



## BC IRON LIMITED

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### **BC Iron seals company-making deal with FMG**

BC Iron Limited (**ASX:BCI**) is pleased to announce that it has sealed a ground-breaking deal with Fortescue Metals Group Ltd (**ASX:FMG**) that puts BC Iron on track to become the Pilbara's next iron ore producer.

The companies have signed an agreement that upon the completion of a satisfactory feasibility study will see them establish a joint venture to develop BC Iron's Nullagine Iron Ore Project in the East Pilbara. FMG can earn a 50% interest by meeting its joint venture obligations.

BC Iron and FMG revealed last week that they had struck an in-principle agreement under which FMG subsidiary The Pilbara Infrastructure Pty Ltd (**TPI**) would provide rail haulage, port handling and ship loading facilities for the Nullagine Project on commercial terms.

Today, the new joint venture partners announce that they have reached an agreement with TPI for the provision of rail haulage, port handling and ship loading facilities.

The Nullagine Joint Venture (Nullagine JV) will unlock the substantial value contained in the high quality but remote East Pilbara project.

Under the terms of the Nullagine JV, BC Iron and Chichester Metals Pty Ltd (a wholly owned subsidiary of FMG), will each contribute equity up to A\$10 million to the project, with the remaining development costs expected to be funded through project finance. BC Iron will manage the Nullagine JV, including responsibility for all operations, road haulage, marketing and ore sales. TPI will manage all rail and port operations, taking product from the project stockpile at FMG's Chichester operation to ships in Port Hedland.

The agreement ensures that, subject to completion of the feasibility study and securing all relevant statutory approvals, BC Iron could commence production at Nullagine in early 2010.

The feasibility study is due to be completed at the end of this month and is based on an initial annualised production rate of 1.5 million tonnes. Output is expected to rise to a minimum of 3 million tonnes per annum (Mtpa) once the dedicated heavy haul road between the Nullagine mine site and the Chichester Operations is built and commissioned. When TPI's rail is extended to Christmas Creek and port capacity is increased, Nullagine's production could be increased to 5 Mtpa.

The Nullagine Project's resource comprises a high-quality, Direct Shipping Ore of 51Mt grading 57% Fe (65% calcined Fe) with ultra-low phosphorous. Preliminary results from the feasibility study suggest Nullagine will be an exceptionally robust project, with forecast average operating costs over the life of mine of between A\$40 to A\$45 a tonne Free on Board (FOB). Capital development costs are approximately A\$35 to A\$50 million, depending on timing of production; payback of capital is expected to take less than two years from the start of production.

The Nullagine joint venture will benefit significantly from synergies arising from the proximity to FMG's operations, including access to existing infrastructure, systems and facilities such as the David Forrest airstrip, which will expedite the logistics of the new mine development.

The JV will also consider other opportunities for CID deposits in the Pilbara.

"The Joint Venture and the Rail Haulage and Port Services agreements overcome the critical infrastructure barriers to iron ore production," BC Iron managing director Mike Young said. "This is a great outcome for both BC Iron and FMG, a fantastic result for our shareholders and an important step for the continued development of the junior iron ore sector in the Pilbara."

Mr. Young said the agreement follows a memorandum of understanding FMG chief executive Andrew Forrest signed with BC Iron in 2007. "I'm pleased we are on track to start development this year, bringing new jobs and opportunities to the Pilbara region.

"Given the premium sinter qualities of the ultra-low phosphorous ore, the low capital intensity of the project and the infrastructure solution obtained, BC Iron represents an attractive option for investors seeking an exposure to the Pilbara's next iron ore producer." Mr Young added.

- ENDS -

**Released by:**  
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**On behalf of:**  
**Mr Mike Young**  
**Managing Director**  
**BC Iron Limited**

## ATTACHMENT

### Overview of Nullagine Iron Ore Project Heads of Agreement

BC Iron Limited (ASX:BCI, "BC Iron") and Chichester Metals Pty Ltd (a wholly owned subsidiary of FMG) have agreed to enter into an unincorporated Joint Venture (Nullagine Joint Venture) to develop the Nullagine Iron Ore Project on the following terms:

- Chichester may earn 50% interest in iron ore products by satisfying expenditure obligations under the terms of the JV
- Chichester and BC Iron will each contribute up to A\$10 million of the anticipated capital cost of development;
- the remaining capital development costs will be borne by the Nullagine Joint Venture and are expected to be externally financed;
- BC Iron will be Manager of the Nullagine Joint Venture with respect to all feasibility, financing, construction, operation, sales and marketing activities;
- the initial production rate shall be 1.5 million tonnes per annum (Mtpa), increasing to a minimum 3 Mtpa upon completion and commissioning of a dedicated haul road from the mine to the nominated project stockpile;
- FMG Price Participation – in consideration of the agreement and associated support, BC Iron to pay FMG 25% revenue derived from ore sales in excess of US\$60/t (indexed to CPI) on the first 3 Mt sold annually. The volume subject to the price participation will reduce to 2 Mtpa if the capacity provided under the Ore Haulage and Port Services HOA cannot match the mine production at over 3 Mtpa; and
- the Nullagine Joint Venture will benefit from synergies arising from its proximity to Fortescue's Christmas Creek operations, including access to existing infrastructure (i.e. airstrip), systems and facilities.

### Overview of Ore Haulage and Port Services Heads of Agreement

The Nullagine Joint Venture and The Pilbara Infrastructure (TPI), a wholly owned subsidiary of FMG, have entered into an agreement for the provision of all rail haulage, port handling and ship loading services on the following terms:

- TPI is the Manager for the Rail Haulage and Port Services Agreement;
- The Nullagine Joint Venture will be responsible for delivery of the product to a nominated project stockpile area at the Chichester operations rail head;
- TPI will be responsible for the delivery of the product from the nominated project stockpile onto the ship at Port Hedland;

- TPI will be required to facilitate rail haulage and ship loading services to minimum of 3 Mtpa. The production rate can increase to 5 Mtpa when the capacity of the Port Facilities are upgraded to a minimum of 60 Mtpa and on completion of the Christmas Creek to Cloud Break rail link;
- Take or pay provisions against agreed schedules commence upon commissioning of the dedicated haul road from the Nullagine Joint Venture mine site to the project stockpile; and
- TPI will be paid a fixed \$/tonne service charge (indexed to CPI) by the Nullagine Joint Venture.

Argonaut has advised BC Iron in relation to this transaction.

### **Feasibility Study Update**

The development of the Nullagine Joint Venture will be based on BC Iron's current feasibility study, which is examining a 1.5Mtpa start-up followed by a 3 Mtpa ramp-up operation. The study is based on the known mineralisation at the Bonnie Creek Channel Iron Deposit (CID), which includes the Outcamp, Warrigal, Coongan, and Bonnie East Prospects.

The feasibility study is expected to be completed and presented to the Boards of BC Iron and FMG by the end of June 2009.

BC Iron has secured a long-term off-take agreement for up to 50% of iron ore production with Tennant Metals Pty Ltd, an Australian-based specialist metals trading and investment house, providing a strong foundation for the project's development. Interest in the remaining 50% off-take is strong and BC Iron continues to explore these opportunities.

**- ENDS -**

## **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 50:50 Nullagine Joint Venture with Fortescue Metals Group, an extensive tenement portfolio which is strategically located 140km north of Newman proximal to Fortescue Metals' Chichester operation.

The Nullagine Iron Ore Project comprises 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.

## **Key Statistics**

**Shares on Issue:** 60.3 million

**Board and Management:** Tony Kiernan – Chairman and Non-Executive director  
Mike Young – Managing Director and Chief Executive Officer  
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%

## **Qualifying Statements**

*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.*

*All references to currency are in Australian dollars unless otherwise noted.*

*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.*

## **Competent Persons Statements**

*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, Outcamp, 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.*

**Nullagine Iron Ore Project, Mineral Resource Estimate, March 2009**

<b>DSO Resource Estimate</b>								
<b>Class</b>	<b>Mt</b>	<b>Fe</b>	<b>CaFe</b>	<b>SiO<sub>2</sub></b>	<b>Al<sub>2</sub>O<sub>3</sub></b>	<b>P</b>	<b>S</b>	<b>LOI<sub>1000</sub></b>
<b>Measured</b>	1.7	57.0	64.8	3.49	2.15	0.018	0.016	12.0
<b>Indicated</b>	38.6	57.0	64.7	3.15	2.09	0.016	0.011	12.0
<b>Inferred</b>	10.4	57.0	64.8	3.27	2.00	0.013	0.010	12.1
<b>TOTAL DSO</b>	<b>50.7</b>	<b>57.0</b>	<b>64.8</b>	<b>3.19</b>	<b>2.07</b>	<b>0.015</b>	<b>0.011</b>	<b>12.0</b>
<b>CID Resource Estimate</b>								
<b>Class</b>	<b>Mt</b>	<b>Fe</b>	<b>CaFe</b>	<b>SiO<sub>2</sub></b>	<b>Al<sub>2</sub>O<sub>3</sub></b>	<b>P</b>	<b>S</b>	<b>LOI<sub>1000</sub></b>
<b>Measured</b>	2.2	54.5	62.1	4.94	3.65	0.018	0.017	12.1
<b>Indicated</b>	68.8	54.0	61.8	4.48	3.08	0.017	0.011	12.7
<b>Inferred</b>	18.1	54.7	62.3	4.27	2.85	0.013	0.018	12.1
<b>TOTAL CID</b>	<b>89.1</b>	<b>54.1</b>	<b>61.9</b>	<b>4.45</b>	<b>3.05</b>	<b>0.016</b>	<b>0.013</b>	<b>12.6</b>

DSO (Direct Shipping Ore) is a subset of the CID (Channel iron deposit)

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

LOI measured at 1000°C