

BC IRON POSTS RECORD ANNUAL PRODUCTION

HIGHLIGHTS

- **Record NJV annual production of 5.0M wmt tonnes for FY13**
- **Strong Q4 FY13 with 1.6M wmt shipped despite unseasonal heavy rainfall**
- **Production guidance of 5.8 – 6.2M wmt for FY14**
- **FY14 Cost of Sales operating cost guidance of A\$46-\$50 per tonne**
 - **Actual cash operating costs lower due to one-off prepayment**
- **Debt reduced by an additional US\$30 million ahead of schedule due to strong cashflow**
- **30 June cash balance of A\$138.5M after additional loan repayment**

Australian iron ore producer, BC Iron Limited (“**BC Iron**” or “**the Company**”) (**ASX: BCI**) is pleased to provide a corporate operations update and FY14 guidance for the Nullagine Iron Ore Joint Venture (“**NJV**”). The NJV, located in the Pilbara region of Western Australia, is a 75:25 unincorporated joint venture between BC Iron and Fortescue Metals Group (“**Fortescue**”) (**ASX: FMG**).

Production

FY13 was a record production year for the NJV with a total of 5,003,005 wet metric tonnes (“**wmt**”) shipped during the period, achieving the 5Mt guidance provided to the market. To date, the NJV has shipped 8.8Mt over its life and expects to surpass 10Mt during Q1 FY14.

As a result of this performance, BC Iron’s share of FY13 production of 3.15Mt is in line with previous guidance of ~3.2Mt and up from the original 2.5Mt guidance prior to the Fortescue transaction which completed in December 2012 and became effective from 1 January 2013.

The NJV achieved a steady life of mine nameplate production rate of 6Mtpa during Q4 FY13 resulting in a total shipment of 1,598,151 wmt of ore for the quarter, a 12% increase on the corresponding FY12 quarter’s shipment of 1.43M wmt. This was achieved despite unseasonably wet weather during the period which did impact NJV exports.

Financial

During the year, BC Iron continued to generate strong cash flows from the NJV’s record production, its effective cost management and the softening Australian dollar. This enabled the Company to set its first loan repayment at US\$48 million, US\$30 million more than the required repayment of US\$18 million. This payment was made on 28 June 2013.

This additional repayment was made in line with the Company’s conservative approach to its capital management against a backdrop of volatile iron ore prices.

For personal use only

The Company is comfortable that this additional repayment will not impact its ability to declare a dividend to its shareholders in relation to FY13.

FY14 Outlook & Guidance

BC Iron is providing Cost of Sales operating cost guidance of between A\$46 and \$50 per tonne for FY14. This includes an up to date assessment of the additional costs incurred following the Fortescue transaction in December 2012, namely the introduction of a second crushing circuit and the additional haulage trucks required to achieve the 6Mtpa rate and the "sprint capacity" above this rate.

However, C1 actual cash operating costs for the year are forecast to be in the range of A\$40 - \$44 which reflects the impact of the remainder of the one-off prepayment of rail and port charges for 3.5M wmt of BC Iron's share of NJV production in H1 FY14.

The NJV is currently running at a throughput rate of ~ 6Mtpa (BC Iron share 4.5Mtpa) with available "sprint capacity" and is therefore forecast to produce 5.8 to 6.2Mt of direct ship ore during FY14. The NJV's mine planning generally allows for the operation to run at up to 6.5Mtpa for 9 months of the year, and at 4.5Mtpa for 3 months of the year during the January to March wet season in the Pilbara. In addition, guidance is now presented as a range rather than an absolute number given the unpredictability of rainfall in the Pilbara as seen with recent unseasonal rains.

BC Iron's FY14 capital expenditure is forecast at approximately A\$20 million based primarily on significant grade control drilling programmes at Bonnie East and Warrigal 1 & 2, exploration activity at the NJV, a processing trial in relation to beneficiation of low grade ore and normal haul road improvements. This amount also includes potential exploration costs in relation to the Company's greenfield opportunities in Brazil.

The capital expenditure amount is higher in FY14 than the expected ongoing sustaining capital amount, primarily as a result of the two large grade control campaigns required to prepare for future mining activities at Bonnie East and Warrigal 1 & 2. Post FY14, annual capital expenditure is forecast to be closer to A\$10-12 million per annum.

BC Iron's Managing Director, Morgan Ball, said, *"I am delighted to report that we have experienced another strong quarterly performance which has contributed to an excellent year for the NJV with record production and export levels. The NJV operation continues to generate strong cashflows and has allowed us to repay an additional US\$30 million of debt earlier than anticipated without impacting our stated aim of providing a dividend to shareholders or the financial strength of our balance sheet. We enter the new financial year in a very healthy financial position and look forward to delivering on our new guidance levels for FY14."*

- ENDS -

FOR FURTHER INFORMATION:

**MORGAN BALL, MANAGING DIRECTOR
BC IRON LIMITED
TELEPHONE: +61 8 6311 3400**

RELEASED BY:

**DAVID TASKER / JAMES HARRIS
PROFESSIONAL PUBLIC RELATIONS
TELEPHONE: +61 8 9388 0944**

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 then, the NJV has exported approximately 8.8Mt of iron ore. Since April 2013, the NJV has been operating at a nameplate production rate of 6Mtpa.

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.

BC Iron - Key Statistics

Shares on Issue:	123.3 million	
Cash & equivalents:	30 June 2013	\$138.5M
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
	Mike Young	Non-Executive Director
	Anthea Bird	Joint Company Secretary
	Linda Edge	Joint Company Secretary
Major Shareholders:	Consolidated Minerals	23.2%
	Henghou Industries	6.8%
	Tribeca Investments	5.1%

Website: www.bciron.com.au