

**ASX RELEASE – 1 MARCH 2012**

## **ASIC Infringement Notice**

On 5 January 2012 the Australian Securities and Investments Commission ( **ASIC**) issued an infringement notice to BC Iron Limited ( ASX: BCI) alleging BCI failed to comply with the continuous disclosure obligations contained in the Corporations Act.

The basis of ASIC's allegation was that BCI's announcement on 21 January 2011 of the then proposed transaction between BCI and Regent Pacific Group Limited (**Regent Pacific**) contained a summary of the scheme implementation agreement (**SIA**) which summary omitted two terms relating to Regent Pacific's ability to terminate the SIA, namely:

- (a) that the Regent Pacific board could change or withdraw its recommendation if the board's fiduciary and statutory duties require it to do so; and
- (b) that Regent Pacific could terminate the SIA if the Regent Pacific board publicly changed or withdrew its recommendation.

BCI believes that the information referred to in ASIC's notice was not required to be disclosed to ASX because it was not information that a reasonable person would expect to have a material effect on the price or value of BCI shares. In any event, BCI never anticipated that those provisions would be relied upon in the manner in which Regent Pacific subsequently sought to do so. BCI, with the assistance of its advisors, had sought to prepare a clear and concise summary of the SIA in a form that could be readily understood by investors. At that time, ASIC's guidance did not suggest that the entire SIA should be disclosed. ASIC has subsequently rewritten its policy on this point.

BCI requested ASIC withdraw the notice and in support of its request, for withdrawal, BCI commissioned an experienced and reputable expert to analyse market trading data over the period in question. That expert concluded that it was difficult to conclude the marginal price relevance of the information referred to in ASIC's notice and that the announcement of the SIA itself was not statistically significant in terms of its impact on price.

BCI also engaged a prominent Sydney-based corporate Senior Counsel to opine on the merits of ASIC's notice, including in light of the expert's findings. Senior Counsel found that, in his opinion, ASIC's argument was bound to fail and that the infringement notice issued by ASIC was fatally flawed.

Despite these expert opinions (which were provided to ASIC in support of BCI's request for withdrawal of the notice), ASIC decided not to withdraw the notice.

On the strength of its expert opinions, BCI considers that the notice should not have been issued and should have been withdrawn. However, BCI does not consider that its interests, or those of its shareholders, would be best served by engaging in a protracted legal dispute with ASIC.

Accordingly, given that these matters occurred some time ago; the fact that a dispute with ASIC would divert management time and attention away from BCI's business; and the size of the penalty when compared to the potential costs associated with defending an action brought by ASIC, BCI has elected to pay the \$66,000 penalty to dispense with the issue.

Compliance with the notice (by making the payment) is not an admission of guilt or liability and BCI cannot be regarded as having contravened the Corporations Act.

**- ENDS -**

**FOR FURTHER INFORMATION:**

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