Entitlement Offer

Resetting BC Iron for Growth

13 October 2016

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Investment Highlights

BC IRON LIMITED

- ☑ Unique pipeline of assets from exploration to operating mine (including multiple royalties)

CURRENT ASSETS

- ☑ Low-risk earnings from Iron Valley
- ☑ Potential future value from the Buckland Project's proposed mine and port infrastructure
- ☑ Binding terms sheet for divestment of 75% interest in Nullagine to Fortescue for ongoing royalty

NEW ASSETS

- ☑ Targeting opportunities with strong value proposition and short term earnings potential

CORPORATE

- ☑ Track record of balance sheet discipline and paying dividends (~$100M to date)
- ☑ Strong support from major shareholder

Entitlement Offer – Rationale and Use of Proceeds

BC IRON LIMITED

Rationale and Summary	➢ BCI is currently transitioning to a new phase, 'resetting for growth' and focusing activities on actively generating value from existing assets while also considering, in a disciplined manner, other new opportunities ➢ BCI is seeking to raise approximately A$25.5M to support this strategy and also strengthen the Company's balance sheet ➢ Pro-rata renounceable entitlement offer of 1 Share for every 1 Share held at an issue price of A$0.13 per Share ("Offer")	
Indicative Use of Proceeds	➢ Pursue strategies to develop a robust development case for the overall Buckland mining and infrastructure project and position Cape Preston East as an attractive new port for the West Pilbara region	A$3.0M
	➢ Position the Company to selectively evaluate and potentially transact on new opportunities (iron ore and non-iron ore) with a strong value proposition and near term earnings potential	A$11.3M
	➢ Strengthen the Company's balance sheet by retiring remaining debt obligations when due and create a buffer against adverse market conditions	A$10.0M
	➢ Expenses of the Offer	A$1.2M

Entitlement Offer – Details

BC IRON LIMITED

Offer	➢ Pro-rata renounceable entitlement offer of 1 Share for every 1 Share held at an issue price of A$0.13 per Share to raise approximately A$25.5M ("Offer") ➢ Rights trading allows Shareholders to sell Entitlements or purchase additional Entitlements
Issue Price Discount	➢ Issue price of A$0.13 per share represents: ❖ A discount of 39.5% to last closing price on 10 October 2016 of A$0.215 ❖ A discount of 37.2% to the 30 day VWAP up to an including 10 October 2016 of A$0.207
Eligibility	➢ Offer not being made to Shareholders in jurisdictions outside of Australia and New Zealand ➢ Patersons appointed to sell these Shareholders' Entitlements and remit any net proceeds
Underwriting and Commitments	➢ Major shareholder, Wroxby Pty Ltd, has committed to take up its Entitlement of approximately A$4.9M in full, subject to the Underwriting Agreement not being terminated and there being no material changes to the draft prospectus ➢ Balance of A$20.6M underwritten by Patersons and Foster, ensuring the entire A$25.5M will be raised by the Company provided that the underwriting agreement is not terminated ➢ Wroxby to sub-underwrite the Offer to A$11.0M, subject to the same as the above ➢ BCI Directors to sub-underwrite the Offer to A$300,000 ➢ Allocation of any shortfall to sub-underwriters will be on a pro-rata basis
Employee Priority Offer	➢ Certain employees of the Company will be permitted to apply for any Shares not taken up by Eligible Shareholders under the Employee Priority Offer, which is capped at $100,000

Entitlement Offer – Indicative Timetable[1]

Item	Date
Announcement of Offer	13 October 2016
"Ex" Date (date Shares are quoted ex-rights)	20 October 2016
Record Date to determine Entitlements	5.00pm (WST) 21 October 2016
Prospectus sent to Shareholders and Offer opens	26 October 2016
Rights trading ends	4 November 2016
Closing Date[2]	11 November 2016
Issue date	18 November 2016

1. *These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice, subject to the Listing Rules.*
2. *The Directors may extend the Closing Date by giving at least three Business Days' notice to ASX prior to the Closing Date. As such, the date the Shares are expected to commence trading on ASX may vary.*

Entitlement Offer – Pro-forma Information

Pro-Forma Balance Sheet	30-Jun-16 A$000's	Net Proceeds A$000's	30-Jun-16 Pro-forma A$000's
Cash and cash equivalents	9,450	24,300	33,750
Trade and other receivables	13,694	-	13,694
Current inventory	61	-	61
Non-current receivables	5,986	-	5,986
Property, plant and equipment	52,928	-	52,928
Exploration and evaluation	4,100	-	4,100
Intangibles	23,532	-	23,532
Total assets	**109,751**	**24,300**	**134,051**
Trade and other payables	19,749	-	19,749
Current provisions	415	-	415
Loans and borrowings	2,020	-	2,020
Non-current provisions	10,892	-	10,892
Total liabilities	**33,076**	**-**	**33,076**
Net assets / total equity	**76,675**	**24,300**	**100,975**

Pro-Forma Capital Structure	Number
Shares currently on issue	196,263,455
Shares to be issued pursuant to the Offer	196,263,455
Shares on issue after completion of the Offer	**392,526,910**
Performance rights on issue	7,196,747
Board approval received for performance rights to be issued pending Shareholder approval	5,950,000

BCI Strategy on a Page

Generate value from multiple assets as a disciplined minerals portfolio manager

Reset BC Iron

- Strategy and internal restructure
- External litigation settled
- Entitlement offer to raise A$25.5M

Maximise value of existing assets

Target new assets

1. Iron Valley

- Solid, low-risk earnings from operating mine with MIN as proven manager

2. Nullagine

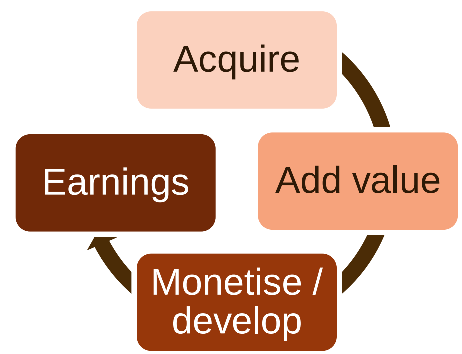
- Sale of BCI's 75% interest agreed with FMG

3. Buckland

- Position BCI's Cape Preston East as an attractive new port for the West Pilbara

4. New Projects

- Target short term earnings potential and strong value proposition



Corporate Overview

Capital Structure

Ordinary Shares	196.3m
Share Price (at 10-Oct-16)	$0.215
Market Capitalisation	**$42.2m**
Cash (30-Jun-16)	$9.5m
Debt and Royalties (30-Jun-16)	$8.4m
Enterprise Value	**$41.1m**

Board

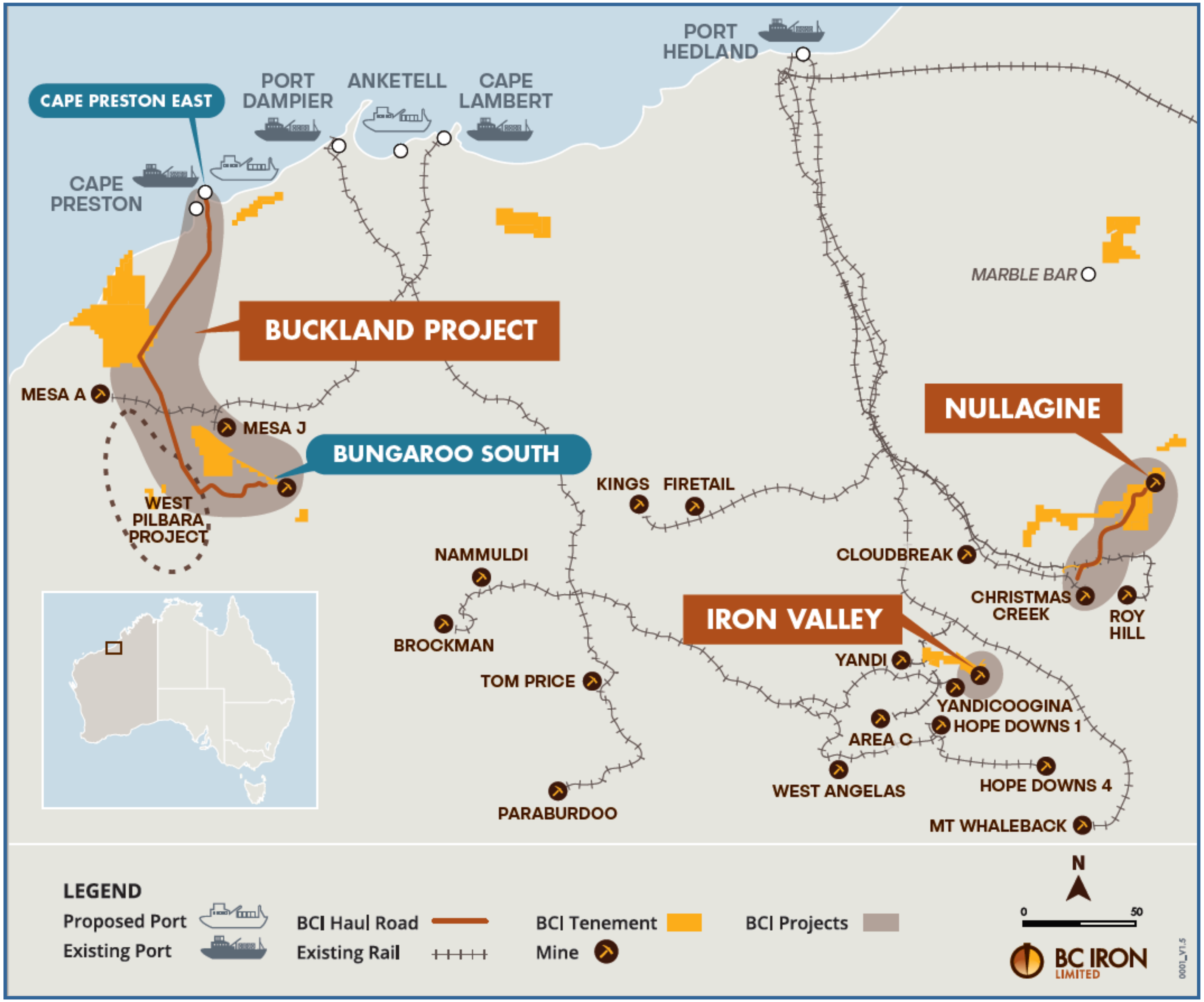
Tony Kiernan	Non-Executive Chairman
Alwyn Vorster	Managing Director
Martin Bryant	Non-Executive Director
Andy Haslam	Non-Executive Director
Brian O'Donnell	Non-Executive Director

Share Price History

Major Shareholders

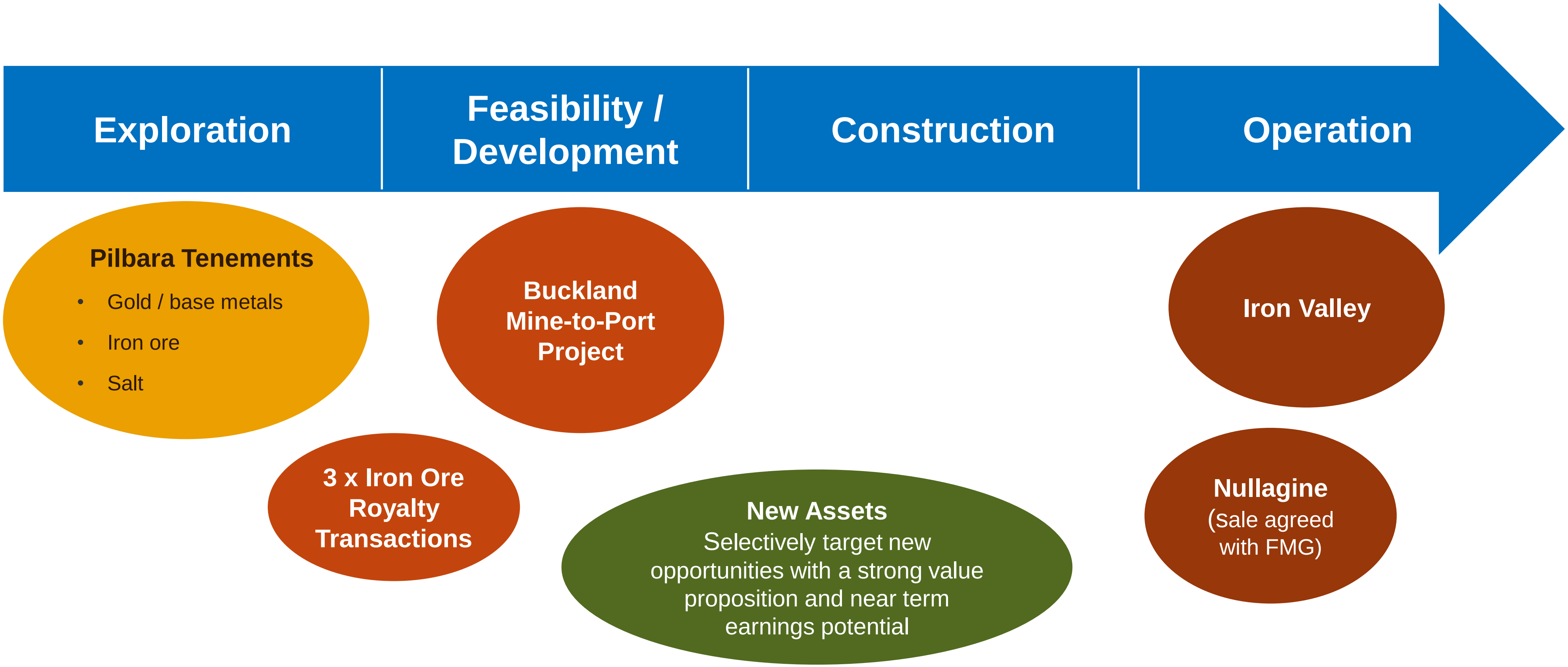
Wroxby Pty Ltd	19.0%

Project Location



Assets Across all Phases of Development Pipeline

BCI is differentiated from most other small cap companies



Iron Valley Overview

Operating mine with low-risk BCI earnings from royalty payments

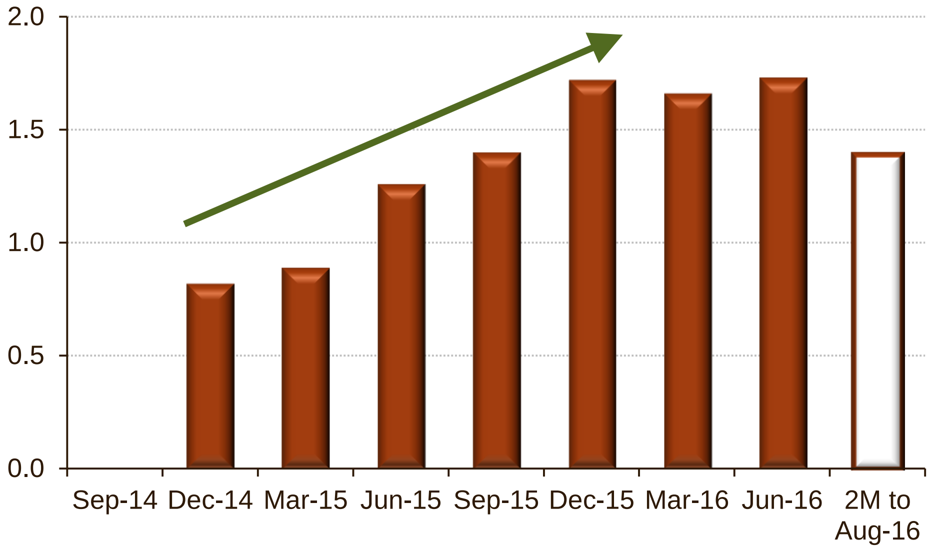
- Royalty-type agreement with Mineral Resources Limited (MIN)
  - BCI retains tenement ownership
  - MIN operates the mine entirely at MIN's cost
- Low-risk cash flows for BCI (contractual safeguards against losses)
- Simple DSO operation and ~50% lump production with a price premium
- MIN evaluating potential expansion and construction of a bulk ore transport system (BOTS) to Port Hedland

Iron Valley Key Metrics

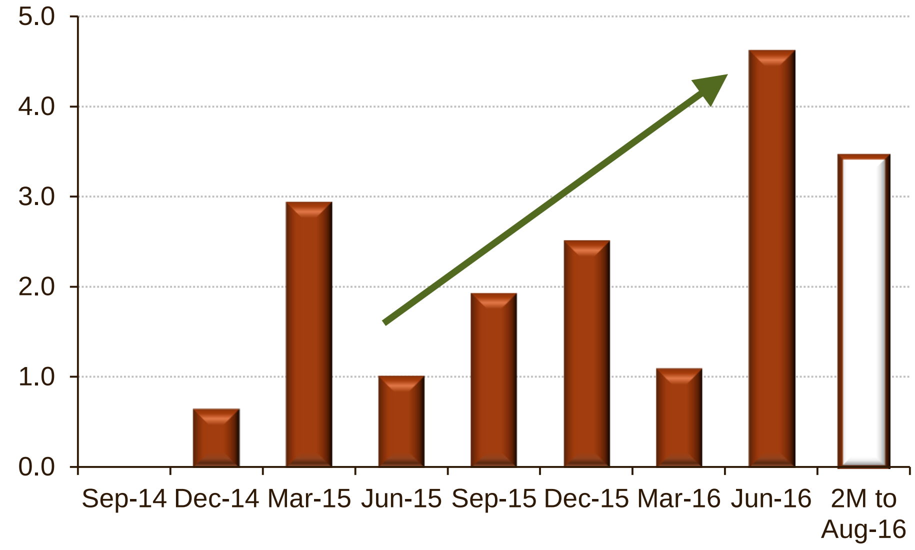
Strong recent operating and financial performance

- FY16 – 6.5M wmt shipped
- FY16 – BCI revenue of A$39.9M and EBITDA of A$10.2M
- A$3.4M EBITDA for first two months of FY17 from shipments of 1.4M wmt

Iron Valley Quarterly Shipments (M wmt)



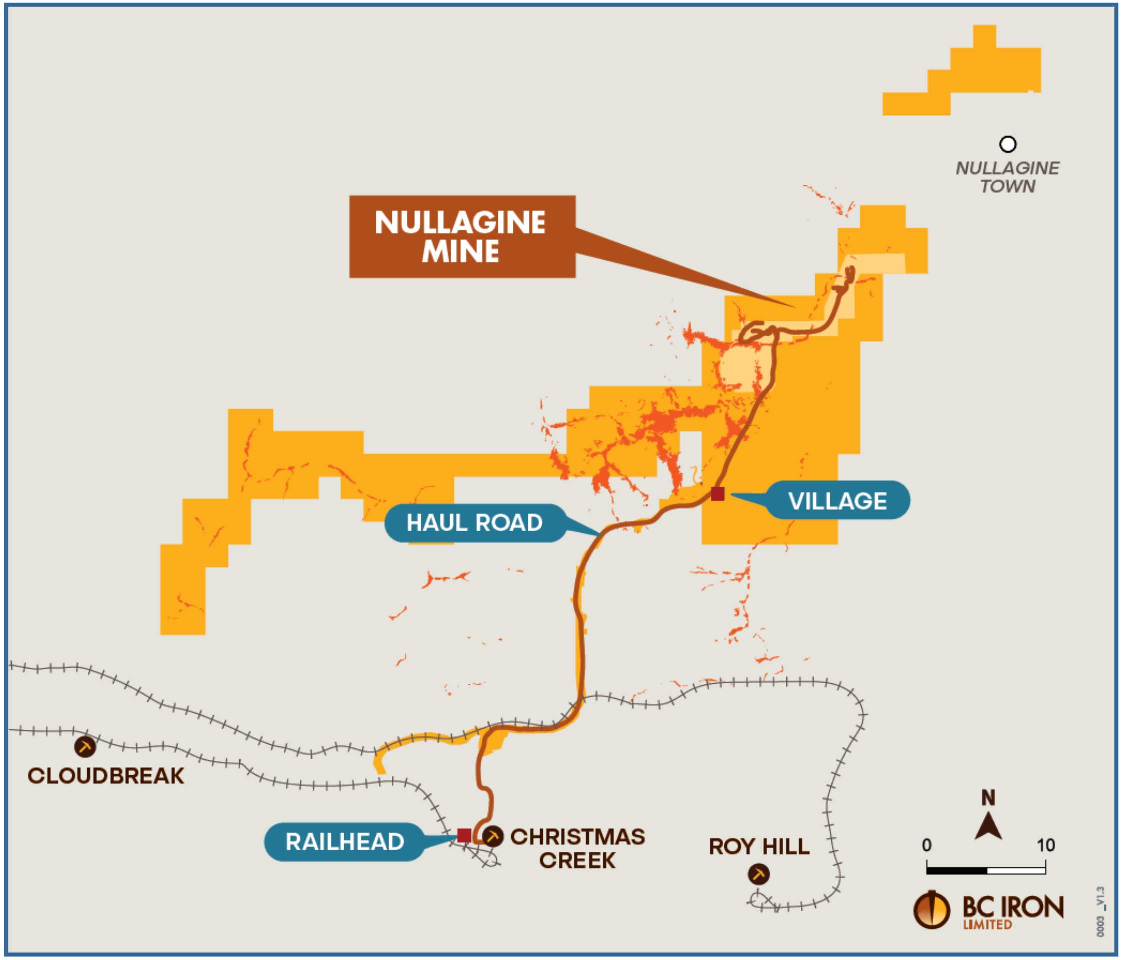
BCI Quarterly EBITDA (A$M)



Nullagine Overview

BCI plans to sell its 75% Nullagine interest to FMG for an ongoing royalty

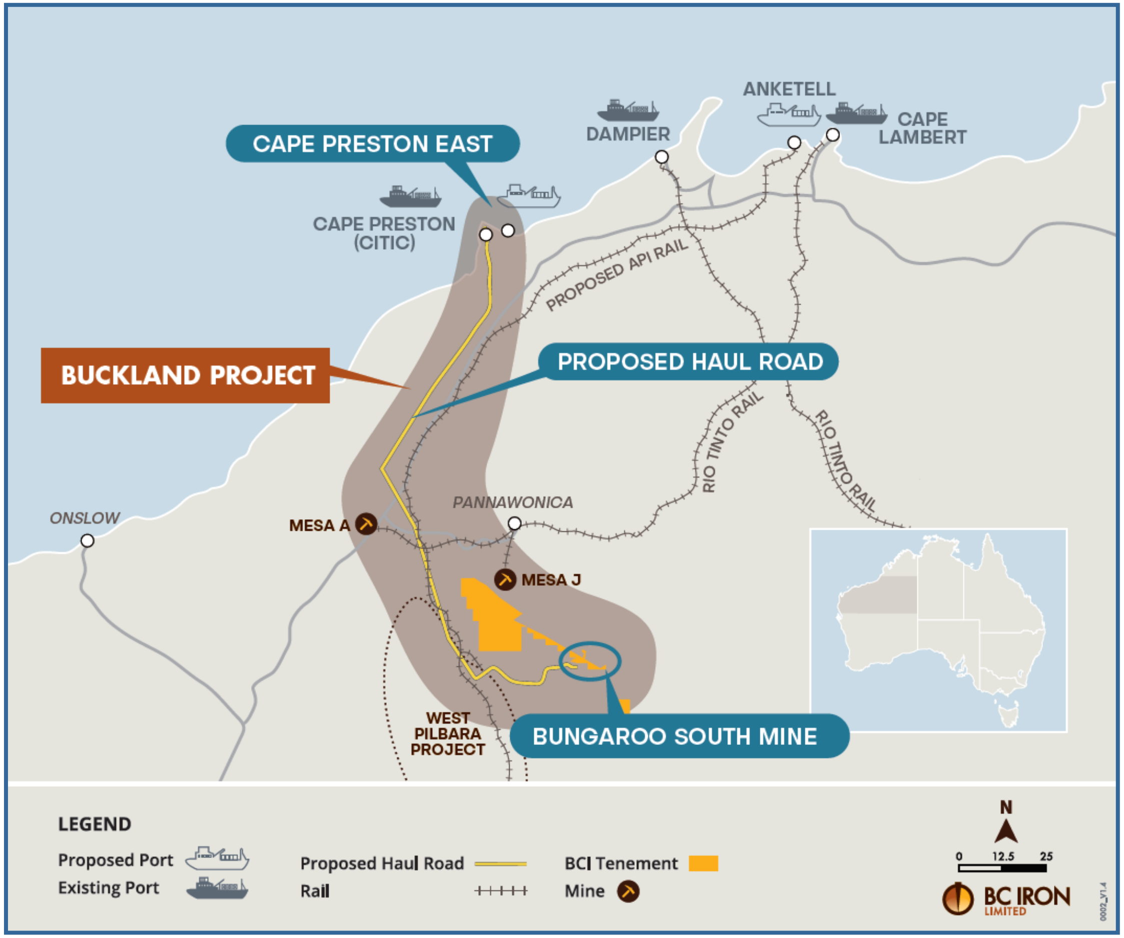
- Unincorporated joint venture – 75% BCI, 25% FMG
- Binding term sheet to sell 75% interest in Nullagine to FMG
- Sale will eliminate BCI holding costs and existing liabilities (incl. rehabilitation)
- FMG to pay an ongoing royalty on all future ore mined from Nullagine
- Royalty will initially be partly waived by BCI up to a fixed amount which reflects liabilities and obligations FMG will assume
- Royalty will reduce after certain tonnage thresholds are met



Buckland Mine-to-Port Project Overview

Strategic 100% owned mine and port infrastructure project

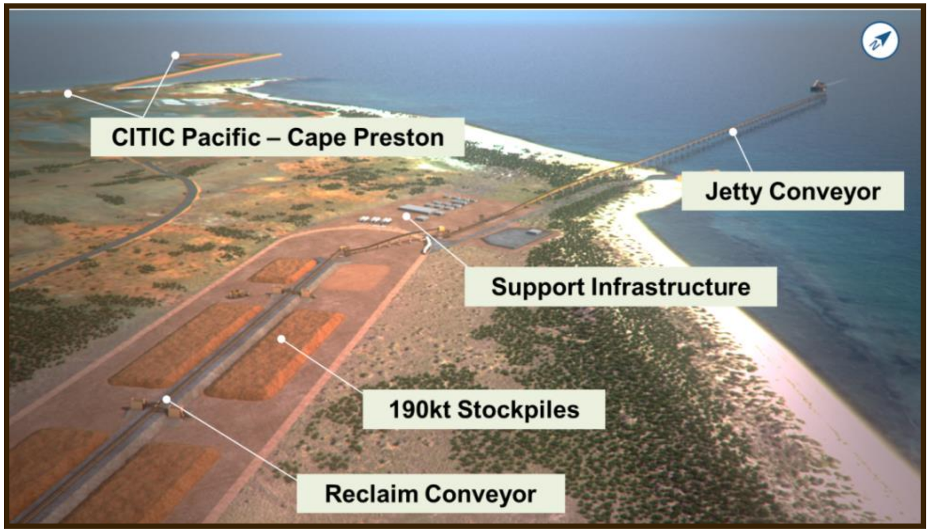
- Proposed mine at Bungaroo South, private haul road linking the mine with proposed transhipment port at Cape Preston East
- All major permits and approvals secured for mine, road and port
- Targeting construction-ready status by Q2 CY17
- West Pilbara hosts significant undeveloped deposits
- Preliminary discussions with a number of potential partners on a range of concepts

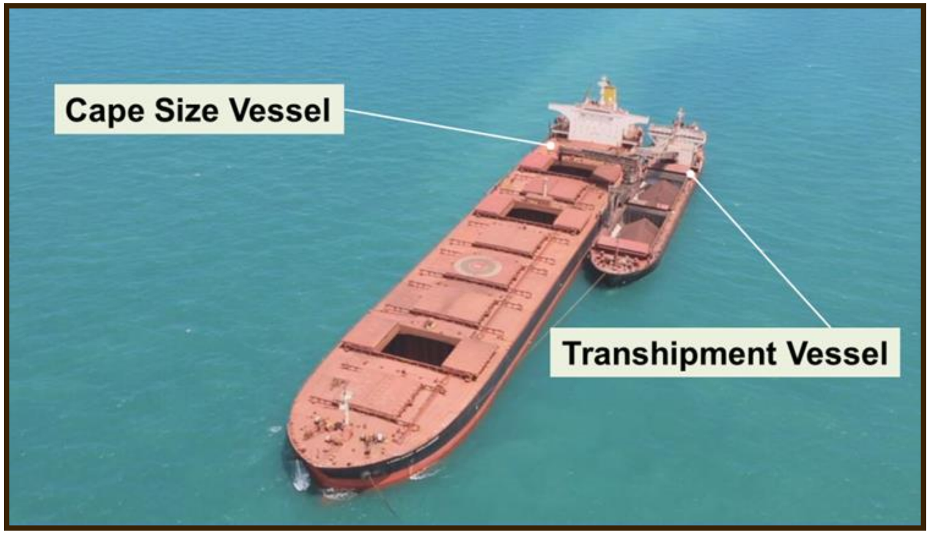


Cape Preston East Port Overview

Cape Preston East can become a strategic, low capital cost transhipment port

- BCI holds port lease agreements with the Pilbara Ports Authority ("PPA")
  - Right to construct and operate onshore & marine facilities of 20Mtpa for an initial term of 20 years
  - Right to expand leased area and extend term
  - Provides for third party tonnages – BCI will actively develop
- Proposed transhipment port with a comparatively low capital cost per tonne
- Modern and efficient transhipping operations now successfully operating globally





New Opportunities

BCI is also actively considering new projects and other commodities

Rationale:
Create growth opportunities
Diversify commodity exposure and risk profile

BCI tenement exploration

- Current BCI tenements in Pilbara are prospective for gold and base metals
- Conduct low cost greenfields exploration at the most prospective projects ($1-2M/a)
- Low priority tenements being rationalised

New project opportunities

- Disciplined approach to assessing Australian opportunities and allocating capital
- Target criteria:
  - Attractive value proposition with upside
  - Low capital requirement relative to value
  - Earnings potential within 2 years
  - Gold, industrial minerals, agricultural minerals and iron ore

Summary

- Unique development pipeline of assets from exploration to operations
- BCI believes current assets have significant potential value upside
- Targeting new opportunities with early cash flow potential
- Strong support from major shareholder
- New & experienced Management Team

Entitlement Offer – Risk Factors

Risks Specific to the Offer

Control

Wroxby may increase its voting power in the Company to a maximum of 40.76% on completion of the Offer depending on take up by Shareholders of their Entitlements.

As the Offer may have a significant effect on the control of the Company, there is a risk that ASIC or another party could bring an action to the Australian Takeovers Panel (**Panel**) claiming that the Offer gives rise to unacceptable circumstances. If an action is bought in the Panel and is successful, there are a broad range of orders that the Panel can make, including requiring the Company to amend the terms of the Offer or withdraw the Offer.

Potential for significant dilution

Upon completion of the Offer, assuming all Entitlements are accepted, the number of Shares in the Company will increase from 196,263,455 to 392,526,910. This increase equates to approximately 50% of all the issued Shares in the Company following completion of the Offer.

If you do not accept your Entitlement, the Shares that you will continue to hold will represent a significantly lower proportion of the ownership of the Company. It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer and the Directors do not make any representation to such matters.

The last trading price of Shares on ASX of $0.215 is not a reliable indicator as to the potential trading price of Shares following completion of the Offer.

Shareholders should note that if they do not participate in the Offer, their holdings will be diluted.

Nominee risk

The Company has appointed Patersons to be the nominee for the purposes of section 615 of the Corporations Act to sell Entitlements which would otherwise have been available to Ineligible Shareholders had they been eligible to participate in the Offer. Paterson's ability to act as nominee is subject to ASIC approval. The Company has applied for ASIC approval but this has not been received as yet. If ASIC does not approve the appointment of Patersons as nominee, the Company would need to either find another person to act as nominee (who must be approved by ASIC), make the Offer open to all Shareholders (including Ineligible Shareholders) or withdraw the Offer.

Underwriting risk

The Company intends to enter into the Underwriting Agreement with Patersons and Foster, who are intending to partially underwrite the Offer up to $20.64 million. One or more of the Underwriters could terminate their obligations under the Underwriting Agreement if any of the termination events occur.

If one or more of the Underwriters terminate their obligations under the Underwriting Agreement, the Company may not raise the full amount it is seeking to raise under the Offer, and the Company may need to find alternative financing to meet its funding requirements. There is no guarantee that alternative funding could be sourced, either at all or on satisfactory terms and conditions. Termination by any of the Underwriters of their obligations under the Underwriting Agreement could materially adversely affect the Company's business, cash flow and financial position.

Entitlement Offer – Risk Factors

Risks Specific to the Company

Foreign exchange risk

The Company holds some of its cash on hand in US dollars, whilst costs and revenue received from the Iron Valley project are mainly in Australian dollars. Movements in the AUD:USD exchange rate may adversely or beneficially affect the Company's results of operations and cash flows in relation to currency.

Iron ore price risk

The Company's revenues and cash flows are currently derived from the Iron Valley project. MIN operates the mine entirely at its cost and purchases Iron Valley product from BC Iron at a price linked to MIN's realised iron ore sales price. The Company's financial performance is therefore exposed to fluctuations in the iron ore price, which has been particularly volatile in recent times.

In the future, BC Iron anticipates deriving revenues and cash flow from the sale of iron ore from the Buckland project (either directly or indirectly). The Company's future prospects are therefore dependent on iron ore prices.

Iron ore prices may be influenced by numerous factors and events that are beyond the control of the Company, including increased global supply, decreased demand, currency exchange rates, general economic conditions, regulatory changes and other factors.

The Company cannot provide any assurance as to the future iron ore price. Changes in iron ore prices may have a positive or negative effect on the Company's financial performance, as well as its future project development and production plans and activities, together with its ability to fund those plans and activities.

Temporary suspension risks

The Nullagine project is currently on temporary suspension. There is a risk that the expenses of maintaining the suspension of the Nullagine project could be more than estimated by the Company, or may be prolonged, which may have an adverse effect on the financial position of the Company.

Pursuant to an iron ore purchase agreement, the Company agreed to deliver iron ore from Nullagine to Henghou Industries. Currently the parties to that agreement have effectively suspended the Company's obligations under that agreement until production recommences. The parties are in the process of formalising this suspension which the parties gave effect to in December 2015.

If the Company is unable to complete the sale of its interest in the Nullagine project to Fortescue, the Company will be obliged to continue to hold its interest in the Nullagine project and continue to fund the asset and/or seek alternate options, including a restart or a disposal of its interest to another third party.

If the Company seeks to restart the operations at Nullagine, there is a risk that this may take longer than planned and that the costs may be higher than expected.

Alternatively, if the Company seeks to dispose of its interest in the Nullagine project to another third party, there is a risk that a buyer may not be found or an agreement reached on acceptable terms. Any such disposal would also be subject to the pre-emptive rights held by Fortescue.

Entitlement Offer – Risk Factors

Nullagine divestment

As announced on 10 October 2016 the Company has entered into a legally binding conditional terms sheet for the disposal of the Company's interest in the Nullagine project (and related assets). That agreement is subject to and conditional on the satisfaction (or waiver) of a number of conditions. There can be no assurance that those conditions will be satisfied or waived, and completion will occur. If the Company is unable to complete the sale of its interest in the Nullagine project to Fortescue, the Company will be obliged to continue to hold its interest in the Nullagine project and continue to fund the asset and/or seek alternate options, including a restart or a disposal of its interest to another third party. Further, the Company will retain its obligations to both fund future rehabilitation of the Nullagine mine and fulfil any outstanding obligations under the iron ore purchase agreement with Henghou Industries referred to above. If that is the case, BC Iron will continue to assess a potential restart of operations or a divestment of its joint venture interest to another party.

If the conditions are satisfied or waived, and completion occurs, Fortescue will assume all historical liabilities (including rehabilitation obligations) and the Company will not have any further ongoing liabilities in connection with the Nullagine project. However, the Company will retain its US$1.5M debt obligation to Henghou Industries and an obligation to pay $5.2M in deferred State Government royalties.

New resource opportunities

As noted, the Company will pursue and assess other new mineral investment opportunities in addition to the existing assets it holds in Western Australia. These new investments may take the form of direct project acquisitions, joint ventures, farm-ins, acquisition of tenements/permits, or direct equity participation.

There can be no assurance that any investments will be identified, completed or successful.

If an investment is completed, the Directors will need to reassess, at that time, the funding allocated to current projects and new projects, which may result in the Company reallocating funds from other projects and/or the raising of additional capital (if available). Any fundraising may dilute Shareholders. Furthermore, notwithstanding that an investment may proceed upon the completion of due diligence, the usual risks associated with the new project/business activities will remain.

Any new investment may change the risk profile of the Company, particularly if the new project is located in another jurisdiction, involves a new commodity and/or changes the Company's funding requirements. Should the Company propose or complete an investment in a new project, investors should re-assess their investment in the Company in light of that project.

Entitlement Offer – Risk Factors

Operating and development risks

MIN is the operator of the Iron Valley mine. The ability of MIN to achieve production targets within anticipated time lines, or at all, or meet operating and capital expenditure estimates cannot be assured.

The Company's assets and mining operations (including Iron Valley) are subject to uncertainty with respect to (among other things): remote area access and remote area work, variability of ore tonnes, variability of grade, variability in efficiency of metallurgical recovery and impurities, ground conditions, operational environment, mining of ore from below the natural water table, funding for development, regulatory changes, timely approval of requests submitted to the Regulator, accidents, contractual risks and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment, cyclones, storms, floods, bushfires or other natural disasters. If faced by the Company or MIN, these circumstances could result in the operational or development plans not being realised 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 the Company's financial and operational performance.

In addition, for development projects, estimates of proven and probable mineral reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns will differ significantly from those currently estimated for a project prior to production.

Future funding requirements

In the ordinary course of operations and development, the Company is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments, to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial, regulatory and credit market assessments, and its own financial position.

While the Company anticipates being able to meet its debt repayments when they fall due, deteriorating economic or project specific events may cause this to change leading to adverse consequences.

In addition, the Company 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. If the Company seeks to obtain funding by way of an equity raising, this may be dilutive to existing shareholders.

Entitlement Offer – Risk Factors

Exploration risk

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 the Company 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 the Company.

Estimate risk

The Mineral Resources and Ore Reserves for Company's assets are estimates only and no assurance can be given that any particular recovery level will in fact be realised.

These 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 the Company's (or MIN's) mining plans and ultimately its financial performance and value. Estimates that are valid when made may change significantly when new information becomes available.

In addition, iron ore price fluctuations, as well as increased production costs or reduced throughput and/or recovery rates, may render reserves and resources uneconomic and so may materially affect the estimates.

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 the Company and the market price of Shares.

Exploration and prospective production are dependent upon the granting and maintenance of appropriate licences, permits and regulatory consents and authorisations (**Authorisations**), which may not be granted or may be withdrawn or be 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 the Company's (or MIN's) ability to conduct exploration, development or operations may be adversely affected.

In particular, the Company is responsible for obtaining certain approvals for mining below the water table at the Iron Valley project. If these approvals are not obtained or not obtained within the timeframes required, there is a risk that MIN cannot continue mining operations, which would have a negative effect on the project development and production plans and activities for Iron Valley. It is noted that the Company is well progressed in obtaining these approvals, and expects them to be granted as a matter of course.

Native title may impact on the Company'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 a member of the Company and relevant native title parties.

Entitlement Offer – Risk Factors

Cape Preston East vesting

The rights of the Company under its agreement with the PPA for the proposed port at Cape Preston East remain conditional upon the satisfaction of a number of matters, including the State of Western Australia vesting the land for the Cape Preston East multi-user port in the PPA. On 30 September 2016, the Company announced that PPA has agreed to a 12 month extension to the conditions deadline to 26 June 2018. The initial step to the vesting of the land is the taking of certain existing third party rights. The State of Western Australia published the required Notice of Intent to Take (NOITT) on 22 June 2016. The time for objections to be lodged has now passed. However, on 22 August 2016, an objection was lodged to the NOITT by an affected third party. Information as to that objection is not available to the Company. The NOITT cannot be completed unless and until the State of Western Australia finalises that objection. This may delay the vesting of land and may result in the Buckland project being curtailed or the State of Western Australia may impose prescribed conditions that may impact the Buckland project's viability.

Environmental risk

The operations and activities of the Company are subject to the environmental laws and regulations of Australia. As with all mining operations and exploration projects, the Company's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations.

The Company 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 the Company'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 the Company to incur significant expenses and undertake significant investments which could have material adverse effect on the Company's business, financial condition and performance.

Exploitation of discoveries

It may not always be possible for the Company to exploit successful discoveries that may be made in areas in which it has an interest. Exploitation involves obtaining the necessary Authorisations – as to which, see further at "Regulatory Risk" above. Further, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may differ from the Company's.

Counterparty risk

There is a risk of default or financial or managerial failure of any contractor or joint venture partner to which the Company is or may become a counterparty, as well as a general risk of legal or other disputes with counterparties (including participants in any joint venture to which a member of the Company is or could become a party). This could lead to delays in the Company achieving its expected production and may also lead to adverse financial consequences for the Company. There can be no guarantee that the Company would be able to recover the full amount of any loss through legal action.

Entitlement Offer – Risk Factors

Labour market and key personnel risks

The Company is dependent upon a number of key management personnel and executives to manage the day-to-day requirements of its businesses. Although Company 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 the Company.

The Company 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.

Safety risks and industrial accidents

Some of the Company's operations are carried out under potentially hazardous conditions. Liabilities may arise in the future as a result of accidents, fatalities or other workplace related misfortunes, which may be beyond the Company's control. Such events could lead to significant expenditure by the Company in respect of compensation claims or penalties for failing to comply with occupational health and safety laws and regulations. Further, the occurrence of accidents could delay production, increase costs and result in liability, adverse publicity and reputational damage for the Company. These factors could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

The Company maintains insurance coverage that is consistent with mining industry practice. However, there is no guarantee that such insurance or any future necessary coverage will be available to the Company at economically viable premiums (if at all) or that, in the event of a claim, the level of insurance carried by the Company now or in the future will be adequate.

Litigation risk

All industries, including the minerals exploration industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be significant, even with respect to claims that have no merit.

The resolution of any particular legal proceedings to which the Company is or may become a party to could have a material effect on its business, results of operations, financial condition and prospects.

Competition

The Company competes with other companies, including major mining companies in Australia and internationally. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company will be able to compete effectively with these companies.

Entitlement Offer – Risk Factors

BC IRON LIMITED

Economic conditions

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, oil prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets, and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war, or natural disasters. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have an adverse impact on the Company's operating and financial performance and financial position.

The Company's future possible revenues and share prices can be affected by these factors, which are beyond the Company's control.

Share market conditions

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 the Company's performance.

The past performance of the Company is not necessarily an indication as to future performance of the Company as the trading price of shares can go up or down. Neither the Company nor the directors warrant the future performance of the Company or any return on an investment in Company.

Discretion in use of capital

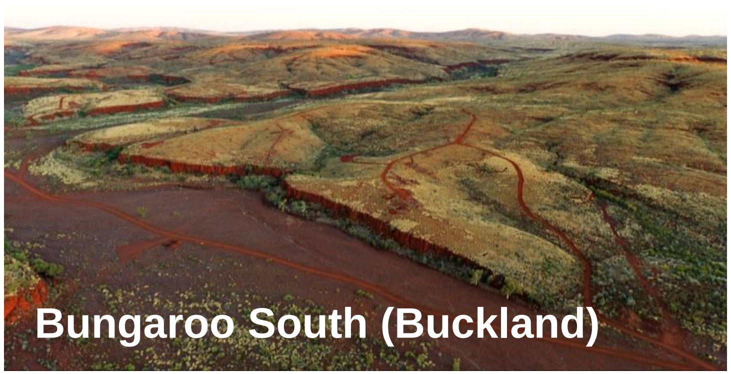
The board and management of the Company have discretion concerning the use of the Company's capital resources as well as the timing of expenditures. Capital resources may be used in ways not previously anticipated or disclosed. The results and the effectiveness of the application of capital resources are uncertain. If they are not applied effectively, the Company's financial and/or operational performance may suffer.

Cost risks

While every care has been taken in estimating the capital cost and future operating costs for the Company's projects, including contingency, the actual costs structure experienced in constructing facilities and operating mines may vary from current estimates. 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) may lead to an increase in costs which could adversely affect the Company's financial position and performance.

Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its Shares.



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