

SHARE PURCHASE PLAN OFFER BOOKLET AND FINAL ISSUE PRICE

On 10 December 2012, BC Iron Limited (“BC Iron” or the “Company”) (ASX: BCI) announced it had agreed to a transaction with the Fortescue Metals Group (“Fortescue”) to acquire a further 25% interest in the Nullagine Iron Ore Joint Venture (“NJV”), increase the capacity available to the NJV on Fortescue’s rail and port infrastructure to 6 Mtpa and prepay rail haulage and port charges for 3.5 Mt (wet) of BC Iron’s share of production from the NJV (“Transaction”). On 18 December 2012, the Company confirmed completion of the Transaction.

The total consideration paid to Fortescue was A\$190 million and the Transaction was financed using a combination of existing cash, a new US\$130 million debt facility and a ~A\$47 million equity placement. In addition, the Company announced its intention to launch a share purchase plan to raise up to A\$10 million to contribute to working capital following completion of the Transaction.

The Share Purchase Plan (“Plan”) opens for applications today and a copy of the Plan Offer Booklet is attached to this announcement. The Plan is scheduled to close on 16 January 2013.

BC Iron is pleased to advise that the final Issue Price under the Plan is \$A3.04 per share.

The final Issue Price was determined in accordance with the Terms and Conditions of the Plan as the lower of:

- (a) the placement price (A\$3.04 per share); and
- (a) the volume-weighted average sale price of BC Iron’s shares traded on ASX during the 5 days immediately before the date the Plan opens, rounded down to the nearest cent (calculated to be \$3.22).

- ENDS -

FOR FURTHER INFORMATION:

MIKE YOUNG / MORGAN BALL
MANAGING DIRECTOR / FINANCE DIRECTOR
BC IRON LIMITED
TELEPHONE: +61 8 6311 3400

RELEASED BY:

DAVID TASKER / JAMES HARRIS
PROFESSIONAL PUBLIC RELATIONS
TELEPHONE: +61 8 9388 0944

About BC Iron Limited

BC Iron is an iron ore development and mining company with key assets in the Pilbara region of Western Australia. The Company's core focus is the Nullagine Iron Ore Project, an unincorporated joint venture with Fortescue Metals Group Limited. The NJV uses Fortescue's infrastructure at Christmas Creek, 50 km south of the Nullagine mine, to rail its ore to Port Hedland from where it is shipped directly to customers overseas.

BC Iron has had outstanding success since listing in December 2006. Iron ore exports commenced in February 2011 and since then, the NJV has exported approximately 5.7Mt of iron ore. As of May 2012, the NJV is operating at a production rate of 5Mtpa and is expected to reach a nameplate production rate of 6Mtpa during Q4 FY2013.

On 10 December 2012, BC Iron announced that it had entered into an agreement to increase its interest in the NJV to 75% while also reaching agreement with Fortescue to increase the available infrastructure capacity and hence production of the NJV to 6Mtpa with BC Iron's attributable production being 4.5Mtpa.

On 12 December 2012, BC Iron confirmed the successful completion of a fully underwritten \$47 million institutional placement with a final issue price of A\$3.04 per share, a 6.0% premium to the 5 day volume weighted average price for the period ending on 7 December 2012 of approximately \$2.87 per share.

In August 2012, BC Iron entered into an Iron Ore Strategic Alliance with Cleveland Mining to acquire and co-develop new iron ore projects in Brazil. Under the terms of this 50:50 Joint Venture, BC Iron acquired a 5% equity stake in Cleveland Mining.

The Company is now set to move into the next phase of development through measured consideration of business development opportunities.

Key Statistics

Shares on issue prior to the SPP: 119.4 million

Cash & equivalents:
30 September 2012 ~\$81m

Board and Management:	Tony Kiernan	Chairman & Non-Executive Director
	Mike Young	Managing Director
	Morgan Ball	Finance Director
	Terry Ransted	Non-Executive Director
	Andy Haslam	Non-Executive Director
	Malcolm McComas	Non-Executive Director
	Jamie Gibson	Non-Executive Director
	Linda Edge	Company Secretary

Website: www.bcion.com.au

19 December 2012

Dear Shareholder

Offer to participate in Share Purchase Plan

BC Iron Limited (**BC Iron** or the **Company**) recently announced that it has signed agreements with its joint venture partner, Fortescue Metals Group Limited and its subsidiaries, to acquire a further 25% interest in the Nullagine Iron Ore Joint Venture, effective 1 January 2013 (**Transaction**). On 12 December 2012 BC Iron announced a successful placement to institutional investors, raising approximately A\$47 million before costs.

On behalf of the board, I am now pleased to offer you the opportunity to participate in a share purchase plan (**Plan**) under which you can apply for up to A\$15,000 worth of ordinary shares in BC Iron. The issue price will be the lower of the placement price (A\$3.04 per Share) and the volume-weighted average sale price of BC Iron's shares traded on ASX during the 5 days immediately before the Opening Date of the Plan (rounded down to the nearest cent). BC Iron will announce the final issue price on ASX as soon as it is known.

Funds raised from the Plan, together with the Company's existing cash reserves and a new US\$130 million debt facility, will be used to fund the total consideration for the Transaction.

Participation in the Plan is optional. The offer is being made to shareholders who at 4:00pm (WST) on 7 December 2012 were registered holders of ordinary shares in the Company with an address in Australia or New Zealand.

To apply, please follow the instructions in the enclosed offer booklet. Your application must be received by 5:00pm (WST) on 16 January 2013.

BC Iron has capped the total amount that may be raised under the Plan at A\$10 million. If the Company receives applications that exceed this amount, it will apply a pro rata scale back and the excess application monies will be refunded to each applicant.

An offer booklet for the Plan is enclosed with this letter and I strongly recommend that you read the terms and conditions set out in the offer booklet carefully before deciding whether to participate in the Plan. If you are unsure whether to participate, you should contact your professional adviser.

Further details about BC Iron's projects can be accessed by visiting BC Iron's website, www.bcion.com.au, and from the announcements lodged by BC Iron with ASX.

The board encourages you to consider this opportunity to increase your investment and thanks you for your continued support of the Company.

Yours faithfully



Michael Young
Managing Director

BC Iron Limited

Share Purchase Plan Offer Booklet

In relation to the offer (**Offer**) by BC Iron Limited ACN 120 646 924 (**BC Iron** or **Company**) to Eligible Shareholders (as defined in the Terms and Conditions below) to acquire up to A\$15,000 worth of fully paid ordinary shares in BC Iron (**Shares**) under a share purchase plan (**Plan**).

IMPORTANT NOTICES

This is an important document. You are encouraged to contact your professional adviser if you are unsure about what to do in relation to this document.

You should carefully read the Terms and Conditions of the Offer contained in this document because, if you choose to accept the Offer, you will be bound by them. By lodging the enclosed Application Form with your cheque or by making payment via BPAY, you will confirm that you have read, understood and agreed to the Terms and Conditions of the Offer.

If you apply for Shares under the Plan, there is a risk that the market price of Shares on ASX may change between the date that you accept the Offer and the date Shares are issued to you under the Plan. This means that, at the time of issue, you may be able to buy Shares on market at a lower price than the issue price under the Plan. By lodging the enclosed Application Form with your cheque or by making payment via BPAY, you will acknowledge this risk.

These materials do not constitute an offer of securities for sale in the United States or to, or for the account of, 'US Persons' (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (**US Securities Act**)) and may not be sent or disseminated, directly or indirectly, in the United States or to any US Person in any place. The Company's Shares have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or otherwise transferred in the United States or to, or for the account of, any US Person except in compliance with the registration requirements of the US Securities Act and any other applicable state securities laws or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws.

1 Key dates

Event	Date and time
Record Date	7 December 2012 (4:00pm WST)
Opening Date	19 December 2012
Closing Date	16 January 2013 (5:00pm WST)
Issue Date	24 January 2013

Please note that the dates and times shown are indicative only, and BC Iron may vary these dates and times in its discretion at any time.

2 How to accept

If you are an Eligible Shareholder who is not a Custodian (as defined in the Terms and Conditions below) and would like to participate in the Offer, please read the Terms and Conditions carefully and follow the step-by-step instructions on the Application Form.

You have two options regarding payment:

- 1 return your completed Application Form together with a cheque made out to 'BC Iron Limited' in Australian dollars drawn on an Australian branch of a financial institution for the full amount to which your acceptance relates, so that it is received by no later than 5:00pm (WST) on the Closing Date; or
- 2 provided you are not a Custodian, make payment using BPAY in accordance with the instructions on the Application Form by no later than 3:00pm (WST) on the Closing Date.

If you are a Custodian and you have been instructed to apply for Shares on behalf of Participating Beneficiaries (as defined in the Terms and Conditions below) under the Plan, you will need to follow the instructions on completing a Custodian Certificate in conjunction with an Application Form.

Applications received after the Closing Date will not be accepted.

Further details on how to accept the Offer are contained in the Terms and Conditions below.

Terms and Conditions of the Offer

3 Eligibility to participate

You are an **Eligible Shareholder** and may participate in the Plan if, as at 4:00pm (WST) on 7 December 2012 (being the **Record Date** stated in the Application Form), you were registered as a holder of Shares with an address in Australia or New Zealand, and you are not acting for the account or benefit of a US Person or a person in any other jurisdiction in which the Offer would be unlawful.

BC Iron has determined that, regretfully, the time and cost involved does not make it practical to extend the Offer to shareholders with registered addresses in other countries.

To the extent that you hold Shares on behalf of another person resident outside Australia or New Zealand, it is your responsibility to ensure that any acceptance complies with all applicable foreign laws.

For the purposes of determining who are Eligible Shareholders:

- (a) **Single holders:** If you are the only registered holder of a holding of Shares, but you receive more than one offer under the Plan (for example, due to multiple registered holdings), you may only apply for a maximum of A\$15,000 worth of Shares.
- (b) **Joint holders:** If you are recorded with one or more other persons as the joint holder of a holding of Shares, that joint holding is considered to be a single registered holding for the purposes of the Plan and the joint holders are entitled to participate in the Plan in respect of that single holding only. If the same joint holders receive more than one offer under the Plan due to multiple identical holdings, the joint holders may only contribute a maximum of A\$15,000 in applying for Shares under the Offer.
- (c) **Custodians, trustees and nominees:** If you are a custodian, trustee or nominee within the definition of 'custodian' in ASIC Class Order [CO 09/425] (a **Custodian**) and hold Shares on behalf of one or more persons (each a **Participating Beneficiary**), you may apply for up to a maximum of A\$15,000 worth of Shares for each Participating Beneficiary (but, as noted above, joint holders are taken to be a single holder), subject to giving written notice to BC Iron (**Custodian Certificate**) certifying the matters required by condition 9 of ASIC Class Order [CO 09/425]. Copies of the Custodian Certificate can be obtained from BC Iron's share registry, Computershare Investor Services Pty Limited. However, you are not eligible to participate on behalf of a person who resides outside Australia and New Zealand or any person who is, or is acting for the account or benefit of, a US Person. Custodians should provide a Custodian Certificate in conjunction with an Application Form.

If you hold Shares as a trustee or nominee for another person, but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. The rules for multiple single holdings (as set out above) apply.

4 Participation is optional

Participation in the Plan is optional. If you are an Eligible Shareholder, you can choose whether or not to participate.

Participation is subject to these Terms and Conditions.

5 Nature of the Offer

The Offer under the Plan is non-renounceable and you may not transfer your rights under the Offer to another person.

All Offers made under the Plan will be made to each Eligible Shareholder on the same terms and conditions irrespective of the number of Shares which they may hold on the Record Date.

In these Terms and Conditions, an Eligible Shareholder who accepts the Offer and applies for Shares is referred to as an **Applicant**.

The Offer is open to all Eligible Shareholders from 19 December 2012, being the **Opening Date** as stated on the Application Form, until 5:00pm (WST) on 16 January 2013, being the **Closing Date**.

6 How much can you invest?

Eligible Shareholders may apply for a parcel of Shares valued at up to A\$15,000, by contributing a set amount as follows:

Option A Total subscription amount of A\$2,500 (**Minimum Amount**)

Option B Total subscription amount of A\$5,000

Option C Total subscription amount of A\$10,000

Option D Total subscription amount of A\$15,000 (**Maximum Amount**)

The limit of the Maximum Amount applies to you even if you hold Shares in more than one capacity – for example, as a single holder and as a first (or subsequent) named holder of two or more joint holders. If you receive more than one Offer under the Plan, you may apply for more than one parcel of Shares, but you may not apply for Shares with an aggregate application price of more than the Maximum Amount. The Company may reject your application if it believes that you have not complied with this condition.

However, a Custodian may apply for up to the Maximum Amount for each Participating Beneficiary without a requirement for the person's interest to be expressly noted on BC Iron's share register, subject to providing a Custodian Certificate to BC Iron – see further section 3 above.

The amounts you receive under the Plan may be subject to rounding and a scale back. See further sections 8 and 9 below.

7 Issue Price

The **Issue Price** will be the lower of:

- (a) the placement price (A\$3.04 per Share); and
- (b) the volume-weighted average sale price of BC Iron's shares traded on ASX during the 5 days immediately before the Opening Date (rounded down to the nearest cent).

BC Iron will announce the Issue Price on ASX as soon as it is known.

You agree to pay the Issue Price per Share for the parcel of Shares you have selected on the Application Form.

Like all shares traded on ASX, there is an inherent risk that the price of Shares traded on the ASX may change between the Opening Date and the date when the Shares under this Plan are issued to an Applicant. This means that the price you pay per Share under this Offer may be either higher or lower than the market price for Shares at the time of the Offer or at the time the Shares are issued to you under the Plan. Regardless of any fluctuations in the price of Shares traded on the ASX, the price of Shares applied for under the Plan will be fixed at the Issue Price.

8 Maximum total number of Shares to be issued

BC Iron is seeking to raise a maximum of A\$10 million under the Plan (**Maximum Total Amount**). Therefore, the maximum total number of Shares that may be issued under the Plan will be calculated by dividing the Maximum Total Amount by the Issue Price (**Offer Limit**).

If the aggregate number of Shares validly applied for by all Applicants exceeds the Offer Limit, then the number of Shares you will be issued will be the whole number of Shares (rounded down) as calculated in accordance with the following formula:

$$P \times \frac{L}{S}$$

Where:

P = the relevant parcel applied for by you;

L = the Offer Limit; and

S = the actual aggregate number of Shares validly applied for by all Applicants.

If the number of Shares you applied for is reduced under this section 8, the excess application monies – calculated by multiplying the Issue Price by the difference between the number of Shares you are allocated and the number of Shares you applied for – will be refunded to you by direct credit to your nominated bank account or by cheque as soon as practicable. No interest will be paid on any application monies returned to you.

9 Calculation of the number of Shares to be issued to you

In the absence of a scale back under section 8, the number of Shares to be issued to you will be calculated by dividing the aggregate application money that you pay in applying for Shares by the Issue Price, then rounding down to the nearest whole number of Shares.

If rounding is applied, then:

- (a) if there is no scale back, any residual balance will be retained by the Company and you will not be refunded this amount (which will always be less than the price of a Share issued under the Plan); or
- (b) if there is a scale back, any residual balance will be refunded to you as part of the refund you receive from the scale back.

If the Issue Price under the Plan is less than A\$3.04 (ie. if the Issue Price is calculated using the volume-weighted average sale price of BC Iron's Shares traded on ASX during the 5 days immediately before the Opening Date (rounded down to the nearest cent), Applicants will be issued with a greater number of Shares, rather than receive a refund for the difference between A\$3.04 and the Issue Price per share. For example, if the Issue Price is \$3.00 (and assuming no scale back), the number of Shares offered under Option D would be 5,000, being A\$15,000 divided by \$3.00.

10 No other cost to participate

No brokerage, commissions, duty or other transaction costs will be payable by Applicants in respect of the application for, and issue of, Shares under the Plan.

11 How to accept the Offer and apply for Shares

To apply for Shares under the Plan, follow the steps in the step-by-step instructions on the back of the enclosed Application Form.

You may either complete the Application Form and return it with a cheque in accordance with the instructions on the Application Form or make a payment by BPAY.

Payments are to be made in Australian dollars in each case.

Payment by BPAY

Provided you are not a Custodian, you may make payment by BPAY if you have an Australian bank account enabled for this purpose.

BPAY users should use the unique customer reference number shown on the Application Form to identify their shareholding. You do not need to return your Application Form if you pay via BPAY.

You will not be able to withdraw or revoke your application or BPAY payment once you have sent it in.

Payment by cheque

If you are applying via cheque, you should make it payable to 'BC Iron Limited' and send it with an Application Form to the address specified on the Application Form. Cheques must be in Australian dollars and drawn on an Australian branch of a financial institution.

Sufficient cleared funds should be held in your account. If your cheque does not clear, your application will not be accepted and you agree to be responsible for any dishonour fees or other costs incurred. If your cheque is dishonoured, it will not be re-presented.

Receipts for payment will not be issued.

Timing

All payments and applications must be received no later than 5:00pm (WST) (or 3:00pm (WST) if paying via BPAY) on 16 January 2013. Applications received after this time will not be accepted.

BC Iron's discretion regarding applications

BC Iron may, in its absolute discretion, accept or reject your application to purchase Shares under the Offer, including (without limitation) if:

- (a) your Application Form is incorrectly completed or incomplete or otherwise determined by the Company to be invalid;
- (b) the cheque that you enclose with the Application Form is not made out for the exact amount that you have selected on the Application Form or is dishonoured or otherwise incorrectly completed;
- (c) BPAY payment is not received, or is incomplete or invalid;
- (d) it appears that you are applying to buy more than A\$15,000 (in aggregate) worth of Shares;
- (e) if you are a Custodian, the Company is not satisfied with your certification; or
- (f) the Company believes that you are not an Eligible Shareholder (subject to compliance with any applicable ASIC or ASX requirements),

and the Company must reject applications if required to do so under ASIC Class Order [CO 09/425].

The Company reserves the right to return your cheque or refund your BPAY payment and not allot you any Shares. No interest will be paid on returned monies.

12 Significance of applying for Shares under the Offer

By completing and returning the Application Form to BC Iron or by making payment via BPAY, you:

- (a) certify that, even if you have received more than one Offer under the Plan or received Offers in more than one capacity, the aggregate of the application price for the following does not exceed A\$15,000:
 - (1) Shares the subject of your application;
 - (2) any other Shares applied for by you under the Offer or any other shares in the class issued under similar arrangements in the 12 months prior to the date of submission of your application;
 - (3) any Shares which you have instructed a Custodian to acquire on your behalf under the Offer; and
 - (4) any other Shares issued to a Custodian acting on your behalf under any similar arrangement operated by BC Iron in the 12 months prior to the date of submission of your application;
- (b) agree that your application is made on these Terms and Conditions;
- (c) authorise BC Iron and its officers and agents to correct any error in, or omission from, your Application Form and to complete your Application Form by insertion of any missing details;
- (d) agree that you will not be able to withdraw or revoke your application and that your application is unconditional;
- (e) confirm that you are an Eligible Shareholder and are lawfully permitted to accept the Offer and participate in the Plan in accordance with these Terms and Conditions and any applicable laws, and specifically that you are not a US Person or acting for the account or benefit of a US Person;
- (f) if you are a Custodian and are applying for Shares with an aggregate application price of more than A\$15,000, you are providing with your Application Form certification, or agree to certify, the matters required by condition 9 of ASIC Class Order [CO 09/425], in accordance with the Custodian Certificate which can be obtained from BC Iron's share registry;
- (g) agree to be bound by BC Iron's constitution;
- (h) agree that the Company may determine that your Application Form is valid and in accordance with these Terms and Conditions even if it is incomplete, contains errors or is otherwise defective;
- (i) agree that your application is only effective when received and not when posted;
- (j) accept the risk associated with any refund that may be sent to you by direct credit to your nominated bank account or by cheque to the address shown on BC Iron's share register;
- (k) agree that if you have previously provided the Company or its share registry with bank account details for the purposes of direct credit of dividends, any refund to be paid to you under the Plan may be directed to that nominated account;
- (l) acknowledge that BC Iron is not liable for any exercise of its discretion referred to in these Terms and Conditions;
- (m) agree to be responsible for any dishonour fees or other costs BC Iron may incur in presenting a cheque for payment that is dishonoured;
- (n) agree that if there is a rounding of Shares and no scale back, any remaining balance of your payment after your allotment will be retained by the Company;

- (o) accept that BC Iron at its discretion can make reduction in allotments of Shares under a scale back;
- (p) acknowledge that no interest will be paid on any application monies held pending the allotment of the Shares or subsequently refunded to you for any reason; and
- (q) acknowledge that you have not been provided with investment advice or financial product advice by BC Iron or its share registry.

13 Issue and quotation of Shares

BC Iron expects to issue and allot Shares under the Plan on or about 24 January 2013 (**Issue Date**).

Shares issued under the Plan will rank equally with existing Shares quoted on ASX, with the same voting rights, dividend rights and other entitlements.

On or before the Issue Date, BC Iron will apply for Shares issued under the Plan to be quoted on ASX.

BC Iron will, within the period required by the Listing Rules, send participants a holding statement in respect of any Shares issued to them under the Plan. BC Iron recommends that Eligible Shareholders who apply for Shares under the Plan do not trade in the Shares applied for until they have received an updated holding statement.

14 No interest

No interest will be paid on any application monies returned to you.

15 Notice to New Zealand Shareholders

The Offer is made in accordance with the requirements of ASIC Class Order [CO 09/425]. That Class Order grants relief from the requirement to prepare a prospectus for the offer of Shares under the Offer.

In New Zealand, the offer of Shares under the Offer is in accordance with the Securities Act (Overseas Companies) Exemption Notice 2002, which grants relief from the requirement to prepare an investment statement or prospectus for this Offer.

This document has not been registered with, filed with or approved by any New Zealand regulatory authority under New Zealand securities laws. This document is not an investment statement or prospectus under New Zealand securities laws and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to maintain.

16 Not a US offer

If you apply to participate in the Offer, you acknowledge and agree that:

- (a) the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdictions in the United States, or in any other jurisdiction outside Australia and New Zealand;
- (b) the Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- (c) you must not send copies of these Terms and Conditions or any other material relating to the Offer to any person in the United States or to any person who is, or is acting for the account or benefit of, a US Person;

- (d) you must not submit an Application Form or make payment by BPAY for any person resident in the United States or elsewhere outside Australia and New Zealand or who, or is acting for the account or benefit of, a US Person; and
- (e) if you do not comply with these restrictions, it may result in violations of applicable securities laws.

17 Amendment, suspension and termination of the Plan

BC Iron reserves the right to waive strict compliance with any provisions of the Terms and Conditions, to amend or vary those terms and conditions and to suspend or terminate the Offer at any time. Any such amendment, variation, suspension or termination will be binding on all Eligible Shareholders even where BC Iron does not notify one or more Eligible Shareholders of that event.

18 Dispute resolution

BC Iron may settle, in any manner it thinks fit, any difficulties, anomalies or disputes which may arise under or in connection with the operation of the Plan, whether generally or in relation to any participant or class of participants, offer, application or Shares, and the decision of BC Iron shall be conclusive and binding on all participants and other persons to whom the determination relates.

19 Notices

Notices and statements to participating shareholders may be given in any manner determined by the Board from time to time.

20 Governing law

These Terms and Conditions are governed by the laws of Western Australia. By accepting the Offer, you submit to the non-exclusive jurisdiction of the courts of Western Australia.

21 Interpretation

The term 'Terms and Conditions' includes the terms and conditions contained in this document, the Application Form and the key dates.

A reference to '\$' and 'dollars' is to Australian currency unless denominated otherwise.

A reference to "WST" is a reference to Western Standard Time.

22 Questions and further information

If you have any questions please contact Computershare Investor Services Pty Limited any time between 9:00am to 5:30pm, Monday to Friday on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).