

HIGHLIGHTS

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

Breakthrough Infrastructure Agreement with Fortescue Metals Group

- BC Iron and FMG sign an agreement that will see them establish a 50:50 joint venture to develop BC Iron's Nullagine Iron Ore Project in the East Pilbara
- BC Iron will manage the Nullagine JV (NJV) including responsibility for all operations, road haulage, marketing and ore sales
- FMG subsidiary, The Pilbara Infrastructure Pty Ltd (TPI), to provide rail haulage, port handling and ship loading facilities for the Nullagine Joint Venture on commercial terms
- BCI and FMG will each contribute up to \$10 million to the Joint Venture with the remaining costs being funded through project finance

Feasibility Study

- Feasibility Study confirms technical and economic viability of the Nullagine Iron Ore Project ~ BC Iron Board formally approves development of the Project
- Maiden Ore Reserve of 36Mt at 56.9% Fe - waste to ore ratio 1:1
- Estimated capital expenditure for mine development of approximately A\$43 million with a forecast operating cost of A\$43/tonne over the life of mine
- Mine life of over 8 years with potential to be extended through mine camp and regional exploration, and joint venture opportunities

Production Targeted for Early 2010

- First ore production from Nullagine Iron Ore Project targeted for Q2 2010, commencing at 1.5Mtpa
- Production at 3Mtpa targeted for Q4 2010, increasing subsequently to 5Mtpa upon completion of additional infrastructure by FMG

CORPORATE

- Finalised A\$22 million capital raising comprising an institutional placement and fully underwritten one-for-six (1:6) entitlements issue
- New strategic cornerstone Investor, Hong Kong-listed Regent Pacific Group Limited, with a 12.7% stake in BC Iron
- Strong financial position with approximately A\$12 million in cash and term deposits at the end of the Quarter (currently approximately A\$24 million).

OVERVIEW

The June 2009 Quarter was the most significant in the Company's history with the key highlights being the signing of a landmark Joint Venture Infrastructure Heads of Agreement with Fortescue Metals Group Limited (FMG) and the completion of the Feasibility Study for the Nullagine Iron Ore Project (NIOP).

These milestone events will pave the way for BC Iron's transition to production in 2010, enabling the Company to deliver on its fundamental corporate objective just over three years after listing on the Australian Securities Exchange.

Once established, the Nullagine Joint Venture (NJV) 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 successful completion of the Company's Feasibility Study – including the definition of a Probable Ore Reserve of 36Mt @ 56.9% Fe – was also an important milestone for BC Iron, confirming the financial, operational and technical viability of the Project. BC Iron's Board formally approved the Feasibility.

The Project is targeted to produce at an initial rate of 1.5 million tonnes per annum (Mtpa) ramping up in progressive stages to 3Mtpa then 5Mtpa as roads and infrastructure are upgraded.

In order to ensure a smooth transition to production, and to make certain its joint venture financial commitments are met, BC Iron undertook a A\$22 million capital raising during the Quarter. The capital raising consisted of an institutional placement and a one-for-six entitlements issue to existing Shareholders.

NULLAGINE IRON ORE PROJECT

HEADS OF AGREEMENT WITH FORTESCUE METALS GROUP

The Heads of Agreement executed during the Quarter with Fortescue Metals Group puts BCI on track to start construction at the Nullagine Iron Ore Project this year. FMG has provided an "in principle" endorsement of the Feasibility Study, which is subject to the outcome of the planned bulk sample test pit and the securing of all relevant statutory approvals. BC Iron expects it will be able to commence production at Nullagine in early 2010.

The companies will establish the Nullagine Joint Venture (NJV) to develop the Project, with FMG earning up to a 50% interest by meeting its joint venture obligations.

Under the terms of the Nullagine JV, BC Iron and Chichester Metals Pty Ltd (a wholly owned subsidiary of FMG), will each contribute equity of 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. The Pilbara Infrastructure (TPI), a wholly owned subsidiary of FMG, will manage all rail and port operations, taking product from the project stockpile at FMG's Chichester operation to ships in Port Hedland.

The joint venture will target an initial annualised production rate of 1.5 million tonnes and 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.

FEASIBILITY STUDY

During the Quarter, BC Iron successfully completed its Feasibility Study which confirmed that the Nullagine Project is an economically and technically robust direct shipping ore (DSO) project, which will produce at an initial rate of 1.5 Mtpa then ramp up to 3Mtpa then 5Mtpa as roads and infrastructure are upgraded.

Following a review of the Feasibility Study, BC Iron's Board made the formal decision to move forward with development of the Nullagine Project, paving the way for the Company's transition to production, subject to acceptance of the Study by FMG and appropriate project finance being secured.

BC Iron's Feasibility Study was carried out to a 'definitive' standard and is based on a 1.5Mtpa start-up and 3Mtpa ramp-up development schedule. The Nullagine Project hosts a Direct Shipping Ore (DSO) resource of 50.7 Mt at 57% Fe. The study focused only on the Channel Iron Deposit (CID) mineralisation at the Outcamp, Warrigal and Coongan Deposits (Table 1); the Bonnie East Deposit was not assessed in the Feasibility.

Table 1 - Resource Estimate at Outcamp, Warrigal and Coongan Deposits

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	2.1	57.0	64.6	3.41	2.02	0.012	0.023	11.8
TOTAL	42.4	57.0	64.7	3.18	2.09	0.011	0.016	12.0

Ore Reserves

An important outcome from the Study is the Probable Ore Reserve generated as a result of the feasibility work. The Reserve of **36Mt at 56.9% Fe** (Table 2) is based on the Mineral Resource estimate (April 2009) for these three deposits provided in Table 1 resulting in a conversion factor of 84%.

The Ore Reserves are based on estimates of mineral resources carried out by Golder Associates and reported to the ASX by BC Iron on April 2, 2009.

The deposits contain low contaminant levels, and occur at or near surface resulting in an overall waste to ore ratio of 1:1.

Table 2 – Ore Reserve Estimate – Nullagine Iron Ore Project

Area	Probable Ore							W:O
	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	0.9
Coongan Well	6.0	57.0	1.8	2.5	0.01	0.01	12.4	2.3
Warrigal Well	10.3	57.0	2.1	3.7	0.02	0.01	11.7	0.7
TOTAL	35.6	56.9	2.0	3.2	0.02	0.01	12.1	1.1

W:O – waste to ore ratio – includes overburden and internal waste

The pit designs also contain 2.3 Mt of inferred resources at 56.8% Fe which was treated as waste during mine planning but will possibly be recovered as ore during mining.

CORPORATE

Capital Raising

BC Iron raised a total of A\$22 million before fees and costs from a capital raising announced during the Quarter. This was completed subsequent to the end of the quarter. The raising was undertaken via a combination of an institutional placement and an underwritten entitlements issue.

BC Iron plans to use the net proceeds from the capital raising to fund its share of the capital development costs for the Nullagine Joint Venture, working capital and for general corporate purposes.

Placement

BC Iron has placed 8.5 million new shares to institutional and sophisticated investors at \$1.10 per share to raise \$9.4 million. The placement was made to clients of Argonaut Securities Pty Ltd with the quotation of these shares on the ASX occurring on 29 June 2009.

Entitlements Issue

Subsequent to the end of the quarter, BC Iron completed a non-renounceable one-for-six Entitlements Issue. 11.46 million new shares were issued on the basis of one (1) new share for every six (6) shares held at \$1.10 per share to raise an additional \$12.6 million. The Entitlements Issue was fully underwritten by Argonaut Capital Limited.

The company is pleased to have the continued support of its largest shareholder, Consolidated Iron Pty Ltd, who took up their full entitlement and have maintained their shareholding in the company at approximately 23%.

New Cornerstone Investor

The Company is also pleased to welcome Regent Pacific Group Limited ("Regent Pacific") as a cornerstone investor to the Placement and Entitlements Issue, providing strong support for the raising. Regent Pacific has subscribed for 9.8 million shares (A\$10.8 million) which will result in a holding of approximately 12% of the expanded post-raising capital of BC Iron.

Regent Pacific is a Hong Kong-listed, diversified mining company with interests in copper, zinc and gold, together with various interests in thermal coal assets in Asia, principally China. In addition, Regent Pacific holds several interests in listed companies including more than 3% in Kalahari Minerals plc, an approximate 4.7% interest in Polo Resources Limited and more than 5% in Bannerman Resources Limited.

Cash Position

As at 30 June 2009, BC Iron had A\$12 million in cash. The increase in the Company's cash balance was the result of the completion of the first stage (institutional placement) of the Company's two stage capital raising. Following the completion of the Entitlements Issue, the Company has now received a further A\$12.6 million, strengthening its financial position as it moves towards the construction and production stages.

- ENDS -

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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 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 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 BMGS, and Mr Mike Young who is a member of the Australian Institute of Geologist and employees 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.

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. BC Iron's competitive advantage is that the Nullagine resource

comprises an outcropping; low contaminant, "first-grade" sinter blend that is located close to accessible infrastructure.

A recently signed rail haulage and port access Heads Of Agreement with Fortescue Metals Group means that 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.

A Feasibility Study was also recently completed, which confirmed the viability of the Nullagine Iron Ore Project, which is now on track for production in 2010. BC Iron's estimated capital expenditure requirement for the mine development is approximately A\$43 million with a forecast operating cost of approximately A\$43/tonne. The operation is scheduled for commissioning in Q2 2010 at an initial rate of 1.5Mtpa, ultimately ramping up to 5Mtpa.

The Nullagine Iron Ore Project currently hosts a Probably Reserve of 36Mt @ 56.9%Fe within a Direct Shipping Ore (DSO) resource of 50.7Mt @ 57% Fe (64.8% Fe) and an overall Channel Iron Deposit (CID) resource of 89.1Mt @ 54.1% Fe.

The Company has an off-take agreement for 50% of future iron ore production from the project with Tennant Metals Pty Ltd.

Key Statistics

Shares on Issue:	80.3 million
Cash & equivalents:	June 30, 2009 - \$12m
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 23% Regent Pacific Group 12% Alkane Resources Ltd 6% UBS Wealth Management Aus. Nom. 4%

APPENDIX 1

ORE RESERVES DECLARATION, COFFEY MINING PTY LTD

The Ore Reserves for the Nullagine Iron Ore Project were estimated by Coffey Mining personnel based on data provided by BC Iron. The Ore Reserve estimate is based upon the Mineral Resource estimate prepared by Golder Associates in May 2009.

Cut-off grades were calculated over the Measured and Indicated portion of the Mineral Resource in order to produce an ore product at 57% Fe and 2.0% Al₂O₃. Cut-off grade to produce this product is >55% Fe for the Domain 1 material (Mineralised CID) within the pit design.

Diluting material has been added to the in-pit Mineral Resources at an equivalent grade to that part of the Channel Iron Deposit – Domain 1 within the pit design but with a block grade less than 55% Fe.

With the current status of the Project, it is considered that there is sufficient certainty with the Modifying Factors to classify the Ore Reserves as Probable Reserves. There is not sufficient confidence to declare the in-pit Measured Mineral Resources as Proved Reserves for the following reasons

1. All mining leases and government approvals are not yet granted, although there are reasonable expectations of them being granted;
2. No mining has yet taken place, hence there is no historical basis for ore recovery and dilution estimates from reconciliations;
3. End use customers have not yet formally accepted the product and hence agreed on the ore price; and
4. The effectiveness of surface mining technology has not been proven in the Pilbara.

The Project includes multiple pits. Ore Reserves by pit are shown in the Table below.

The total Probable Ore Reserves at the Nullagine Project total 36Mt at 56.9%Fe and 2.0% Al₂O₃. No Proved Ore Reserves are declared.

The Ore Reserves are contained within designed and scheduled open pit outlines which are based on economic analysis of Measured and Indicated Resources. The Inferred Resources which occur within the pit outlines were treated as waste in the production schedule and project economic evaluation. The cash flow evaluation used to confirm the economic viability of the project and hence the Ore Reserves used metal prices and exchange rates provided by a well known Australian financial institution. Using the capital and operating costs developed in the Feasibility Study, sensitivity analysis suggest that the project retains a positive NPV and an IRR in excess of 10% at a received product price as low as A\$49/t.

This Ore Reserve estimate has been classified and reported in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' of 2004 ("the Code") as prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia ("JORC").

The Competent Person responsible for the mining aspects of the Ore Reserves is Mr Pieter Doelman who is a full time employee of Coffey Mining Pty Ltd and a member of the AusIMM. He has not visited the Project site.

Nullagine Iron Ore Project Probable Ore Reserves

Nullagine Iron Ore Project Probable Ore Reserves by Pit										
Area	Probable Ore							Waste, Mbcm	TM, Mbcm	W:O
	Mt	Fe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%			
Outcamp 1	6.6	57.1	2.1	3.5	0.02	0.01	11.9	0.6	2.9	0.3
Outcamp 2	8.9	56.5	1.7	3.2	0.01	0.01	12.3	3.1	6.2	1.0
Outcamp 3	2.2	56.9	1.8	2.3	0.01	0.01	12.5	1.2	2	1.6
Outcamp 4	0.7	56.6	2.1	3.1	0.01	0.01	12.3	0.3	0.6	1.3
Outcamp 5	0.8	56.3	2.6	3.5	0.01	0.01	12.3	0.8	1.1	2.7
OUTCAMP WELL	19.2	56.8	1.9	3.2	0.01	0.01	12.2	6.1	12.8	0.9
Coongan 1	3.3	57.1	1.8	2.5	0.01	0.01	12.2	3.8	5	3.2
Coongan 2	2.7	56.8	1.9	2.6	0.01	0.01	12.5	1.2	2.2	1.2
COONGAN WELL	6.0	57.0	1.8	2.5	0.01	0.01	12.4	5.0	7.2	2.3
Warrigal 1	2.4	56.5	2.2	3.8	0.03	0.01	11.9	1.6	2.4	1.9
Warrigal 2	0.4	56.4	2.4	3.7	0.02	0.02	11.9	0.2	0.3	1.1
Warrigal 3	7.0	57.3	2.1	3.6	0.02	0.01	11.6	0.7	3.1	0.3
Warrigal 4	0.5	56.2	2.2	3.6	0.02	0.01	11.7	0.2	0.4	1.2
WARRIGAL WELL	10.3	57.0	2.1	3.7	0.02	0.01	11.7	2.6	6.3	0.7
TOTAL	35.6	56.9	2.0	3.2	0.02	0.01	12.1	13.7	26.4	1.1

April 2009 Nullagine Iron Ore Project Mineral Resources – All prospects

DSO Resource Estimate								
	Mt	Fe%	CaFe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	LOI%
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
CID Resource Estimate								
	Mt	Fe%	CaFe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	LOI%
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

LOI at 1000°C

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

The Direct Shipping Ore (DSO) Resource is a subset of the Channel Iron Deposit (CID) resource