

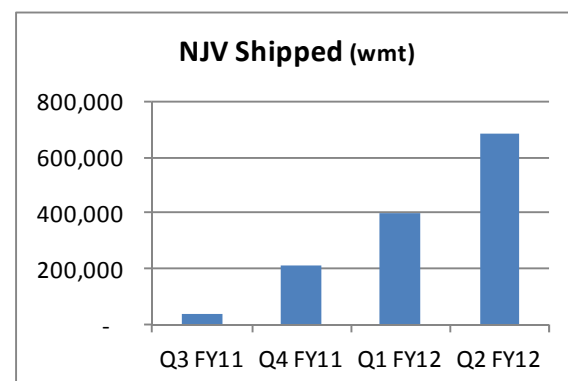
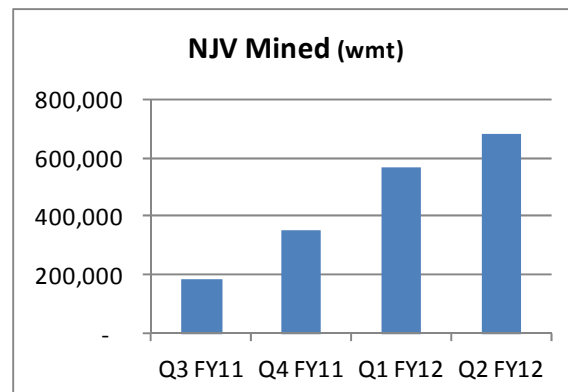
## HIGHLIGHTS FOR THE DECEMBER 2011 QUARTER

### NULLAGINE IRON ORE JOINT VENTURE (“NJV”)

(BC Iron 50% : Fortescue Metals Group 50%)

#### OPERATIONS

- A record of 681,135 tonnes of product mined for the quarter
- A record of 683,718 tonnes of product shipped for the quarter
- First full cape size vessel shipped from Port Hedland on 1 November 2011
- 1.1Mt of product shipped during H1 FY2012, ahead of market guidance
- Average sales price of ~US\$116/dmt CFR
- NJV production rate at 3Mtpa during November and December 2011
- Total product shipped for FY2012 forecast to be ~3.5Mt
- Private haul road completed with bitumen surface in November 2011



---

## **CORPORATE**

- **Non-Executive Director, Glenn Baldwin, resigned on 18 November 2011**
  - **Non-Executive Director, Malcolm McComas, appointed on 2 December 2011**
  - **Executive Director, Morgan Ball, appointed on 6 December 2011**
  - **Company Secretary, Linda Edge, appointed on 6 December 2011**
  - **Cash on hand of \$35.6m on 31 December 2011 up from \$16.2m at 30 September 2011**
- 

## **INTRODUCTION**

BC Iron Nullagine Pty Ltd, a wholly owned subsidiary of BC Iron Limited (“BC Iron” or “the Company”), is the Operator and Manager of the Nullagine Iron Ore Joint Venture (“NJV” or “JV”), a 50:50 JV with Fortescue Metals Group Limited (“Fortescue”).

During the first half of 2011, BC Iron commenced exports of iron ore using Fortescue’s rail and port infrastructure as part of its Joint Venture. During the ramp up of the Project, Fortescue allowed BC Iron to share cape size vessels so that consignments less than full cape size, circa 170,000t, could be exported. This procedure continued until Q2 FY2012.

On 1 November 2011, the NJV dispatched its first full cape size vessel containing ~170,000t of JV ore from Fortescue’s Herb Elliott Port in Port Hedland. Furthermore, NJV production rates achieved the initial ramp up target rate of 3Mtpa during November, resulting in a positive cash flow for the first time in a quarterly reporting period.

By 21 December 2011, the NJV achieved a total export of 1.1Mt for H1 FY2012, ahead of the 1Mt production guidance for the six month period. This completed the second of four guidance targets for FY2012; the others being a sustained production rate of 5Mtpa and exports of 3.5Mt by the end of FY2012. However, the 2012 wet season in the Pilbara region may affect these two remaining guidance targets.

As the Nullagine Project has achieved full first stage production rates, BC Iron is also actively engaged in the expansion of exploration activities within the Company’s development portfolio and has commenced a high level assessment of potential acquisition opportunities, focussing particularly on iron ore hematite-goethite iron ore projects with Direct Shipping Ore (“DSO”) potential and near-DSO potential in Australia and overseas.

---

## NJV OPERATIONS

### Production

Production, haulage and shipments for the December quarter were as follows:

Table 1: Ore Production				
	Dec Quarter '11 (t)	Sep Quarter '11 (t)	Variance Quarter (t)	Variance Quarter
Mined	681,135	570,203	110,932	19%
Crushed	676,038	526,970	149,068	28%
Hauled	772,050	606,902	165,148	27%
Railed	813,030	400,532	412,498	103%
Shipped	683,718	402,428	281,290	70%

Table 2: Stockpile Inventory				
	Dec Quarter '11 (t)	Sep Quarter '11 (t)	Variance Quarter (t)	Variance Quarter
ROM*	183,677	191,157	(7,480)	(4%)
DSO Product ( <i>Site</i> )	84,160	155,352	(71,192)	(46%)
Project ( <i>Xmas Creek OPF</i> )	149,938	214,172	(64,234)	(30%)
Port	169,140	23,937	145,203	607%
Low Grade Stocks ( <i>Site</i> )	143,488	85,309	58,179	68%

\*Note: Run of Mine ("ROM") figures reported may include low grade ore blended into the final DSO product.

During the quarter, BC Iron mined a total of 681,135 Wet Metric Tonnes ("WMT") of *Bonnie Fines* DSO from the NJV, 19% higher than the previous quarter.

Tables 1 and 2 demonstrate the ongoing ramp-up of the Nullagine operation with the initial name plate production target of 3Mtpa achieved during the quarter.

Also, an additional 58,179t of low grade ore ("Low Grade") was mined and stockpiled (total low grade stockpiled now 143,488t) to be used for blending with higher grade ore and/or future beneficiation initiatives.

### Mining & Crushing

During the quarter, mining and crushing resulted in stockpiles at the mine of 267,837t at the end of December 2011.

Mining rates averaged ~ 800t per hour and tool wear was lower than anticipated.

Mining, crushing and screening rates are in line with expectations with a total of 739,314t of DSO and Low Grade mined and 676,038t of DSO and Low Grade crushed during the quarter. The crushing and screening plant is now running comfortably at the initial name plate capacity of 3Mtpa but has also achieved instantaneous rates of up to 4.2Mtpa over a number of full shifts.

During December, a mechanical failure on the jaw crusher resulted in 5 days of no crushing and a further 13 days of reduced crushing. This event reduced tonnes crushed against the forecast however, the existing stocks of dressed ore allowed truck haulage targets to be exceeded.

### Shipping

<b>Table 3: Shipping</b>				
	<b>Dec Quarter '11 (t)</b>	<b>Sep Quarter '11 (t)</b>	<b>Variance Quarter (t)</b>	<b>Variance Quarter</b>
Shipped	683,718	402,428	281,290	70%

On 1 November 2011, the NJV dispatched its first full cape size vessel shipment containing ~170,000t of ore from Fortescue's Herb Elliott Port in Port Hedland. During the quarter, the NJV shipped a record total of 683,718 WMT of *Bonnie Fines* DSO, a 70% increase on the previous quarter. Shipments of *Bonnie Fines* DSO will now occur regularly each month comprising of 2 to 3 full cape size vessels.

### Haul Road Construction & Haulage to Christmas Creek OPF

Ore haulage takes place via a private 55km bitumen haul road between the NJV mine site and Fortescue's Christmas Creek Rail Loadout Facility where the ore is loaded onto trains for rail haulage to port for export.

In August 2011, BC Iron and Toll Global Resources commenced using three PowerTrans pit haulers (~360t payload compared to the ~110t payload of a standard triple road train) supplemented by ten standard triple road trains on the haul road. During the quarter, this number increased from three to five PowerTrans pit haulers in operation replacing a number of the standard triple road trains in the operation. This has the effect of reducing operating costs as each Powertrans pit hauler carries the equivalent of ~ 3 triple road trains, resulting in reduced unit costs.

The NJV plans to have a total of eight PowerTrans pit haulers on site early in the June FY2012 quarter.

During the quarter, the NJV completed bitumen sealing of the haul road over a four week period, resulting in reduced haulage rates during this time. Following completion of the bitumen surface, haulage resumed at rates of ~9,000t per day which steadily increased to more than 12,000t per day with the introduction of two new Power Trans pit haulers in November and December.

The key reasons for bitumen sealing the haul road were to reduce operating costs (maintenance and equipment wear & tear), provide a degree of weather protection, and reduce the water consumption required for dust suppression.

## Rail Haulage and Port Services

Table 4: Rail				
	Dec Quarter '11 (t)	Sep Quarter '11 (t)	Variance Quarter (t)	Variance Quarter
Railed	813,030	400,532	412,498	103%

Fortescue provide contract rail haulage and port services to the NJV through its wholly owned subsidiary, The Pilbara Infrastructure Pty Ltd ("TPI") from the Rail Outload Facility at the Christmas Creek operation to Herb Elliott Port in Port Hedland.

During the quarter, the NJV railed a record total of 813,030WMT of *Bonnie Fines* DSO, more than doubling the record set in the previous quarter. The installation of the reclaimers and completion of the Outload Facilities at Christmas Creek in November significantly contributed towards improved operational performance and rail volume increases during the quarter.

### Production Guidance

During the quarter, BC Iron provided a production guidance update confirming that the NJV had achieved an important milestone by exporting 1,086,146Mt of ore during H1 FY2012, slightly ahead of guidance. Furthermore, the Company confirmed that the NJV had been running at a 3Mtpa production rate since November 2011, achieving two of its four guidance targets for FY2012. BC Iron considers that the NJV remains on track to deliver the two remaining FY2012 guidance targets of reaching a 5Mtpa production rate during H2 FY2012 and exporting 3.5Mt by the end of FY2012.

It is possible that guidance may be affected by wet weather in the Pilbara during the summer wet season which generally runs from January to March.

### Marketing

Iron ore shipped for the quarter was 683,718WMT. The average Cost and Freight ("CFR") sales price for the quarter was approximately ~US\$116 per dry metric tonne. Price movements within the quarter were significantly pronounced as the reference point for the NJV's contracts, the PLATTS 62% CFR Fe index, moved from a high of US\$170/dmt in early October to a low of US\$116/dmt.

Advice from end users of *Bonnie Fines* is that the product is highly regarded by customers in China, a view supported by a marketing visit during January 2012.

## EXPLORATION AND RESOURCE DEVELOPMENT

### Exploration and Resource Development (NJV)

During the quarter, partial assay results were received from Reverse Circulation ("RC") drilling that was completed at the Bonnie East ("BE") prospect, which lies immediately south of the Outcamp Mining Lease. The BE prospect has now been in-fill drilled to raise the resource category of the existing inferred resource of 8.3Mt @ 57% Fe.

Once all assays are received and collated, an updated resource model is expected to be completed during the March FY2012 quarter and will form the foundation for a mining study and possible update to the NJV Ore Reserves.

### **Bungaroo Project – Western Pilbara (BC Iron - 100%)**

Exploration during the quarter comprised RC drilling (46 holes for 3,586m) in Bungaroo Creek. The geology comprises alluvial overlying Channel Iron Deposit (“CID”) which occurs in two distinct horizons separated by a clay band. The CID overlies Banded Iron Formation (“BIF”) of the Brockman Formation with most holes drilled to the CID/BIF interface. However, in some instances, deeper RC holes were drilled into the BIF, which exhibited thicknesses of up to 150m, to assess the potential for magnetite-BIF (“mt-BIF”).

The magnetite samples were composited and have been submitted for analysis by DTR to assess the recovery and iron content of concentrate from the mt-BIF material.

Assays are pending for all drill holes.

## **CORPORATE**

### **Business Development**

From the initial go-ahead for the Nullagine Project in July 2009, the Board has maintained its focus on developing the Nullagine Project and delivering sustained production of 3Mtpa. Potential projects were assessed as they have been presented to the Company, but an active business development strategy has been a secondary focus as delivery of the Project was the priority.

Following the successful completion of the Project’s objectives to date, the BC Iron Board and senior management has conducted an assessment of the Company’s goals and strategy for the future.

The Board is pleased to provide the following summary of those discussions:

The Company is **first and foremost an iron ore company**, and:

- Will focus on maximising the resources and reserves at Nullagine as a matter of priority by optimising known occurrences of DSO and Beneficiate Before Shipping Ore (“BBSO”);
- Will conduct studies on its BBSO material with a view to simple, inexpensive beneficiation to increase mine life at Nullagine;
- Will commence proactive business development through the appointment of a Business Development Manager and by utilising its professional network; and
- Is not limited by geography or ore type in its initial assessments.

### **Board Changes**

On 18 November 2011, the BC Iron Board announced the resignation of Glenn Baldwin as a Non-Executive Director following his relocation overseas and increased work and travel commitments. Accordingly, Mr Baldwin’s Alternate Director, David Coyne also resigned from the Board.

On 2 December 2011, Malcolm McComas was appointed to the BC Iron Board as a Non-Executive Director. Mr McComas is the principal of McComas Capital, an investment company based in Sydney, and a senior adviser to Austock Corporate Finance. He has

more than 25 years of investment banking experience including leadership roles in several global financial institutions with experience in equity and debt finance, acquisitions, divestments and privatisations across a range of industry sectors. He is also a former commercial lawyer.

On 6 December 2011, the BC Iron Board appointed Morgan Ball as an Executive Director. Mr Ball joined the Company in September 2009 as Chief Financial Officer and Company Secretary and is an experienced executive and Chartered Accountant with more than 20 years of Australian and international experience in the resources, logistics and finance industries. Upon appointment to the Board, Mr Ball resigned as Company Secretary and BC Iron's Financial Controller, Ms Linda Edge was appointed as Company Secretary.

### Cash Position

On 31 December 2011, BC Iron held **\$35.6m in cash** (including its share of JV funds).

- ENDS -

**Mike Young**  
Managing Director  
BC Iron Limited

**Morgan Ball**  
Finance Director  
BC Iron Limited

### 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 Mine, to rail its ore to Port Hedland from where it is shipped directly to customers overseas. Mining commenced in November 2010 and first ore on ship occurred in February 2011 - just over four years from listing on the ASX.*

*The JV is currently operating at a production rate of 3Mtpa moving to 5Mtpa during H1 CY2012.*

### Key Statistics

<b>Shares on Issue:</b>	95.3 million	
<b>Cash &amp; equivalents:</b>	31 December 2011	~\$35.6m
<b>Board and Management:</b>	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
	Linda Edge	Company Secretary

<b>Major Shareholders:</b>	Consolidated Minerals: 24.1%
	Regent Pacific Group: 22.6%

### **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 was 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.*

### **Mineral Resources and Ore Reserves as at 30 June 2011**

#### **Notes to the resource and reserves:**

- 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)
- $\text{Calcined Fe (CaFe)} = \text{Fe} / (100 - \text{LOI}) * 10$
- LOI measured at 1000°C
- The CID Mineral Resource is reported using a 45% 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.



**Ore Reserve Estimate by Deposit – NJV (BC Iron 50%, Fortescue 50%)**

Deposit	Probable Ore Reserves by Deposit							
	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI <sub>1000</sub>
Outcamp	18.3	56.8	64.7	1.92	3.17	0.014	0.010	12.2
Coongan	6.0	57.0	65.0	1.84	2.54	0.011	0.012	12.4
Warrigal	10.4	57.0	64.6	2.14	3.68	0.022	0.013	11.7
<b>Total</b>	<b>34.7</b>	<b>56.9</b>	<b>64.7</b>	<b>1.97</b>	<b>3.21</b>	<b>0.016</b>	<b>0.011</b>	<b>12.1</b>

**Combined Mineral Resource Estimate for 57% Fe DSO by Deposit – NJV (BC Iron 50%, Fortescue 50%)**

Deposit	DSO Mineral Resources by Deposit							
	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI <sub>1000</sub>
Outcamp	19.5	56.9	64.8	2.03	3.07	0.014	0.010	12.1
Warrigal	14.4	57.0	64.5	2.29	3.64	0.023	0.013	11.6
Coongan	7.6	57.0	65.1	1.87	2.47	0.011	0.012	12.4
Bonnie East	8.6	56.8	64.7	3.33	2.08	0.014	0.009	12.2
Shaw River: Gap 11	2.8	57.1	63.4	2.88	4.79	0.021	0.029	10.1
<b>Total DSO</b>	<b>52.9</b>	<b>57.0</b>	<b>64.7</b>	<b>2.33</b>	<b>3.07</b>	<b>0.016</b>	<b>0.012</b>	<b>11.9</b>

**Combined CID Mineral Resource Estimate for by Deposit – NJV (BC Iron 50%, Fortescue 50%)**

Deposit	CID Mineral Resources by Deposit							
	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI <sub>1000</sub>
Outcamp	37.9	53.8	61.8	2.83	4.44	0.015	0.010	12.9
Warrigal	23.4	54.5	62.0	3.46	4.73	0.024	0.013	12.0
Coongan	12.8	53.4	61.5	3.24	4.23	0.013	0.013	13.1
Bonnie East	12.6	55.0	62.9	4.17	2.72	0.016	0.010	12.5
Dandy	2.1	53.7	60.2	6.01	5.28	0.023	0.020	10.8
Shaw River	14.0	54.4	61.2	5.12	4.36	0.021	0.027	11.2
<b>Total CID</b>	<b>102.9</b>	<b>54.1</b>	<b>61.8</b>	<b>3.57</b>	<b>4.28</b>	<b>0.018</b>	<b>0.014</b>	<b>12.4</b>

**Combined Mineral Resource Estimate for 57% Fe by Classification – NJV (BC Iron 50%, Fortescue 50%)**

Classification	DSO Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI <sub>1000</sub>
Measured	1.4	56.9	64.7	2.23	3.36	0.019	0.016	12.1
Indicated	38.0	57.0	64.8	2.09	3.14	0.016	0.011	12.0
Inferred	13.5	56.9	64.4	3.03	2.85	0.017	0.014	11.7
<b>Total DSO</b>	<b>52.9</b>	<b>57.0</b>	<b>64.7</b>	<b>2.33</b>	<b>3.07</b>	<b>0.016</b>	<b>0.012</b>	<b>11.9</b>

**Combined CID Mineral Resource Estimate by Classification – NJV (BC Iron 50%, Fortescue 50%)**

Classification	CID Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI <sub>1000</sub>
Measured	1.8	54.1	61.6	3.98	5.08	0.020	0.018	12.3
Indicated	68.1	53.9	61.8	3.09	4.48	0.017	0.011	12.7
Inferred	32.9	54.5	61.8	4.58	3.86	0.019	0.018	11.9
<b>Total CID</b>	<b>102.9</b>	<b>54.1</b>	<b>61.8</b>	<b>3.58</b>	<b>4.29</b>	<b>0.018</b>	<b>0.014</b>	<b>12.4</b>

For personal use only