



10 January 2007

Manager Announcements
Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir,

Extension to the Vaalbara Heads of Agreement

BC Iron Limited (ASX: BCI) has extended to 31 March 2007 the Heads of Agreement granted to Vaalbara Resources which expired on 31 December 2006, by Alkane Exploration Ltd which assigned its rights to BC Iron. The Agreement is detailed in the Solicitor's Report on Tenements in the BC Iron Limited Prospectus dated 8 November 2006.

Under the Agreement, Vaalbara Resources has an exclusive option to negotiate and execute a fuller agreement under which they will have the right to earn an 80% interest in the Witswatersrand-style gold, silver, and uranium mineral rights in or relating to the tenements E46/522, 523 & 524 in which BC Iron is earning 100 % interest.

BC Iron considers that the Agreement is strongly aligned with its exploration strategy in the area, which is focussed on the three iron-rich palaeosystems at Nullagine.

A successful agreement with Vaalbara will expose BC Iron to any technical success that Vaalbara has in those commodities with no added risk or expenditure requirements to BC Iron.

Yours faithfully,
for **BC IRON LIMITED**

A handwritten signature in black ink, appearing to read "M Young", is written over a light blue horizontal line.

Mike Young
Managing Director