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**BCI AND FMG CONFIRM MOVE INTO
DEVELOPMENT OF NULLAGINE PROJECT
- TRIAL MINING RESULTS EXCEED EXPECTATIONS**

HIGHLIGHTS

- **Final results from trial mining test pit exceed expectations producing 13% higher tonnes and grade than predicted**
- **Following the trial mining results, FMG formally confirms commitment to move ahead with development activities at the Nullagine Joint Venture**
- **Development activities now focused on securing final regulatory approvals, awarding key construction and mining contracts, building a heavy haul road to Christmas Creek and commencing village and mine centre construction**

Australian iron ore company BC Iron Limited (ASX: BCI); (“**BC Iron**”) is pleased to announce that the final results from the test pit bulk sampling program undertaken at its **Nullagine Iron Ore Project** in the East Pilbara of Western Australia have exceeded expectations.

The results of the trial mining program, which was undertaken at the Outcamp Deposit, have confirmed the findings of the Feasibility Study, providing a strong platform to move towards development commencing in 2010.

As a result of these findings, Fortescue Metals Group (FMG), BC Iron’s partner in the Nullagine Joint Venture (NJV), has formally endorsed the decision to obtain final approvals and commence construction at Nullagine and will contribute its previously agreed equity share to the Project as required.

Trial Mining Results

Trial mining was a key recommendation of the Nullagine Project Feasibility Study (see *ASX release of July 3, 2009*) and was a key component in preparing to commence commercial iron ore production at Nullagine.

The test pit bulk sampling program carried out during September to November 2009 has supported all of the key technical and mining assumptions of the Feasibility Study.

The Ore Reserve estimate within the test pit area achieved a positive reconciliation for both tonnes and grade. The ore mined, crushed and screened, produced a higher tonnage and iron grade than predicted by the Ore Reserve model. **In terms of contained metal, this represents a positive reconciliation of 13% over the pre-trial mining estimate.**

Table 1 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 assays of 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 Tonne	<u>Forecast Production</u>					
		Fe	Al₂O₃	SiO₂	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

Costean	Dry Tonne	<u>Actual DSO Product</u>					
		Fe	Al₂O₃	SiO₂	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 successful trial mining program has enabled the following conclusions to be made:

- The proposed mining method - surface mining, has been confirmed;
- The surface miner productivities support the assumptions in the Feasibility Study;
- The crushing and screening productivities also confirm the assumption in the Feasibility Study;
- Assay results demonstrate that the Nullagine product exceeds the Value-in-Use for Robe River pisolite; and
- The surface mining technique produces run-of-mine (ROM) feed to the crushing circuit of a sizing which enhances crushing and screening performance.

One of the outcomes of the trial mining is that the test pit productivities will be used to update the feasibility Life of Mine (LOM) plan, which will be undertaken shortly.

Project Development

Following completion of trial mining activities, BC Iron, as Manager of the Joint Venture, will now focus on project development activities which will initially include 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 will revise its original plans to start up at 1.5 Mtpa using public roads and instead move directly to a targeted production rate of 3Mtpa. This will 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. The previous

pre-production capital cost estimate of \$43 million was based on the use of public roads for haulage (1.5 Mtpa) and subsequently completing the purpose built private haul road funded out of project cashflow.

The additional up-front capital expenditure is covered by the funding secured under the US\$50 million off-take pre-payment agreement together with existing JV cash reserves. The increased start-up production rate will result in increased cash flows from the commencement of production.

Summary

BC Iron's Managing Director, Mr Mike Young, said the Joint Venture was delighted with the trial mining results, which reflected the robustness of the Nullagine Project and the quality of Nullagine iron ore product.

"The Project stands up very well against all key benchmarks, including that of exceeding the Value-in-use for Robe River product," Mr Young said. "FMG have been very impressed with all of the work we have done and the results achieved in a relatively short space of time.

"As a result, they have formally agreed to proceed to construction – clearing the final hurdles to enable BC Iron to join the ranks of iron ore producers during 2010."

"This important milestone – combined with the recently concluded off-take pre-payment agreement – marks the beginning of a very exciting phase for the Company as we get on with the job of building a substantial new iron ore project for the Pilbara region."

"We can now look forward to a raft of upcoming milestones in the lead up to production," Mr Young added. "I would like to take this opportunity to thank everyone who has contributed towards BC Iron reaching this exciting and unique position. We are all looking forward to a very busy and productive year ahead."

"We are also continuing to work with the Traditional Owners of the area to achieve our timeframes. Our consultation with these groups has been very positive and fruitful and we look forward to bringing sustainable opportunities to the region for many years to come."

- 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 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:	83.7 million
Cash & equivalents:	September 30, 2009 - \$22.2m
Board and Management:	Tony Kiernan – Chairman and non-executive director Mike Young – Managing Director Garth Higgs – 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 Australian Institute of Geoscientists and an employee of BC iron, and Mr Mike Young who is a member of the Australian Institute of Geoscientists 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 (BC Iron 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