

## Production Update

Australian iron ore producer BC Iron Limited (ASX:BCI, "BC Iron") provides the following updated production guidance for FY2011 and FY2012 for its Nullagine Iron Ore Joint Venture ("NIOJV"), a 50:50 joint venture between BC Iron and Fortescue Metals Group Limited (ASX:FMG, "Fortescue").

- As at the end of May 2011, mine stock piles (ROM and Product) were ~ 330,000t of Direct Ship Ore ("DSO").
- Total product shipped for the half year ending June 2011 is expected to be approximately 300,000t.
- Total product shipped for the year ending December 2011 is expected to be approximately 2.3Mt.
- Total product shipped for the FY ending June 2012 is expected to be approximately 3.5Mt to 3.7Mt.

Mine gate production for the period has been strong with 330,000 tonnes of DSO stockpiled at BC Iron's mine site as at end May 2011. Mining production is achieving target tonnes and grades. The Wirtgen surface miners are performing at better than expected rates and with lower than expected wear rates on the cutting tools. The crushing and screening circuit has also been fully commissioned and is performing at, or above, design specification.

Notwithstanding the above, haulage of product has been adversely affected by extreme rainfall events that characterised much of Northern Australia over the summer months together with the unseasonal rain over the last few weeks. The result of these events is a delay in the planned completion of the 55 km private haul road between the Outcamp Mine and Fortescue's Christmas Creek operation where the ore is loaded onto trains for haulage to Port Hedland for export.

From January to April 2011, haulage was restricted to public roads resulting in daily haulage of ~3,000t to Christmas Creek, over a distance of 120km. During May 2011, construction of the haul road was sufficiently complete to allow 'haulage under construction' which halved the distance to 55km. This shortened distance and the step to 'concessional loading' of 110t per truck, allowed rates of up to 5,000t per day to be achieved.

In the coming weeks, as road construction nears completion, haulage rates will increase progressively but due to construction logistics, rates will vary on a daily basis. Once the road is complete, currently planned for August, the trucking fleet, including use of the 360t PowerTrans Pit Haulers, will have unfettered access to the road allowing for daily haulage rates of >10,000t per day to be achieved. Final bitumen surfacing of the road will occur during the second half of 2011 following bedding in of the road by heavy traffic.

As haulage capability improves, the haulage, mining and crushing & screening operations will progressively move to double shifts to align with forecast production rates.

When product is received into the Fortescue mining and transport hub at Christmas Creek, the dispatch of ore through the port and rail system is working very well. To date some 210,000 tonnes has been exported and the full 2011 financial year guidance is for a total of approximately 300,000 tonnes to be shipped.

Fortescue continues to provide significant support in allowing BC Iron to export partial Cape size shipments during the ramp up phase, continually exceeding their obligations under the Rail and Port agreement.

By the end of the September Quarter, production and export will reach an annualised rate of 3.5Mtpa with up to 2.3Mt shipped by December 2011.

During early 2012, the final of the eight PowerTrans Pit Haulers, each capable of carrying 360t, will be delivered by the haulage contractor, Toll Mining Services. At that point, the operation will move to an annualised production rate of ~ 5Mtpa and the total product shipped for the financial year ending June 2012 will be approximately 3.5Mt - 3.7Mt.

Whilst delays to the ramp up schedule have been encountered with regard to haul road construction, the performance of the mining fleet and the performance at the rail and port services have exceeded expectations. It is fully expected that a significant step change in export quantities will occur upon completion of the haul road during the September quarter.

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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 WA. The Company's core asset is the Nullagine Iron Ore Project, a 50/50 joint venture with Fortescue Metals Group Limited. The JV utilises Fortescue's infrastructure at Christmas Creek, 50 km south of the mine, to rail its ore to Port Hedland from where it is shipped to customers overseas.

Mining commenced in November 2010 and first ore on ship occurred in February 2011 - four years from listing on the ASX. The Company plans to export approximately 300,000t by June 2011 and will be producing at a throughput of 3Mtpa by August 2011. It expects to have shipped 2.3Mt by end 2011 and will move to a throughput rate of 5Mtpa during the first half of calendar year 2012.

Website: [www.bciron.com.au](http://www.bciron.com.au)