

## HIGHLIGHTS

### NULLAGINE IRON ORE JOINT VENTURE

#### Project Development

- Mining approvals granted for Stages 1, 2 and 3 of the NIOJV
- Full and continuous tenure granted from mine site to rail head
- First mining commenced at Outcamp Deposit at end of October
- Ore haulage via public roads to Christmas Creek commenced in December
- NIOJV has commenced building the stockpile at Christmas Creek
- Heritage s.18 approval for Stage 3 Haul Road has now been received

#### Iron Ore Production Targets

- First Ore on train during Q1 2011 from Christmas Creek
- First Ore on ship during Q1 2011 and on track for 1Mt by 30 June 2011
- 3Mtpa to be shipped from 30 June 2011
- Production capacity expected to increase to 5Mtpa by 30 June 2012

#### Corporate

- Cash Offer of \$3.30 per share for all outstanding BC Iron shares from Regent Pacific Group valuing fully diluted equity in BC Iron at approximately \$345m
- BC Iron Board unanimously recommends shareholders to vote in favour subject to a superior proposal and independent expert report from KPMG
- \$18.4m equity placement with existing and new institutions at \$2.30 per share
- Strong financial position with approximately A\$39.6m in cash at 31 December 2010

BC IRON LIMITED

ABN 21 120 646 924

ASX Code: BCI  
Shares On Issue: 83.9m  
Listed: 15 December 2006

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## OVERVIEW

During the December Quarter, BC Iron continued to make significant progress with the Nullagine Iron Ore Joint Venture (“NIOJV”) Project. Key operational milestones included completion of mining approvals, mining start-up, continuation of haul road construction and commencement of ore haulage to Fortescue’s Christmas Creek operation via public roads.

An equity placement was also completed to raise an additional \$18.4m with sophisticated and institutional investors at \$2.30 per share for working capital and contingency purposes.

In January 2011, BC Iron received a cash offer from Regent Pacific to acquire all of the outstanding BC Iron shares not already owned by 19.9% shareholder Regent Pacific for \$3.30 per share by way of a Scheme of Arrangement. BC Iron Directors will unanimously recommend that BC Iron shareholders vote in favour of the Scheme in the absence of a superior proposal and an Independent Expert concluding that the Scheme is in the best interests of shareholders.

In the upcoming March 2011 Quarter, BC Iron will concentrate on completing construction of the private haul road and ramping up mining activities in anticipation of first shipment of ore as part of the NIOJV objective to deliver 1 million tonnes of iron ore by 30 June 2011.

## NULLAGINE IRON ORE JOINT VENTURE (BC Iron 50%, Fortescue Metals Group 50%)

### Exploration

A helicopter supported diamond core drilling program commenced during the Quarter at Shaw River CID Project where approximately 13 holes are being drilled at the Kelly-Ann, Emu and Gap Prospects. This program will complete the drilling of the exposed mesas at Shaw River.

Core will be logged and sampled during the March 2011 quarter.

### Mineral Resources and Ore Reserves as of December 31 2010

The total Ore Reserves for the Project comprise 36Mt at 57% Fe. The total Mineral Resource of the Channel Iron Deposits (“CID”) at Nullagine comprises 101.7Mt at 54.1% Fe; the Direct Shipping Ore (“DSO”) component of this material comprises 51Mt at 57% Fe.

The Mineral Resources have been increased by 12.5Mt through the addition of the mineralised CID and DSO from the Shaw River Project following a re-assessment of the previously defined Exploration Targets in this area.

Detailed resource tables and JORC Code competent persons’ statements are attached to this report.

### Project Development

#### *Mining Approvals*

The final approvals have ensured that continuous mining tenure has been secured between the Project mining areas and Fortescue Metals Group’s (“Fortescue”) rail head at the Christmas Creek Ore Processing Facility (“OPF”).

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The Project approval process has been split into three stages including Stage 1 (Mining Lease and Northern Haul Road), Stage 2 (Central Haul Road) and Stage 3 (Southern Haul Road). The approvals comprise of the Project Management Plan, Mining Proposals and the Clearing Permits.

In October, the Department of Mines and Petroleum (“DMP”) granted the required Clearing Permits and Mining Proposals for Stages 2 and 3 at the NIOJV Project (refer diagram below). Approval was received for the Project Management Plan for all three Stages in August 2010.

#### *Mining and Crushing Operations*

Mining at the NIOJV Project commenced in October, which is in addition to the 66,000 tonnes of test pit ore already produced on site. Initial mining included 5,000 tonnes (“t”) of low-grade material to be used as sheeting for the base of the NIOJV Project stockpile located at Fortescue’s Christmas Creek operation.

The NIOJV Project’s Mining and Crushing contractor (“Watpac Ltd”) commenced mining at the Outcamp Deposit during November using a single Wirtgen surface miner. The second surface miner arrived in late November and both are now mining at the Outcamp Deposit. The two surface miners are fully commissioned enabling the NIOJV Project to mine at a rate of up to 9,000 tonnes per day on a single shift basis. The Striker crushing and screening plant was delivered to site and commissioned in December initially operating at a rate of circa 6,400 tonnes per day on a single shift basis and has begun wet commissioning works with mined ore.

#### *Haul Road Construction*

In October, BC Iron’s site-based project management team finalised an upgraded haul road design that will ensure that the road will carry the requisite haul truck loads for the life of mine. Geotechnical surveys along the haul road corridor have not discovered sufficient quantities of suitable material for the base coarse so this material is now being sourced from mine waste at the northern and southern ends of the haul road (i.e. BC Iron’s Outcamp site and Fortescue’s Vasse Pit at Christmas Creek) and hauled along the road.

The re-design and subsequent change to the haul road construction schedule is due to approvals being received later than expected and unforeseen delays in the heritage process. This has resulted in capital expenditure increasing from the previous estimate of \$52m to circa \$62m. However, the adjusted start to mining will result in a decrease in the estimated working capital required from \$20m to circa \$10m. Therefore, forecast project expenditure remains between \$70m and \$75m.

BC Iron split the haul road construction into three sections to expedite approvals and this has allowed construction to commence within the earliest possible timeframe:

Stage 1: Mine site to Hillside Road (0km to 15km);

Stage 2: Hillside Road to Native Title Boundary (15km to 35km); and

Stage 3: Native Title Boundary to Christmas Creek Ore Processing Facility (35km to 56km).

Within Stage 3, the road intersects three important thresholds, the Fortescue mining leases (40km mark), the Cloud Break Access Road (48 km mark) upon which short term haulage will occur and the OPF Stockpile and turning loop (56km).

Construction of the private haul road continues at various stages along the alignment with base course pavement being laid out to the 20km mark. Sub-grade pavement construction and installation of culverts is occurring from both the north and southern ends between 20 and 35km and between 46 and 50km. Earthworks are continuing on the 35km to 46km section. Apart from a small section of alignment still awaiting clearing, all other clearing requirements for the road are complete.

#### *Ore Haulage and First Shipment*

In December, ore haulage commenced via the public Marble Bar-Newman road to Fortescue's Ore Processing Facility at Christmas Creek using triple-wagon road trains (77t capacity), a distance of approximately 120km. Haulage via the private haul road will commence in March once an appropriate base is completed capable of carrying the PowerTrans haul trucks (360 t capacity). Haulage on the private haul road will shorten the haulage distance to 55km and reduce the risk of delays due to public road closures in wet weather.

Once adequate stockpiles are created at Fortescue's Herb Elliott Port, the first shipments of ore will be loaded and exported. The NIOJV expects to commence exports during the first quarter of 2011 and remains on track to have shipped 1 million tonnes of iron ore by 30 June 2011.

#### *Village & Mine Operations Centre*

On 9 July, approval was granted by the Shire of East Pilbara for the development of the Mine Operation Centre. Construction commenced during November 2010 and is expected to be completed mid during February 2011.

On 20 July, approval was granted by the Shire of East Pilbara for expansion of the Exploration Camp from 60 to 120 persons with further approval being received to increase this figure to 150 persons on 22 September. During the September Quarter, construction of the second stage of the Nullagine accommodation village was completed. The village is now fully operational and houses up to 150 BC Iron employees and contractors.

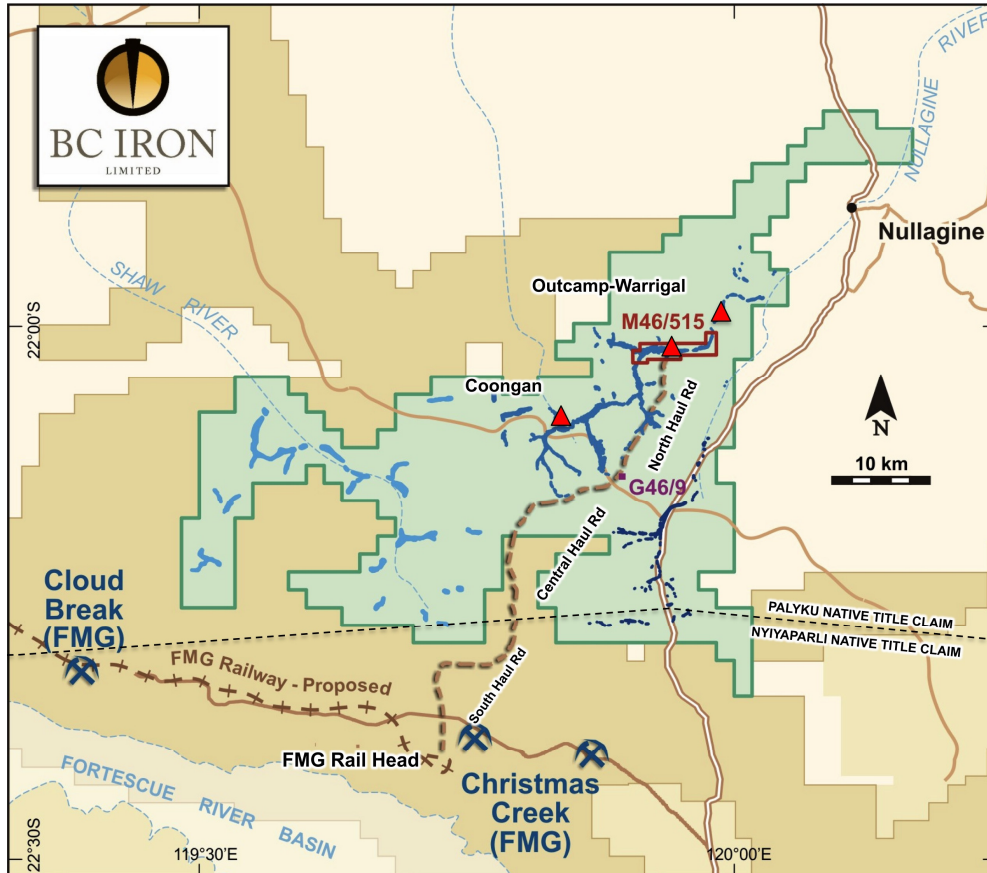
The Camp will be expanded to 180 persons by end January 2011.

#### **Archaeological and Heritage Surveys**

As well as the Native Title Agreement that provides for the grant of mining tenure, mining companies in Western Australia must also carry out archaeological and heritage surveys to identify artefact sites with a view to avoiding disturbance wherever possible. These surveys are done in consultation with the Native Title Traditional Owners. Sites where disturbance cannot be avoided are recorded and salvaged under the WA Department of Indigenous Affairs Ministerial Approval process known as a "Section 18" before they can be disturbed.

In December, the WA Department of Indigenous Affairs approved the NIOJV's final Section 18 application allowing use of the land for Stage 3 haul road construction following approval for Stages 1 and 2 (Mining Lease and Central Haul Road) during the September Quarter. This allows for salvage and storage of artefacts from heritage sites along the road route if required. This was the final major State Approval required for completion of the Haul Road on the southern portion of the route.

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**Tenement Map showing Mining Lease, Proposed Haul Road & Native Title Boundaries**

### **Iron Ore Production Targets**

The NIOJV Project remains on track to ship one million tonnes by 30 June 2011 and has confirmed a production rate of 3Mtpa. This will increase to 5Mtpa once Fortescue's infrastructure capacity increases to over 65Mtpa which is expected by 30 June 2012.

### **CORPORATE**

#### **Board Recommendation to accept Regent Pacific Cash Offer for BC Iron**

On 21 January, BC Iron announced the proposed acquisition of all the outstanding BC Iron shares not already owned by 19.9% shareholder Regent Pacific by way of a Scheme of Arrangement.

Under the Offer, which is subject to BC Iron shareholders approving the Scheme at a meeting to be convened by the Court, BC Iron shareholders will receive consideration of A\$3.30 cash for each BC Iron share they own at the appropriate record date valuing the fully diluted equity in BC Iron at approximately A\$345m.

Following careful consideration, the BC Iron Board has unanimously recommended shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the opinion of Independent Expert KPMG concluding that the Scheme is in the best interests of BC Iron shareholders.

BC Iron shareholders have the opportunity to crystallise immediate value now with the certainty of cash at a time of elevated iron ore prices while the Offer price represents an all time high price for BC Iron shares and is well above Enterprise Value / Reserve Tonne multiples within the peer group.

The Offer extends to any BC Iron shares that are issued as a result of the exercise of BC Iron options before the record date for the Scheme. Regent Pacific will also make separate offers to acquire all outstanding BC Iron Options by way of either an Option Acquisition Agreement or Option Consideration Agreement ("Option Offer") for a consideration of \$3.30 in cash less the exercise price of the respective BC Iron Option.

A Scheme Booklet detailing the Offer, the reasons for BC Iron Directors supporting the Offer in the absence of a superior proposal and subject to the opinion of an Independent Expert, together with a copy of the Independent Expert Report, will be mailed to shareholders with the notice convening the meeting at which shareholders will be able to vote on the Offer.

None of BC Iron's material contracts, including its joint venture with Fortescue Metals Group Limited and associated infrastructure arrangements, nor iron ore sales agreements, will be affected by the change of control of BC Iron resulting from implementation of the Scheme.

Likewise, BC Iron's Native Title claimant agreements and other Heritage Agreements and commitments to Aboriginal People in the area will continue as before.

### **Equity Placement**

In November, BC Iron announced an equity placement with sophisticated and institutional investors raising gross proceeds of \$18.4 million shares by issuing 8 million shares at \$2.30 per share. The issue price under the Placement represented a 3.45% discount to the volume weighted average price ("VWAP") for the previous five day period of trading on ASX.

The Placement was divided equally into two tranches and the second tranche was completed following shareholder approval at an Extraordinary General Meeting on 17 December.

The funds raised under the Placement are to be used for working capital and available for contingency purposes in the event of weather delays and further development of the NIOJV Project.

### **Cash Position**

As at 31 December 2010, BC Iron had A\$39.6 million in cash (including its share of JV funds).

- ENDS -

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

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

**Released by:**  
**David Tasker / James Harris**  
**Professional Public Relations**  
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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 WA. The Company's core asset is the Nullagine Iron Ore Project, a 50/50 joint venture with Fortescue Metals Group Limited. The JV is using Fortescue's infrastructure at Christmas Creek, 50km south of the Mine, to rail its ore to Port Hedland from where it will be shipped to customers overseas. Mining commenced in November 2010 and first ore on ship is expected in the first quarter of 2011 - just over four years from listing on the ASX. The Company plans to export 1 Mt by June 2011 at which point BC Iron will be mining at a throughput rate of 3Mtpa. This rate is expected to increase to 5Mtpa from 1 July 2012.

### **Key Statistics**

**Shares on Issue:** 92.5 million

**Cash & equivalents:** 31 December 2010 ~\$39.6m

**Board and Management:**

Tony Kiernan	Chairman & Non-Executive Director
Mike Young	Managing Director
Terry Ransted	Non-Executive Director
Steven Chadwick	Non-Executive Director
Glenn Baldwin	Non-Executive Director
David Coyne	Alternate Non-Executive Director to G Baldwin
Morgan Ball	Chief Financial Officer & Company Secretary
Blair Duncan	Chief Operating Officer

**Major Shareholders:**

Consolidated Minerals:	21.1%
Regent Pacific Group:	19.9%

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**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.*



**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>

**Total CID Resource Estimate – Nullagine Project**

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>

**Total DSO Resource Estimate – Nullagine Project**

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

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