



ASX RELEASE - 22 OCTOBER 2012

HIGHLIGHTS

BC Iron (**ASX: BCI**) achieved a number of significant milestones during the quarter including the release of a strong FY12 financial result with NPAT of \$51 million and the declaration of a maiden fully franked annual dividend of 15 cents per share. Mining and exports continue on budget and, during the quarter, total Nullagine Joint Venture exports passed 5 million tonnes since our first iron ore exports in February 2011. BC Iron also entered into a strategic alliance with Cleveland Mining Limited to acquire and develop new iron ore projects in Brazil.

CORPORATE

- EBITDA of **\$68.8M** for FY12
- NPAT of **\$50.6M** for FY12
- Operating cashflow of **\$88.9M** for FY12
- Maiden fully franked annual dividend of **\$0.15** per share and a payout ratio of 31%
- Strategic alliance formed with Cleveland Mining Company Ltd (ASX: CDG) to acquire and co-develop new iron ore projects in Brazil
- A 5% cornerstone equity investment made in Cleveland Mining Company Ltd
- Cash on hand of **\$81M** on 30 September 2012

OPERATIONS

Nullagine Iron Ore Joint Venture ("**NJV**")

- 1.1Mt mined for the quarter
- 1.2M wmt exported for the quarter
- To date, over 5M wmt exported from the project since February 2011
- Final upgrade to crushing plant completed
- Average sales price realised for the quarter of ~US\$95/dmt CFR
- C1 cash operating costs for quarter of ~\$45 per tonne

EXPLORATION & RESOURCE DEVELOPMENT

- Ore Reserves of 41Mt grading 57.1% Fe (64.9% CaFe) – a net increase of 10Mt for FY12
- Updated CID Mineral Resource of 108.7Mt grading 54.1% Fe (61.7% CaFe)
- Mining study underway to investigate extension of NJV mine life beyond 9 years

BC IRON LIMITED

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ASX Code: BCI

Listed: 15 December 2006

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1. OPERATIONS

Summary Results - Nullagine Joint Venture (BC Iron - 50%, Fortescue Metals Group - 50%)

BC Iron Nullagine Pty Ltd, a wholly owned subsidiary of BC Iron, is the operator and manager of the Nullagine Iron Ore Joint Venture, a 50:50 JV with Fortescue Metals Group Limited. The project is located approximately 140km north of Newman in the East Pilbara region of Western Australia.

Production and shipments for the September quarter were as follows (Tables 1 and 2):

TABLE 1: ORE PRODUCTION, HAULAGE & SHIPPING

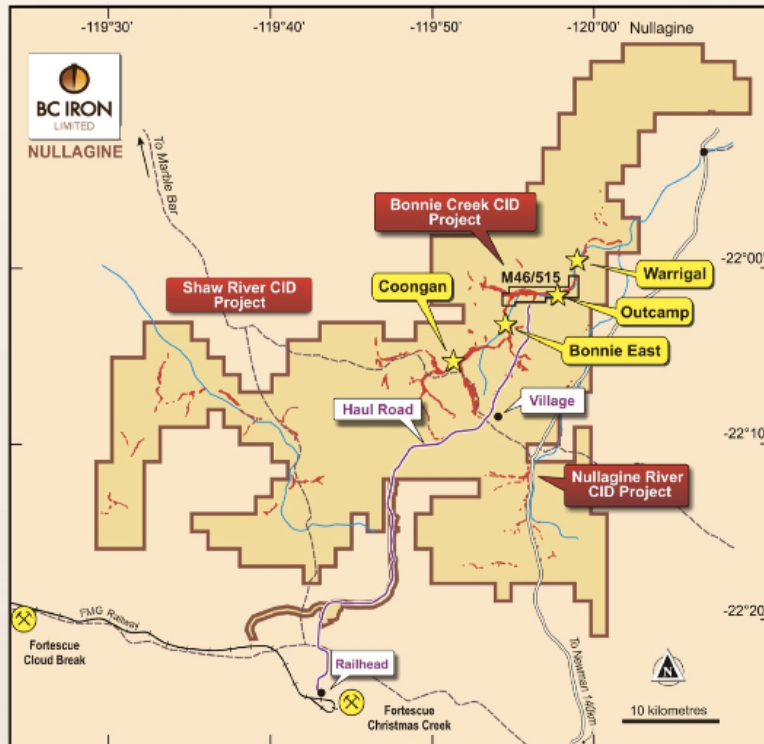
	Sep Quarter	Jun Quarter	Variance	Variance	FY2013 (t)
	'12 (t)	'12 (t)	Q-o-Q (t)	Q-o-Q (%)	Cumulative
Mined (ore)	1,100,314	1,479,116	-378,802	-25%	1,100,314
Crushed	1,065,456	1,476,290	-410,834	-28%	1,065,456
Hauled	1,227,292	1,394,765	-167,473	-12%	1,227,292
Railed	1,262,760	1,357,672	-94,912	-7%	1,262,760
Shipped	1,237,446	1,431,260	-193,814	-14%	1,237,446

TABLE 2: STOCKPILE INVENTORY

	Sep Quarter	Jun Quarter
	'12 (t)	'12 (t)
ROM ¹	142,289	118,416
MOC Product ² (Site)	33,707	168,122
RLF Product ³ (Christmas Creek)	118,732	143,820
Port	56,458	37,810
Low Grade Stocks (Site)	1,387,448	480,290

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

Figure 1: Nullagine JV Location Map



Mining, Crushing and Screening

The second stage upgrade to the crushing plant was completed as planned during July 2012. This will provide additional “sprint” capacity of approximately 1Mtpa on top of the 5Mtpa already achieved, matching the capacities in the mining and haulage areas.

The upgrade involved shutting down the crusher for three weeks in July 2012, with the subsequent impact to production reflected in the mining and crushing figures for the quarter in Table 1 above. This expected dip in the quarterly figures has not impacted planned 5Mt production for FY13.

BC Iron’s mining, crushing and screening rates for the quarter were:

- 1,100,314t of ore mined and sent to the ROM pad;
- 907,158t of low grade ore mined and stockpiled; and
- 1,065,456t of ROM crushed.

ROM includes both Direct Shipping Ore (“DSO”) and Low Grade ore (“LG”) that is blended to achieve the required specification export grade. The remaining LG ore is being stockpiled for future blending or use following the finalisation of ongoing beneficiation studies.

During the quarter, an above average volume of LG ore was mined and stockpiled as mining at Outcamp Pit 1 passed through an area of lower grade ore. This ore was encountered before Warrigal



Pit 3 was fully commissioned thereby contributing to the DSO produced reflecting slightly lower grades. Warrigal Pit 3 is now fully commissioned and mine scheduling is on track to produce normal specifications (57% Fe) and tonnages in the coming quarter.

Ore Truck Haulage

Ore haulage takes place via a private 58km bitumen haul road between the NJV mine site and Fortescue's Christmas Creek Rail Loadout Facility ("RLF") where the ore is loaded onto trains for rail haulage to port (Figure 1).

During Q2 FY13, BC Iron's haulage contractor, Toll Mining Services ("TMS"), will introduce two 160t payload "Big Foot" road trains to supplement the Pit Hauler fleet. These will replace the smaller 110t payload triple road trains which have been running since start-up.

Haulage activity for the three months to September totalled 1,227,292t.

Rail Haulage and Port Services

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 a total of 1,262,760t of *Bonnie Fines*.

Shipping

During the quarter, the NJV shipped 1,237,446 wet metric tonnes ("wmt") of *Bonnie Fines* product on seven cape size vessels. In total, the NJV has exported 5,041,302 wmt of ore since the commencement of operations.

Operating Costs

Free on Board ("FOB") cash operating costs ("C1 costs") for the September quarter were in line with budget at ~\$45 per tonne. This is a particularly pleasing result given the slightly lower tonnages produced in the quarter due to the scheduled crusher upgrade and the increased waste/low grade mining conducted. C1 cash operating costs exclude State Government royalties, marketing and corporate costs.

Total Net Operating Cashflows for the quarter reported in the Company's accompanying Appendix 5B were affected as follows:

- Receipts from the last ship to sail for the quarter were not received until early October;
- State Royalties paid during the quarter reflected the higher than nameplate volumes exported in the last quarter of FY12;
- Marketing fees were paid to Fortescue this quarter for services provided in previous periods; and
- Annual payment of staff incentives were made this quarter in relation to the year ended 30 June 2012.



C1 costs for the NJV are expected to be in the range of \$45 to \$50 per tonne over the Life of Mine (“**LOM**”) and are forecast to be at the lower end of this LOM cost range during FY13. The variation of the LOM annual costs is affected by each mine’s location and haulage distance to the ROM as well as the waste to ore ratio.

The NJV has also budgeted ~\$25 million (BC Iron share \$12.5M) in exploration and development expenditure during FY13. This figure is higher than the ongoing expected average for annual sustaining capital over the LOM.

Development

Construction of a 5km haul road, which accesses the Warrigal Deposits, was completed during the quarter. Other construction work during the quarter included Village improvements, expansion of the Mine Operations Centre and upgrading three major floodways along the main haul road to Christmas Creek.

The Company has also commenced fencing the edges of the haul road to reduce the incidents of animal strikes, resulting in improved safety to our personnel and reduced loss of animal life.

Marketing

The Platts average Cost and Freight 62 price (“**CFR62**” - 62% Fe fines delivered into China) for the September quarter was US\$113 per dry metric tonne (“**dmt**”). The average CFR sales price achieved by the Company for its *Bonnie Fines* product for the quarter was US\$95 per dmt.

The difference between the CFR62 price and the *Bonnie Fines* realised price is due to price adjustments for iron units and application of the discount agreed with the NJV’s primary offtake partner, Henghou Industries (Hong Kong) Limited for its shipments.

Fortescue provides marketing services to the JV, lending strong support in logistics and marketing.

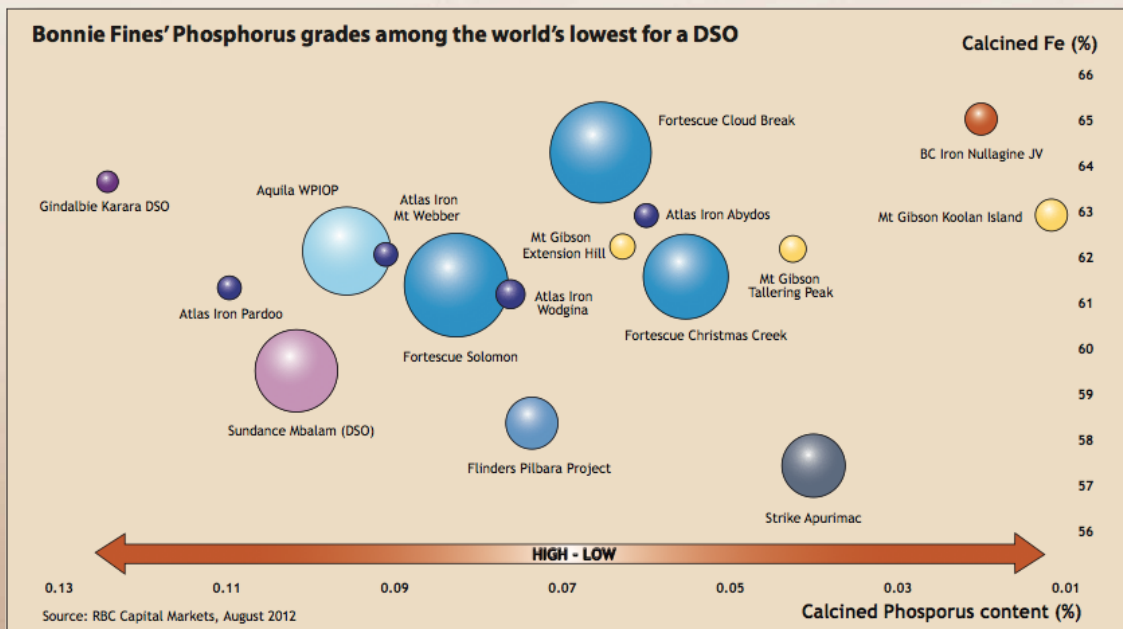
The *Bonnie Fines* product remains in high demand with increased buying interest in recent months. The pisolite sinter blend improves productivity at the steel mill as it has low impurities, low ultra-fines, low moisture and high calcined iron grade.

Customer ratings of the *Bonnie Fines* product (Table 3) highlight the importance of low Sulphur and Phosphorous content. Figure 2 demonstrates that the NJV DSO product contains one of the lowest levels of Phosphorous in the world.

Table 3: Customer ratings of "Bonnie Fines"

Customer ratings of "Bonnie Fines"			
Element	Grade	Comments	Rating
Fe	57.0%	Typical for Channel Iron Deposit (CID)	✓
Al ₂ O ₃	2.00%	Low. Typically allowed to 2.5%	✓✓
SiO ₂	3.20%	Low. (Al ₂ O ₃ + SiO ₂) < 8% preferred	✓✓✓
P	0.02%	Preference is for low P ores. High P makes steel brittle. Difficult to remove	✓✓✓✓
S	0.01%	High S creates weakness in steel. (Sulphur grains sank the Titanic)	✓✓✓
LOI	12.1%	Loss on Ignition. A measure of 'volatiles' in the ore. Hi LOI = higher CaFe	✓✓
CaFe	64.8%	Iron content after the removal of LOI during sintering	✓✓✓
Moisture & Fines	<6% <9%	Important measures in shipping and sintering	✓✓✓

Figure 2: Comparative Phosphorous grades for DSO





Iron Ore Market

The period from 2003 to 2011 saw unprecedented growth in the Chinese economy leading to a rapidly rising demand for steel and therefore coal and iron ore. In response, these commodity prices rose on the back of a supply-demand imbalance leading to record prices and rapid growth in the iron ore industry.

Since 2012 and going forward, this supply-side growth has caught up with the demand in China and therefore the price is now likely to be determined by the industry's marginal cost of production.

Volatility of the iron ore prices in recent months can be attributed largely to sentiment and trading methodology. However, recent history shows that the iron ore price typically undergoes a correction back to long term, sustainable levels based on marginal costs relatively quickly.

Following the end of the quarter, prices have recovered and the Company believes that recent volatility in iron ore prices will moderate once the Chinese Government transition is complete. It is clear that the Chinese Government is committed to slower, sustainable growth. Therefore, prices will settle in a range consistent with this measured demand growth as Chinese urbanisation continues.

In this environment, BC Iron has maintained its cash operating costs (C1) on budget affording protection against short term price volatility on the one hand, and long term prices on the other.

2. EXPLORATION AND RESOURCE DEVELOPMENT

Nullagine Joint Venture (BC Iron - 50%, Fortescue Metals Group - 50%)

In August 2012, BC Iron released the updated Mineral Resource and Ore Reserve Estimates as of 30 June 2012; see Tables 1 to 4 below in the Qualifying Statements, and as follows:

- Ore Reserves of 41Mt grading 57.1% Fe (64.9% CaFe) – a net increase of 10Mt for FY12;
- DSO Mineral Resource Estimate of 55Mt grading 57.0% Fe (64.7% CaFe); and
- CID Mineral Resource of 108.7Mt grading 54.1% Fe (61.7% CaFe).

In the process of updating resource estimates, both the resources and corresponding reserves were upgraded to Measured and Proved respectively. The upgraded classifications are a result of the use of grade control resource models in the resources and reserves. Ore Reserves are determined from mine planning studies using the upgraded resource models.

The Company's primary focus is to expand the resource base to extend the Nullagine mine life by a further three to five years. This "Project Inventory" study, due for completion during Q3 FY13, will establish the amount of total mineable DSO and Beneficiate Before Shipping Ore ("BBSO") available for economic extraction from the NJV Project. During the quarter, consultants were engaged and sample collection began to initiate the required test work.



3. SUSTAINABILITY

Occupational Health & Safety

No Lost Time Injuries (“LTIs”) were reported during the quarter.

The BC Iron Safety Strategic Plan was launched in August 2012 with communication sessions held in the Perth office and onsite. The Safety Strategic Plan sets the direction and priorities for continuous improvement in safety performance across the business in 2012/13.

A key focus during the quarter has been the rollout of a safety perception survey, the first of many activities driven by the Safety Strategic Plan. The aim of the survey is to gain an insight into the safety culture of the workforce. Analysis of the results will be undertaken in October 2012 and presented to all participants.

Significant activity was undertaken this quarter to strengthen emergency response capabilities, resulting in the identification of 28 on-site personnel into the emergency response team, and the commencement of certificated and skills maintenance training programs.

Environment

The Company maintains best practice management of flora and fauna within the project area. During the quarter, BC Iron submitted its second Annual Compliance Report to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities. This was supported by an independently submitted external Compliance Audit. BC Iron received a commendation from the Commonwealth department on the quality of the report.

Other significant activities during the quarter included the renewal of the site’s Groundwater Extraction Licence and the opening of a new landfill facility endorsed by the Department of Environment and Conservation.

Native Title and Heritage

Considerable effort continues on the completion of site avoidance surveys across various prospects within the Nullagine project area. These activities are largely coordinated around land access requirements for hydrological and resource drilling as well as mining infrastructure development.

4. CORPORATE

Year End Results

During the quarter, BC Iron announced annual results for the year ended 30 June 2012, including:

- NPAT of \$51M
- EBITDA of \$69M
- Cashflow from operations of \$89M
- Cash balance of \$93M.



Maiden Dividend

The Company declared its intention to pay a fully franked annual dividend of 15 cents per share or approximately \$15.6 million. This equated to a dividend payout ratio of ~31% for FY12 and was paid to shareholders around 2 October 2012.

This milestone confirms the Board's commitment to create value for shareholders and capped off an excellent financial year in which the NJV hit all guidance targets on or ahead of schedule, laying a solid financial foundation for future activities.

Cash Position

At 30 September 2012, BC Iron held \$81M in cash. This balance reflects the Company's dividend of \$15.6M, its investment in Cleveland Mining of ~\$6M, and a significant State Royalty payment due to the higher than nameplate volumes exported in the last quarter of FY12, all of which were paid during this quarter.

Business Development

In August 2012, BC Iron entered into a strategic alliance with Cleveland Mining Company Ltd (**ASX: CDG**) ("**Cleveland**"), an emerging Brazilian iron ore development company. BC Iron and Cleveland will form a 50:50 joint venture aimed at acquiring and developing new iron ore projects in Brazil. Under the terms of the alliance, BC Iron has taken a 5% equity stake in Cleveland for ~\$6M.

The alliance provides entry into the Brazilian iron ore space with a company experienced in operating in Brazil. Cleveland has a proven team in-country and a capable management team and Board, many of whom have worked closely with BC Iron before. With BC Iron providing additional technical and operational support, the alliance will allow both companies to advance rapidly.

BC Iron's continued primary focus on the NJV, plus the newly agreed alliance with Cleveland are consistent with the Company's three-tiered business development strategy of:

- Priority 1 - Maximising the iron ore resources and extending the mine life at the NJV;
- Priority 2 - Expanding the footprint of the BC Iron - Fortescue JV in the Pilbara; and
- Priority 3 - Establishing strategic global exploration and development partnerships in known iron ore jurisdictions.

- 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, 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 has now exported over 5Mt. As of May 2012, the JV is operating at its nameplate production rate of 5Mtpa.

In August 2012, BC Iron entered into an Iron Ore Strategic Alliance with Cleveland Mining to acquire and co-develop new iron ore projects in Brazil. Under the terms of this 50:50 Joint Venture, BC Iron acquired a 5% equity stake in Cleveland Mining.

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

KEY STATISTICS

Shares on Issue:	103.9 million	
Cash & equivalents:	30 September 2012	\$81M
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	9.9%



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.

JORC Competent Persons Statement

The information that relates to the Mineral Resource Estimate at Outcamp, Coongan, and Warrigal has been compiled by Mr Mike Young who is a Member of the Australian Institute of Geoscientists and an employee of BC Iron, and Mr Rob Williams who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron. The resources were first reported on the ASX on 2 April 2009. Both Mr Young and Mr Williams 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 Young and Mr Williams 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 Warrigal North has been compiled by Mr Paul Hogan who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron. This is a maiden resource estimate for Warrigal North. Mr Hogan 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 Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hogan consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

The information that relates to the Mineral Resource Estimate at Bonnie East, Dandy and Shaw River has been compiled by Mr Mike Young who is a Member of the Australian Institute of Geoscientists and an employee of BC Iron. The Bonnie East resources were first reported on the ASX on 2 April 2009, the Shaw River resources were first reported on the ASX on 30 July 2010 and the Dandy resources were first reported on the ASX on 20 September 2011. 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 Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Young consents to the inclusion of his name in the matters based on their information in the form and context in which it appears.

Mining schedules may differ from Ore Reserves due to the inclusion of Inferred Resources and low grade for scheduling purposes.

The information that relates to the Ore Reserve has been compiled by Mr Joel Van Anen who is an employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy, and Mr Blair Duncan who is an employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Duncan 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 Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Van Anen and Mr Duncan consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.



MINERAL RESOURCES AND ORE RESERVES AS AT 30 JUNE 2012

TABLE 1: ORE RESERVES NJV (BC IRON 50%, FORTESCUE 50%)

Deposit	Ore Reserves							
	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Proved	13.0	57.3	65.0	1.8	3.1	0.013	0.013	11.9
Probable	28.0	57.0	64.8	2.0	3.1	0.016	0.011	12.1
TOTAL	41.0	57.1	64.9	1.9	3.1	0.015	0.012	12.0

TABLE 2: DSO MINERAL RESOURCE ESTIMATE NJV (BC IRON 50%, FORTESCUE 50%)

Deposit	DSO Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Measured	17.9	57.1	64.8	1.9	3.1	0.013	0.012	12.0
Indicated	30.2	57.0	64.8	2.1	3.2	0.017	0.012	12.0
Inferred	6.9	57.0	64.1	2.6	3.9	0.023	0.014	11.1
TOTAL	55.0	57.0	64.7	2.1	3.2	0.016	0.012	11.9

TABLE 3: CID MINERAL RESOURCE ESTIMATE NJV (BC IRON 50%, FORTESCUE 50%)

Deposit	CID Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI
Measured	25.3	54.7	62.5	2.6	4.1	0.014	0.012	12.6
Indicated	52.4	54.1	61.8	3.3	4.5	0.018	0.012	12.6
Inferred	31.1	63.7	60.8	4.2	5.4	0.023	0.016	11.7
TOTAL	108.7	54.1	61.7	3.4	4.7	0.019	0.013	12.3

**note some rounding of metrics can occur*

TABLE 4: STOCKPILE INVENTORY (BC IRON 50%, FORTESCUE 50%)

Stockpile	DSO Stocks			
	Tonnes	Fe%	Al ₂ O ₃ %	SiO ₂ %
ROM ¹	113,063	56.1	2.1	3.9
MOC Product ²	160,523	56.8	2.2	3.5
RLF Product ³	137,319	56.9	2.2	3.5
Port	36,101	56.9	2.2	3.5
TOTAL	447,006	56.7	2.2	3.6

- NB:
1. "ROM" – Run Of Mine.
 2. "MOC Product" – material treated and stockpiled for haulage at Mine Operations Centre.
 3. "RLF Product" – material ready for rail haul at the Rail Load out Facility at Christmas Creek.

Notes to the Mineral Resources and Ore Reserves:

- The Mineral Resources and Ore Reserves have been estimated using mined surfaces as of 30 June 2012.
- The Ore Reserves have been generated from the Measured and Indicated Resources.
- DSO (Direct Shipping Ore) is a subset of the CID (Channel Iron Deposit).
- Calcined Fe (CaFe) = $Fe / (100 - LOI) * 100$.
- LOI measured at 1000°C.
- The CID Mineral Resource is reported using a 45% Fe cut-off grade.
- The DSO Mineral Resource is reported using cut-off grades between 53% and 56% Fe. The cut off grades were selected to achieve a 57% Fe specification grade.
- The Ore Reserve does not include active ore stockpiles (ROM, Product, Rail and Port).