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BC IRON ANNOUNCES UPDATED 50.7MT DSO RESOURCE FOR NULLAGINE IRON ORE PROJECT

HIGHLIGHTS

- Updated Measured, Indicated and Inferred DSO resource inventory of 50.7Mt grading 57.0% Fe (64.8% CaFe)
- Includes maiden DSO resource for Bonnie East of 8.3Mt grading 57.0% Fe (64.9% CaFe)
- Total Channel Iron Deposit (CID) Mineral Resource of 89.1Mt grading 54.1% Fe (61.9% CaFe)
- DSO contains low contaminants and is considered to have high Value in Use
- Feasibility Study for Bonnie Creek CID Project progressing on schedule

Australian iron ore company BC Iron Limited (ASX: **BCI** – “BC Iron”) is pleased to report an updated resource inventory for its 100%-owned **Nullagine Iron Ore Project**, located in Western Australia’s East Pilbara, following completion of a maiden resource estimate for the **Bonnie East** deposit.

The updated inventory comprises high-quality Direct Shipping Ore (DSO) resources for the Bonnie Creek CID Project totalling **50.7 Mt grading 57.0% Fe (64.8% calcined Fe or CaFe)**. This is contained within an updated global resource totalling **89.1 Mt grading 54.1% Fe (61.9% CaFe)** of mineralised Channel Iron Deposit (CID).

This includes a maiden Inferred Resource Estimate for Bonnie East of 8.3 Mt grading 57.0% Fe (64.9% CaFe) of high-grade DSO and 13.9Mt grading 55.1% Fe (62.6% CaFe) of mineralised CID, based on the results of successful drilling programs completed during 2008.

During resource modelling for Bonnie East improvements were made to the resource modelling and estimation methods in representing the edges of the Channel Iron. These were subsequently applied to the previously reported resource estimates for Outcamp Well, Warrigal Well and Coongan Well (totalling 46.2 Mt grading 57.0% Fe or 64.7% CaFe as reported to the ASX on 8 January 2009). This development has resulted in a reduction of 3.8 million tonnes or 8%, across these three deposits from the January 2009 resource announcement, however average grade and contaminant levels remain as previously reported.

Updated Resource Inventory

The updated mineral resource estimate (Tables 1 and 2) is based on data collated and interpreted by BC Iron personnel. The block models were prepared and estimated by Golder Associates using the revised modelling assumptions outlined below. 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 Project

Resource Class	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	1.7	57.0	64.8	3.49	2.15	0.016	0.018	12.0
Indicated	38.6	57.0	64.7	3.15	2.09	0.011	0.016	12.0
Inferred	10.4	57.0	64.8	3.27	2.00	0.010	0.013	12.1
TOTAL	50.7	57.0	64.8	3.19	2.07	0.011	0.015	12.0

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

Resource Class	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	2.2	54.5	62.1	4.94	3.65	0.017	0.018	12.1
Indicated	68.8	54.0	61.8	4.48	3.08	0.011	0.017	12.7
Inferred	18.1	54.7	62.3	4.27	2.85	0.018	0.013	12.1
TOTAL	89.1	54.1	61.9	4.45	3.05	0.013	0.016	12.6

“We are very pleased to report a maiden resource estimate for Bonnie East, further enhancing the inventory of DSO-grade, high-quality pisolite resources which underpins the Bonnie Creek CID Project,” said BC Iron’s Managing Director, Mike Young.

“During the course of resource modelling the Bonnie East deposit (Figure 1), we identified enhancements in the modelling procedures which were then applied to the three existing deposits.

“While the changes result in a reduction in the tonnage, the outcome is consistent with our strong commitment as a Company to maintaining the highest possible levels of openness and transparency in the reporting of resources,” Mr Young added.

Richard Gaze, Associate and Principal Geostatistician with Golder Associates who manages the team responsible for BC Iron’s resource estimation work, said the new modelling techniques related to more accurately representing the edges of the Channel Iron and changes to the use of Specific Gravity (SG) data used to calculate the resource tonnage.

In conclusion, Mr Young said: “We are continuing to enhance and improve the high-quality resource base at Nullagine as we move towards development of the Bonnie Creek CID Project.”

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’.

The Feasibility Study on the development of a 1.5Mtpa start-up operation at the Company's Bonnie Creek CID Project is progressing well and remains on schedule to be completed during the first half of 2009.

- 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 50.7Mt @ 57% Fe (64.8% Fe) within an overall Channel Iron Deposit (CID) resource of 89.1Mt @ 54.1% 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.

A Feasibility Study is currently underway, is examining the prospect of commencing commercial operations at the Bonnie Creek CID Project in 2010.

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.

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

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
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%

Resource Statement – Outcamp, Warrigal, and Coongan (Table 3 and 4)

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 guided by 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.
- Average Dry Bulk Density was determined using measurements on drill core for each geological domain and individual CID prospect and average densities were then assigned to each domain in the block models.
- 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.
- Calcined Fe (CaFe) is calculated using the formula $CaFe = Fe / (100 - LOI) * 100$
- The DSO resource is a subset of the CID resource.
- CID grades are reported using a block cut-off grade of 45% Fe. DSO Grades are reported using variable Fe cut-off grades to achieve a 57.0 % Fe specification grade. No other specification grades are applied.

Resource Statement – Bonnie East

BC Iron completed the resource estimate of the Bonnie East Channel Iron Deposits at the Nullagine Project in the Pilbara. The resource estimates are based on all available assay data as of 17 December 2008.

The resource estimate was classified in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004) and is based principally on data density (200m x 100m), geological confidence criteria and representativeness of sampling.

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 from reverse circulation drill samples on 1 m intervals. None of the drill holes 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 guided by 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.
- During the modelling of Outcamp, Warrigal and Coongan, 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.
- Average Dry Bulk Density was assigned to each domain in the block models based on density data from the adjacent Outcamp Deposit.

- The Inverse Distance interpolation method was used for resource estimation of Fe, SiO₂, Al₂O₃, P, S, LOI, CaO, K₂O, Mg, Mn, Na₂O and Cu.
- Calcined Fe (CaFe) is calculated using the formula $CaFe = Fe / (100 - LOI) * 100$
- The DSO resource is a subset of the CID resource.
- CID grades are reported using a block cut-off grade of 45% Fe. DSO Grades are reported using variable Fe cut-off grades to achieve a 57.0 % Fe specification grade. No other specification grades are applied.

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	3.49	2.15	0.016	0.018	12.0
Indicated	18.7	57.0	64.8	3.08	2.01	0.009	0.013	12.1
Inferred	-	-	-	-	-	-	-	-
TOTAL	20.4	57.0	64.8	3.11	2.02	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	-	-	-	-	-	-	-	-
Indicated	12.7	57.0	64.5	3.62	2.31	0.013	0.022	11.6
Inferred	1.6	57.0	64.4	3.77	2.11	0.013	0.027	11.5
TOTAL	14.3	57.0	64.5	3.64	2.29	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	-	-	-	-	-	-	-	-
Indicated	7.2	57.0	65.0	2.51	1.89	0.012	0.011	12.4
Inferred	0.5	57.1	65.3	2.27	1.75	0.007	0.012	12.6
TOTAL	7.7	57.0	65.0	2.49	1.88	0.012	0.011	12.4

DSO Mineral Resource - Bonnie East

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-
Inferred	8.3	57.0	64.9	3.23	2.00	0.010	0.010	12.1
TOTAL	8.3	57.0	64.9	3.23	2.00	0.010	0.010	12.1

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	3.49	2.15	0.016	0.018	12.0
Indicated	38.6	57.0	64.7	3.15	2.09	0.011	0.016	12.0
Inferred	10.4	57.0	64.8	3.27	2.00	0.010	0.013	12.1
TOTAL	50.7	57.0	64.8	3.19	2.07	0.011	0.015	12.0

*Calcined Fe (CaFe) = Fe% / (100 – LOI%) * 100*

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	2.2	54.5	62.1	4.94	3.65	0.017	0.018	12.1
Indicated	36.8	53.7	61.7	4.46	2.82	0.010	0.015	12.9
Inferred	-	-	-	-	-	-	-	-
TOTAL	39.0	53.8	61.8	4.49	2.87	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	-	-	-	-	-	-	-	-
Indicated	20.5	54.5	62.0	4.72	3.48	0.013	0.024	12.0
Inferred	2.9	54.6	62.0	4.79	3.25	0.013	0.026	12.0
TOTAL	23.4	54.5	62.0	4.73	3.45	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	-	-	-	-	-	-	-	-
Indicated	11.5	53.7	61.7	4.14	3.22	0.013	0.013	13.0
Inferred	1.3	51.3	59.7	4.98	3.45	0.007	0.013	14.0
TOTAL	12.8	53.4	61.5	4.23	3.24	0.012	0.013	13.1

CID Mineral Resource - Bonnie East

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-
Inferred	13.9	55.1	62.6	4.10	2.71	0.020	0.010	12.0
TOTAL	13.9	55.1	62.6	4.10	2.71	0.020	0.010	12.0

Total CID Mineral Resource - Nullagine Project

Res Cat	Mt	Fe	CaFe	SiO ₂	Al ₂ O ₃	S	P	LOI ₁₀₀₀
Measured	2.2	54.5	62.1	4.94	3.65	0.017	0.018	12.1
Indicated	68.8	54.0	61.8	4.48	3.08	0.011	0.017	12.7
Inferred	18.1	54.7	62.3	4.27	2.85	0.018	0.013	12.1
TOTAL	89.1	54.1	61.9	4.45	3.05	0.013	0.016	12.6

*Calcined Fe (CaFe) = Fe% / (100 - LOI%) * 100*

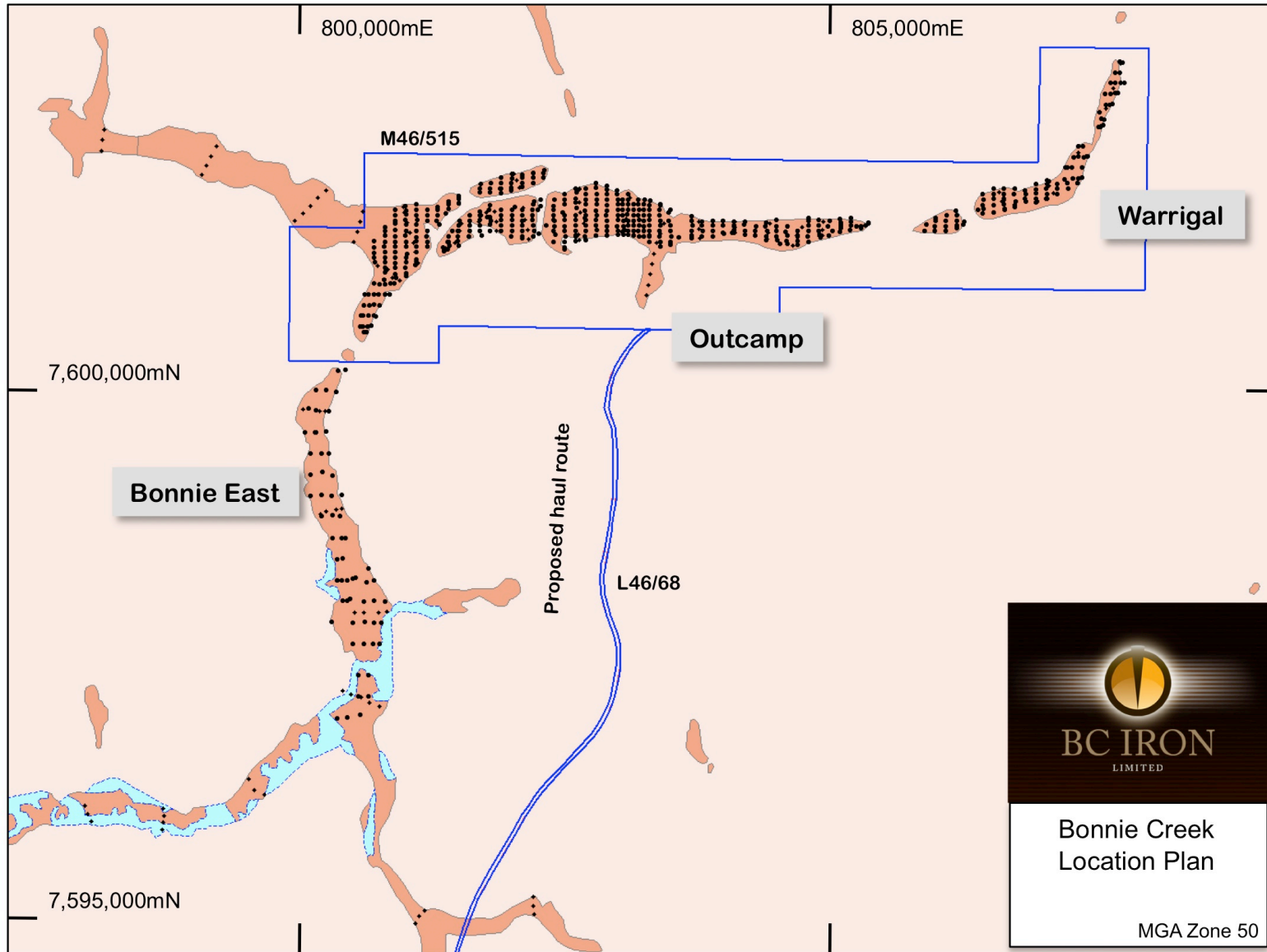


Figure 1 : Prospect location plan, tenement applications and drill collars for Bonnie Creek CID Project.

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 Estimates for Coongan, Outcam, and Warrigal Deposits have been compiled by Mr Richard Gaze who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Golder Associates.

The information that relates to the Mineral Resource Estimate for the Bonnie East Deposit has been compiled by Mr Michael Young who is a member of the Australian Institute of Geoscientists and a Director of the Company.

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.