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**Title:** Open Briefing® . BC Iron. MD Explains Nullagine Resource Upgrade.

**Record of interview:**

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BC Iron Limited (ASX code: BCI) has recently delivered a maiden inferred resource estimate at its Nullagine Project in the Pilbara, Western Australia. The global resource totalling 47.2 million tonnes of mineralised Channel Iron Deposit (CID) includes 28.0 Mt of Direct Shipping Ore (DSO). Why is this a significant milestone for the company? Can you explain the tonnage size and classification differences between the global and DSO resource estimates?

**MD Mike Young**

Obviously, outlining any mineral resource which is considered to be mineable (which DSO is) is significant for any small resource company, particularly one of our current size. If you initially look at the 28 million tonnes of Direct Shipping Ore, using current economics, we believe most of that material may well go into an economic pit shell. At a conservative operating margin of around A\$20 a tonne before capital, this becomes a significant resource with the potential to generate over \$500 million in operating cash flows before capital and infrastructure costs. We're a junior explorer with a hematite resource and it's a simple deposit requiring simple low-cost infrastructure, which means the pathway to unlocking this value for our shareholders is relatively quick and uncomplicated. It's significant for us given our proximity to Fortescue's infrastructure and the fact that we have an existing MOU with Fortescue which will assist us in getting our product to market. Obviously we aren't mining yet and these are theoretical projections.

DSO is an ambiguous term, but one with significance in the iron ore game. It means Direct Shipping Ore, and it's effectively whatever a customer wants. As such, putting an exact grade on it is difficult. For example, if you had a customer who, because of your low contaminants, might take 56% Fe-content as your specification grade as opposed to 57%, that would become DSO. We deliberately haven't yet arranged contracts with customers as we wanted to maintain a market advantage, so we have adopted a conservative approach on our "DSO resource" classification and decided that 57% Fe and above is a saleable product on the spot market for iron ore.

We have also published a "global resource" of 47.2 million tonnes to provide the market with the information that we do have a low grade halo around the direct shipping part of the deposit and, if spec grades or iron prices were to increase again, we would be able to dip into that for blending to give us a larger mineable resource. It is important to emphasise that the entire lower grade tonnage is still Channel Iron Deposit (CID) and not detrital ore, which requires additional processing before it can be shipped.

#### **corporatefile.com.au**

Follow-up resource drilling will start in the June quarter 2008 at Warrigal Well and Bonnie Creek East. What do your previous results here tell you about the DSO resource potential of these prospects compared to the Coongan and Outcamp prospects? What is the size and scope of your planned drilling program? When could any new results be incorporated into your resources?

#### **MD Mike Young**

The drilling will start later this month (April), depending on the schedule for the heritage survey. We will initially start off with infill drilling at Outcamp and Coongan Well to lift the resource categories on both those deposits. Obviously being infill drilling, it's not going to add too many tonnes to the resource, but we want to get these two deposits done first so we can get them into the feasibility study as soon as we can.

Warrigal Well has some fantastic intersections which came out during the drilling last year including up to 27 metres of mineralised CID at 55% Fe, and several significant intersections of +58% Fe. In fact, one of the mesas, which was very close to Outcamp, consistently has 11 and 13 metre intersections of +58% Fe. That's a significant deposit again and, being above surface, means that mining costs will be low.

Bonnie Creek East seems to have a bit more overburden present but we're looking at potentially 5 to 10 million tonnes and probably 10 to 15 million tonnes additional DSO coming out of Warrigal Well. All up, towards the end of the year – when the drilling is completed – we think we may be able to double the current DSO resource.

Currently, we have a 25,000 metre drilling program planned. One of the advantages we have is that all of our drilling targets are less than 30 metres depth and therefore being shallow holes; the drilling logistics are very simple.

We will have two rigs going from mid-May and we expect to be largely completed by late July.

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You are scheduled to complete a Scoping Study on a 3Mtpa DSO operation at Bonnie Creek during the June quarter 2008. Is this progressing to schedule? When will you be in a position to define a mineable reserve for Nullagine? What is your development timeline?

**MD Mike Young**

The scoping study remains on schedule for delivery in the June quarter and we are working through some of the final details now, including operating and capital costs.

We won't be in a position to deliver a reserve because all of our resources are currently Inferred. That's the reason for expediting the next round of drilling, to get those resources in to an Indicated and Measured status so that we can move that eventually into a mineable reserve.

What we will be able to do though is indicate the part of the resource that will be captured by a pit shell. The idea is then to get the drilling done; get the Indicated and, if required, Measured resources out; move those into feasibility as quickly as we can and be in direct feasibility study by the end of the year.

Longer term, one of the other issues we have is securing the appropriate environmental permits. We have an excellent environmental team helping us toward having our environmental approvals by the middle of next year. If we can get the feasibility study done to coincide with that time, we should be in construction by the second half of next year. That's an aggressive timetable, but our plan is to meet that deadline.

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With \$10.0 million cash in the bank, why can't you just accelerate your drilling effort to bring forward your feasibility study currently scheduled for commencement later this year?

**MD Mike Young**

That is exactly what we are doing. Our plan is to get Coongan and Outcamp drilled as fast as we can, and then get into the feasibility. Firstly though, we have to go through several permitting exercises, one of which is heritage approvals. We have the utmost respect for our native title claimants and are working with them to get the heritage surveys done as quickly as we can. We have not and will not shortcut anything. We have a good working relationship with our claimants and, as soon as those heritage approvals are finished, the drill rigs will literally be a day behind them.

We're certainly accelerating things as fast as we can. Of course, in the Pilbara you have extremes of weather with the heat during the summer and, just from a purely logistical and safety standpoint, we chose not to drill during the wet season.

It's also worth noting that the \$10 million we have in the bank ought to carry us through our drilling and feasibility study right up to a development decision.

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Fortescue Metals Group (FMG) has just commenced shipping iron ore from its Cloud Break deposit, adjacent to BCI's Bonnie Creek project. Your current MOU with FMG will see BCI negotiate terms for rail and port facilities to get its ore to market. How will you manage this as Fortescue expands its production output? What are your other options?

**MD Mike Young**

One of the things we've done from the outset is to build strong relationships with the various stakeholders and neighbours in the project. We have a good relationship with FMG and very early on we signed up an MOU with them to negotiate access to their facilities.

We would expect that, once we are in a commercial arrangement with FMG, they would continue to haul our material at the agreed rate. That being said there are a number of alternative options we are looking at to ensure we achieve the best outcome for our shareholders.

**corporatefile.com.au**

In a recent presentation you produced an "Investor Checklist", highlighting the advantages of the Bonnie Creek CID prospect. What do you see as its key points of difference to other hematite and magnetite projects? Can BCI reasonably compete against these much larger projects?

**MD Mike Young**

Yes, I believe BC Iron can compete. In this market, there will always be opportunities for niche producers like us, particularly with our pisolite ore. This is the same type of ore that comes from the world-class Yandi and Robe River operations and they supply well over 40% of the iron ore coming out of the Pilbara. Importantly, they're a high demand product in the steelmaking process. The Bonnie Creek ore is low silica, low alumina, very low sulphur and very low phosphorous. Our ore is attractive as a blending agent to those steelmakers who use high phosphorous coals – which are becoming increasingly prevalent as coal supplies tighten.

One of the things about the magnetite/hematite debate – and everyone would agree on this point – is that magnetite deposits are much larger, but their operating costs and capex are much higher as well. We have a hematite deposit. The key difference for us is that our deposit literally sticks out of the ground. We will have no open pits – we will literally be stripping the tops of hills. We're close to existing infrastructure being developed by a group with whom we have an existing MOU. When you start looking at all the boxes that need to be ticked, that is the key point of difference with us. Of the 70 or 80 iron ore juniors out there, half may have some sort of resource, but how many are close to infrastructure that's accessible?

**corporatefile.com.au**

What do you see as the challenges for BC Iron in maximising value in an increasingly competitive Australian iron-ore market? Does this make you particularly vulnerable?

**MD Mike Young**

If you look at our project and the potential of the resource at Bonnie Creek, we are undervalued and, yes, that does make us vulnerable. At the other end, we have strong support from our major shareholders: Consolidated Minerals, Alkane Exploration and UBS Wealth Management.

The way to maximise value for this company is to get Bonnie Creek into production as quickly as possible. The challenge for us is securing access to the shipping facilities at Port Hedland and, in this regard, we are well advanced.

We also keep our eye out for any exploration opportunities, but we're not going to expand our portfolio quickly for the sake of having exploration targets. That's not to say we won't look at other opportunities to create shareholder value. We are a small company and we want to focus on getting our first deposit into production.

**corporatefile.com.au**

Thank you Mike.

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For further information on BC Iron Limited please visit [www.bcion.com.au](http://www.bcion.com.au) or call Mike Young on (08) 9324 3200.

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For more information on the Mineral Resource Estimate, please refer to BC Iron's release to the ASX dated 31 March, 2008.

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.