidiary of BC Iron, is the operator and manager of the NJV, a 75:25 unincorporated joint venture with Fortescue Metals Group Limited ('Fortescue'). The project is located approximately 140km north of Newman in the East Pilbara region of Western Australia.

Figure 1: Nullagine JV Location Map



Key operational statistics for the quarter were as follows (Tables 1 and 2):

TABLE 1: ORE PRODUCTION, HAULAGE & SHIPPING

	Mar Quarter 2014 (Mt)	Dec Quarter 2013 (Mt)	Variance Q-o-Q (%)	Mar Quarter 2013 (Mt)	Variance Y-o-Y (%)	FY14 YTD (Mt)
Ore Mined (dry)	0.95	1.36	(30)%	1.21	(22)%	3.92
Crushed (wet)	1.05	1.37	(23)%	1.26	(17)%	4.08
Hauled (wet)	1.09	1.61	(32)%	1.18	(7)%	4.38
Railed (wet)	1.08	1.58	(32)%	1.13	(4)%	4.34
Shipped (wet)	1.22	1.52	(20)%	1.12	9%	4.36



TABLE 2: STOCKPILE INVENTORY

	Mar Quarter '14 (kt wet)	Dec Quarter '13 (kt wet)
ROM ¹	136	290
MOC Product ² (<i>Site</i>)	73	24
RLF Product ³ (<i>Christmas Creek</i>)	71	79
Port	50	188
Low-grade Stocks (<i>Site</i>)	4,328	3,164

- Notes:
1. Run of Mine ('ROM').
 2. MOC Product – material treated and stockpiled ready for road haulage at Mine Operations Centre.
 3. RLF Product – material ready for rail haulage at the Rail Loadout Facility at Christmas Creek.

Mining, Crushing and Screening

The NJV's mining, crushing and screening rates for the quarter were:

- 0.95M dry metric tonnes ('dmt') of ore mined and hauled to the ROM pad;
- 1.05M wmt of ROM crushed (ROM includes both Direct Shipping Ore ('DSO') and low-grade ore ('LG') that is blended to achieve the required export specifications); and
- 1.16M wmt of LG added to stockpiles, which is net of LG treated in the Project Inventory beneficiation trial (refer to Section 2 below).

Mining continued at Outcamp 2, Warrigal 3 and Warrigal 4 during the quarter. Ore mined was lower than wet season guidance rates, despite total material mined being in line with expectations. The high rainfall in January hindered ore movements from the pits as the rubber tyred load & haul fleet had difficulty working safely on the wet benches. However, the track mounted surface mining equipment continued to operate on available uncut benches that contained increased levels of waste. This contributed to higher waste to ore ratios during this period and also impacted on the short term mine schedule by increasing the relative proportion of waste exposed in the pits.

An additional Vermeer 1655 surface miner was mobilised to site to rapidly work through the waste and increase availability of exposed ore. Waste to ore ratios averaged 2.6:1 for the period and improved as the quarter progressed.

Material from the existing ROM stockpiles supplemented ore mined as crusher feed, particularly in the early part of the quarter when low levels of ore were being transported from the pit. Consequently, ore crushed was higher than ore mined. The additional surface miner will also assist in rebuilding ROM stockpiles to desired levels in coming months.



As part of ongoing mine plan optimisation, BC Iron conducted a review of alternative overburden removal methods. To date, the NJV has mined deposits with minimal overburden, but will move into deposits with increased overburden as mining progresses. Following this review and a subsequent tender process, BC Iron awarded a discrete overburden removal contract to Viento Group.

Commencing in the current quarter, Viento Group will remove approximately 250,000 cubic metres of overburden from Outcamp 3 via the dozer ripping method. This will be completed at a significantly reduced cost and in a shorter timeframe compared to surface mining, and also allow surface miners to focus on other active deposits. In addition, this exercise has confirmed the potential for larger overburden removal campaigns at Bonnie East and Coongan in future years to be completed at reduced cost and in a shorter timeframe, via either dozer ripping or drill and blast, when compared to utilising surface miners.

Road Haulage

Road haulage takes place via a private 58km bitumen haul road from the NJV mine site to Fortescue's Christmas Creek Rail Loadout Facility ('RLF') where the ore is loaded onto trains for rail haulage to Port Hedland (Figure 1 above). Haulage activity for the quarter totalled 1.09M wmt.

The NJV's primary haulage contractor, Toll Mining Services, is in the process of adding a fifth trailer to the Powertrans Pit Hauler rigs, which will increase the payload from 360t to 400t.

Rail Haulage and Port Services

The Pilbara Infrastructure, a wholly owned subsidiary of Fortescue, provides contract rail haulage and port services to the NJV from the Christmas Creek RLF to the Herb Elliott Port in Port Hedland. During the quarter, the NJV railed 1.08M wmt of ore.

Shipping

The NJV exceeded wet season guidance rates and shipped 1.22M wmt of *Bonnie Fines* product during the quarter on seven cape size vessels. Shipping was able to outperform other aspects of the NJV operations because of the large product stockpile at port at the end of December as a result of Tropical Cyclone Christine delaying a shipment.

BC Iron's share of tonnes shipped for the quarter was 0.76M wmt, which equals 62% of NJV tonnes shipped. This is effectively a reversal of the previous quarter, where BC Iron's share was 85%. Due to logistics planning and off-take commitments, BC Iron's share will not always exactly reflect 75% of NJV output on a quarterly basis, although it will on an annual basis. For FY14 to date, BC Iron's share of tonnes shipped was 3.22M wmt or 74% of the NJV total of 4.36M wmt.

Operating Costs

Following completion of the rail and port prepayment during the previous quarter, BC Iron will report NJV C1 cash costs going forward. The NJV's free on board C1 cash operating costs ('C1 cash costs') for the March quarter were approximately A\$54 per wmt shipped. C1 cash costs were above the FY14 guidance range as a result of increased waste to ore ratios and fixed costs being absorbed over a lower production base due to the wet season.

BC Iron reaffirms the NJV's C1 cash cost guidance for FY14 of between \$46 and \$50 per wmt, with costs expected to be at the upper end of the range.

C1 cash costs exclude royalties, marketing and corporate costs.



Marketing

As was widely anticipated, the Platts 62% Fe, CFR North China price ('Platts Price') decreased this quarter to an average of US\$120 per dmt. The average CFR sales price achieved for BC Iron's share of *Bonnie Fines* was US\$106 per dmt for the current quarter, which was adjusted to US\$102 per dmt after recognising pricing adjustments from shipments delivered in the December 2013 quarter.

BC Iron's received price was impacted by an increased proportion of sales under the Henghou offtake agreement (which attracts a pre-agreed discount) and the application of a small discount for two uncommitted shipments in March, reflecting softness in the iron ore market.

BC Iron senior management visited China in March to meet with Henghou and key end-users of *Bonnie Fines*. Demand for *Bonnie Fines* continues to be strong and customers remain satisfied with its characteristics and performance.

BC Iron continues to monitor the market and notes that iron ore prices have stabilised in a range of US\$110 to US\$120 per dmt subsequent to the quarter end.

Payments to Fortescue under the price participation agreement were made in respect of January and February, as the Platts CFR62 price averaged more than US\$120 per dmt in those months. This arrangement was introduced as part of the transaction to acquire an additional 25% NJV interest from Fortescue and remains in place until 30 September 2014.

FY14 Outlook & Guidance

BC Iron reaffirms the NJV sales guidance of between 5.8 and 6.2M wmt of DSO. The NJV's mine planning generally allows for the operation to run at a rate of up to 6.5Mtpa for nine months of the year, and at 4.5Mtpa for three months of the year during the March quarter to reflect the Pilbara wet season.

As indicated above, C1 cash cost guidance is also reaffirmed for the NJV and BC Iron, with costs expected to be at the upper end of the ranges quoted:

- NJV C1 cash costs - between \$46 and \$50 per wmt;
- BC Iron C1 cash costs - between \$40 and \$44 per wmt (lower than NJV C1 cash costs due to the impact of the rail and port prepayment during FY14).

BC Iron capital expenditure guidance is lowered from \$20M to \$15M due to the deferral of certain expenditure until FY15, including resealing the NJV's private haul road and completing grade control drilling at Bonnie East.

For the half-year ended 31 December 2013, BC Iron reported sales of 2.46M wmt (78% of total NJV sales), which translated into revenue of \$301 million and net profit after tax of \$70 million. BC Iron's sales in the second half of FY14 will be lower due to the impact of the wet season and a realignment of BC Iron's FY14 share of sales to 75% of total NJV sales. In addition, iron ore prices have declined relative to the first half. Therefore, BC Iron anticipates its revenue and profits will be lower in the second half of FY14 compared to the first half.



2. NJV – RESOURCE DEVELOPMENT AND EXPLORATION

Resource Development

The current grade control drilling programme was completed at Bonnie East and grade control drilling was also undertaken at Outcamp 2, 4 and 5 and Warrigal 3. Grade control drilling is due to commence at Warrigal 1 and Warrigal 2 during the current quarter and further grade control drilling at the southern end of Bonnie East is planned for later in the dry season.

Project Inventory

Project Inventory is the study assessing mine life extensions at the NJV operation. Work continues to focus on the potential to beneficiate low-grade material.

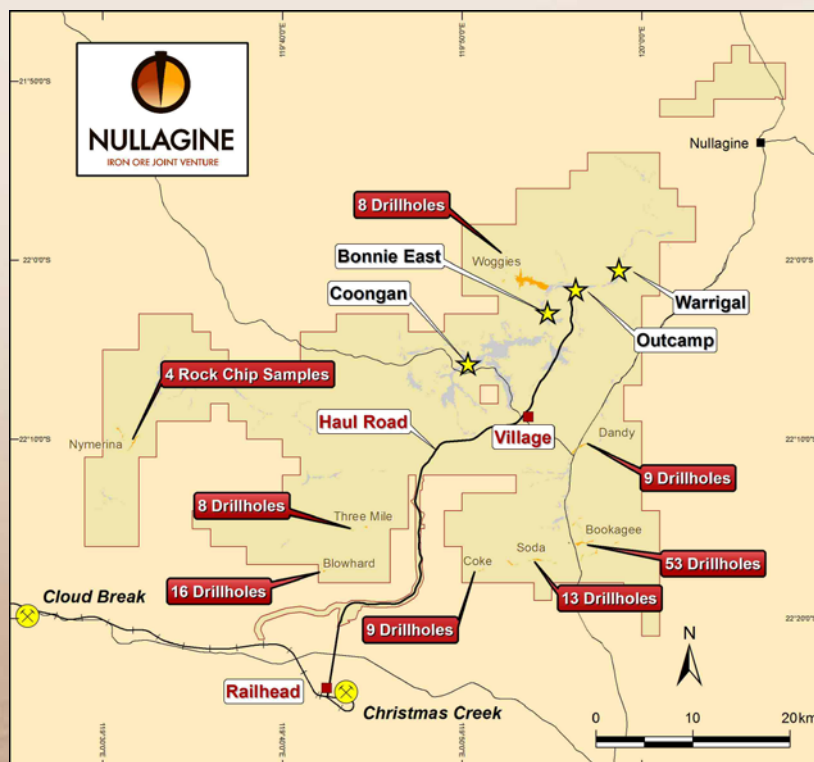
During the quarter, BC Iron completed a beneficiation trial, producing approximately 30,000 wmt of beneficiated product at a similar specification to *Bonnie Fines*. The product was transported as a discrete parcel to the Christmas Creek RLF, where it was blended with *Bonnie Fines*, railed to Port Hedland and then exported to China. The blended product was at *Bonnie Fines* specifications. A detailed evaluation of the trial is now underway, along with consideration of alternatives and review of the NJV's reserves and mine plan. It is anticipated these activities will be completed in mid-2014.

Exploration

Exploration RC drilling was undertaken at seven prospects, with 116 holes drilled and 1,197 metres being sampled. The drilling concentrated on the southern part of the NJV tenure.

Rock chip sampling continued with four samples taken from Nymerina, a mesa in the Shaw River Project area.

Figure 2: Drilling and Rock Chip Sampling Locations

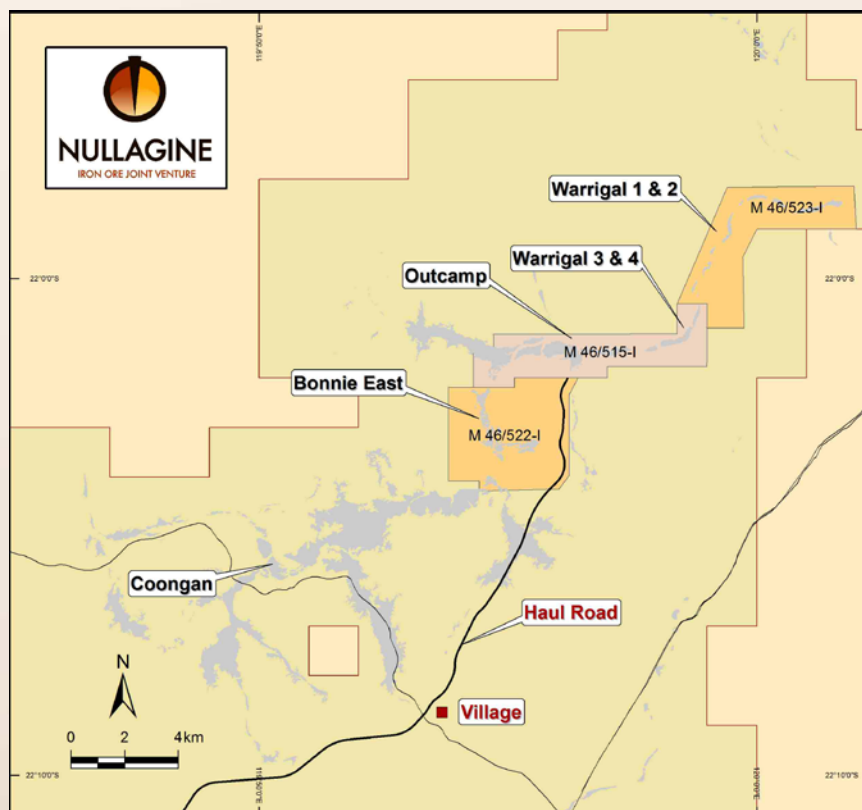




Tenements

Mining leases covering Warrigal 1 and Warrigal 2 (M46/523) and Bonnie East (M46/522) were granted during the quarter, well ahead of intended mining at those deposits. The NJV now has mining leases granted over all deposits in the current mine plan except Coongan, which will be applied for closer to the start of operations at that deposit.

Figure 3: Mining Leases



3. NJV – SUSTAINABILITY

Occupational Health & Safety

One lost time injury was recorded during the quarter, as a result of an eye complaint. The contractor has since returned to full-time duties. As at the end of March 2014, the rolling 12 month lost time injury frequency rate was 3.0 (December 2013: 2.1).

Environment

The Federal Department of the Environment approved the proposal to mine within the new mining leases at Warrigal 1, Warrigal 2 and Bonnie East in accordance with Part 9 of the Environment Protection and Biodiversity Conservation Act.



Native Title and Heritage

Following grant of the new Mining Leases, section 18 applications in relation to Warrigal 1 and Warrigal 2 (M46/523) and Bonnie East (M46/522) have been submitted to the Department of Aboriginal Affairs for assessment by the Aboriginal Cultural Materials Committee. Approvals are expected during Q4 FY14.

Community

BC Iron continues to partner with local stakeholder communities and recently worked with staff and students at the Nullagine Primary School to establish an improved vegetable garden facility within the school grounds. This facility will provide fresh produce to the school as well as input into the health and nutrition component of the school's curriculum.

4. BRAZIL – EXPLORATION

An Alliance between BC Iron and Cleveland Mining Company Ltd (ASX: CDG) ('Cleveland') is earning up to an 80% interest in a number of iron ore exploration projects in the Brazilian states of Bahia and Minas Gerais. The Alliance is targeting itabirite mineralisation ranging from 30-45% Fe that is easily beneficiated to a higher grade product.

The Alliance commenced an RC drilling programme at the Bahia projects during the quarter, with 430 metres drilled in nine holes at the Silvestre, Riacho and Caetite prospects. Further drilling is planned at Caetite and potentially Riacho in the current quarter. Following completion of the Bahia drilling, the Alliance intends to undertake a small RC drilling programme at the Minas Novas project in Minas Gerais.

Figure 4: Bahia Tenure





The goal of the current drilling programme is to test known occurrences of iron mineralisation for thickness, grade and continuity, prioritise targets for future work, conduct preliminary metallurgical evaluation and also meet the initial exploration commitments of the earn-in arrangements.

To date, the drilling programme is generating reasonable intersections of itabirite mineralisation.

Assays are currently outstanding and further information will be released following completion of the current phase.

Figure 5: Drilling at Bahia



Following completion of the initial exploration commitments, the Alliance can earn an initial 10% interest in the two joint ventures (Bahia projects and Minas Novas) by making a vendor payment of US\$2M (BCI share US\$1M) in respect of each. Subsequent earn-in stages involve further exploration, evaluation and development commitments, as well as additional vendor payments.

5. CORPORATE

Business Development

The NJV operation remains BC Iron's key focus. The Company also continues to assess a range of growth opportunities in a disciplined manner, both in the Pilbara and other iron ore jurisdictions.

Interim Results and Dividend

During the quarter, BC Iron released its financial results for the half-year ended 31 December 2013. The Company achieved record exports for a half-year period of 2.46M wmt as well as record operating cash flow of \$146.7M and record net profit after tax ('NPAT') of \$70.3M.

BC Iron declared and paid an interim dividend of 17 cents per share, fully franked. The interim dividend totalled \$21.1M and equated to an interim payout ratio of 30% of NPAT. BC Iron also provided dividend guidance of 30-50% of NPAT on an annual basis, subject to board discretion.

Cash and Debt Position

Cash as at 31 March 2014 was \$148.6M. Total debt outstanding was \$64.9M (unaudited), comprising US\$10M outstanding for the Henghou Facility and US\$50M for the Term Loan Facility.



Cash Flows

The Company's cash balance decreased by \$48.1M during the quarter to \$148.6M.

A net operating cash outflow of \$21.0M (pre-tax, unaudited) was recorded, which was driven primarily by:

- BC Iron paying its 75% share of NJV operating costs despite the share of sales for the quarter being 62% (this effect will balance out over an entire financial year);
- Revenue of \$22.9M not being received in relation to two shipments in late March; and
- Increased unit operating costs associated with increased waste to ore ratios.

BC Iron also made a payment of \$21.1M relating to the FY14 interim dividend of 17 cents per share, and an additional tax payment in respect of FY13 of \$1.9M.

- ENDS -

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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:	124.0 million	
Cash & Equivalents:	\$148.6 million	as at 31 March 2014
Board:	Tony Kiernan	Chairman & 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:	Tribeca Investments	6.3%
	National Australia Bank	6.1%
	Australian Super	6.1%
	BlackRock Group	5.0%



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 the forward-looking statements made in this release to reflect events after the date of this release.