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NULLAGINE JV SECURES US\$50 MILLION PROJECT FINANCE

FORMS PART OF 20MT OFF-TAKE DEAL WITH HONG KONG BASED INDUSTRIAL COMPANY

Australian iron ore company BC Iron Limited (ASX: BCI) is pleased to announce that the Nullagine Joint Venture (NJV) has secured its first off-take agreements which include **US\$50 million in pre-payments to be used for project finance**. The off-take agreements are with a Hong Kong-based industrial and trading company.

The off-take agreements are for 20 million tonnes of iron ore to be supplied over the next 8.5 years from the Project venturers and will allow the NJV – a 50/50 joint venture between BC Iron and Fortescue Metals Group Limited – 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.

The US\$50 million prepayments will be used for project development, with the first tranche of US\$15 million scheduled to be drawn down in December this year and the rest spread throughout 2010.

This announcement follows a recent successful trial mining operation at the Nullagine Project which has supported the key technical and mining aspects of the project.

BC Iron's Managing Director, Mr Mike Young, said the agreements were consistent with BC Iron's goal of securing off-take to underpin project finance and the establishment of long-term relationships with its customers.

"We are extremely pleased to have secured not only our first off-take agreements but also a significant project finance facility on very attractive terms. The support of Fortescue Metals in these transactions has been terrific," Mr Young said.

"The nature of the combined off-take and project finance will enable the NJV to push ahead with development of the Nullagine project, without the complexity that comes with conventional project finance agreements," added Mr Young.

As a sign of the establishment of a long-term relationship, BC Iron has separately agreed to issue 8 million options to the Hong Kong company on the following conditions:

- 6 million options exercisable at \$1.35 and 2 million at \$1.50;
- Option term is 2 years from issue (at first drawdown) but only exercisable subject to full drawdown of US\$50m facility; and
- Shareholders of BC Iron reinstating the 15% security issue capacity at its AGM on 18 November 2009.

- ENDS -

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ON BEHALF OF:
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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 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.

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

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

Area	Probable Ore							Waste Mbcm	All Mbcm	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	6.1	12.8	0.9
COONGAN WELL	6.0	57.0	1.8	2.5	0.01	0.01	12.4	5.0	7.2	2.3
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

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

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 advantage is that the Nullagine DSO comprises an outcropping, low contaminant “first grade” sinter feed that is very attractive to steel producers.

Key Statistics

Shares on Issue:	80.8 million
Cash & equivalents:	September 30, 2009 - \$22.2m
Board and Management:	Tony Kiernan – Chairman and 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 23% Regent Pacific Group 15%