

## HIGHLIGHTS

### *Nullagine Iron Ore Project (Pilbara, WA – 100% BCI)*

- **Positive Scoping Study completed on 3Mtpa DSO operation from 2010 (ramping up to 5Mtpa) at the Outcamp and Coongan Well deposits, resulting in a robust financial model for the Project.**
- **Board commits to Feasibility Study with preliminary work already underway – expected completion in 2009.**
- **Project capital cost estimate of A\$85 million.**
- **Forecast cash operating cost, including transport estimate, of A\$42/tonne.**
- **Forecast cash operating margins of A\$30-40/tonne.**
- **Significant upside for further DSO resources & detrital material at Shaw River.**
- **Major 25-30,000m in-fill and extension resource drilling program currently underway at Warrigal Well, Bonnie East and Dandy Well – expected completion August 2008.**

### *Corporate*

- **Strong financial position with \$9.1M in cash and commercial bills at the end of the June Quarter.**

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## INTRODUCTION

During the Quarter, BC Iron Limited (ASX: BCI – “BC Iron”) completed a very encouraging Scoping Study, with projected operating **margins in the order of A\$30 to A\$40 per tonne**, on the development of a 3-5Mtpa Direct Shipping Ore (DSO) operation based on the Outcamp and Coongan Well deposits at the Company’s 100%-owned **Nullagine Iron Ore Project**. The Nullagine Project is located 140km north of Newman in Western Australia’s Pilbara (Figure 1) and just 35km north of Fortescue Metal Group’s (Fortescue) proposed Christmas Creek operation, which is currently under construction.

In light of the positive results of the Scoping Study, BC Iron’s Board moved quickly to approve the commencement of a **Feasibility Study** on the Nullagine Project, which has the potential to underpin a high-value iron ore business for the Company. The Company’s commitment to the Feasibility Study expands on the field studies already underway.

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BC IRON LIMITED

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ASX Code: BCI  
Shares On Issue: 59.4m  
Listed: 15 December 2006

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This “fast-track approach” is consistent with BC Iron’s focus on developing the high-quality Channel Iron Deposit (CID) resources at Bonnie Creek through the commencement of DSO production as rapidly as possible. This strategy is designed to enable BC Iron to take advantage of very strong demand and pricing for quality DSO products in world markets.

On the exploration front, a second Reverse Circulation (RC) drilling rig has recently arrived on site with resource development drilling continuing at **Outcamp Well** and **Coongan Well** with the aim of upgrading the JORC status of the current resource estimate. Drilling will also be carried out at the Warrigal Well, Bonnie Creek East and Dandy Well prospects, where a combined **Exploration Target of 15-30Mt** of DSO with grades of between 55-58% Fe has been outlined. Diamond drilling and bulk testing will also be carried out to establish ore quality and other parameters for marketing.

Corporately, the Company welcomed the appointment of Blair Duncan, who has joined BC Iron as General Manager of Operations and will lead the Feasibility Study. Mr Duncan is a mining engineer who has extensive experience in mining operations in Western Australia and is highly regarded within the mining community.

Cash and equivalents at the end of the Quarter totalled A\$9.1M, providing a strong financial platform for the Company to pursue its exploration and development objectives.

## DEVELOPMENT

### Nullagine Project (BCI 100%) – Project Timetable

BC Iron has initiated pre-feasibility field studies of water, flora, vegetation and fauna over the proposed mining areas, camp site, plant site and haulage route to Christmas Creek as a result of the initial findings of the Scoping Study. These studies are now part of the Feasibility Study and are ongoing.

The Company aims to move the **Bonnie Creek CID Project** into production as quickly as possible. The proposed completion dates for the various elements of the path to production are as follows:

Infill & Resource Extension Drilling	→ September Quarter 2008
Resource Estimates	→ December Quarter 2008
Geotechnical, Metallurgical Drilling	→ December Quarter 2008
Bulk Sampling	→ March Quarter 2009
Feasibility Study	→ First Half 2009
Mining Agreements	→ Second Half 2009
EPA & Mining Approvals	→ Second Half 2009
Construction Commences	→ Second Half 2009
Production Commences	→ First Half 2010

No significant environmental or Aboriginal Heritage issues were identified from the results of the Scoping desktop studies which would have an adverse impact on the proposed timeline for developing the Project.

### **Nullagine Project (BCI 100%) – Bonnie Creek Scoping Study**

The Scoping Study focused on the Inferred Resource of **28Mt at 57.4% Fe** (65.1% calcined Fe) announced in the March Quarter 2008, at the Outcamp Well and Coongan Well Deposits. These two deposits are part of the larger Bonnie Creek CID, which also encompasses several other prospects where a further 15-25Mt of DSO grading 55-58% Fe is being targeted through drilling programs currently underway.

#### **Location**

The Nullagine Project is located north of Fortescue's newly commissioned Chichester Project, from which the recently completed open access railway line runs between Chichester and Fortescue's dedicated iron ore berths at Herb Elliot Port in Port Hedland, 260km to the north (Figure 1). Fortescue recently announced the completion of this railway line and the export of its first shipment of iron ore from Port Hedland.

In July, Fortescue announced the commencement of expansion plans for rail to Christmas Creek. The proposed Christmas Creek train loading facility is located just 35km south of BC Iron's proposed plant site (Figure 2).

#### **Project Parameters – Base Case**

BC Iron's Base Case operating and capital costs assume simple open pit mining, crushing and screening to a single fines product, and road haulage to Fortescue's Christmas Creek operation. Other assumptions include ownership of the processing facilities and associated infrastructure, construction of the rail load out siding, contract mining and contract rail haulage and ship loading at Port Hedland by Fortescue.

These parameters are summarised below:

• Target Production Rate	3Mtpa ramping up to 5 Mtpa
• Estimated Capital Costs	A\$85M
• Estimated Operating Costs	\$42/tonne
• Current 'in pit' Resource	27.7 Mt @ – 98% of Total Resource
• Current mine life	6 years
• Stripping ratio	1:1
• Target Resource DSO	> 40 Mt within 2 years
• Target Mine Life	> 7 years

#### **Mine Optimisation**

The Inferred Resource at the Coongan and Outcamp Well deposits - which in part make up the Bonnie Creek CID Project - was released to the Australian Securities Exchange (ASX) in March 2008 (see Table 1). The DSO Resource is part of a larger mineralised CID comprising **47Mt @ 54 % Fe**. As BC Iron has not entered into off-take agreements, there is potential for customers to accept lower grade material than that currently classified by the Company as a DSO Resource (>57%); such a scenario would result in a higher DSO resource tonnage.

For the purpose of the Scoping Study, BC Iron has assumed DSO to be >57% Fe:

**Table 1 - DSO Resource Estimate**

Prospect	COG	Zone	Mt	Fe	café	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	S	LOI <sub>1000</sub>
Outcamp	55.0	DSO	20.7	57.3	64.9	3.18	1.70	0.016	0.017	11.8
Coongan	55.0	DSO	7.4	57.8	65.5	2.39	1.86	0.013	0.017	11.8
<b>TOTAL DSO</b>	<b>55.0</b>	<b>DSO</b>	<b>28.1</b>	<b>57.4</b>	<b>65.1</b>	<b>2.98</b>	<b>1.76</b>	<b>0.015</b>	<b>0.017</b>	<b>11.8</b>

*Resources disclosed as part of this release are to be read in conjunction with the Resource statement lodged with the ASX on 31<sup>st</sup> March 2008.*

Golder Associates carried out Whittle optimisation of the resource model based on product prices and mining costs provided by BC Iron. Conceptual pits were digitised around optimised pit shell and modelled ore blocks as a guide. Significantly, almost the entire DSO resource reports to the conceptual shell with a **life-of-mine strip ratio of 1:1** (Table 2).

**Table 2 - Total DSO Resource within Whittle shell & conceptual pits**

Prospect	Mt	Fe	CaFe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	S	LOI <sub>1000</sub>
Outcamp	20.5	57.2	64.9	3.20	1.72	0.016	0.017	11.8
Coongan	7.2	57.8	65.5	2.39	1.86	0.013	0.018	11.8
<b>TOTAL</b>	<b>27.7</b>	<b>57.4</b>	<b>65.1</b>	<b>2.99</b>	<b>1.76</b>	<b>0.015</b>	<b>0.017</b>	<b>11.8</b>

*The Resource within the conceptual pit shells should not be misconstrued as a mining reserve. No ore loss or dilution has been applied and it is uncertain if further work will result in a mining reserve.*

## Marketing

Ongoing work by the Company's consultants and potential off-take partners indicates that the pisolite ore from the Nullagine Project is extremely saleable due to its low impurities and high calcined iron grade (> 65% CaFe). Pisolite ores produce mainly a fines product comprising goethite-haematite and have become a highly sought after product as sinter feed.

BC Iron's Base Case study assumes 100% of sales at contract prices. From meetings with trading houses, BC Iron believes that there is potential to sell a significant percentage of its production into the spot market at substantially higher prices than the current contract price. This would significantly improve the project economics of the proposed Nullagine development.

## Environmental

Strategen Environmental Services carried out desktop environmental studies on the abundance, diversity and distribution of the ecosystems over the project area to ensure the avoidance or management of the impact of mining operations at Bonnie Creek. The studies indicated that **no significant issues have been identified** which would have an adverse impact on the Company's proposed timeline for developing the project.

Several recommendations were made as a result of the studies in order to assist with the approvals process for a potential mining operation.

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Prior to completion of the study, the Company had already begun implementing these recommendations to move the project forward as quickly as possible. As the conceptual pit locations were established, the location of plant, camp, and haulage routes were selected and environmental baseline field surveys commenced on the infrastructure areas (Figure 2).

### **Infrastructure**

The Scoping Study presumes that iron ore from the project will be railed to, and shipped through Port Hedland, via Fortescue's Christmas Creek operation which is scheduled for completion in late 2009. Fortescue has provided BC Iron with the necessary information to complete the Scoping Study including indicative costs and infrastructure layout at Christmas Creek.

The Memorandum of Understanding (MOU) between BC Iron and The Pilbara Infrastructure (TPI), a wholly owned subsidiary of Fortescue, provides an avenue for the Company to negotiate terms for rail haulage to, and ship loading at Port Hedland. BC Iron continues to work with Fortescue to further these discussions.

### **Northwest Iron Ore Alliance**

In 2007, BC Iron joined with Atlas Iron, Brockman Resources, and Ferras to form the Northwest Iron Ore Alliance (NWIOA). The Alliance members have agreed to work together to enhance and accelerate the development of the junior iron ore sector to take advantage of the current strong growth cycle in the global iron ore industry. Key areas of focus for the Alliance include infrastructure access, economic and social development, statutory approvals, stakeholder relations and building strong partnerships with communities in the Pilbara.

During the Quarter, the Alliance made a submission to the National Competition Commission (NCC) for the declaration of existing Pilbara rail lines and welcomed the draft recommendation from the NCC, that the services provided by BHP Billiton's Goldsworthy railway line, and Rio Tinto's Hamersley and Robe railway lines, be declared under Part IIIA of the *Trade Practices Act 1974* for a period of 20 years

The Alliance has also made a submission to the State Government's Pilbara Railways Third Party Haulage Regime (PRAIC) – which was released by the Western Australian Department of Treasury & Finance in June – to enforce existing decades-old State Agreements with BHP Billiton and Rio Tinto, which require the two companies to provide third party iron ore haulage on their Pilbara rail infrastructure.

The NWIOA is also well advanced in discussions regarding Port infrastructure solutions including a multi-user ship loading facility and berth access at Port Hedland.

## **EXPLORATION**

### **Nullagine Project – Bonnie Creek CID (BCI 100%)**

Drilling re-commenced at the Bonnie Creek CID Project during the Quarter at five prospects (Table 3 – Figure 3). Since the end of the Quarter, a further 370 holes for 6,401m have been drilled.

**Table 3. Drilling summary June Quarter**

<b>Prospect</b>	<b>Number of Holes</b>	<b>Metres</b>
Coongan Well	83	1,739
Outcamp Well	90	1,834
<b>Total</b>	<b>173</b>	<b>3,573</b>

Drilling at Outcamp and Coongan Well is being conducted to increase the level of confidence in the resource estimates at the prospects. The March 2008 resource estimate outlined 28Mt at 57.4% Fe from these prospects.

Further exploration drilling is also underway at Warrigal Well, Bonnie Creek East and Dandy Well to provide sufficient data to carry out maiden resource estimations on these prospects. BC Iron has established a combined Exploration Target for these deposits comprising an additional **15 to 30 Mt** of DSO at grades of between 55% and 58% Fe.

#### **Bungaroo Creek Project (BCI 100%)**

During the September Quarter, BC Iron will be reviewing the Heritage Agreements received from the Kururma Marthudunera Claim Group, who are the Traditional Owners in the area.

#### **Witwatersrand Gold and Uranium Joint Venture (BCI 20% : Vaalbara-Creasy 80%)**

Vaalbara Resources Pty Ltd and Mark Creasy (Vaalbara-Creasy) have satisfied the terms of the Joint Venture agreement which gives Vaalbara-Creasy the right to 80% interest in Witwatersrand style gold and uranium mineralisation within the exploration licenses E46/522-524 previously held by Alkane Resources Ltd. As Vaalbara did not successfully complete a listing on the Australian Securities Exchange in the required time frame, Vaalbara-Creasy was required to pay BC Iron \$250,000.

BC Iron retains 100% of the rights to all iron and non-Witwatersrand style gold and uranium mineralisation, excluding diamond rights which are retained by Alkane Resources Ltd.

### **WORK PLAN SEPTEMBER 2008 QUARTER**

#### **Development**

Ongoing feasibility work planned for the next quarter comprises:

- Baseline environmental surveys including:
  - Flora and vegetation;
  - Terrestrial and subterranean fauna; and
  - Surface water and groundwater.
- Geotechnical core drilling;
- Metallurgical core drilling; and
- Infrastructure planning

## **Exploration**

RC and diamond core drilling will continue at Outcamp Well, Coongan Well, Warrigal Well, Dandy Well and Bonnie Creek East.

Diamond core drilling will also be undertaken for geotechnical and metallurgical test work.

An appraisal of the Shaw River CID will be carried out through mapping and sampling to assess the area for:

- Potential of Direct Shipping Ore;
- Potential for upgrade CID ore, and
- Potential for upgrade detrital ore.

## **CORPORATE INFORMATION**

During the Quarter, Blair Duncan started with the Company as General Manager of Operations and takes on the role of moving BC Iron through the Feasibility Study and into production. Blair has a BEng (Mining), an Masters in Business Administration, and a First Class Mine Managers Certificate of Competency. He has extensive underground and open pit experience throughout Western Australia and a thorough knowledge of the regulations and permitting required to bring the Project to production.

Cash and commercial bills at the end of the Quarter amounted to approximately A\$9.1M.

The Company resolved to issue Managing Director Mike Young 1,000,000 options subject to shareholder approval during a general meeting held during July 2008.

BC Iron's share registry has relocated and the contact details are now:

*Advanced Share Registry Services  
150 Stirling Highway  
Nedlands WA 6009  
Australia  
(PO Box 1156, Nedlands, WA 6909)  
Tel: +61 (0)8 9389 8033*

**Mike Young**  
**Managing Director**  
**BC Iron Limited**

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## About BC Iron Limited

BC Iron Limited (ASX: BCI) is an emerging iron ore exploration and development company focused on Western Australia's Pilbara region. The Company's 100%-owned Nullagine Project is strategically located north east of the Cloud Break operation, part of Fortescue Metal Group's Chichester Iron Project. The Nullagine Project is proximal to the open access railway line owned by Fortescue between Chichester and Fortescue's dedicated iron ore berths at Port Hedland, 260km to the north west.

Following the completion of a successful Scoping Study, BC Iron has moved quickly into a Feasibility Study to examine a potential start-up operation in 2010 at the Bonnie Creek CID Project (28.0 Mt grading 57.4% Fe) at an initial production rate of 3 Mtpa of DSO (ramping up to 5 Mtpa). The Feasibility Study will focus on these deposits as part of the Company's stated objective of generating rapid cash flows by bringing the Nullagine Project into production as early as possible.

Development drilling is continuing at Outcamp Well and Coongan Well to upgrade the JORC status of the current resource estimate. Drilling will also be carried out at the Warrigal Well, Bonnie Creek East and Dandy Well prospects, where a combined exploration target of 15-30Mt with grades of between 55-58% Fe has been targeted.

The Company has entered into an MOU with Fortescue Metals Group facilitating negotiation over bulk transport for its material, including potential Joint Venture or mine gate sale options.

A capital raising of \$9.18 M was completed in November 2007, through the issue of 5.4 M fully paid ordinary shares to sophisticated and professional investors. Funds raised will be applied to the continuing exploration and development of the Nullagine Project.

## Key Statistics

**Shares on Issue:** 63.7 million (fully diluted)

**Cash & equivalents June 30, 2008:** \$9.4 M

### **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 26%

Alkane Resources Ltd 15%

UBS Wealth Management Aus. Nom 8%



**Disclaimer & JORC Information**

*This release may include forward-looking statements. These forward-looking statements are based on management'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, that 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.*

*It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*

*The information that relates to exploration targets, exploration results and drilling data 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 has been compiled by Mr Stephen Godfrey who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Golder Associates. Both Mr Young and Mr Godfrey have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which 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 Godfrey 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.*



Figure 1 – Location plan of BC Iron’s Pilbara projects

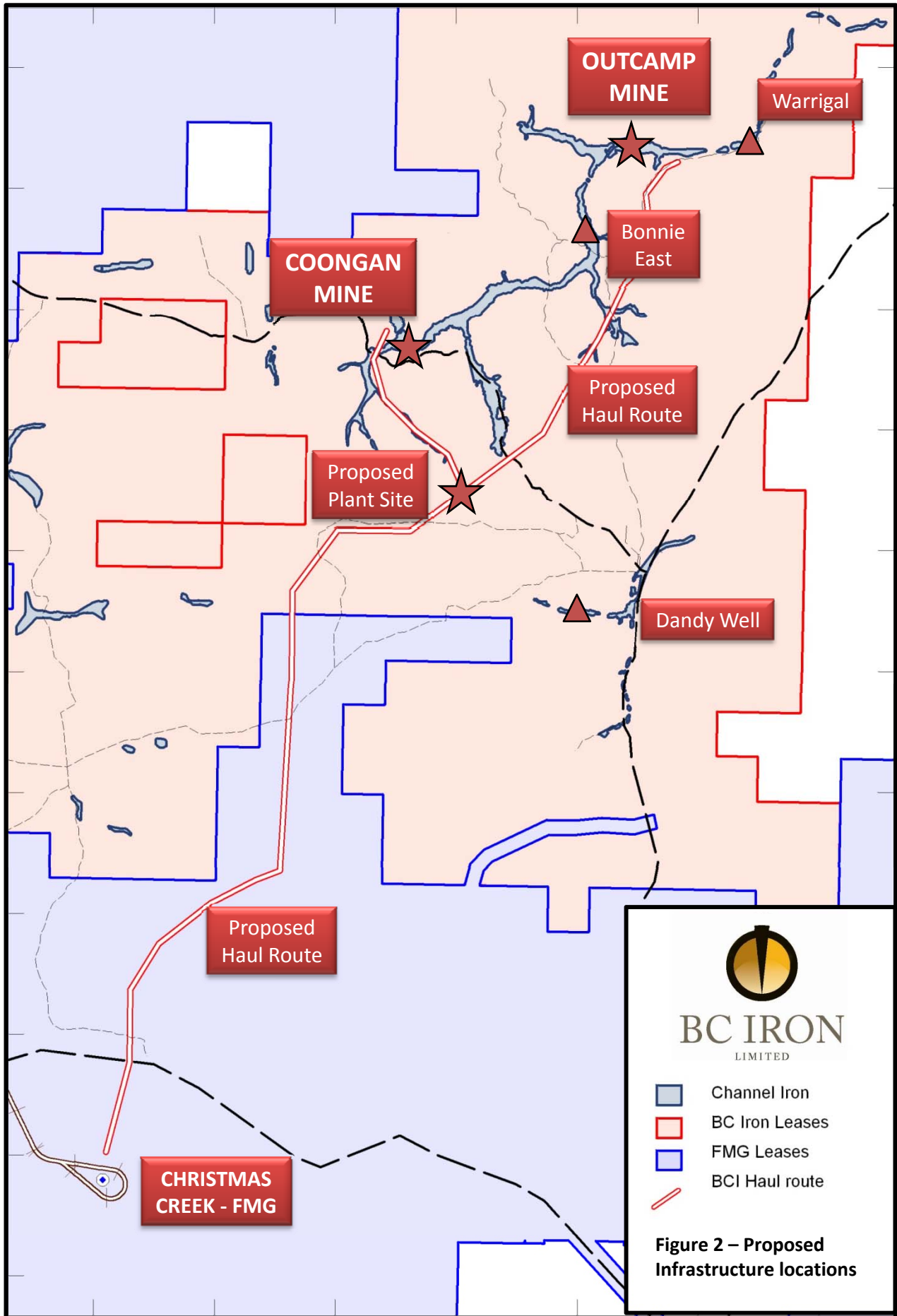
780,000 mE

800,000 mE

7,560,000 mN

7,540,000 mN

7,520,000 mN



**BC IRON**  
LIMITED

- Channel Iron
- BC Iron Leases
- FMG Leases
- BCI Haul route

**Figure 2 – Proposed Infrastructure locations**

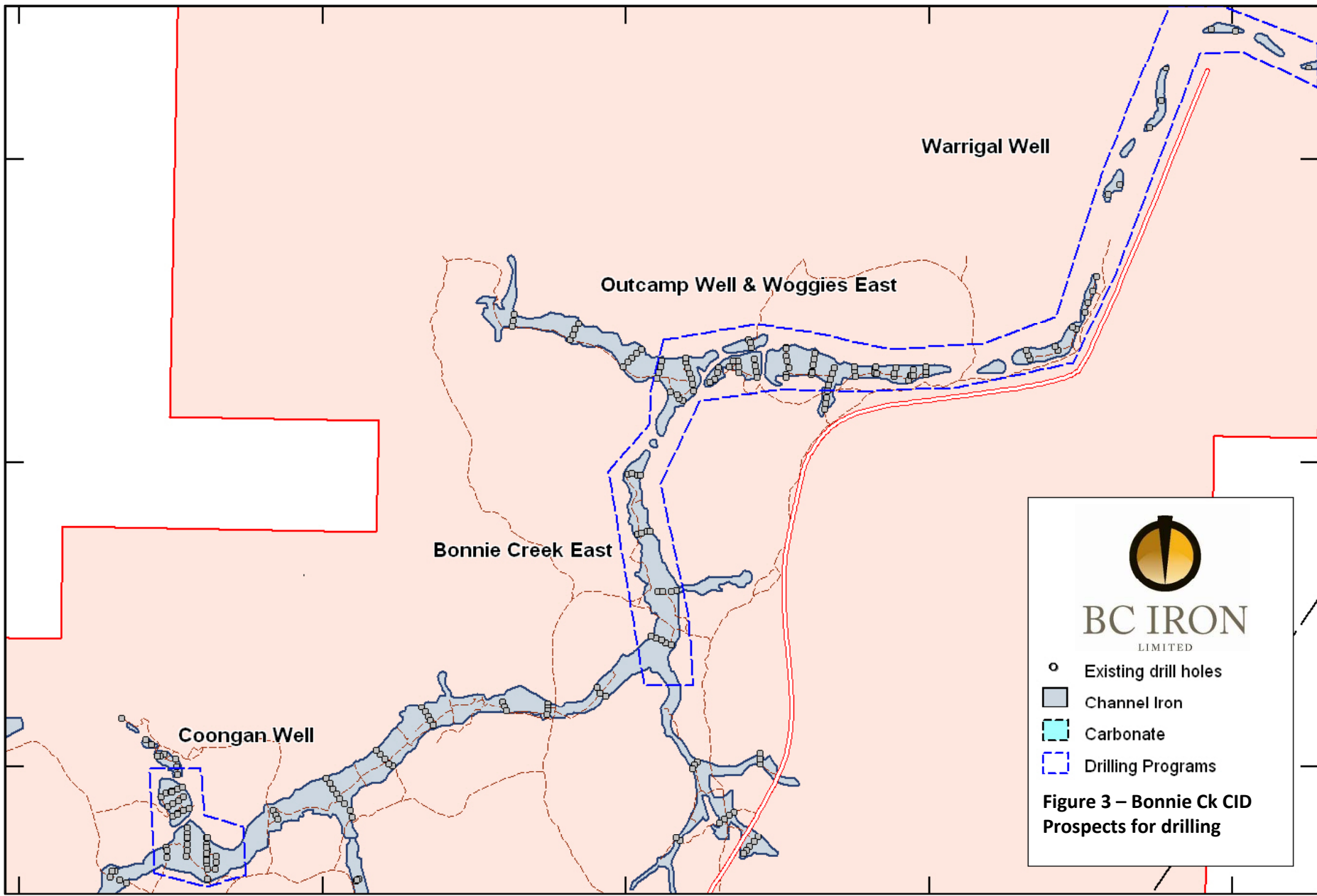
790,000 mE

800,000 mE

810,000 mE

7,565,000 mN

7,555,000 mN



Warrigal Well

Outcamp Well & Woggies East

Bonnie Creek East

Coongan Well

**BC IRON**  
LIMITED

- Existing drill holes
- Channel Iron
- Carbonate
- Drilling Programs

**Figure 3 – Bonnie Ck CID  
Prospects for drilling**