BC Iron commits to Nullagine feasibility study

Sunday, 03 Aug, 2008

BC Iron Limited has taken another important step towards commencing iron ore production in Western Australia's Pilbara region by the end of this decade, after completing a Scoping Study on the development of a 3 to 5 million tonnes per annum direct shipping ore operation at its 100% owned Nullagine Iron Ore Project in Western Australia.

BC Iron said that, on the strength of the positive Scoping Study results, it had committed to the commencement of a feasibility study on the Nullagine Project, which has the potential to underpin a high value, long life iron ore business for the Company.

The Scoping Study focused on the recently announced Inferred Resource of 28 million tonnes at 57.4% Fe at the Outcamp Well and Coongan Well Deposits, which form part of the larger Bonnie Creek Channel Iron Deposit.

The Scoping Study examined a number of alternative options for mining, processing and marketing, with the base case operating and capital costs assuming simple open pit mining, crushing and screening to a single fines product. Ore would be hauled by road to Fortescue Metal Group's planned Christmas Creek operation. BC Iron has a Memorandum of Understanding with FMG to negotiate rail and port access.

DSO production would commence in 2010 at an initial rate of 3 million tonnes per annum, ramping up to a long term level of 5 million tonnes per annum. The Scoping Study estimated capital costs of AUD 85 million and operating costs at AUSD 42 per tonne. Significantly, the conceptual open pits contain 98% of the 28 million tonne Inferred Resource, with a life of mine strip ratio of 1:1. The current resource would underpin a mine life of approximately 6 years.

Mr Mike Young MD of BC Iron said that "This is a great outcome which demonstrates the robustness of the Bonnie Creek Project as a company making development opportunity for BC Iron. The forecast cash operating cost of AUD 42 per tonne includes an estimate for ore transportation costs on board ship and highlights the very substantial cash operating margin that the operation would generate. Also, the Scoping Study does not take into consideration the larger mineralized CID that surrounds the DSO resource, where lower grades occur on the margin or are interbedded with the DSO zones."