

Dated July 6, 2007**ASX Release****MEMORANDUM OF UNDERSTANDING SIGNED WITH
FORTESCUE METALS GROUP LIMITED**

BC Iron Limited (**ASX: BCI**) is pleased to announce that it has entered into a non-binding Memorandum of Understanding ("MoU") with Fortescue Metals Group Limited ("Fortescue") for the future provision of bulk commodity transport services for its **Nullagine Iron Ore Project** in the Pilbara region of Western Australia.

Fortescue is developing extensive rail, port and ship loading infrastructure as part of its Chichester Iron Project, which is located immediately adjacent to BC Iron's Nullagine Project and which will export iron ore through Port Hedland.

The MoU – through Fortescue subsidiary The Pilbara Infrastructure Pty Ltd ("TPI") – provides that, in the event of the successful completion of a Bankable Feasibility Study ("BFS") by BC Iron, the Parties will seek to agree to commercial terms on which TPI will provide BC Iron with rail haulage, port handling and ship loading facilities at a rate to be determined during the BFS.

Furthermore, the Parties have also agreed to consider other arrangements such as joint ventures, mine gate sales or any other arrangements reasonably agreed to between the Parties.

In the event of a successful BFS, this MoU represents a significant benefit to BC Iron in developing its Nullagine Project.

The Nullagine Project

BC Iron is conducting exploration over several Channel Iron Deposits at the Nullagine Project in the Pilbara Region of Western Australia, which lies directly north east of Fortescue's Cloud Break operation.

The recently discovered Outcamp Prospect, where drilling by BC Iron has intersected significant widths and grades of iron ore mineralisation, is located approximately 65 km by road from Cloud Break and the proposed Fortescue railway line and is the furthest prospect in the Nullagine Project area. Drilling over the Shaw River tenements has the potential to define additional targets as close as 14 km from Cloud Break.

Several Exploration Targets¹ defined so far by BC Iron have the potential to produce Direct Shipping Ore ("DSO"). Additional drilling is imminent on the Shaw River palaeochannel system which has the potential to contribute further to the total resource base at Nullagine.

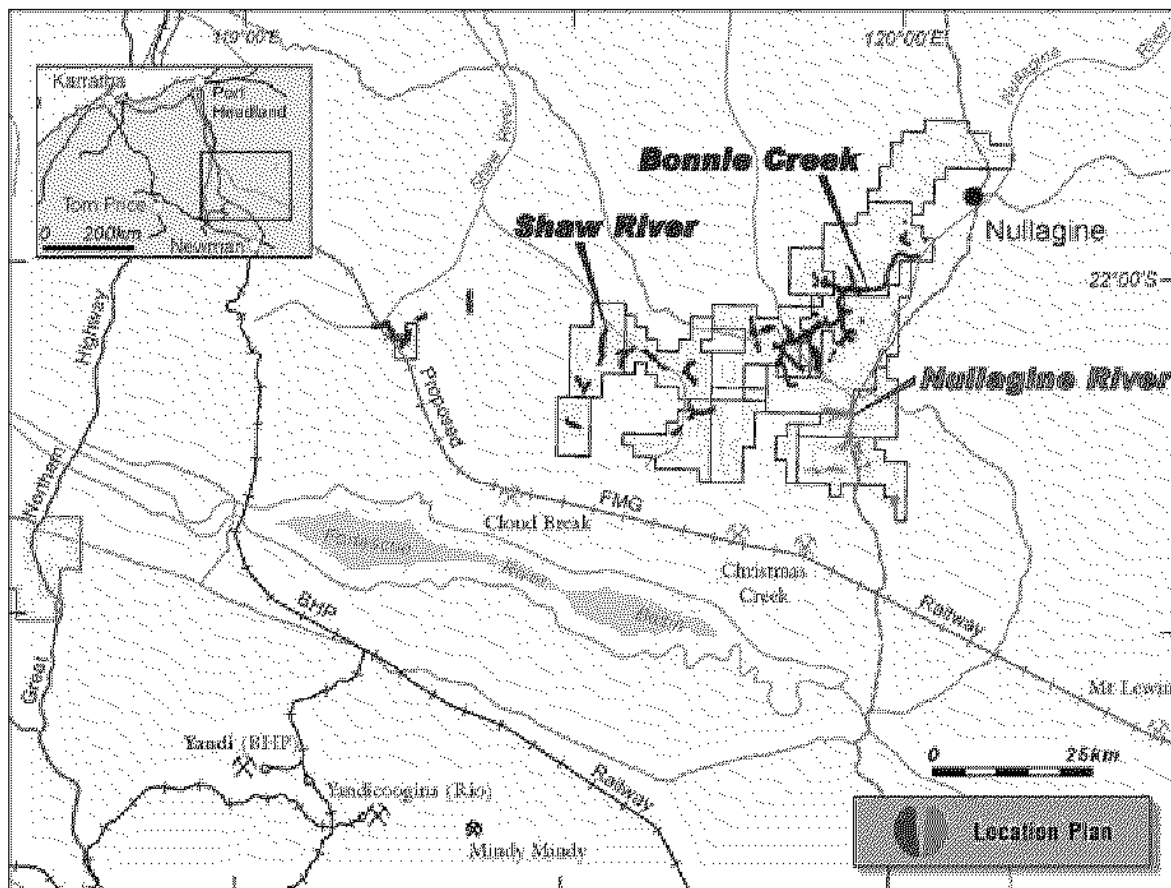
In addition, significant amounts of sub-optimal material which may be amenable to simple beneficiation have been outlined within the Bonnie Creek and Nullagine CIDs.

The targets will be subject to in fill drilling with the aim of defining Inferred Mineral Resource estimates which will be subject to a Scoping Study to determine the potential for economic extraction. A successful study will lead to further drilling and estimate of Measured and Indicated Mineral Resources and a BFS at the earliest possible time.

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Location Plan Nullagine Project



The information in this report that relates to Exploration Results is based on information compiled by Mr M Young who is a Member of The Australian Institute of Geoscientists. Mr Young has sufficient experience in the style of mineralisation and under consideration 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 is a Director of the Company, and consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

1 - The Exploration Target should not be misinterpreted as an estimate of Mineral Resources or Ore Reserves. The potential quantity and grade is conceptual in nature since drilling is too widely spaced to define a JORC compliant Mineral Resource. It is unknown if further drilling will result in the determination of a Mineral Resource.