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64% INCREASE IN DSO RESOURCES TO 46Mt AT NULLAGINE IRON ORE PROJECT

HIGHLIGHTS

- Measured, Indicated and Inferred DSO resource of 46Mt grading 57.0% Fe (64.8% CaFe) at Outcamp, Coongan and Warrigal deposits.
- 64% increase in DSO resource from the March 2008 Inferred Resource
- Total Channel Iron Deposit (CID) mineral resource increased to 80Mt @ 54.0% Fe (61.9% CaFe).
- Updated resource underpins Feasibility Study on 1.5Mtpa start-up DSO operation – on schedule for completion by first half of 2009.
- Low impurities and sintering qualities greatly enhance the marketability of the product as a 'premium fines sinter feed'

Australian iron ore company BC Iron Limited (ASX: **BCI** – “BC Iron”) is pleased to announce a substantial increase in the resource inventory for its 100%-owned **Nullagine Iron Ore Project**, located in Western Australia’s East Pilbara, following highly successful in-fill and extensional drilling programs completed during 2008.

The updated inventory includes a **64% increase** in high-quality Direct Shipping Ore (DSO) resources for the Bonnie Creek CID Project to **46.2 Mt grading 57.0% Fe (64.7% calcined Fe or CaFe)**, compared with the previous March 2008 resource of 28.0Mt grading 57.4% Fe. This is contained within an updated global resource totalling **80.2 Mt grading 54.0% Fe (61.9% CaFe)** of mineralised Channel Iron Deposit (CID).

The new resource includes a maiden JORC Code compliant resource estimate for the Warrigal Deposit of 16.4 Mt grading 57.0% Fe (64.5% CaFe), as well as an upgrade in the classification of the resource for the Outcamp and Coongan Deposits from Inferred to mostly Indicated class.

These three deposits comprise part of the **Bonnie Creek CID Project**, and are expected to underpin BC Iron's initial iron ore production centre at the Nullagine Project.

The resource upgrade represents a major milestone for BC Iron. Within just over two years of its initial public offering and listing on the ASX, the Company has established a high-quality JORC Code compliant resource base at the Nullagine Project, which positions it at the forefront of the emerging Australian junior iron ore sector.

The Bonnie Creek CID Project is located in close to existing infrastructure including Fortescue Metal Group's (FMG's) Cloud Break and proposed Christmas Creek operations.

The high-quality DSO resource base of 46Mt will strengthen the current Feasibility Study on the low capex, 1.5Mtpa start-up project at the Bonnie Creek Project. This Feasibility Study is scheduled for completion during the first half of 2009 and will underpin BC Iron's core corporate objective of advancing the Nullagine Project to production and cash flow as rapidly as possible.

Updated Resource Estimate

The mineral resource estimate (Tables 1 and 2) was based on data collated and interpreted by BC Iron staff and prepared and estimated by Golder Associates. The resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004).

Table 1 – Mineral Resource Estimate for DSO, Bonnie Creek CID

Resource Class	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	1.7	57.0	64.8	3.5	2.1	0.0	0.0	12.0
Indicated	41.2	57.0	64.7	3.1	2.1	0.0	0.0	12.0
Inferred	3.3	56.8	64.5	3.4	2.1	0.0	0.0	11.9
TOTAL	46.2	57.0	64.7	3.18	2.11	0.011	0.016	12.0

Table 2 – Mineral Resource Estimate for Mineralised CID, Bonnie Creek CID

Resource Class	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	2.0	55.9	63.6	4.1	2.8	0.0	0.0	12.1
Indicated	72.8	54.0	61.8	4.5	3.1	0.0	0.0	12.7
Inferred	5.3	53.8	61.6	4.6	3.2	0.0	0.0	12.6
TOTAL	80.2	54.0	61.9	4.46	3.08	0.012	0.018	12.7

The resource estimate comprises a Direct Shipping Ore (DSO) zone, which was modelled based on interpretations from drill hole data using a 55% Fe down-hole cut-off grade. The mineralised CID Zone, which includes the DSO Zone, was modelled based on chemical and geological boundaries and comprises the DSO zone as well as the surrounding iron mineralised material.

Tables 3 and 4 at the end of this release comprise a detailed breakdown of each Prospect by Resource classification.

DSO a 'First Class' Sinter Feed

Sinter test work carried out independently in China during 2007 by a large steel company found that BC Iron's fines ore can be categorised as 'First Class' in terms of its sintering characteristics. This is of particular importance as it differentiates BC Iron's product from that of others and adds exceptional value by enhancing sinter quality. Furthermore, the test work highlighted the ultra-low phosphorus levels in BC Iron's ore.

Ongoing work by BC Iron has shown that the low impurities, particularly Al₂O₃ and P, and sintering qualities greatly enhance the marketability of the product as a 'premium fines sinter feed'.

Feasibility Study Progressing On Schedule

The Feasibility Study on the development of a 1.5Mtpa start-up operation at the Company's Bonnie Creek CID Project is progressing well, with the Company on target to complete the current Feasibility Study in the first half of 2009.

As outlined in November last year, preliminary estimates have indicated that the 1.5Mtpa development scenario would have an approximate capital cost of A\$20-30 million, representing a significant reduction on the A\$85-100 million capital cost estimated for the original 3Mtpa start-up production rate envisaged in BC Iron's Scoping Study.

Importantly, the 1.5Mtpa option would have an estimated operating cost in the region of A\$40/tonne assuming a successful haulage agreement is negotiated with FMG, providing the Company with early cash flow with minimal capital outlay. The Company has a Memorandum of Understanding in place with The Pilbara Infrastructure Pty Ltd (TPI) for rail haulage and ship loading services. TPI is wholly owned by FMG.

To achieve the cost savings, BC Iron has developed a process model where ore crushing and screening would be conducted 'in pit' using a mobile crushing plant. Ore would then be hauled by road to the nearby rail infrastructure operations owned by The Pilbara Infrastructure Pty Ltd (TPI).

BC Iron is considering several off take options for its ore and expects to finalise these in the near future.

Ongoing Exploration

The Company is currently carrying out geological modelling of the Bonnie East, Dandy, and Shaw River deposits that have potential for further DSO and mineralised CID. Furthermore, detrital deposits were identified at the Shaw River CID project located some 25 km to the west of Bonnie Creek CID. These will be assessed for potential upgrade material later in the year.

Summary

BC Iron Managing Director Mike Young said the resource upgrade marked the culmination of a highly successful period of exploration and resource development for BC Iron, reinforcing the quality and robustness of the Nullagine Project.

"This updated resource now achieves all of our high priority exploration targets for the Bonnie Creek Project, including a maiden resource estimate for the Warrigal Well Deposit and increased confidence in the existing resources at Outcamp and Coongan," Mr Young said.

"We expect that this high quality resource base will significantly enhance the value of the Company over the coming months, with the high-grade DSO resource forming the centrepiece of our Feasibility Study on a low-cost, 1.5Mtpa start-up operation at Bonnie Creek," he continued.

"While our focus over the next 6-12 months will be on delivering this Feasibility Study and advancing towards production as rapidly as possible, recent exploration has also confirmed the potential to further expand our resource base in the very near future."

- ENDS -

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JORC Statement

The information relating to the terms “iron ore”, “exploration target”, “direct shipping ore” and “upgrade” should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004) and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.

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 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.

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.

Resource Statement

Golder Associates completed the resource estimate of the Outcamp, Warrigal and Coongan Channel Iron Deposits at the Nullagine Project in the Pilbara, on behalf of BC Iron. The resource estimates are based on all available assay data as of 17 December 2008. Since the scoping-level resource estimation work completed earlier in 2008, BC Iron has completed significant additional infill drilling to 100m × 50m spacing and a minor number of holes at 50m x 50m spacing.

The resource estimate was classified in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004). Golder geologists, based principally on data density, geological confidence criteria and representativeness of sampling, did classification of the resource estimate.

Assumptions and Methodology

This Mineral Resource estimate is based on a number of factors and assumptions some of which are as follows:

- All of the available drilling data was used for the Mineral Resource estimation.
- Assays were obtained predominantly from reverse circulation drill samples with some diamond core on 1 m intervals. None of the drillholes in the mineralised zones encountered water.
- Sample preparation and assays were conducted at Ultratrace and Genalysis Laboratories, in Perth, Western Australia.
- The CID was modelled based on geological logging and using Fe and Al₂O₃ assays. The DSO domains within the CID were modelled based on a cut-off grade of 55% Fe in three dimensions. These domains were used to define geological zones that were used to flag the sample data for statistical analysis and estimation.
- Golder completed a review of the QAQC data. The QAQC program included company standards, and field duplicates submitted at a rate of about 1% of all assayed samples. No discrepancies were identified.
- An average Dry Bulk Density of 2.91 t/m was assigned to the ore zones in the models. BC Iron personnel determined bulk densities using measurements on drill core.
- The Ordinary Kriging (OK) interpolation method was used for resource estimation of Fe, SiO₂, Al₂O₃, P, S, LOI, CaO, K₂O, Mg, Mn, Na₂O and Cu.

About BC Iron Limited

BC Iron Limited (ASX: BCI) is an emerging iron ore exploration and development company focused on Western Australia's Pilbara region. The Company's 100%-owned Nullagine Project is strategically located north east of the Cloud Break operation, part of Fortescue Metal Group's Chichester Iron Project. The Nullagine Project is proximal to the open access railway line owned by Fortescue between Chichester and Fortescue's dedicated iron ore berths at Port Hedland, 260km to the northwest.

Development drilling has been completed at five prospects including Outcamp, Coongan and Warrigal Well to upgrade and add to the current resource estimate. Resource modelling is still underway at several other prospects.

Following the completion of a successful Scoping Study, BC Iron has moved quickly into a Feasibility Study to examine a potential start-up operation in 2010 at the Bonnie Creek CID Project (46Mt grading 57.0 % Fe) at an initial production rate of 1.5 Mtpa of DSO (ramping up to 3 then 5 Mtpa). This low tonne start-up option is intended to deliver first ore at a low capital intensity with growth being funded from cash flows.

The Company has entered into an MOU with Fortescue Metals Group facilitating negotiation over bulk transport for its material. BC Iron is a founding member of the North West Iron Ore Alliance which has successfully reserved export capacity at Port Hedland and is currently carrying out a scoping study on a multi-user facility at Port Hedland.

Key Statistics

Shares on Issue:	65.5 million (fully diluted)
Board and Management:	Tony Kiernan – Chairman Mike Young – Managing Director Garth Higgo – Non-Executive Director Terry Ransted – Non-Executive Director Steven Chadwick – Non-Executive Director
Major Shareholders:	Consolidated Minerals 26% Alkane Resources Ltd 15% UBS Wealth Management Aus. Nom 5%

Table 3 – Mineral Resource Estimate for DSO, Bonnie Creek CID

DSO Mineral Resource - Outcamp Well

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	1.7	57.0	64.8	3.47	2.13	0.016	0.018	12.0
Indicated	19.6	57.0	64.8	3.08	2.03	0.009	0.013	12.1
Inferred	0.0	0.0	0.0	0.00	0.00	0.000	0.000	0.0
TOTAL	21.3	57.0	64.8	3.11	2.04	0.010	0.013	12.1

DSO Mineral Resource - Warrigal Well

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	0.0	0.0	0.0	0.00	0.00	0.000	0.000	0.0
Indicated	13.9	57.0	64.5	3.61	2.34	0.013	0.022	11.6
Inferred	2.4	56.7	64.2	3.83	2.26	0.013	0.027	11.7
TOTAL	16.4	57.0	64.5	3.64	2.33	0.013	0.023	11.6

DSO Mineral Resource - Coongan Well

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	0.0	0.0	0.0	0.00	0.00	0.000	0.000	0.0
Indicated	7.7	57.0	65.1	2.49	1.88	0.012	0.011	12.4
Inferred	0.9	57.2	65.3	2.26	1.79	0.008	0.011	12.5
TOTAL	8.6	57.0	65.1	2.46	1.87	0.012	0.011	12.4

Total DSO Mineral Resource - Nullagine Project

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	1.7	57.0	64.8	3.47	2.13	0.016	0.018	12.0
Indicated	41.2	57.0	64.7	3.14	2.11	0.011	0.016	12.0
Inferred	3.3	56.8	64.5	3.40	2.13	0.012	0.023	11.9
TOTAL	46.2	57.0	64.7	3.18	2.11	0.011	0.016	12.0

Table 4 – Mineral Resource Estimate for Mineralised CID, Bonnie Creek CID

CID Mineral Resource - Outcamp Well

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	2.0	55.9	63.6	4.12	2.78	0.016	0.018	12.1
Indicated	38.3	53.7	61.7	4.45	2.82	0.010	0.015	12.9
Inferred	0.0	0.0	0.0	0.00	0.00	0.000	0.000	0.0
TOTAL	40.4	53.9	61.8	4.43	2.82	0.010	0.015	12.9

CID Mineral Resource - Warrigal Well

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	0.0	0.0	0.0	0.00	0.00	0.000	0.000	0.0
Indicated	22.1	54.6	62.1	4.67	3.46	0.013	0.024	12.0
Inferred	3.6	54.5	62.0	4.72	3.21	0.013	0.026	12.1
TOTAL	25.6	54.6	62.1	4.68	3.43	0.013	0.024	12.0

CID Mineral Resource - Coongan Well

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	0.0	0.0	0.0	0.00	0.00	0.000	0.000	0.0
Indicated	12.4	53.7	61.7	4.12	3.21	0.013	0.013	13.0
Inferred	1.7	52.5	60.8	4.43	3.13	0.007	0.013	13.7
TOTAL	14.2	53.5	61.6	4.16	3.20	0.012	0.013	13.1

Total CID Mineral Resource - Nullagine Project

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	2.0	55.9	63.6	4.12	2.78	0.016	0.018	12.1
Indicated	72.8	54.0	61.8	4.46	3.08	0.011	0.017	12.7
Inferred	5.3	53.8	61.6	4.63	3.18	0.011	0.022	12.6
TOTAL	80.2	54.0	61.9	4.46	3.08	0.012	0.018	12.7