

## HIGHLIGHTS

- **Combined Exploration Target of 40-75Mt of 56-58% Fe DSO determined for Nullagine Project.**
- **Maiden Resource Estimate for Outcamp Well and Coongan Well imminent.**
- **Significant new DSO Exploration Targets identified at *Warrigal Well* and *Bobs Well* (Bonnie Creek).**
- **Reconnaissance drilling & rock chip sampling confirms high prospectivity for DSO at several prospects at Shaw River – *drill assays pending*.**
- **Metallurgical test work indicates that simple beneficiation may upgrade lower grade ores to DSO.**
- **Intensive drilling to continue through until November with steady flow of results expected.**

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## INTRODUCTION

During the Quarter, BC Iron re-commenced drilling at its 100%-owned Nullagine Project in the Pilbara region, Western Australia. The Nullagine Project comprises three channel iron deposits (CIDs), the Bonnie Creek, Nullagine River, and Shaw River palaeosystems (pBC, pNR, and pSR respectively). All of the identified and prospective targets lie within 68 km by road from Fortescue Metals Group's Cloud Break Project, from where Fortescue will rail its ore to Port Hedland commencing in the first half of 2008.

Resource definition drilling was completed at **Coongan Well** and **Outcamp Well** with a maiden resource estimate for these deposits expected in early 2008. Geological logging has confirmed the continuity of the mineralisation at both prospects and supports the Company's view of a combined Exploration Target of between 23-30 Mt at grade of between 56-58% Fe.

Rock chip sampling was undertaken over several CID outcrops at Shaw River to assist with prioritising drill targets. The results confirm the potential for Shaw River to host CIDs with a combined Exploration Target of between 10-40 Mt at grades between 56-58 % Fe.

Based on the results of recent exploration work at Bonnie Creek and Shaw River, BC Iron has determined a combined Exploration Target of between **40-75Mt of Direct Shipping Ore (DSO) at grades of between 56-58% Fe** for the Nullagine Project.

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Listed: 15 December 2006

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Significantly, metallurgical test work completed during the Quarter also indicates that simple beneficiation of lower grade material may yield a significant source of further DSO material.

During October, ASX imposed restriction conditions expired on 6,000,000 ordinary fully paid shares. BC Iron now has 30 million shares quoted on the ASX.

## EXPLORATION SUMMARY

### Exploration Drilling Summary

During September and early October, BC Iron completed Reverse Circulation (RC) drilling comprising 127 holes for 3,769 metres on the Bonnie Creek and Shaw River palaeochannels. Analytical results are pending and results will be released during the coming quarter.

A further 14 holes on Bonnie Creek and 60 holes on Shaw River are required to complete the reconnaissance program which began in April. Included in the total is an amount of diamond core drilling at Coongan and Outcamp Well to assist with the resource estimate, and at Shaw River where access is not possible without extensive earthworks.



Figure 1 - Project Location – Pilbara Region WA

## BONNIE CREEK CID EXPLORATION

### Outcamp Well DSO Prospect (BCI: 100%)

The Outcamp Well DSO Prospect is approximately 3.5km long with an average width of 300m, comprising CID intersections of up to 15 m with an average thickness of 8m. As shown in the section below, (Figure 4) high grade CID is hosted within a wider zone of lower grade CID. Preliminary test work on RC drill chips indicates that some lower grade material may be amenable to upgrading through simple beneficiation.

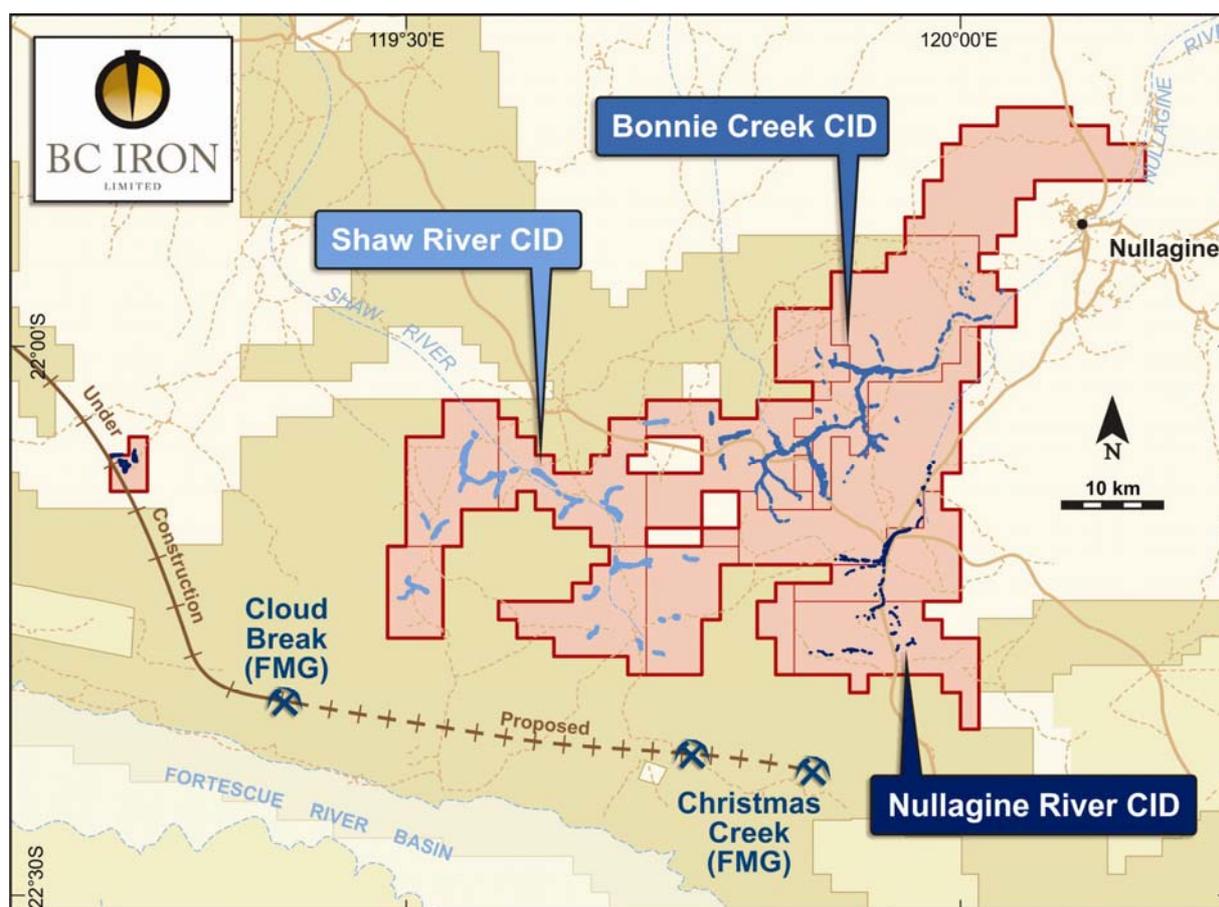


Figure 2 – Nullagine Project location plan

Drilling during the quarter comprised several lines of infill holes as well as RC holes twinning existing holes. This will provide sufficient data to undertake a mineral resource estimate for release early in 2008. Geological logging confirms the continuity and extent of the CID mineralisation at Outcamp and supports the exploration target of between 15 – 20 Mt at grade between 56 – 58%.

Assay results are pending.

### Coongan Well DSO Prospect (BCI: 100%)

The Coongan Well Prospect comprises a series of flat-topped, steep-walled mesas partially dissected by the modern day Coongan River.

Mineralisation occurs in two large and several smaller outcrops of approximately 3.0 km combined length with an average width of 400m (Figure 4). The CID at Coongan varies in thickness but is up to 14 m thick and comprises interbedded DSO and sub-DSO material with calcrete and clay rich CID overburden ranging from 0 to 5m thickness.

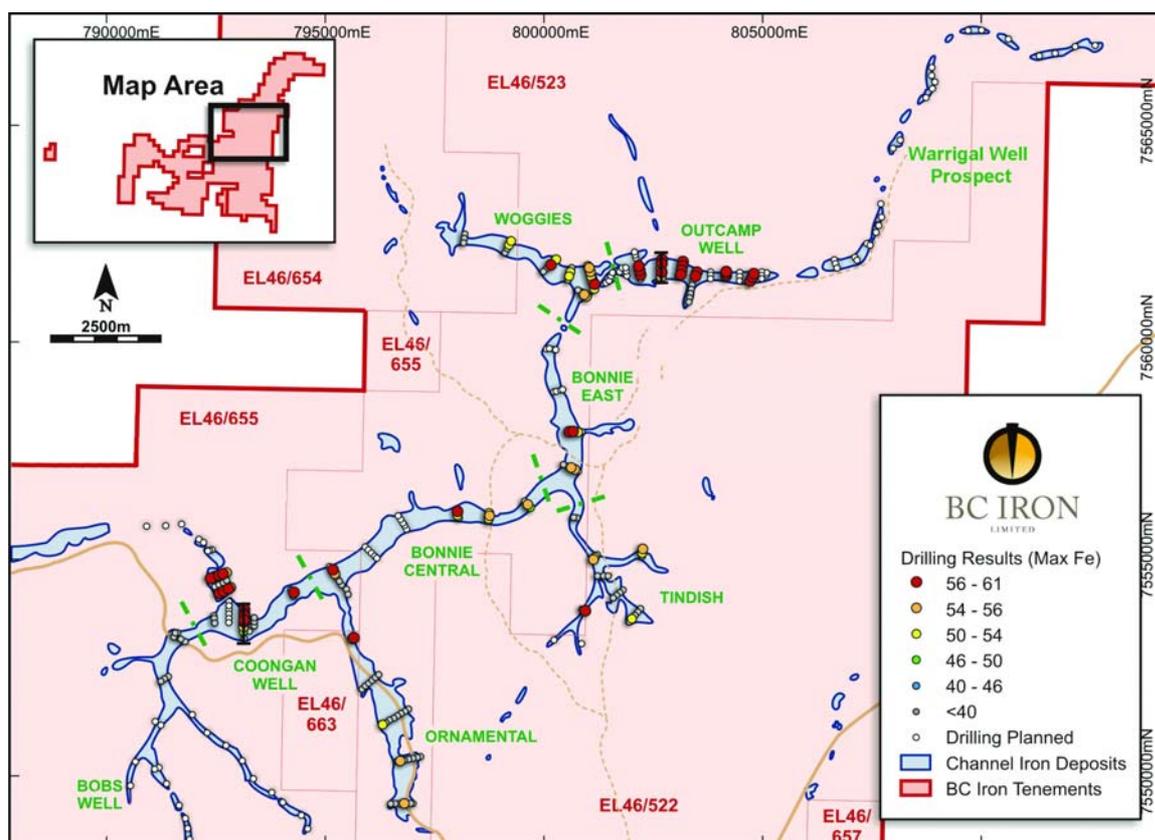


Figure 3. Bonnie Creek Prospect plan and drill collars

Drilling comprised several lines of infill holes as well as additional holes over several small mesas to the northwest. The data collected will be sufficient to undertake a mineral resource estimate for release early in 2008. Geological logging confirms the continuity and extent of the CID mineralisation at Outcamp and supports the view of an exploration target of between 8 – 10 Mt grading between 56 – 58%.

### New Prospects Discovered

In addition to the major DSO Exploration Targets outlined above, two newly drilled prospects at Bonnie Creek, **Bobs Well** and **Warrigal Well** may also provide future sources of DSO.

### **Warrigal Well Prospect (BCI: 100%)**

First pass drilling is currently underway at Warrigal Well Prospect which lies directly east of Outcamp Well Prospect. The prospect comprises a series of isolated, steep-walled mesas which occur along a 9 km length of the modern day Bonnie Creek. Geological logging in holes drilled to date has identified **strongly mineralised, hematite-goethite bearing CID** up to 15 m thick. A great majority of intersections of mineralised CID logged so far at Warrigal occur from surface. Drilling assays are pending.

During September, 5 rock chip samples were collected at Warrigal Well, east of Outcamp Well on Bonnie Creek, returning excellent results (See report on rock chip sampling – Shaw River).

### **Bobs Well Prospect (BCI: 100%)**

Bobs Well comprises a series of low hills and mesas extending for 7 km south of Coongan Well. Drill chip logging has identified CID over the entire length with thicknesses ranging up to several metres. Assays are pending.

### **Bonnie Creek Central & East Prospects (BCI: 100%)**

Reconnaissance drilling was completed over both prospects during the quarter. The Bonnie Creek Central and East Prospects comprise a 12 km long continuous channel which runs from directly east of Coongan Well towards Outcamp Well.

Logging confirms the presence of hematite-goethite rich CID, several metres in thickness, within and interbedded with clay. The entire length of these two prospects is intermittently mineralised and represents a significant amount of material which may provide a further source of DSO either through selective mining or beneficiation.

### **SHAW RIVER CID EXPLORATION**

Shaw River is one of three palaeochannel systems at the Company's Nullagine Project and comprises 6 separate prospects: Emu, Bamboo, Junction, Gap Well, Nymerina, and Kelly Ann.

Prior to the current activity, only the Bonnie Creek and Nullagine River palaeochannels had been drilled as cyclonic activity during March 2007 caused unavoidable delays in obtaining Heritage approvals for drilling at Shaw River.

During September, rock chip sampling was carried out over several CID outcrops at Shaw River. Only outcrops which are accessible by foot have been sampled. Several of the outcrops occur as vertically walled mesas which are only accessible by helicopter and therefore were not sampled during the programme. Systematic, non-random sampling was carried out over five of prospects at Shaw River (Figure 4) totalling 51 samples over 17 km of channel length. A further 5 samples over 2 km were collected at Warrigal Well, east of Outcamp Well on Bonnie Creek. The results are very encouraging with 39 samples returning assays of over 57% Fe with low contaminants. The results (Table 1) confirm the potential for Shaw River to host Channel Iron Deposits (CID) with a conceptual exploration target of between 10 – 40 Mt at grades between 56 – 58 % Fe.

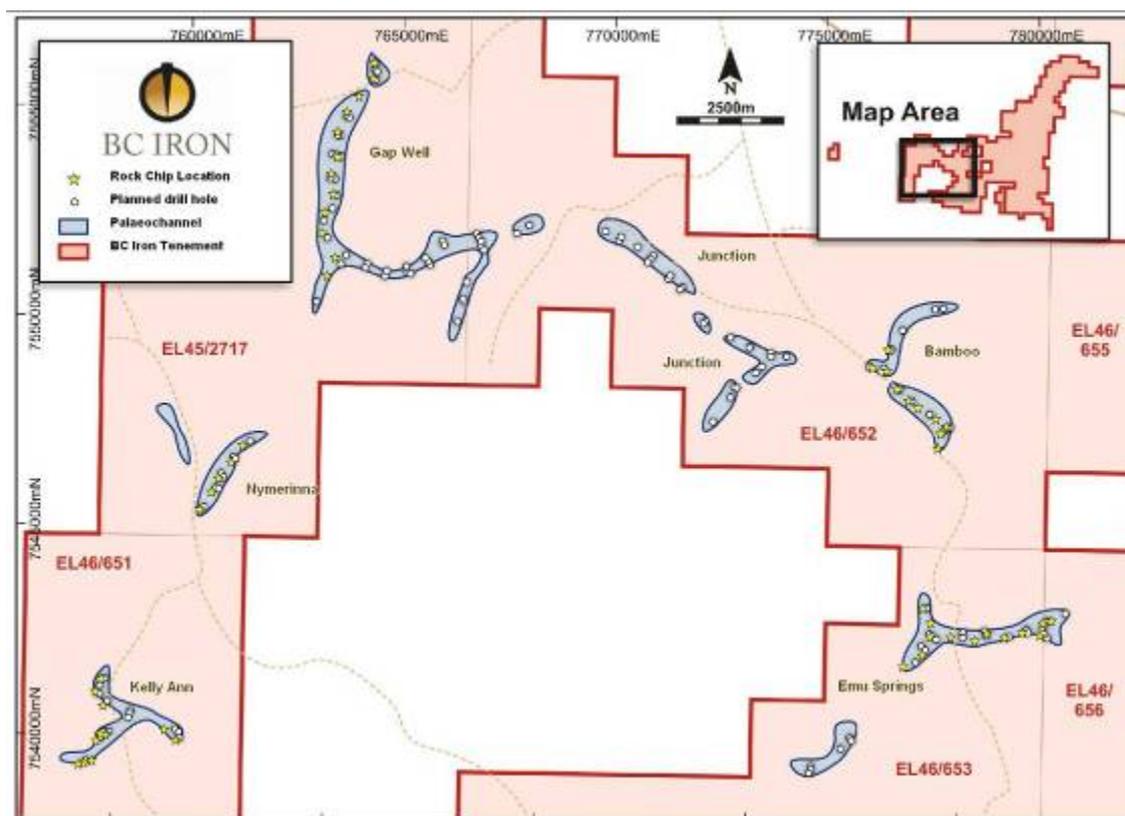


Figure 4. Rock chip sample locations at Shaw River CID

Table 1. Rock Chip sampling results

Prospect	Length (km)	Number	Fe %	CaFe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%	LOI%
<b>Shaw River Palaeochannels CID</b>									
Gap Well	5.5	12	52.3	59.1	8.6	4.5	0.02	0.05	11.3
(including)	2.0	5	57.3	64.5	4.0	2.1	0.02	0.06	11.3
Nymerinna	1.8	5	59.3	65.8	3.1	1.7	0.03	0.07	9.8
Kelly Ann	1.6	11	57.3	62.7	4.6	4.0	0.03	0.10	8.6
Emu Springs	5.0	13	57.7	63.7	3.8	3.4	0.03	0.06	9.5
Bamboo	3.5	10	58.9	65.9	2.6	1.7	0.02	0.06	10.7
<b>Bonnie Creek Palaeochannels CID</b>									
Warrigal	2.0	5	58.9	66.1	2.8	1.3	0.04	0.05	11.0

### **Emu, Gap Well, and Bamboo Prospects (BCI: 100%)**

During the quarter RC Drilling was conducted on three of the Shaw River CIDs: Emu, Bamboo, and Gap Well. Drilling is currently underway on these and the remaining three prospects. Assays are pending for all drilling at Shaw River.

The Gap Well Prospect comprises a series of rounded outcrops and steep walled mesas with a collective channel length of over 8 km. Geological logging has identified mineralised CID with intersections of over 10 m.

The Emu Prospect comprises a series of low rolling CID outcrops with a collective channel length of over 5 km. Reconnaissance drilling has identified CID from surface with intersections on the order of 3 – 8 m.

The Bamboo Prospect comprises several separate steep-walled mesas over a collective length of over 4 km. Drilling has identified hematite-goethite CID with intersections of up to 8 m thick. Further drilling is planned on this prospect.

### **METALLURGICAL TEST WORK**

A preliminary metallurgical test work program to investigate potential beneficiation of lower grade ore types was undertaken with positive indications. Only RC sample coarse field splits were available with six low grade composite samples prepared as follows:

- above DSO zones from Coongan Well
- above DSO zones from Outcamp
- Within DSO zones at Coongan Well
- Within DSO zones at Outcamp
- Low grade from Bonnie Central
- Low grade from Dandy

Application of a simple screening process indicated that the fines fraction was typically 8 % lower in iron grade than the average sample grade and accounted for typically 50% of the contained silica and alumina in the initial combined sample. This fines fraction was typically 28% by weight of the initial sample and when removed resulted in upgrading of the remaining coarse fraction by 2.5-3% iron. Further work on more suitable samples is required but initial indications are encouraging for simple beneficiation being applicable to low grade ores.

### **WORK PLAN DECEMBER QUARTER**

#### **Drilling**

Drilling will continue into November to complete the comprehensive regional coverage of the Shaw River and Bonnie Creek CIDs. Analytical results are pending on all drilling but are expected to be received from early November.

Twin hole RC and diamond core drilling will be completed at Coongan Well and Outcamp Well to provide data for QA/QC in respect to the pending mineral resource estimate expected to be released in early 2008.

As part of the Company's commitment to minimising the impact of regional exploration, a helicopter-supported diamond rig will be used at several of the larger mesas at Shaw River where access is difficult due to the steep walled nature of the CID outcrops.

## **CORPORATE INFORMATION**

Cash and commercial bills at the end quarter amounted to approximately \$3,590,000.

ASX imposed restriction conditions expired in regard to 6,000,000 ordinary fully paid shares (code: BCIAI) on 11 October 2007. The Company successfully applied for quotation of the shares on the ASX. The Company's quoted securities now number 30,000,000 ordinary fully paid shares with a further 24,000,000 under ASX restriction conditions until December 15, 2008.

Mike Young  
Managing Director  
BC Iron Limited

### **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 Results is based on information compiled by Michael Young who is a Member of The Australian Institute of Geoscientists and a Director of the Company. Mr Young has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Young consents to the inclusion in his name of the matters based on their information in the form and context in which it appears.*