

HIGHLIGHTS

NULLAGINE IRON ORE JOINT VENTURE

Project Development and Mining Approvals

- Final Mining approvals granted
- Full and continuous tenure granted from mine site to rail head
- First mining commenced in October 2010
- Haul Road construction has commenced
- Haulage via public roads to Christmas Creek to commence during November
- Haul Road design upgraded for operational efficiency

Native Title Agreement

- Nyiyaparli Infrastructure Agreement signed with the Nyiyaparli People for the granting of several Miscellaneous Leases covering the Southern Haul Road

Finalised JV and Infrastructure Agreement with FMG

- Initial 3Mtpa production capacity increasing to 5Mtpa expected by 30 June 2012
- Rail and port rate confirmed
- 50/50 share of Project revenues
- BCI Management Fee and FMG Marketing Fee confirmed

Iron Ore Production Targets

- First ore on ship by end of December 2010
- 1 million tonnes to be shipped by 30 June 2011

CORPORATE

- Further equity contribution from BC Iron and FMG to Nullagine Iron Ore JV
- US\$20m (BCI share US\$10M) received in early July under the US\$50m funding agreement with Henghou Industries (Hong Kong) Limited
- Appointment of Resident Manager, John McCarthy
- Strong financial position with circa A\$34m in cash at 30 September 2010

BC IRON LIMITED

ABN 21 120 646 924

ASX Code: BCI
Shares On Issue: 83.9m
Listed: 15 December 2006

Head Office

Level 1, 15 Rheola Street
West Perth WA 6005

GPO Box 2811
West Perth WA 6001

Registered Office

Level 1, 15 Rheola Street
West Perth WA 6005

Tel: (08) 6311 3400
Fax: (08) 6311 3449
Web: www.bcion.com.au

OVERVIEW

During the September 2010 Quarter, BC Iron continued to make significant progress with the Nullagine Iron Ore Joint Venture Project. Key milestones included signing the Nyiyaparli Infrastructure Agreement with the Nyiyaparli People, receipt of the third and final funding instalment of US\$20 million from Henghou Industries (Hong Kong) Limited, finalising the Haul Road design, commencing mine infrastructure construction and first mining at the Project.

In the upcoming December Quarter, BC Iron will concentrate on progressing construction towards completion and ramping up mining activities to target first iron ore production and shipment at the end of December 2010.

NULLAGINE IRON ORE JOINT VENTURE (BC Iron 50%, Fortescue Metals Group 50%)

Mineral Resources and Ore Reserves as of September 30 2010

The total Ore Reserves for the Project comprise 36Mt at 57% Fe. The total Mineral Resource of the Channel Iron Deposits (CID) at Nullagine comprises 101.7Mt at 54.1% Fe; the Direct Shipping Ore (DSO) component of this material comprises 51Mt at 57% Fe.

The Mineral Resources have been increased by 12.5Mt through the addition of the mineralised CID and DSO from the Shaw River Project following a re-assessment of the previously defined Exploration Targets in this area.

Detailed resource tables and JORC Code competent persons' statements are attached to this report.

Project Development

Mining Approvals

The approvals to date have ensured that continuous mining tenure has been secured between the Project mining areas and Fortescue Metals Group's (FMG) rail head at the Christmas Creek Ore Processing Facility.

The Project approval process has been split into three stages including Stage 1 (Mining Lease and Northern Haul Road), Stage 2 (Central Haul Road) and Stage 3 (Southern Haul Road). The approvals comprise of the Project Management Plan, Mining Proposals and Clearing Permits.

As the approval process has been split into three stages, it has ensured that construction and operations at the Nullagine Project have already commenced on Stage 1, which was approved by the DMP in August 2010. Approvals for Stage 1 have also ensured access from the Mining Lease to public roads which will allow for the haulage of the first ore via the Newman-Marble Bar Road during November 2010.

In October, the Department of Mines and Petroleum ("DMP") granted the required Clearing Permits and Mining Proposals for Stages 2 and 3 at the Nullagine Project (refer diagram below). Approval was received for the Project Management Plan for all three Stages in August 2010.

Mining and Ore Haulage

Mining at the Nullagine Iron Ore Joint Venture Project commenced during October 2010, which is in addition to the 66,000 tonnes of test pit ore already stockpiled on site. Haulage of ore will commence via public roads during November until completion of the private haul road.

The mining fleet was mobilised during the quarter and by the end of September, a SM2500 Wirtgen Surface Miner, a Caterpillar 992 FEL and a Caterpillar 777D Dump Truck had all arrived on site. Mining has now commenced at a reduced rate but will be ramped up either at the end of 2010 or in early 2011.

On 13 September, BC Iron commenced its own charter flights from Perth to FMG's Cloud Break airstrip to ensure fly in/fly out transport for BC Iron employees and contractors based at the Nullagine mine site.

During November, the crushing and screening plant is expected to be commissioned and two Powertrans 360t Pit Haulers are scheduled to arrive during December.

Haul Road

BC Iron's site-based project management team has recently finalised an upgraded haul road design that will ensure that the road will carry the requisite haul truck loads for the life of mine. Geotechnical surveys along the haul road corridor have not discovered sufficient quantities of suitable material for the base coarse so this material is now being sourced from mine waste at the northern and southern ends of the haul road (i.e. BC Iron's Outcamp site and FMG's Vasse Pit at Christmas Creek) and hauled along the road.

Changes to the scope and schedule now point to practical completion of the haul road by March 2011, however, BC Iron will haul ore under construction commencing in January 2011. At this point, the long haul option, via the Marble Bar Road, will be completed. Change to this schedule is due to approvals being received later than expected and unforeseen delays in the heritage process.

The re-design and subsequent change to the haul road construction schedule will result in capital expenditure increasing from the previous estimate of \$52m to ~ \$62m. However, the adjusted start to mining will result in a decrease in the estimated working capital required from \$20m to ~ \$10m. Therefore forecast Project Expenditure remains in the order of \$70m to \$75m.

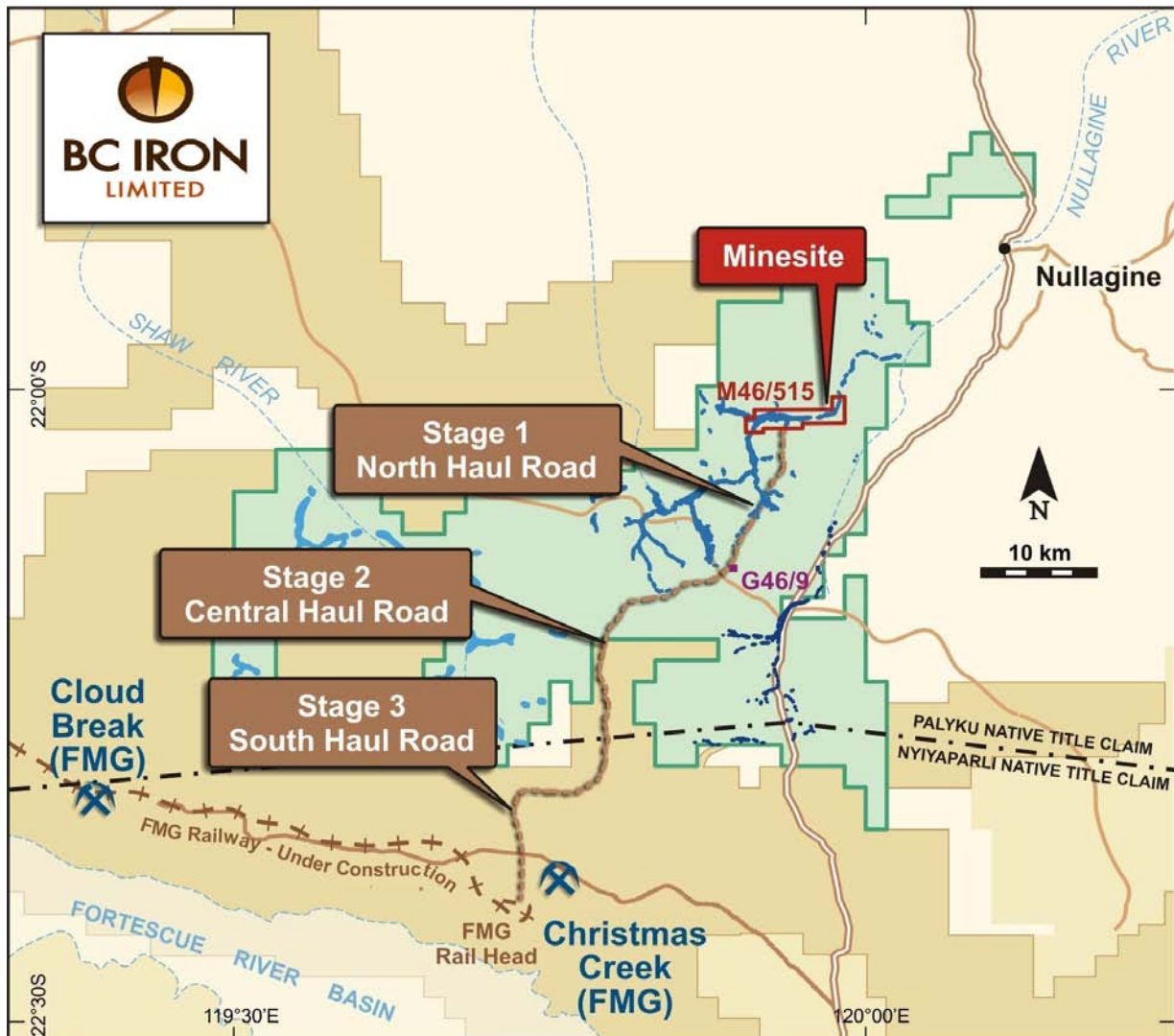
BC Iron has split the haul road construction into three sections to expedite approvals and this has allowed construction to commence within the earliest possible timeframe:

- Stage 1 - Mine site to Hillside Road (0km to 15km);
- Stage 2 - Hillside Road to Native Title Boundary (15km to 35km); and
- Stage 3 - Native Title Boundary to Christmas Creek Ore Processing Facility (35km to 56km).

Within Stage 3, the road intersects three important thresholds, the FMG mining leases (40km mark), the Cloud Break Access Road (48 km mark) upon which short term haulage will occur and the OPF Stockpile and turning loop (56km).

Construction of the haul road is well underway with sub-grade pavement including culverts completed up to the 7km mark. Earthworks are continuing on the 7km to 15km section, and clearing has been completed to 25km. Surveying is completed to the 35 km mark, and once heritage sites have been fenced, surveying will be done from the 35km to 40km mark

(boundary of FMG mining leases). Clearing approvals within FMG's leases (40km to 56km on the haul road) have been granted or are pending grant.



Tenement Map showing Mining Lease, Proposed Haul Road & Native Title Boundaries

Camp Construction

On 20 July, approval was granted by the Shire of East Pilbara for expansion of the Exploration Camp from 60 to 120 persons with further approval being received to increase this figure to 150 persons on 22 September.

During the quarter, construction of the second stage of the Nullagine accommodation village was completed. The village is now fully operational and will be housing up to 150 BC Iron employees and contractors by early November.

On 9 July, approval was granted by the Shire of East Pilbara for the development of the Mine Operation Centre at the Project which is expected to be fully operational in November.

Niyaparli Infrastructure Agreement

On 1 July, BC Iron signed the Niyaparli Infrastructure Agreement with the Niyaparli People whose claim covers the southern part of the Project area.

This Agreement paved the way for the granting of all remaining Miscellaneous Leases on 9 July that cover the proposed Southern Haul Road completing the link between the Project mining areas and FMG's rail infrastructure at the Christmas Creek Ore Processing Facility.

Archaeological and Heritage Surveys

As well as the Native Title Agreement that provides for the grant of mining tenure, mining companies in Western Australia must also carry out archaeological and heritage surveys to identify artefact sites with a view to avoiding disturbance wherever possible. These surveys are done in consultation with the Native Title Traditional Owners. Sites where disturbance cannot be avoided are recorded and salvaged under the WA Department of Indigenous Affairs Ministerial Approval process known as a "Section 18" before they can be disturbed.

On 9 August, heritage surveys for Stage 3 commenced on Niyaparli land and have subsequently been completed. A Section 18 application to disturb heritage sites for Stages 1 and 2 (Mining Lease and Central Haul Road) was submitted during the June Quarter and approved on 13 August. Application for Section 18 approval for Stage 3 of the heritage surveys (Southern Haul Road) has been submitted to the Department of Indigenous Affairs, which lies on the Niyaparli Native Title Claim, and is expected to be approved during the December Quarter.

Finalised terms with FMG in relation to JV and Infrastructure

During the quarter, BC Iron also finalised the key components of its Joint Venture ('JV') and Infrastructure agreements with FMG. These include confirmation of the Project's initial 3Mtpa production capacity, which will increase to 5Mtpa once FMG's increased infrastructure capacity is completed (expected by 30 June 2012), operational matters in relation to rail haulage and port services, rail and port rates, a joint 50/50 share of the Project revenues as well as BCI's Joint Venture management fee and FMG's marketing fee.

Rail operations for transporting the ore from Christmas Creek to Port Hedland are scheduled to commence from mid-December, although this timescale is dependent on FMG's schedule.

Iron Ore Production Targets

BC Iron plans to commence mining at the Nullagine Iron Ore JV Project during the quarter and anticipates first ore to be on ship by the end of December 2010, although this is subject to FMG's construction schedule.

The Nullagine Iron Ore JV Project remains on track to achieve a production rate of 3Mtpa and the shipment of one million tonnes by 30 June 2011.

CORPORATE

Project Funding

On 5 July, the Nullagine Iron Ore JV Project received US\$20 million, representing the third and final instalment of funding under the US\$50 million funding agreement with Henghou Industries (Hong Kong) Limited. These funds are being applied towards project development activities as the Project progresses towards production at the end of December 2010.

During September, in line with the Joint Venture Agreement, BC Iron and FMG made an equity contribution of \$14m (\$7m each) towards the Nullagine Iron Ore Joint Venture Project.

Appointment of Resident Manager

During July, BC Iron appointed John McCarthy as the Resident Manager for the Nullagine Iron Ore JV Project. Mr McCarthy will be taking up his role as Head of Mine Site in late August 2010.

Mr McCarthy has significant project management experience, having worked at Downer EDI Mining for the past 18 years. His experience includes various project management roles at the Tanami Gold Mine; the Greenbushes Mine; FMG's Cloudbreak Mine and Rio Tinto's Paraburdoo Mine.

Cash Position

As at 30 September 2010, BC Iron had A\$34 million in cash (including its share of JV funds).

- ENDS -

Mike Young
Managing Director
BC Iron Limited

Morgan Ball
CFO/Company Secretary
BC Iron Limited

About BC Iron Limited

BC Iron Limited (ASX: BCI) is an emerging iron ore producer focussed 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 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 101.7Mt @ 54.1% Fe.

Key Statistics

Shares on Issue:	83.9 million	
Cash & equivalents:	30 September, 2010	~\$34m
Board and Management:	Tony Kiernan	Chairman & Non-Executive Director
	Mike Young	Managing Director
	Terry Ransted	Non-Executive Director
	Steven Chadwick	Non-Executive Director
	Glenn Baldwin	Non-Executive Director
	Morgan Ball	Chief Financial Officer & Company Secretary
Major Shareholders:	Consolidated Minerals:	23.3%
	Regent Pacific Group:	16.8%

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 and Shaw River have been compiled by Mr Greg Hudson who is a member of the Australian Institute of Geologists and an employee of BC Iron, and Mr Mike Young who is a member of the Australian Institute of Geologists and an employee BC Iron. Mr Young has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is 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 50%, FMG 50%)

Area	Probable Ore						
	Mt	Fe%	Al ₂ O ₃	SiO ₂	P	S	LOI ₁₀₀₀
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	Al ₂ O ₃	SiO ₂	P	S	LOI ₁₀₀₀
Measured	2.2	54.5	62.1	3.65	4.94	0.018	0.017	12.1
Indicated	68.8	54.0	61.8	3.08	4.48	0.017	0.011	12.7
Inferred	30.7	54.4	61.8	3.54	4.63	0.016	0.060	11.8
TOTAL CID	101.7	54.1	61.8	3.23	4.54	0.017	0.026	12.4

Total DSO Resource Estimate – Nullagine Project

Resource Class	Mt	Fe	CaFe	Al ₂ O ₃	SiO ₂	P	S	LOI ₁₀₀₀
Measured	1.7	57.0	64.8	2.15	3.49	0.018	0.016	12.0
Indicated	38.6	57.0	64.7	2.09	3.15	0.016	0.011	12.0
Inferred	10.4	57.0	64.8	2.00	3.27	0.013	0.010	12.1
TOTAL DSO	50.7	57.0	64.8	2.07	3.19	0.015	0.011	12.0

Notes:

- 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