BC IRON
LIMITED

Unit 8, 8 Clive Street
West Perth, WA 6005
GPO Box 2811 - Perth WA 6001
Telephone : +61 (0)8 9324 3200
Facsimile : +61 (0)8 9324 3111
Email : info@bciron.com.au
ABN : 21 120 646 924
ACN : 120 646 924
ASX : BCI
Website : www.bciron.com.au

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LOW COST CAPITAL START-UP DEVELOPMENT OPTION FOR NULLAGINE IRON ORE PROJECT, PILBARA

HIGHLIGHTS

- **Low cost capital 1.5Mtpa production option currently being investigated for Bonnie Creek CID Project as part of ongoing Feasibility Studies**
- **Involves crushing 'in pit' with road haulage to FMG's nearby operations**
- **Potential for significant savings on capital expenditure with initial set-up cost estimates of A$20 – 30 million**
- **Sintering test work carried out by Chinese steel company determines that blending with BC Iron fines increases quality, quantity and metallurgical properties of sinter product**

Emerging iron ore company, BC Iron Limited (ASX: **BCI**), is pleased to announce that it is currently reviewing a **low capital cost, 1.5Mtpa** start-up project development option for its 100%-owned **Nullagine Iron Ore Project** located in Western Australia's Pilbara region.

The alternative development option is based on the Company's **Bonnie Creek CID Project**, where BC Iron defined its maiden Inferred Mineral Resource of **28Mt at 57.4% Fe** in March of this year. The Company is on track to deliver an updated Mineral Resource for the Nullagine Project during the December Quarter of 2008 and to complete the current Feasibility Study in the first half of 2009.

Preliminary estimates indicate that the alternative development scenario would have an approximate capital cost of **A$20 – 30 million**, representing a significant reduction on the A$85-100 million capital cost estimated for the original 3Mtpa start-up production rate envisaged in BC Iron's Scoping Study. Importantly, the 1.5Mtpa option would have an estimated operating cost in the region of A$40/tonne, providing the Company with early cash flow with minimal capital outlay.

To achieve the cost savings, BC Iron has developed a process model where ore crushing and screening would be conducted 'in pit' using a mobile crushing plant. Ore would then be hauled by road to the nearby rail infrastructure operations owned by The Pilbara Infrastructure Pty Ltd (TPI) with whom the Company has a Memorandum of Understand for rail haulage and ship loading services. TPI is wholly owned by Fortescue Metals Group Limited.

Commenting on the revised 1.5Mtpa low-cost option, BC Iron's managing Director, Mike Young said: "The simple geometry and flat lying nature of the deposit means that we can be very flexible in our approach to mining. It allows for a rapid, small scale start-up using continuous miners with the capacity to increase production quickly and easily.

"The indicative cash operating costs in this new development option would provide a healthy operating margin generating strong early cash flow which could be utilised to significantly expand capacity over time.

"In the current financial and economic climate, where project finance is difficult to arrange, we believe that a smaller-scale start-up operation represents a sensible alternative which would very quickly establish the Company on a self-funding basis to underpin both ongoing exploration and future development costs to incrementally expand production," he added.

Sinter Test work – *Premium Sinter Blend*

Recent sinter test work carried out independently in China by a steel company has found that BC Iron's fines ore can be categorised as 'First Class' in terms of its sintering characteristics. This is of particular importance as it differentiates BC Iron's product from that of others and adds exceptional value by enhancing sinter quality.

Most iron mines produce both lump (size 6 – 30 mm) and fines product (<6mm) however only lump ore can be charged directly into a blast furnace. Therefore, in a process called 'sintering', the steel makers must convert the fines ore into synthetic lump or 'sinter', before it can be used in the blast furnace. To be of any use, the sinter must have particular characteristics such as strength, iron content and reducibility, and the process of sintering has to be done cost effectively.

During test work, different ratios of BC Iron fines ore were added to a typical sinter feed to identify the sintering properties, as well as the impact on the physical and metallurgical properties of the final product. The study showed that by adding a certain amount of BC Iron fines, there is an improvement in the quantity and quality of the end product when compared to that produced with the basic sinter feed.

A Summary of the sintering test work and qualities of BCI ore is as follows:

- Blended with a 'typical' fines sinter feed,
- Tested on 10%, 20%, and 30% BC Iron fines blend in the sinter blend,
- Resulted in increased quantity and quality of sinter – "First Class"
    - Increased Yield
    - Improved sintering time
    - Improved tumble index (strength)
    - Improved productivity

The steel plant also commended the ultra-low phosphorus level in the BC Iron fines (0.016% P).

The results of the sinter test work indicate that BC Iron Fines improves both sinter quality and sintering efficiency to our future customers and has the potential to be a sought after 'value-add product'.

- ENDS -

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 has been completed at Outcamp Well and Coongan Well aimed at upgrading the JORC status of the current resource estimate. Drilling was also being 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 is being 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)	
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	5%

Released by:
Nicholas Read
Read Corporate
Telephone: +61 (0)8 9388 1474

On behalf of:
Mr Mike Young
Managing Director
BC Iron Limited
Telephone: +61 (0)8 9324 3200

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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, some 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.

A full description and JORC Statement relating to the Mineral Resource Estimate is provided in the release to the Australian Securities Exchange dated March 31, 2008.