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BC Iron Limited (ASX code: BCI) has successfully completed a Feasibility Study on the Nullagine Iron Ore Project, located in the Pilbara region of Western Australia. What were the key outcomes of the Feasibility Study? Are you still confident of achieving your production start-up in the First Half of calendar 2010?

MD Mike Young
The Feasibility Study has demonstrated that the Nullagine Project is both economically and technically viable. This means we can now get on with development and construction work before ultimately moving into production early next year.

Importantly, we've defined a maiden ore Reserve of 36 million tonnes at 56.9% Fe with a waste-to-ore ratio of about one to one. This was a great result which gives us a current mine life of over eight years and we are confident that further exploration will lift that figure considerably. Our estimates of capital expenditure for mine development are around A$43 million with a forecast operating cost of A$43 per tonne over the life of the project. These figures fall within our previous expectations and provide us with significant margins to become a very profitable iron ore producer. Importantly, the feasibility was done as a 'stand alone' project with no accounting for the synergies that working with a company like Fortescue Metals (FMG) can provide. The partnership with FMG will give us an opportunity to trim these costs further.

The Feasibility Study results have given us an excellent road-map for achieving our production target, starting at 1.5 million tonnes and ramping up to 3 to 5 million tonnes. Again, we are pretty confident we will meet our start-up deadline in April 2010 with first-ore-on-ship expected in mid-year.

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You have signed an agreement with FMG for the provision of rail haulage and port services for Nullagine iron ore. As part of the proposed joint venture (JV) agreement, FMG can earn a 50% interest in the Nullagine Project by meeting its JV obligations. Who is responsible for transport of the ore from the mine to the rail-head and how quickly can haulage (rail & port) capacity be expanded should the JV choose to move beyond the current 3 Mtpa production target? Is BCI required to contribute toward any construction costs associated with the rail or port?

MD Mike Young
The infrastructure agreement will see the JV partners contract The Pilbara Infrastructure Pty Ltd ("TPI"), a wholly-owned subsidiary of FMG, to provide rail and provide port services. The agreement with TPI is that BC Iron will haul the ore from the mine site to a project stockpile at the railhead, wherever that happens to be. Currently it's at Cloud Break but it will eventually be across at Christmas Creek.

Once it's at the stockpile, TPI will be contracted on a per tonne basis to take it from the stockpile to Port Hedland and ultimately onto the ship for export. In essence, once the ore reaches the stockpile, TPI will take custodianship of it and then be responsible for delivering it onto the ship.

BC Iron is responsible for managing and operating the joint venture and for marketing the sale of the ore. TPI is responsible for its own operating and capital costs associated with delivering the haulage and ship loading services.

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More recently, FMG has given in-principle endorsement for the development of the project and have agreed to the accelerated commissioning of a test pit. What does the test pit entail and when do you expect a final decision from FMG on its participation in the JV?

MD Mike Young
FMG have said that they agree with the findings of the Feasibility Study and want to fast-track a test pit before they fully endorse the JV. One of the key recommendations in the Feasibility Study was that we proceed to a test pit which, following receipt of the necessary approvals and clearances – which are already well under way - we would look to start in mid-September.

Firstly we'll mine the ore, and then run that through a crushing and screening plant. From there we will assess the results of the surface miners and the reconciliation from the grade control model to the delivered product. We will also have a large parcel of ore from which we can provide bulk samples to be sent off for test work and marketing purposes. We had intended on trucking and shipping a large parcel of ore in the short term, but we've decided to hold that ore back until we actually commission the mine. We thought this was a more effective way to use it as it gives us a 100,000 tonne stockpile of ore that is ready to go from day one of mine start-up.

Also part of the test pit process will be the testing of the surface miners that we intend on using – the Vermeer or the Wirtgen – which are both currently being used at FMG. FMG have agreed that the test pit is a must and they want to fast track the test pit, so we'll have full exposure to all their expertise, including access to spare equipment, people and logistical support.

The other thing that we'll get out of the test pit is the ability to have a good hard look at the geology. We'll look at things like dilution and reconciliation to grade (control); all the things you do when typically commissioning a mine. The advantage we have here is that we can potentially head-off any start-up problems before we in fact start up.

As far as when FMG will make the final decision; we're working with FMG to establish the testing protocols that we both need to get the answers out of the test pit. Once we get all that established we'll have a clearer idea on the schedule moving forward.

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You are currently in China with your marketing team. What is the purpose of your visit?

MD Mike Young
Back in February this year we signed an off-take agreement with Tennant Metals for the Nullagine Project. They've basically identified several key mills that - having seen the ore specifications - are very keen on the product. We are here now to commence discussions with those steel mills; in fact we're driving from a mill to the airport in Qingdao now. We've got our full team with us, including our Chairman and in-house experts, along with Tennant Metals who are assisting us with logistics for the visit. All of us will be meeting with several mills during the week.

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Your current off-take sales agreement with Tennant Metals is for 1.5 Mtpa. At full production Nullagine will be producing 3.0 Mtpa. What options are you pursuing for the remainder of your offtake?

MD Mike Young
One of the key findings of the Feasibility Study and one of Nullagine's advantages in regards to marketing is basically that the start-up tonnage - particularly on phosphorous and alumina content - falls within the spectrum of the direct shipping ore quality pisolite leaving the Pilbara. Because it's a small tonnage, we have agreed with Tennant that all the tonnage in the start-up phase should go into the mainland Chinese market because the Chinese have more tolerance for variation than some of the mature markets like Japan, Korea and Taiwan. As we move forward and ramp-up to 3 Mtpa and beyond, we can start to look at marketing to other countries to spread country risk.

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On current Reserves, Nullagine has a mine life of 8 years. Are you comfortable with your current rate of Resource-Reserve conversion? What are your exploration priorities and budget in FY2010? Will exploration remain a strong focus for management after you move into production?

MD Mike Young
I'm pretty happy with our current Resource to Reserve conversion rate, which is about 90%. It's important to remember that the entire Resource at Nullagine wasn't included in the Feasibility Study. Only 42 million tonnes of the 52 million tonne total Resource defined to date was included, so there is scope for this Reserve to grow.

The most likely prospect to be assessed for mining is Bonnie East, which has about 8 million tonnes at 57% and we'll look at that deposit once we commence mining. Once we get mining and get the market established, we can start looking at the other smaller targets at Shaw River and Nullagine River, especially some of the lower-grade opportunities which could potentially broaden our product base and marketability.

In terms of regional exploration, there are other opportunities that we're assessing, but we've got a pretty tight team and we're staying focused on the goal of getting into production. We certainly won't abandon a broader exploration strategy, but the most important thing at the moment is to get the Nullagine deposit into production.

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Since listing in December 2006, BCI has defined a 51 million tonne (at 57% Fe) iron ore resource; completed a Feasibility Study for a 3 Mtpa operation and signed an infrastructure agreement that guarantees product delivery and cashflow. Have you identified the next growth opportunity for the company?

MD Mike Young
We have taken a deposit which had no previous drilling to the cusp of mining in three and a half years. You learn an awful lot during an exercise like that. We now have an enormous amount of intellectual property and we now know what it takes to get an iron ore deposit into the stockyard at a customer's mill.

When you're looking at iron ore, it's not just about the geology; it's not just about the grade; it's about the levels of the other deleterious elements, the impurities and the pyrometallurgy. Then it's about railway and port. You can have the world's best iron deposit, but if it's in the middle of nowhere and you can't get it on a rail line and you can't get it on a ship, then you've just got a big pile of dirt.

It's always been our strategy to get this project into production and then leverage off being a producer; we'll certainly concentrate on the area of the Eastern Pilbara effectively becoming a production hub, but we'll take a broader view as well.

It's a good question – how do you grow the Company? The best way is to take the experience you have gained and apply that to other iron ore prospects. We now have the experience to say, "OK we know what it takes to get a mine up and running". We will look at new opportunities and be able to quickly assess whether a project will get up or it won't. I think that's how we'll really work to our strengths moving forward.

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Thank you, Mike.

For further information on BC Iron Limited please visit www.bciron.com.au or call Mike Young on (08) 9324 3200.

For previous Open Briefings by BC Iron Limited, or to receive future Open Briefings by email, please visit www.corporatefile.com.au.

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JORC COMPETENT PERSONS STATEMENT: The information relating to the terms "iron ore", "exploration target", "direct shipping ore" and "upgrade" should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004) and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.

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 BMGS, and Mr Mike Young who is a member of the Australian Institute of Geologist and employees 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.