



BC IRON LIMITED

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BC IRON SECURES LANDMARK LONG-TERM OFF-TAKE AGREEMENT FOR NULLAGINE IRON ORE

HIGHLIGHTS

- Agreement with Australian-based metals trading and investment house Tennant Metals.
- Tennant Metals to act as agent and/or principal in the FOB sale of 25% of BC Iron's future iron ore production (commencing at 1.5Mtpa).
- Arrangement reduces counter-party risk to BC Iron – payment to be made immediately on delivery of ore, through an Australian financial institution.
- Off-take commencing from start up of production in 2010 for at least five years.
- High-quality, low-contaminant ore with 'First Class' sintering characteristics.
- Tennant Metals is a privately owned, Australian-based strategic metals trading and investment house.

Australian iron ore company BC Iron Limited (ASX: **BCI** – "BC Iron") is pleased to announce that it has entered into a **long-term off-take agreement for 25% of future iron ore production** from its 100%-owned Nullagine Iron Ore Project in the Pilbara of Western Australia.

The agreement is with **Tennant Metals Pty Ltd**, an Australian-based, specialist metals trading and investment house (*see below*). Under the arrangement, Tennant Metals will act as agent and/or principal for the Free on Board (FOB) sale of 25% of iron ore produced at Nullagine for a minimum five year period from the commencement of production anticipated to be in early 2010.

The price of the ore will be referenced to the long-term benchmark iron ore price, with appropriate adjustments for the premium quality nature of Nullagine iron ore. 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.

The agreement with Tennant Metals represents the first third party off-take agreement entered into by BC Iron and marks a further significant milestone for the Company towards development of the Nullagine Project.

Last month, BC Iron announced a 64% increase in high-quality Direct Shipping Ore (DSO) resources for the Bonnie Creek CID Project at Nullagine to 46.2Mt grading 57.0% Fe (64.7% calcined Fe) within an updated global resource totalling **80.2 Mt grading 54.0% Fe (61.9% CaFe)** of mineralised Channel Iron Deposit (CID).

BC Iron is currently undertaking a Feasibility Study on a 1.5Mtpa start-up operation at Bonnie Creek which is due for completion during the first half of 2009. First production is targeted for 2010. The Bonnie Creek CID Project is located close to existing infrastructure including Fortescue Metal Group's (FMG's) Cloud Break and proposed Christmas Creek operations.

Tennant Metals is a well-established and highly respected Australian-based trading and investment house specialising in the physical merchandising of a range of refined metals, ores, concentrates and metallurgical bulk commodities globally.

Summary

BC Iron Managing Director Mike Young said the off-take agreement with Tennant Metals represented a major positive milestone for the Company and reflected the premium quality of the Nullagine ore product and its potential to attract very high levels of market interest.

"We are very pleased to have struck this landmark ore sales agreement with a highly respected Australian company with the international trading experience, proven track record and global presence of Tennant Metals," Mr Young said. "Tennant Metals is managed by a group of outstanding, committed individuals, and it represents a major plus for the Company and the Bonnie Creek CID Project to have forged a long-term partnership with them for the marketing and sale of iron ore commencing from early next year."

The off-take agreement is structured in a way that minimizes counter-party risk and provides immediate payment for ore on delivery via an Australian bank. Mr Young said "This is a very attractive arrangement at a time of uncertainty and a reflection of the quality of our product and highly competitive position within the Australian iron ore sector."

"We are very happy to have Tennant Metals on the team as we complete the Feasibility Study on the Bonnie Creek CID Project and move towards production."

"With last month's resource upgrade, the Feasibility Study and the signing of this important agreement today, things are rapidly falling into place to press ahead with our development plans as quickly as possible," he said.

- ENDS -

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About BC Iron Limited

BC Iron Limited (ASX: BCI) is an emerging iron ore producer focused on Western Australia's world-class Pilbara region. The Company's core asset is the 100%-owned Nullagine Project, an extensive tenement portfolio which is strategically located 140km north of Newman proximal to Fortescue Metals' Chichester operation.

The Nullagine Project hosts a Direct Shipping Ore (DSO) resource of 46Mt @ 57% Fe (64.8% Fe) within an overall Channel Iron Deposit (CID) resource of 80Mt @ 54% Fe. BC Iron's competitive advantage is that the Nullagine resource comprises an outcropping, low contaminant "first class" sinter feed that is located close to accessible infrastructure.

BC Iron has completed a successful Scoping Study on a start-up DSO operation at Nullagine and, on the strength of this, moved quickly into a Feasibility Study. This study, which is currently underway, is examining the prospect of commencing commercial operations at the Bonnie Creek CID Project in 2010.

The Company recently entered into a long-term off-take agreement for 25% of future iron ore production from the project.

Subject to the execution of a rail haulage or access agreement with Fortescue, the Company will be capable of transporting its ore to Port Hedland, 260km to the north west, for export – positioning it to rapidly transform the project into production and cash flow.

While still subject to ongoing work, BC Iron's estimated capital expenditure requirement for the mine development is approximately A\$20-30 million with a forecast operating cost of approximately A\$40/tonne. The operation is scheduled for commissioning in early 2010 at an initial rate of 1.5Mtpa, ultimately ramping up to 5Mtpa.

Key Statistics

Shares on Issue:	59.4 million
Cash & equivalents:	December 31, 2008 - \$5.1M
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%

About Tennant Metals

Tennant Metals is a well-established and highly respected Australian-based trading and investment house specialising in the physical merchanting of a range of refined metals, ores, concentrates and metallurgical bulk commodities globally.

The Company is one of Australia's oldest metals trading house and was originally part of Tennant Limited, which was established in 1966 as a trading subsidiary of the Renison Gold Fields Group. Since 1997, Tennant Metals has been privately owned and has had a strong Asian focus with staffed offices in Beijing and Taipei complementing its offices in Sydney and Perth.

Tennant Metals has an in-depth understanding of the various components of metals trading including the logistics chain, the sourcing and sale of the physical product, the hedging of the risks associated with the underlying product, and the financing of the transaction.

The off-take agreement with BC Iron represents the first major transaction for Tennant Metals' recently established Western Australian office and is a flagship deal for the group as part of its expansion into the metallurgical bulk commodities area. Tennant Metals' Perth office is managed by experienced metals trader, Justin Boylson, who previously had several successful years with Sinosteel Australia. Sinosteel is China's largest trader of iron ore and bulk metallurgical commodities.

With its extensive networks and agency relationships worldwide, Tennant Metals will provide significant support for BC Iron in the marketing of its premium quality ore, as well as providing strategic corporate and treasury services, if and when required.