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BC Iron Limited (ASX code: BCI) is progressing toward defining a JORC resource for the Nullagine Iron Ore Project in the Pilbara region of Western Australia. What progress has been made to date? What is your near-term target?

MD Mike Young

If you look at a map of the project (Figure 1.) and the three main areas we are focussed on: Bonnie Creek, Nullagine River and Shaw River, we are exploring along approximately 90 kilometres of iron-bearing palaeochannels which could contain up to 75 million tonnes of iron ore.

Bonnie Creek has two prospects which are about to be infill drilled, Outcamp and Coongan Well. The drilling will provide the data required to estimate an Inferred Mineral Resource and we expect that they'll potentially yield a combined resource of up to 30 million tonnes of between 56% and 58% Fe (iron) content. In addition to those numbers, there'll also be some material which could potentially be amenable to simple beneficiation. We expect to have completed drilling with the data back by Christmas 2007, with a resource statement due out some time in the March quarter of 2008.

In terms of the larger, near-term exploration targets, we also expect to have the drilling at Shaw River completed by Christmas. From field investigations we've done, we've determined an exploration target there of between 20 and 40 million tonnes, grading between 55 and 58% Fe.

Drilling spacing will be not close enough to support an inferred resource at this time, but what it will do is give us some in-house numbers that we'll put into the scoping study, which we will then use to target and rank future drilling.

The Nullagine River tenement currently has a drill defined exploration target of between 3 and 5 million tonnes of 53 to 54% Fe, which, either through selective mining or beneficiation would certainly add to any operation. That won't be put into the new resource in the short term, but that's certainly something we'll look at in the first half of calendar 2008.

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What is the status of the resource at Bonnie Creek? How does the grade profile compare across your project areas?

MD Mike Young

Currently, the resource at Bonnie Creek is in what is known as an exploration target stage. We'll do reverse circulation and some diamond core drilling during October at both Coongan Well and Outcamp that will give us enough data to bring Bonnie Creek to an inferred resource status. We'll quickly follow that up with enough drilling to define an Indicated Resource from which a mineable reserve may be determined.

In terms of grade, Nullagine River seems to have been more deeply eroded, with the iron-rich cap rock missing on most of the mesas. Thickness of the CIDs are in the order of less than 10 metres overall, with a significant amount of lower-grade material. We're currently doing some beneficiation test work and that could provide, either through selective mining (because there are some direct shipping grades there) or through beneficiation, material that would add to any larger operation.

Shaw River average grade is harder to define at this stage as we are yet to start drilling. That's the purpose of this program. From our mapping and fieldwork we are confident our initial grade assessment (55-58% Fe) is reasonable.

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There are a number of CIDs (Channel Iron Deposits) in the Pilbara region. How do the Nullagine Project areas compare to these geologically? What advantages do Bonnie Creek, Nullagine and Shaw River have over these other deposits?

MD Mike Young

In terms of their genesis, the CIDs at Bonnie Creek are geologically similar to those at Robe River and Yandicoogina in the Western Pilbara that Rio and BHP-Billiton are mining. Geologically, we have the same iron profile – iron rich material near the top of the channels – with some cover that needs to be stripped off, but it's relatively shallow.

In terms of size, the CIDs at Bonnie Creek are not as large, however it's important to understand that CIDs account for over 40% of the iron ore being shipped out of Pilbara. It's also fair to say that the Pilbara operations of Rio and BHP-Billiton are highly profitable. They're simple deposits to mine; they're inexpensive and relatively low cost. We will share that similarity.

One of the major advantages Bonnie Creek has over some of the other CID and direct shipping deposits within the Pilbara is that we're right next door to Fortescue Metals' Cloudbreak and Christmas Creek operations. In fact, the prospects lie between 15 and 75 kilometres by road from the Cloudbreak railhead.

In considering our MOU with Fortescue - where they would provide a bulk transport service to Port Hedland, including rail haulage and ship loading - our Project's proximity to that infrastructure is vitally important and a significant advantage.

Across the project area most of the direct shipping grades we have are at, or near, surface, so strip ratios are almost nil or very low. This means mining costs are low, especially if you were to get into direct shipping ore immediately. Capex would also be low, and if you're a high margin operation, you can start generating cash flows very quickly.

Again it's important to realise that iron ore is one of the few commodities where ore grade is all about blending. You can actually take sub-grade material and blend it with higher grade material to achieve a specification that the customer wants. Our scoping study and any feasibility study will address all those issues.

When you start talking about what is direct shipping ore and what's not, it really is a grey area and depends very much on what the customer wants. Chinese steel mills have indicated that they can deal with direct shipping ore as low as 55% Fe with as much as 5% silica (SiO_2) and 5% alumina (Al_2O_3). Any product from the Nullagine project would fit comfortably within these parameters.

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What are the immediate priorities for BC Iron? How will you fund your objectives?

MD Mike Young

We have three major priorities: drilling, drilling and more drilling. We were delayed by three cyclones last March, which had a cascading effect. We lost about 10 days due to those cyclones, which led to a shortened Heritage survey, which led to us losing the contract for the drill rig. That event ended up delaying us for six months. That said, we have got two rigs lined up to begin in the first week of October; one is the helicopter supported diamond rig, the other is an RC rig which was there previously. We've also booked two rigs to begin drilling from April 2008.

Once we finish all the reconnaissance drilling at Shaw River and infill drilling on the prospects at Bonnie Creek, we are confident we can deliver an Inferred Resource Estimate by early 2008.

We'll put that into the scoping study in the first quarter of next year and the results of that will determine our course of action for the next 12-18 months. Further drilling would bring these to indicated and measured resource status. By the end of 2008, we should be well into our feasibility study with the expectation that we could be mining sometime in 2009.

Obviously, the drilling that we've planned for next year will require additional funds. We're currently exploring several possibilities that will ensure we achieve our planned objectives in order to maximise value for our shareholders.

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

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The information relating to the terms “exploration target” and “direct shipping ore” 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.

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.

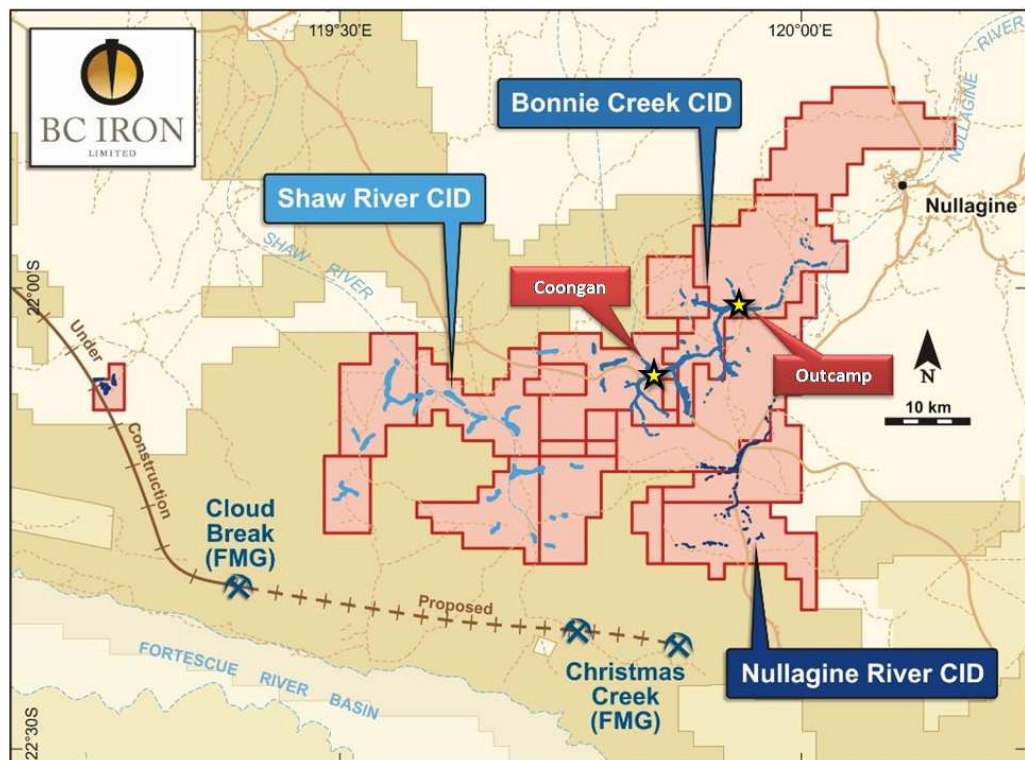


Figure 1.