

HIGHLIGHTS

NULLAGINE IRON ORE PROJECT (Pilbara, WA – 100% BCI – FMG earning 50%)

Establishment of the Nullagine Joint Venture with Fortescue Metals Group Ltd

- BC Iron and Fortescue Metals Group Ltd (FMG) formalise Nullagine Joint Venture (NJV) for development of the Nullagine Iron Ore Project
- NJV secures rail haulage and port services agreement with The Pilbara Infrastructure Pty Ltd (a subsidiary of FMG)
- The creation of the NJV is a landmark achievement for BC Iron as it achieves the key objective required for successful project development – access to transport and shipping infrastructure

Trial Mining/Test Pit

- Trial mining test pit commenced at Outcamp Deposit in September 2009
- To date, results from first phase of trial mining support key technical and mining assumptions of the Feasibility Study - assay results received to date from the first of three pits have exceeded Robe River ore specifications
- Surface miner trials consistent with Feasibility Study expectations and surface mining confirmed as preferred mining method
- Full trial mining results are expected to underpin final commercial elements of Feasibility Study ahead of construction

CORPORATE

- Completion of \$22m capital raising with placement during June, and successful entitlements issue during July 2009
- Strong financial position with approximately A\$22.2 million in cash at the end of the Quarter
- Strengthening of the Executive team in line with BCI's move towards producer status with the appointment of a Chief Financial Officer / Company Secretary and a Chief Operating Officer



BC IRON LIMITED

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ASX Code: BCI

Shares On Issue: 80.8m

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OVERVIEW

The major development in the September 2009 Quarter was the formation of the Nullagine Iron Ore Joint Venture between Fortescue Metals Group Ltd (FMG) and BC Iron to develop the Nullagine Iron Ore Project.

BC Iron, as a JV partner, has also secured access to rail haulage, port handling and ship-loading facilities through a binding rail haulage and port access agreement on commercial terms between the NJV and The Pilbara Infrastructure Pty Ltd (TPI), a wholly owned subsidiary of FMG.

Another significant activity during the Quarter was the commencement of trial mining at a test pit at the Outcamp Deposit. The test pit was a key recommendation from the Company's Feasibility Study that was released in July.

At the time of writing, the majority of mining activities at the test pit are complete, with some additional crushing and screening to take place in November. Preliminary results have been very encouraging and have served to further underpin the technical aspects of operations.

The speed with which the Nullagine joint venture will come into production reflects in part the immense benefits of securing access to FMG's vast infrastructure network. The immediate access to a proven rail and port network has resolved many logistical issues simultaneously, setting up BC Iron to generate free cashflow from virtually day one of commercial operations next year.

BULK SAMPLE TEST PIT

A bulk sample test pit at the Outcamp deposit is on schedule to be completed shortly after commencing in mid-September.

The test pit was a key recommendation of the Feasibility Study and was designed to confirm some of the underlying assumptions contained in the Study including the following areas:

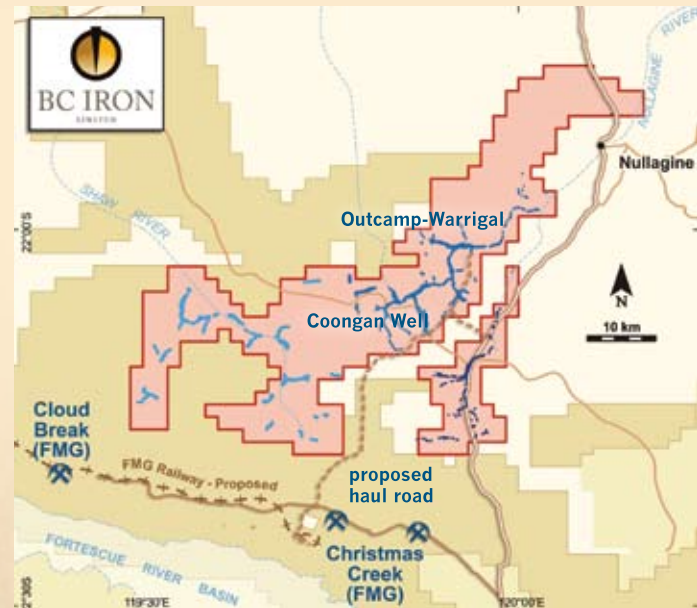
- Surface miner type and performance;
- Dilution and reconciliation; and
- Metallurgy.

The test pit will provide valuable geological information to BC Iron and its 50:50 Joint Venture partner FMG ahead of the planned commencement of commercial mining in 2010.

Positive Initial Results

Subsequent to the end of the Quarter, BC Iron announced that the first phase of trial mining had supported the key technical assumptions of the Project, as outlined in the Feasibility Study.

Since the commencement of trial mining on 16 September 2009, approximately 65,000 tonnes of ore has been mined and hauled from the east end of the Outcamp Deposit and



NULLAGINE PROJECT AREAS AND TENEMENTS



approximately 43,000 tonnes of ore has been crushed. Crushing and screening activities will continue for the rest of October while analysis of ore samples and metallurgical test work will be ongoing together with geological mapping and geotechnical work in the pit.

Assays received to date from the first of three pits have exceeded Robe River ore specifications in terms of grade and contaminant levels, which is one of the key requirements set by the Joint Venture partners for the Nullagine Joint Venture to proceed. These results are consistent with the pre-mining grade estimate and clearly underpin confidence in the Feasibility Study.

Final assay and reconciliation results will be released when all assays have been received and collated.

Surface Mining Method Validated

One of the most important aspects of the test pit was to determine the viability of surface miners for exploiting the deposit. The results from this work to date are consistent with expectations from the Feasibility Study.

The surface mining technique has also aided in the crushing and screening process, with the benefits of feeding surface run-of-mine (ROM) material to the crushers highlighted during the trial.

The mining and crushing and screening equipment employed to conduct the trial mining is of the same nature and scale as the equipment which would be required to commence the first year of operations at the Nullagine Project. This provides additional confidence in the robustness of the Project's development plan.

The results from mining and crushing and screening will be used to reassess the final commercial elements of the Feasibility Study ahead of planned construction early next year.

OFFTAKE AND MARKETING

As part of the Company's lead-up to production, a delegation of senior BC Iron personnel visited China during July to assess the opportunities for long-term sales contracts and project finance.

This visit included meetings with several steel mills and iron ore traders. Importantly, the mills visited are familiar with Yandi-style Pisolite ores of





the type that BC Iron will be producing and were very interested in entering into long-term sales contracts for the Company's ore.

The Chinese Steel mills were impressed with the quality of BC Iron's ore, in particular the high LOI and calcined attributes in combination with the very low phosphorous levels.

The Nullagine JV has established a joint marketing committee which continues discussions with several parties in China including several meetings at the Raw Materials Conference in Qingdao, and in Shanghai, China during October. This is an important development as joint marketing with FMG has allowed BC Iron to access FMG's large customer base and established marketing network within China. Tennant Metals continues to provide marketing consultative services and logistical support.

CORPORATE

Chief Financial Officer

BC Iron is pleased to announce that Morgan Ball joined the Company during October as Chief Financial Officer and Company Secretary. Mr Ball is a Chartered Accountant with 20 years experience in the resources and logistics sectors. Prior to joining BCI, Mr Ball was the CFO and Company Secretary at Indago Resources and he has also held senior commercial and financial roles with Brambles, P&O, WMC Resources and Ernst & Young. His background includes strong experience in all financial and commercial matters, M&A transactions and corporate secretarial requirements.

Chief Operating Officer

Blair Duncan, formerly General Manager of Operations for BC Iron, has been appointed as the Company's Chief Operating Officer, reinforcing the Company's focus on developing the Nullagine Iron Ore Project.

Capital Raising

During the Quarter a total of A\$22 million (before fees and costs) was raised from a capital raising that was completed in July. The raising was undertaken via a combination of an institutional placement and an underwritten entitlements issue.

Importantly, Consolidated Minerals, BC Iron's largest shareholder, took up all of its entitlement and continues to provide solid support to the Company.

A significant outcome of the raising was the involvement of Regent Pacific Limited as a cornerstone investor to the Placement and Entitlements issue. They provided strong support during the raising and continue to do so on-market building their holding up to 12.2m shares (15.1% of total issue). 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. 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 September 2009, BC Iron had A\$22.2 million in cash and has \$20m as of the time of writing.

– ENDS –

**RELEASED BY:**NICHOLAS READ
READ CORPORATETELEPHONE: **+61 8 9388 1474****ON BEHALF OF:**MR MIKE YOUNG
MANAGING DIRECTOR
BC IRON LIMITEDTELEPHONE: **+61 8 6311 3400***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
Outcamp Well	6.0	57.0	1.8	2.5	0.01	0.01	12.4	5.0	7.2	2.3
Outcamp 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 & 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%



*HOT IRON METAL POURING INTO LADLE,
CHINESE STEEL MILL*