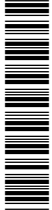


Tuesday, 18 October 2016



BCI
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Dear Shareholder

Renounceable Entitlement Offer

On 13 October 2016, BC Iron Limited (ACN 120 646 924) (**Company**) announced that the Company would be conducting a renounceable entitlement offer, offering eligible shareholders the opportunity to acquire fully paid ordinary shares in the capital of the Company (**Shares**) through a renounceable entitlement offer of one (1) Share for every Share held by eligible shareholders on the record date, which under the indicative timetable is 21 October 2016 (**Record Date**), at an issue price of \$0.13 per share to raise up to approximately \$25.5 million (before costs) (**Entitlement Offer**).

The funds raised under the Entitlement Offer are intended to be used to:

- (a) pursue strategies to develop a more 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;
- (b) 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; and
- (c) strengthen the Company's balance sheet by retiring remaining debt obligations when due and create a buffer against adverse market conditions.

The Entitlement Offer is partially underwritten to \$20.64 million by Patersons Securities Limited (ACN 008 896 311) (**Patersons**) and Foster Stockbroking Pty Ltd (ACN 088 747 148) (**Foster**) as to \$10.32 million each.

The Entitlement Offer is made pursuant to a prospectus lodged with the Australian Securities and Investments Commission (**ASIC**) on 17 October 2016 (**Prospectus**) and released to the Australian Securities Exchange (**ASX**) on the same date.

The Prospectus is available on the Company's website at <http://www.bcion.com.au/> or on the ASX website (company announcements section, ASX code: BCI) at www.asx.com.au.

It is anticipated that the Prospectus will be sent to all shareholders in Australia and New Zealand on or around 26 October 2016.

Summary of key features of the Entitlement Offer

The Entitlement Offer is open to shareholders who hold Shares as at the Record Date with registered addresses in Australia and New Zealand (**Eligible Shareholders**). All other shareholders are not eligible to participate in the Entitlement Offer and will be notified by the Company separately (**Excluded Shareholders**). Excluded Shareholders will not be entitled to subscribe for Shares under the Entitlement Offer. The Company's Excluded Shareholders have registered addresses in Canada, China, Germany, Hong Kong, Ireland, Israel, Saudi Arabia, Lao, Malaysia, Philippines, Singapore, South Africa, Switzerland, Taiwan, Thailand, the United Kingdom and the United States of America.

Under the terms of the Entitlement Offer, Eligible Shareholders will be entitled to subscribe for one (1) Share for every one (1) Share held at the Record Date at an issue price of \$0.13 per share. The Entitlement Offer price of \$0.13 per share is a 39.5% discount to the closing price of the Company's shares on 10 October 2016 (being the date the Company entered into a trading halt ahead of announcing the Entitlement Offer) of \$0.215, and a 37.2% discount to the 30 day VWAP of shares up to and including 10 October 2016.

The Company will pay a lead management fee of 1% of the amount raised under the Entitlement Offer to Patersons and Foster (to be split equally between them), and an underwriting fee of 4% of the amount underwritten.

The Company only has one register on which Entitlements will be calculated.

The Company reserves the right to reduce the number of Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or they fail to provide information to substantiate their claims.

The Shares will rank equally with the existing ordinary shares from the date of issue. The Company will apply for quotation of the Shares issued pursuant to the Entitlement Offer on the Official List of ASX.

The current number of Shares on issue in the Company is 196,263,455. Under the Entitlement Offer, up to approximately 196,263,455 Shares will be issued and the number of Shares on issue at the completion of the Entitlement Offer will be up to approximately 392,526,910 (assuming the Entitlement Offer is fully subscribed for).

The Company currently has no listed options on issue. The Company has 1,196,747 performance rights expiring on 8 September 2022 and 6,000,000 performance rights expiring on 24 May 2023 on issue. Subject to Shareholder approval to be sought at the Company's 2016 Annual General Meeting to be held on 25 November 2016, Board approval has been granted for the Company to issue an additional 5,950,000 performance rights. The performance rights are subject to various vesting conditions which will not be satisfied prior to the Record Date.

The Entitlement Offer is renounceable; therefore you can trade your rights during the rights trading period.

No shareholder approval for the Entitlement Offer is required.

The Company currently has no dividend policy.

Indicative timetable

The indicative timetable for the Entitlement Offer is as follows:

Event	Date
Announcement of Offer	Thursday, 13 October 2016
Lodgement of Appendix 3B with ASX	Thursday, 13 October 2016
Prospectus lodged at ASIC and ASX	Monday, 17 October 2016
Notice sent to Shareholders	Wednesday, 19 October 2016
"Ex" Date (date Shares are quoted ex-rights)	Thursday, 20 October 2016
Rights trading commences	Thursday, 20 October 2016
Record Date to determine Entitlements	5.00pm (WST) Friday, 21 October 2016
Prospectus (together with Entitlement and Acceptance Form) despatched to Shareholders	Wednesday, 26 October 2016
Opening Date	Wednesday, 26 October 2016
Rights trading ends	Friday, 4 November 2016
Closing Date	5.00pm (WST) Friday, 11 November 2016
Notification to ASX of under subscriptions	Tuesday 15, November 2016
Issue date	Friday, 18 November 2016

The above timetable is indicative only and subject to change. The Company reserves the right to amend any or all of these events, dates and times subject to the *Corporations Act 2001* (Cth), the ASX Listing Rules and other applicable laws. In particular, the Company reserves the right to extend the Closing Date of the Entitlement Offer, to accept late applications either generally or in particular cases or to withdraw the Entitlement Offer without prior notice. The commencement of quotation of Shares is subject to confirmation from ASX.

Brief instructions for Eligible Shareholders

If you are an Eligible Shareholder, you have the following options:

- (d) If you wish to accept your Entitlement in full:
- (i) pay the amount indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 3.00pm (WST) on the Closing Date; or
 - (ii) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on your Entitlement and Acceptance Form.
- (e) If you only wish to accept part of your Entitlement:
- (i) pay a lesser amount than indicated on your Entitlement and Acceptance Form via BPAY® using the BPAY® code and personalised reference number indicated so that the funds are received before 3.00pm (WST) on the Closing Date; or
 - (ii) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate application monies (at \$0.13 per Share).

- (f) If you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.
- (g) If you wish to sell all or part your Entitlement on ASX, please follow the instructions set out on the front of the Entitlement and Acceptance Application Form under the section marked "Sale of your Entitlement rights in full or in part by your Stockbroker". Rights trading commences on 20 October 2016. You must deal with your Entitlement by close of trading on the ASX on 4 November 2016, when Rights trading ceases.
- (h) If you wish to transfer all or part of your Entitlement (other than on market using ASX) then you must forward:
 - (i) a completed standard renunciation form (obtainable from your stockbroker or the Company's share registry);
 - (ii) the Entitlement and Acceptance Form completed by the transferee; and
 - (iii) transferee's cheque for the amount due in respect of the Shares to the Company's share registry not later than 5.00pm WST on the Closing Date.

More information

Before making a decision whether to apply for Shares, please read the Prospectus carefully in its entirety when you receive it. **The Entitlement Offer is scheduled to close at 5:00pm (WST) on 11 November 2016.**

This letter is not a prospectus and does not constitute an offer of securities. An offer of Shares under the Entitlement Offer will only be made in, or accompanied by, a copy of the Prospectus sent to all Eligible Shareholders.

The Directors of the Company recommend that if you are in doubt as to the value of the Entitlement Offer then you should contact your financial adviser.

Should you have any queries please contact the Company on +61 8 6311 3400 or the Company's share registry - Computershare Investor Services Pty Ltd on 1300 850 505 (from within Australia) or +61 3 9415 4000 (from outside Australia).

Yours faithfully



Hayley McNamara
Company Secretary