

22 August 2014

The Manager  
Company Announcements Office  
ASX Limited

Dear Sir/Madam

**Takeover bid by BC Iron Limited for Iron Ore Holdings Ltd  
Bidder's statement**

We attach, by way of service pursuant to item 5 of subsection 633(1) of the *Corporations Act 2001* (Cth), a copy of BC Iron Limited's ABN 21 120 646 924 (BC Iron) bidder's statement in relation to BC Iron's off market takeover bid for all the ordinary shares in Iron Ore Holdings Ltd ABN 17 107 492 517.

Yours sincerely



ANTHEA BIRD  
COMPANY SECRETARY



# BC IRON LIMITED

## BIDDER'S STATEMENT

containing an Offer by

**BC Iron Limited**

ABN 21 120 646 924

to purchase all of your ordinary shares in

**Iron Ore Holdings Ltd**

ABN 17 107 492 517

For each of your IOH Shares, you will receive 0.44 BC Iron Shares and A\$0.10 cash.



## ACCEPT

The IOH directors have unanimously recommended that you **ACCEPT** the Offer in the absence of a superior proposal.

This is an important document and requires your immediate attention. If you are in any doubt about how to deal with this document, you should contact your broker financial adviser or legal adviser immediately.

Financial Adviser



Azure Capital

Legal Adviser



HERBERT  
SMITH  
FREEHILLS

# IMPORTANT NOTICES

## Nature of this document

This Bidder's Statement is issued by BC Iron Limited ABN 21 120 646 924 (**BC Iron**) under Part 6.5 of the *Corporations Act 2001* (Cth).

A copy of this Bidder's Statement was lodged with ASIC on 22 August 2014. Neither ASIC nor its officers takes any responsibility for the content of this Bidder's Statement.

## Investment advice

In preparing this Bidder's Statement, BC Iron has not taken into account the individual objectives, financial situation or needs of individual IOH shareholders. Accordingly, before making a decision whether or not to accept the Offer, you may wish to consult with your financial or other professional adviser.

## Disclaimer as to forward looking statements

Some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which IOH and BC Iron and the members of the IOH Group and BC Iron Group operate as well as general economic conditions, prevailing exchange rates and interest rates, and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of BC Iron, the officers or employees of BC Iron, any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

## Disclaimer as to IOH and Combined Group information

The information on IOH, IOH's securities and the IOH Group contained in this Bidder's Statement has been prepared by BC Iron using publicly available information and limited information made available to BC Iron by IOH.

The information in this Bidder's Statement concerning IOH and the assets and liabilities, financial position and performance, profits and losses and prospects of the IOH Group has not been independently verified by BC Iron. Accordingly BC Iron does not, subject to the Corporations Act, make any representation or warranty, express or

implied, as to the accuracy or completeness of such information.

The information on the Combined Group contained in this Bidder's Statement, to the extent that it incorporates or reflects information on IOH and the IOH Group, has also been prepared using publicly available information and limited information made available to BC Iron by IOH. Accordingly, information in relation to the Combined Group is subject to the foregoing disclaimer to that extent.

Further information relating to IOH's business may be included in IOH's Target's Statement which IOH must provide to its shareholders in response to this Bidder's Statement.

## Foreign jurisdictions

The distribution of this Bidder's Statement in jurisdictions outside Australia may be restricted by law, and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Bidder's Statement does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify BC Iron or to otherwise permit a public offering of BC Iron Shares outside Australia. BC Iron Shares have not been, and will not be, registered under the United States Securities Act of 1933 (**Securities Act**) and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

## Privacy

BC Iron has collected your information from the IOH register of shareholders for the purpose of making this Offer and, if accepted, administering a record of your acceptance of BC Iron's Offer for your holding of IOH Shares. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to BC Iron's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. The registered address of BC Iron is Level 1, 15 Rheola Street, West Perth, Western Australia 6005.

## Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 13 of this Bidder's Statement, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

## Key Dates

Date of this Bidder's Statement	22 August 2014
Date of Offer	25 August 2014
Offer closes (unless extended or withdrawn)	5:00 pm (Australian Western Standard Time) on 30 September 2014

## Key Contacts

### Share registrar for the Offer

Computershare Investor Services Pty Limited  
Level 2  
45 St Georges Terrace, Perth WA 6000

### BC Iron Offer Information Line\*

1800 237 687 (from within Australia)  
+61 1800 237 687 (from overseas)

\*Calls to these numbers may be recorded.

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## CHAIRMAN'S LETTER

21 August 2014

Dear Shareholders

### Takeover bid for Iron Ore Holdings Ltd

On 11 August 2014, BC Iron and IOH announced a recommended offer by BC Iron for all shares in IOH (**Offer**). Under the Offer, BC Iron is offering IOH shareholders 0.44 new BC Iron Shares and \$0.10 in cash for each IOH Share held. Using the volume weighted average price (**VWAP**) of BC Iron Shares over the 60-day period up to and including close of trade on 8 August 2014,<sup>1</sup> the Offer valued your IOH Shares at \$1.59 each. This is a significant 79% premium to the IOH 60-day VWAP.

The Offer to IOH shareholders is consistent with BC Iron's stated strategy of the measured pursuit of iron ore growth opportunities in the Pilbara.

I am pleased to advise that the Offer is unanimously recommended by the directors of IOH, in the absence of a superior proposal, and that all directors of IOH intend to accept, or procure the acceptance of, the Offer in respect of any IOH Shares that they control, in the absence of a superior proposal.

In addition, IOH has been advised by its major shareholder, Australian Capital Equity Pty Ltd (**ACE**) (through its subsidiary, Wroxby Pty Ltd), that it intends to accept the Offer in respect of all IOH Shares held or controlled by it (approximately 52.7% of all IOH Shares on issue) within 14 business days of the Offer opening, in the absence of a superior proposal.

On the following pages, we have set out why the BC Iron Board believes that a combination of BC Iron and IOH will generate strong value for all shareholders in the future.

In summary, we believe that the transaction will strengthen BC Iron's Pilbara presence, and create a leading mid-cap iron ore company with:

- An attractive and complementary portfolio of production and development iron ore assets in the Pilbara region of Western Australia, including a 75% interest in the operating Nullagine Joint Venture, the under-construction Iron Valley mine, and the advanced development-stage Buckland project;
- Combined DSO / CID Ore Reserves of 294.0 Mt at 58.0% Fe, DSO / CID Mineral Resources of 626.5 Mt at 56.8% Fe, and magnetite Mineral Resources of 1.1 Bt at 30.4% Fe;<sup>2</sup>
- A strong financial position, with operating cash flows from Nullagine and imminent expected cash flows from Iron Valley;
- Proposed mine-to-port infrastructure in the emerging West Pilbara region, comprising a private haul road and a transshipment facility at Cape Preston East, with the capacity to carry both Buckland and potential third party tonnages;
- A combined Board and management team with a proven track record of value creation and returns for shareholders; and
- A multi-decade growth path for all shareholders.

<sup>1</sup> The last trading day prior to the date of announcement of the Offer.

<sup>2</sup> See further sections 2.4, 4.1, 11.7 and 11.8 of this Bidder's Statement.

<b>BC Iron Limited</b>	Level 1, 15 Rheola Street	GPO Box 2811	T +61 8 6311 3400	E info@bciron.com.au
ABN 21 120 646 924	West Perth WA 6005	West Perth WA 6872	F +61 8 6311 3449	W www.bciron.com.au



On successful completion of the Offer, current IOH security holders will own approximately 36.6% of the Combined Group. So, by accepting the Offer, IOH shareholders will retain meaningful exposure to IOH's projects, whilst also enjoying the benefits of being shareholders in a larger company with improved growth prospects and greater ability to fund the development of the Buckland project.

I encourage you to read this Bidder's Statement carefully and accept the Offer without delay. If you require additional assistance, please contact the Offer information line on 1800 237 687 (for callers in Australia) or +61 1800 237 687 (for callers outside Australia), or consult your professional or financial adviser.

On behalf of my fellow directors, we very much look forward to welcoming you as a new shareholder in BC Iron.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Anthony Kiernan".

**Anthony Kiernan**  
Chairman

## WHY YOU SHOULD ACCEPT THE OFFER

This section sets out some of the reasons why the BC Iron Board believes IOH shareholders should accept the Offer. You should read this Bidder's Statement in full, together with the Target's Statement that will be separately sent to you by IOH, before deciding whether or not to accept the Offer.

In summary:

- 1 The Offer represents a significant premium to recent prices for IOH Shares**
- 2 If the Offer is successful, you will acquire an interest in BC Iron, a profitable S&P/ASX200 iron ore mining company**
- 3 You will retain meaningful exposure to IOH's assets, whilst becoming part of a larger group with an attractive portfolio of production and development assets located predominantly in the Pilbara region of Western Australia**
- 4 You will benefit from the Combined Group's improved funding capability, increased capital markets presence and higher liquidity**
- 5 You will benefit from the Combined Group's experienced Board and management team, who collectively have a track record of successful mine development and other means of value realisation from assets in the Pilbara**
- 6 IOH's major shareholder has stated an intention to accept the Offer in the absence of a superior proposal**
- 7 There are no competing offers for your IOH Shares at this time**
- 8 The trading price of IOH Shares may fall if the Offer is unsuccessful**
- 9 You may have potential access to capital gains tax relief**

Further details of these reasons are set out below.

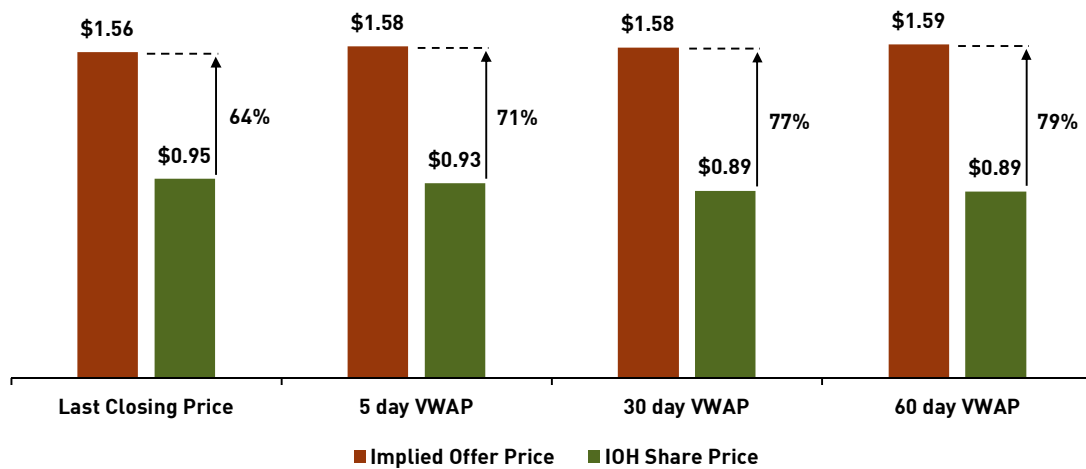
## The Offer represents a significant premium to recent trading levels

Under the Offer, you will receive 0.44 new BC Iron Shares and \$0.10 in cash for each IOH Share held.

Using the VWAP of BC Iron Shares over the 60-day period up to and including close of trade on 8 August 2014 (being the last trading day prior to the Announcement Date) of \$3.39 per share, the Offer valued your IOH Shares at \$1.59 per share.

This represents a significant premium of 79% to the VWAP of IOH Shares over the same 60-day period of \$0.89 per share.

As shown in the chart below, the Offer represents a substantial premium to the trading price of IOH Shares over a range of time periods prior to close of trade on the Announcement Date.



Source: Bloomberg.

Since the announcement of the Offer, BC Iron's Share price has traded lower by 9% and, as at close of trade on 21 August 2014, the Offer now values your IOH Shares at A\$1.42 per share. You should note that continued market fluctuations in the price of BC Iron Shares will continue to favourably or adversely impact the implied value of the Offer.

## If the Offer is successful, you will acquire an interest in BC Iron, a profitable S&P/ASX200 iron ore mining company

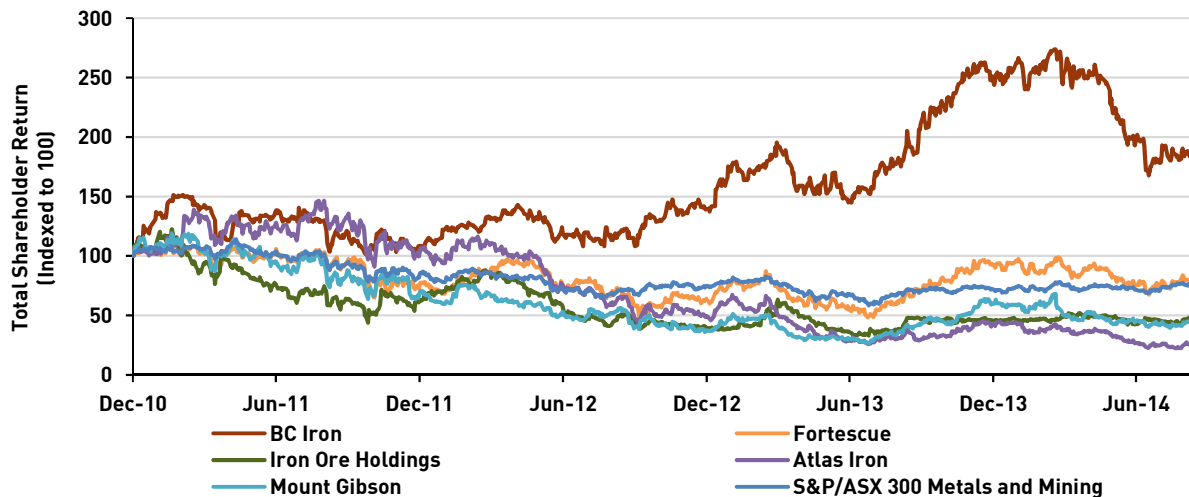
BC Iron's primary asset is a 75% joint venture interest in the Nullagine Joint Venture, an integrated iron ore mining and export operation in the East Pilbara region of Western Australia. BC Iron's 25% joint venture partner is Fortescue Metals Group Limited (ASX: FMG) (**Fortescue**). BC Iron is the operator and manager of the joint venture, whilst Fortescue facilitates the export of iron ore via its rail and port infrastructure, and the provision of marketing services.

Since mining commenced at the Nullagine Joint Venture in November 2010, BC Iron has operated the joint venture safely and profitably, exporting in excess of 15 million wmt,<sup>3</sup> and increasing its initial 50% joint venture interest to 75% through the acquisition of an additional 25% interest from Fortescue in December 2012.

3 On a 100% basis.



Over the same period, BC Iron has generated Total Shareholder Returns of approximately 80%,<sup>4</sup> including the payment of a total of \$0.67 per BC Iron Share in fully franked dividends,<sup>5</sup> outperforming its iron ore peers and the ASX 300 Metals and Mining index as shown in the chart below.



**Note:** Calculated from 1 December 2010 to 8 August 2014, indexed to 100. Includes the net value of franked dividends as at dividend ex-date. Excludes expected final dividend of \$0.15 per BC Iron Share for FY14. Source: Bloomberg.

The Nullagine Joint Venture is a fully contracted operation, and enjoys favourable cash operating costs with well established product quality. An overview of the key historical operating statistics of the Nullagine Joint Venture and BC Iron's historical financial performance is shown in the table below.

Year ended 30 June	2011	2012	2013	2014
<b>Nullagine Joint Venture</b>				
Tonnes mined (m dmt)	0.6	3.5	5.0	5.7
Tonnes shipped (m wmt)	0.3	3.6	5.0	5.8
FOB C1 cash operating cost (A\$/wmt)	Not reported	54	49	52
<b>BC Iron summary financial performance</b>				
Sales revenue (A\$m)	17.1	202.9	324.0	466.2 <sup>1</sup>
EBITDA (A\$m)	(1.4)	68.8	111.7	152.3 <sup>1</sup>
Profit after income tax from continuing operations (A\$m)	1.0	50.6	48.8	73.6 <sup>1</sup>

**Notes to table:**

<sup>1</sup> Summary financial information for the year ended 30 June 2014 is unaudited. BC Iron anticipates releasing audited consolidated statements of financial performance for the year ended 30 June 2014 on 27 August 2014.

<sup>4</sup> Measured from 1 December 2010 to close of trade on 8 August 2014, the date before the Announcement Date. Includes the net value of franked dividends paid out by BC Iron over this time period.

<sup>5</sup> This excludes the expected final dividend for FY14 of \$0.15 per BC Iron Share.

In the year ending 30 June 2015, the Nullagine Joint Venture is expected to produce and sell between 5.8 – 6.2 million wmt of iron ore fines, at C1 cash operating costs of approximately \$49 – 53 / wmt FOB, and total costs (including royalties, marketing and corporate costs) of approximately \$60 – 68 / wmt. Further information about recent operations is set out in section 2.4.

Based on Ore Reserves as at 31 December 2013 of 33.3 Mt at 57.1% Fe (100% basis), the Nullagine Joint Venture has a remaining mine life of approximately 5 years. BC Iron is assessing extensions to this through the potential beneficiation of lower grade ore with grades between 50 – 55% Fe. See section 2.4 of this Bidder's Statement for further information.

### **As a shareholder in BC Iron, you will retain a meaningful exposure to IOH assets, whilst becoming part of a larger group with an attractive portfolio of production and development assets located predominantly in the Pilbara region of Western Australia**

If the Offer is successful, current IOH shareholders and option holders will own approximately 36.6%<sup>6</sup> of the Combined Group.

The Combined Group will be a larger, more diversified group with an attractive and complementary portfolio of iron ore production and development assets that includes:

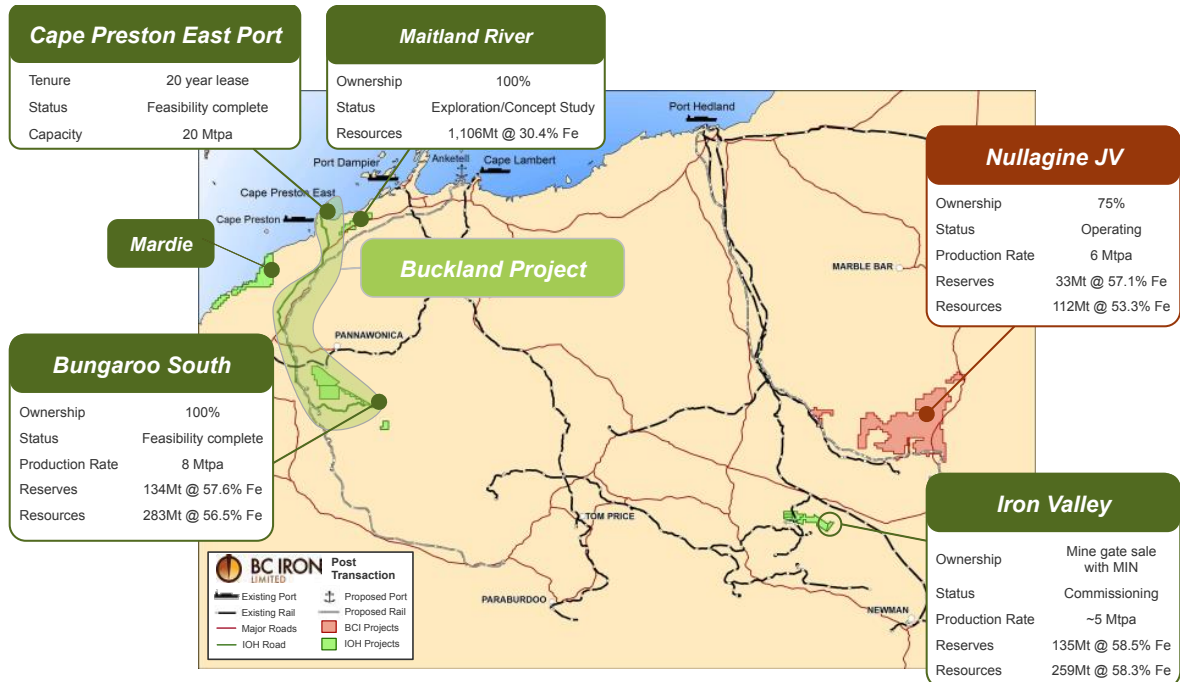
- **Nullagine Joint Venture:** A 75% joint venture interest in the operating Nullagine Joint Venture (as described above);
- **Iron Valley:** An under-construction mine with Ore Reserves of 134.7 Mt at 58.5% Fe that is expected to start generating cash flows to IOH in the quarter ending 30 September 2014, via an existing mine gate sale agreement between IOH (the seller) and Mineral Resources Limited (ASX: MRL) (**MIN**) (the purchaser);
- **Buckland:** An iron ore development project with Ore Reserves of 134.3 Mt at 57.6% Fe, a completed and announced Feasibility Study, its own proposed mine-to-port infrastructure comprising a haul road and transshipment port at Cape Preston East, and all primary tenure and licences secured; and
- **Other Assets:** including a portfolio of royalty interests on certain tenements in the Pilbara, a number of early stage exploration projects located in the Pilbara, and a 50% interest in an exploration alliance with Cleveland Mining Company Limited (ASX: CDG) (**Cleveland**) that is currently entitled to earn up to 80% in a number of exploration projects in Brazil.

The Combined Group will have combined DSO / CID Ore Reserves of 294.0 Mt at 58.0% Fe and DSO / CID Mineral Resources of 626.5 Mt at 56.8% Fe, as well as 1.1 Bt at 30.4% Fe of magnetite Mineral Resources.<sup>7</sup>

<sup>6</sup> Assumes 100% acceptances under the Offer and 100% acceptances of private offers by BC Iron for Options (as described in section 11.1 of this Bidder's Statement).

<sup>7</sup> Ore Reserves and Mineral Resources are stated on an attributable basis. DSO is Direct Shipping Ore, which is considered to be an ore type which does not require significant beneficiation (upgrading) before it is usable feedstock in the sinter or iron making processes. CID is Channel Iron Deposit. See sections 11.7 and 11.8 of this Bidder's Statement for important notices regarding the presentation of Ore Reserves and Mineral Resources.

The diagram below shows the location of the Combined Group's Pilbara assets.



## As a shareholder in BC Iron, you will benefit from the Combined Group's improved funding capability, increased capital markets presence and higher liquidity

If the Offer is successful, the Combined Group will have:

- Unaudited pro-forma cash and debt as at 30 June 2014 of approximately A\$190m<sup>8</sup> and A\$52m<sup>9</sup> respectively (net cash of approximately A\$138m);
- Continued generation of cash flow from its 75% interest in the Nullagine Joint Venture (subject to prevailing iron ore prices and the AUD:USD exchange rate); and
- Imminent expected cash flows from IOH's mine gate sale agreement with MIN in respect of the under-construction Iron Valley mine.

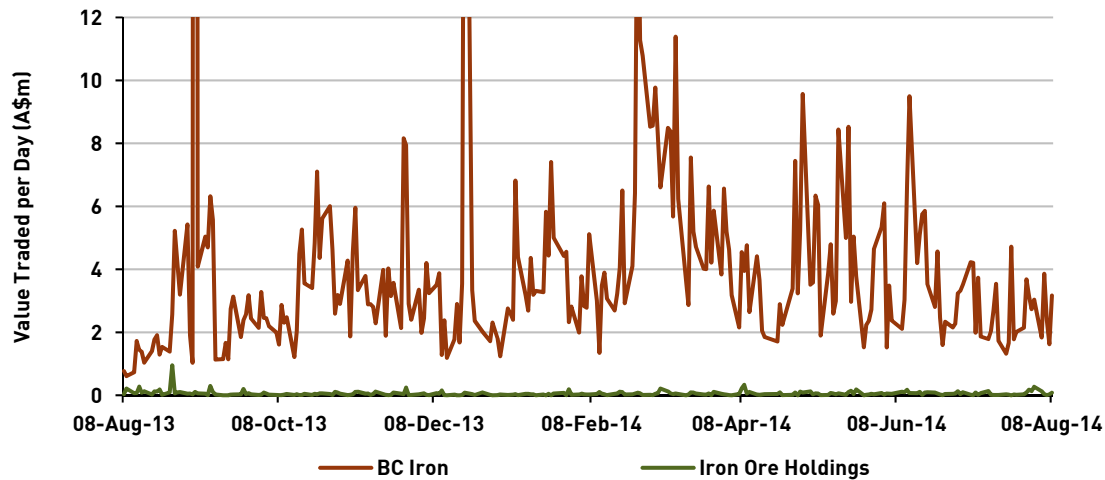
In addition to the above, due to:

- BC Iron's current inclusion in the S&P/ASX 200 index;
- The Combined Group's broader asset base and likely increased market capitalisation arising from the transaction; and
- BC Iron's significantly greater relative trading liquidity compared to IOH (as shown in the chart below),

the directors of BC Iron believe that the Combined Group will have greater equity and debt capital markets presence, and therefore be in a stronger position than IOH alone to potentially secure funding for the development of the Buckland project.

<sup>8</sup> Comprised of BC Iron and IOH reported unaudited cash positions as at 30 June 2014, less approximately A\$16m paid to IOH shareholders (i.e. A\$0.10 per IOH share) under the Offer and approximately A\$4m in transaction costs (excludes stamp duty, which will be payable on the transaction, but the quantum and timing of this is not yet known).

<sup>9</sup> As at 30 June 2014.



Source: Bloomberg.

### **As a shareholder in BC Iron you will benefit from the Combined Group's experienced Board and management team, who collectively have a track record of successful mine development and other means of value realisation from assets in the Pilbara**

At present, BC Iron has a capable and experienced Board and management team, key members of which have over the past 5 years participated in the successful development, construction, and operation of the Nullagine Joint Venture, and created significant value for BC Iron shareholders. Whether or not the Offer is successful, Mr Anthony Kiernan and Mr Morgan Ball will remain the Chairman and Managing Director of BC Iron respectively.

If BC Iron both acquires a relevant interest in 50.1% of IOH (fully diluted) and the Offer becomes unconditional, existing IOH directors, Mr Brian O'Donnell (a Non-Executive Director) and Mr Alwyn Vorster (Managing Director), will be invited to join the BC Iron Board as Non-Executive Directors.

In addition, BC Iron intends to offer Mr Vorster a term advisory contract, with a focus on advancing the marketing, funding and business development of the Buckland project.

The directors of BC Iron believe that the new, combined Board and management team will be well placed to apply its prior project development experience to progress the potential funding and development of the Buckland project, and increase the value of the Combined Group for all shareholders.

### **IOH's major shareholder has stated an intention to accept the Offer in the absence of a superior proposal**

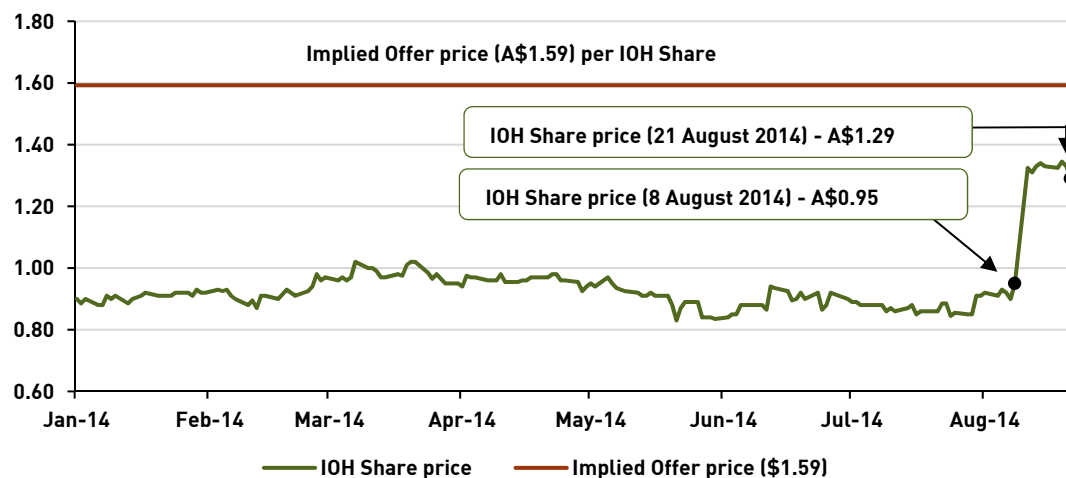
IOH's largest shareholder, Wroxby, has stated that it intends to accept the Offer in respect of all IOH shares held or controlled by it (approximately 52.7% of all IOH shares on issue as at the Announcement Date) within 14 business days of the Offer opening, in the absence of a superior proposal. ASIC's truth in takeovers policy applies to this statement.

## There are no competing offers for your IOH Shares at this time

BC Iron is not aware of any competing offers for your IOH Shares as at the date of this Bidder's Statement.

## The trading price of IOH Shares may fall if the Offer is unsuccessful

The Offer provides you with the opportunity to realise attractive value for all of your IOH Shares. If the Offer is not successful, and there is no other offer for your IOH Shares, the price of IOH Shares may decline and is likely to trade below the implied value of the Offer.



**Note:** Implied offer price of \$1.59 per IOH Share based on the 60-day VWAP of BC Iron Shares up to and including close of trade on 8 August 2014 (being the last trading day before the Announcement Date). The value of BC Iron Shares will be favourably or adversely impacted by continued market fluctuations.

Source: Bloomberg.

## You may have potential access to capital gains tax relief

Provided BC Iron secures acceptances for at least 80% of IOH Shares and the Offer becomes unconditional, IOH shareholders who are resident in Australia who derive a capital gain as a result of accepting the Offer may be eligible to claim CGT roll-over relief under Australian tax law in respect of the scrip component of the Offer.

Please refer to Section 10 of this Bidder's Statement for further information in relation to the availability of CGT roll-over relief and taxation considerations generally for Australian residents.

## 1. SUMMARY OF THE OFFER

<p><b>What BC Iron is offering to buy</b></p>	<p>BC Iron is offering to buy all of the shares in IOH, including IOH Shares that are issued during the Offer Period due to the conversion of Options, on the terms set out in this Bidder's Statement.</p> <p><b>You may only accept this Offer in respect of all of the IOH Shares held by you.</b></p>
<p><b>What you will receive if you accept the Offer</b></p>	<p>If you accept the Offer, then, subject to the satisfaction or waiver of the conditions to the Offer, for each of Your Shares you will receive 0.44 of a BC Iron Share and \$0.10 cash.</p> <p>If the calculation of the number of BC Iron Shares you are to receive as consideration results in an entitlement to a fraction of a BC Iron Share, that fraction will be rounded down to the next whole number of BC Iron Shares.</p>
<p><b>What do the IOH directors recommend in relation to the Offer</b></p>	<p>The IOH directors unanimously recommend that you <b>ACCEPT</b> the Offer in the absence of a superior proposal.</p> <p>The reasons for the IOH's directors' recommendation will be detailed in the Target's Statement. Further information on the agreement between BC Iron and IOH in relation to the Offer is set out in section 11.3 of this Bidder's Statement.</p>
<p><b>When you will receive consideration under the Offer</b></p>	<p>Generally, BC Iron will issue the BC Iron Shares and pay the cash consideration to you under the Offer within 10 Business Days after the Offer is accepted or 10 Business Days after all of the conditions have been freed or fulfilled (whichever is the later).</p> <p>Full details of when consideration will be provided are set out in section 12.6 of this Bidder's Statement.</p>
<p><b>Will you need to pay brokerage or stamp duty on acceptances?</b></p>	<p>If your IOH Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to BC Iron, you will not incur any brokerage fees or be obliged to pay stamp duty in connection with your acceptance of the Offer.</p> <p>If your IOH Shares are registered in a CHESS Holding, or if you are a beneficial owner whose IOH Shares are registered in the name of a broker, bank custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p>
<p><b>Close of the Offer</b></p>	<p>The Offer closes at 5:00pm (Australian Western Standard Time) on 30 September 2014, unless it is extended under the Corporations Act.</p>
<p><b>There are some conditions to the Offer</b></p>	<p>The Offer is subject to a number of conditions, including:</p> <ul style="list-style-type: none"> <li>■ a minimum acceptance condition of 90%;</li> <li>■ no material adverse change in relation to IOH;</li> <li>■ receipt of necessary consents under the terms of the leases for Cape Preston from the Pilbara Ports Authority to the change in control of IOH;</li> <li>■ no material acquisitions or disposals by IOH;</li> <li>■ expenditure being in accordance with IOH's budget for the first quarter of the financial year ending 30 June 2015; and</li> <li>■ absence of 'prescribed occurrences' in relation to IOH.</li> </ul> <p>Full terms of the conditions are set out in section 12.8 of this Bidder's Statement.</p>

<p><b>What happens if the conditions of the Offer are not satisfied or waived?</b></p>	<p>If the conditions of the Offer are not satisfied or waived by the closing date, the Offer will lapse and your acceptance will be void.</p>
<p><b>Offer in respect of IOH Options</b></p>	<p>BC Iron is not making a separate takeover offer to holders of IOH Options. However, BC Iron has agreed to make private offers to the holders of IOH Options on the terms detailed in section 11.1.</p> <p>IOH Option holders whose Options are converted into IOH Shares during the Offer Period will be able to accept the Offer in respect of the IOH Shares which they are issued.</p>
<p><b>How you accept the Offer</b></p>	<p>You may only accept the Offer for all your IOH Shares.</p> <p><b>Issuer Sponsored shareholders</b></p> <p>If your IOH Shares are registered in an Issuer Sponsored Holding (such holdings will be evidenced by an 'I' appearing next to your holder number on the enclosed Acceptance Form), to accept this Offer, you must complete and sign the Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form before the Offer closes.</p> <p><b>CHESS shareholders</b></p> <p>If your IOH Shares are registered in a CHESS Holding (such holdings will be evidenced by an 'X' appearing next to your holder number on the enclosed Acceptance Form), you may accept the Offer by either:</p> <ul style="list-style-type: none"> <li>■ completing and signing the Acceptance Form enclosed with this Bidder's Statement and returning it to the address indicated on the form; or</li> <li>■ instructing your Controlling Participant (normally your broker) to accept the Offer on your behalf, before the Offer closes.</li> </ul> <p><b>Participants</b></p> <p>If you are a Participant, acceptance of this Offer must be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the Offer closes.</p> <p>Full details on how to accept the Offer are set out in section 12.3 of this Bidder's Statement.</p>
<p><b>Can you accept the Offer for part of your holdings?</b></p>	<p>No. You cannot accept for part of your holding. You can only accept the Offer for <b>ALL</b> of Your Shares.</p>
<p><b>What if you are a Foreign Shareholder?</b></p>	<p>Foreign Shareholders that accept the Offer will not receive BC Iron Shares. Rather, the BC Iron Shares that Foreign Shareholders would have been entitled to receive will be issued to, and sold by, a Nominee and the net proceeds attributable to each Foreign Shareholder will be paid to them by cheque in Australian dollars drawn on an Australian bank account.</p> <p>Foreign Shareholders should read section 12.7, which provides further information on Foreign Shareholders and the Nominee sale process.</p>
<p><b>Will I receive the expected BC Iron dividend referred to in the announcement on 11 August 2014?</b></p>	<p>No. IOH shareholders that accept the Offer will not be entitled to receive the expected dividend referred to in the announcement by BC Iron on 11 August 2014, as the record date for the dividend will be prior to the issue of BC Iron Shares to IOH shareholders.</p>

<b>What happens if you do not accept the Offer</b>	You will remain an IOH shareholder and will not receive the consideration under the Offer. If BC Iron becomes entitled to compulsorily acquire your IOH Shares (which the Corporations Act entitles it to do if it acquires Relevant Interests in at least 90% of the IOH Shares during or at the end of the Offer Period), it intends to proceed with the compulsory acquisition. If your IOH Shares are compulsorily acquired by BC Iron, it will be on the same terms (including the same consideration for each IOH Share acquired) as the Offer.
<b>Where to go for further information</b>	For information on how to accept the Offer, see the enclosed Acceptance Form For all queries in relation to the Offer, please contact the BC Iron Offer Information Line on 1800 237 687 (from within Australia) or +61 1800 237 687 (from overseas). Please note that any calls to the above numbers may be recorded. Inquiries in relation to the Offer will not be received on any other telephone numbers of BC Iron or its advisers.
<b>Important notice</b>	The information in this section 1 is a <b>summary only</b> of BC Iron's Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement. You should read the entire Bidder's Statement and IOH's Target's Statement before deciding whether to accept the Offer.



## 2. INFORMATION ON BC IRON AND THE BC IRON GROUP

### 2.1 Overview of BC Iron

The bidder under the Offer is BC Iron. BC Iron is an ASX-listed iron ore producer. Its key asset is a 75% interest in the Nullagine Joint Venture, a producing iron ore mine with the capacity to export up to 6.0 Mtpa (wet) of product, located in the Pilbara region of Western Australia. BC Iron also has interests in the Bahia and Minas Novas exploration projects in Brazil.

BC Iron is listed on the ASX under the code 'BCI' and, as at 21 August 2014, had a market capitalisation of \$373m.

### 2.2 Directors

Brief profiles of the directors of BC Iron as at the date of this Bidder's Statement are as follows:

#### **Anthony (Tony) Kiernan – Non-executive Chairman**

Mr Kiernan is a former solicitor with extensive experience gained over 35 years in the management and operation of listed public companies. As both a lawyer and general consultant, he has practiced and advised extensively in the fields of resources and information technology. He is a director of Chalice Gold Mines Ltd, Venturex Resources Ltd (Chairman) and South Boulder Mines Ltd, all listed on ASX. He is also Chairman of the Fiona Wood Foundation which focuses on research into burns injuries.

#### **Morgan Ball – Managing Director**

Mr Ball is a Chartered Accountant with over 20 years of Australian and international experience in the resources, logistics and finance industries. He has held various senior finance and commercial roles in both public and private companies.

Mr Ball joined BC Iron in September 2009 as CFO and Company Secretary before being appointed to the Board as an Executive Director in December 2011. In May 2013, Mr Ball was appointed as Managing Director following the retirement of founding Managing Director, Mr Young.

Between April 2007 and September 2009, Mr Ball was CFO and Company Secretary for Indago Resources, a publicly listed gold exploration company. Prior to this, Mr Ball held senior commercial roles with WMC Resources, Brambles, P&O and Ernst & Young.

Mr Ball sits on the Council of the Association of Mining & Exploration Companies (AMEC). He is also a member of Council at Presbyterian Ladies College in Perth and Chairman of its Finance Sub-committee.

#### **Andrew (Andy) Haslam – Non-executive Director**

Mr Haslam is a mining professional with over 30 years of operational and senior executive experience in the Australian mining industry. From 2009 to late 2011, Mr Haslam was Managing Director of Territory Resources Ltd, where he was responsible for managing a Northern Territory iron ore operation which exported 2 Mtpa of iron ore to Chinese customers. Most recently, he was Executive General Manager – Iron Ore, with S&P/ASX 100 company Mineral Resources Limited. Prior to these roles, he was Managing Director of ASX-listed Vital Metals and held a number of key operational roles in the mining contracting industry in Australia.

#### **Malcolm McComas – Non-executive Director**

Mr McComas has more than 25 years of investment banking experience, including in equity and debt finance, acquisitions, divestments and privatisations across a range of industry sectors. He is a former commercial lawyer and holds degrees in Law and Economics from Monash University.

Mr McComas is the principal of McComas Capital, an investment company based in Sydney. Most recently, he was a senior advisor and director of Grant Samuel for 11 years. Prior to that, he was managing director of investment banking at County NatWest and its successor organisation, Salomon Smith Barney (now Citigroup) for 10 years and also spent 5 years in various executive roles with Morgan Grenfell (now Deutsche Bank) in Melbourne, Sydney and London.

Mr McComas is Chairman of Pharmaxis Limited and Fitzroy River Corporation Limited and non-executive director of Consolidated Minerals Limited and Saunders International Limited.

#### **Terrence (Terry) Ransted – Non-executive Director**

Mr Ransted is a geologist with 36 years of experience in the mining industry. Mr Ransted commenced his career with Hamersley Exploration Pty Limited exploring for bedded iron ore deposits in the Hamersley region. In the early 1990's he was responsible for the onsite management of the drilling, metallurgical sampling, and geological assessment and interpretation for the Yandicoogina Pisolite and Marandoo Iron Ore Projects for Hamersley Iron Pty Ltd.

Since 2001, Mr Ransted has been Chief Geologist for Alkane Resources Ltd, managing the geological aspects of the exploration and development programs in New South Wales.

#### **Peter Wilshaw – Non-executive Director**

Mr Wilshaw is an experienced resources industry executive. He graduated from Loughborough University of Technology in the United Kingdom with a BSc (Honours) in Chemistry and later obtained a Masters Degree in Business Leadership from the University of South Africa. He has a career spanning over 30 years in the resources industry and has occupied executive level roles in large business units in internationally diverse environments (South Africa, Mozambique, Guinea, Australia) across precious metals, aluminium and iron ore.

Mr Wilshaw is a Non-executive Director of Dampier Port Authority and Mercy Ships Australia. He was previously a Non-executive Director of Port Hedland Port Authority.

#### **Mike Young – Non-executive Director**

Mr Young is a geologist and a graduate of Queens University, Canada, with a Bachelor of Science (Honors) degree in Geological Sciences (1985). He has over 20 years of experience in exploration and mining in Australia. Mr Young was a founding director of BC Iron Limited and served as Managing Director from December 2006 to May 2013.

Mr Young is Non-Executive Chairman of Cassini Resources Limited and is currently Managing Director of Energy and Minerals Australia Limited, after joining as Non-Executive Chairman in April 2013.

Mr Young is a member of the Australian Institute of Geoscientists and was until recently the Vice-President of the Association of Mining and Exploration Companies (AMEC). He is also the Co-Patron of the St Bartholomew's House Foundation.

## **2.3 History, structure and ownership of the BC Iron Group**

### **History**

BC Iron was formed in 2006 through the amalgamation of the eastern Pilbara iron ore tenements of Alkane Exploration Limited and Consolidated Minerals Limited, which became the Nullagine iron ore project. BC Iron listed on the ASX in December 2006 with a market capitalisation of approximately \$14m.

BC Iron commenced exploration at the Nullagine tenements in April 2007, with maiden drilling results confirming discovery of iron ore shortly afterwards. BC Iron then focused on rapidly advancing the project through exploration and towards development.

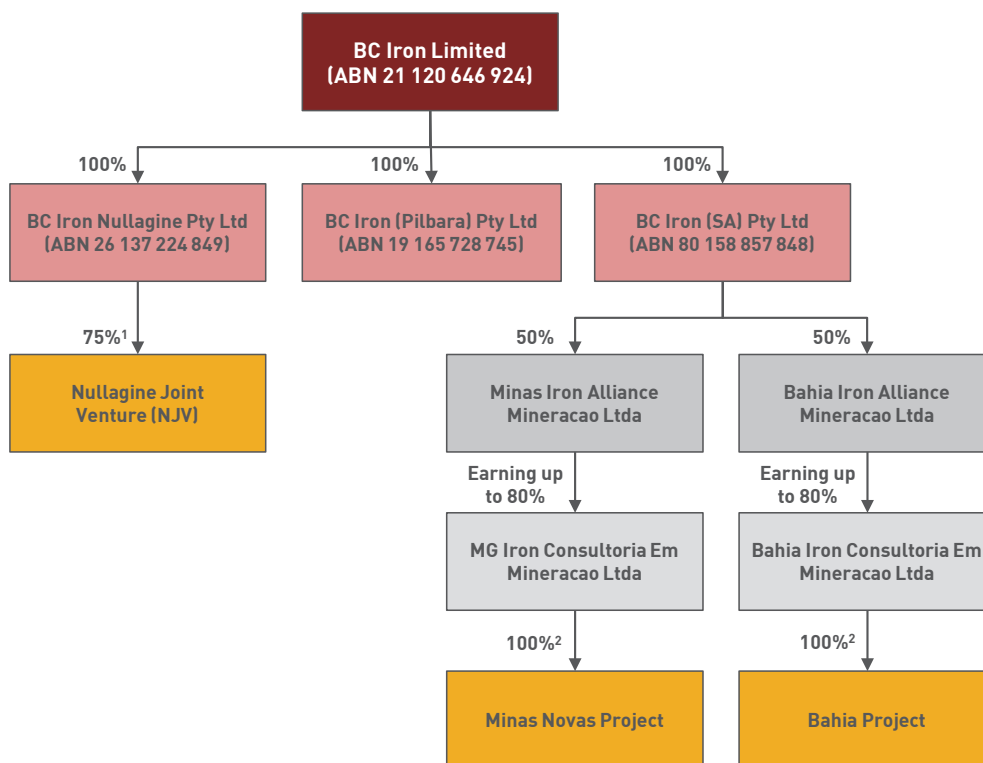
BC Iron established the Nullagine Joint Venture (NJV), a 50/50 joint venture with Fortescue, in 2009. BC Iron achieved a significant and historical milestone in January 2011, by successfully becoming the first junior mining company to access and utilise third party rail owned by a major company in the Pilbara.

This was followed by the NJV's first iron ore export in February 2011. Since commencing operations, BC Iron has focused on increasing production from and optimising the NJV. The initial target production rate of 3.0 Mtpa (wet) was achieved in November 2011 and a production rate of 5.0 Mtpa (wet) was reached in May 2012 (both ahead of schedule).

In December 2012, BC Iron entered into a transaction with Fortescue to increase its interest in the NJV from 50% to 75% and increase the rail and port capacity available to the NJV from 5.0 Mtpa (wet) to 6.0 Mtpa (wet). This transaction increased BC Iron's equity share of production from 2.5 Mtpa (wet) to 4.5 Mtpa (wet).

The NJV has been operating at the increased production run-rate of 6.0 Mtpa (wet) since achieving it in April 2013.

## Structure



### Notes to chart:

- 1 NJV tenements are held by both BC Iron Nullagine Pty Ltd and BC Iron.
- 2 Under the arrangements for the Alliance, the Minas Novas and Bahia Project tenements are to be transferred to MG Iron Consultoria Em Mineracao Ltda and Bahia Iron Consultoria Em Mineracao Ltda respectively, but this transfer had not yet been completed as at the date of this Bidder's Statement. See section 2.4 of this Bidder's Statement for further information about BC Iron's interest in the Minas Novas and Bahia projects.

### Ownership

BC Iron is listed on the ASX and has a diverse shareholder base of approximately 7,000 shareholders. To the best of its knowledge, BC Iron is not directly or indirectly controlled by another corporation or any person or foreign government and there are no arrangements which may, at a subsequent date, result in a change of control of BC Iron. Refer to section 3.7 of this Bidder's Statement for details of BC Iron's substantial shareholders.

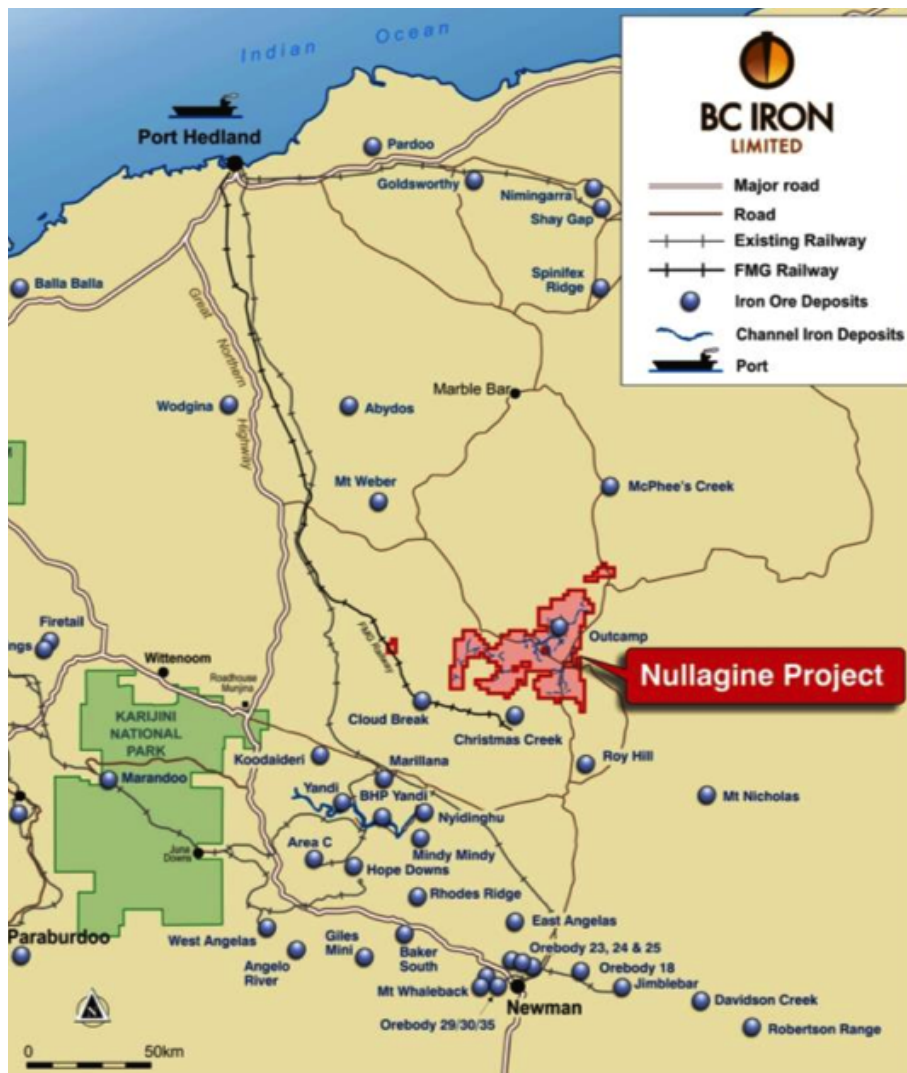
## 2.4 Principal activities of BC Iron Group

BC Iron is an iron ore producer, with its key asset being a 75% interest in the NJV, a joint venture with Fortescue (25% interest).

### Nullagine Joint Venture (75% BC Iron, 25% Fortescue)

The NJV is located approximately 150km north of Newman in the Pilbara region of Western Australia.

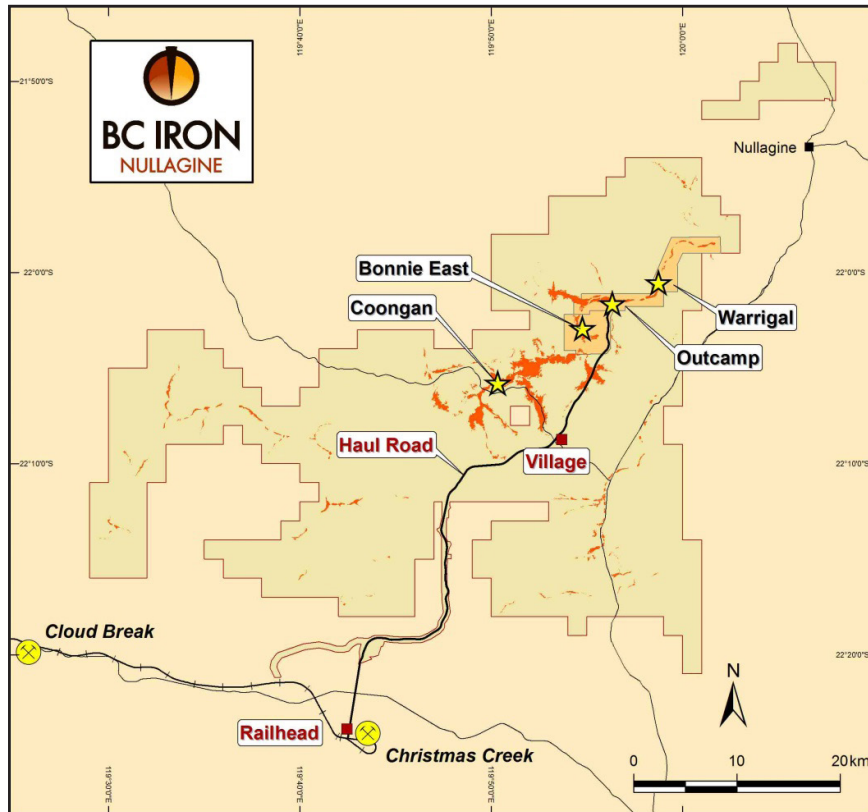
Figure 1: NJV location



## Geology, Ore Reserves and Mineral Resources

Iron mineralisation occurs in three palaeo river systems; Nullagine River, Bonnie Creek and Shaw River. Tertiary-aged channel iron deposits, which present as flat-top hills or 'mesas', have formed in these palaeo river systems. The NJV tenure contains an extensive number of mesas (shown in orange below), of which 11 are included in the current mine plan across four mining areas; Outcamp (2-5), Warrigal (1-4), Bonnie East (1) and Coongan (1 and 2).

**Figure 2: NJV mining areas and mesas**



The Ore Reserves and Mineral Resources of the NJV as at 31 December 2013 are shown in the table below.

**Table 1: Ore Reserve Estimate (100% basis)**

Classification	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI%
Proved	15.0	57.3	65.0	1.8	2.9	0.014	0.012	11.9
Probable	18.3	56.9	64.8	2.0	3.0	0.014	0.011	12.2
<b>Total</b>	<b>33.3</b>	<b>57.1</b>	<b>64.9</b>	<b>1.9</b>	<b>3.0</b>	<b>0.014</b>	<b>0.011</b>	<b>12.0</b>

**Table 2: DSO Mineral Resource (100% basis)**

Classification	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI%
Measured	17.6	57.2	64.8	2.0	3.0	0.015	0.012	11.8
Indicated	20.2	57.0	64.9	2.0	2.9	0.014	0.011	12.1
Inferred	6.8	57.0	64.1	2.6	3.9	0.023	0.014	11.1
<b>Total</b>	<b>44.6</b>	<b>57.1</b>	<b>64.7</b>	<b>2.1</b>	<b>3.1</b>	<b>0.016</b>	<b>0.012</b>	<b>11.9</b>

**Table 3: CID Mineral Resource (100% basis)**

Classification	Mt	Fe%	CaFe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%	S%	LOI%
Measured	25.6	54.6	62.3	3.0	4.1	0.016	0.013	12.4
Indicated	40.0	53.8	61.6	3.3	4.5	0.017	0.012	12.8
Inferred	46.6	52.1	58.8	5.4	6.6	0.024	0.018	11.3
<b>Total</b>	<b>112.2</b>	<b>53.3</b>	<b>60.6</b>	<b>4.1</b>	<b>5.3</b>	<b>0.020</b>	<b>0.015</b>	<b>12.1</b>

**Notes to tables:**

- Ore Reserves are a subset of DSO Mineral Resources. DSO Mineral Resources are a subset of CID Mineral Resources.
- Refer to section 11.7 of this Bidder's Statement for important notices relating to BC Iron's Ore Reserves and Mineral Resources.

**Operations overview**

BC Iron is the operator and manager of the NJV, whilst Fortescue provides rail, port and marketing services that facilitate the export of iron ore. Binding agreements are in place with Fortescue, which is obliged to provide these services in respect of 6.0 Mtpa (wet) of NJV ore for the life of economic production from the NJV tenure.

Mining commenced in November 2010, with first exports of iron ore in February 2011. The NJV operates at a nameplate capacity of 6.0 Mtpa (wet).

The NJV has a remaining life of mine average strip ratio of 1.4:1. Mining is currently underway at the Outcamp and Warrigal mesas. Mineralisation is amenable to the use of surface miners, which has a number of benefits compared to traditional drill and blast mining. These benefits include reduced mining dilution and the surface miners acting as a primary crusher.

Processing is undertaken via a simple, dry crushing and screening process, to produce a DSO fines product known as 'Bonnie Fines', which has an iron grade of between approximately 56 – 57% Fe and low impurities.

The Bonnie Fines product is transported approximately 60km from the NJV mine site to Fortescue's Christmas Creek rail loadout facility via a private, bitumen haul road. The NJV utilises eight 400 tonne payload Powertrans Pit Hauler rigs and four 175 tonne payload quad road trains.

At Christmas Creek, product is loaded onto Fortescue trains and transported approximately 300km to its Herb Elliot Port at Port Hedland, where it is loaded on to capsize vessels and exported to China.

BC Iron has an offtake agreement with Hong Kong-based industrial and trading company, Henghou Industries. Until the end of 2018, BC Iron is contracted to sell 1.3 Mtpa (wet) of Bonnie Fines product to Henghou Industries at a pre-agreed discount to the Platts 62% Fe Index (over and above iron grade adjustment).

BC Iron's remaining approximately 3.2 Mtpa (wet) of uncommitted production is sold on a short term basis. Sales of this product have historically attracted no discount to the Platts 62% Fe Index other than for iron grade. However, since March 2014, BC Iron has been required to offer discounts for these shipments, reflecting prevailing softer iron ore market conditions.

The NJV has a remaining mine life of approximately 5 years based on Ore Reserves as at 31 December 2013. BC Iron is undertaking Project Inventory, an initiative aimed at extending mine life. The focus of Project Inventory is the beneficiation of low grade (50 – 55% Fe) material into a saleable product.

BC Iron completed a beneficiation trial in January 2014, producing approximately 30,000 wmt of beneficiated product at a similar specification to the existing Bonnie Fines product. The beneficiated product was blended with Bonnie Fines and exported to China.

BC Iron is currently undertaking an evaluation of the trial and the NJV's Ore Reserves and mine plan. It is anticipated that evaluation of low-grade tonnages at existing stockpiles and several

mesas that are currently being mined will be completed for inclusion in the annual Ore Reserves update, expected to be released in late August / early September 2014. Ore Reserve updates for other mesas in the current mine plan will then be completed sequentially. Further drilling is required to properly evaluate regional mesas which are not in the current mine plan.

#### *Historical operational statistics*

Key historical operational statistics for the NJV and BC Iron are presented in the table below:

**Table 4: NJV operational statistics**

Year Ended 30 June	2011	2012	2013 <sup>1</sup>	2014
Tonnes mined – NJV (m dmt)	0.59	3.54	4.97	5.65
Tonnes shipped – NJV (m wmt)	0.25	3.55	5.00	5.79
Tonnes shipped – BC Iron share (m wmt)	0.13	1.78	3.14	4.30
Average Platts 62% Fe iron ore price (US\$/dmt, CFR China)	163	151	127	123
Average realised iron ore price – BC Iron (US\$/dmt, CFR China)	161	124	112	106
Average exchange rate (AUD:USD)	0.99	1.03	1.03	0.92
FOB C1 cash costs – NJV (A\$/wmt)	Not reported	54	49	52
FOB C1 cash costs – BC Iron <sup>2</sup> (A\$/wmt)	Not reported	54	38	44

**Notes to table:**

- <sup>1</sup> BC Iron increased its interest in the NJV from 50% to 75% effective 1 January 2013.
- <sup>2</sup> BC Iron C1 cash costs differed from NJV C1 cash costs during the years ended 30 June 2013 and 2014 due to a prepayment made to Fortescue in relation to BC Iron's share of rail haulage and port services fees (completed in October 2013).

#### *Update on operations at NJV*

As advised in BC Iron's June 2014 quarterly activities report, the NJV operation has expanded its footprint as scheduled, with additional clays detected in some ore from new mesas, in particular Outcamp 2 and Warrigal 3. The ore with higher clay content is potentially "sticky" (particularly if moisture is added to the product) and to ensure optimal product quality and ore handling characteristics, the NJV elected to stockpile a portion of this ore for later blending and/or processing.

Further to this, during the current quarter BC Iron has commenced a number of initiatives to better anticipate and manage product quality and performance. These initiatives include:

- Procedural changes to geology mark-ups and selective mining of the mesas where these particular clays have been detected;
- Scheduling tighter-spaced grade control drilling and associated geological analysis at these mesas, to facilitate increased selectivity and efficiency in mining;
- Changing the screens at the NJV's crushing & screening plants to produce a coarser product;
- Re-screening lower grade DSO product (55 – 56% Fe) to remove ultra-fine material below 2mm; and
- Expediting the opening of new mining faces, to assist with management of product through blending.

Whilst these initiatives are being implemented, BC Iron has agreed with joint venture partner Fortescue to reduce the rate of production and haulage from the NJV. This has partially coincided with a planned maintenance shutdown of the reclaimer at Fortescue's Christmas Creek rail loadout facility.

As a result of these operational decisions, BC Iron anticipates that NJV sales for the September 2014 quarter will be three ships (approximately 500,000 wmt) below expectations. As the NJV operation is set up to operate at a sprint capacity of 6.5 Mtpa (wet), it is expected that the implementation of these initiatives will enable the catching-up of at least two of the delayed NJV shipments during the last three quarters of FY15. Therefore, BC Iron maintains NJV sales guidance for FY15 (refer below).

BC Iron is currently considering any impact of the new initiatives outlined above on FY15 cost guidance (refer below).

### *FY15 guidance*

BC Iron has previously released the following guidance for FY15:

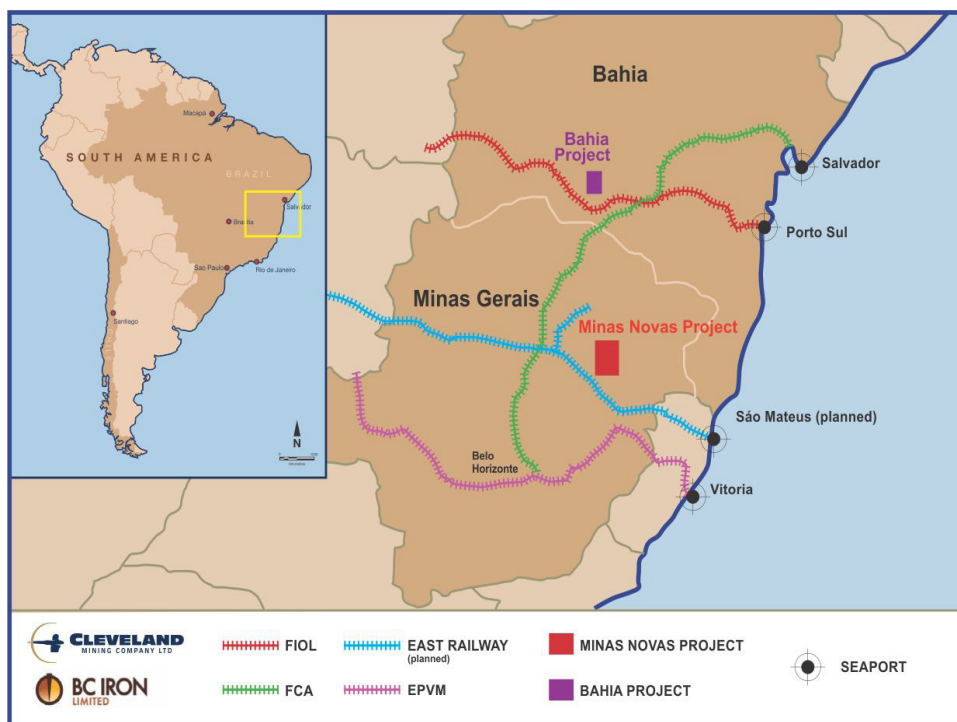
- Sales in the range of 5.8 – 6.2m wmt;
- C1 cash costs for the NJV in the range of \$49 – 53 / wmt on an FOB basis. Cost guidance has increased compared to FY14 due to cost inflation and progression of the operation to mesas that have slightly higher strip ratios and are further from the NJV's Mine Operations Centre;
- Total cash costs for BC Iron of \$60 – 68 / wmt on an FOB basis (total cash costs include C1 cash costs plus royalties, marketing and corporate costs). A range is provided for total cash costs because they are influenced by iron ore prices and exchange rates; and
- NJV capital expenditure of \$30 – 35m (BC Iron's share \$23 – 26m), which includes \$6 – 7m of expenditure deferred from FY14. Expenditure for FY15 comprises primarily of:
  - major upgrades and resealing of the NJV's bitumen haul road, which is intended to maintain the desired operational standard of the road for a number of years to come;
  - new access and haul roads to facilitate operations at the future mining areas of Warrigal 1 and 2, Outcamp 4 and 5 and Bonnie East; and
  - grade control drilling at Warrigal 1 and 2 and Bonnie East.



### Brazil Exploration Projects (50:50 BC Iron / Cleveland Alliance, earning up to an 80% interest)

A 50:50 alliance between BC Iron and ASX-listed Cleveland (the **Alliance**) is entitled to earn up to an 80% interest in the Bahia and Minas Novas projects in Brazil. The Alliance is targeting itabirite mineralisation ranging from 30 – 45% Fe that is considered amenable to beneficiation to a higher grade product.

**Figure 3: Location of Brazil Exploration Projects**



The Alliance recently completed a first pass exploration programme, comprising geophysics, mapping, approximately 2,000 metres of reverse circulation drilling and Davis Tube Recovery (DTR) test-work, with the purpose of testing known occurrences of iron mineralisation for thickness, continuity and grade.

At the Bahia Project, 1,584 metres were drilled across 25 holes at 6 prospects; Silvestre, Riacho and Caetité 1-4. The drilling and DTR test-work results indicated the Caetité 2, Caetité 3 and Riacho prospects warrant further work. The Alliance is now considering the discretionary US\$2m payment due in September 2014 which would give the Alliance a 10% interest in the Bahia Project and continue its rights to be entitled to earn up to an 80% interest.

The Minas Novas Project includes a number of prominent magnetic anomalies. A total of 464 metres of scout drilling was completed in 6 drill holes over two identified anomalies. Further work is required to adequately test the aeromagnetic targets and mineralisation potential. The Alliance believes the project retains potential and planning is currently underway for further geophysics, mapping and up to 1,500 metres of additional drilling. This will be completed ahead of the March 2015 deadline for the Minas Novas discretionary earn-in payment.

Further information on these projects can be found in BC Iron's announcements to ASX on 25 July 2014 and 19 September 2013 (available at [www.asx.com.au](http://www.asx.com.au) or <http://www.bciron.com.au/investors/>).

## 2.5 Financial information on the BC Iron Group

### **Basis of presentation of historical financial information**

The historical financial information below relates to BC Iron on a stand alone basis and accordingly does not reflect any impact of the Offer. It is a summary only. Full financial accounts for the BC Iron Group for the year ended 30 June 2014 (being the last balance date prior to the date of this Bidder's Statement) have not yet been finalised, and therefore the figures presented below in respect of that period are unaudited. Full financial accounts for the year ended 30 June 2013, including notes to the accounts, can be found in BC Iron's annual report for that period.

### **Historical financial information of the BC Iron Group**

#### *Statement of financial position*

The summarised historical statement of financial position of the BC Iron Group as at 30 June 2014 set out below has been extracted from the unaudited consolidated statement of financial position of the BC Iron Group as at 30 June 2014. The consolidated statement of financial position as at 30 June 2013 has been audited.

	June 2014 \$000's	June 2013 \$000's
<b>Current assets</b>		
Cash and cash equivalents	158,917	138,488
Trade and other receivables	4,964	52,907
Inventory	19,894	11,253
<b>Total current assets</b>	<b>183,775</b>	<b>202,648</b>
<b>Non-current assets</b>		
Property, plant and equipment	189,267	204,010
Exploration and evaluation assets	12,356	9,918
Available-for-sale financial assets	1,791	1,658
Deferred tax assets	-	3,349
<b>Total non-current assets</b>	<b>203,414</b>	<b>218,935</b>
<b>Total assets</b>	<b>387,189</b>	<b>421,583</b>
<b>Current liabilities</b>		
Trade and other payables	61,976	75,291
Loans and borrowings	24,077	35,922
Provisions	1,899	2,042
Tax payable	6,520	20,825
<b>Total current liabilities</b>	<b>94,472</b>	<b>134,080</b>
<b>Non-current liabilities</b>		
Trade and other payables	-	157
Loans and borrowings	28,132	67,417
Provisions	14,428	2,836
Deferred tax liabilities	14,983	-
<b>Total non-current liabilities</b>	<b>57,543</b>	<b>70,410</b>
<b>Total liabilities</b>	<b>152,015</b>	<b>204,490</b>
<b>Net assets</b>	<b>235,174</b>	<b>217,093</b>
<b>Shareholders' equity</b>		
Contributed equity	131,339	129,300
Reserves	13,992	13,425
Retained earnings	89,843	74,368
<b>Total shareholders' equity</b>	<b>235,174</b>	<b>217,093</b>

### Statements of financial performance

The summarised historical statement of financial performance of the BC Iron Group for the year ended 30 June 2014 shown below has been extracted from the unaudited consolidated statement of financial performance for the year ended 30 June 2014. The statement of financial performance for the year ended 30 June 2013 has been audited.

	Year ended June 2014 \$000's	Year ended June 2013 \$000's
Revenue from continuing operations		
Sale of goods	<b>466,175</b>	323,971
Other revenue	<b>5,207</b>	4,365
<b>Total revenue from continuing operations</b>	<b>471,382</b>	328,336
Foreign exchange gain	<b>1,591</b>	-
Other income	<b>1,591</b>	-
Cost of sales	<b>(277,922)</b>	(189,505)
Selling and marketing	<b>(63,256)</b>	(36,806)
Administration expenses	<b>(7,550)</b>	(19,930)
Impairment of available-for-sale financial assets	-	(7,668)
Written down exploration leases	-	(1,187)
<b>Profit before finance cost and income tax</b>	<b>124,245</b>	73,240
Finance costs	<b>(4,340)</b>	(4,543)
<b>Profit before income tax</b>	<b>119,905</b>	68,697
Income tax expenses	<b>(46,257)</b>	(19,897)
<b>Profit after income tax from continuing operations</b>	<b>73,648</b>	48,800
Other comprehensive income/(expense)		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of available-for-sale assets	<b>94</b>	-
<b>Profit for the year attributable to owners of BC Iron Limited</b>	<b>73,742</b>	48,800
Basic earnings per share (cents per share)	<b>59.48</b>	42.92
Diluted earnings per share (cents per share)	<b>59.48</b>	42.88

## Management commentary on historical results

### *Review of operations*

BC Iron's share of sales for FY14 was 4.30m wmt, an increase of 37% compared to FY13 (3.14m wmt). This was primarily due to an increase in ownership of the NJV from 50% to 75% which occurred on 1 January 2013, combined with the increase in the NJV's nameplate capacity from 5.0 Mtpa (wet) to 6.0 Mtpa (wet).

### *Profit after income tax from continuing operations*

Profit after income tax from continuing operations for FY14 increased by 51% to \$73.6m (FY13: \$48.8m). This was primarily due to the increase in sales volume noted above.

### *Revenue*

Revenue from continuing operations increased in FY14 by 44%. This was mainly due to a 37% increase in sales tonnes. BC Iron's average realised iron ore price decreased by 5.4% due to lower US dollar iron ore prices achieved in the second half of FY14. This was offset by a depreciation of the AUD relative to the USD of 9.4%.

### *Expenses*

Cost of sales (inclusive of C1 costs, royalties, inventory movement and depreciation and amortisation) increased by 47% in line with increased sales tonnes. Selling and marketing expenses increased by 72% in line with increased sales tonnes.

Excluding one-off foreign exchange losses in FY13, administration expenses decreased by 12%. This decrease was mainly due to consulting and legal fees attributable to the acquisition of the additional 25% of the NJV in FY13.

### *Finance costs*

Finance costs decreased by 5% due to additional principal payments on the term-loan facility being made ahead of schedule, reducing interest expense.

### *Income tax expense*

Income tax expense includes a \$9.8m expense attributable to the Minerals Resource Rent Tax (**MRRT**). This charge represents a reassessment of the MRRT deferred tax asset (recognised in FY12 and FY13) due to lower forecast iron ore prices, combined with a stronger AUD:USD exchange rate. No MRRT was paid or is payable in relation to FY14.

### *Current assets*

Current assets decreased by 9% to \$183.8m (FY13: \$202.6m). Cash and cash equivalents increased 15% to \$158.9m (FY13: \$138.5m) mainly due to increased sales tonnes. Trade receivables decreased by 91% to \$5.0m (FY13: \$52.9m) due to a combination of;

- Revenue being received for all shipments as at 30 June 2014, whereas revenue was outstanding for a shipment in late June 2013 as at 30 June 2013; and
- Trade receivables for June 2013 included rail haulage and port charges prepaid as part of the acquisition of the additional 25% of NJV which was fully utilised by October 2013.

Inventory increased by 77% to \$19.9m (FY13: \$11.3m) mainly due to the delay of the final scheduled shipment in June 2014.

**Non-current assets**

Non-current assets decreased by 7% to \$203.4m (FY13: \$218.9m) mainly due to continuing amortisation of mine properties and depreciation of property, plant and equipment.

**Current liabilities**

Current liabilities decreased by 30% to \$94.5m (FY13: \$134.1m). Trade and other payables decreased by 18% to \$62.0m (FY13: \$75.3m) mainly due to price participation liabilities attributable to the 25% acquisition of the NJV being finalised. Loans and borrowings decreased by \$11.8m due to the additional repayments on the US\$130m loan facility changing the amortisation profile of the loan. Income tax payable decreased by \$14.3m due to BC Iron moving to quarterly PAYG payments in April 2014.

**Non-current liabilities**

Non-current liabilities decreased by \$12.9m to \$57.5m (FY13: \$70.4m). Loans and borrowings decreased \$39.3m due to repayments on two facilities outlined below. The rehabilitation and site closure provision increased by \$11.4m based on an independent assessment of costs to meet current regulatory requirements for site closure. Due to the reassessment of the deferred tax asset attributable to MRRT and a change in the tax treatment of asset, BC Iron has moved to a net deferred tax liability position of \$15.0m.

**Debt position**

BC Iron's gross debt position at 30 June 2014 was \$52.2m (FY13: \$103.3m). US\$40.4m remains outstanding of the amortising term loan facility, entered into as part of funding for the acquisition of an additional 25% NJV interest. Repayments are made twice yearly in June and December. This facility is subject to interest based on USD London Interbank Offered Rate plus a margin.

US\$10m of the project finance facility in place with Henghou Industries (Hong Kong) Limited remains outstanding. The facility is due for repayment at the amount of US\$5m annually.

**2.6 Publicly available information about BC Iron**

BC Iron is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, BC Iron is subject to the Listing Rules of ASX which require continuous disclosure of any information BC Iron has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX maintains files containing publicly disclosed information about all listed companies. BC Iron's file is available for inspection at ASX during normal business hours.

In addition, BC Iron is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by BC Iron may be obtained from, or inspected at, an ASIC office.

On request to BC Iron and free of charge, IOH shareholders may obtain a copy of:

- the annual financial report of BC Iron for the year ended 30 June 2013 (being the annual financial report most recently lodged with ASIC before lodgement of this Bidder's Statement with ASIC);
- any half-year financial report lodged with ASIC by BC Iron after the lodgement of the annual financial report referred to above and before lodgement of this Bidder's Statement with ASIC; and
- any continuous disclosure notice given to ASX by BC Iron since the lodgement with ASIC of the 2013 annual report for BC Iron referred to above and before lodgement of this Bidder's Statement with ASIC.

A list of announcements made by BC Iron to ASX since 1 October 2013 is contained in Attachment 2 of this Bidder's Statement.

A substantial amount of information about BC Iron is available in electronic form from: [www.bciron.com.au](http://www.bciron.com.au).

## **2.7 Announcement by BC Iron in relation to the Offer**

On 11 August 2014, BC Iron made a public announcement to ASX in relation to the Offer jointly with IOH. A copy of that announcement is contained in Attachment 1 of this Bidder's Statement.

### 3. INFORMATION ON BC IRON'S SECURITIES

#### 3.1 BC Iron issued securities

As at the date of this Bidder's Statement, BC Iron's issued securities consisted of:

- 124,345,439 BC Iron Shares;
- 300,000 unlisted options to subscribe for BC Iron Shares; and
- 393,948 unlisted performance rights.

#### 3.2 Recent trading of BC Iron Shares

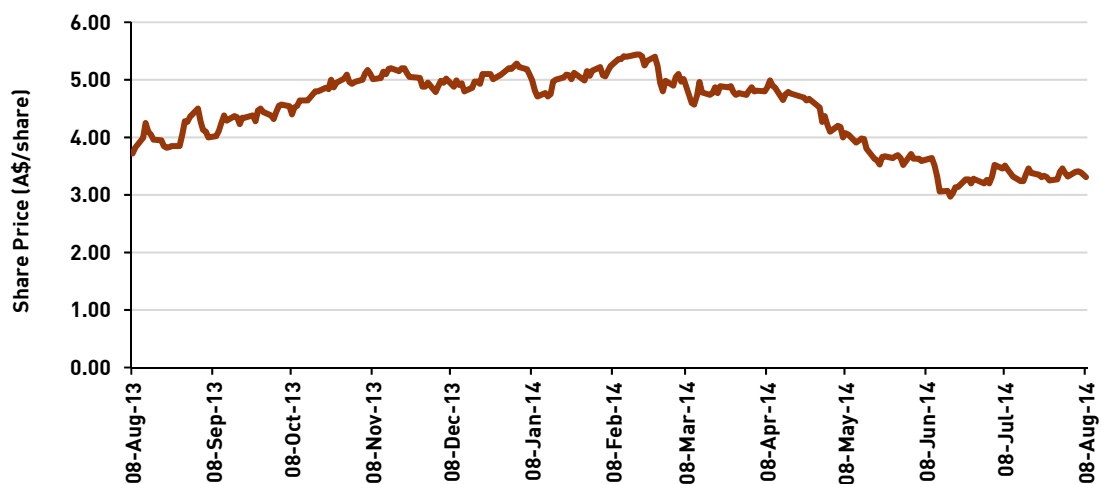
The latest recorded sale price of BC Iron Shares on ASX before the Announcement Date was \$3.31 as at close of trading on ASX on 8 August 2014.

The latest recorded sale price of BC Iron Shares on ASX before the date on which this Bidder's Statement was lodged with ASIC was \$3.00.

The highest recorded close price of BC Iron Shares on ASX in the last 4 months before this Bidder's Statement was lodged with ASIC was \$4.76.

The lowest recorded close price of BC Iron Shares on ASX in the last 4 months before this Bidder's Statement was lodged with ASIC was \$2.97.

The following chart shows the last sale price of BC Iron Shares on ASX in the 12 months prior to the Announcement Date.



Source: Bloomberg.

#### 3.3 Dividend history

BC Iron has previously paid dividends, as follows:

- in 2012, a fully franked final dividend of \$0.15 per share;
- in 2013, a fully franked interim dividend of \$0.05 per share and a fully franked final dividend of \$0.30 per share; and
- in 2014, a fully franked interim dividend of \$0.17 per share.



Subject to Board approval on 27 August 2014, BC Iron expects to declare a fully franked, final dividend for FY14 of \$0.15 per share, payable to BC Iron shareholders on the record date (which is likely to be in early September 2014). IOH shareholders that accept the Offer will not be entitled to receive this dividend, as the record date for the dividend will be prior to the issue of new BC Iron Shares to them.

The BC Iron Board has previously provided guidance in relation to future dividends. In particular, BC Iron intends to declare an interim and final dividend each financial year, targeting an overall annual payout ratio of 30% to 50% on net profit after tax. Dividends will be franked to the maximum extent possible, but BC Iron will also consider partially franked or unfranked dividends if sufficient franking credits are not available.

The declaration and payment of dividends remains at the discretion of the BC Iron Board, and actual dividends may vary from the annual target based on prevailing market conditions, BC Iron's financial and operational performance, and current and future cash requirements.

### **3.4 Rights and liabilities attaching to BC Iron Shares**

#### **Introduction**

The rights and liabilities attaching to the BC Iron Shares which will be issued as the consideration under the Offer are set out in BC Iron's constitution and in the Corporations Act.

The main rights and liabilities attaching to the BC Iron Shares are summarised below.

#### **Meetings of shareholders and voting rights**

At a general meeting, every person who is a BC Iron shareholder (or a proxy, attorney or representative of a BC Iron shareholder) has one vote on a show of hands and one vote on a poll for each fully paid share held (with adjusted voting rights for partly paid shares). Voting at any general meeting of BC Iron shareholders is by a show of hands unless a poll is demanded by at least 5 BC Iron shareholders entitled to vote on the resolution, BC Iron shareholders entitled to cast at least 5% of the votes that may be cast on the resolution on a poll, or the Chairman.

#### **Dividends**

The directors of BC Iron may from time to time declare that a dividend is payable and fix the amount, time for payment and the method of payment of the dividend to BC Iron shareholders entitled to receive dividends. Dividends are payable on each BC Iron Share in proportion to the amount paid up on each BC Iron Share. Each BC Iron Share has the same dividend rights, subject to any special rights, arrangements or restrictions attached to the shares.

IOH shareholders that accept the Offer will not be entitled to receive the expected final dividend announced by BC Iron on 11 August 2014, as the record date for the dividend will be prior to the issue of BC Iron Shares to IOH shareholders. However, the BC Iron Shares to be issued to IOH shareholders that accept the Offer will rank equally in all respects with other BC Iron Shares already on issue in respect of future dividends.

#### **Winding up**

If BC Iron is wound up, the liquidator may divide among all or any of the contributories as the liquidator thinks fit in specie or kind any part of the assets of BC Iron. The liquidator may also vest any part of the assets of the company in trustees on any trusts for the benefit of all or any of the contributories as the liquidator thinks fit.

#### **Transfer of shares**

BC Iron shareholders may transfer BC Iron Shares by a written transfer in the required form as the directors may from time to time determine or by a proper transfer effected in accordance with the ASX Settlement Operating Rules. The directors may refuse to register any transfer of BC Iron Shares if the transfer violates the provisions of BC Iron's constitution, any applicable

laws, the Listing Rules or the ASX Settlement Operating Rules, if BC Iron has a lien over the BC Iron Shares the subject of the transfer, or in circumstances where the Listing Rules or the ASX Settlement Operating Rules permit BC Iron to refuse the transfer. The directors' decision to refuse a transfer is absolute.

#### **Alteration of capital**

BC Iron may at any time vary or cancel rights attached to any class of BC Iron Shares with the written consent of either the holders of 75% of the shares of that class, or with the approval of a special resolution passed at a separate general meeting of the holders of the shares of that class.

### **3.5 BC Iron incentive plan**

As at the date of this Bidder's Statement, BC Iron currently has an Employee Performance Rights Plan (as approved by shareholders on 19 November 2010) in operation.

### **3.6 Options and performance rights**

The exercise prices and expiry dates for the BC Iron options on issue as at the date of this Bidder's Statement are as follows:

Exercise price	Expiry date	Number issued
\$3.86 to \$4.32	31 December 2014	200,000
\$4.09	30 June 2015	100,000

BC Iron has issued 393,948 unlisted performance rights expiring on 1 October 2020, subject to certain vesting conditions. Consistent with its previous practice, BC Iron expects to grant approximately 392,533 additional unlisted performance rights in early September 2014, subject to Board approval and take-up by employees of the BC Iron Group.

### **3.7 Substantial holders in BC Iron Shares**

As at the date of this Bidder's Statement, so far as known to BC Iron based on publicly available information, there are no substantial holders of BC Iron Shares, except as set out below:

Substantial holder	Number of BC Iron Shares held	Voting power
National Australia Bank Limited	9,446,360	7.60%
AMP Limited	6,369,001	5.12%
BlackRock Group (BlackRock Inc. and subsidiaries)	6,215,919	5.01%

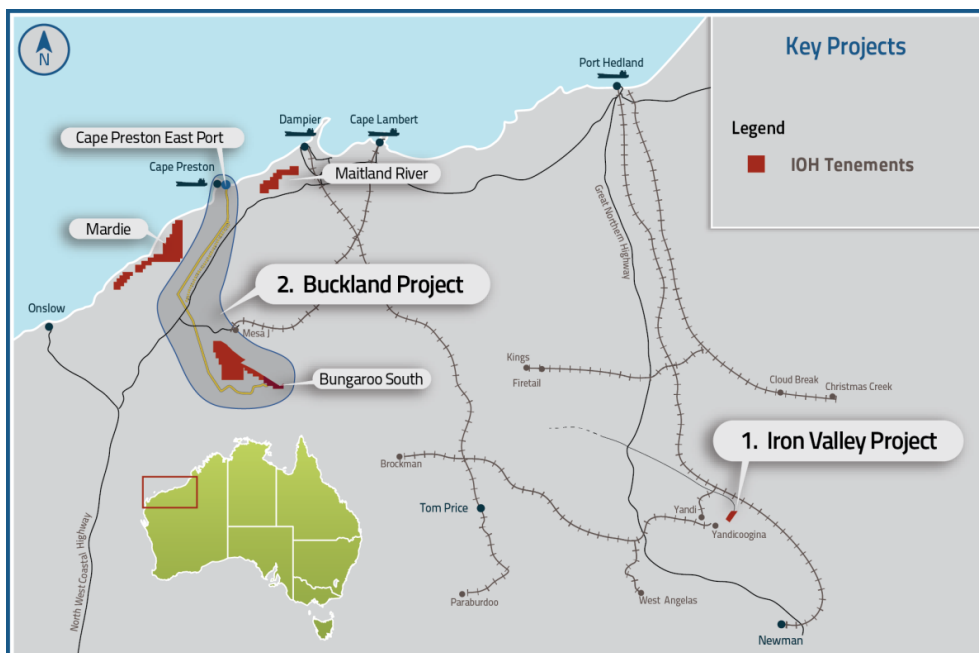
## 4. INFORMATION ON IOH AND THE IOH GROUP

### 4.1 Overview of IOH

IOH is an exploration and project development company, with a strategy of owning and managing a portfolio of bedded hematite, channel iron and magnetite iron ore tenements and projects in the Pilbara region of Western Australia.

The IOH portfolio comprises two key assets, Iron Valley and Buckland, as well as royalty entitlements and numerous other tenements and projects which are prospective for iron ore and base metals. The projects are all strategically located within close proximity to existing and planned infrastructure, as illustrated below. The portfolio is described in more detail in section 4.4 of this Bidder's Statement.

**Figure 4: IOH project locations**



The IOH portfolio has:

- Ore Reserves of 269 million tonnes @ 58.1% Fe, in direct shipping ore;
- Mineral Resources of 542 million tonnes @ 57.4% Fe, in direct shipping ore; and
- Mineral Resources of 1,106 million tonnes @ 30.4% Fe in beneficiable feed ore.<sup>10</sup>

IOH is listed on the ASX under the code 'IOH' and, as at 8 August 2014 (the last trading day before the Announcement Date), had a market capitalisation of \$153m.

<sup>10</sup> See section 11.8 for important notices regarding IOH's Ore Reserves and Mineral Resources.

## 4.2 Directors

As at the date of this Bidder's Statement, there are 5 directors of IOH:

- Hon. Richard Court AC – Non-executive Chairman;
- Mr Brian O'Donnell – Non-executive Director;
- Mr Malcolm Randall – Non-executive Director;
- Mr Ryan Stokes – Non-executive Director; and
- Mr Alwyn Vorster – Managing Director.

## 4.3 History, structure and ownership of the IOH Group

### History

IOH was established in 2003 and listed on ASX in May 2005.

IOH initially focussed on geological activities across its Central Pilbara tenements.

In 2007, IOH purchased 10 tenements (accounting for an area of 640 square kilometres) from Echelon Resources Ltd (now known as Fusion Resources Pty Ltd). These tenements were located at Buckland Hills, Koodaideri South and Maitland River.

As part of a strategic rationalisation process, IOH sold a number of smaller satellite tenements in 2011. These included the sale of Koodaideri South to Hamersley Iron for \$32m cash plus a 2% FOB royalty on the ore mined from the tenements being sold, and three Central Pilbara satellite tenements packages, Phil's Creek, Lamb Creek and Yandicoogina Creek, to MIN for \$42m cash.

In early 2012, IOH entered into a memorandum of understanding with Fortescue which gave Fortescue a 13-month option to study the feasibility of developing a mine at Iron Valley. IOH received a cash payment of \$25m (the **FMG Iron Valley Option**).

Late in 2012, a pre-feasibility study for the Buckland project delivered strong results and set in place a solid foundation for the execution of a formal Feasibility Study on an integrated mine to ship solution for the Buckland project.

In February 2013, a deed of release was signed with Fortescue which facilitated the early termination of the FMG Iron Valley Option. Shortly afterwards, IOH completed a mine gate sale agreement for the Iron Valley project with MIN.

In September 2013, IOH continued to divest non-core tenements through the sale of its North Marillana group of satellite tenements to Australian Aboriginal Mining Corporation for upfront and milestone based cash payments of up to more than \$7.7m with additional production based royalties.

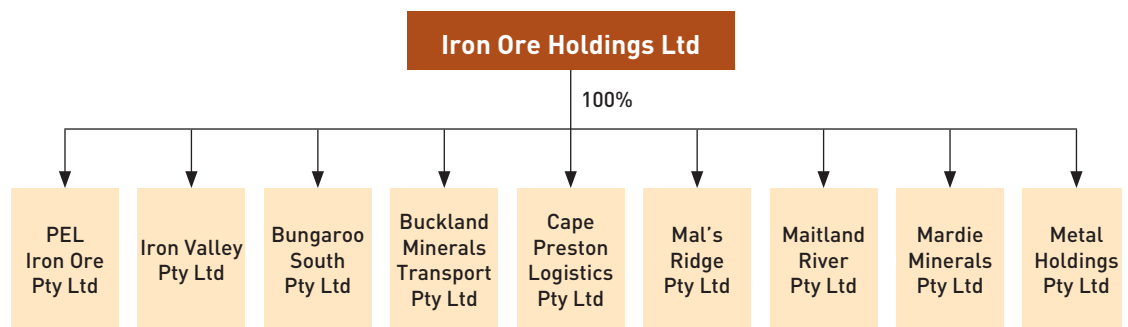
MIN commenced construction at the Iron Valley project in March 2014, with first shipment targeted by September 2014.

The Feasibility Study for the Buckland project was successfully completed in June 2014 and in the same month IOH entered into agreements with the Pilbara Ports Authority for the development and operation of a transshipment facility at Cape Preston East.

## Structure

The IOH Group structure is set out below:

**Figure 5: IOH Group structure**



## Ownership

As at the date of this Bidder's Statement, so far as known to BC Iron, the substantial holders of IOH Shares are set out below:

Substantial holder	Number of BC Iron Shares held	Voting power
Wroxby Pty Ltd	84,936,013	52.70%
3 <sup>rd</sup> Wave Investors Limited	8,725,000	5.41%

## 4.4 Principal activities of IOH and the IOH Group

### Iron Valley

Iron Valley is a near-production mine located in the Central Pilbara that is expected to start generating cash flows from production commencing in the current quarter.

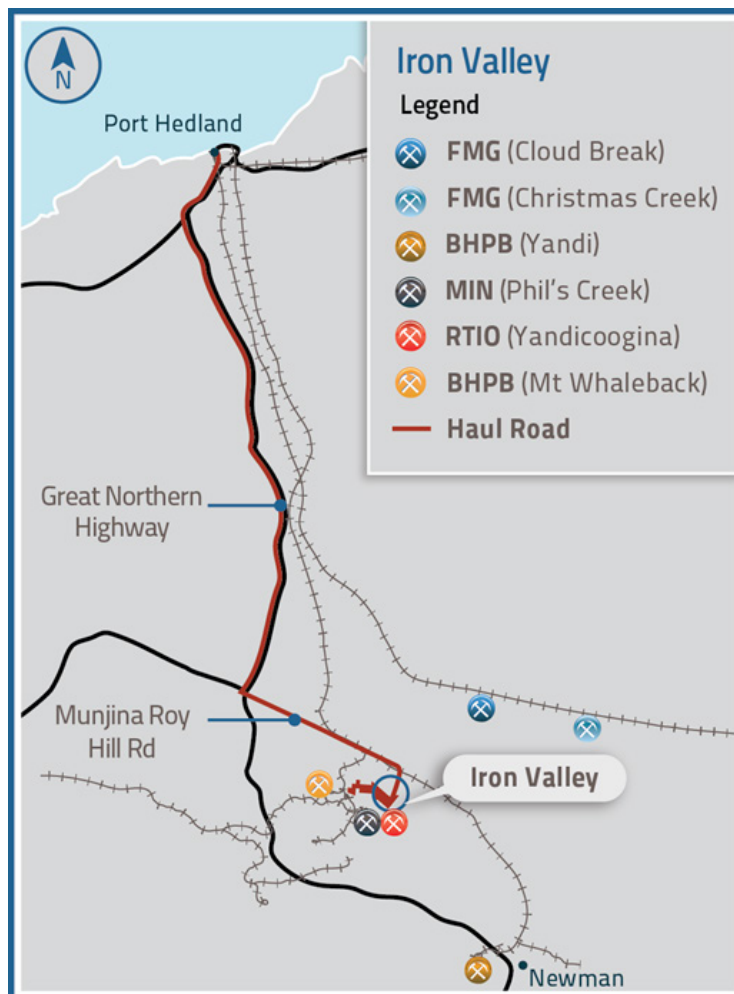
IOH and MIN entered into an agreement dated 28 February 2013 (**IV Agreement**), which includes the following key terms:

- Iron Valley Pty Ltd, a wholly owned subsidiary of IOH, remains the tenement owner and will make the necessary statutory payments to third parties including the State Government.
- The term of the arrangement with MIN, subject to extension by agreement, is the lesser of 20 years or 200 million tonnes of product purchased by MIN.
- MIN is to develop the mine at MIN's cost within 6 months from IOH securing final mining approvals. IOH expects development to be completed in the third calendar quarter of 2014.
- MIN is to operate the mine at MIN's cost and buy a minimum annual tonnage of product from IOH at the Iron Valley mine gate.

- The mine gate payment price and the minimum tonnage purchase obligations are each structured in a manner that provides appropriate protection to the parties against agreed operational and economic conditions, while ensuring the parties also share in the upside of higher iron ore prices.

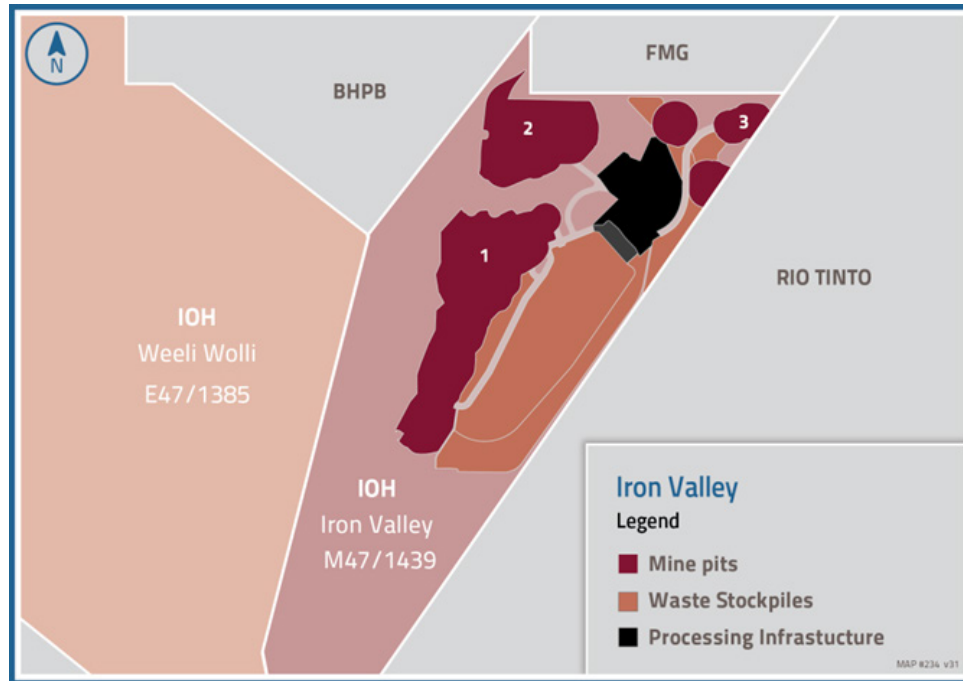
According to announcements by IOH to ASX, MIN plans to commence exporting product from Iron Valley in the third calendar quarter of 2014. Transport will occur via road haulage to Port Hedland, on an established route MIN is currently using for the nearby Phil's Creek mine.

**Figure 6: Iron Valley location**



The proposed mine pit layout for Iron Valley is presented in Figure 7 below.

**Figure 7: Iron Valley – Mine pit layout**



### Buckland

Buckland is an advanced stage development project located in the West Pilbara, consisting of a proposed mine, private haul road and transshipment facility at Cape Preston East. IOH announced a positive Feasibility Study for Buckland in June 2014, which envisages an operation producing and exporting 8.0 Mtpa (dry) of ~58% Fe fines for more than 15 years with:

- a reported pre-tax NPV10 of more than \$900m;<sup>11</sup>
- low upfront capital intensity of approximately A\$93 per annual tonne of production;<sup>12</sup>
- a low life-of-mine strip ratio of approximately 1:1;
- comparable FOB cash operating costs to BC Iron's current operations averaging A\$48.40/dmt over the life-of-mine; and
- all primary tenure and approvals in place.

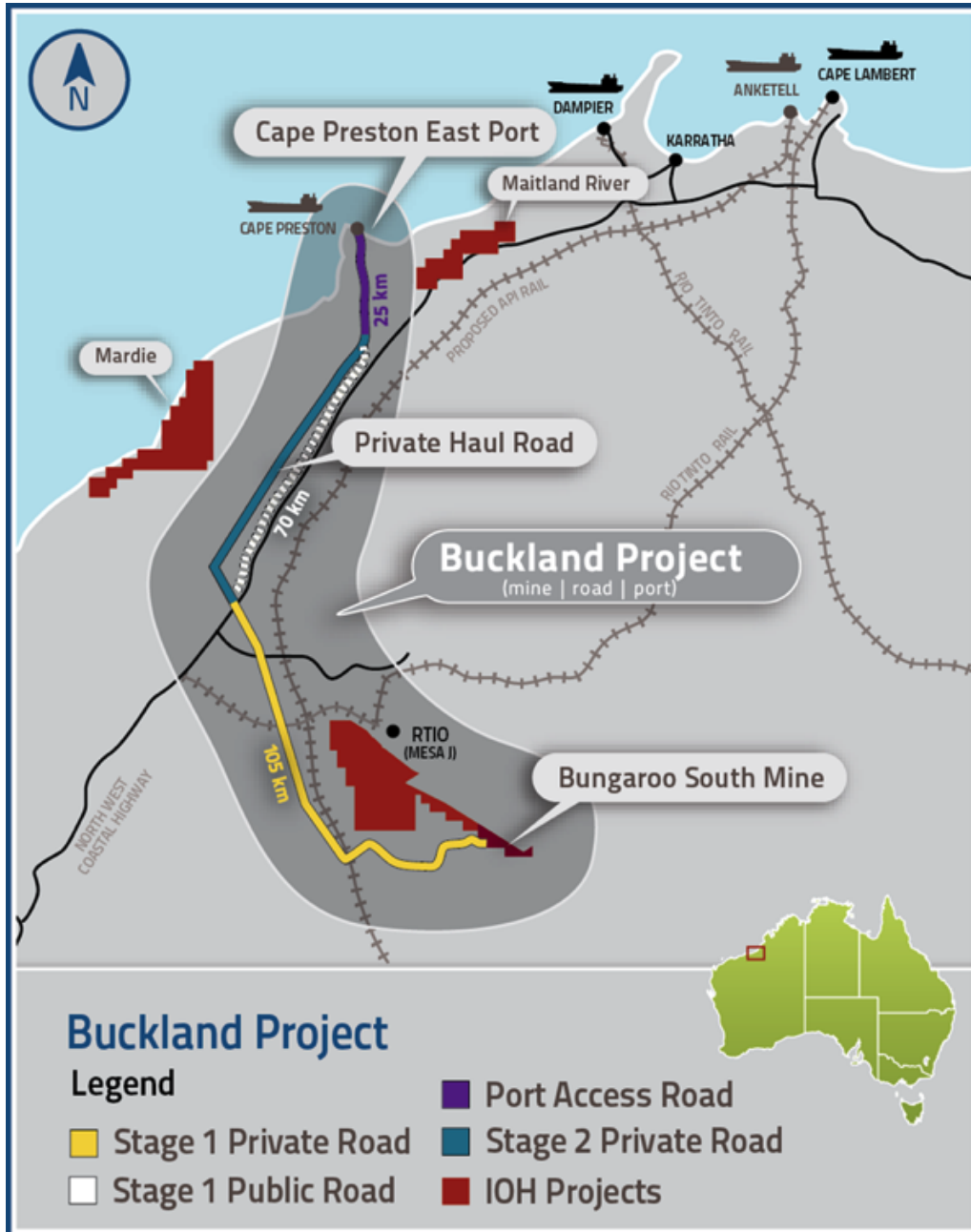
In June 2014, IOH secured a 20-year lease from the WA State Government for the development and operation of a port facility at Cape Preston East with the capacity to export approximately 20 Mtpa.

The proposed private haul road and Cape Preston East transshipment facility will have capacity to transport additional iron ore products from IOH satellite deposits and third parties, potentially creating an additional revenue stream not included in the announced Feasibility Study results.

<sup>11</sup> Refer IOH ASX announcement dated 4 June 2014.

<sup>12</sup> Based on upfront capital of A\$744 million (real; 2014 dollars) divided by 8 million dmt per annum.

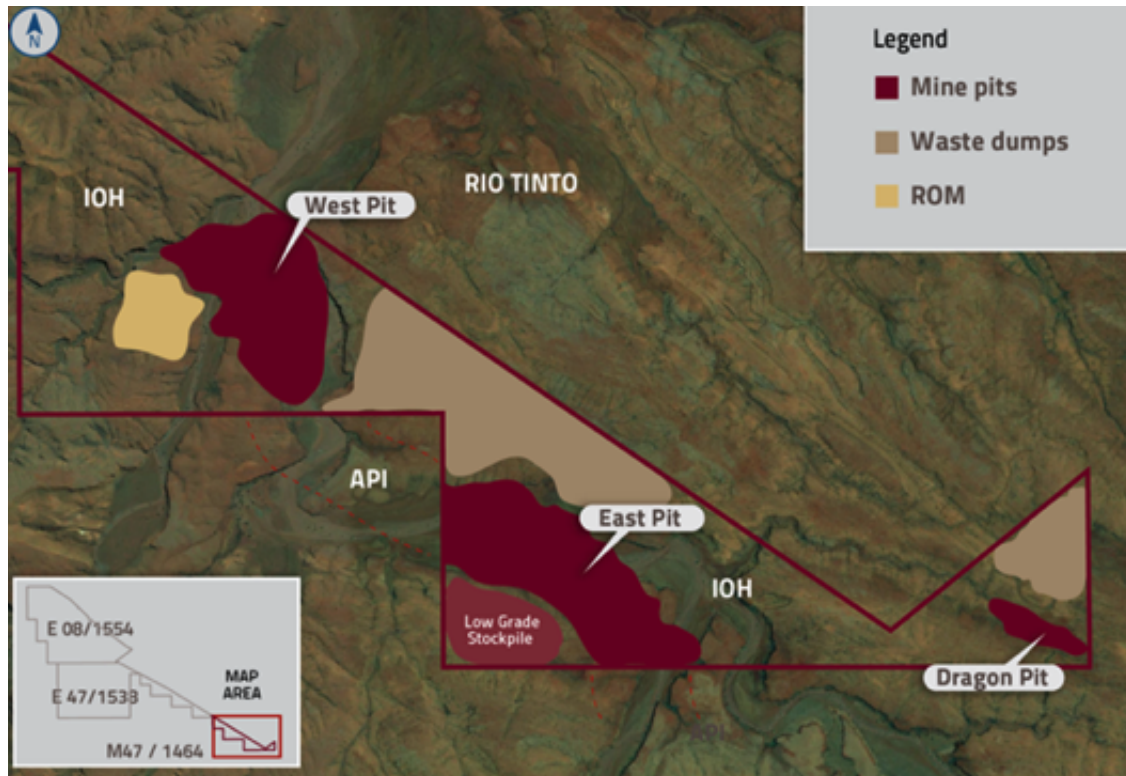
Figure 8: IOH Buckland project





The proposed mine pit layout for Bungaroo South is presented below.

**Figure 9: Bungaroo South – Mine pit layout**



#### Other IOH assets

IOH's other assets include two exploration tenements located near the coast in the West Pilbara (Mardie and Maitland River), royalties on a number of other tenements held by third parties in the Central Pilbara region, as well as a number of tenements prospective for base metals.

### 4.5 Financial information on the IOH Group

#### Basis of presentation of historical financial information

The historical financial information below relates to IOH on a stand alone basis and accordingly does not reflect any impact of the Offer. It is a summary only. Full financial accounts for the IOH Group for the year ended 30 June 2014 have not yet been finalised, and therefore the figures presented below in respect of that period are unaudited. See IOH's Target's Statement for further information. The full financial accounts for IOH for the year ended 30 June 2013, which include the notes to the accounts, can be found in IOH's annual report for that period.

## Historical financial information on the IOH Group

### Statement of financial position

The summarised historical statement of financial position of IOH as at 30 June 2014 and 30 June 2013 set out below has been extracted from the unaudited consolidated statement of financial position of the IOH Group as at 30 June 2014 (being the last balance date prior to the date of this Bidder's Statement), as provided to BC Iron by IOH. The consolidated statement of financial position as at 30 June 2013 has been audited.

	June 2014	June 2013
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	50,965,338	74,651,500
Trade and other receivables	822,124	1,132,166
Other assets	110,803	153,206
<b>Total current assets</b>	<b>51,898,265</b>	<b>75,936,872</b>
<b>Non-current assets</b>		
Trade and other receivables	363,564	328,319
Plant and equipment	366,357	597,025
Deferred mineral acquisition expenditure	1,888,981	1,888,981
Deferred tax assets	8,230,515	4,583,068
<b>Total non-current assets</b>	<b>10,849,417</b>	<b>7,397,393</b>
<b>Total assets</b>	<b>62,747,682</b>	<b>83,334,265</b>
<b>Current liabilities</b>		
Trade and other payables	6,497,464	9,073,557
Provisions	287,468	259,590
<b>Total current liabilities</b>	<b>6,784,932</b>	<b>9,333,147</b>
<b>Non-current liabilities</b>		
Total non-current liabilities	-	-
<b>Total liabilities</b>	<b>6,784,932</b>	<b>9,333,147</b>
<b>Net assets</b>	<b>55,962,750</b>	<b>74,001,118</b>
<b>Equity</b>		
Issued capital	85,647,898	85,647,898
Reserves	1,624,323	3,867,700
Accumulated losses	(31,309,471)	(15,514,480)
<b>Total equity</b>	<b>55,962,750</b>	<b>74,001,118</b>

*Statements of financial performance*

The summarised historical statement of financial performance of the IOH Group for the year ended 30 June 2014 and 30 June 2013 shown below has been extracted from the unaudited consolidated statement of financial performance for the year ended 30 June 2014, as provided to BC Iron by IOH. The statement of financial performance for the year ended 30 June 2013 has been audited.

	Year ended June 2014 \$	Year ended June 2013 \$
Revenue	<b>4,968,910</b>	4,487,375
Total revenue	<b>4,968,910</b>	4,487,375
Employee benefits expense	<b>(7,473,803)</b>	(8,150,373)
Administration expenses	<b>(3,549,791)</b>	(4,940,234)
Exploration and evaluation expenditure	<b>(15,819,410)</b>	(25,216,857)
FMG option termination fee and write off	-	(5,908,637)
Depreciation and amortisation expense	<b>(339,669)</b>	(600,998)
Loss before income tax	<b>(22,213,763)</b>	(40,329,724)
Income tax benefit	<b>3,647,447</b>	7,480,112
Loss after income tax from continuing operations	<b>(18,566,316)</b>	(32,849,612)
Other comprehensive income/(expense)	-	-
Loss for the year attributable to owners of IOH	<b>(18,566,316)</b>	(32,849,612)
Basic (loss) per share from continuing operations (cents per share)	<b>(11.52)</b>	(20.38)
Diluted (loss) per share from continuing operations (cents per share)	<b>(11.52)</b>	(20.38)

#### **4.6 Publicly available information about the IOH Group**

IOH is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, IOH is subject to the Listing Rules of ASX which require continuous disclosure of any information IOH has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX maintains files containing publicly disclosed information about all listed companies. IOH's file is available for inspection at ASX during normal business hours.

In addition, IOH is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by IOH may be obtained from, or inspected at, an ASIC office.

A substantial amount of information about IOH is available in electronic form from: [www.ironoreholdings.com](http://www.ironoreholdings.com) and [www.asx.com.au](http://www.asx.com.au).

#### **4.7 Announcement by IOH in relation to the Offer**

On 11 August 2014, IOH made a public announcement to ASX in relation to the Offer jointly with BC Iron. A copy of that announcement is contained in Attachment 1 of this Bidder's Statement.

## 5. INFORMATION ON IOH'S SECURITIES

### 5.1 IOH's issued securities

According to documents provided by IOH to ASX (and as warranted by IOH to BC Iron in the Bid Implementation Agreement), as at the date of this Bidder's Statement, IOH's issued securities consisted of:

- 161,174,005 IOH Shares; and
- 7,850,000 Options.

### 5.2 IOH incentive plan

According to documents provided by IOH to ASX, as at the date of this Bidder's Statement, IOH currently has an Employee Share Option Plan (as approved by shareholders on 24 November 2009) in operation.

### 5.3 Options

So far as is known to BC Iron, the exercise prices and expiry dates for the Options on issue as at the date of this Bidder's Statement are as follows:

Exercise price	Expiry date	Number issued
\$1.90	22 November 2014	1,950,000
\$1.40	13 November 2015	2,900,000
\$1.297	24 November 2016	1,000,000
\$1.547	24 November 2017	1,000,000
\$1.797	24 November 2018	1,000,000

### 5.4 Interests in IOH securities

As at the date of this Bidder's Statement, BC Iron had no interests in IOH securities.

So far as BC Iron is aware, as at the date of this Bidder's Statement, the directors of IOH have the following interests in IOH securities:

Director	IOH Shares	Options
Hon. Richard Court AC	1,181,817 <sup>1</sup>	Nil
Alwyn Vorster	336,473	5,000,000 <sup>2</sup>
Brian O'Donnell	59,090 <sup>3</sup>	Nil
Malcolm Randall	2,150,000 <sup>4</sup>	1,150,000 <sup>4</sup>
Ryan Stokes	Nil	Nil

**Notes to table:**

- <sup>1</sup> Shares held indirectly by Australian Executor Trustees Limited for the RF Court Private Superannuation Fund
- <sup>2</sup> Options held indirectly by Mr Vorster as trustee for the Vorster Family Trust  
1,000,000 options exercisable at \$1.90 each on or before 22 November 2014  
1,000,000 options exercisable at \$1.40 each on or before 13 November 2015  
1,000,000 options exercisable at \$1.297 each on or before 24 November 2016  
1,000,000 options exercisable at \$1.547 each on or before 24 November 2017, vesting 25 November 2014 (subject to vesting conditions being achieved)  
1,000,000 options exercisable at \$1.797 each on or before 24 November 2018 vesting 25 November 2015 (subject to vesting conditions being achieved)
- <sup>3</sup> Shares held indirectly by Rockstone Enterprises Pty Limited as trustee for the O'Donnell Superannuation Fund
- <sup>4</sup> Shares and Options held indirectly by Renique Holdings Pty Limited as trustee for the Randall Superannuation Fund  
Mr Randall is a director and shareholder of Renique Holdings Pty Limited  
150,000 options exercisable at \$1.90 each on or before 22 November 2014  
1,000,000 options exercisable at \$1.40 each on or before 13 November 2015

## 5.5 Dealings in IOH Shares

### (a) Previous four months

Neither BC Iron nor any Associate of BC Iron has provided, or agreed to provide, consideration for IOH Shares under any purchase or agreement during the 4 months before the date of this Bidder's Statement.

### (b) Period before Offer

Neither BC Iron nor any Associate of BC Iron has provided, or agreed to provide, consideration for IOH Shares under any purchase or agreement during the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer.

## 5.6 ACE and Wroxby's intentions

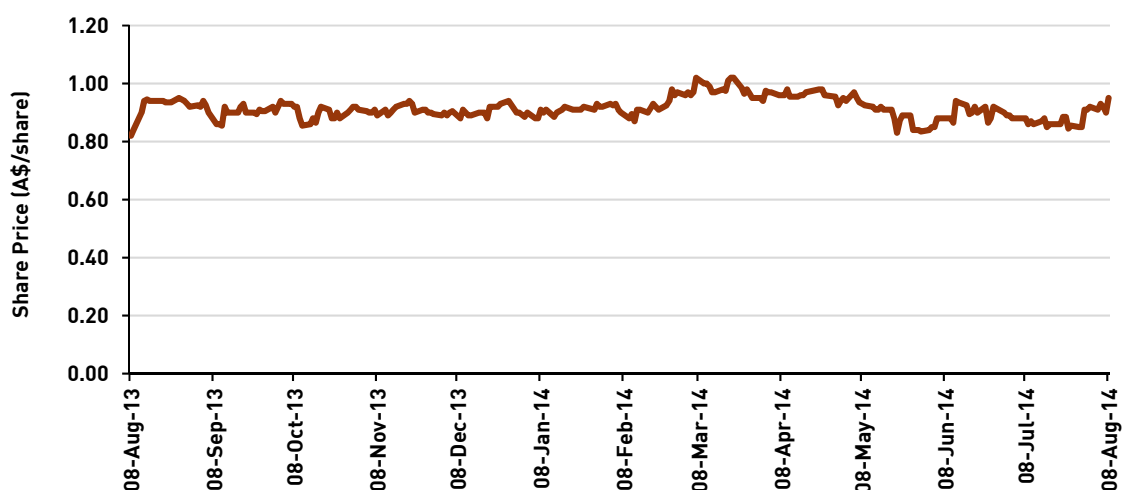
As announced on 11 August 2014, IOH has been advised by its major shareholder, ACE (through its subsidiary Wroxby), that it intends to accept the Offer in respect of all IOH Shares held or controlled by it (approximately 52.7% of all IOH Shares on issue as at 11 August 2014) within 14 business days of the Offer opening, in the absence of a superior proposal. Further information on ACE and Wroxby's intentions is contained in the joint announcement by BC Iron and IOH on 11 August 2014. A copy of that announcement is contained in Attachment 1 of this Bidder's Statement.

## 5.7 Recent share price performance of IOH

The latest recorded sale price of IOH Shares on ASX before the Announcement Date was \$0.95 as at close of trading on ASX on 8 August 2014.

The latest recorded sale price of IOH Shares on ASX before the date on which this Bidder's Statement was lodged with ASIC was \$1.29.

The following chart shows the last sale price of IOH Shares on ASX in the 12 months prior to the Announcement Date.



Source: Bloomberg.

## 5.8 Effect of the Offer on Options

The Offer does not extend to the Options. However, the Offer extends to IOH Shares that are issued on the exercise of Options during the period from the Register Date to the end of the Offer Period.

BC Iron is also making, or intends to make, contemporaneous offers in respect of the Options, on the terms described in section 11.1 of this Bidder's Statement. In summary, BC Iron has agreed to make private offers to the holders of Options to acquire their Options in exchange for BC Iron Shares based on a Black Scholes valuation of the Options.

If BC Iron and its Associates have Relevant Interests in at least 90% of the IOH Shares during, or at the end of the Offer Period, BC Iron will (if it and its Associates have a Relevant Interest in more than 90% of IOH Shares at the time) give a notice of compulsory acquisition to all outstanding IOH shareholders, even if the IOH Shares to which those notices relate are issued:

- after the Offer closes but before the notices are given (pursuant to section 661A(4)(b) of the Corporations Act); or
- on exercise of Options, up to 6 weeks after the notices are given (pursuant to section 661A(4)(c) of the Corporations Act).

If not all of the Options are acquired by BC Iron or cancelled pursuant to agreements or other arrangements, and BC Iron is entitled to compulsorily acquire any outstanding IOH Shares, BC Iron presently intends to seek to compulsorily acquire or cancel any outstanding Options pursuant to Part 6A.2 of the Corporations Act, although it reserves the right not to do so.

## 5.9 No pre-Offer benefits

During the period of 4 months before the date of this Bidder's Statement, neither BC Iron nor any Associate of BC Iron gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an Associate of the other person, to:

- accept the Offer; or
- dispose of IOH Shares,

and which is not offered to all holders of IOH Shares under the Offer.

During the period from the date of this Bidder's Statement to the date before the date of the Offer, neither BC Iron nor any Associate of BC Iron gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an Associate of the other person, to:

- accept the Offer; or
- dispose of IOH Shares,

and which is not offered to all holders of IOH Shares under the Offer.

## 5.10 No escalation agreements

Neither BC Iron nor any Associate of BC Iron has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

## 6. SOURCES OF CONSIDERATION

### 6.1 Total consideration

The consideration for the acquisition of the IOH Shares to which the Offer relates will be satisfied partly by the issue of BC Iron Shares and partly by the payment of cash.

#### (a) Issue of BC Iron Shares

The maximum number of BC Iron Shares which would become issuable under the Offer if acceptances are received in respect of IOH Shares on issue as at the date of this Bidder's Statement is approximately 70,916,562.

In addition, if all Options on issue as at the date of this Bidder's Statement convert into IOH Shares during the Offer Period, then an additional approximately 3,454,000 would become payable. If this additional number of additional BC Iron Shares also becomes payable, the total number of BC Iron Shares which would become payable under the Offer is approximately 74,370,562.

BC Iron has also agreed to make private offers to the holders of Options to acquire their Options in exchange for BC Iron Shares on the terms described in section 11.1 of this Bidder's Statement. If all Option holders accept BC Iron's private offer for their Options instead of converting them into IOH Shares during the Offer Period (as described in the paragraph above), then an additional approximately 935,447 BC Iron Shares would be issued, making the total number of BC Iron Shares to be issued in connection with the Offer 71,852,009.

The potential effect on BC Iron's capital structure discussed above is summarised in the table below:

	BC Iron Shares to be issued (rounded where required)	Cumulative total of BC Iron Shares on issue
As at the date of this Bidder's Statement	N/A	124,345,439
To be issued under the Offer in exchange for IOH Shares on issue as at the date of this Bidder's Statement	70,916,562	195,262,001
To be issued under the Offer if all Options are converted into IOH Shares and accepted into the Offer	3,454,000	198,716,001
To be issued if no Options are converted into IOH Shares and instead all Option holders accept the private offers for their Options described in section 11.1	935,447	196,197,448

**Notes to table:** This table does not show other BC Iron securities on issue. See further section 3.6.

BC Iron has the capacity to issue the maximum number of BC Iron Shares which it may be required to issue under the Offer. The numbers stated above are subject to effects of rounding in accordance with the Offer terms.



**(b) Cash consideration**

If acceptances are received for all IOH Shares on issue as at the date of this Bidder's Statement, the amount of cash that BC Iron would be required to pay under the Offer would be \$16,117,401.

In addition, if holders of all Options on issue as at the date of this Bidder's Statement exercise those Options and accept the Offer in respect of the IOH Shares issued to them, an additional \$785,000 will be payable by BC Iron under the Offer.

Accordingly, the maximum amount of cash that BC Iron could be required to pay under the Offer is \$16,902,401, plus transaction costs.

**6.2 Sources of cash consideration**

The cash consideration payable under the Offer will be provided from the internal cash reserves of BC Iron.

BC Iron has adequate internal cash reserves as at the date of this Bidder's Statement to meet its obligations to pay the cash component of the consideration under the Offer.

## 7. BC IRON'S INTENTIONS IN RELATION TO IOH

### 7.1 Introduction

The intentions of BC Iron are set out in this section of the Bidder's Statement. Those intentions have been formed on the basis of facts and information concerning IOH, and the general business environment, which are known at the time of preparing this Bidder's Statement. Final decisions will only be reached by BC Iron in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

### 7.2 Strategic rationale for the Offer

BC Iron is making the Offer to:

- (a) Increase its Pilbara presence;
- (b) Expand and diversify its mineral resource base, including becoming the owner of iron ore mineral resources with a longer potential mine life than the Nullagine Joint Venture;
- (c) Strengthen its balance sheet by accessing IOH's cash, which was \$50.9m as at 30 June 2014;
- (d) Increase its scale, market presence and funding capacity, including potentially contributing a proportion of its existing cash and cash flows from the Nullagine Joint Venture interest and expected cash flows from the under-construction Iron Valley project to assist in funding the development of the Buckland project;
- (e) Obtain ownership of proposed mine-to-port infrastructure in the emerging West Pilbara region, comprising a private haul road and a transshipment port at Cape Preston East;
- (f) Enhance its Board and management team with the addition of key technical and other personnel from the IOH team; and
- (g) Create a leading, Pilbara-focused mid-cap iron ore company with an improved opportunity to pursue organic growth and increase shareholder returns over a longer time period than only owning of an interest in the Nullagine Joint Venture permits.

### 7.3 Intentions for appointment of directors to the BC Iron Board

If BC Iron and its Associates acquire a Relevant Interest in 50.1% of the IOH Shares (on a fully diluted basis) and the Offer becomes or is declared unconditional, BC Iron has agreed to invite existing IOH Non-Executive Director, Brian O'Donnell, and IOH Managing Director, Alwyn Vorster, to the BC Iron Board. This is subject to the respective boards being properly constituted and the new directors not participating in any discussion of the Offer until the end of the Offer Period.

The BC Iron Board will continue to be chaired by Anthony Kiernan. Morgan Ball will continue as Managing Director of BC Iron. BC Iron intends to offer Alwyn Vorster a term advisory contract, with a focus on marketing, funding and business development of the Buckland project.

## 7.4 Intentions for IOH as a wholly owned controlled entity

This section 7.4 describes BC Iron's intentions if BC Iron and its Associates acquire a Relevant Interest in 90% or more of the IOH Shares, and so becomes entitled to proceed to compulsory acquisition of outstanding IOH Shares in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, BC Iron's current intentions are as follows:

### (a) Corporate matters

BC Iron intends to:

- proceed with compulsory acquisition of the outstanding IOH Shares in accordance with the provisions of Part 6A.1 of the Corporations Act, including any IOH Shares which are issued after the close of the Offer as a result of the exercise of Options (see section 5.8 of this Bidder's Statement);
- thereupon arrange for IOH to be removed from the official list of the ASX; and
- replace the members of the IOH Board with the nominees of BC Iron. Replacement board members have not yet been identified by BC Iron and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement board members will be members of the BC Iron management team.

### (b) Strategic review

After the end of the Offer Period, BC Iron intends to conduct an immediate, broad based review of IOH's operations, projects, assets, structure and employees.

In the course of this review, BC Iron intends to focus on a number of key specific areas including (but not limited to):

- developing and building relationships with key stakeholders of IOH and its projects;
- reviewing and assessing the development and funding plan for the Buckland project as contained in the Feasibility Study announced by IOH in June 2014. Subject to this review, BC Iron may initiate a period of further study and / or Feasibility Study optimisation, if considered warranted;
- continuing to progress the necessary project development activities required to put the Buckland project in a position where a final development decision could potentially be made as soon as practicable. This will likely include initiating or progressing existing discussions relating to the project's financing, as well as potential off-takers of iron ore product and other potential counterparties as relevant. Subject to prevailing market conditions, BC Iron Board approval and results of the review and assessment of the Feasibility Study described above, this may lead to a development decision in the first half of 2015; and
- assessing the capabilities and skills of existing IOH employees, and matching these capabilities and skills with BC Iron's existing organisation, including identifying areas of duplication or overlap.

### (c) Impact on employees

BC Iron intends to:

- continue the employment of selected employees of IOH on terms comparable to their existing terms of employment to advance amongst other things the development of the Buckland Project;
- offer redundancy terms in accordance with existing IOH policies to all IOH employees who do not receive BC Iron offers of employment comparable to their current IOH employment agreements; and

- offer a term consultancy contract to the current IOH Managing Director to advise on specific aspects of the IOH business, such as funding of the Buckland project, marketing and business development on market based terms to be agreed.

However, at this point in time, BC Iron is not able to say with certainty what number, or which IOH employees, will be offered employment with the BC Iron Group.

## 7.5 Intentions for IOH as a part owned controlled entity

BC Iron reserves its right to declare the Offer free from the 90% minimum acceptance condition (or any other condition) to the Offer. However, BC Iron has not decided whether it will free the Offer from the 90% minimum acceptance condition (or any other condition).

This section 7.5 describes BC Iron's intentions if it were to declare the Offer free of the 90% minimum acceptance condition and if IOH becomes a controlled entity of BC Iron, but BC Iron is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, BC Iron's current intentions are as follows:

### (a) Corporate matters

As soon as practicable after BC Iron acquires a Relevant Interest in 50.1% of the IOH Shares (on a fully diluted basis) and the Offer becomes or is declared unconditional, BC Iron intends:

- (subject to the Corporations Act and the constitution of IOH) to seek to replace some of the members of the IOH Board with nominees of BC Iron, such that a majority of the IOH Directors are directors nominated by BC Iron (and, after the end of the Offer Period, so that the proportion of such nominees is broadly similar to the voting power of BC Iron). BC Iron would consider the recommendations in the ASX Corporate Governance Guidelines when determining the composition of the board. Replacement board members have not yet been finally decided by BC Iron and their identity will depend on the circumstances at the relevant time; however, it is expected that the majority of the replacement board members will be members of the BC Iron management team (who will not participate in any discussions regarding the Offer until the end of the Offer Period); and
- (subject to continued compliance by IOH with the Listing Rules) to maintain IOH's listing on the ASX (although IOH shareholders should be aware that in this circumstance the liquidity of IOH Shares on ASX may be materially adversely affected).

It is possible that, even if BC Iron is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act; for example, as a result of acquisitions of IOH Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. If so, it intends to exercise those rights.

### (b) General operational review

After the end of the Offer Period, BC Iron intends to encourage IOH to conduct an immediate, broad-based review of IOH's operations, projects, assets, structure and employees, along similar lines to that described in section 7.4(b).

BC Iron intends, subject to the approval of the IOH Board, to participate in this review.

### (c) Limitations in giving effect to intentions

The ability of BC Iron to implement the intentions set out in this section 7.5 will be subject to the legal obligations of IOH directors to have regard to the interests of IOH and all IOH shareholders, and the requirements of the Corporations Act and the Listing Rules relating to transactions between related parties.

## 7.6 Intentions for IOH if not controlled by BC Iron

BC Iron reserves its right to declare the Offer free from the 90% minimum acceptance condition (or any other condition) to the Offer. However, it has made no decision as to whether it will do so.

This section 7.6 describes BC Iron's intentions if it were to declare the Offer free of the 90% minimum acceptance condition and if IOH does not become a controlled entity of BC Iron.

In that circumstance:

- BC Iron does not expect to be in a position to give effect to the intentions set out in sections 7.4 or 7.5 of this Bidder's Statement; and
- BC Iron's current intention is to continue to hold any stake in IOH with a view to maximising returns for BC Iron's shareholders, though it reserves its right to dispose of its stake in IOH or acquire further IOH Shares as permitted by law if it considers that is in the best interests of BC Iron shareholders at the relevant time.

## 7.7 Other intentions

Subject to the matters described above in this section 7 and elsewhere in this Bidder's Statement and, in particular, the completion of the strategic review of IOH's operations, it is the intention of BC Iron, on the basis of the facts and information concerning IOH that are known to it and the existing circumstances affecting the assets and operations of IOH at the date of this Bidder's Statement, that:

- the business of IOH will be conducted in the same manner as at the date of this Bidder's Statement;
- there will be no redeployment of the fixed assets of IOH; and
- the present employees of IOH will continue to be employed by IOH (subject to the matters described in section 7.4(c)).

## 8. EFFECT OF THE OFFER ON BC IRON AND PROFILE OF THE COMBINED GROUP

### 8.1 Profile of the Combined Group

Following the completion of the Offer the Combined Group will have the following key attributes:

- A larger Ore Reserve and Mineral Resource base, comprising:<sup>13</sup>
  - Combined DSO / CID Ore Reserves (equity basis) of 294 Mt at 58.0% Fe;
  - Combined DSO / CID Mineral Resources (equity basis) of 626.5 Mt at 56.8% Fe; and
  - Combined total magnetite Mineral Resources (equity basis) of 1,106 Mt at 30.4% Fe;
- An expanded portfolio of complementary production and development assets that includes:
  - **Nullagine:** Joint Venture: A 75% joint venture interest in the operating Nullagine Joint Venture. See section 2.4 of this Bidder's Statement for more information on this asset;
  - **Iron Valley:** An under-construction mine with Ore Reserves of 134.7 Mt at 58.5% Fe that is expected to start generating cash flows to IOH from production occurring in the quarter ending 31 September 2014, via an existing mine gate sale agreement between IOH (the seller) and MIN (the purchaser);
  - **Buckland:** A mine-to-port iron ore development project with Ore Reserves of 134.3 Mt at 57.6% Fe, a completed and announced Feasibility Study, its own proposed infrastructure comprising a haul road and transhipment port at Cape Preston East and all primary tenure and licenses secured; and
  - **Other Assets:** a portfolio of iron ore royalty interests and early stage exploration projects located in the Pilbara, and a 50% interest in an exploration alliance with Cleveland that is currently entitled to earn up to 80% in a number of exploration projects in Brazil.
- Combined unaudited pro-forma cash of approximately A\$190m and debt of approximately A\$52m as at 30 June 2014;<sup>14</sup>
- A listing on the ASX, with an estimated combined pro-forma market capitalisation of approximately A\$649m;<sup>15</sup>
- Through the addition of key IOH personnel, a strengthened Combined Group Board and management team to progress the potential funding and development of the Buckland project; and
- A new, major shareholder in Wroxby, who if IOH becomes a wholly owned subsidiary of BC Iron, will own approximately 19% of the Combined Group.

<sup>13</sup> See further sections 2.4, 4.1, 11.7 and 11.8 of this Bidder's Statement.

<sup>14</sup> Comprised of BC Iron and IOH cash and debt as at 30 June 2014, less \$16 million paid to IOH shareholders under the Offer and \$4 million in transaction costs (excludes stamp duty, which will be payable on the transaction, but the quantum and timing of this is not yet known).

<sup>15</sup> Assuming BC Iron acquires 100% of IOH Shares under the Offer and 100% of the Options under the private offers described in section 11.1 of this Bidder's Statement at an implied offer price of A\$1.56/share based on the closing price of BC Iron on 8 August 2014.

## 8.2 Pro forma consolidated financial statements for the Combined Group

### (a) Basis of presentation of pro forma financial information

This section provides an overview of the effect of the Offer on BC Iron, based on the unaudited consolidated statement of financial position for each of BC Iron and IOH as at 30 June 2014 (which assumes that BC Iron acquires 100% of IOH Shares under the Offer and 100% of the Options via the private offers described in section 11.1) after completion of the transaction with the pro forma adjustments noted in section 8.2(c) below.

This section should be read in conjunction with the underlying financial information from which it is derived (see sections 2.5 and 4.5 of this Bidder's Statement), the risk factors set out in section 9, BC Iron's accounting policies and other information contained within this Bidder's Statement and IOH's Target's Statement.

This section also sets out information regarding the general assumptions underlying the preparation of the Combined Group unaudited pro forma consolidated statement of financial position as at 30 June 2014 (adjusted for the Offer) as set out in section 8.2(b), and other relevant considerations.

This information has been prepared for illustrative purposes only and has been prepared on an abbreviated basis. It does not provide all the disclosure usually provided in an annual report in accordance with the Corporations Act.

The Board has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information in relation to the Combined Group, other than BC Iron's production and cost guidance for FY15 that has already been communicated to the market. The Board has concluded that such forecast financial information has the potential to be misleading and a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable to be of value to either set of shareholders.

Pro forma adjustments and assumptions have been made to present the Combined Group unaudited pro forma consolidated statement of financial position as at 30 June 2014 (adjusted for the Offer). Acquisition accounting entries have been estimated consistent with the terms of the Offer and the assumptions set out in section 8.2(c) below. It is assumed that the acquisition will be accounted for as a Business Combination in accordance with applicable accounting standards.

The BC Iron Board will undertake a comprehensive review of the fair value of the assets and liabilities acquired after the transaction has completed.

All adjustments have been made in accordance with IFRS and Australian accounting standards.

**(b) Pro forma consolidated statement of financial position of the Combined Group**

	BCI Stand alone	IOH Stand alone	Pro Forma Adjustments	Combined Group
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>Current assets</b>				
Cash and cash equivalents	158,917	50,965	(19,817)	<b>190,065</b>
Trade and other receivables	4,964	822	-	<b>5,786</b>
Other assets	-	111	-	<b>111</b>
Inventory	19,894	-	-	<b>19,894</b>
Total current assets	183,775	51,898	(19,817)	<b>215,856</b>
<b>Non-current assets</b>				
Receivables	-	364	-	<b>364</b>
Property, plant and equipment	189,267	367	197,984	<b>387,618</b>
Exploration and evaluation assets	12,356	1,889	-	<b>14,245</b>
Available-for-sale financial assets	1,791	-	-	<b>1,791</b>
Deferred tax assets	-	8,230	-	<b>8,230</b>
Total non-current assets	203,414	10,850	197,984	<b>412,248</b>
Total assets	387,189	62,748	178,167	<b>628,104</b>
<b>Current liabilities</b>				
Trade and other payables	61,976	6,497	-	<b>68,473</b>
Loans and borrowings	24,077	-	-	<b>24,077</b>
Provisions	1,899	288	-	<b>2,187</b>
Tax payable	6,520	-	-	<b>6,520</b>
Total current liabilities	94,472	6,785	-	<b>101,257</b>
<b>Non-current liabilities</b>				
Loans and borrowings	28,132	-	-	<b>28,132</b>
Provisions	14,428	-	-	<b>14,428</b>
Deferred tax liabilities	14,983	-	-	<b>14,983</b>
Total non-current liabilities	57,543	-	-	<b>57,543</b>
Total liabilities	152,015	6,785	-	<b>158,800</b>
Net assets	235,174	55,963	178,167	<b>469,304</b>
<b>Shareholders' equity</b>				
Contributed equity	131,339	85,648	152,182	<b>369,169</b>
Reserves	13,992	1,624	(1,624)	<b>13,992</b>
Retained earnings	89,843	(31,309)	27,609	<b>86,143</b>
Total shareholders' equity	235,174	55,963	178,167	<b>469,304</b>



**(c) Pro forma adjustments**

- (1) Cash and cash equivalents are based on BC Iron's and IOH's unaudited cash position as at 30 June 2014 of \$209.9m, less:
  - \$16.1m representing cash consideration of the Offer, at 10 cents per IOH Share (assuming 100% of the Options are acquired under the private offers described in section 11.1); and
  - estimated acquisition transaction costs of \$3.7m (which does not include any duties payable) and have been fully expensed and for the purposes of pro forma have not been tax effected.
- (2) AASB12 *Accounting for Income taxes* has not been adopted in arriving at the Combined Group pro forma consolidated Statement of Financial Position.
- (3) The fair value of the consideration has been estimated at \$253.9m, based on the closing price of BC Iron Shares of \$3.31 per share on 8 August 2014.

The value of the consideration under the Offer is subject to change as the price of BC Iron Shares has changed since the Announcement Date and it is likely to change between the date of this Bidder's Statement and the end of the Offer Period.

Due to the factors above, the actual impact on the acquisition accounting will vary from that disclosed in the Combined Group pro forma Statement of Financial Position.

- (4) The difference between the fair value of consideration over the carrying value of the identifiable assets, liabilities and contingent liabilities acquired has been allocated to mining right assets, which is reported on the Combined Group pro forma Statement of Financial Position as part of Property, Plant and Equipment. The directors of BC Iron will perform a fair value assessment of the IOH assets and liabilities at the completion of the Offer at which point they will be able to measure and allocate the fair values (including the related tax effect accounting balances) across the assets and liabilities acquired.

**8.3 Dividends**

BC Iron has paid a dividend in relation to every 6 month period since its maiden dividend was declared in FY12.

The BC Iron Board's target is to pay out 30-50% of net profit after tax annually as dividends. BC Iron reaffirms that this target will remain in place irrespective of the Offer. However, the declaration and payment of dividends remains at the discretion of the Board and actual dividends may vary from this target based on prevailing market conditions, BC Iron's financial and operational performance and current and expected future cash requirements.

**8.4 Effect on capital structure**

If BC Iron acquires 100% of IOH, current IOH security holders will own approximately 36.6% of the Combined Group, and ACE will own approximately 19%.<sup>16</sup>

<sup>16</sup> Assumes 100% acceptances under the Offer and 100% acceptances of private offers by BC Iron for Options (as described in section 11.1 of this Bidder's Statement).

As announced on 11 August 2014, ACE (through its subsidiary Wroxby), has advised IOH that if the Offer is declared or becomes unconditional and ACE is issued shares in BC Iron under the terms of the Offer, ACE does not intend to acquire any further shares in BC Iron other than with the consent of the BC Iron Board (such consent not to be unreasonably withheld) for 12 months after the close of the Offer, except in the following circumstances:

- the right to acquire further BC Iron Shares to prevent dilution of ACE's interest in the event of a new issue of BC Iron Shares or other equity capital raising by BC Iron;
- if any Third Party takeover bid is made for BC Iron; or
- where there has been a material decline in BC Iron's Share price.

Further information on ACE and Wroxby's intentions is contained in the joint announcement by BC Iron and IOH on 11 August 2014. A copy of that announcement is contained in Attachment 1 of this Bidder's Statement.

## 9. RISK FACTORS

### 9.1 Introduction

If the Offer becomes unconditional, IOH shareholders who accept the Offer will become BC Iron shareholders, and BC Iron will acquire an interest in IOH. In that event, IOH shareholders will continue to be indirectly exposed to the risks associated with having an interest in IOH's assets and general economic, share market and industry risks. There are also additional risks relating to the Offer and the Combined Group, to which IOH shareholders will be exposed through their holding of BC Iron Shares.

A number of risks and uncertainties, which are both specific to the BC Iron Group and of a more general nature, may affect the future operating and financial performance of the BC Iron Group and the value of BC Iron Shares. You should carefully consider the following risk factors, as well as the other information provided by BC Iron, and consult your financial and legal advisers before making a decision as to whether to accept the Offer.

The risks and uncertainties described below are not the only ones facing BC Iron. Additional risks and uncertainties that BC Iron is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect BC Iron's operating and financial performance.

### 9.2 Specific risks

#### (a) Foreign exchange risk

BC Iron and IOH are Australian businesses that report in Australian dollars. Their revenue is derived from the sale of iron ore that is typically priced in US dollars, but their costs are mainly in Australian dollars. Movements in the AUD:USD exchange rate may adversely or beneficially affect the Combined Group's results of operations and cash flows in relation to currency.

#### (b) Iron ore price risk

The Combined Group's revenues and cash flows are derived from the sale of iron ore. Its financial performance is therefore exposed to fluctuations in the iron ore price, which has been particularly volatile in recent times.

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

BC Iron cannot provide any assurance as to the prices the Combined Group will achieve for iron ore. Changes in iron ore prices may have a positive or negative effect on the Combined Group's project development and production plans and activities, together with its ability to fund those plans and activities.

#### (c) Operating and development risks

The ability of the Combined Group to achieve production targets within anticipated time lines, or at all, or meet operating and capital expenditure estimates cannot be assured.

The Combined Group's assets and mining operations are subject to uncertainty with respect to (among other things): ore tonnes, grade, metallurgical recovery & impurities, ground conditions, operational environment, funding for development, regulatory changes, accidents, contractual risks and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment, cyclones, storms, floods, bushfires or other natural disasters. If faced by the Combined Group, these circumstances could result in BC Iron not realising its operational or development plans or in such plans costing more than expected or taking longer to realise than expected. Any of these outcomes could have an adverse effect on the Combined Group's financial and operational performance.

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

The information provided in this Bidder's Statement in relation to BC Iron's and IOH's projects is the current estimate of resources and reserves, capital and operating costs, as determined from geological data obtained from drill holes and other exploration techniques and technical studies conducted to date. These matters may change over time.

#### **(d) Future funding requirements**

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

While BC Iron anticipates being able to meet its debt repayments when they fall due and staying within financial covenants, deteriorating economic or project specific events may cause this to change leading to adverse consequences.

In addition, the Combined Group may require additional financing for development and exploration and for other capital expenditure and there can be no guarantee that such funding will be obtained at all or on acceptable terms. If BC Iron seeks to obtain funding by way of an equity raising, this may be dilutive to existing shareholders.

### **9.3 General risks**

#### **(a) Exploration risk**

BC Iron has followed an exploration programme that has resulted in upgrades to resource and reserves. However, exploration activities are speculative by nature and therefore are often unsuccessful. Such activities also require substantial expenditure and can take several years before it is known whether they will result in additional mines being developed.

Accordingly, if the exploration activities undertaken by BC Iron do not result in additional reserves or identified resources cannot be converted into reserves, there may be an adverse effect on the company's financial performance.

In addition, the exploitation of successful discoveries involves obtaining the necessary licences or clearances from relevant authorities that may require conditions to be satisfied and the exercise of discretions by such authorities. Further, the decision to proceed to further exploitation may require the participation of other companies whose interest and objectives may not be the same as those of the Combined Group.

#### **(b) Estimate risk**

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

These estimates are prepared in accordance with the JORC Code (see further sections 11.7 and 11.8 of this Bidder's Statement), but they are expressions of judgement based on knowledge, experience and industry practice, and may require revision based on actual production experience which could in turn affect the Combined Group's mining plans and

ultimately its financial performance and value. Estimates that are valid when made may change significantly when new information becomes available.

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

**(c) Regulatory risks**

Changes in legislative and administrative regimes, taxation laws, interest rates, other legal and government policies in Australia may have an adverse effect on the assets, operations and ultimately the financial performance of the Combined Group and the market price of BC Iron Shares.

Exploration and prospective production are dependent up on the granting and maintenance of appropriate licences, permits and regulatory consents and authorisations (**Authorisations**), which may not be granted or may be withdrawn or by made subject to limitations at the discretion of government or regulatory authorities. Although the Authorisations may be renewed following expiry or granted (as the case may be), there can be no assurance that such Authorisations will be continued, renewed or granted, or as to the terms of renewals or grants. If there is a failure to obtain or retain the appropriate Authorisations or there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions, then the Combined Group's ability to conduct its exploration or development operations may be adversely affected.

Native title may impact on the Combined Group's operations and future plans. For tenements that may still be subject to native title to be validly granted (or renewed), the 'right to negotiate' regime established by the *Native Title Act 1993* (Cth) must be followed. Alternatively, an indigenous land use agreement may be entered into between a member of the Combined Group and relevant native title parties.

**(d) Environmental risk**

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

BC Iron is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Combined Group's cost of doing business or affect its operations in any area. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Combined Group to incur significant expenses and undertake significant investments which could have material adverse effect on the Combined Group's business, financial condition and performance.

**(e) Exploitation of discoveries**

It may not always be possible for the Combined Group to exploit successful discoveries that may be made in areas in which it has an interest. Exploitation involves obtaining the necessary Authorisations – as to which, see further section 9.3(c) above. Further, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may differ from the Combined Group's.

**(f) Counterparty risk**

The financial performance of the Combined Group is exposed to any failure by counterparties to agreements for the sale of iron ore that any member of the Combined Group has entered into to comply with the terms of those contracts, and this is beyond the control of BC Iron.

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

**(g) Labour market and key personnel risks**

BC Iron is dependent upon a number of key management personnel and executives to manage the day-to-day requirements of its businesses. Although BC Iron enters into employment and incentive arrangements with such personnel to secure their services, it cannot guarantee the retention of their services. The loss of the services of one or more of such key management personnel could have an adverse effect on the Combined Group.

BC Iron needs to be able to recruit appropriately skilled and qualified individuals. There can be no guarantee that personnel with the appropriate skills will be available, particularly given the tight labour market, an accelerating aging population and the current skills shortage.

**(h) Competition**

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

**(i) Economic conditions**

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

The Combined Group's future possible revenues and share prices can be affected by these facts, which are beyond BC Iron's control.

**(j) Share market conditions**

There are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of BC Iron's performance.

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

**(k) Dividends**

BC Iron expects to announce a final dividend of \$0.15 per share on 27 August 2014, subject to BC Iron Board approval. The BC Iron Board's target is to pay out 30-50% of net profit after tax

annually as dividends. BC Iron reaffirms that this target will remain in place irrespective of the Offer. However, the declaration and payment of dividends remains at the discretion of the Board and actual dividends may vary from this target based on prevailing market conditions, BC Iron's financial performance and current and expected future cash requirements.

**(l) Discretion in use of capital**

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

**(m) Cost risks**

While every care has been taken in estimating the capital cost and future operating costs for BC Iron's projects, including contingency, the actual costs structure experienced in constructing facilities and operating mines may vary from current estimates. Any variations could adversely affect the Combined Group's financial position and performance.

The Combined Group has energy requirements and it relies on being able to fulfil those requirements at a cost which does not negatively impact on its cash flows. A number of factors (such as rising oil prices, macro-economic factors such as inflationary expectations, interest rates, currency exchange rates, as well as general global economic conditions and political trends) may lead to an increase in energy costs which may materially adversely affect the earnings of the Combined Group.

## 9.4 Risks specifically relating to the Offer and the Combined Group

**(a) Issue of BC Iron Shares as consideration**

IOH shareholders are being offered consideration under the Offer that consists of a specified number of BC Iron Shares, rather than a number of BC Iron Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the market value of the BC Iron Shares.

Furthermore, under the Offer, BC Iron will issue a significant number of BC Iron Shares. Some IOH shareholders may not intend to continue to hold their BC Iron Shares and may wish to sell them on ASX. There is a risk that if a significant number of IOH shareholders seek to sell their BC Iron Shares, this may adversely impact the price of BC Iron Shares.

**(b) Integration risks**

There are risks that any integration between the businesses of the BC Iron Group and IOH Group may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, inability to achieve synergy benefits and cost savings and access tax losses, and the potential loss of key personnel.

While BC Iron expects that value will be added through the Offer, there is a risk that the full benefits may be achieved only in part, or not at all.

**(c) Accounting**

BC Iron will be required to perform a fair value assessment of all of IOH's assets and liabilities if the Offer is successful. This assessment may result in increased depreciation and amortisation charges. There is a risk that these charges may be substantially greater than those that would exist in BC Iron and IOH as separate businesses. This may reduce the future earnings of the Combined Group.

## 10. TAX CONSIDERATIONS

### 10.1 Introduction

The following is a general description of the Australian tax consequences to IOH shareholders who accept the Offer and dispose of their IOH Shares in accordance with the Offer.

Acceptance of the Offer will involve the disposal by IOH shareholders of their IOH Shares by way of transfer to BC Iron in exchange for BC Iron Shares and cash. The taxation consequences of such a disposal will depend upon a number of factors. The comments set out below are relevant only to those IOH shareholders who:

- are residents of Australia for Australian income tax purposes;
- hold their IOH Shares on capital account and not as revenue assets, trading stock, as assets used in carrying on a business or who are subject to the taxation of financial arrangements rules; and
- are not employees of IOH.

IOH shareholders who are not resident in Australia for tax purposes should take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of acceptance of the Offer.

The following description is based upon the Australian law and administrative practice in effect at the date of this Bidder's Statement, but it is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of every IOH shareholder.

**IOH shareholders should seek independent professional advice in relation to their own particular circumstances.**

### 10.2 Disposal of IOH Shares held on capital account

#### (a) Capital gains tax (CGT)

For Australian resident IOH shareholders who hold their IOH Shares on capital account, the change in ownership of the IOH Shares as a result of acceptance of the Offer will constitute a CGT event for Australian CGT purposes.

IOH shareholders who are Australian residents may make a capital gain or capital loss on the transfer of IOH Shares, depending on whether their capital proceeds from the disposal of the IOH Shares are more than the cost base of those IOH Shares, or whether the capital proceeds are less than their reduced cost base of those IOH Shares.

Generally the tax cost base of IOH Shares will be equal to the consideration paid to acquire the IOH Shares. In addition, other incidental costs of acquiring the IOH Shares (such as brokerage fees and stamp duty) may be included in the tax cost base (or reduced cost base).

#### (b) Scrip for scrip roll-over elected

##### (1) *Capital gain partially disregarded*

IOH shareholders who would otherwise make a capital gain from the disposal of their IOH Shares under the Offer to BC Iron may be eligible to elect for scrip for scrip roll-over relief in relation to the exchange of their IOH Shares for BC Iron Shares.

Roll-over relief is only available to the extent an IOH shareholder receives BC Iron Shares, and not to the extent the IOH shareholder receives cash.

The benefit of choosing scrip for scrip roll-over relief will depend upon the individual circumstances of each IOH shareholder.



An IOH shareholder, to the extent BC Iron Shares are received in exchange for the disposal of their IOH Shares, should be entitled to roll-over relief if the following conditions are satisfied:

- BC Iron Shares are received in exchange for IOH Shares under the terms of the Offer and that exchange is considered a single arrangement;
- IOH shareholders would otherwise make a capital gain on the disposal of their IOH Shares;
- BC Iron and/or members of BC Iron's wholly owned group become the owner of at least 80% of IOH Shares; and
- the IOH shareholder chooses to obtain roll-over relief.

Scrip for scrip roll-over is not available if an IOH shareholder would realise a capital loss on acceptance of the Offer.

(2) *BC Iron Shares received*

Where roll-over relief is elected, the capital gain for an IOH shareholder that is attributable to the exchange of IOH Shares for BC Iron Shares will be disregarded and a reasonably attributable part of the tax cost base of the IOH Shares disposed of would become the tax cost base of the BC Iron Shares.

The portion that is reasonably attributable is determined based on an allocation of the tax cost base of the IOH Shares to the BC Iron Shares and cash received.

The cost base attributable to the new BC Iron shares is determined as follows:

$$\text{Cost base of IOH Shares at time of disposal} \times \frac{\text{Market value of BC Iron Shares received}}{\text{Market value of BC Iron Shares received plus cash consideration}}$$

(3) *Capital gain from cash received*

Where an IOH shareholder chooses scrip for scrip roll-over, any capital gain attributable to the cash component of the Offer Consideration cannot be disregarded.

The capital gain from the cash consideration received is determined by attributing a reasonably attributable part of the tax cost base of the IOH Shares disposed of to the cash consideration received.

The portion that is reasonably attributable to the cash consideration received is determined based on an allocation of the tax cost base of the IOH Shares to the BC Iron Shares and cash received as follows:

$$\text{Cost base of IOH Shares at time of disposal} \times \frac{\text{Cash consideration}}{\text{Market value of BC Iron Shares received plus cash consideration}}$$

**(c) No scrip for scrip roll-over**

Where an IOH shareholder does not choose roll-over, or is not eligible to choose roll-over, or where a capital gain arises in connection with the cash component of the Offer Consideration, the following tax treatment applies:

**(1) Capital gain**

Australian resident individual IOH shareholders who have held directly or indirectly (through trusts) their IOH Shares for greater than 12 months should be able to discount their capital gain by 50%.

Similarly, an eligible superannuation entity that has held its IOH Shares for greater than 12 months should be able to discount its capital gain by 33.3%.

Where an IOH shareholder makes a discount capital gain, any available capital losses must first be applied to reduce the gross capital gain before the discount is applied.

Corporate IOH shareholders are not entitled to discount their capital gain.

**(2) Capital loss**

Where an IOH shareholder makes a capital loss this may be offset against other capital gains made in the same or future income years.

**(3) Cost base of BC Iron Shares received**

The cost base for the new BC Iron Shares received by IOH shareholders should be determined as follows:

$$\text{Market value of IOH Shares transferred} \times \frac{\text{Market value of BC Iron Shares received}}{\text{Market value of BC Iron Shares received plus cash consideration}}$$

**10.3 Australian tax consequences of owning BC Iron Shares**

If an Australian resident former IOH shareholder sells their new BC Iron Shares, any gain or loss will prima facie be subject to CGT.

The capital gain or loss should be calculated by reference to the cost base of the new BC Iron shares as noted above.

**10.4 Goods and services tax (GST)**

The disposal of IOH Shares to BC Iron should not be a taxable supply for GST purposes.

**10.5 Stamp duty**

No stamp duty should be payable in Australia by IOH Shareholders on the issue of the BC Iron Shares.

## 11. ADDITIONAL INFORMATION

### 11.1 Offers for IOH securities other than IOH Shares

IOH's Option holders may exercise their Options and accept the Offer in respect of the IOH Shares issued.

BC Iron has also agreed under the Bid Implementation Agreement to make separate private treaty offers to IOH's Option holders to acquire their Options for the following consideration, based on a Black Scholes valuation of the Options and the implied value of the Offer as at 8 August 2014.

Expiry date	Exercise price	Consideration per Option (number of BC Iron Shares)	Total number of BC Iron Shares to be issued as consideration
22 November 2014	\$1.90	0.017	33,811
13 November 2015	\$1.40	0.127	368,018
24 November 2016	\$1.297	0.177	177,290
24 November 2017	\$1.547	0.176	176,229
24 November 2018	\$1.797	0.180	180,099
<b>TOTAL</b>			<b>935,447</b>

If IOH's Option holders accept the private offers for their Options, BC Iron will issue 935,447 BC Iron Shares as consideration. See further section 6.1 of this Bidder's Statement.

### 11.2 Date for determining holders of IOH Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is the Register Date.

### 11.3 Bid Implementation Agreement

On 10 August 2014, BC Iron and IOH entered into the Bid Implementation Agreement. A full copy of the Bid Implementation Agreement was released by BC Iron to the ASX on the Announcement Date and is available at [www.asx.com.au](http://www.asx.com.au) and <http://www.bcion.com.au/investors/asx-announcements/2014.html>.

The key terms of the Bid Implementation Agreement are summarised below. The conditions of the Offer as included in the Bid Implementation Agreement are set out in section 12.8 of this Bidder's Statement.

#### (a) Exclusivity arrangements

The Bid Implementation Agreement contains certain exclusivity arrangements in favour of BC Iron. These arrangements are set out in full in clause 8 of the Bid Implementation Agreement. In summary, IOH has agreed to the following exclusivity arrangements which apply during the Exclusivity Period:

- (1) **No shop** – IOH must not, and must ensure that none of its Related Persons, solicit, invite, encourage or initiate any inquiry, expression of interest, proposal or discussion by any person that may encourage or lead to a Competing Proposal;
- (2) **No talk** – IOH must not, and must ensure that none of its Related Persons, participate in or continue any negotiations or discussions, enter into an agreement, arrangement or understanding, or provide any non-public information that may encourage or lead to a Competing Proposal, unless the IOH Board determines in good faith that compliance with such obligations would be likely to be considered a breach of fiduciary or statutory duties owed by the directors of IOH;

- (3) **Notification of approaches** – If IOH, or any of its Related Persons, becomes aware of any approach in relation to a Competing Proposal, IOH must notify BC Iron of such approach, and provide certain details to BC Iron relating to the Competing Proposal; and
- (4) **Matching right** – IOH is prohibited from entering into an agreement in connection with a Competing Proposal unless:
  - the IOH Board acting in good faith determines that the Competing Proposal would be or would be likely to lead to a Superior Proposal;
  - IOH has provided to BC Iron the material terms and conditions of the Competing Proposal, including the price and identity of the person making the Competing Proposal; and
  - IOH has given BC Iron at least 3 Business Days after provision of such information to provide a matching or superior proposal to the terms of the Competing Proposal.

#### (b) Reimbursement fee arrangements

IOH has agreed to pay BC Iron a reimbursement fee of \$2.6m in certain circumstances. The circumstances are set out in full in clause 7.2 of the Bid Implementation Agreement.

In summary, the reimbursement fee will be payable to BC Iron if:

- (1) **Failure to recommend** – during the Exclusivity Period, the IOH Board or any IOH director fails to recommend that IOH shareholders accept the Offer in the absence of a Superior Proposal, or having made such recommendation, withdraws, adversely revises or adversely qualifies that recommendation for any reason;
- (2) **Recommending a Competing Proposal** – during the Exclusivity Period, the IOH board or any IOH director recommends that IOH shareholders accept, vote in favour of or otherwise support a Competing Proposal;
- (3) **Third Party acquires control** – a Competing Proposal is announced during the Exclusivity Period and within 12 months of that announcement, the Third Party or any Associate of that Third Party completes the Competing Proposal (of a kind referred to in paragraphs 2 to 4 of the definition of Competing Proposal), enters into an agreement, arrangement or understanding (of the kind referred to in paragraph 5 of the definition of Competing Proposal), or (either alone or together with any Associate) acquires a Relevant Interest in more than 50% of the IOH Shares or acquires control of IOH; or
- (4) **Material breach by IOH** – BC Iron terminates the Bid Implementation Agreement in relation to a material breach by IOH.

BC Iron has also agreed to pay IOH a reimbursement fee of \$2.6m if IOH terminates the Bid Implementation Agreement in relation to a material breach by BC Iron.

#### (c) Conduct of business

The Bid Implementation Agreement sets out in clause 4 (amongst other things) the obligations of IOH from the date of the Bid Implementation Agreement until the end of the Exclusivity Period in relation to its conduct of business.

Amongst other things, IOH has agreed to:

- (1) conduct its business in the ordinary and usual course consistent with how the business was conducted immediately prior to entry into the Bid Implementation Agreement;
- (2) keep BC Iron informed of the conduct of their business and promptly provide regular reports on the financial affairs and operations of the IOH Group and consult with BC Iron on material matters;
- (3) preserve and maintain the value of the business and assets, and relationships with customers, suppliers, employees and others with whom they have material business dealings; and

- (4) notify, and consult with, BC Iron prior to any material engagement or communication with any Government Agencies or existing or potential counterparties in connection with the Offer, the Buckland or Iron Valley projects, or a Material Contract.

Clause 4 of the Bid Implementation Agreement also sets out similar obligations on behalf of BC Iron.

**(d) Distributions**

Until the end of the Offer Period, IOH has agreed that it will not declare any dividend or other distribution without the prior written consent of BC Iron.

**(e) Change in recommendation**

IOH must use reasonable endeavours to participate in efforts reasonably required by BC Iron to promote the merits of the Takeover Bid and has agreed, in the absence of a Superior Proposal, to unanimously recommend the Offer to shareholders, not to make any public statement or take any public action which would suggest otherwise, and not to withdraw its recommendation.

**(f) Warranties**

IOH and BC Iron have each provided a number of warranties as at the date of the Bid Implementation Agreement, and on each day up to and including the last day of the Offer Period. These warranties are set out in full in clause 10 of the Bid Implementation Agreement.

**(g) Termination**

Either BC Iron or IOH may terminate the Bid Implementation Agreement by written notice to the other if:

- (1) the IOH Board or a majority of the IOH Board changes its recommendation in relation to the Takeover Bid as a result of determining it has received a Superior Proposal;
- (2) the other party is in material breach of the Bid Implementation Agreement (and fails to rectify such breach within 10 Business Days);
- (3) a representation or warranty is or becomes untrue in any material respect (and if it had been disclosed it would have resulted in the party not entering into the Bid Implementation Agreement or entering into it on materially different terms);
- (4) a court or Government Agency restrains or prohibits the Takeover Bid and there is no realistic prospect of a successful appeal or review; or
- (5) BC Iron withdraws the Takeover Bid for any reason, including non-fulfilment of a condition that is not waived by BC Iron.

IOH may also terminate the Bid Implementation Agreement by written notice to BC Iron if a material adverse change or prescribed occurrence occurs in relation to BC Iron, or if BC Iron announces, makes, declares or pays any distribution (other than the expected final dividend for FY14 described in this Bidder's Statement).

#### 11.4 Condition for consent from Pilbara Ports Authority

As set out in section 12.8(g), it is a condition to the Offer that the Pilbara Ports Authority provides written consent to the change of control in IOH which is treated by virtue of the Port Agreements to be an assignment of Cape Preston Logistics Pty Limited's right under the Port Agreements to BC Iron. As at the date of this Bidder's Statement, BC Iron and IOH are cooperating and actively progressing discussions with the Pilbara Ports Authority in relation to obtaining its consent.

In the Bid Implementation Agreement, BC Iron has agreed that it will not free the Offer from this condition without IOH's consent (which must not be unreasonably withheld).

#### 11.5 Extensions of the Offer Period

In the Bid Implementation Agreement, BC Iron has agreed that it will not extend the Offer Period so that the Offer is open for longer than 6 months without the prior written consent of IOH (which must not be unreasonably withheld).

#### 11.6 Consents

Azure Capital Limited has given, and has not withdrawn before lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as corporate adviser to BC Iron in relation to the Offer in the form and context in which it is named. Azure Capital Limited has not caused or authorised the issue of this Bidder's Statement, does not make or purport to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based and takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

Computershare Investor Services Pty Limited has given, and has not withdrawn before lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as BC Iron's share registrar in relation to the Offer in the form and context in which it is named. Computershare Investor Services Pty Limited has not caused or authorised the issue of this Bidder's Statement, does not make or purport to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based and takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

Herbert Smith Freehills has given, and has not withdrawn before lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement as legal adviser (other than in relation to taxation matters) to BC Iron in relation to the Offer in the form and context in which it is named. Herbert Smith Freehills has not caused or authorised the issue of this Bidder's Statement, does not make or purport to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based and takes no responsibility for any part of this Bidder's Statement other than any reference to its name.

ACE and Wroxby have given, and have not withdrawn before lodgement of this Bidder's Statement with ASIC, their written consent to be named in this Bidder's Statement in the form and context in which they are named and to the inclusion of the statements in this Bidder's Statement based on statements made by them in the form and context in which they appear.

IOH has given, and has not withdrawn before lodgement of this Bidder's Statement with ASIC, its written consent to be named in this Bidder's Statement in the form and context in which it is named and to the inclusion of the statements in this Bidder's Statement by it, or based on statements made by it, in the form and context in which they appear.

Mr Brian O'Donnell and Mr Alwyn Vorster have given, and have not withdrawn before lodgement of this Bidder's Statement with ASIC, their written consent to be named in this Bidder's Statement in the form and context in which they are named. Neither Mr O'Donnell nor Mr Vorster has caused or authorised the issue of this Bidder's Statement or makes or purports to make any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based.

Mr Roland Bartsch has given, and has not withdrawn before lodgement of this Bidder's Statement with ASIC, his written consent to be named in this Bidder's Statement as Competent Person for the purposes of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves in the form and context in which he is named and to the inclusion of the matters based on his information in the form and context in which it appears.

Mr Lynn Widenbar has given, and has not withdrawn before lodgement of this Bidder's Statement with ASIC, his written consent to be named in this Bidder's Statement as Competent Person for the purposes of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves in the form and context in which he is named and to the inclusion of the matters based on his information in the form and context in which it appears.

Mr Alan G. Cooper has given, and has not withdrawn before lodgement of this Bidder's Statement with ASIC, his written consent to be named in this Bidder's Statement as Competent Person for the purposes of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves in the form and context in which he is named and to the inclusion of the matters based on his information in the form and context in which it appears.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, (free of charge), during the bid period, please contact the BC Iron Offer Information Line. Calls to this number may be recorded.

As permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Bidder's Statement contains share price trading data sourced from Bloomberg without its consent.

## 11.7 BC Iron Ore Reserves and Mineral Resources Disclosures

The information in this Bidder's Statement relating to BC Iron's Ore Reserves and Mineral Resources is extracted from the ASX announcement entitled NJV Ore Reserves and Mineral Resources dated 3 March 2014 and is available to view on <http://www.bcion.com.au/investors/asx-announcements/2014.html>. BC Iron confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimate in the original market announcement continue to apply and have not materially changed. BC Iron confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcement.

## 11.8 IOH Ore Reserves and Mineral Resources Disclosures and Competent Persons Statements

The information in this Bidder's Statement that relates to Mineral Resources and Ore Reserves at the Buckland Project is extracted from the ASX Announcement titled "Buckland Project – Updated Ore Reserve" (dated 4 June 2014). This announcement is available to view at [www.ironoreholdings.com](http://www.ironoreholdings.com). IOH confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. IOH confirms that the form and context in which the Competent Person's findings are presented have not been

materially modified from the original market announcements.

The information in this Bidder's Statement that relates to IOH exploration targets and IOH exploration results is based on information compiled by Mr Roland Bartsch, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Bartsch is a full time contract employee of IOH and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Bartsch consents to the inclusion in this Bidder's Statement of the matters based on his information in the form and context in which it appears.

In respect of the Iron Valley and Maitland River deposits the information in this Bidder's Statement that relates to Mineral Resources estimates has been compiled by Mr Lynn Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Widenbar is a full time employee of Widenbar and Associates and produced the Mineral Resource Estimates based on data and geological information supplied by IOH. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this Bidder's Statement of the matters based on his information in the form and context that the information appears. It has been not been updated to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this Bidder's Statement that relates to Ore Reserve estimations for the Iron Valley Deposit and the Bungaroo South and Dragon Deposits is based on information compiled by Mr Alan G. Cooper, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Cooper is a full time employee of Snowden Mining Industry Consultants Pty Ltd. Mr Cooper has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Editions of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cooper consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears. It has been not been updated to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

## 11.9 Foreign Shareholders

IOH shareholders who are Foreign Shareholders will not be entitled to receive BC Iron Shares as consideration for their IOH Shares pursuant to the Offer, unless BC Iron otherwise determines.

An IOH shareholder is a Foreign Shareholder for the purposes of the Offer if their address as shown in the register of members of IOH is in a jurisdiction other than Australia or its external territories or New Zealand. However, such a person will not be a Foreign Shareholder if BC Iron is satisfied that it is not legally or practically constrained from making the Offer to an IOH shareholder in the relevant jurisdiction and to issue BC Iron Shares to such a shareholder on acceptance of the Offer, and that it is lawful for the shareholder to accept the Offer in such circumstances in the relevant jurisdiction. Notwithstanding anything else in this Bidder's Statement, BC Iron is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

The BC Iron Shares which would otherwise have been issued to Foreign Shareholders will instead be issued to a nominee approved by ASIC, who will sell these shares. The net proceeds of the sale of such shares will then be remitted to the relevant Foreign Shareholders. See section 12.7 for further details.



### 11.10 Social security and superannuation implications of Offer

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

### 11.11 ASX Listing Rule waiver

IOH has obtained a waiver from ASX to allow the Options for which BC Iron will make separate offers (see section 11.1) to be cancelled.

### 11.12 Disclosure of interests of certain persons

Other than as set out below or elsewhere in this Bidder's Statement no:

- director or proposed director of BC Iron;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement;
- promoter of BC Iron; or
- underwriter to the issue of BC Iron Shares or financial services licensee named in this Bidder's Statement as being involved in the issue of BC Iron Shares,

(together, the **Interested Persons**) holds at the date of this Bidder's Statement or held at any time during the last two years, any interest in:

- the formation or promotion of BC Iron;
- property acquired or proposed to be acquired by BC Iron in connection with its formation or promotion, or the offer of BC Iron Shares under the Offer; or
- the offer of BC Iron Shares under the Offer.

### 11.13 Disclosure of fees and benefits received by certain persons

Other than as set out below or elsewhere in this Bidder's Statement, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

- to a director or proposed director of BC Iron to induce them to become, or to qualify as, a director of BC Iron; or
- for services provided by an Interested Person in connection with the formation or promotion of BC Iron or the offer of BC Iron Shares under the Offer.

The fees paid in connection with the preparation and distribution of this Bidder's Statement and for services provided in connection with the Offer (on the basis that the Offer is successful), including legal, accounting, taxation, financial and corporate advisers total approximately \$3.0m (excluding GST).

## 11.14 Disclosure of interests of directors

### (a) Interests in BC Iron Shares

As at the date of this Bidder's Statement, the directors of BC Iron had the following Relevant Interests in BC Iron securities:

Director	Class of security	Number	Nature of Relevant Interest
Morgan Ball	Ordinary shares	250,990	Indirect
	Performance rights	73,614	Direct
Anthony Kiernan	Ordinary shares	429,515	Direct
		263,839	Indirect
Malcolm McComas	Ordinary shares	33,891	Indirect
Terrence Ransted	Ordinary shares	626,492	Indirect
Michael Young	Ordinary shares	150,000	Direct
		211,564	Indirect
Andrew Haslam	N/A	None	N/A
Peter Wilshaw	N/A	None	N/A

### (b) Interests in IOH Shares

As at the date of this Bidder's Statement, the directors of BC Iron had no interests in IOH securities.

### (c) Indemnity and insurance

The constitution of BC Iron permits the grant of an indemnity (to the maximum extent permitted by law) in favour of each officer of BC Iron against any liability incurred by the officer in or arising out of the conduct of the business of BC Iron or in or arising out of the discharge of the duties of the officer.

BC Iron has entered into deeds of indemnity and access with all of the current directors. This indemnity is against liability to third parties by such officers unless the liability arises out of conduct involving a lack of good faith. The indemnity also covers costs or expenses incurred by an officer in unsuccessfully defending proceedings relating to that person's position.

BC Iron maintains an insurance policy in respect of certain present and future officers against certain liability incurred in that capacity. Disclosure of the total amount of any premium paid and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

## 11.15 Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

## 11.16 Other material information

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- material to the making of a decision by an IOH shareholder whether or not to accept the Offer; and
- known to BC Iron, which has not previously been disclosed to IOH shareholders.

## 12. TERMS AND CONDITIONS OF THE OFFER

### 12.1 Offer

- (a) BC Iron offers to acquire all of Your Shares on and subject to the terms and conditions set out in this section 12 of this Bidder's Statement.
- (b) The consideration under the Offer is 0.44 of a BC Iron Share and \$0.10 for each of Your Shares. If this calculation results in an entitlement to a fraction of a BC Iron Share, that fraction will be rounded down to the next whole number of BC Iron Shares.
- (c) If, at the time this Offer is made to you, you are a Foreign Shareholder, you will not receive BC Iron Shares. Instead, you are offered and will receive a cash amount determined in accordance with section 12.7 of this Bidder's Statement.
- (d) The BC Iron Shares to be issued are ordinary shares in BC Iron and will be credited as fully paid and have the rights summarised in section 3.4.
- (e) By accepting this Offer, you undertake to transfer to BC Iron not only the IOH Shares to which the Offer relates, but also all Rights attached to those IOH Shares (see section 12.5(c)(6) and section 12.6(c)).
- (f) This Offer is being made to each person registered as the holder of IOH Shares in the register of IOH shareholders at open of business (Australian Western Standard Time) on the Register Date. It also extends to:
  - (1) holders of securities that come to be IOH Shares during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at the Register Date; and
  - (2) any person who becomes registered, or entitled to be registered, as the holder of Your Shares during the Offer Period.
- (g) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of Your Shares, then:
  - (1) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those Shares;
  - (2) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other IOH Shares you hold to which the Offer relates; and
  - (3) this Offer will be deemed to have been withdrawn immediately at that time.
- (h) If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of IOH Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct offer on the same terms and conditions as this Offer had been made in relation to each of those distinct parcels and any distinct parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, please call the BC Iron Offer Information Line to request those additional copies.
- (i) If Your Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Offer.
- (j) The Offer is dated 25 August 2014.

## 12.2 Offer Period

- (a) Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 5:00pm (Australian Western Standard Time) on the later of:
  - (1) 30 September 2014; or
  - (2) any date to which the Offer Period is extended.
- (b) BC Iron reserves the right to extend the Offer Period in accordance with the Corporations Act, subject to the Bid Implementation Agreement (see section 11.5).
- (c) If, within the last 7 days of the Offer Period, either of the following events occurs:
  - (1) the Offer is varied to improve the consideration offered; or
  - (2) BC Iron's voting power in IOH increases to more than 50%,
    - then the Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act.

## 12.3 How to accept this Offer

### (a) General

- (1) Subject to section 12.1(g) and section 12.1(h), you may accept this Offer only for all of Your Shares.
- (2) You may accept this Offer at any time during the Offer Period.

### (b) IOH Shares held in your name on IOH's issuer sponsored subregister

To accept this Offer for IOH Shares held in your name on IOH's issuer sponsored subregister (in which case your Securityholder Reference Number will commence with 'I'), you must:

- (1) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (2) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

### (c) IOH Shares held in your name in a CHESS Holding

- (1) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are not a Participant, you should instruct your Controlling Participant (for IOH shareholders who are not institutions, this is normally the stockbroker either through whom you bought your IOH Shares or through whom you ordinarily acquire shares on the ASX) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
- (2) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you should initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
- (3) Alternatively, to accept this Offer for IOH Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you may sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

- (4) If Your Shares are held in your name in a CHESSE Holding (in which case your Holder Identification Number will commence with 'X'), you must comply with any other applicable ASX Settlement Operating Rules.

**(d) IOH Shares of which you are entitled to be registered as holder**

To accept this Offer for IOH Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

- (1) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (2) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

**(e) Acceptance Form and other documents**

- (1) The Acceptance Form forms part of the Offer.
- (2) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by BC Iron at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (3) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by facsimile, it will be deemed to be received in time if the facsimile transmission is received (evidenced by a confirmation of successful transmission) before the end of the Offer Period, but you will not be entitled to receive the consideration to which you are entitled until your original Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received at one of the addresses shown on the Acceptance Form.
- (4) When using the Acceptance Form to accept this Offer in respect of IOH Shares in a CHESSE Holding, you must ensure that the Acceptance Form (and any documents required by the terms of this Offer and the instruction on the Acceptance Form) are received by BC Iron in time for BC Iron to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
- (5) The postage and transmission of the Acceptance Form and other documents is at your own risk.

## 12.4 Validity of acceptances

- (a) Subject to this section 12.4, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in section 12.3.
- (b) BC Iron will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. BC Iron is not required to communicate with you prior to or after making this determination. The determination of BC Iron will be final and binding on all parties.
- (c) Notwithstanding sections 12.3(b), 12.3(c), 12.3(d) and 12.3(e), BC Iron may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by BC Iron.

- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your Shares, BC Iron may, in its sole discretion, regard the Offer to be accepted in respect of those of Your Shares but not the remainder.
- (e) BC Iron will provide the consideration to you in accordance with section 12.6 in respect of any part of an acceptance determined by BC Iron to be valid.

## 12.5 The effect of acceptance

- (a) Once you have accepted the Offer, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Shares from the Offer or otherwise dispose of Your Shares, except as follows:
  - (1) if, by the relevant times specified in section 12.5(b), the conditions in section 12.8 have not all been fulfilled or freed, this Offer will automatically terminate and Your Shares will be returned to you; or
  - (2) if the Offer Period is extended for more than one month and the obligations of BC Iron to deliver the consideration are postponed for more than 1 month and, at the time, this Offer is subject to one or more of the conditions in section 12.8, you may be able to withdraw your acceptance and Your Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) The relevant times for the purposes of section 12.5(a)(1) are:
  - (1) in relation to the condition in section 12.8(j), the end of the third business day after the end of the Offer Period; and
  - (2) in relation to all other conditions in section 12.8, the end of the Offer Period.
- (c) By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to section 12.3, you will be deemed to have:
  - (1) accepted this Offer (and any variation of it) in respect of, and, subject to all of the conditions to this Offer in section 12.8 being fulfilled or freed, agreed to transfer to BC Iron, Your Shares (even if the number of IOH Shares specified on the Acceptance Form differs from the number of Your Shares), subject to section 12.1(g) and section 12.1(h);
  - (2) represented and warranted to BC Iron, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Shares (including any Rights) to BC Iron is registered, that all Your Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Shares (including any Rights) to BC Iron, and that you have paid to IOH all amounts which at the time of acceptance have fallen due for payment to IOH in respect of Your Shares;
  - (3) irrevocably authorised BC Iron (and any director, secretary, nominee or agent of BC Iron) to alter the Acceptance Form on your behalf by inserting correct details relating to Your Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by BC Iron to make it an effective acceptance of this Offer or to enable registration of Your Shares in the name of BC Iron;
  - (4) if you signed the Acceptance Form in respect of IOH Shares which are held in a CHESS Holding, irrevocably authorised BC Iron (or any director, secretary, nominee or agent of BC Iron) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules;

- (5) if you signed the Acceptance Form in respect of IOH Shares which are held in a CHESS Holding, irrevocably authorised BC Iron (or any director, secretary, nominee or agent of BC Iron) to give any other instructions in relation to Your Shares to your Controlling Participant, as determined by BC Iron acting in its own interests as a beneficial owner and intended registered holder of those Shares;
- (6) irrevocably authorised and directed IOH to pay to BC Iron, or to account to BC Iron for, all Rights in respect of Your Shares, subject, if this Offer is withdrawn or lapses, to BC Iron accounting to you for any such Rights received by BC Iron;
- (7) irrevocably authorised BC Iron to notify IOH on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Shares is the address specified by BC Iron in the notification;
- (8) with effect from the time and date on which all the conditions to this Offer in section 12.8 have been fulfilled or freed, to have irrevocably appointed BC Iron (and any director, secretary or nominee of BC Iron) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to Your Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings and all court-convened meetings of IOH and to request IOH to register, in the name of BC Iron or its nominee, Your Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);
- (9) with effect from the date on which all the conditions to this Offer in section 12.8 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting or any court-convened meeting of IOH or to exercise or purport to exercise any of the powers and rights conferred on BC Iron (and its directors, secretaries and nominees) in section 12.5(c)(8);
- (10) agreed that in exercising the powers and rights conferred by the powers of attorney granted under section 12.5(c)(8), the attorney will be entitled to act in the interests of BC Iron as the beneficial owner and intended registered holder of Your Shares;
- (11) agreed to do all such acts, matters and things that BC Iron may require to give effect to the matters the subject of this section 12.5(c) (including the execution of a written form of proxy to the same effect as this section 12.5(c) which complies in all respects with the requirements of the constitution of IOH) if requested by BC Iron;
- (12) agreed to indemnify BC Iron in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Securityholder Reference Number or in consequence of the transfer of Your Shares to BC Iron being registered by IOH without production of your Holder Identification Number or your Securityholder Reference Number for Your Shares;
- (13) represented and warranted to BC Iron that, unless you have notified it in accordance with section 12.1(h), Your Shares do not consist of separate parcels of IOH Shares;
- (14) irrevocably authorised BC Iron (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASX Settlement Operating Rules to transfer Your Shares to BC Iron's Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under this Offer;
- (15) agreed, subject to the conditions of this Offer in section 12.8 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that BC Iron may consider necessary or desirable to convey Your Shares registered in your name and Rights to BC Iron; and
- (16) agreed to accept the BC Iron Shares to which you have become entitled by acceptance

of this Offer subject to the constitution of BC Iron and have authorised BC Iron to place your name on its register of shareholders in respect of those BC Iron Shares.

- (d) The undertakings and authorities referred to in section 12.5(c) will remain in force after you receive the consideration for Your Shares and after BC Iron becomes registered as the holder of Your Shares.

## 12.6 Payment of consideration

- (a) Subject to sections 12.4(b), 12.6 and 12.7 and the Corporations Act, BC Iron will provide the consideration due to you for Your Shares 10 Business Days after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within 10 Business Days after this Offer becomes unconditional.
- (b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
  - (1) if that document is given with your Acceptance Form, BC Iron will provide the consideration in accordance with section 12.6(a);
  - (2) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, BC Iron will provide the consideration due to you on or before 10 Business Days after this Offer becomes unconditional;
  - (3) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, BC Iron will provide the consideration due to you on or before the earlier of 10 Business Days after that document is given and 10 Business Days after the end of the Offer Period;
  - (4) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, BC Iron will provide the consideration within 10 Business Days after that document is given. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, BC Iron will provide the consideration due to you within 10 Business Days after the Offer becomes unconditional.
- (c) If you accept this Offer and it becomes or is declared unconditional, BC Iron is entitled to all Rights in respect of Your Shares. BC Iron may require you to provide all documents necessary to vest title to those Rights in BC Iron, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to BC Iron, or if you have (or any previous owner of Your Shares has) received the benefit of those Rights, BC Iron will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by BC Iron) of those Rights. Any such deduction will be made from any BC Iron Shares otherwise due to you on the basis that one BC Iron Share is worth \$3.31.
- (d) If you have accepted the Offer and you are a Foreign Shareholder, you will receive your share of the proceeds from the sale of the BC Iron Shares in accordance with section 12.7.
- (e) Payment of any cash amount to which you are entitled under the Offer will be made by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) to the address as shown either, at the discretion of BC Iron, on your Acceptance Form, or on the register copy supplied by IOH from time to time.
- (f) The obligation of BC Iron to issue and allot any BC Iron Shares to which you are entitled will be satisfied by BC Iron:
  - (1) entering your name on the register of members of BC Iron; and
  - (2) dispatching or procuring the dispatch to you by prepaid post to your address recorded in



IOH's register of members at open of business (Australian Western Standard Time) on the Register Date, an uncertificated holding statement in your name. If Your Shares are held in a joint name, an uncertificated holding statement will be issued in the name of, and forwarded to, the holder whose name appears first in IOH's register of members at open of business (Australian Western Standard Time) on the Register Date.

- (g) If at the time you accept the Offer, any authority, clearance or approval is required for you to receive any consideration for Your Shares, including (but not limited to) any authority, clearance or approval of:
- (1) the Reserve Bank of Australia (whether under the *Banking (Foreign) Exchange Regulations 1959* (Cth) or otherwise);
  - (2) the Minister for Foreign Affairs (whether under the *Charter of the United Nations Act 1945* (Cth), the *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth) or any other regulations made thereunder), or otherwise;
  - (3) the ATO; or
  - (4) any other person as required by any other law of Australia that would make it unlawful for BC Iron to provide any consideration for Your Shares,

then you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by BC Iron.

## 12.7 Foreign Shareholders

- (a) If you are a Foreign Shareholder, you will not be entitled to receive BC Iron Shares as the consideration for Your Shares as a result of accepting this Offer, and BC Iron will:
- (1) arrange for the issue to a nominee approved by ASIC (the **Nominee**) of the number of BC Iron Shares to which you and all other Foreign Shareholders would have been entitled but for section 12.1(c) and the equivalent provision in each other offer under the Offer;
  - (2) cause the BC Iron Shares so issued to be offered for sale by the Nominee on ASX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
  - (3) cause the Nominee to pay to you the amount ascertained in accordance with the formula:

$$\text{where: } \frac{N \times YS}{TS}$$

'N' is the amount which is received by the Nominee upon the sale of all BC Iron Shares under this section 12.7 less brokerage and sale expenses;

'YS' is the number of BC Iron Shares which would, but for section 12.1(c), otherwise have been allotted to you; and

'TS' is the total number of BC Iron Shares allotted to the Nominee under this section 12.7.

- (b) You will receive your share of the proceeds of the sale of BC Iron Shares by the Nominee in Australian currency.
- (c) Payment will be made by cheque posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address provided on your Acceptance Form within the period required by the Corporations Act.
- (d) Under no circumstances will interest be paid on your share of the proceeds of the sale of BC Iron Shares by the Nominee, regardless of any delay in remitting these proceeds to you.

## 12.8 Conditions of this Offer

Subject to section 12.9, the completion of this Offer and any contract that results from an acceptance of this Offer, are subject to the fulfilment of the conditions set out below:

### (a) No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
- (2) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (3) no application is made to any Government Agency (other than by BC Iron or any Associate of BC Iron),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which:

- (4) restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bid Implementation Agreement and the Bidder's Statement; or
- (5) requires the divestiture by BC Iron of any IOH Shares or any material assets of IOH or any subsidiary of IOH.

### (b) Minimum acceptance

At the end of the Offer Period, BC Iron has a Relevant Interest in at least 90% of the IOH Shares (on a fully diluted basis).

### (c) No material adverse change

- (1) Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following occurs:
  - (A) an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;
  - (B) information is disclosed or announced by IOH concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur; or
  - (C) information concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur becomes known to BC Iron (whether or not becoming public),
 (each of (A), (B) and (C), a **Specified Event**) which, whether individually or when aggregated with all such events, changes, conditions, matters or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the IOH Group.
- (2) For the purposes of paragraph 12.8(c)(1), a Specified Event shall not include:
  - (A) matters Fairly Disclosed:
    - to BC Iron in the IOH Disclosure Materials; or
    - in information accessible prior to the date of the Bid Implementation Agreement on a public register monitored by the Western Australian Supreme Court, the Federal Court, Personal Property Securities Register, Mining Titles Online register maintained by the Western Australian Department of Mines

and Petroleum pursuant to the *Mining Act 1978* (WA), register maintained by the National Native Title Tribunal in relation to registered native title applications, determinations and Indigenous Land Use Agreements; or

- in IOH's public filings with the ASX and ASIC prior to the date of the Bid Implementation Agreement;
- (B) changes in government or political conditions generally;
- (C) changes in general economic conditions, currency exchange rates, securities markets and commodity prices that impact on IOH and its competitors in a similar manner;
- (D) changes occurring as a result of any matter, event or circumstance required by this document, the Offer or the transactions contemplated by them;
- (E) arising as a result of any generally applicable change in accounting standards required by law, law or governmental policy in Australia or New Zealand;
- (F) changes approved in writing by BC Iron; or
- (G) any event, occurrence, circumstance or matter affecting the iron ore industry generally.

**(d) Expenditures**

- (1) Between 1 July 2014 and the Announcement Date, IOH has not incurred or committed to incur, and between the Announcement Date and 30 September 2014 (each inclusive), IOH does not incur or commit to incur, an amount of expenditure in excess of 10% of the aggregate of the expenditure itemised in the IOH Board approved first quarter FY15 budget (with such first quarter FY15 budget including all expenditure that has been committed, incurred or accrued by IOH before the Announcement Date) contained in the IOH Disclosure Materials, which first quarter FY15 budget expressly excludes:
  - (A) transaction fees payable to third party consultants (including corporate advisory fees) incurred in relation to the Takeover Bid set out in the IOH Disclosure Materials;
  - (B) legal fees incurred in relation to the Takeover Bid in excess of \$200,000 as reflected in the first quarter FY15 Budget in the IOH Disclosure Material;
  - (C) redundancy costs and other remuneration payable by IOH that is directly attributable to the Takeover Bid and that reflects the information Fairly Disclosed in the IOH Disclosure Material; and
  - (D) expenditure amounts accrued prior to but not paid until after the Announcement Date for the period to 30 June 2014.
- (2) Between 30 September 2014 and the end of the Offer Period (inclusive), IOH does not incur or commit to incur an amount of expenditure in excess of 10% of the aggregate of the expenditure itemised in a budget to be agreed between IOH and BC Iron for all subsequent quarters or part thereof, which will facilitate IOH operating in its normal course of business and after taking into account the expenses of the Takeover Bid on IOH's operating costs, and where the parties cannot reach such agreement the budget for all subsequent quarters or part thereof will be the same as for the first quarter FY15 (excluding one-off items relating to the Buckland project and items relating to the Takeover Bid incurred during the first quarter FY15).

**(e) Acquisitions, disposals and other matters**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither IOH nor any of its subsidiaries:

- (1) acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any asset or business, or enters into any corporate transaction, which would or would be likely to involve a material change in:

- (A) the manner in which IOH conducts its business;
- (B) the nature (including balance sheet classification), extent or value of the assets of IOH; or
- (C) the nature (including balance sheet classification), extent or value of the liabilities of IOH,

including, without limitation, any transaction which would or (subject to one or more conditions) may involve:

- (D) IOH or any subsidiary of IOH acquiring, or agreeing to acquire, one or more companies, businesses or assets for an amount in aggregate greater than \$2 million; or
- (E) IOH or any subsidiary of IOH disposing, or agreeing to dispose of, one or more companies, businesses or assets (or any interest therein) for an amount in aggregate greater than \$2 million,

other than the disposal of the royalty over Koodaideri South as a result of the exercise by Hamersley Iron Pty Limited of a pre-emptive right which is triggered by a Change of Control;

- (2) enters into or materially amends any material employment, consulting, severance or similar agreement or arrangement with officers, directors, other executives or employees of IOH or a subsidiary of IOH or otherwise materially increasing compensation or benefits, or accelerating compensation or benefits, for any of the above;
- (3) declares, agrees to pay or becomes liable to pay a material bonus (or similar remuneration based incentive payment) to any director, officer, employee, consultant or contractor of any member of the IOH Group, other than pursuant to (i) a resolution of the IOH Board passed before 30 June 2014 or (ii) a contract or arrangement entered into before 30 June 2014 (but not pursuant to an amendment to such contract or arrangement made after 30 June 2014); and
- (4) materially varies, amends or modifies any Material Contract, or enters into, offers to enter into, or announces that it proposes to enter into, any material joint venture, asset or profit sharing, partnership, royalty, commodity pre-purchase, offtake or mineral streaming agreement or makes an announcement in relation to such a commitment.

**(f) No litigation on foot or pending**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against IOH or any of its subsidiaries, to which IOH or any of its subsidiaries are a party, which may reasonably result in a judgement of \$5 million or more is commenced, is threatened to be commenced, is announced, or is made known to BC Iron (whether or not becoming public) or IOH, other than that which is in the public domain as at the Announcement Date and other than as disclosed in the IOH Disclosure Materials.

**(g) Assignment of port leases and licences**

Between the Announcement Date and the end of the Offer Period (each inclusive), the Pilbara Ports Authority providing written consent to the change of control in IOH which is treated by virtue of the Port Agreements to be an assignment of Cape Preston Logistics Pty Limited's rights under the Port Agreements to BC Iron.

**(h) Iron ore price**

Between the Announcement Date and the end of the Offer Period (each inclusive), the Platts IODBZ00 IODEX 62% Fe CFR China iron ore price (converted from US dollars to Australian dollars using the official exchange rate published by the Reserve Bank of Australia on the relevant day) does not close below A\$90/dmt on any 20 consecutive days on which Platts publishes an iron ore assessment.

**(i) Index out**

Between the Announcement Date and the end of the Offer Period (each inclusive), the ASX/S&P200 does not close 10% or more below the closing level on the Announcement Date for 5 or more consecutive trading days.

**(j) No prescribed occurrences**

Between the Announcement Date and the date the minimum acceptance condition is fulfilled or waived (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) IOH converting all or any of the IOH Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) IOH or a subsidiary of IOH resolving to reduce its share capital in any way;
- (3) IOH or a subsidiary of IOH entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (4) IOH or a subsidiary of IOH making an issue of IOH Shares (other than IOH Shares issued as a result of the exercise of Options into IOH Shares) or granting an option over the IOH Shares or agreeing to make such an issue or grant such an option;
- (5) IOH or a subsidiary of IOH issuing, or agreeing to issue, convertible notes;
- (6) IOH or a subsidiary of IOH disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property other than for the possible disposal of the Koodaideri South royalty as contemplated in the Bid Implementation agreement;
- (7) IOH or a subsidiary of IOH granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
- (8) IOH or a subsidiary of IOH resolving that it be wound up;
- (9) the appointment of a liquidator or provisional liquidator of IOH or of a subsidiary of IOH;
- (10) the making of an order by a court for the winding up of IOH or of a subsidiary of IOH;
- (11) an administrator of IOH or of a subsidiary of IOH being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) IOH or a subsidiary of IOH executing a deed of company arrangement; or
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of IOH or of a subsidiary of IOH.

**(k) No distributions**

Between the Announcement Date and the end of the Offer Period (each inclusive), IOH does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) or agree to do any of the foregoing.

**(l) No breach of representation or warranty**

Between the Announcement Date and the end of the Offer Period (each inclusive), the IOH warranties in clause 10.2 of the Bid Implementation Agreement are true and correct in all material respects.

**12.9 Nature and benefit of conditions**

- (a) The conditions in section 12.8 are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period (or in the case of the condition in section 12.8(j), until the end of the third business day after the end of the Offer Period), prevent a contract to sell Your Shares from arising, but non-fulfilment of any of those conditions will have the consequences set out in section 12.10(a)(2).
- (b) Subject to the Corporations Act, BC Iron alone is entitled to the benefit of the conditions in section 12.8, or to rely on any nonfulfilment of any of them.
- (c) Each condition in section 12.8 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

**12.10 Freeing the Offer of conditions**

- (a) BC Iron may free this Offer, and any contract resulting from its acceptance, from all or any of the conditions subsequent in section 12.8, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to IOH and to ASX declaring this Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:
  - (1) in the case of the condition in section 12.8(j), not later than 3 business days after the end of the Offer Period; and
  - (2) in the case of all the other conditions in section 12.8, not less than 7 days before the end of the Offer Period.
- (b) If, at the end of the Offer Period (or in the case of the condition in section 12.8(j), at the end of the third business day after the end of the Offer Period), the conditions in section 12.8 have not been fulfilled and BC Iron has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

**12.11 Official quotation of BC Iron Shares**

- (a) BC Iron has been admitted to the official list of ASX. Shares of the same class as those to be issued as consideration have been granted official quotation by ASX.
- (b) An application will be made within 7 days after the start of the bid period to ASX for the granting of official quotation of the BC Iron Shares to be issued in accordance with the Offer. However, official quotation is not granted automatically on application.
- (c) Pursuant to the Corporations Act, this Offer and any contract that results from your acceptance of it are subject to a condition that permission for admission to official quotation by ASX of the BC Iron Shares to be issued pursuant to the Offer being granted no later than 7 days after the end of the bid period. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offers will be automatically void.

**12.12 Notice on status of conditions**

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is 22 September 2014 (subject to extension in accordance with section 630(2) if the Offer Period is extended).

### **12.13 Withdrawal of this Offer**

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, BC Iron will give notice of the withdrawal to ASX and to IOH and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, all the conditions in section 12.8 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in section 12.8, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to section 12.13 will be deemed to take effect:
  - (1) if the withdrawal is not subject to conditions imposed by ASIC, on the date after the date on which that consent in writing is given by ASIC; or
  - (2) if the withdrawal is subject to conditions imposed by ASIC, on the date after the date on which those conditions are satisfied.

### **12.14 Variation of this Offer**

BC Iron may vary this Offer in accordance with the Corporations Act.

### **12.15 No stamp duty**

BC Iron will pay any stamp duty on the transfer of Your Shares to it.

### **12.16 Governing laws**

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in Western Australia, Australia.

## 13. DEFINITIONS AND INTERPRETATION

### 13.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
<b>\$ or A\$ or AUD</b>	Australian dollars, the lawful currency of the Commonwealth of Australia.
<b>Acceptance Form</b>	the acceptance form enclosed with this Bidder's Statement.
<b>ACE</b>	Australian Capital Equity Pty Ltd.
<b>Alliance</b>	the alliance arrangement between BC Iron and Cleveland, described in section 2.4.
<b>Announcement Date</b>	the date of the announcement of the Offer by BC Iron, being 11 August 2014.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning set out in Division 2 of Part 1.2 of the Corporations Act.
<b>ASX Settlement</b>	ASX Settlement Pty Limited ABN 49 008 504 532.
<b>ASX Settlement Operating Rules</b>	the operating rules of the ASX Settlement which govern the administration of the Clearing House Electronic Subregister System.
<b>ASX</b>	as the context requires, ASX Limited ABN 98 008 624 691 or the securities market conducted by it.
<b>ATO</b>	Australian Taxation Office.
<b>BC Iron</b>	BC Iron Limited ABN 21 120 646 924.
<b>BC Iron Board or Board</b>	the board of directors of BC Iron.
<b>BC Iron Group</b>	BC Iron and each of its subsidiaries.
<b>BC Iron Shares</b>	fully paid ordinary shares in the capital of BC Iron.
<b>Bid Implementation Agreement</b>	the bid implementation agreement entered into by BC Iron and IOH on 10 August 2014, which provides the manner in which the parties have agreed the Offer will be implemented.
<b>Bidder's Statement</b>	this document, being the statement of BC Iron under Part 6.5 Division 2 of the Corporations Act relating to the Offer.
<b>Business Day</b>	a day on which banks are open for business in Australian Western Standard Time, excluding a Saturday, Sunday or public holiday.
<b>CGT</b>	capital gains tax.
<b>CHESS Holding</b>	a number of IOH Shares which are registered on IOH share register being a register administered by the ASX Settlement and which records uncertificated holdings of shares.
<b>CID</b>	channel iron deposit.
<b>Cleveland</b>	Cleveland Mining Company Limited.
<b>Combined Group</b>	the group of companies resulting from the combination of the BC Iron Group and the IOH Group following IOH becoming a wholly owned subsidiary of BC Iron.



Term	Meaning
<b>Competing Proposal</b>	<p>any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associate) may:</p> <ol style="list-style-type: none"> <li>1. directly or indirectly acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 30% or more of the IOH Shares or of the IOH Share capital of any of the Material Subsidiaries;</li> <li>2. acquire control of IOH or any of the Material Subsidiaries;</li> <li>3. directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of IOH's business or assets or the business or assets of any of the Material Subsidiaries;</li> <li>4. otherwise directly or indirectly acquire or merge with IOH or any of the Material Subsidiaries; or</li> <li>5. enter into any agreement, arrangement or understanding requiring IOH to abandon, or otherwise fail to proceed with, the Takeover Bid, or requiring IOH or any of the Directors to (a) change, withdraw or modify the Directors' recommendation of the Takeover Bid or (b) not to recommend the Takeover Bid,</li> </ol> <p>whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, buyback, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), or other transaction or arrangement.</p>
<b>Controlling Participant</b>	in relation to Your Shares, has the same meaning as in the ASX Settlement Operating Rules.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>dmt</b>	dry metric tonnes.
<b>DSO</b>	direct shipping ore, which is considered to be an ore type which does not require significant beneficiation (upgrading) before it is usable feedstock in the sinter or iron making processes.
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation.
<b>Exclusivity Period</b>	<p>the period from and including the date of the Bid Implementation Agreement to and including the earlier of:</p> <ol style="list-style-type: none"> <li>1. the date of termination of the Bid Implementation Agreement; or</li> <li>2. the end of the Offer Period.</li> </ol>
<b>Fairly Disclosed</b>	sufficient information has been disclosed that a sophisticated investor, experienced in transactions of the nature of the Takeover Bid and familiar with the business of iron ore exploration and development, would be aware of the substance and significance of the information.
<b>FOB</b>	free on board.
<b>Foreign Shareholder</b>	an IOH shareholder whose address as shown in the register of members of IOH is in a jurisdiction other than Australia or its external territories or New Zealand, unless BC Iron otherwise determines (in its absolute discretion) after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to an IOH shareholder in the relevant jurisdiction and to issue BC Iron Shares to such an IOH shareholder on acceptance of the Offer, and that it is not unlawful for such an IOH shareholder to accept the Offer in such circumstances in the relevant jurisdiction.

Term	Meaning
<b>Fortescue</b>	Fortescue Metals Group Limited.
<b>FY12</b>	the financial year ended 30 June 2012.
<b>FY13</b>	the financial year ended 30 June 2013.
<b>FY14</b>	the financial year ended 30 June 2014.
<b>FY15</b>	the financial year ending 30 June 2015.
<b>Government Agency</b>	any government or governmental, semigovernmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.
<b>GST</b>	goods and services tax.
<b>Holder Identification Number</b>	has the same meaning as in the ASX Settlement Operating Rules.
<b>Interested Person</b>	has the meaning in section 11.12 of this Bidder's Statement.
<b>IOH</b>	Iron Ore Holdings Ltd ABN 17 107 492 517.
<b>IOH Board</b>	the board of directors of IOH.
<b>IOH Disclosure Materials</b>	the documents and information disclosed by IOH to BC Iron (as further described in the Bid Implementation Agreement).
<b>IOH Group</b>	IOH and each of its subsidiaries.
<b>IOH Shares</b>	fully paid ordinary shares in the capital of IOH.
<b>Issuer Sponsored Holdings</b>	a holding of IOH Shares on IOH issuer sponsored subregister.
<b>JORC Code</b>	<ol style="list-style-type: none"> <li>in respect of IOH's Iron Valley and Maitland Projects, the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves; and</li> <li>in all other cases, the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.</li> </ol>
<b>Listing Rules</b>	the Official Listing Rules of ASX, as amended and waived by ASX from time to time.
<b>m</b>	million or millions.
<b>Material Contract</b>	a material agreement, contract, deed or other arrangement or instruction (as further described in the Bid Implementation Agreement).
<b>Material Subsidiaries</b>	<p>the following wholly owned subsidiaries of IOH:</p> <ol style="list-style-type: none"> <li>Iron Valley Pty Limited ACN 152 574 813;</li> <li>Bungaroo South Pty Limited ACN 152 574 528;</li> <li>Cape Preston Logistics Pty Limited ACN 152 574 233; and</li> <li>Buckland Minerals Transport Pty Limited ACN 152 574 082.</li> </ol>
<b>MIN</b>	Mineral Resources Limited.
<b>MRRT</b>	the mineral resource rent tax.
<b>Mt</b>	million dry metric tonnes.
<b>Mtpa</b>	million metric tonnes per annum.



Term	Meaning
<b>NJV or Nullagine Joint Venture</b>	the integrated iron ore mining and export operation in the East Pilbara region of Western Australia, which is a joint venture between BC Iron (75%) and Fortescue (25%).
<b>Nominee</b>	the nominee appointed by BC Iron in accordance with section 12.7 of this Bidder's Statement.
<b>Offer</b>	the offer for IOH Shares under the terms and conditions contained in section 12 of this Bidder's Statement.
<b>Offer Period</b>	the period during which the Offer will remain open for acceptance in accordance with section 12.2 of this Bidder's Statement.
<b>Options</b>	options to subscribe for IOH Shares on the terms described in section 5.3 of this Bidder's Statement.
<b>Participant</b>	an entity admitted to participate in the Clearing House Electronic Subregister System under Rule 4.3.1 and 4.4.1 of the ASX Settlement Operating Rules.
<b>Port Agreements</b>	the Port Facilities Agreement – CPL Port Facility and the Construction Works Lease and Licence – CPL Port Facility, both between Pilbara Ports Authority, Cape Preston Logistics Pty Limited and IOH dated 26 June 2014.
<b>Public Authority</b>	any government or any governmental, semigovernmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any selfregulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange.
<b>Related Person</b>	<ol style="list-style-type: none"><li>1. a subsidiary of IOH or BC Iron as the context requires;</li><li>2. an adviser of IOH or BC Iron as the context requires or an adviser of a subsidiary of IOH or BC Iron as the context requires; or</li><li>3. an officer or employee of any entity referred to in items 1 or 2 of this definition.</li></ol>
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Register Date</b>	the date set by BC Iron under section 633(2) of the Corporations Act, being 19 August 2014.
<b>Rights</b>	all accreditations, rights or benefits of whatever kind attaching or arising from IOH Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends or other Distributions and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by IOH or any of its subsidiaries).
<b>Securityholder Reference Number</b>	has the same meaning as in the ASX Settlement Operating Rules.
<b>Security Interest</b>	has the same meaning as in section 51A of the Corporations Act.

Term	Meaning
<b>Superior Proposal</b>	<p>a bona fide Competing Proposal of the kind referred to in any of paragraphs 1, 2, 3 or 4 of the definition of Competing Proposal (and not resulting from a breach by IOH of any of its obligations under clause 8 of the Bid Implementation Agreement) which the IOH Board, acting in good faith determines:</p> <ol style="list-style-type: none"> <li>1. is reasonably capable of being completed taking into account all terms and conditions of the Competing Proposal; and</li> <li>2. would, if completed substantially in accordance with its terms, be more favourable to IOH shareholders (as a whole) than the Takeover Bid (as such Takeover Bid may be amended or varied following application of the matching right set out in clause 8.4 of the Bid Implementation Agreement), taking into account all terms and conditions of the Competing Proposal.</li> </ol>
<b>Takeover Bid</b>	the off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act.
<b>Takeover Transferee Holding</b>	has the same meaning as in the ASX Settlement Operating Rules.
<b>Target's Statement</b>	the statement of IOH under Part 6.5 Division 3 of the Corporations Act relating to the Offer.
<b>Third Party</b>	a person other than BC Iron and its Associates.
<b>US\$ or USD</b>	US dollars, the lawful currency of the United States of America.
<b>VWAP</b>	volume-weighted average price.
<b>wmt</b>	wet metric tonnes.
<b>Wroxby</b>	Wroxby Pty Ltd.
<b>Your Shares</b>	subject to section 12.1(g) and section 12.1(h), the IOH Shares (a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of IOH at the open of business Australian Western Standard Time) on the Register Date, or (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

## 13.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section, clause, attachment and schedule is a reference to a section or clause of and an attachment and schedule to this Bidder's Statement as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or bylaw includes all statutes, regulations, proclamations, ordinances, or bylaws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and bylaws issued under that statute;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Bidder's Statement;
- (h) a reference to time is a reference to time in Sydney, Australia;
- (i) a reference to writing includes facsimile transmissions; and
- (j) a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

## 14. APPROVAL OF BIDDER'S STATEMENT

This Bidder's Statement has been approved by a unanimous resolution passed by the directors of BC Iron.

*date* 22 August 2014 \_\_\_\_\_

Signed for and on behalf of

**BC Iron Limited**

by



*sign here* ► \_\_\_\_\_

Director

*print name* Morgan Ball \_\_\_\_\_

## Joint announcement in relation to the Offer



ASX RELEASE – 11 AUGUST 2014



### BC Iron to Acquire Iron Ore Holdings

#### HIGHLIGHTS

- BC Iron Ltd (ASX:BCI) (“BC Iron”) to strengthen its Pilbara iron ore portfolio via recommended off-market takeover offer for Iron Ore Holdings Ltd (ASX: IOH) (“IOH”)
- BC Iron to offer 0.44 new BC Iron shares and A\$0.10 in cash for each IOH share held
- Transaction will create a leading mid-cap iron ore company with:
  - An attractive and complementary portfolio of production and development assets in the world’s best iron ore address
  - Strong operating cash flows from Nullagine and Iron Valley
  - Unaudited pro forma cash balance of A\$190 million<sup>1</sup> (as at 30 June 2014)
  - The technical and financial platform to develop the Buckland project
  - A proposed private haul road and port at Cape Preston East, for Buckland and potential third party tonnages
  - A multi-decade growth path for all shareholders
- Offer values IOH at A\$1.59 per share (based on BC Iron’s 60 day VWAP of A\$3.39), a 79% premium to IOH’s 60 day VWAP of A\$0.89
- IOH Board unanimously recommends that IOH shareholders accept the Offer in the absence of a superior proposal
- IOH major shareholder, Australian Capital Equity Pty Ltd<sup>2</sup>, intends to accept the Offer within 14 business days of the Offer opening, in the absence of a superior proposal
- Assuming BC Iron acquires 100%, current IOH security holders will own ~36.6% of the combined group
- Two nominees from IOH will be invited to join the BC Iron Board
- BC Iron expects to announce a fully franked, final dividend for FY14 of A\$0.15 per share (final determination to be announced in conjunction with the release of the full year results on 27 August 2014). The Record Date will be prior to issue of BC Iron shares to IOH shareholders

<sup>1</sup> Comprised of BC Iron & IOH cash positions as at 30 June 2014, less approximately A\$16 million paid to IOH shareholders (i.e. A\$0.10 per IOH share) under the Offer, and approximately A\$4 million in quantified transaction costs for both companies.

<sup>2</sup> Through its 100% owned subsidiary, Wroxby Pty Ltd.

<b>BC Iron Ltd</b>	<b>T</b> +61 8 6311 3400	<b>Iron Ore Holdings Ltd</b>	<b>T</b> +61 8 9483 2000
<b>ABN</b> 21 120 646 924	<b>F</b> +61 8 6311 3449	<b>ABN</b> 17 107 492 517	<b>F</b> +61 8 9321 0322
Level 1, 15 Rheola Street	<b>E</b> info@bciron.com.au	Level 1, 1 Altona Street	<b>E</b> info@ironoreholdings.com
West Perth WA 6005	<b>W</b> www.bciron.com.au	West Perth WA 6005	<b>W</b> www.ironoreholdings.com

## Transaction Overview

BC Iron Ltd (ASX: BCI) (“BC Iron”) and Iron Ore Holdings Ltd (ASX: IOH) (“IOH”) are pleased to jointly announce they have entered into a Bid Implementation Agreement (“BIA”) under which BC Iron will offer to acquire all of the issued shares of IOH by way of an off-market takeover offer (“Offer”).

Under the Offer, IOH shareholders will receive 0.44 new BC Iron shares and A\$0.10 in cash for each IOH share held. Based on BC Iron’s 60 day Volume Weighted Average Price (“VWAP”) up to close of trade on 8 August 2014 of A\$3.39, the Offer values IOH at A\$1.59 per share. This represents a premium of 79% to IOH’s 60 day VWAP up to close of trade on 8 August 2014 of A\$0.89.

BC Iron’s Offer is unanimously recommended by the Directors of IOH, in the absence of a superior proposal. All of the Directors of IOH intend to accept, or procure the acceptance of, the Offer in respect of any IOH shares that they control, in the absence of a superior proposal.

In addition, IOH has been advised by its major shareholder, Australian Capital Equity Pty Ltd (“ACE”) (through its subsidiary, Wroxby Pty Ltd), that it intends to accept the Offer in respect of all IOH shares held or controlled by it (approximately 52.7% of all IOH shares on issue) within 14 business days of the Offer opening, in the absence of a superior proposal. ACE has confirmed to IOH that it consents to its statement of intention being published on its behalf, a copy of which is attached to this announcement.

Assuming BC Iron acquires 100% of IOH, current IOH security holders (including ACE and IOH option holders) will own approximately 36.6% of the combined group, and ACE will own approximately 19.0%. The Offer is subject to conditions, as described in the Transaction Details section of this announcement.

## Strategic Rationale for Transaction

The transaction will strengthen BC Iron’s Pilbara presence, transfer IOH’s projects into a larger entity, and create a leading mid-cap iron ore company with:

- Combined DSO / CID Ore Reserves of 294.0 Mt at 58.0% Fe, DSO / CID Mineral Resources of 626.5 Mt at 56.8% Fe, and 1.1 Bt at 30.4% Fe of magnetite Mineral Resources;<sup>3</sup>
- An attractive and complementary portfolio of production and development assets in a world class iron ore jurisdiction, including:
  - **Nullagine:** A 75% joint venture interest with Fortescue Metals Group (ASX: FMG) in an existing, low cost iron ore mine;
  - **Iron Valley:** A project with a 20 year mine life that is expected to start generating meaningful, low risk cash flows from production occurring in the current quarter, via an existing mine gate sale agreement with Mineral Resources Ltd (ASX: MIN) (“MIN”); and
  - **Buckland:** A long-life, low capital intensity mine to port development project with significant Ore Reserves, a completed Feasibility Study (“FS”), its own proposed infrastructure (haul road to a port at Cape Preston East, with the capacity to also carry third party product) and all primary tenure and licences secured.
- A strong balance sheet, with unaudited pro-forma cash as at 30 June 2014 of A\$190 million<sup>4</sup> and debt of A\$54 million;

<sup>3</sup> Based on BC Iron’s ASX announcement dated 3 March 2014 and IOH’s ASX announcement dated 4 June 2014. Ore Reserves and Mineral Resources are stated on an attributable basis. CID = Channel Iron Deposit, DSO = Direct Shipping Ore, which is considered to be ore types which do not require significant beneficiation (upgrading) before it is usable feedstock in the sinter or iron making processes. See notices on page 9.

<sup>4</sup> See footnote 1.



- Strengthened combined technical and financial scale, providing the capability to accelerate funding discussions for development of the Buckland project;
- A proven Board and management team with a track record of value creation and returns for shareholders;
- Continued support and commitment of IOH's largest shareholder, ACE; and
- A multi-decade growth path for all shareholders.

BC Iron Managing Director, Morgan Ball, said:

*"We are very excited about this transaction. BC Iron has looked closely at a large number of potential growth opportunities over an extended period, and we believe that, combined with our existing business, IOH's portfolio of long-life iron ore assets in the world's best iron ore address presents us with an excellent opportunity to create meaningful and sustained long-term value for our shareholders. We are also pleased to welcome IOH's major shareholders on to our register, and we look forward to working with them to deepen our ties in our key markets."*

IOH Managing Director, Alwyn Vorster, said:

*"The combination of the two companies will generate strong technical and commercial synergies, with significant longer term value benefits for all IOH shareholders from the IOH assets. The transaction structure also supports greater funding and development optionality for the Buckland Project, with its road and port components potentially opening up the West Pilbara to other parties."*

#### **Reasons Why IOH Shareholders Should Accept the Offer**

IOH's Directors unanimously recommend that IOH shareholders accept the Offer (in the absence of a superior proposal), for the following key reasons:

- The Offer implies a significant premium relative to recent trading in IOH shares:

As at close, 8 August 2014	BCI Price (as at close, 8 August 2014)	Implied Offer Price	IOH Price (as at close, 8 August 2014)	Implied Offer Premium
Current	\$3.31	\$1.56	\$0.95	64%
30 day VWAP	\$3.36	\$1.58	\$0.89	77%
60 day VWAP	\$3.39	\$1.59	\$0.89	79%

- If the Offer completes, IOH shareholders have the opportunity to become shareholders in BC Iron, a successful S&P/ASX 200 iron ore mining company with existing operations characterised by low operating costs and a high quality product. BC Iron is the operator, manager and 75% partner in the Nullagine Joint Venture with FMG. In FY15 the NJV is expected to produce and sell between 5.8-6.2 million wet metric tonnes ("wmt") of iron ore fines, at C1 cash costs of A\$49-53/wmt FOB, and total costs (including royalties, marketing and corporate costs) of A\$60-68/wmt;<sup>5</sup>
- The combined group will be a leading mid-cap iron ore mining company with an attractive and complementary portfolio of production and development assets located in the Pilbara, a strong balance sheet and improved technical and financial capability to accelerate funding of the Buckland project, and a Board and management team with a track record of delivering value for shareholders;

<sup>5</sup> As reported in BC Iron's June Quarterly Report dated 28 July 2014.

- BC Iron shares are significantly more liquid than IOH shares. The average daily traded value of BC Iron shares over the preceding 12 months has been A\$4.3 million, whereas for IOH it has been A\$61,000;
- Provided BC Iron secures acceptances for at least 80% of IOH shares, IOH shareholders that accept the offer may be able to obtain scrip-for-scrip rollover relief from any capital gains tax otherwise payable on the scrip component of the Offer consideration. IOH shareholders should seek their own independent tax, investment and finance advice in relation to their specific circumstances.

BC Iron Chairman, Tony Kiernan, said:

*“BC Iron is very pleased to make this Offer to IOH shareholders, which is consistent with our stated strategy of measured pursuit of iron ore growth opportunities in the Pilbara. We believe IOH’s long-life assets are a strong fit for BC Iron, and the transaction will result in a combined group with an attractive mix of production and development stage projects. In particular, we look forward to progressing the Buckland project towards a potential final investment decision.”*

IOH Chairman, Richard Court, said:

*“The Board of IOH is pleased to recommend this transaction to IOH shareholders. By accepting the Offer, IOH shareholders will gain the benefits of being part of a multi-operation iron ore producer with a track record of profitability, whilst retaining exposure to the upside offered by IOH’s development assets. The Board believes that BC Iron is the ideal party to continue development of Buckland, and consequently we are unanimous in our view that the transaction is in the interests of all IOH shareholders, in the absence of a superior proposal.”*

ACE Chief Executive Officer and Director, Ryan Stokes, said:

*“Australian Capital Equity is proud of the achievements of IOH and its management team, culminating in the delivery to IOH shareholders of this opportunity to receive BC Iron shares and a cash payment in return for their IOH shares. We look forward to participating in the growth of BC Iron in coming years, and in particular, the development of the Buckland project under BC Iron’s ownership.”*

### **Future Asset Base**

The IOH portfolio comprises two key assets, Iron Valley and Buckland, as well as royalty entitlements and numerous other tenements and projects which are prospective for iron ore and base metals.

#### ***Iron Valley***

Iron Valley is a near-production mine located in the Central Pilbara that is expected to start generating meaningful, low risk cash flows for IOH from production commencing in the current quarter, via a 20 year mine gate sale agreement with MIN. IOH recently received the first mine gate payment for a bulk sample from the tenement. Under the mine gate sale arrangement, MIN is required to build and operate the mine at its cost and buy a minimum annual tonnage of product from IOH each year. IOH remains the tenement owner and makes royalty payments to third parties, including the State.

MIN plans to commence exporting product from Iron Valley in the current calendar quarter. Transport will occur via road haulage to Port Hedland, on an established route MIN is currently using for the nearby Phil’s Creek mine. IOH has recently secured from the WA State Government an amendment to the existing mining approvals to allow up to 10 Mtpa of production from the project. Currently installed infrastructure should allow for up to 6 Mtpa production, with expansion optionality.

The mine gate price and minimum tonnage obligations are structured in a manner that provides each party with an appropriate downside protection and sharing of the upside (including upside to IOH if MIN is able to secure a rail solution for the project).

### ***Buckland***

Buckland is an advanced stage development project located in the West Pilbara, consisting of a proposed mine, private haul road and trans-shipment port at Cape Preston East. IOH announced a positive Feasibility Study for Buckland in June 2014, which envisages an operation producing and exporting 8 million dry metric tonnes (“dmt”) per annum of ~58% Fe fines for more than 15 years with:

- A reported pre-tax NPV10 of more than \$900 million;<sup>6</sup>
- Low upfront capital intensity of approximately A\$93 per annual tonne;<sup>7</sup>
- A low life-of-mine strip ratio of approximately 1:1;
- Comparable FOB cash operating costs to BC Iron’s current operations averaging A\$48.40/dmt<sup>8</sup> over the life-of-mine; and
- All primary tenure and approvals in place.

The proposed private haul road and Cape Preston East transshipment facility will have capacity to transport additional iron ore products from IOH satellite deposits and third parties, potentially creating a significant additional revenue stream not included in the announced FS results.

### ***Other IOH Assets***

IOH’s other assets include two exploration tenements located near the coast in the West Pilbara (Mardie and Maitland River), royalties on other a number of tenements held by third parties in the Central Pilbara region, as well as a number of tenements prospective for base metals.

### **BC Iron FY14 Final Dividend Guidance**

Subject to Board approval on 27 August 2014 following completion of the audit of its full year financial results, BC Iron expects to announce a fully franked, final dividend for FY14 of A\$0.15 per share to BC Iron shareholders on the Record Date, which is likely to be early in September 2014.

When added to BC Iron’s interim FY14 dividend of A\$0.17 per share (fully franked), and based on BC Iron’s current unaudited estimate of FY14 statutory net profit after tax (“NPAT”), this would be at the top end of the target payout ratio previously advised by BC Iron of 30-50% of NPAT.

IOH shareholders that accept the Offer will not be entitled to receive this dividend, as the Record Date will be prior to the issue of BC Iron shares to IOH shareholders.

BC Iron reaffirms that its target is to pay-out 30-50% of NPAT annually as dividends. However, declaration and payment of dividends remains at the discretion of the Board, and actual dividends may vary from this target based on market conditions, the Company’s financial performance, and current and future cash requirements.

<sup>6</sup> Refer IOH ASX announcement dated 4 June 2014.

<sup>7</sup> Based on upfront capital of A\$744 million (real; 2014 dollars) divided by 8 million dmt per annum.

<sup>8</sup> BC Iron reports production and cash costs from the Nullagine Joint Venture on a wmt, rather than a dmt, basis. Based on life of mine average moisture of 9% for Buckland, A\$48.4/dmt equates to approximately A\$44.0/wmt.

## BC Iron Intentions

If the Offer is successful and the conditions met, IOH will become a wholly-owned subsidiary of BC Iron. After BC Iron both acquires a relevant interest in 50.1% of IOH (fully diluted) and the Offer becomes unconditional, existing IOH Non-Executive Director, Brian O'Donnell, and IOH Managing Director, Alwyn Vorster, will be invited to join the BC Iron Board, which will continue to be chaired by Tony Kiernan.

Morgan Ball will continue as Managing Director of BC Iron. BC Iron intends to offer Alwyn Vorster a term advisory contract, with a focus on marketing, funding and business development of the Buckland project. BC Iron also intends to offer full-time employment to a number of other current IOH employees.

Upon completion of the Offer, BC Iron intends to continue to progress the necessary project development activities, including advancing financing solutions, required to make the Buckland Project "development ready" as soon as possible. Subject to prevailing market conditions and BC Iron Board approval, this may lead to a development decision in the first half of 2015.

Further details of BC Iron's intentions will be included in its Bidder's Statement.

## Transaction Details

The Offer will be implemented by way of an off-market takeover offer under the Corporations Act.

The Offer extends to any IOH shares that are issued as a result of the exercise of IOH options during the Offer period. In addition, BC Iron intends to enter into agreements with IOH's option holders to acquire their options in exchange for BC Iron shares.

The Offer is subject to a number of conditions as listed in the BIA (released to ASX at the same time as this announcement) including:

- 90% minimum acceptance;
- Consent of the Pilbara Ports Authority ("PPA") to the change of control in IOH in respect of certain agreements between the Authority and IOH. This requires the PPA to assess the technical and financial capacity of BC Iron, and is considered low risk;
- No Material Adverse Change, Prescribed Occurrence or specified other event occurring in respect of IOH, as set out in the BIA;
- The Platts IODEX 62% Fe CFR China iron ore price (converted from US dollars to Australian dollars using the exchange rate on the relevant day) does not close below A\$90/dmt on any 20 consecutive days on which Platts publishes an iron ore assessment;
- The S&P/ASX 200 does not close 10% or more below the closing level on the day of this announcement for 5 or more consecutive trading days; and
- Other standard conditions for a transaction of this type, which are set out in Schedule 2 of the BIA.

BC Iron and IOH have agreed to a standard deal protection regime including payment of an agreed expense reimbursement of A\$2.6 million ("Expense Reimbursement") by IOH to BC Iron in certain circumstances, and by BC Iron to IOH in certain circumstances.

The BIA also provides BC Iron with standard no shop / no talk rights, as well as a right to be notified of and match any superior offer that may emerge. If BC Iron chooses not to match, then IOH's Board may, in

accordance with its fiduciary duties, recommend that superior proposal to its shareholders, which may then require payment of the Expense Reimbursement to BC Iron.

Further details about the Offer, including the full list of conditions to the Offer and proposed timetable, are set out in the BIA, a copy of which is being released to ASX at the same time as this announcement.

### **ACE Standstill Provision**

ACE (through its subsidiary, Wroxby Pty Ltd) has advised IOH that if the Offer is declared or becomes unconditional and ACE is issued shares in BC Iron under the terms of the Offer, ACE does not intend to acquire any further shares in BC Iron other than with the consent of the Board of BC Iron (such consent not to be unreasonably withheld) for 12 months after the close of the Offer, except in the following circumstances:

- The right to acquire further shares to prevent dilution of ACE's interest in the event of a new issue of shares or other equity capital raising by BC Iron;
- If any third party takeover bid is made for BC Iron; or
- Where there has been a material decline in BC Iron's share price.

ACE has advised that it is willing to enter into a standstill agreement with BC Iron reflecting these terms. These terms are contained in ACE's statement of intention letter, which is attached to this announcement. The rationale for the standstill is to maintain liquidity in BC Iron's shares, while not restricting ACE from being able to increase its investment in appropriate circumstances.

### **Timetable**

It is expected that BC Iron's Bidder's Statement, containing further information about the Offer, will be posted to IOH shareholders within the next two weeks. IOH has given its consent to the early despatch of the Bidder's Statement. IOH will issue a Target's Statement to IOH shareholders at the same time as or shortly after despatch of the Bidder's Statement.

### **Conference Call**

BC Iron Managing Director, Morgan Ball, and IOH Managing Director, Alwyn Vorster, will host a conference call for analysts and institutional investors at 12:00 AEST (10:00 WST) today to discuss the Offer. A recording of the conference call will be available by following playback instructions which will be posted on the BC Iron website shortly after the call. <http://www.bcion.com.au/investors/investor-calendar.html>.

### **Advisers**

Azure Capital Ltd is acting as financial adviser and Herbert Smith Freehills is acting as legal adviser to BC Iron. ANZ Corporate Advisory is acting as financial adviser and Gilbert+Tobin is acting as legal adviser to IOH.

For further information please contact:

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BC Iron Ltd  
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Professional Public Relations  
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**Alwyn Vorster**

Managing Director  
Iron Ore Holdings Ltd  
Telephone: +61 8 9483 2000

**About BC Iron Ltd**

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 75:25 joint venture with Fortescue Metals Group Ltd. The NJV uses Fortescue's infrastructure at Christmas Creek, 50km 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 April 2013, the NJV has been operating at a nameplate production rate of 6 Mtpa. BC Iron was added to the S&P/ASX 200 Index in December 2013.

**About Iron Ore Holdings Ltd**

IOH owns and manages a portfolio of bedded hematite, channel iron and magnetite iron ore tenements and projects in the Pilbara region of Western Australia. The Company's key projects are strategically located within close proximity to existing and planned infrastructure. At Iron Valley, IOH has a mine gate sale agreement with Mineral Resources Ltd, with royalty based revenues expected to commence from production in the current calendar quarter. At Buckland, IOH has obtained all primary tenure and approvals, and completed feasibility studies for the development of an integrated 8 Mtpa iron ore mine, private road and trans-shipment port project. As at 30 June 2014, IOH held \$51m cash.

### Notices Regarding Ore Reserves & Mineral Resources

The total combined group Ore Reserve includes BC Iron Ore Reserves of 25.0 Mt at 57.1% Fe (attributable), comprising 11.3 Mt at 57.3% Fe Proved and 13.7 Mt at 56.9% Fe Probable Reserves. The total combined group Mineral Resource includes BC Iron Mineral Resources of 84.2 Mt at 53.3% Fe (attributable), comprising 19.2 Mt at 54.6% Fe Measured, 30.0 Mt at 53.8% Fe Indicated and 35.0 Mt at 52.1% Fe Inferred.

This information is extracted from the ASX announcement entitled NJV Ore Reserves and Mineral Resources dated 3 March 2014 and is available to view on <http://www.bcion.com.au/investors/asx-announcements/2014.html>. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimate in the original market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcement.

The total combined group Ore Reserve includes IOH Ore Reserves of 269.0 Mt at 58.1% Fe (attributable), comprising 23.2 Mt at 58.3% Fe Proved and 245.8 Mt at 58.0% Fe Probable Reserves. The total combined group Mineral Resource includes IOH Mineral Resources of 542.3 Mt at 57.4% Fe (attributable), comprising 30.9 Mt at 57.4% Fe Measured, 451.4 Mt at 57.4% Fe Indicated and 60.0 Mt at 57.0% Fe Inferred.

The information in this announcement that relates to Mineral Resources and Ore Reserves at the Buckland Project is extracted from the ASX Announcement titled "Buckland Project – Updated Ore Reserve" (dated 4 June 2014). This announcement is available to view at [www.ironoreholdings.com](http://www.ironoreholdings.com). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

In respect of the Iron Valley and Maitland River deposits the information in this announcement that relates to Mineral Resources estimates has been compiled by Mr Lynn Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Widenbar is a full time employee of Widenbar and Associates and produced the Mineral Resource Estimates based on data and geological information supplied by IOH. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this announcement of the matters based on his information in the form and context that the information appears. It has been not been updated to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The information in this announcement that relates to Ore Reserve estimations for the Iron Valley Deposit is based on information compiled by Mr Alan G. Cooper, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Cooper is a full time employee of Snowden Mining Industry Consultants Pty Ltd. Mr Cooper has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cooper consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears. It has been not been updated to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

**Important Notice**

This document has been prepared by BC Iron Ltd (“BC Iron”) and Iron Ore Holdings Ltd (“IOH”) to provide an update regarding the companies.

***Past performance***

Past performance information given in this document is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

***Forward-looking statements***

This document contains “forward-looking” statements or projections based on current expectations. Forward looking words such as, “expect”, “anticipate”, “should”, “could”, “may”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target” and other similar expressions are intended to identify forward-looking statements within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Forward-looking statements include, among other things, statements regarding targets, estimates and assumptions in respect of iron production and prices, operating costs and results, capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates. Forward-looking statements, opinions and estimates provided in this document are based on estimates and assumptions related to future business, economic, market, political, social and other conditions that, while considered reasonable by BC Iron or IOH (as applicable), are inherently subject to significant uncertainties and contingencies. Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Such factors include, but are not limited to: operating and development risks, counterparty risks, iron ore price risk and a number of other risks and also include unanticipated and unusual events, many of which are beyond the companies’ ability to control or predict.

No representation or warranty is made as to the accuracy, correctness, completeness, adequacy or reliability of any statements, estimates, opinions or other information contained in this presentation. The forward-looking statements only speak as at the date of this document and, other than as required by law and the ASX Listing Rules, BC Iron and IOH disclaim any intent, obligation or duty to update any forward looking statements, whether as a result of new information or developments, future events, results or otherwise.

To the maximum extent permitted by law, each of BC Iron and IOH and their respective directors, officers, employees, agents and contractors disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any person (including because of fault or negligence or otherwise) through use or reliance on anything contained in or omitted from this document.

***Not financial product advice***

This document is for information purposes only and is not financial product or investment advice nor a recommendation to acquire BC Iron shares or IOH shares. The information in this presentation is in summary form only and is not necessarily complete. It has been prepared without taking into account the objectives, financial situation or needs of individuals and is not intended to be relied upon as advice to investors or potential investors. Before making an investment decision, investors or prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice appropriate to their jurisdiction.

Nothing in this presentation should be construed as either an offer to sell or solicitation of an offer to buy or sell BC Iron securities or IOH securities in any jurisdiction.



**WROXBY Pty Ltd**  
ACN 061 621 921

The Directors  
Iron Ore Holdings Ltd  
Level 1, 1 Altona Street,  
West Perth, WA, 6005

8 August 2014

Dear Sirs

**Proposed takeover offer**

We understand that BC Iron Limited (**BCI**) is proposing, subject to final approval of the BCI Board, the recommendation of the board of IOH and execution of a bid implementation agreement, to announce an off-market takeover bid (**Offer**) for the shares of Iron Ore Holdings Ltd (**IOH**) on the following key terms:

- (a) 0.44 BCI shares and \$0.10 in cash for each IOH share;
- (b) BCI to pay a pre-completion final dividend for FY14 of \$0.15 per share (not payable to IOH shareholders);
- (c) BC Iron to offer to purchase IOH options with BCI shares;
- (d) 2 IOH nominees to join the Board of BCI after the transaction; and
- (e) certain additional bid conditions, including a 90% minimum acceptance condition and a condition requiring the consent of the Pilbara Ports Authority to the change of control in IOH in respect of certain agreements between the Authority and IOH.

The IOH Board is currently considering whether to recommend the Offer and you have asked us to indicate our intentions should the Offer proceed.

We confirm that it is our intention to accept the Offer, in the absence of a superior proposal, no later than 14 business days after the Offer opens, in respect of our entire holding of shares in IOH (84,936,013 shares).

We further confirm that, after we have accepted the Offer, we do not intend to exercise any withdrawal rights that may arise under the *Corporations Act 2001* (Cth) if the closing date for the Offer is extended by more than one month, provided that the only condition that has not been fulfilled or waived at the time of the extension is the condition requiring the consent of the Pilbara Ports Authority referred to above.

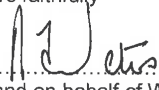
We also confirm that, if the Offer is declared or becomes unconditional and Wroxby is issued shares in BCI under the terms of the Offer, Wroxby does not intend to acquire any further shares in BCI, other than with the consent of the board of BCI (such consent not to be unreasonably withheld), for a period of 12 months after the issue of BCI shares to us under the Offer, except in the following circumstances:

- (a) the right to acquire further shares to prevent dilution of our interest in the event of a new issue of shares or other equity capital raising by BCI;
- (b) if any third party takeover bid is made for BCI; and
- (c) where there has been a material decline in BCI's share price after the date of this letter.

We would be willing to enter into a standstill agreement with BCI reflecting these terms, on or immediately prior to the issue to us of BCI shares under the Offer.

Wroxby consents to this statement being published on its behalf and is aware that ASIC's truth in takeovers policy will apply to this statement.

Yours faithfully

  
.....  
for and on behalf of Wroxby Pty Ltd

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Level 3, 30 Kings Park Road, West Perth, Western Australia 6005  
P.O. Box 1398, West Perth, Western Australia 6872  
Telephone +61 8 9215 8888 Facsimile +61 8 9215 8889

## ATTACHMENT 2

**ASX announcements by BC Iron since 1 October 2013**

The following announcements have been made to ASX concerning BC Iron since the release of its 2013 Annual Report on 1 October 2013.

<b>Date</b>	<b>Announcement</b>
09/10/2013	Appendix 3B - issue of employee performance rights
09/10/2013	Change of Director's Interest Notice - M Ball
10/10/2013	Ceasing to be a substantial holder from WBC
10/10/2013	Ceasing to be a substantial holder from BTT
10/10/2013	Ceasing to be a substantial holder in BCI - Henghou
15/10/2013	BC Iron presentation for Macquarie WA Forum
15/10/2013	BC Iron amended presentation for Macquarie WA Forum
16/10/2013	Appendix 3B - exercise of options
24/10/2013	BCI Appointment of Non Executive Director
24/10/2013	Initial Director's Interest Notice
25/10/2013	BCI September 2013 Quarterly Activities Report
25/10/2013	BCI September 2013 Quarterly Cashflow Report
04/11/2013	Appendix 3B - exercise of options
12/11/2013	Chairman's Address to Shareholders 2013 AGM
12/11/2013	Company Update by Managing Director - 2013 AGM
12/11/2013	Results of 2013 Annual General Meeting
14/11/2013	Appendix 3B - exercise of options
21/11/2013	Appendix 3B - exercise of options
27/11/2013	BC Iron presentation at UBS Iron Ore and Coal Conference
06/12/2013	S&P DJ Indices Announces December Quarterly Rebalance
06/12/2013	BC Iron Ltd - amendments to Share Trading Policy
10/12/2013	Appendix 3B - exercise of options
28/01/2014	BC Iron Dec 2013 Quarterly Activities Report
05/02/2014	BC Iron presentation for CLSA Iron Ore Access Day
26/02/2014	BCI FY2014 Interim dividend and future guidance
26/02/2014	2014 Half Year Results and 4D
27/02/2014	Appendix 3B - exercise of options
03/03/2014	NJV Ore reserves and mineral resources
03/03/2014	BCI 2014 Half-year results presentation
10/03/2014	Ceasing to be a substantial holder
11/03/2014	AJM Conference Presentation

<b>Date</b>	<b>Announcement</b>
20/03/2014	Becoming a substantial holder
07/04/2014	Becoming a substantial holder
14/04/2014	Ceasing to be a substantial holder
28/04/2014	BC Iron March 2014 Quarterly Activities Report
29/04/2014	CDG: Significant Iron Ore Intercepted In Bahia State, Brazil
06/05/2014	BCI presentation for Macquarie Australia Conference
20/05/2014	BCI presentation for Morgans Financial Ltd breakfast
29/05/2014	CDG: Outstanding Concentrate Produced for Caetite Projects
03/06/2014	CDG: Orientation Drilling in Minas Novas Project
16/06/2014	Change of Director's Interest Notice – A Kiernan
01/07/2014	Appendix 3B – conversion of employee performance rights
01/07/2014	Change of Director's Interest Notice – M Ball
18/07/2014	Becoming a substantial holder from AMP
25/07/2014	Brazil exploration update
28/07/2014	BC Iron June 2014 Quarterly Activities Report
04/08/2014	BCI Diggers and Dealers 2014 presentation
11/08/2014	BC Iron to acquire Iron Ore Holdings
11/08/2014	Bid implementation agreement
11/08/2014	Presentation – BC Iron acquisition of Iron Ore Holdings
13/08/2014	Change in substantial holding
14/08/2014	Ceasing to be a substantial holder
19/08/2014	Becoming a substantial holder from MS
19/08/2014	Becoming a substantial holder
19/08/2014	Ceasing to be a substantial holder from MS
20/08/2014	Ceasing to be a substantial holder
21/08/2014	BCI Operations Update
21/08/2014	Change in substantial holding from NAB
21/08/2014	Ceasing to be a substantial holder

## **CORPORATE DIRECTORY**

### **BC Iron Limited**

Level 1, 15 Rheola Street  
West Perth WA 6005

### **Financial Adviser**

Azure Capital Limited  
Level 34 Exchange Plaza  
2 The Esplanade, Perth WA 6000

### **BC Iron Share Registry**

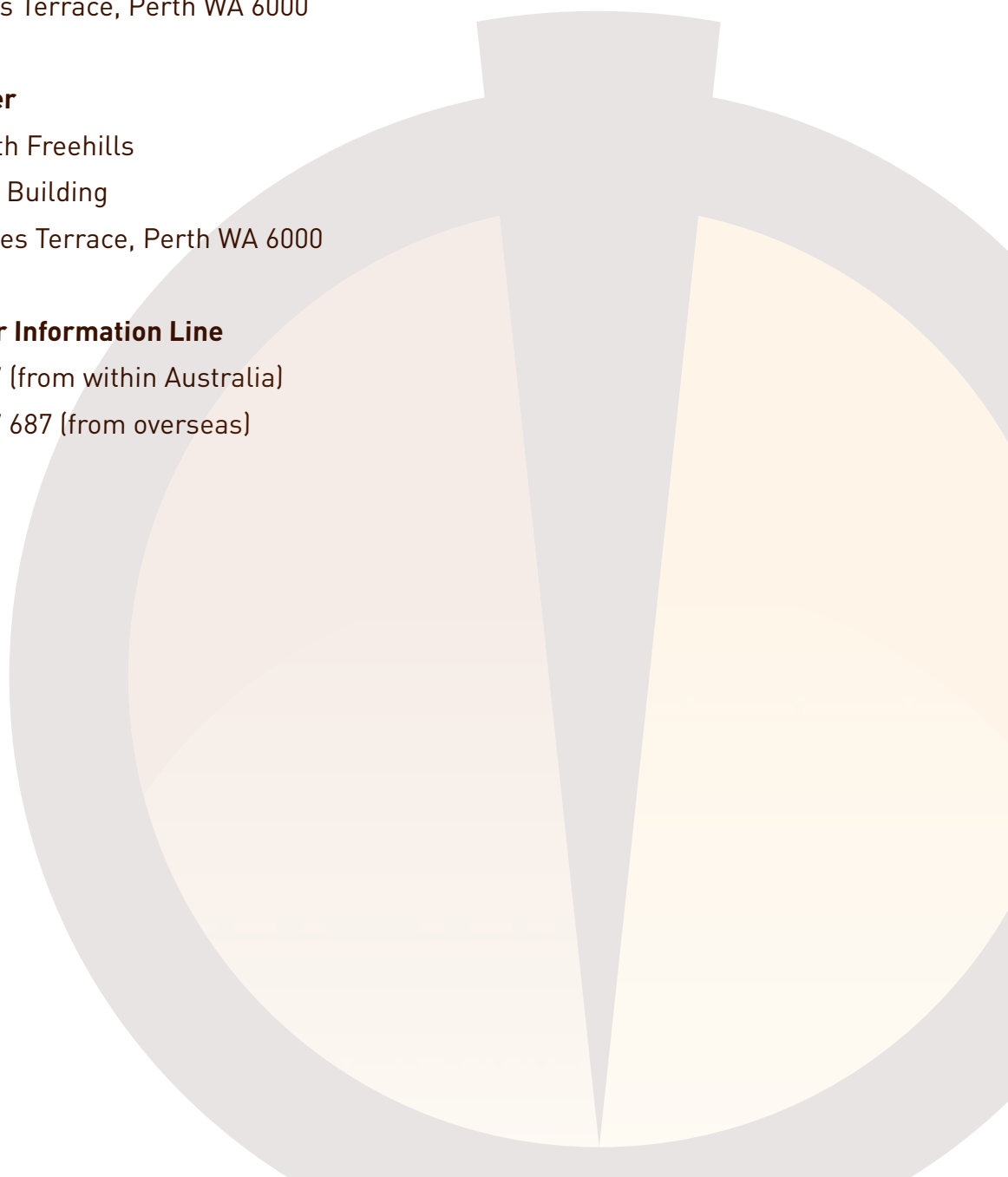
Computershare Investor Services Pty Limited  
Level 2  
45 St Georges Terrace, Perth WA 6000

### **Legal Adviser**

Herbert Smith Freehills  
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### **BC Iron Offer Information Line**

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