

HIGHLIGHTS

NULLAGINE IRON ORE PROJECT (Pilbara, WA – 100% BCI – FMG earning 50%)

Trial Mining / Test Pit Completed

- Results from trial mining at the Outcamp Deposit support key technical and mining assumptions of Feasibility Study
- Final results from trial mining test pit exceed expectations, producing a positive reconciliation of 13% over the original mine reserve estimate with respect to contained metal
- Assay results received from test pit exceeded Robe River ore specifications ~ ore confirmed as premium quality and capable of being sold at a minimum of Hamersley Iron (Yandi) Fines pricing
- Surface miner trials consistent with Feasibility Study expectations and surface mining confirmed as mining method
- Surface mining technique produces run-of-mine (ROM) feed to the crushing circuit at a size which results in greater efficiency in the crushing and screening performance

Project Development

- Following trial mining results, Fortescue Metals Group (FMG) formally confirmed its commitment to proceed with the Nullagine Joint Venture arrangements
- Development activities now focused on securing final regulatory approvals, awarding key construction and mining contracts, building a heavy haul road to the rail infrastructure and commencing village and mine centre construction
- Production at an initial 3Mtpa rate targeted for late 2010, increasing subsequently to 5Mtpa upon completion of additional infrastructure by FMG

CORPORATE

- Nullagine JV secured off-take agreements with Henghou Industries (Hong Kong) Limited ~ includes US\$50 million in pre-sales finance to be used for project development
- Strong financial position with approximately A\$24.0m in cash at the end of the Quarter (including BC Iron's share of the first pre-sales instalment)



BC IRON LIMITED

ABN 21 120 646 924

ASX Code: BCI

Shares On Issue: 83.8m

Listed: 15 December 2006

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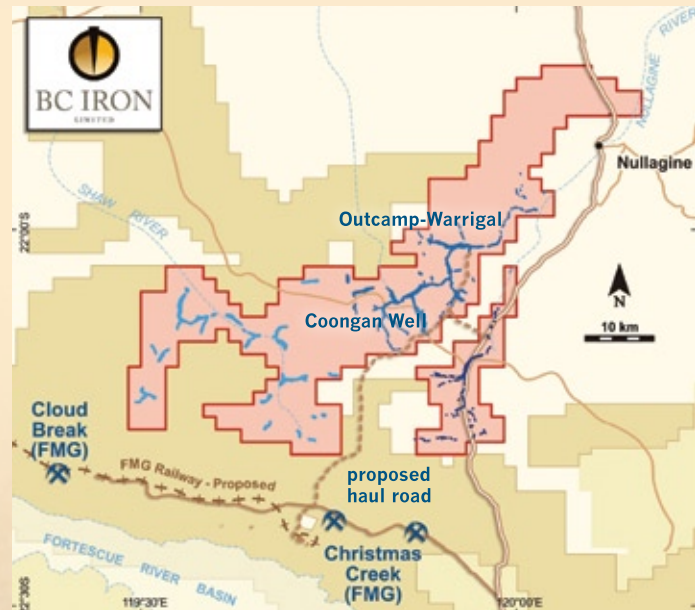


OVERVIEW

The December 2009 Quarter saw the completion of trial mining at the Outcamp Deposit, with results from the test pit exceeding predetermined parameters for ore quality and mining technique. These results have confirmed the technical and economic viability of the Nullagine Project.

Following on from these excellent results, FMG formally confirmed its commitment to move forward with development of the Project, which will now consist of securing final regulatory approvals, awarding key construction and mining contracts, building a heavy haul road to rail infrastructure and commencing village and mine centre construction.

Another significant development during the Quarter occurred in early November last year, when the Nullagine Joint Venture (NJV) secured an off-take agreement with Henghou Industries (Hong Kong) Limited. This agreement - which included 20Mt of ore to be supplied over the next 8.5 years and US\$50 million in pre-sales funding to be used for project development - has further underpinned BC Iron's move into production later this year.



NULLAGINE PROJECT AREAS AND TENEMENTS

NULLAGINE IRON ORE PROJECT

TRIAL MINING

The test pit bulk sampling program carried out during September to November 2009 supported all of the key technical and mining assumptions of the Feasibility Study. The Mineral Resource estimates and Ore Reserves within the test pit area achieved a positive reconciliation for both tonnes and grade.

The ore that was mined, crushed and screened produced a higher tonnage and iron grade than predicted by the Ore Reserve model. In terms of contained metal, this represented a positive reconciliation of 13% over the original mine reserve estimate.

Assays received from the test pit have exceeded the pre-trial mine iron ore estimate and iron ore specifications in terms of grade and contaminant levels. These results are consistent with the pre-mining grade estimate and clearly underpin confidence in the Feasibility Study.

One of the most important aspects of the test pit was to determine the viability of surface miners for mining the deposit. The results from this work were found to be consistent with expectations from the Feasibility Study. The use of surface mining also resulted in a more efficient crushing and screening process. The product sizing of the ROM material to the crushers was smaller than forecast. This resulted in reduced crushing time and is expected to lead to decreased crushing costs.

The equipment used at the trial mine was the same type and was operated at the same scale as the equipment which will be used in the first year of operations at the Nullagine Project. This provides additional confidence in the robustness of the Project.



RESULTS

Table 1 below compares the predicted tonnes and grades, or ‘planned production’ to the actual mined product. The predicted production was calculated by intersecting the final surveys of the mined pits with the Ore Reserve model used for the Feasibility Study (which was reported to the ASX on July 3, 2009).

The actual figures are derived from calibrated weightometers and from the assays of the final product from the crushing and screening plant. The results show that the actual product achieved a higher tonnage and better Fe and Al₂O₃ grades than predicted by the model. This confirms that in the area of the test pit, the modelling assumptions and methodologies were appropriate.

Table 1 – Test Pit Results

Costean	Dry Metric Tonnes	Fe	Al ₂ O ₃	SiO ₂	P	S	LOI ₁₀₀₀
Costean 1	26,970	56.9	2.1	4.1	0.018	0.015	11.9
Costean 3	8,355	58.5	1.4	3.7	0.020	0.011	10.8
Costean 4	20,667	56.9	2.1	4.5	0.022	0.015	11.6
TOTAL	55,992	57.1	2.0	4.2	0.020	0.014	11.6

Actual Direct Ship Ore Product

Costean	Dry Metric Tonnes	Fe	Al ₂ O ₃	SiO ₂	P	S	LOI ₁₀₀₀
Costean 1	32,681	57.5	2.0	4.5	0.021	0.017	10.8
Costean 3	8,934	57.4	1.9	5.0	0.026	0.015	10.1
Costean 4	21,137	57.8	1.6	4.4	0.021	0.015	10.7
TOTAL	62,752	57.6	1.8	4.6	0.021	0.016	10.7

Note: Designed Costean 1 and 2 were combined during mining and reported as Costean 1.

The positive reconciliation was due in part to the difference between the exploration sampling intervals and the mining selectivity of the surface miners. During exploration drilling, sampling was carried out on 1m intervals and during mining, flitch heights varied between 300 mm and 500 mm allowing highly selective mining. Grade control included visual inspection of each flitch where ore contacts were mapped and mark outs were modified accordingly. This resulted in the increased tonnage of ore extracted from the pit.

TRIAL MINING CONCLUSIONS

The results and conclusions of the trial mining program are as follows:

- The proposed mining method - surface mining - was confirmed as viable and has been accepted as the preferred mining method;
- The surface miners’ productivities supported the assumptions in the Feasibility Study;
- The crushing and screening productivities exceeded the assumptions in the Feasibility Study;
- Assay results indicate that the Nullagine product exceeds the Value-in-Use for Robe River pisolite; and
- The surface miners produce ROM feed to the crushing circuit at a product sizing which will result in improved crushing and screening performance.

The recent off-take agreement demonstrates that ore from the Nullagine JV will be sold at a minimum of Hamersley Iron (Yandi) Fines pricing.



PROJECT DEVELOPMENT

Following completion of trial mining activities, BC Iron, as Manager of the NJV, will now focus on project development activities including securing the final remaining regulatory and Aboriginal approvals in the lead up to mining, awarding of construction and mining contracts as well as haul road, village and mine centre construction.

Following the decision by FMG to fast track development of the Christmas Creek rail line and loading spur, BC Iron has revised its original plans to start-up at 1.5 Mtpa and will instead move directly to a targeted start-up production rate of 3Mtpa.

This may require the completion of the purpose built private haul road before first shipment bringing forward some capital costs with the updated pre-production capital expenditure now estimated at \$51.5 million.

PROJECT FINANCE AND OFF-TAKE

During the Quarter, the NJV secured off-take agreements which included US\$50 million in pre-sales to be used for project development. The agreement is with Henghou Industries (Hong Kong) Limited.

The off-take agreements are for 20 million tonnes of iron ore to be supplied over the next 8.5 years from the Project and will allow the NJV to continue progressing to production in late 2010.

Iron ore pricing under the off-take agreements is related to the annual benchmark iron ore reference price. If there is no benchmark in place, ore will be priced according to a pre-agreed index system.

CORPORATE

PROJECT FUNDING

On December 17, the NJV received the US\$15 million first tranche of funding under the US\$50 million off-take, pre-sales agreement signed with Henghou Industries (Hong Kong) Limited.

This first US\$15 million payment will be used for project development activities as the Joint Venture commences construction in early 2010.

As a sign of the establishment of a long-term relationship, BC Iron has separately agreed to issue 8 million options to Henghou. This agreement is subject to the following conditions:

- 6 million options exercisable at \$1.35 and 2 million at \$1.50; and
- Option term is 2 years from issue but only exercisable subject to full drawdown of US\$50m facility.



NORTH WEST IRON ORE ALLIANCE

As a result of its infrastructure arrangement with FMG, BC Iron has made the decision to withdraw from the North West Iron Ore Alliance (NWIOA), in which it was a foundation member. BC Iron would like to thank the NWIOA and its members for their support of both BC Iron and the junior iron ore sector as a whole.

BC Iron strongly supports third party access to rail and port infrastructure for the junior iron ore industry and will continue to monitor and support the activities of the Alliance and wishes all members the very best for the future.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting was held on 18 November and all Resolutions were passed on a show of hands.

TENNANT METALS PTY LTD

During the Quarter, BC Iron received notice from Tennant Metals that it was pursuing arbitration based on the termination by BC Iron of the Off-take Agreement between the two parties signed in February 2009.

BC Iron was surprised at the referral by Tennant Metals given the express termination provisions within the Agreement and will strongly defend any action Tennant Metals may take in this regard

MANAGEMENT

During the Quarter Mr Simon Storm resigned as Company Secretary. The Company's Chief Financial Officer, Mr Morgan Ball has taken on the dual role of CFO and Company Secretary.

CASH POSITION

As at 31 December 2009, BC Iron had A\$24.0 million in cash and has ~ \$23.1m as of the time of writing.

- ENDS -

RELEASED BY:

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ON BEHALF OF:

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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 Nullagine Iron Ore Project, an extensive tenement portfolio which is strategically located 140km north of Newman proximal to Fortescue Metals’ Chichester operation. The Company has entered into a Joint Venture with FMG (earning up to 50%) who will provide port and rail infrastructure access for the life of the mining operation.

The Nullagine Iron Ore Project comprises a Direct Shipping Ore (DSO) Probable Reserve of 36Mt @ 57% Fe. The total mineral resource at Nullagine is 89Mt @ 54.1% Fe.

BC Iron’s competitive edge over other iron ore juniors in Australia is that it has a high-quality, low contaminant iron ore deposit and a practical infrastructure solution allowing it to develop, mine and export it’s product to markets overseas.

KEY STATISTICS

Shares on Issue:	83.8 million	
Cash & equivalents:	December 31, 2009	– \$24.0m
Board and Management:	Tony Kiernan	– Chairman & Non-Executive Director
	Mike Young	– Managing Director
	Garth Higgo	– Non-Executive Director
	Terry Ransted	– Non-Executive Director
	Steven Chadwick	– Non-Executive Director
	Morgan Ball	– Chief Financial Officer & Company Secretary
	Blair Duncan	– Chief Operating Officer
Major Shareholders:	Consolidated Minerals	22%
	Regent Pacific Group	16%





Qualifying Statement

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.

JORC Competent Persons Statement

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 at Outcamp, Warrigal Well, and Coongan Well 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.

The information that relates to the Mineral Resource Estimate at Bonnie East has been compiled by Mr Greg Hudson who is a member of the Australasian Institute of Mining and Metallurgy and an employee of BC iron, and Mr Mike Young who is a member of the Australian Institute of Geologist and an employee BC Iron. Both Mr Young and Mr Hudson 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 Hudson 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.

The information that relates to the Ore Reserve has been compiled by Mr Blair Duncan who is an employee of the Company and a member of the Australasian Institute of Mining and Metallurgy, and Mr Pieter Doelman who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Coffey Mining Pty Ltd. Both Mr Duncan and Mr Doelman 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 Duncan and Mr Doelman consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.



Ore Reserve Estimate – Nullagine Iron Ore Project (BCI 100%, FMG earning up to 50%)

Area	Probable Ore						
	Mt	Fe %	Al ₂ O ₃ %	SiO ₂ %	P %	S %	LOI %
Outcamp Well	19.2	56.8	1.9	3.2	0.01	0.01	12.2
Coongan Well	6.0	57.0	1.8	2.5	0.01	0.01	12.4
Warrigal Well	10.3	57.0	2.1	3.7	0.02	0.01	11.7
TOTAL	35.6	56.9	2.0	3.2	0.02	0.01	12.1

Total CID Resource Estimate – Nullagine 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	0.018	0.017	12.1
Indicated	68.8	54.0	61.8	4.48	3.08	0.017	0.011	12.7
Inferred	18.1	54.7	62.3	4.27	2.85	0.013	0.018	12.1
TOTAL CID	89.1	54.1	61.9	4.45	3.05	0.016	0.013	12.6

Total DSO Resource Estimate – Nullagine 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	0.018	0.016	12.0
Indicated	38.6	57.0	64.7	3.15	2.09	0.016	0.011	12.0
Inferred	10.4	57.0	64.8	3.27	2.00	0.013	0.010	12.1
TOTAL DSO	50.7	57.0	64.8	3.19	2.07	0.015	0.011	12.0

Note:

- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
- DSO (Direct Shipping Ore) is a subset of the CID (Channel iron deposit)
- Calcined Fe (CaFe) = $Fe / (100 - LOI) * 10$
- LOI measured at 1000°C
- Mbcm – million bank cubic metres
- W:O – waste to ore ratio



HOT IRON METAL POURING INTO LADLE,
CHINESE STEEL MILL