



OPERATIONS UPDATE

BC Iron Limited (“BC Iron” or “the Company”) (ASX:BCI) wishes to provide an update in relation to the Nullagine Joint Venture (“NJV”), a 75:25 joint venture between BC Iron and Fortescue Metals Group Limited (“Fortescue”).

As advised in BC Iron’s June 2014 quarterly activities report, the NJV operation has expanded its footprint as scheduled, with additional clays detected in some ore from new mesas, in particular Outcamp 2 and Warrigal 3. The ore with higher clay content is potentially “sticky” (particularly if moisture is added to the product) and to ensure optimal product quality and ore handling characteristics, the NJV elected to stockpile a portion of this ore for later blending and/or processing.

Further to this, during the current quarter BC Iron has commenced a number of initiatives to better anticipate and manage product quality and performance. These initiatives include:

- Procedural changes to geology mark-ups and selective mining of the mesas where these particular clays have been detected;
- Scheduling tighter-spaced grade control drilling and associated geological analysis at these mesas, to facilitate increased selectivity and efficiency in mining;
- Changing the screens at the NJV’s crushing & screening plants to produce a coarser product;
- Re-screening lower grade DSO product (55-56% Fe) to remove ultra-fine material below 2mm; and
- Expediting the opening of new mining faces, to assist with management of product through blending.

Whilst these initiatives are being implemented, BC Iron has agreed with joint venture partner Fortescue, to reduce the rate of production and haulage from the NJV. This has partially coincided with a planned maintenance shutdown of the reclaimer at Fortescue’s Christmas Creek rail loadout facility.

As a result of these operational decisions, BC Iron anticipates that NJV sales for the September 2014 quarter will be three ships (approximately 500,000 wet metric tonnes (“wmt”)) below expectations. As the NJV operation is set up to operate at a sprint capacity of 6.5Mtpa, it is expected that the implementation of these initiatives will enable the catching-up of at least two of the delayed NJV shipments during the last three quarters of FY15. Therefore, BC Iron maintains NJV sales guidance for FY15 of between 5.8 and 6.2M wmt.

The Company is currently considering any impact of the new initiatives outlined above on its C1 cash costs guidance of A\$49 - 53 per wmt for FY15 and will advise the market if there is a material change.

BC Iron will continue to keep the market updated as further information becomes available.

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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, 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:	124.3 million	
Cash & Equivalents:	\$158.9 million	as at 30 June 2014
Board:	Tony Kiernan	Chairman and 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:	National Australia Bank	6.1%
	AustralianSuper	6.1%
	AMP Limited	5.1%
	BlackRock Group	5.0%

Website: www.bcion.com.au