

10 December 2012

Company Announcements Office  
Australian Securities Exchange

**BC Iron Limited (ASX: BCI)**

Please find attached Investor Presentation in relation to the recently announced Acquisition and Capital Raising.

Regards



Linda Edge  
Company Secretary



# Acquisition & Capital Raising

DECEMBER 2012

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

**Mike Young – Managing Director**  
**Morgan Ball – Finance Director**

This document has been prepared by BC Iron Limited (“BC Iron” or “Company”) to provide an update of BC Iron to investors and potential new shareholders.

## **Summary information**

This document contains summary information about BC Iron and its subsidiaries and their activities current as at the date of this document. The information in this document is of a general nature and does not purport to be complete nor does it contain all of the information which would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001 (Cth) (“Corporations Act”). Further this overview of BC Iron does not purport to be all inclusive or to contain all information which recipients may require in order to make an informed assessment of BC Iron’s prospects. You should not act or refrain from acting in reliance on this document. It should be read in conjunction with BC Iron’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (“ASX”), which are available at [www.asx.com.au](http://www.asx.com.au).

You should conduct your own investigation and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this document before making any investment decision.

## **Not a prospectus**

This document is not a prospectus or a product disclosure statement under the Corporations Act and has not been lodged with the Australian Securities and Investment Commission. The offer of new ordinary shares in BC Iron (“New Shares”) under the Placement referred to in this document will only be made to person to whom offers can be made without disclosure under Part 6D.2 of the Corporations Act. It should not be considered as an offer or invitation to subscribe for or purchase any securities in BC Iron or as an inducement to make an offer or invitation with respect to those securities. No agreement to subscribe for securities in BC Iron will be entered into on the basis of this document.

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**Past performance**

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**Forward-looking statements**

This document contains “forward-looking” statements or projections based on current expectations. Forward looking words such as, “expect”, “anticipate”, “should”, “could”, “may”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target” and other similar expressions are intended to identify forward-looking statements within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Forward-looking statements include, among other things, statements regarding targets, estimates and assumptions in respect of iron production and prices, operating costs and results, capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates. Forward-looking statements, opinions and estimates provided in this document are based on estimates and assumptions related to future business, economic, market, political, social and other conditions that, while considered reasonable by BC Iron, are inherently subject to significant uncertainties and contingencies. Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Such factors include, but are not limited to: operating and development risks, counterparty risks, iron ore price risk and a number of other risks and also include unanticipated and unusual events, many of which are beyond BC Iron’s ability to control or predict. See the “Key Risks” section of this document for further details on the risks associated with an investment in BC Iron.

The forward-looking statements only speak as at the date of this document and, other than as required by law and the ASX Listing Rules, BC Iron disclaims any duty to update forward looking statements to reflect new developments.

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## No liability

BC Iron Limited has prepared this document based on information available to it at the time of preparation. Neither Macquarie Capital (Australia) Limited (“Lead Manager”), nor any of its respective directors, employees, officers and advisers accept any responsibility or liability for the contents of this document, and make no recommendation as to whether recipients of this document should participate in the offer of New Shares, and make no warranties concerning the offer of New Shares. The Lead Manager and its directors, employees, officers and advisers have not been involved in the preparation of, and have not authorised, permitted or caused the issue, lodgement or provision of this presentation and do not make or propose to make any statement in the presentation and you acknowledge that there is no statement in this presentation which is based on any statement made by the them.

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## Defined terms

In addition to the terms defined throughout this document, the following defined terms are used:

**BBSO** means beneficiate before shipping ore.

**CFR** means the price of iron ore including cost of freight.

**DSO** means direct shipping ore.

**FOB** means the price of iron ore free on board ship.

**LOM** means life of mine.

**Mt** means million tonnes.

**Mtpa** means million tonnes per annum.

<b>Acquisition &amp; Agreement with Fortescue</b>	<ul style="list-style-type: none"> <li>❖ Acquisition of an additional 25% interest in the NJV from Fortescue increasing BC Iron's interest to 75%</li> <li>❖ Agreement with Fortescue to increase rail and port capacity for NJV from 5Mtpa to 6Mtpa             <ul style="list-style-type: none"> <li>➢ Increases BC Iron's attributable production by 80% from 2.5Mtpa to 4.5Mtpa (FY14)</li> </ul> </li> <li>❖ BC Iron to make a prepayment of rail haulage and port charges for 3.5Mt (wet) of its share of production</li> <li>❖ Combined acquisition price and infrastructure prepayment amount of A\$190 million plus an 18 month price participation arrangement payable to Fortescue in certain iron ore price conditions</li> <li>❖ Acquisition materially EPS, CFPS and value per share accretive</li> </ul>
<b>Acquisition Funding</b>	<ul style="list-style-type: none"> <li>❖ Upfront funding of approximately A\$195 million (including transaction costs) to be met via:             <ul style="list-style-type: none"> <li>➢ 5 year amortising term loan facility of US\$130 million</li> <li>➢ Equity raising of up to A\$54-58 million</li> <li>➢ Existing cash reserves (cash of A\$80.9 million at 30 September 2012)</li> </ul> </li> </ul>
<b>Placement &amp; SPP</b>	<ul style="list-style-type: none"> <li>❖ Fully underwritten 15% institutional placement of approximately 15.6 million shares to raise approximately A\$44-48 million ("Placement")</li> <li>❖ Placement price to be determined by a bookbuild to be conducted today and tomorrow – indicative range of A\$2.84 to A\$3.10 per share             <ul style="list-style-type: none"> <li>➢ Consolidated Minerals – 23.9% shareholder has committed to participate at the bookbuild price</li> <li>➢ Regent Pacific – 23.1% shareholder has indicated that it will not participate in the Placement</li> </ul> </li> <li>❖ Share Purchase Plan ("SPP") of up to A\$15,000 per shareholder, capped at A\$10 million to enable retail participation at the lower of the Placement price and VWAP over the 5 business days immediately prior to the date the SPP opens (rounded down to the nearest cent)</li> </ul>
<b>Timing</b>	<ul style="list-style-type: none"> <li>❖ Acquisition expected to complete in the week ending 21 December 2012</li> <li>❖ Acquisition effective date of 1 January 2013</li> </ul>

<b>Logical and low risk acquisition of a quality project</b>	<ul style="list-style-type: none"> <li>✓ Conforms with business development strategy and strengthens relationship with Fortescue</li> <li>✓ Logical and low risk acquisition of an additional interest in an asset that BC Iron knows very well</li> <li>✓ Increased exposure to a low cost and high margin mine with a simple operating model</li> <li>✓ A rare opportunity to acquire a producing DSO iron ore mine in Australia</li> <li>✓ Track record of mine life extension/Reserve replacement – Project Inventory study assessing possibility to extend the current mine life</li> </ul>
<b>Attractive acquisition metrics</b>	<ul style="list-style-type: none"> <li>✓ Expected to be materially EPS and CFPS accretive<sup>1</sup></li> <li>✓ Projected to be materially value per share accretive<sup>1</sup></li> </ul>
<b>Balance sheet optimisation</b>	<ul style="list-style-type: none"> <li>✓ Optimises BC Iron’s capital structure</li> <li>✓ Gearing levels (ND/EV) as at close of the transaction projected to be conservative at ~19% to 21%</li> <li>✓ Flexibility for early repayment of term debt without penalty</li> <li>✓ Allows for continued consideration of dividends by the Board</li> </ul>
<b>Enhanced growth, liquidity and scale</b>	<ul style="list-style-type: none"> <li>✓ BC Iron’s attributable production increased by 80% to 4.5Mtpa (FY14)</li> <li>✓ Minimal incremental capex required for NJV’s increased 6Mtpa production rate – a unique story in the current high capex environment where capital intensity for other Pilbara iron ore projects ranges between US\$180/t to US\$250/t of annualised production<sup>2</sup></li> <li>✓ Expected to increase BC Iron’s institutional ownership, free float and liquidity with potential for additional index inclusion</li> </ul>

*Notes:*

1. Based on the company’s base case financial model adopted by the banks for the amortising term loan. Value refers to the valuation of the equity cashflows of BC Iron.

2. Macquarie Research Equities 30 July 2012 report on BHP Billiton and Rio Tinto.

<b>NJV acquisition</b>	<ul style="list-style-type: none"> <li>❖ Acquisition of an additional 25% of NJV from Fortescue</li> <li>❖ BC Iron receives 75% of all revenues and liabilities from NJV from the effective date</li> </ul>
<b>Additional 1Mtpa of access to Fortescue infrastructure</b>	<ul style="list-style-type: none"> <li>❖ Agreement with Fortescue subsidiary, The Pilbara Infrastructure Pty Ltd (“TPI”), to increase contracted rail and port capacity for NJV from 5Mtpa to 6Mtpa (a 20% increase in NJV production)</li> <li>❖ Increases BC Iron’s attributable production and infrastructure capacity by 80% from 2.5Mtpa to 4.5Mtpa</li> </ul>
<b>Once-off infrastructure prepayment</b>	<ul style="list-style-type: none"> <li>❖ BC Iron to make a one off prepayment of 3.5Mt (wet) of rail haulage and port charges to TPI</li> <li>❖ Thereafter BC Iron will pay TPI access fees at the agreed rates when they become due</li> </ul>
<b>Consideration</b>	<ul style="list-style-type: none"> <li>❖ A\$190 million combined acquisition price and infrastructure prepayment amount; plus</li> <li>❖ Price participation arrangement with Fortescue from 1 April 2013 to 30 September 2014. If the “Platts Price”<sup>1</sup> averages more than US\$120 per dry metric tonne (“dmt”) in a particular month, BC Iron must pay Fortescue 50% of the difference between the actual average Platts Price and US\$120 per dmt, multiplied by BC Iron’s increased average monthly production based on a 6 Mtpa (i.e. 158,300 dmt per month)</li> </ul>
<b>Other terms</b>	<ul style="list-style-type: none"> <li>❖ Existing NJV off take arrangement with Henghou to remain unchanged for both NJV partners</li> <li>❖ BC Iron grants Fortescue a 4 day matching right in respect of change of control proposals for both BC Iron and its project subsidiary, subject to fiduciary duty carve out</li> </ul>
<b>Documentation</b>	<ul style="list-style-type: none"> <li>❖ Execution of a number of agreements with Fortescue and its subsidiaries, which replace existing agreements that have governed the NJV since it commenced in June 2010</li> </ul>
<b>Conditions &amp; timing</b>	<ul style="list-style-type: none"> <li>❖ Acquisition completion only subject to payment of consideration by BC Iron once Placement and Debt Facility draw-down are complete</li> <li>❖ Completion expected in the week ending 21 December 2012</li> <li>❖ Effective date 1 January 2013</li> </ul>

*Notes:*

1. Platts Price is defined as the published Platts IODEX Iron Ore Fine 62% Fe CFR North China.



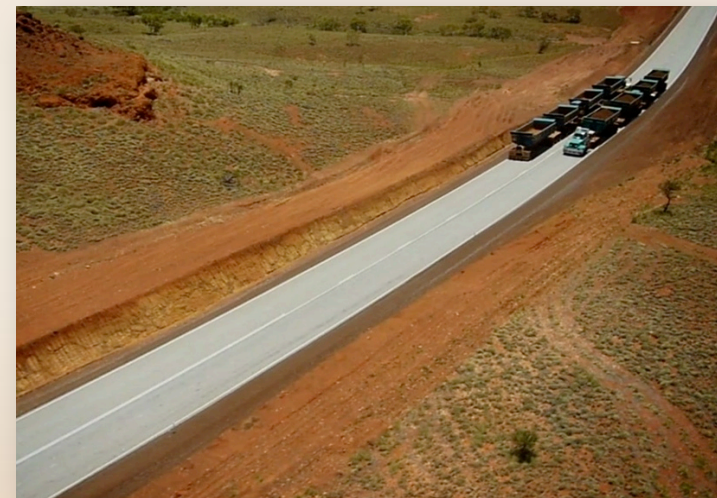
## Producing DSO Project with access to infrastructure

- ❖ Joint Venture with Fortescue – BC Iron is operator and Manager
- ❖ Fortescue provides marketing services
- ❖ Project located 55km north of Fortescue’s Christmas Creek (“CC”) Operations
- ❖ Quality product – “Bonnie Fines”
  - Direct Ship Ore – CID pisolite fines
- ❖ Ore is trucked to CC, then railed to Port Hedland for export via Fortescue’s port infrastructure
- ❖ NJV Mineral Resource of 108Mt @ 54.1% Fe (62% CaFe)
- ❖ NJV Ore Reserves 41.3Mt @ 57.1% Fe (65% CaFe)
- ❖ History of Reserve replacement, with Project Inventory assessing possible extensions to mine life (including BBSO work)



## Updated guidance – post acquisition

- ❖ Minimal mining related capex required to increase to 6Mtpa now that additional infrastructure capacity secured
  - Previously announced JV FY13 capex of A\$25 million, including: Project Inventory, haul road construction and maintenance, exploration, sustaining capital
- ❖ Ramp up to 5Mtpa complete & moving to 6Mtpa
  - FY13 JV production guidance 5.1Mt (BC Iron 3.2Mt)
  - 6Mtpa JV run rate during Q4 FY13
  - FY14 JV production guidance 6Mt (BC Iron 4.5Mt)
  - Current mine life of 7 years – targeting extensions
- ❖ Low cost operation – LOM C1 FOB cash cost of A\$45-50/t
  - Reflects low strip ratio of 1:1 LOM
  - BC Iron FY13 & FY14 forecast C1 costs will be lower due to effect of pre-payment



Acquisition pro-forma	Unit	BC Iron Pre-Acquisition	Acquisition & Raising Adjustment (pre-SPP)	Pro-forma post Acquisition & Raising (pre-SPP)
<b>Project Metrics</b>				
BCI Nullagine JV Interest	%	50%	25%	75%
Nullagine JV Iron Ore production	Mtpa	5Mtpa (current)	+ 1Mtpa (FY14)	= 6Mtpa (FY14)
BCI attributable iron ore production	Mtpa	2.5Mtpa (current)	2Mtpa (FY14)	4.5Mtpa (FY14)
BCI attributable DSO Ore Reserve	Tonnes & grade	20.6Mt @ 57.1%	10.3Mt @ 57.1%	30.9Mt @ 57.1%
BCI attributable CID Mineral Resource	Tonnes & grade	53.6Mt @ 54.2%	26.8Mt @ 54.2%	80.3Mt @ 54.2%
<b>Capital Structure Metrics</b>				
Share price (close/offer price)	A\$	2.93	2.84 / 3.10 <sup>1</sup>	Na
Ordinary shares	m	103.9	+ 15.6 <sup>2</sup>	= 119.4
Market capitalisation	A\$m	304.3	44.2 / 48.3 <sup>2</sup>	348.5 / 352.6
Cash <sup>3</sup>	A\$m	80.9	(26.7) / (22.6)	54.2 / 58.3
Debt <sup>3</sup>	A\$m	19.3	124.1 <sup>4</sup>	143.4
<b>Enterprise Value</b>	<b>A\$m</b>	<b>242.7</b>	<b>195.0</b>	<b>437.7</b>
Gearing (Net Debt/EV)	%	-25.4%		20.4% / 19.4%

Notes:

1. Two scenarios shown - assumes Placement is priced at at the top and bottom of the bookbuild price range being A\$2.84 - \$3.10 per share

2. Assumes full 15% capacity under the Placement. Shares issued under the SPP and corresponding funds raised are not included in the "Acquisition and Raising Adjustment".

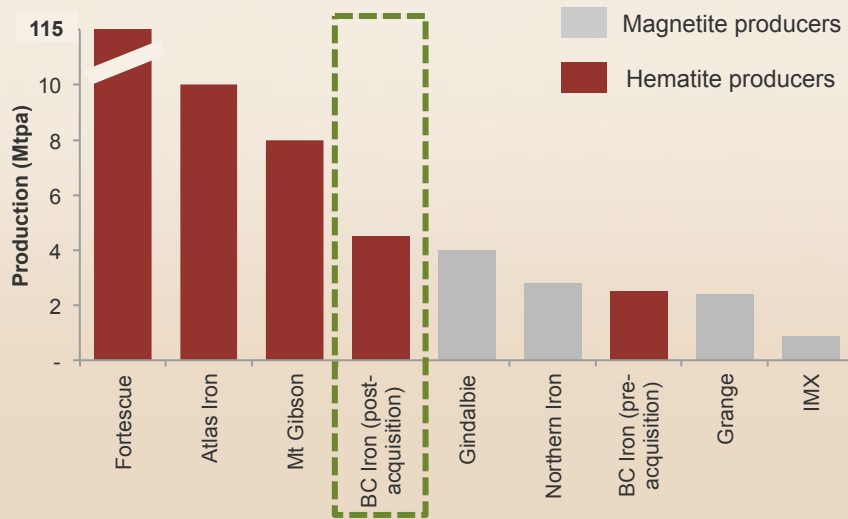
3. As at 30 September 2012

4. Assumes 1USD = 0.954AUD

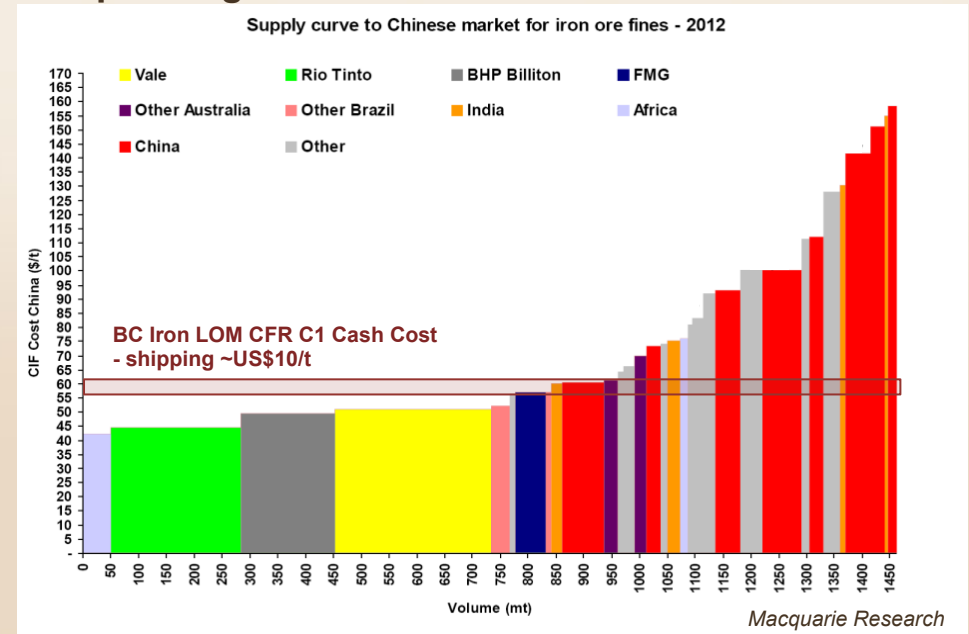


## Unique opportunity - attractively positioned with respect to production and operating costs

### ASX Iron Ore Producers<sup>1</sup>



### Operating Costs<sup>2</sup>



- BC Iron expects to achieve an attributable 4.5Mtpa run rate by Q4 FY2013<sup>2</sup>
- One of a limited number of pure play ASX listed DSO hematite producers with access to infrastructure

- FOB cash operating costs (C1) estimated A\$45-50/t over LOM – varies with waste/ore ratio

1. Pure play ASX listed iron ore producers. Based on June 2013 "run-rate" production sourced from respective company releases.  
 2. Based on ramp up of NJV production to 6Mtpa agreed as part of the transaction



## Amortising term loan overview

- ❖ US\$130 million amortising 5 year term loan facility from ANZ and Commonwealth Bank of Australia
- ❖ Competitive margin on LIBOR with principal repayments to be made 6 monthly commencing with US\$18 million on 30 June 2013. Repayment schedule reducing over the term of the 5 year facility
- ❖ Borrower is BC Iron Nullagine Pty Ltd (“BCIN”)
- ❖ BC Iron has provided security that is typical for a loan of this nature, including parent guarantee from BC Iron
- ❖ Voluntary early payment without penalty & no mandatory hedging requirements
- ❖ Gearing and project covenants
- ❖ Allows board to consider continued payment of dividends (except in very limited circumstances)

## Acquisition sources and uses of funds

Sources	A\$m
Term loan facility	124 <sup>1</sup>
Placement (excluding SPP)	44-48
SPP (up to)	10
Internal cash <sup>2</sup> (with / without max SPP cash)	13-17 / 23-27
<b>Total sources</b>	<b>195</b>

Uses	A\$m
Acquisition of 25% interest in Nullagine JV	190
Transaction costs (excl. GST)	5
General corporate purposes/ other	-
<b>Total Upfront Uses</b>	<b>195</b>

Note 1. Term debt facility is for US\$130 million. Based on exchange rate as at 28 November 2012 of 1USD = 0.956820 AUD

Note 2. Cash as at September 30, 2012 of A\$80.9 million

<b>Offer structure</b>	<ul style="list-style-type: none"> <li>– Fully underwritten Placement to qualified and sophisticated institutional investors to raise approximately A\$44-48 million               <ul style="list-style-type: none"> <li>– Approximately 15.6 million shares to be issued under the Placement representing 15% of BC Iron's shares on issue - no shareholder approval required</li> </ul> </li> <li>– SPP of up to A\$15,000 per eligible shareholder, capped at A\$10 million</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>– Placement price to be determined via a bookbuild to be conducted today and tomorrow</li> <li>– Indicative bookbuild price range of A\$2.84 to A\$3.10 per share</li> <li>– Bookbuild price range represents a 3% discount to 6% premium to BC Iron's last traded share price on 7 December, 2012 (the last day of trading prior to the trading halt)</li> </ul>
<b>Offer securities</b>	<ul style="list-style-type: none"> <li>– BC Iron Limited (ASX: BCI) fully paid ordinary shares</li> <li>– Ranking equally with existing shares</li> </ul>
<b>SPP</b>	<ul style="list-style-type: none"> <li>– Open to eligible retail shareholders as at the record date of 7pm Sydney time on 7 December 2012</li> <li>– SPP at the lower of the Placement price &amp; the VWAP over the 5 business days immediately prior to the date the SPP opens (rounded down to the nearest cent)</li> <li>– SPP subject to an overall cap of A\$10 million</li> <li>– Full details to be released on ASX and sent to eligible shareholders shortly</li> </ul>
<b>Participation of major shareholders</b>	<ul style="list-style-type: none"> <li>– Consolidated Minerals – current 23.9% shareholder has provided an irrevocable commitment to participate for its full pro-rata share of the Placement at the bookbuild clearing price</li> <li>– Regent Pacific Group – current 23.1% shareholder has indicated that it will not participate in the Placement</li> <li>– Placement to facilitate increased institutional participation and liquidity</li> </ul>
<b>Syndicate</b>	<ul style="list-style-type: none"> <li>– Macquarie Capital (Australia) Limited – Sole Lead Manager, Bookrunner and Underwriter of the Placement</li> </ul>

<b>Placement</b>	<b>Date</b>
Trading halt	Monday 10 December 2012
Bookbuild opens	4:00 p.m. Monday 10 December 2012
Bookbuild closes	5:00 p.m. Tuesday 11 December 2012
Trading halt lifted and shares recommence trading	Wednesday 12 December 2012
Settlement of new shares issued under the Placement	Monday 17 December 2012
Allotment of Placement shares & commencement of trading	Tuesday 18 December 2012
<b>SPP</b>	<b>Date</b>
SPP record date	7:00 p.m. Friday 7 December 2012
SPP offer period	Wednesday 19 December to Wednesday 16th January
Allotment of new shares issued under the SPP	Wednesday 23 January

The above timetable is indicative only and subject to change. The Lead Manager and BC Iron reserve the right to amend any and all of these events, dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, the Lead Manager and BC Iron reserve the right to extend the closing time and date of the bookbuild, or to close the bookbuild early without prior notice. The commencement of quotation of new shares is subject to confirmation from ASX.

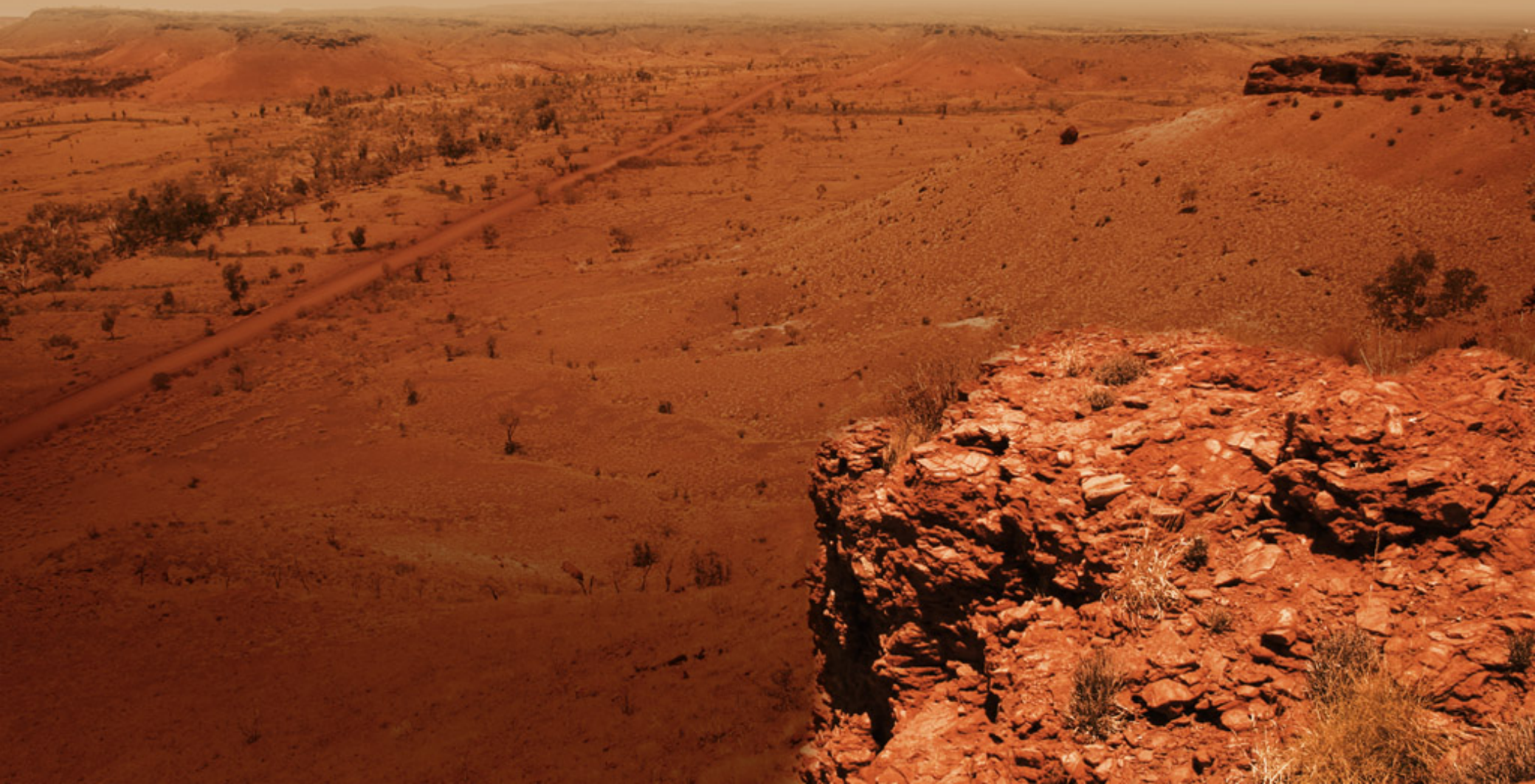
All references in this investor presentation are to Australian EDST (Sydney) time unless otherwise noted.

- ❖ There are various risks associated with an investment in BC Iron and many of these are outside the control of the company. Please refer to the expanded key risks section in the Appendix of this document
- ❖ Key risk factors include:
  1. Operating and development risks
  2. Foreign exchange risk
  3. Iron ore price risk
  4. Counterparty risk
  5. Risks to achieving increased production
  6. Estimate risk
  7. Investment risk
  8. Risk of dilution
  9. Completion risk
  10. Regulatory risks
  11. Labour market risks & use of contractors
  12. Funding risks
  13. Insurance risk
  14. Cost risk
  15. Exploration risk
  16. Environmental risk
  17. Changes in accounting policies
  18. Dividends
  19. Discretion in use of capital





# Appendix – Background Information







*First drill hole, April 2007*

## 2006 to 2012: Rapid Growth

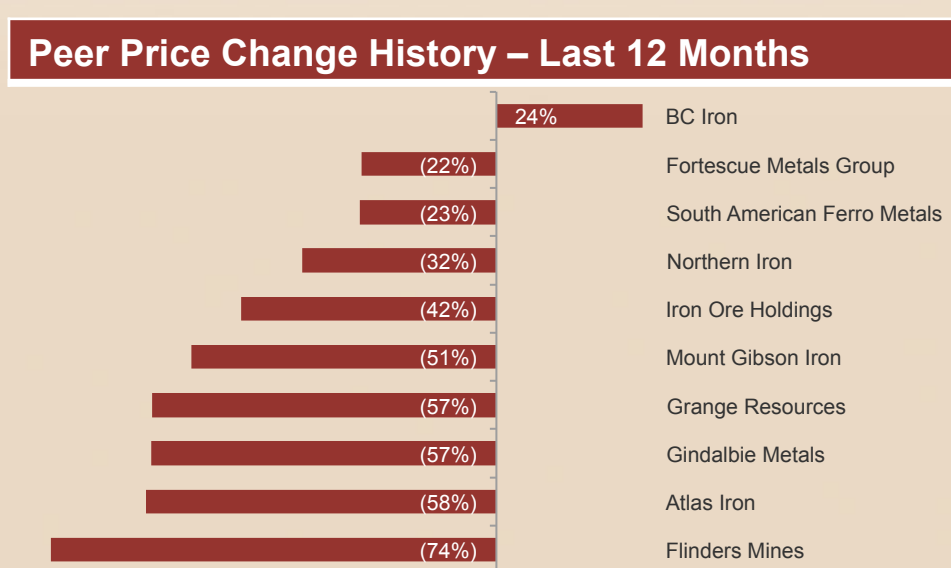
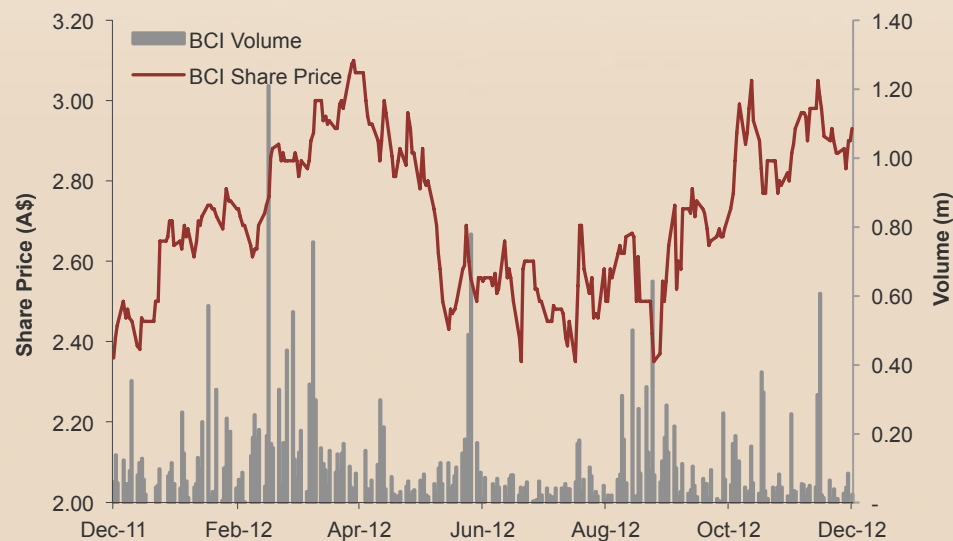
- **2006** – Listing on ASX
- **2007** – Discovery of DSO iron ore at Outcamp Well
- **2008-2009** – Drilling, Feasibility, JV with FMG
- **2010** – Construction and Mining commences
- **2011** – Iron ore exports commence & maiden profit
- **2012** – Nameplate of 5Mtpa achieved; EBITDA \$68.8m, maiden dividend \$0.15/share



*First ore on ship, February 2011*

Shareholders – Pre Acquisition	%
Consolidated Minerals	23.9%
Regent Pacific	23.1%
Henghou Ningbo	9.9%
BC Iron Directors	3.0%
Institutions	21.0%
Top 20	78.9%

Capital Structure – Pre Acquisition	
Ordinary shares	103.9m
Market Cap (at \$2.93 per share)	A\$304m
Cash (at 30 September 2012)	A\$80.9m
Debt	A\$19.5m
Enterprise Value	~A\$243m
Options, Performance Rights	2.2m







**Tony Kiernan, Non-exec Chairman** – formerly a solicitor with extensive experience in management and operation of Australian public companies. Chairman of Venturex Ltd and NED of Chalice Gold Ltd, Uranium Equities Ltd., and South Boulder Mines Limited.



**Mike Young, MD and CEO** – a resource geologist with extensive experience in resource definition and feasibility in variety of commodities including gold, copper, uranium and iron ore. Chairman of Cassini Resources Limited and Co-Patron of St Bartholomew's Foundation.



**Morgan Ball, Finance Director** - a Chartered Accountant with over 20 years of Australian and international experience in the resources, logistics and finance industries. He has held various senior finance and commercial roles in both public and private companies.



**Terry Ransted, Non-exec Director** – a geologist with Alkane Resources managing exploration and development programs. Experience in iron ore at Hamersley and Yandicoogina pisolite deposit.



**Andy Haslam, Non-exec Director** – a mining engineer with 27 years operational and management experience. Currently General Manager – Iron Ore Operations of Mineral Resources Ltd. Prior to this he was Managing Director of ASX listed Territory Resources, a 2.0Mtpa producer of DSO lump and fines in the Northern Territory.



**Malcolm McComas, Non-exec Director** - experienced company director and investment banker. Mr McComas is a NED of several public and private companies including Consolidated Minerals and Pharmaxis.



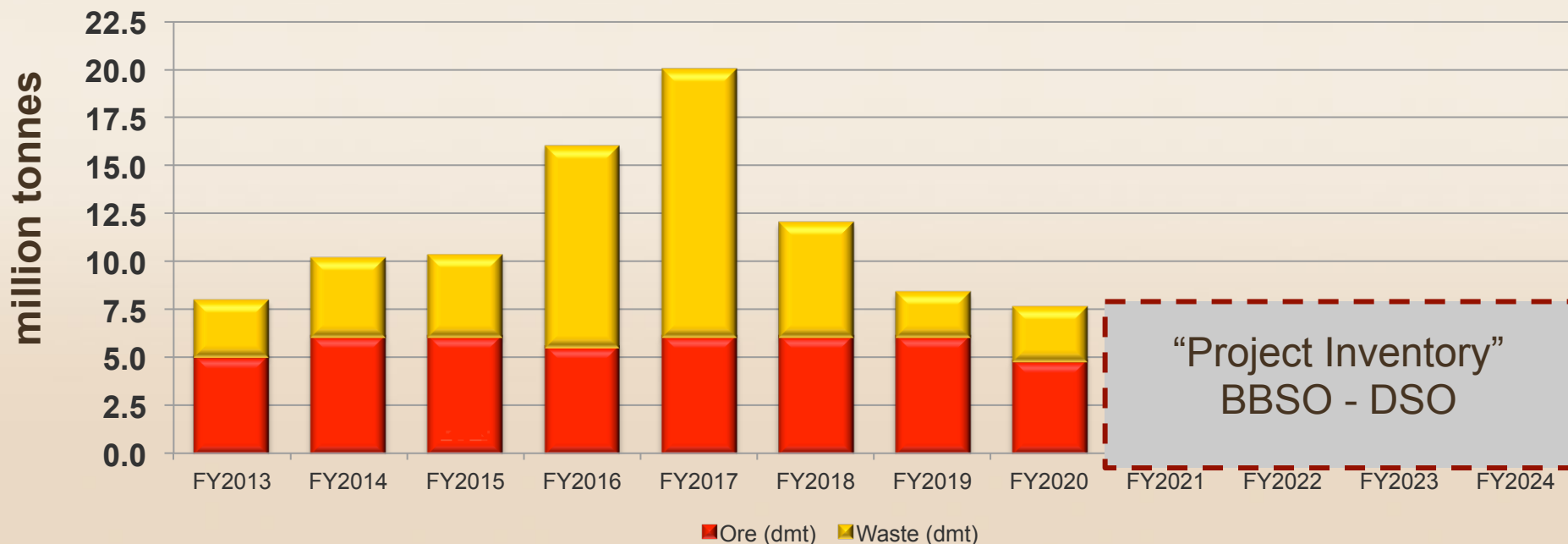
**Jamie Gibson, Non-exec Director** – a solicitor and accountant with over 10 years in management of public companies. Mr Gibson joined the Regent Pacific Group in 1996 and has been CEO since January 2002. Mr Gibson specialises in corporate finance and equity investment. He is a director of a number of Regent subsidiaries.



- Mined and shipped record tonnes across four quarters
- Achieved EBITDA of \$68.8M for FY12
- Cash balance doubles in Q4 to **\$92.8M** at end of FY12
- Exceeded FY2012 guidance targets (100% JV):
  - Exports of >1Mt by 1H FY12
  - Production rate of 3.5Mtpa by 1H FY12
  - Exports of >3.5Mt by end of FY12
  - Production rate of 5Mtpa by end of FY12
- Exported largest JV cape size vessel to date of ~224,000t
- Received strong customer support for "*Bonnie Fines*"

Full Year ended 30 June (A \$m)	June 2012	June 2011
<b>NJV (100%)</b>		
Tonnes Shipped (Mwmt)	3.55	0.25
Average CFR price realised (\$USD/dmt)	\$124	\$161
<b>BC IRON</b>		
Revenue	204.5	19.1
EBITDA	68.8	(1.4)
Net Profit before Tax	60.8	0.9
Profit after Tax	50.6	1.0
Earnings per share (cps)	48.7	1.0
Return on Shareholders Funds (%)	38.4%	1.4%
Dividend per share (cps)	15.0	-
Dividend payout ratio (%)	30.8%	-

## Production Profile & BBSO Exploration Target



### Forecast production FY13 to FY20

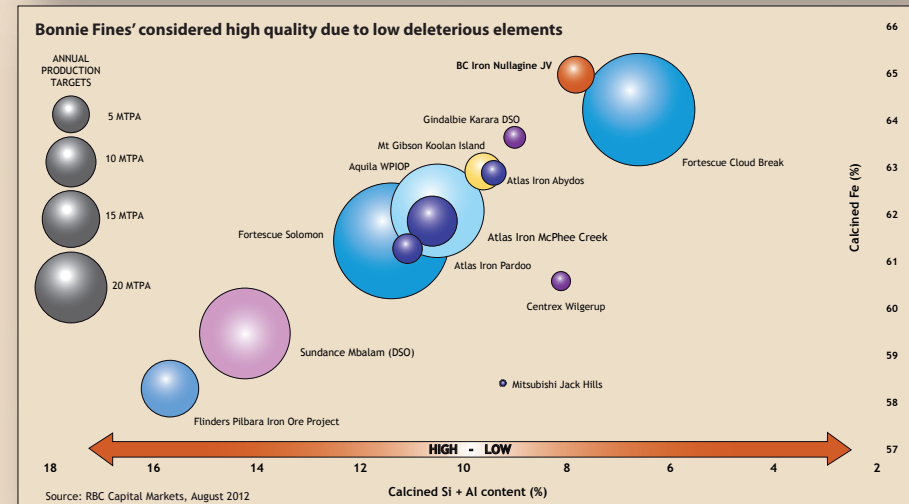
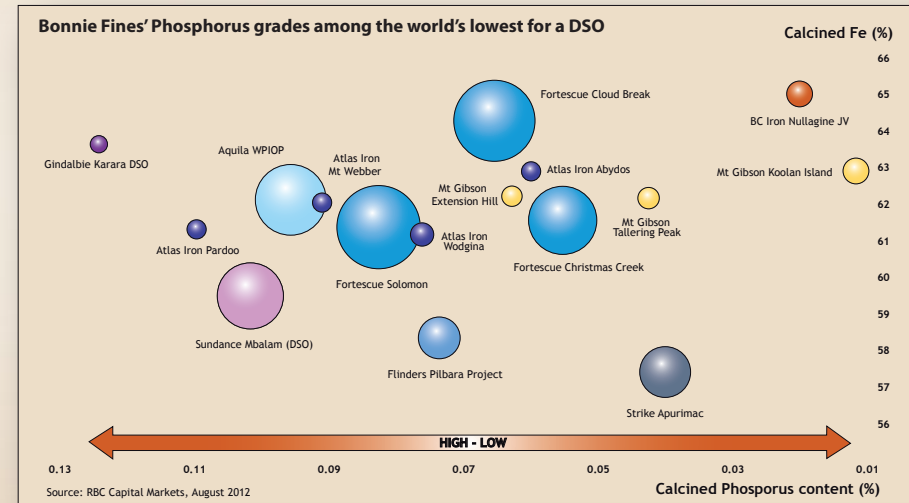
- Based on 30 September 2012 Ore Reserves and current mining plan for LOM
- LOM strip ratio of 1:1 → Maximum strip ratio (waste : ore) of 2.3 in FY16
- “Project Inventory” to establish total extensions to DSO & BBSO by Q3FY13 – may extend mine life 3-5 yrs
- Project Inventory is an Exploration Target and further work may not result in mineral resources or ore reserves

## West Australian - Channel Iron Deposits

- “Bonnie Fines” pisolite sinter blend improves sintering productivity at the steel mill
- Low impurities, low ultra-fines, low moisture, and high calcined iron grade
- Buying interest in *Bonnie Fines* has increased in recent weeks : low-S and low-P are key

## Marketing & Pricing

- Fortescue provides marketing services to JV
- Uncommitted ore to be sold at prices aligned with the Platts Index CFR62
- 16mt LOM production committed to Henghou at a discount to Platts Index CFR62
- Relationship with Fortescue provides strong support in logistics, marketing and customers



## A Pilbara iron ore miner

- **Focus** - Rapid development history
- **Cash generation** – Focused on resource development & ore production
- **Partnerships** – Established relationships FMG, stakeholders, government

## Business Development - Three Priorities

- Priority 1 – extend Nullagine Mine Life
- Phase 2 – extend influence of NJV
- Priority 3 – Strategic partnerships in other iron ore jurisdictions with in country partners





# ORE RESERVES AND MINERAL RESOURCES

## *Proved and Probable Ore Reserves NJV (BC Iron 75%, Fortescue 25%) – September 30, 2012*

Deposit	Ore Reserves							
	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI
Proved	20.8	57.3	64.9	1.9	3.2	0.017	0.013	11.7
Probable	20.5	56.9	64.8	2.0	2.9	0.014	0.010	12.2
<b>Total</b>	<b>41.3</b>	<b>57.1</b>	<b>64.9</b>	<b>1.9</b>	<b>3.1</b>	<b>0.015</b>	<b>0.012</b>	<b>11.9</b>

## *DSO Mineral Resource Estimate NJV (BC Iron 75%, Fortescue 25%) – September 30, 2012*

Classification	DSO Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI
Measured	26.9	57.1	64.7	2.1	3.2	0.016	0.012	11.7
Indicated	20.1	57.0	64.9	2.0	2.9	0.014	0.011	12.1
Inferred	6.8	57.0	64.1	2.6	3.9	0.023	0.014	11.1
<b>Total DSO</b>	<b>53.8</b>	<b>57.1</b>	<b>64.7</b>	<b>2.1</b>	<b>3.2</b>	<b>0.016</b>	<b>0.012</b>	<b>11.8</b>

## *CID Mineral Resource Estimate NJV (BC Iron 75%, Fortescue 25%) – September 30, 2012*

Classification	CID Mineral Resources by Classification							
	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI
Measured	36.2	55.0	62.6	2.8	4.1	0.017	0.012	12.2
Indicated	39.9	53.8	61.6	3.3	4.5	0.017	0.012	12.8
Inferred	31.0	53.7	60.8	4.2	5.4	0.023	0.016	11.7
<b>Total CID</b>	<b>107.1</b>	<b>54.2</b>	<b>61.7</b>	<b>3.4</b>	<b>4.6</b>	<b>0.019</b>	<b>0.013</b>	<b>12.3</b>

### **JORC Competent Persons Statement**

The information that relates to the Mineral Resource Estimate at Outcamp, Coongan, and Warrigal has been compiled by Mr Mike Young who is a Member of the Australian Institute of Geoscientists and an employee of BC Iron, and Mr Rob Williams who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron. The resources were first reported on the ASX on 2 April 2009. Both Mr Young and Mr Williams have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Young and Mr Williams consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.

The information that relates to the Mineral Resource Estimate at Warrigal North (a subset of Warrigal) has been compiled by Mr Paul Hogan who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of BC Iron. This is a maiden resource estimate for Warrigal North. Mr Hogan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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 Hogan consents to the inclusion of his name in the matters based on the information in the form and context in which it appears.

The information that relates to the Mineral Resource Estimate at Bonnie East, Dandy and Shaw River has been compiled by Mr Mike Young who is a Member of the Australian Institute of Geoscientists and an employee of BC Iron. The Bonnie East resources were first reported on the ASX on 2 April 2009, the Shaw River resources were first reported on the ASX on 30 July 2010 and the Dandy resources were first reported on the ASX on 20 September 2011. Mr Young has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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 of his name in the matters based on their information in the form and context in which it appears.

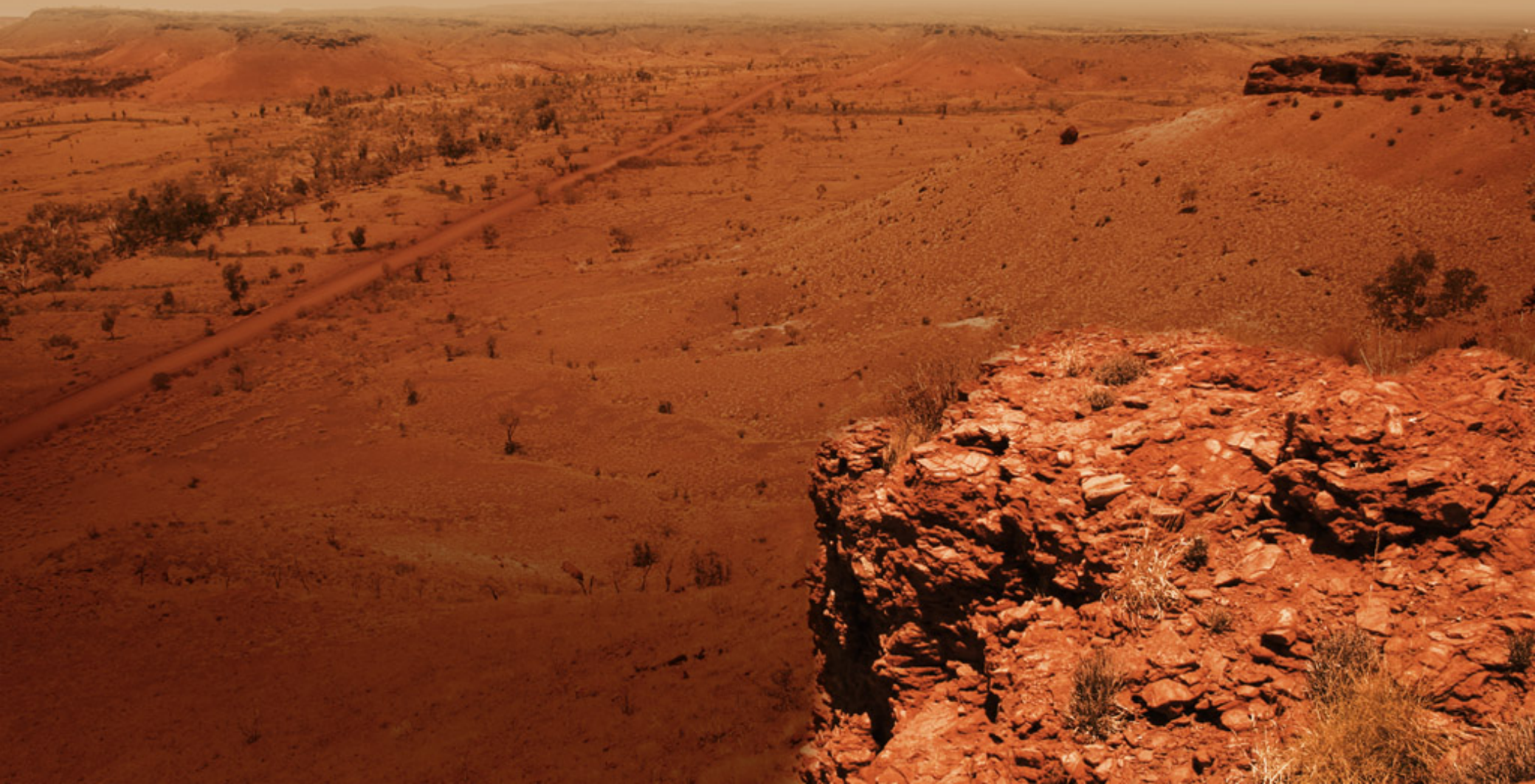
Mining schedules may differ from Ore Reserves due to the inclusion of Inferred Resources and low grade for scheduling purposes.

The information that relates to the Ore Reserve has been compiled by Mr Joel van Anen who is an employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy, and Mr Blair Duncan who is an employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Duncan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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 van Anen and Mr Duncan consent to the inclusion in their names in the matters based on their information in the form and context in which it appears.





# Appendix – Key Risks and International Offer Restrictions



A number of risks and uncertainties, which are both specific to BC Iron and of a more general nature, may affect the future operating and financial performance of BC Iron and the value of BC Iron shares. You should carefully consider the following risk factors, as well as the other information provided by BC Iron, and consult your financial and legal advisers before making an investment decision. The risks and uncertainties described below are not the only ones facing BC Iron. Additional risks and uncertainties that BC Iron is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect BC Iron's operating and financial performance.

## Operating and development risks

- The ability of BC Iron to achieve production targets within anticipated time lines, or at all, or meet operating and capital expenditure estimates cannot be assured.
- BC Iron's assets and mining operations, as any others, are subject to uncertainty with respect to (among other things): ore tonnes, grade, metallurgical recovery & impurities, ground conditions, operational environment, funding for development, regulatory changes, accidents and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment, cyclones, storms, floods, bushfires or other natural disasters. If faced by BC Iron, these circumstances could result in BC Iron not realising its operational or development plans or in such plans costing more than expected or taking longer to realise than expected. Any of these outcomes could have an adverse effect on BC Iron's financial and operational performance.
- The information provided in this document in relation to BC Iron's project is the current estimate of resources and reserves, capital and operating costs, as determined from geological data obtained from drill holes and other exploration techniques and technical studies conducted to date. These matters may change over time.

## Foreign exchange risk

- BC Iron is an Australian business that reports in Australian dollars. Revenue is derived from the sale of iron ore that is typically priced in US dollars, but costs are mainly in Australian dollars. Movements in the US\$/A\$ exchange rate may adversely or beneficially affect BC Iron's results of operations and cash flows in relation to currency.

## Iron ore price risk

- BC Iron's revenues and cash flows are derived from the sale of iron ore. Therefore, the financial performance of BC iron is exposed to fluctuations in the iron ore price which has been particularly volatile over the last 6 months.
- Iron ore prices may be influenced by numerous factors and events which are beyond the control of BC Iron, including increased global supply, decreased demand, currency exchange rates, general economic conditions, regulatory changes and other factors.
- BC Iron cannot provide any assurance as to the prices it will achieve for iron ore.

## Counterparty risk

- The financial performance of BC Iron is exposed to any failure by counterparties to agreements for the sale of iron ore that BC Iron has entered into to comply with the terms of those contracts, and this is beyond the control of BC Iron.
- In addition, there is a risk of default or financial or managerial failure of any contractor or joint venture partner to which BC Iron is or may become a counterparty. This could lead to delays in BC Iron achieving its expected production or impair BC Iron's ability to transport its ore, and may also lead to legal disputes or more severe adverse consequences for BC Iron. There can be no guarantee that BC Iron would be able to recover the full amount of any loss through legal action.



<b>Risks to achieving increased production</b>	<ul style="list-style-type: none"> <li>– The document includes production targets for the Nullagine Iron Ore Project.</li> <li>– Whilst BC Iron considers there to be a reasonable basis for the production targets, actual future production may vary from the targets and projects for a number of reasons including, for example operational issues or transportation issues, as well as other issues, many of which cannot be foreseen and are beyond the control of BC Iron. These factors may cause the production forecasts not to be achieved or to be achieved later than expected and/or achieved at increased cost.</li> </ul>
<b>Estimate risk</b>	<ul style="list-style-type: none"> <li>– The Mineral Resources and Ore Reserves for BC Iron’s assets are estimates only and no assurance can be given that any particular recovery level of metals will in fact be realised. BC Iron’s estimates are prepared in accordance with the JORC Code, but they are expressions of judgement based on knowledge, experience and industry practice, and may require revision based on actual production experience which could in turn affect BC Iron’s mining plans. Estimates that are valid when made may change significantly when new information becomes available.</li> </ul>
<b>Investment risks</b>	<ul style="list-style-type: none"> <li>– There are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of BC Iron’s performance. The past performance of BC Iron is not necessarily an indication as to future performance of BC Iron as the trading price of shares can go up or down. Neither BC Iron nor the directors warrant the future performance of BC Iron or any return on an investment in BC Iron.</li> <li>– BC Iron intends to pursue a growth strategy that may involve making acquisitions in the future. While there are currently no acquisitions being considered (other than the current acquisition of an additional 25% project interest from Fortescue), any future acquisitions may not be as successful as envisaged when made, which may adversely affect the financial performance of BC Iron.</li> </ul>
<b>Risk of dilution</b>	<ul style="list-style-type: none"> <li>– Some existing institutional shareholders are being invited to participate in the Offer. Non-participation or participation below a shareholder’s pro-rata share will result in dilution.</li> </ul>
<b>Completion risk</b>	<ul style="list-style-type: none"> <li>– Completion of the acquisition is conditional of BC Iron receiving funding from the Placement and draw-down of the Bank Facility.</li> <li>– If this does not occur, completion of the acquisition may be deferred or cancelled. Failure to complete these transactions for example, if the underwriting agreement is terminated or the conditions to draw-down are not satisfied, may have a material adverse effect on BC Iron’s financial performance, financial position and share price.</li> </ul>

## Regulatory Risks

- Changes in legislative and administrative regimes, taxation laws, interest rates, other legal and government policies in Australia may have an adverse effect on the assets, operations and ultimately the financial performance of BC Iron and the market price of BC Iron shares.
- Exploration and prospective production are dependent up on the granting and maintenance of appropriate licences, permits and regulatory consents and authorisations (“Authorisations”), which may not be granted or may be withdrawn or by made subject to limitations at the discretion of government or regulatory authorities. Although the Authorisations may be renewed following expiry or granted (as the case may be), there can be no assurance that such Authorisations will be continued, renewed or granted, or as to the terms of renewals or grants. If there is a failure to obtain or retain the appropriate Authorisations or there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions, then BC Iron’s ability to conduct its exploration or development operations may be adversely affected.
- Native title may impact on BC Iron’s operations and future plans. For tenements that may still be subject to native title to be validly granted (or renewed), the ‘right to negotiate’ regime established by the Native Title Act 1993 (Cth) must be followed. Alternatively, an indigenous land use agreement may be entered into between BC Iron and relevant native title parties.

## Labour market risks

- BC Iron is dependent upon a number of key management personnel and executives to manage the day-to-day requirements of its businesses. Although BC Iron enters into employment and incentive arrangements with such personnel to secure their services, it cannot guarantee the retention of their services. The loss of the services of one or more of such key management personnel could have an adverse effect on BC Iron.
- BC Iron needs to be able to recruit appropriately skilled and qualified individuals. There can be no guarantee that personnel with the appropriate skills will be available, particularly given the tight labour market, an accelerating aging population and the current skills shortage.

## Funding risks

- In the ordinary course of operations and development, BC Iron is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments, to secure statutory and environmental performance undertakings and commercial arrangements. BC Iron’s ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.
- Subject to successful completion of the Offer and draw down of the 5 year term loan facility, it is expected that BC Iron will have sufficient funding to acquire an additional 25% interest in the Nullagine JV. While BC Iron anticipates being able to meet its debt repayments when they fall due and staying within financial covenants, deteriorating economic or project specific events may cause this to change leading to adverse consequences.
- In addition, BC Iron may require additional financing for development and exploration and for other capital expenditure and there can be no guarantee that such funding will be obtained at all or on acceptable terms particularly having regard to the current condition of global financial markets. If BC Iron seeks to obtain funding by way of an equity raising, this may be dilutive to existing shareholders.

**Insurance risk**

- BC Iron will endeavour to maintain insurance within ranges of coverage in accordance with industry practice. However, in certain circumstances BC Iron's insurance may not be of a nature or level to provide adequate cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of BC Iron.
- Insurance of risks associated with minerals exploration and production is not always available and, where available, the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where BC Iron considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice. BC Iron will use reasonable endeavours to insure against the risks it considers appropriate for BC Iron's needs and circumstances. However, no assurance can be given that BC Iron will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate and available to cover claims.

**Cost risks**

- While every care has been taken in estimating the capital cost and future operating costs for BC Iron's projects, including contingency, the actual costs structure experienced in constructing facilities and operating mines may vary from current estimates. Any variations could adversely affect BC Iron's financial position and performance.
- BC Iron has energy requirements and it relies on being able to fulfil those requirements at a cost which does not negatively impact on its cash flows. A number of factors (such as rising oil prices, macro-economic factors such as inflationary expectations, interest rates, currency exchange rates, as well as general global economic conditions and political trends) may lead to an increase in energy costs which may materially adversely affect the earnings of BC Iron.

**Exploration risk**

- BC Iron has followed an exploration programme that has resulted in upgrades to resource and reserves. However, exploration activities are speculative by nature and therefore are often unsuccessful. Such activities also require substantial expenditure and can take several years before it is known whether they will result in additional mines being developed. Accordingly, if the exploration activities undertaken by BC Iron do not result in additional reserves or identified resources cannot be converted into reserves, there may be an adverse effect on the company's financial performance.
- In addition, the exploitation of successful discoveries involves obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and the exercise of discretions by such authorities. Further, the decision to proceed to further exploitation may require the participation of other companies whose interest and objectives may not be the same as those of BC Iron.



<b>Environmental risk</b>	<ul style="list-style-type: none"> <li>– The operations and activities of BC Iron are subject to the environmental laws and regulations of Australia and the other places BC Iron conducts business. As with mining operations and exploration projects, BC Iron's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. BC Iron attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations.</li> <li>– BC Iron is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase BC Iron's cost of doing business or affect its operations in any area. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige BC Iron to incur significant expenses and undertake significant investments which could have material adverse effect on BC Iron's business, financial condition and performance.</li> </ul>
<b>Changes in accounting policies</b>	<ul style="list-style-type: none"> <li>– Changes in accounting policies may have an adverse impact on BC Iron. There are no current plans for any material changes in accounting policies.</li> </ul>
<b>Dividends</b>	<ul style="list-style-type: none"> <li>– BC Iron declared a final dividend for the financial year ended 30 June 2012. The payment of dividends, if any, is determined by the Board from time to time at its discretion, and is dependent upon the profitability and cash flow of BC Iron's business at the time there can be no assurances that any future dividends will be paid.</li> </ul>
<b>Discretion in use of capital</b>	<ul style="list-style-type: none"> <li>– The board and management of BC Iron have discretion concerning the use of BC Iron's capital resources as well as the timing of expenditures. Capital resources may be used in ways not previously anticipated or disclosed. The results and the effectiveness of the application of capital resources are uncertain. If they are not applied effectively, BC Iron's financial and/or operational performance may suffer.</li> </ul>

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

## **Hong Kong**

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## **Singapore**

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This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

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Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

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## United Kingdom

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# BC IRON LIMITED

## Focus – Partnerships – Revenue

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