

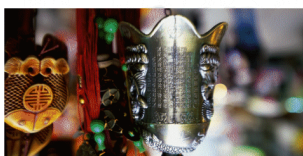
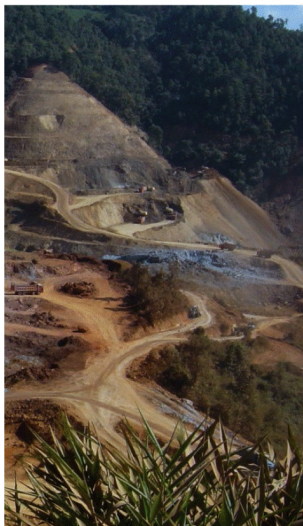


# Regent Pacific Group Limited

*(Incorporated in the Cayman Islands with Limited Liability)*

Stock Code: 0575

20 January 2011



## **ANNOUNCEMENT**

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### **VERY SUBSTANTIAL ACQUISITION CONDITIONAL ALL CASH TAKEOVER OFFER FOR BC IRON LIMITED BY WAY OF A SCHEME OF ARRANGEMENT BY REGENT PILBARA PTY LIMITED (A WHOLLY-OWNED SUBSIDIARY OF REGENT PACIFIC GROUP LIMITED)**

### **RESUMPTION OF TRADING**

Financial Adviser to the Company





## SUMMARY

This announcement is made by the Company in compliance with the disclosure requirements under Rule 13.09 and Chapter 14 of the HK Listing Rules.

The Board is pleased to announce that on 20 January 2011, the Company and BCI entered into the SIA pursuant to which Regent Pilbara, a wholly-owned subsidiary of the Company, agreed to make an all cash takeover offer by way of an Australian scheme of arrangement in respect of all issued BCI Shares not already owned by the Company and/or Regent Pilbara as at the Record Date for the Scheme Consideration of AUD 3.30 (approximately USD 3.31 or HKD 25.74) in cash for each BCI Share held.

The cash value of the Scheme Consideration represents a premium of:

- 43.5 per cent. to the price at which BCI recently conducted a share placement;
- 29.7 per cent. to the 60 day volume-weighted average price of BCI Shares on ASX;
- 18.5 per cent. to the 30 day volume-weighted average price of BCI Shares on ASX; and
- 4.1 per cent. to the closing price of BCI Shares on ASX on 18 January 2011.

Subject to the successful implementation of the Scheme, BCI also intends to acquire, through Regent Pilbara, all outstanding BCI Options by way of private treaty arrangements for the payment of the Option Consideration, equivalent to the “see-through” price representing the difference between the Scheme Consideration (or bid price) and the exercise price of the relevant and outstanding BCI Options.

The Transaction will be subject to various customary conditions, including:

- obtaining foreign investment approval from the Australian Federal Treasurer;
- all required court approvals and approvals by BCI shareholders by the requisite majorities under the Corporations Act;
- approval by the Company’s shareholders in accordance with the HK Listing Rules and the Company’s constitutive documents;
- the financing under the Debt Facility remaining available through to the Implementation Date; and
- no material adverse change in respect of BCI.



The long stop date for completion of the Transaction is 31 July 2011.

The Scheme, together with the proposed private treaty arrangements in respect of the BCI Options, are "all or nothing" transactions, meaning that the Company and/or Regent Pilbara will acquire all BCI Shares and seek to acquire all BCI Options not held by it/them as of the Record Date pursuant to such transactions on the Implementation Date, or it/they will acquire no further BCI Shares or BCI Options pursuant to such transactions, with the Scheme Consideration and the Option Consideration to be settled in cash from existing cash resources of the Company and through the Debt Facility.

The BCI board of directors, including Mr. Glenn Baldwin who is the nominee for BCI's largest shareholder Consolidated Minerals Pty Ltd, has unanimously recommended that, in the absence of a superior proposal, holders of BCI Shares vote in favour of the Scheme, subject to the independent expert reaching a positive conclusion. Each BCI director has indicated that he intends to vote in favour of the Scheme in respect of any BCI Shares the director holds.

In this context, the Board wishes to note that none of BCI's material contracts, including its joint venture with FMG and associated infrastructure arrangements, nor iron ore sales agreements, will be affected by the change of control of BCI resulting from implementation of the Scheme.

Holders of BCI Options representing 1,000,000 Options, including the CEO and CFO of BCI, have entered into agreements pursuant to which they have committed their BCI Options to the Transaction.

A break fee of AUD 3,275,196 (approximately USD 3,284,694 or HKD 25,544,737), representing approximately 1 per cent. of the total equity value of the Transaction, will be payable by BCI to the Company upon the occurrence of certain events. In light of the approvals required by the Company under the HK Listing Rules and as is customary for transactions of this nature, the Company has also agreed to pay BCI a break fee of AUD 500,000 (approximately USD 501,450 or HKD 3,899,727), representing approximately 0.15 per cent. of the total equity value of the Transaction, upon the occurrence of certain limited events.



As at 18 January 2011, there were 92,561,000 BCI Shares and 12,050,000 BCI Options in issue, of which 18,392,255 BCI Shares are held by the Company.

Assuming that no BCI Shares are issued as a result of the exercise of any BCI Options prior to the Record Date, based on the Scheme Consideration and the Option Consideration, the total acquisition cost (exclusive of any advisory fees and Australian taxes payable) to be paid by the Company and/or Regent Pilbara on the Implementation Date in respect of the Transaction will be AUD 266,825,109 (or approximately USD 267,598,902 or HKD 2,081,089,900).

The terms of the Transaction were negotiated on an arm's length basis and the Directors (including the independent non-executive Directors) consider that the Transaction is in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable having regard to the interests of the Company and the Shareholders as a whole.

The Transaction, together with prior acquisitions of BCI Shares made within the past 12 months, constitutes a very substantial acquisition of the Company under Chapter 14 of the HK Listing Rules.

## **GENERAL**

The Circular containing, among other things, further details of the Transaction, and notice of EGM, will be despatched to the Shareholders as soon as practicable.

## **TRADING SUSPENSION AND RESUMPTION**

The Shares were, at the Company's request, suspended from trading on the HK Stock Exchange with effect from 9.30 a.m. on 19 January 2011. The Company has made an application to the HK Stock Exchange for resumption of trading of its Shares with effect from 9.30 a.m. on 21 January 2011.

BCI has released or will release the Australian Announcement, which is consistent with disclosures set out herein, on even date herewith or before market opening tomorrow.

**As completion of the Transaction is subject to the fulfilment of a number of conditions, the Transaction may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**



## **SCHEME IMPLEMENTATION AGREEMENT**

### **Date**

20 January 2011

### **Parties**

Acquiror: Regent Pacific Group Limited, acting through Regent Pilbara Pty Limited (both parties)

Target: BC Iron Limited

### **Interests to be Acquired**

All of the issued and to be issued BCI Shares (other than those already owned by the Company and/or Regent Pilbara), together with any and all outstanding BCI Options.

### **Transaction Structure and Terms**

Pursuant to the SIA entered into between BCI and the Company on 20 January 2011, the Company, through Regent Pilbara, an Australian-incorporated wholly-owned subsidiary, has agreed to acquire all of the issued BCI Shares not already owned by the Company and/or Regent Pilbara as at the Record Date by way of an Australian scheme of arrangement under section 411 of the Corporations Act.

Under the terms of the Scheme, BCI shareholders will receive the Scheme Consideration in cash equal to AUD 3.30 (approximately USD 3.31 or HKD 25.74) for each BCI Share held.

The cash value of the Scheme Consideration represents a premium of:

- 43.5 per cent. to the price at which BCI recently conducted a share placement;
- 29.7 per cent. to the 60 day volume-weighted average price on ASX of BCI Shares;
- 18.5 per cent. to the 30 day volume-weighted average price on ASX of BCI Shares; and
- 4.1 per cent. to the closing price of BCI Shares on ASX on 18 January 2011.

In accordance with the SIA, BCI will also propose private treaty arrangements to the holders of BCI Options, under which holders of BCI Options will receive the Option Consideration in exchange for the delivery to Regent Pilbara, or agreed lapsing, of BCI Options. The cash Option Consideration is the “see-through” price representing the difference between the Scheme Consideration (or bid price) and the exercise price of the relevant and outstanding BCI Options. Under the SIA, BCI has agreed that any proceeds from the exercise of BCI Options



prior to the Record Date will be ring-fenced by BCI with a view to these funds being available to the Company following the Implementation Date.

The transaction will be subject to various customary conditions, including:

- obtaining foreign investment approval from the Australian Federal Treasurer;
- the Scheme being approved by 75 per cent. of all votes cast on the Scheme in person or by proxy, together with approval by a simple majority (i.e. 50 per cent.) of all BCI shareholders voting on the Scheme in person or by proxy;
- the relevant Australian court approving the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- approval by the Company's shareholders in accordance with the HK Listing Rules;
- the financing under the Debt Facility remaining available through to the Implementation Date;
- no material adverse change in respect of BCI; and
- other customary conditions for a transaction of this kind.

The long stop date for completion of the Transaction is 31 July 2011.

The Scheme, together with the proposed private treaty arrangements in respect of the BCI Options, are "all or nothing" transactions, meaning that the Company and/or Regent Pilbara will acquire all BCI Shares and seek to acquire all BCI Options not held by it/them as of the Record Date pursuant to such transactions on the Implementation Date, or it/they will acquire no further BCI Shares or BCI Options pursuant to such transactions, with the Scheme Consideration and the Option Consideration to be settled in cash from existing cash resources of the Company and through the Debt Facility.

The SIA includes customary exclusivity provisions in favour of the Company, including the agreement by BCI not to solicit, encourage or participate in competing proposals.

The BCI board of directors, including Mr. Glenn Baldwin who is the nominee for BCI's largest shareholder Consolidated Minerals Pty Ltd, has unanimously recommended that, in the absence of a superior proposal, holders of BCI Shares vote in favour of the Scheme, subject to the independent expert reaching a positive conclusion, with such conclusion to be published in BCI's Scheme booklet. Each BCI director has indicated that he intends to vote in favour of the Scheme in respect of any BCI Shares the director holds.

In this context, the Board wishes to note that none of BCI's material contracts, including its joint venture with FMG and associated infrastructure arrangements, nor iron ore sales agreements, will be affected by the change of control of BCI resulting from implementation of the Scheme.



Holders of BCI Options representing 1,000,000 Options, including the CEO and CFO of BCI, have entered into agreements pursuant to which they have committed their BCI Options to the Transaction.

The recommendation and exclusivity provisions are subject to usual exceptions where the BCI board is bound to consider and/or recommend an alternative proposal, or withdraw a recommendation for the proposed transaction with the Company, because of its fiduciary and statutory duties to BCI. The Company and/or Regent Pilbara also hold a right to match any competing proposal by a third party.

A break fee of AUD 3,275,196 (approximately USD 3,284,694 or HKD 25,544,737), representing approximately 1 per cent. of the total equity value of the Transaction, will be payable by BCI to the Company upon the occurrence of certain events, principally in the event that at any time prior to the Scheme Meeting: (i) any BCI director makes a public statement changing or withdrawing his support or recommendation of the Scheme; or (ii) a majority of the BCI directors recommend a competing proposal. In light of the approvals required by the Company under the HK Listing Rules and as is customary for transactions of this nature, the Company has also agreed to pay BCI a break fee of AUD 500,000 (approximately USD 501,450 or HKD 3,899,727), representing approximately 0.15 per cent. of the total equity value of the Transaction, in the event that the Shareholders fail to approve the Transaction at the EGM or the SIA is terminated by reason of the Debt Facility ceasing to be available.

As at 18 January 2011, there were 92,561,000 BCI Shares and 12,050,000 BCI Options in issue, of which 18,392,255 BCI Shares are held by the Company.

BCI has released or will release the Australian Announcement, which is consistent with disclosures set out herein, on even date herewith or before market opening tomorrow.

BCI will lodge its Scheme booklet in respect of the Scheme with ASIC in due course, ahead of the First Court Date, and it will be despatched to BCI securityholders shortly thereafter. The remaining relevant timetable milestones in respect of the Transaction are further set out in this announcement.

There are no applicable restrictions to the subsequent sale of any of the BCI Shares and BCI Options to be acquired under the Scheme or any private treaty arrangement in respect of BCI Options.



## Revised Offer

Subject to applicable laws and regulations in Australia, the Company and Regent Pilbara reserve the right to revise the terms of the Transaction. Should the terms of the Transaction be revised materially, the Company will issue further announcements and will re-comply with the then applicable requirements of the HK Listing Rules (including seeking Shareholders' approval if required).

## Compulsory Acquisition

If the Scheme receives the requisite approvals in circumstances where less than all outstanding BCI Options are acquired pursuant to private treaty arrangements, the number of outstanding BCI Options will represent less than 10 per cent. by value of all BCI securities on a fully diluted basis. Consequently, the Company and/or Regent Pilbara will then be entitled to commence a compulsory acquisition procedure in respect of the remaining BCI Options. Should this compulsory acquisition right become available to the Company and/or Regent Pilbara, it is the Company's intention to exercise such right.

## De-Listing

Following the Implementation Date, the Company intends to procure that BCI apply for de-listing of BCI Shares from the ASX.

## BASIS OF TOTAL CASH CONSIDERATION

The Scheme Consideration and the related Option Consideration were determined on the basis of normal commercial terms and arm's length negotiations between the parties with reference to the recent market value of BCI Shares, the iron ore Mineral Resource and Ore Reserve amounts of 101.6Mt and 35.6Mt, respectively, of the Nullagine Iron Ore Joint Venture (50 per cent. of the iron ore rights of which are owned by BCI, see Section "Principal Business Activities of BCI" for more detail) and the strategic benefits of the Transaction as set out in more detail in Section "Background to and Reasons for the Transaction".

Assuming that no BCI Shares are issued as a result of the exercise of any BCI Options prior to the Record Date, based on the Scheme Consideration and the Option Consideration, the total acquisition cost (exclusive of any advisory fees and Australian taxes payable) to be paid by the Company and/or Regent Pilbara on the Implementation Date in respect of the Transaction will be AUD 266,825,109 (or approximately USD 267,598,902 or HKD 2,081,089,900). Should all BCI Options be exercised (in full) prior to the Record Date, the total acquisition cost (again, exclusive of any advisory fees and Australian taxes payable) to be paid by the Company and/or Regent Pilbara on the Implementation Date in respect of the Transaction will be AUD 284,521,859 (or approximately USD 285,346,972 or HKD 2,219,114,866).





In respect of the Company's projected 100 per cent. acquisition of BCI, the Company's attributable share of BCI's: (i) net loss (both before and after taxation and extraordinary items) for the financial year ended 30 June 2010 is approximately AUD 1,385,383 (or approximately USD 1,222,600 or HKD 9,488,476); and (ii) net loss (both before and after taxation and extraordinary items) for the financial year ended 30 June 2009 is approximately AUD 1,311,656 (or approximately USD 980,463 or HKD 7,612,609). For the purpose of this paragraph, the translation of AUD into USD is based on an average exchange rate of 0.8825 and 0.7475 and the translation of USD into HKD is based on an average exchange rate of 7.7609 and 7.7643 for the year ended 30 June 2010, and the year ended 30 June 2009, respectively.

The net asset value of BCI was AUD 38,995,476 (or approximately USD 33,017,470 or HKD 257,083,927) as at 30 June 2010, as reported in BCI's latest publicly disclosed audited financial statements for the financial year ended 30 June 2010. For the purpose of this paragraph, the translation of AUD into USD is based on the historical spot exchange rate of 0.8467 and the translation of USD into HKD is based on the historical spot exchange rate of 7.7863 for the year ended 30 June 2010.

The Directors believe that the total consideration is fair and reasonable and in the interest of Shareholders as a whole.

### **NOT A CONNECTED TRANSACTION**

As at the date of this announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of BCI and its/their respective beneficial owner(s) is a third party independent of the Company and is not a connected person of the Group.

### **PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

The Company is a limited liability company incorporated under the laws of the Cayman Islands whose Shares are listed on the HK Stock Exchange and are also traded on the OTC market (Freiverkehr) of the Frankfurt Stock Exchange. The Group operates as a diversified mining group focused, primarily, on the Asian region. Its principal assets are located in Yunnan Province and Inner Mongolia, China.

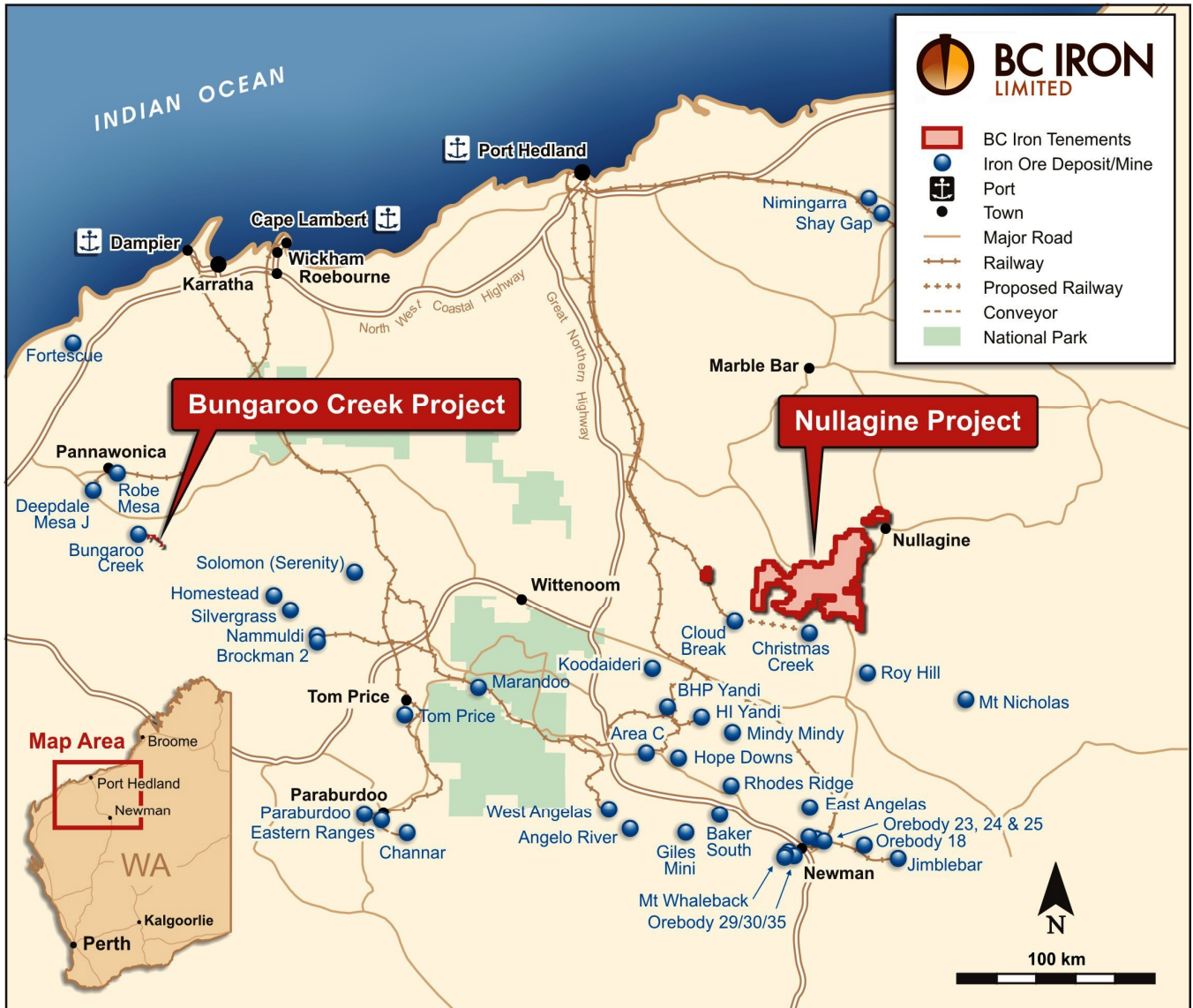


## PRINCIPAL BUSINESS ACTIVITIES OF BCI

### Project Description

As previously disclosed in the Company's announcements on 18 June 2009 and 10 November 2010, BCI (ASX code: BCI) is an emerging iron ore producer focused on Western Australia's world-class Pilbara region.

BCI's main project is a 50/50 joint venture with FMG in respect of the Nullagine Iron Ore Joint Venture project. The Nullagine Iron Ore Joint Venture project (or "NIOP") is situated approximately 300km from Port Hedland in Western Australia and 60km north of FMG's Chichester Hub, which comprises the Cloudbreak and Christmas Creek operations. The NIOP is principally comprised of three continuous districts, Bonnie Creek, Shaw River and Nullagine and initial mining will focus on the Bonnie Creek deposits. The figure below illustrates the location of the NIOP and BCI's 100% held early stage Bungaroo Creek Project in relation to other iron ore mineral deposits in the Pilbara Region of Western Australia.



The NIOP's principal activity is the mining of iron ore for sale into the seaborne market, principally into China. It is targeting to produce 35.6Mt over an 8.5 year period at a saleable 57% iron ore grade. BCI's iron ore fines product has undergone metallurgical test work in China that supports its high marketability when compared against its peer producers in the Pilbara. Iron ore sales are underpinned by a 20Mt offtake to Henghou Industries (Hong Kong) Limited and a 50% product sharing between BCI and neighbouring FMG in exchange for gaining infrastructure access. The 101.6Mt resource estimate (including 35.6Mt product) and surrounding iron ore outcrops offers upside for mine expansion and an extended mine life.

BCI has publicly stated that it forecasts its cash operating unit costs to be AUD 43/t life of mine, excluding Western Australian State Government royalties, marketing fees, and Aboriginal royalties.



The Nullagine Iron Ore Joint Venture plans to load its first ship of production iron ore in the first quarter of 2011. Production will be 1Mt by June 2011. Between July 2011 and June 2013 production will be at a rate of 3Mtpa. Thereafter the Nullagine Iron Ore Joint Venture will produce at 5Mtpa. 50% of these sales are attributable to BCI. Further upside beyond this is an opportunity that will be explored.

## Geology

The NIOP is defined as a series of channel iron deposits ("**CID**", more particularly defined in the "Definition" section of this announcement) of Tertiary age which form part of the broader Hamersley Basin of the Pilbara region, Western Australia. The project is geographically divided into three continuous districts of CID mineralisation, Bonnie Creek, Shaw River and Nullagine.

CID mineralisation is comprised of pisolites of goethite and haematite that have accumulated within palaeochannels in sequences of 15 to 20 meters in thickness. These palaeochannels have undergone subsequent iron enrichment and weathering and are exhumed as a series of outcropping mesas along a total strike length of up to 90 km within the NIOP.

The grade and quality of the CID mineralisation is sufficient to be considered as direct shipping ore ("**DSO**", more particularly defined in the "Definition" section of this announcement) that can be mined and sold directly to the seaborne iron ore market. The Pilbara hosts world class CID deposits such as Robe River Pannawonica and Yandicoogina that are currently in production.

## Mineral Resource Estimation and Ore Reserves

The Mineral Resource and Ore Reserve estimate for BCI has been compiled in accordance with JORC (2004) Guidelines and are summarised in the following tables, having been extracted from BCI's 2010 annual report, released to ASX on 18 October 2010. The Competent Person's Statement can be seen in the Appendix to this announcement. The tonnages shown are 100% of the NIOP of which 50% is attributable to BCI.

### Mineral Resource Estimate at 55% Fe cut-off DSO (Source: BCI Annual Report 2010)

Resource Class	Tonnage (Mt)	Fe%	CaFe%	SiO2%	Al2O3%	P%	S%	LOI %
Measured	1.7	57	64.8	3.49	2.15	0.018	0.016	12.0
Indicated	38.6	57	64.7	3.15	2.09	0.016	0.011	12.0
Inferred	10.4	57	64.8	3.27	2	0.013	0.01	12.1
<b>TOTAL DSO</b>	<b>50.7</b>	<b>57</b>	<b>64.8</b>	<b>3.19</b>	<b>2.07</b>	<b>0.015</b>	<b>0.011</b>	<b>12.0</b>

**Total CID Estimate at 50% Fe cut-off grade (Source: BCI Annual Report 2010)**

Resource Class	Tonnage (Mt)	Fe%	CaFe%	SiO2%	Al2O3%	P%	S%	LOI %
Measured	2.2	54.5	62.1	4.94	3.65	0.018	0.017	12.1
Indicated	68.8	54	61.8	4.48	3.08	0.017	0.011	12.7
Inferred	30.6	54.4	61.8	4.63	3.54	0.016	0.021	11.8
<b>TOTAL CID</b>	<b>101.6</b>	<b>54.1</b>	<b>61.8</b>	<b>4.54</b>	<b>3.23</b>	<b>0.017</b>	<b>0.015</b>	<b>12.4</b>

The Mineral Resource estimates stated above are inclusive of the Nullagine and Bonnie Creek deposits and do not include the Shaw River Deposit which is currently in early stage exploration. In the above Mineral Resource Tables, DSO is defined as Mineral Resource above a cut-off grade of 55% Fe. CID is Mineral Resource above a grade of 50%, inclusive of DSO.

The Measured and Indicated Resource formed the basis for the Ore Reserve estimate shown in the following table:

**Total Probable Ore Reserves (Source: BCI Annual Report 2010)**

Mining Area	Tonnage (Mt)	Fe%	CaFe%	SiO2%	Al2O3%	P%	S%	LOI %
Outcamp	19.2	56.8	64.7	3.2	1.9	0.01	0.01	12.2
Coongan	6	57	65.1	2.5	1.8	0.01	0.01	12.4
Warrigal	10.3	57	64.6	3.7	2.1	0.02	0.01	11.7
<b>TOTAL</b>	<b>35.6</b>	<b>56.9</b>	<b>64.7</b>	<b>3.2</b>	<b>2</b>	<b>0.02</b>	<b>0.01</b>	<b>12.1</b>

BCI has focused mineral exploration to date on the Nullagine and Bonnie Creek district in order to define a Mineral Resource sufficient to support the Ore Reserve and Feasibility Study. In 2011, exploration will be focused on testing new exploration targets, improving confidence to current Mineral Resources and converting existing Mineral Resource to Ore Reserve with the main purpose of extending mine life beyond 8.5 years. The Company sees opportunity in the near future in converting inferred DSO Mineral Resource to Ore Reserve.



## Nullagine Iron Ore Joint Venture

BCI formally approved development of this project in 2009, and formalised an agreement with FMG to establish the NIOP on a 50:50 basis to develop the project. The essence of the NIOP is that:

- BCI will manage the joint venture including responsibility for all mining operations and road haulage.
- FMG's subsidiary, The Pilbara Infrastructure Pty Ltd ("**TPI**"), is to provide rail haulage, port handling and ship loading facilities for the NIOP on commercial terms.
- BCI and FMG will jointly manage marketing and sales.
- BCI and FMG have each contributed AUD12.5 million to the NIOP. The remaining development costs were funded through project finance.

In light of the significant and JORC compliant Mineral Resource and Ore Reserve numbers in respect of the NIOP, the highly marketable nature of the iron ore, that the NIOP is now in production and about to load its first shipment of iron ore and the ongoing operational and management influence that BCI does already exert over the project, the Company is firmly of the view that BCI, the NIOP and other mining tenements are meaningful and significant. This is a truly transformational transaction for the Company and, if successful, will render the Company the first Hong Kong listed Pilbara iron ore producer. In addition, BCI, while the subject of the 50:50 joint venture, is the legal owner of all the project related mining tenements and is the manager and operator of the joint venture. With over 101.6Mt of JORC Mineral Resource of Pilbara DSO iron ore, this is undoubtedly meaningful and of sufficient size to justify a listing in its own right. This will be supported by the Chapter 18 competent person's report and valuation report to be included in the Circular.

## Mining and Processing

Mining at NIOP commenced in November 2010 with two Wirtgen 2500 surface miners. The open pit mining operation is simple and low-cost with the nature of the CID resulting in a low waste-to-ore average life of mine strip ratio of 1:1.

The inherent nature of surface miners yielding a coarse crushed run of mine ("**ROM**", more particularly defined in the "Definition" section of this announcement) ore requires a basic screening and crushing plant to size the ore for market. The plant has been installed and wet commissioning by a specialist third party contractor began from 18 December 2010. The operation is currently run on a single shift basis which provides sufficient redundancy in the initial 12 months of operation to allow effective commissioning of mining, process and haulage elements. The redundancy also provides sufficient scope for BCI to react and capitalise on opportunities that may become available via additional rail and port allocation.



The mining, crushing and screening operations have been contracted to specialist third parties who have a proven track record of mining and civil projects of similar scale. To date 63,000t of product ore have been stockpiled ready for first railing in January 2011.

## Logistics

BCI has secured a logistics solution for up to 5Mtpa with FMG via their rail and port facilities. The rail and port facilities have a nameplate capacity of 45Mtpa with an expansion project currently under construction to increase capacity to 60Mtpa. The NIOP is connected to FMG's Chichester Hub, Christmas Creek railhead and loading facility by a 55km bitumen heavy haulage road. The haul road is currently under construction with hauling to commence in February 2011, with subsequent bitumen seal to be applied in late March 2011. While under construction, ore is being hauled via the public road network to the railhead.

BC Iron's haulage contractor will haul the product iron ore using a fleet of specialised off highway 360t haul trucks to FMG's Christmas Creek railhead for transfer to FMG's port facilities at Port Hedland.

## Marketing

The Nullagine Iron Ore Joint Venture has signed an iron ore purchase agreement for 20Mt over 8.5 years with Henghou Industries (Hong Kong) Limited. The iron ore purchase agreement partner provided project finance of USD 50 million on an unsecured, interest free basis that is repayable in equal instalments over 5 years. BCI has assumed a repayment obligation in respect of 50 per cent. of this amount, with FMG assuming the remaining repayment obligations.

BCI will produce a fines iron ore DSO product that will be used as a premium sinter blend, which is critical to the steel making process. The key attributes of BCI's fines product is high calcined iron grade, low phosphorous and high Loss On Ignition ("**LOI**", more particularly defined in the "Definition" section of this announcement) that make the product highly marketable. The ore has a phosphorous content of 0.02%, which is extremely low by world standards. Phosphorous is an important diluent element controlled by iron ore marketers and Steel Mills in Asia.

World iron ore production doubled over the 10 years to 2009, but the expansion has been largely restricted to a few geographic regions. The two dominant exporting nations, Australia and Brazil, together contributed around 40% the global increase.



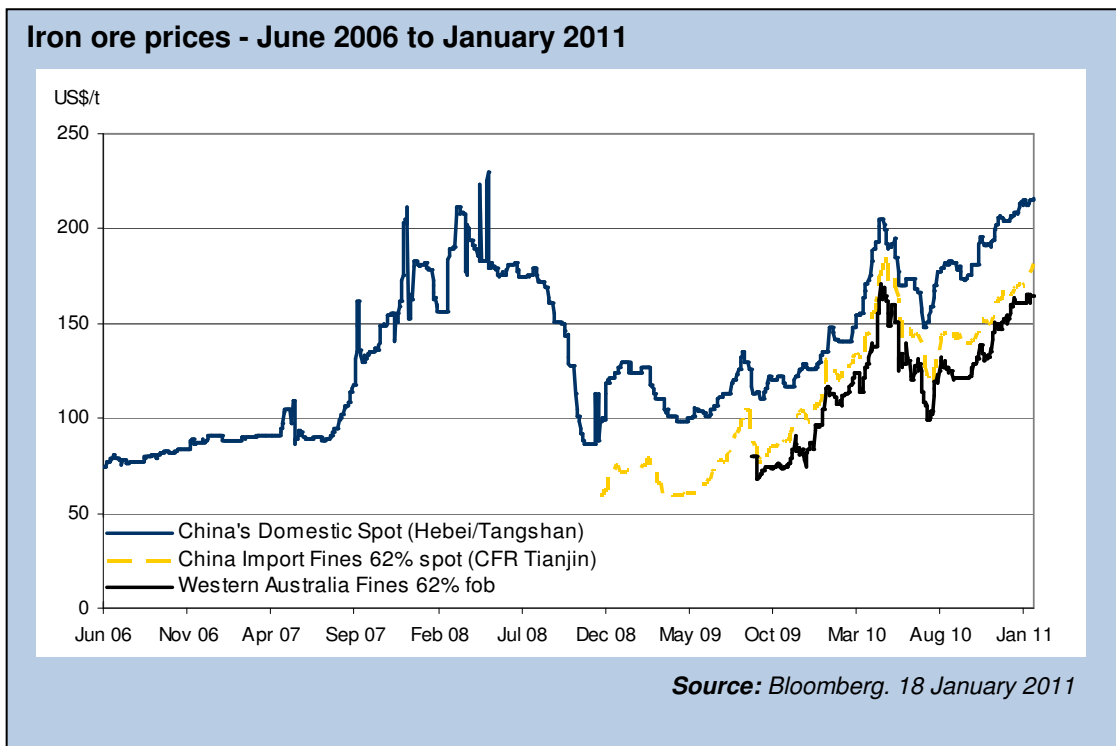
Iron ore pricing is generally quoted in one of two ways:

- a) based on a standardised unit, US cents per dry metric tonne unit (USc/dmtu), which is the price that would be paid for ore of 1% iron per dry tonne. Ore of 60% iron content would be priced at the USc/dmtu benchmark times 60; or
- b) quoted as USD/tonne, in which case the iron content of the ore would be specified.

In addition, iron ore prices are quoted with or without shipping costs being included as follows:

- a) free-on-board (“**FOB**”, more particularly defined in the “Definition” section of this announcement), shipping costs are not included; or
- b) cost-and-freight (“**CFR**”, more particularly defined in the “Definition” section of this announcement)), shipping costs to a specified port are included

Global demand for iron ore has increased significantly as the Chinese steel industry has expanded and world growth was strong. A slow response by the major producers limited supply and resulted in iron ore prices reaching record levels in 2008. Increased domestic production in China and the global financial crisis saw prices fall sharply in 2008 and recover slowly in 2009. As shown below, iron ore prices have experienced large price movements and volatility in recent periods:







## Financial Details

The open pit mining operation is simple and low-cost with the nature of the CID resulting in a low waste-to-ore average life of mine strip ratio of 1:1. Costs are largely forecast to be stable for the first five years due to their link to contracts and any future variation will largely rise and fall based on variation in consumable prices. Operating costs have been reviewed and are considered appropriate for the location and type of mining operation.

BCI has publicly stated that it forecast its cash operating unit costs at AUD 43/t life of mine, excluding Western Australian State Government royalties, marketing fees, and Aboriginal royalties.

The project is in advanced stages of development with mining operations underway. Capital expenditure to date has, in general, been in line with the forecasts in the Feasibility Study with AUD 9.5 million of allocated pre-production capital not yet been spent. This capital is principally for the completion of the 55 km haul road and the final fit-out of the camp facility. Production capital has been reviewed as part of the scope and is deemed appropriate for the project.

## Other Assets

The BC Iron Bungaroo Project is situated in the Bungaroo Creek area of the Pilbara in Western Australia. The Bungaroo Project comprises five Exploration Licences located 300 km west of NIOP. Potential mineralisation is located within the drainage system of the Bungaroo valley. Bounding country rocks are believed to be from the Archaean- Palaeoproterozoic Hamersley Group and include the Wittenoom and Mount Sylvia Formations, Mount McRae Shale and the Dales Gorge Member of the Brockman Iron Formation.

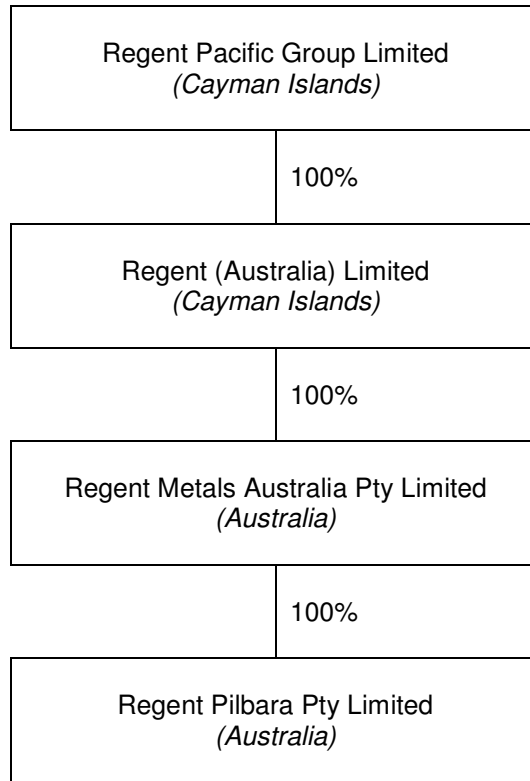
Tenements E47/1887-I, E47/1888-I, E47/1889-I, E47/1890-I and E47/1891-I were granted on 22 May 2009 and after ground survey and rock chip sample collection and analysis, are considered to be highly prospective for iron ore. In January 2011, 74 rock chip samples were taken with two of the five tenements (E47/1889 & 1890) showing a high level of Fe prospectively with outcropping CID similar to that of the Robe River Bungaroo Valley and Iron Ore Holdings (ASX:IOH) Buckland Hills. Exploration by IOH has recently confirmed a resource of 40Mt at the Buckland Hills prospect, in analogous ground to that held by BCI.

Further details about BCI can be found on its web site [www.bciron.com.au](http://www.bciron.com.au)



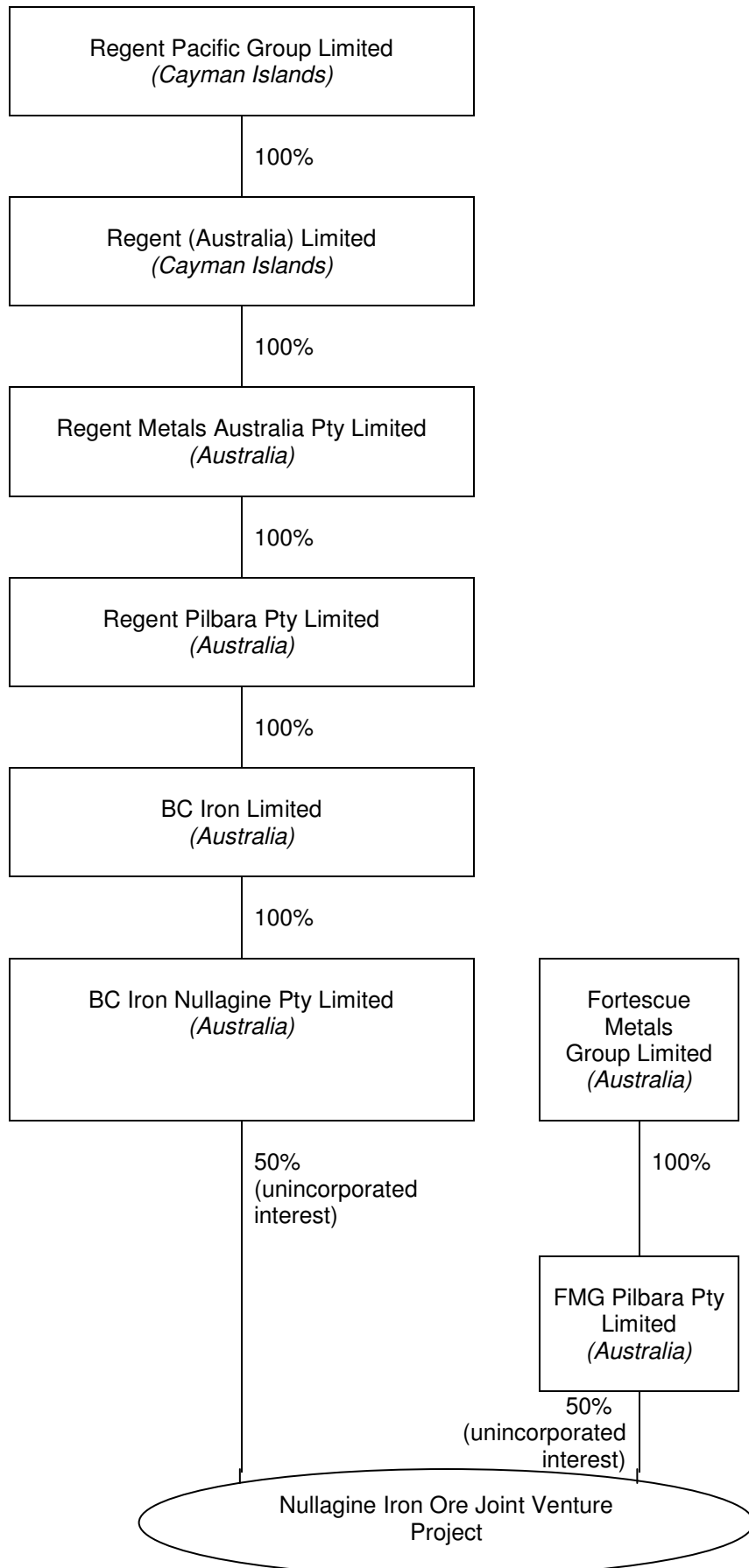
## STRUCTURE OF THE TRANSACTION

### Before completion





Upon completion





## EXPECTED TIMETABLE OF THE TRANSACTION

20 January 2011	Signing of the Scheme Implementation Agreement
28 February 2011	Despatch of the Circular
Early March 2011	First Court Date
Mid April 2011	EGM
Mid April 2011	Scheme Meeting
Late April 2011	Second Court Date
Early May 2011	Record Date
Early to mid May 2011	Scheme Implementation Date and Completion (subject to compulsory acquisitions)

This timetable is indicative only and is subject to change due to various factors, including regulatory approvals. The Company will notify Shareholders of any material change to the expected timetable if and when appropriate.

## VERY SUBSTANTIAL TRANSACTION

The Transaction, together with prior acquisitions of BCI Shares made within the past 12 months, constitutes a very substantial acquisition for the Company and is subject to reporting, announcement and shareholders' approval requirements under the HK Listing Rules.

Completion of the Transaction is conditional upon, *inter alia*, the approval of the Shareholders voting at the EGM.

## SOURCES OF FUNDS

The acquisition costs in respect of the BCI Shares and BCI Options under the Transaction will be paid from the existing cash reserves of the Company and from the Debt Facility.

In respect of the Debt Facility, the Company has, on 20 January 2011, executed a binding mandate letter with Standard Chartered Bank (Hong Kong) Limited, as lender and lead arranger, with material terms and conditions scheduled thereto, in respect of the provision of up to USD 155 million (or approximately HKD1,205 million) of debt finance for the purpose of the Transaction. It is contemplated that long form facility and security documentation will be in agreed form and executed prior to the despatch of the Circular and not later than the Second Court Date to approve both the Scheme. The binding mandate letter contains warranties and conditions precedent to draw down that are customary for a transaction of this nature, which will be replicated (for the most part) in the long form facility and security documentation. Subject to execution of the long form facility and security documentation, which the Company has a reasonable basis for believing will take place as soon as practicable following this



announcement, the Debt Facility will provide certainty of funding in respect of the facility amount for the duration of the Scheme. In any event, it is a condition to the SIA that the financing under the Debt Facility remains available through to the Implementation Date.

Regent Pilbara, will act as borrower to the Debt Facility, and the Company will act as guarantor.

Further particulars of the Debt Facility, together with the security to be provided to Standard Chartered Bank (Hong Kong) Limited, will be set out in the Circular.

In accordance with the SIA, BCI has agreed that any proceeds from the exercise of BCI Options prior to the Record Date will be ring-fenced by BCI with a view to these funds being available to the Company following the Implementation Date.

## **BACKGROUND TO AND REASONS FOR THE TRANSACTION**

The Company's stated strategy is to become Hong Kong's next major mid-tier mining house focused on bulk commodities, base metals and gold in the Asia-Pacific region. As a Hong Kong listed mining company, the Company aims to serve as a platform for growth and a cultivator of high quality, accretive mining assets across Asia-Pacific. To that effect, the Company has assembled a leading team of M&A, technical and project managers dedicated to maximizing value from existing assets and identifying new strategic opportunities for further development.

Consistent with this strategy, the Company currently holds significant equity positions in several promising mining companies, including a 19.87 per cent. shareholding in BCI as a result of its participation in various BCI share placements since June 2009, at prices ranging from AUD 1.10 to AUD 2.30 per BCI share.

Moreover, the Board has stated that, following the disposals of the Group's interests in both the Zhun Dong and Dapingzhang projects late last year (completion of which took place on 29 November 2010 and 2 December 2010, respectively), it would seek to deploy the disposal proceeds towards the acquisition of controlling and operational interests in exciting and compatible mining assets.

The Board has commissioned due diligence of BCI's operations. The work has been performed by qualified experts engaged by the Company in Australia and abroad. The scope of this due diligence process has been to critically assess, review and evaluate the commercial, technical, legal, financial and taxation matters associated with the Transaction and the Nullagine Iron Ore Joint Venture as a going concern.

The Board believes that the acquisition of 100 per cent. of BCI's share capital will add a high quality asset to the Company which will serve as a key platform for growth in the iron ore sector.



Based on its insights as BCI's second largest shareholder and the recent due diligence review of the commercial, technical, legal, financial and taxation aspects of BCI's operations, the Board believes that the Transaction will deliver significant value to the Company, as follows:

- The Transaction will establish the Company as a relevant player in the Pilbara iron ore market, joining the Company to a select group of iron ore producing companies in the near future;
- The Transaction will enhance and diversify the Company's exposure to the suite of natural resources which feeds the China growth story, the key macro-economic force to underpin the positive outlook for iron ore demand, and in particular Pilbara iron ore;
- The combination of BCI's technical and operational expertise in iron ore and the Company's project management and development skills across various asset classes is well positioned to progress and/or expand BCI's asset base on an accelerated basis, especially in conjunction with the Company's solid financial position (particulars in respect of the management expertise of BCI management to be set out in the Circular);
- Specifically, BCI's 50 per cent. stake in the Nullagine Iron Ore Joint Venture project represents an attractive investment, for the following reasons (see Section "Principal Business Activities BCI" for more details):
  - It produces a high quality, very low phosphorous, high calcined iron grade DSO product with encouraging sintering characteristics;
  - The mine is characterised by its low capital intensity, a flat-lying, and outcropping resource with a low strip ratio of 1:1 for the life of mine;
  - Critical access to infrastructure is secured, following the announced joint venture with FMG and its related infrastructure subsidiary (The Pilbara Infrastructure Pty Ltd);
  - Mining has already commenced (in November 2010), with the first shipment of iron ore to take place in the first quarter of 2011, and production expected to steadily increase thereafter; and
  - Potential to increase ore Reserves and further exploration upside (both at Nullagine and Bungaroo); and
- The Transaction will be earnings accretive in the first full financial year after completion.

The Board considers the Transaction to be on normal commercial terms and in the ordinary and usual course of business of the Company. The Board believes that the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Following completion of the Transaction, the Company will retain BCI's current management team and will not disrupt the Nullagine Iron Ore Joint Venture project or the existing and strategically important relationship between BCI and FMG. In this context, the Board wishes to note that none of BCI's material contracts, including its joint venture with FMG and associated



infrastructure arrangements, nor iron ore sales agreements, will be affected by the change of control of BCI resulting from implementation of the Scheme.

To BCI's shareholders and optionholders, the Company believes that the Transaction represents an attractive opportunity to realise certain and immediate value for their investment, as the cash offer price of AUD 3.30 implies attractive premia as set out in the section "Scheme Implementation Agreement".

The Board notes that each of BCI's directors, including Mr. Glenn Baldwin who is the nominee for BCI's largest shareholder Consolidated Minerals Pty Ltd, has recommended that BCI shareholders and optionholders vote in favour of the Scheme in the absence of a superior proposal, and subject to a favourable Independent Expert's Report.

## **GENERAL**

The Circular containing, among other things, further details of the Transaction, and notice of the EGM, will be despatched to the Shareholders as soon as practicable and by 28 February 2011.

Pursuant to the HK Listing Rules, the Company is required to set out in the Circular, among other things, an accountant's report on the BCI Group setting out financial information for at least the last three years completed financial years and any additional interim period ended within six months from the date of the Circular, a property valuation report, an indebtedness statement of the Enlarged Group, a working capital sufficiency statement of the Enlarged Group, a competent person's report on the estimated Ore Reserves owned by BCI, a valuation report on the mineral assets of BCI, details of any material litigation of which BCI is a party or otherwise enjoined and any material contracts of BCI.

In addition, the Company will include a "Risk Factor" section in the Circular that identifies both the specific and general risks that it considers relevant to Shareholders and investors alike in respect of the Transaction and BCI's interest in the Nullagine Iron Ore Joint Venture project, with regard to Guidance Note 7 in the HK Listing Rules on suggested risk analysis.

The Company will issue further announcements informing Shareholders and potential investors about the progress being made in respect of the Transaction as and when appropriate or required.

At the request of the Company, trading in the Shares has been suspended on the HK Stock Exchange from 9.30 a.m. on 19 January 2011 pending release of this announcement. An application has been made to the HK Stock Exchange for resumption of trading in the Shares on the HK Stock Exchange with effect from 9.30 a.m. on 21 January 2011.



**Shareholders and potential investors should note that the Transaction and SIA are subject to conditions to be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings unless the context require otherwise:

<b>“ASIC”</b>	the Australian Securities and Investments Commission
<b>“ASX”</b>	ASX Limited (ACN 008 624 691)
<b>“AUD”</b>	Australian dollars, the lawful currency of Australia
<b>“Australian Announcement”</b>	the announcement made or to be made by BCI on ASX on the date hereof or before market opening tomorrow in respect of the Transaction
<b>“BCI”</b>	BC Iron Limited (ABN 120 646 924), a limited liability company incorporated in Australia whose securities are listed on the ASX
<b>“BCI Group”</b>	BCI and its subsidiaries
<b>“BCI Options”</b>	the options to acquire BCI Shares
<b>“BCI Shares”</b>	the fully paid ordinary shares in the capital of BCI
<b>“Board”</b>	the board of directors of the Company
<b>“Business Day”</b>	a day which is not a Saturday, Sunday or a public holiday in Hong Kong or Perth, Western Australia
<b>“CFR”</b>	an Incoterm (meaning an international sales term) used where the seller must pay the cost to bring goods to a destination (including ship loading) before the risk and cost of insurance transfers to the buyer
<b>“China” or “PRC”</b>	Peoples’ Republic of China





<b>“CID”</b>	channel iron ore deposit, being pisolitic goethite-hematite iron mineralisation that occurs within meandering palaeochannels
<b>“Circular”</b>	the very substantial acquisition circular to be issued by the Company to Shareholders in relation to the Transaction pursuant to the HK Listing Rules
<b>“Company”</b>	Regent Pacific Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the HK Stock Exchange and are also traded on the OTC market (Freiverkehr) of the Frankfurt Stock Exchange
<b>“Completion”</b>	the completion of the Transaction
<b>“connected person(s)”</b>	shall have the meaning defined in Chapter 14A of the HK Listing Rules
<b>“Corporations Act”</b>	the Australian Corporations Act 2001 (Cth)
<b>“Debt Facility”</b>	the provision of up to USD 155 million (or approximately HKD1,205 million) of debt finance, evidenced by the binding mandate letter executed on 20 January 2011 between Regent Pilbara, as borrower, the Company, as guarantor, and Standard Chartered Bank (Hong Kong) Limited, as lender and lead arranger, to be further consummated in long form facility and security documentation prior to the Second Court Date
<b>“Director(s)”</b>	the directors of the Company
<b>“DSO”</b>	Direct Shipping Ore, a term used for iron ore that does not require process beneficiation in order to be of marketable quality and is simply crushed and screened to an appropriate size
<b>“Effective”</b>	when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the relevant Australian court made under section 411(4)(b) of the Corporations Act in relation to the Scheme
<b>“Effective Date”</b>	the date on which the Scheme becomes Effective



<b>“EGM”</b>	an extraordinary general meeting of the Company to be held to consider and approve the Transaction, the details of which will be set out in the Circular
<b>“Enlarged Group”</b>	the Group and the BCI Group
<b>“First Court Date”</b>	the first day of hearing of an application made to the relevant Australian court for orders pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing
<b>“FMG”</b>	Fortescue Metals Group Limited (ABN 57 002 594 872), a limited liability company incorporated in Australia whose securities are listed on the ASX
<b>“FOB”</b>	Free On Board, an Incoterm (meaning an international sales term) used where the seller must clear the goods for export and load the goods on board the ship nominated by the buyer before the cost and risk is passed to the buyer
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK Listing Rules”</b>	The Rules Governing the Listing of Securities on the HK Stock Exchange, as amended from time to time
<b>“HK Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“HKD”</b>	Hong Kong dollars, the lawful currency in Hong Kong
<b>“Implementation Date”</b>	the date which is five Business Days after the Record Date or such other date as BCI and the Company agree in writing
<b>“JORC Code”</b>	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time
<b>“LOI”</b>	Loss On Ignition, a geometallurgical term used to describe the amount of moisture and volatiles emitted from a rock



sample through heating to 1000°C by Thermo Gravimetric Analysis. LOI percentage is used in the calculation to determine Calcined Iron Content (CaFe%) according to the formula  $CaFe = Fe\% / (100 - LOI\%) * 100$ . CaFe is a key measure of Iron Ore quality

**"Mineral Resource"**

Mineral Resources reported under the JORC Code

**"Mt"**

million tonnes

**"Nullagine Iron Ore Joint Venture" or "NIOP"**

the Nullagine iron ore joint venture project held between BCI, as to 50 per cent., acting through BC Iron Nullagine Pty Ltd (a wholly owned subsidiary of BCI), and FMG, as to the remaining 50 per cent., acting through FMG Pilbara Pty Ltd (a wholly owned subsidiary of FMG)

**"Option Consideration"**

the consideration for the acquisition or agreed lapsing of each granted and outstanding BCI Option payable or deliverable to the BCI optionholders in connection with the SIA and the private treaty arrangements contemplated therein, being the equivalent of the 'see-through' price representing the difference between AUD 3.30 (approximately USD 3.31 or HKD 25.74) and the applicable exercise price of the relevant and outstanding BCI Option

**"Ore Reserve"**

Ore Reserves reported under the JORC Code

**"Record Date"**

the date which is five Business Days after the Effective Date

**"ROM"**

run of mine, a term used to describe the quantity and quality of ore that is extracted directly from the mining operation for intended processing or direct sales purposes

**"Regent Pilbara"**

Regent Pilbara Pty Limited (ACN 147 787 380), a wholly and indirectly owned subsidiary of the Company incorporated in Australia

**"Scheme"**

the proposed acquisition by the Company, through Regent Pilbara, on the Implementation Date of the issued BCI Shares not already owned by the Company and/or Regent Pilbara as



at the Record Date by way of a scheme of arrangement under section 411 of the Corporations Act, for the payment of the Scheme Consideration

<b>“Scheme Consideration”</b>	the consideration for the acquisition of each issued and to be issued BCI Share as at the Record Date payable or deliverable to the BCI shareholders pursuant to the SIA and the Scheme, being AUD 3.30 (approximately USD 3.31 or HKD 25.74) for each BCI Share held
<b>“Scheme Meeting”</b>	the meeting to be convened by the relevant Australian court in relation to the Share Scheme pursuant to section 411(1) of the Corporations Act
<b>“Second Court Date”</b>	the first day of hearing of an application made to the relevant Australian court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing
<b>“Shareholder(s)”</b>	the holders of the Shares
<b>“Share(s)”</b>	the ordinary shares, with voting rights, of USD 0.01 each in the capital of the Company, which are listed on the HK Stock Exchange and are also traded on the OTC market (Freiverkehr) of the Frankfurt Stock Exchange
<b>“SIA”</b>	the scheme implementation agreement entered into between the Company, Regent Pilbara and BCI on 20 January 2011, pursuant to which the terms and method of implementation of the Transaction, by way of the Scheme and the associated private treaty arrangements in respect of BCI Options, have been agreed (a summary of which is set out herein)
<b>“Tertiary”</b>	a division of geological time scale spanning the interval between about 65.5 and 2.6 million years ago
<b>“TPI”</b>	The Pilbara Infrastructure Pty Ltd
<b>“Transaction”</b>	a takeover, pursuant to the SIA, by the Company, through Regent Pilbara, of all the issued BCI Shares and granted BCI



Options not already owned by the Company and/or Regent Pilbara as at the Record Date, by way of the Scheme under section 411 of the Corporations Act and the associated private treaty arrangements in respect of BCI Options

**“USD”** United States dollars, the lawful currency in the United States

Note: Unless otherwise specified herein, (i) amounts denominated in AUD have been translated, for the purpose of illustration only, into USD using the exchange rate of AUD 1.00 = USD 1.0029; and (ii) amounts denominated in USD have been translated, for the purpose of illustration only, into HKD using the exchange rate of USD 1.00 = HKD 7.7769.

On Behalf of the Board of  
**Regent Pacific Group Limited**

Jamie Gibson  
*Director*

**Directors of the Company:**

James Mellon (*Co-Chairman*)<sup>\*</sup>  
Stephen Dattels (*Co-Chairman*)<sup>\*</sup>  
Jamie Gibson (*Chief Executive Officer*)  
David Comba<sup>#</sup>  
Julie Oates<sup>#</sup>  
Mark Searle<sup>#</sup>  
Jayne Sutcliffe<sup>\*</sup>

<sup>\*</sup> *Non-Executive Directors*

<sup>#</sup> *Independent Non-Executive Directors*

Hong Kong, 20 January 2011



## **APPENDIX COMPETENT PERSON'S STATEMENT**

The following Competent Person's Statement is derived from the BCI 2010 Annual Report and the Company has received the consent from Mr. Michael Young, the Managing Director of BCI, to its inclusion in this announcement.

*The information that relates to the Mineral Resource Estimate at Outcamp, Warrigal Well, and Coongan Well has been compiled by Mr Richard Gaze who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Golder Associates and Mr Mike Young who is a member of the Australian Institute of Geoscientists and Director of BCI. Messrs Gaze and Young 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'.*

*The information that relates to the Mineral Resource Estimate at Bonnie East and Shaw River have been compiled by Mr Greg Hudson who is a member of the Australian Institute of Geoscientists and an employee of BCI, and Mr Mike Young who is a member of the Australian Institute of Geoscientists and Director of BCI. Messrs Hudson and Young 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 Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.*

*The information that relates to the Ore Reserve has been compiled by Mr Blair Duncan who is an employee of BCI and a member of the Australasian Institute of Mining and Metallurgy, and Mr Pieter Doelman who is a member of the Australasian Institute of Mining and Metallurgy and an employee of Coffey Mining Pty Ltd. Both Mr Duncan and Mr Doelman 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'.*