



Onward & Upward for BC Iron

BC Iron has transitioned from a junior explorer to a mid-tier iron ore producer in just over six years. Admitted to the S&P ASX 300 index in March 2013, BC Iron's operational success has attracted an enviable list of blue chip institutions on its share register with an associated increase in the liquidity of its shares.

In December 2012, BC Iron increased its equity stake in the Nullagine Iron Ore Joint Venture (NJV) from 50 per cent to 75 per cent, increased NJV access to infrastructure from 5Mtpa to 6Mtpa and made a prepayment in relation to 3.5Mt of rail & port services for A\$190 million (plus a price participation arrangement payable in certain iron ore price conditions), which was financed and paid to Fortescue Metals Group through a combination of debt, equity and cash.

This earnings accretive transaction resulted in BC Iron raising its share of production from the NJV with Fortescue by 80 per cent from 2.5Mtpa to 4.5Mtpa.

As the operator and manager of the NJV, BC Iron expects the joint venture to export its nameplate capacity of 6 million tonnes for the 2014 financial year. This will generate strong cash flows for BC Iron as a result of low life of mine cash operating costs of between \$46 and \$50 per tonne, excluding State royalties, marketing and corporate costs.



Ever since the first positive drill results in May 2007, BC Iron has focused on delivering growth by generating cash flows from the NJV. With a cash position of A\$138.5m, at 30 June 2013, and a tight cost structure, BC Iron is in a commanding position to determine its future growth and maximise its returns to shareholders.

Following the retirement of the founding Managing Director, Mike Young, Morgan Ball stepped up from Finance Director to Managing Director in May 2013. Mr Ball previously headed up the finance division at BC Iron for more than three and a half years and was responsible for spearheading the recent Fortescue transaction.

Commenting on BC Iron's strategy, Mr Ball said, "I am very cognisant of the requirement to focus on a business model that is highly cash generative to fund future growth organically and through M&A while retaining and enhancing the ability to pay dividends to shareholders."



The next phase of growth for BC Iron will focus on growing the existing resource base and extending the mine life at the NJV; exploring other opportunities in the Pilbara and leveraging off existing strong relationships with stakeholders; and developing strategic relationships in other iron ore jurisdictions.

BC Iron's impeccable track record so far suggests there is a high probability it will build on this success further in the Pilbara while re-creating similar opportunities in other iron ore jurisdictions like Brazil, where BC Iron already has a 50:50 joint venture agreement with ASX listed Cleveland Mining to identify and develop greenfields iron ore exploration projects.

Faced with a number of growth opportunities and significant cash on its balance sheet, BC Iron has a very bright and exciting year ahead.

