

TERMS AND CONDITIONS OF OPTIONS ON ISSUE

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OPTIONS CLASS OPT1

MANAGING DIRECTOR'S OPTIONS ISSUED 11 OCTOBER 2006 TRANCHE 1

The terms and conditions of the options to be

Tranche 1: 500,000 options

- a) Each option entitles the holder to subscribe for a fully paid ordinary share in the Company at twenty five cents (\$0.25) per share;
- b) The options are exercisable on and from the first anniversary of the listing date on ASX of the Company and expire at 5pm Western Standard Time three years after the listing date ("**Expiry Date**"). Any options not exercised on or before the Expiry Date will automatically lapse;
- c) All shares allotted on the exercise of options will rank equally in all respects with the Company's then existing fully paid ordinary shares;
- d) The options are not transferable and no application will be made to Australian Stock Exchange Ltd (**ASX**) for quotation of the options. If the Company's ordinary shares are quoted by ASX, the Company must apply for quotation of all shares allotted pursuant to the exercise of options not later than 10 business days after the date of allotment;
- e) Holders may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give to holders at least 7 business days notice of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules of ASX;
- f) There will be no change to the exercise price of the option or the number of shares over which the option is exercisable in the event of the Company making a pro rata issue of shares or other securities to the holders of ordinary shares in the Company (other than a bonus issue);
- g) If there is a bonus issue ("**Bonus Issue**") to the holders of ordinary shares in the Company, the number of shares over which the option is exercisable will be increased by the number of shares which the holder would have received if the option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue as the date of issue of the Bonus Shares;
- h) If prior to the expiry date, there is a reorganisation of the issued capital of the Company, options are to be treated in the manner set out in the Listing Rules of ASX;

- i) In the event that BC Iron is taken over or enters into a scheme of arrangement whereby 100% of its issued capital is held by one party (or a series of parties, persons or entities "associated with each other" as that term is used in the Corporations Act) and if at that time the right to exercise any of these Options has not arisen, then notwithstanding these terms, the right to exercise shall immediately arise in respect of any unexercised Options;
- j) The Options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the Option holder to exercise a specified number of Options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds;
- k) The exercise of only a portion of the Options held shall not affect the holder's rights to exercise the balance of any Options remaining;
- l) The Company will allot the corresponding Shares and deliver notification of share holdings within 10 Business Days after the allotment of the Shares; and
- m) Lapse of options

Options not validly exercised on or before the Expiry Date will automatically lapse.

Unless otherwise determined by the Board, if the grantee ceases to be an employee or contractor of the Company then:

- (a) if the grantee ceases to be an employee/contractor for any reason other than a Specified Reason, any such Options held by such grantee will automatically lapse; and
- (b) if the grantee ceases to be an employee/contractor for a Specified Reason, such grantee may exercise any such Options held by him or her within:
 - (i) 3 months of the date of (as the case may be) Retirement, Redundancy, death or Total and Permanent Disablement; or
 - (ii) such longer period as the Board determines,

subject to the Board, in its absolute discretion, reducing, waiving or varying the Exercise Conditions applying to those Options so that those Options may be exercised. Options not exercised within 3 months or the longer period determined by the Board, will automatically lapse.

(i) 1 month of ceasing to be an employee/contractor; or

(ii) such longer period as the Board determines,

and any Options the subject of this clause not exercised within 1 month or the longer period determined by the Board, will automatically lapse; and

Unless otherwise determined by the Board, if a grantee ceases to be an employee/contractor at any time after an Option is or has become exercisable, then:

- (a) if the grantee ceases to be an employee/contractor for any reason other than a Specified Reason, such Employee/contractor, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
- (b) if an employee/contractor ceases to be an employee/contractor for a Specified Reason, such employee/contractor, or if appropriate, his or her Permitted Nominee is entitled to exercise any such Option at any time prior to its Expiry Date.

A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an employee/contractor shall (in the absence of manifest

error) be conclusive for the purposes of the this condition, both as to such occurrence and the reason for such occurrence and the date of such occurrence.

Subject to the terms herein, if at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's Legal Personal Representative may:

- (a) elect to be registered as the new Holder of the deceased Holder's Options;
- (b) whether or not he or she becomes so registered, exercise those Options in accordance with and subject to these terms and conditions as if he were the Holder of them; and
- (c) if the deceased Holder had already given the Company a notice of exercise of his or her Options, pay the Exercise Price in respect of those Options.

"Specified Reason" means Retirement, Total and Permanent Disablement, Redundancy or death;

OPTIONS CLASS OPT2

MANAGING DIRECTOR'S OPTIONS ISSUED 11 OCTOBER 2006 TRANCHE 2

- a) Each option entitles the holder to subscribe for a fully paid ordinary share in the Company at thirty cents (\$0.30) per share;
- b) The options are exercisable on and from the second anniversary of the listing date on ASX of the Company, and expire at 5pm Western Standard Time three years after the listing date ("**Expiry Date**"). Any options not exercised on or before the Expiry Date will automatically lapse;
- c) All shares allotted on the exercise of options will rank equally in all respects with the Company's then existing fully paid ordinary shares;
- d) The options are not transferable and no application will be made to Australian Stock Exchange Ltd (**ASX**) for quotation of the options. If the Company's ordinary shares are quoted by ASX, the Company must apply for quotation of all shares allotted pursuant to the exercise of options not later than 10 business days after the date of allotment;
- e) Holders may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give to holders at least 7 business days notice of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules of ASX;
- f) There will be no change to the exercise price of the option or the number of shares over which the option is exercisable in the event of the Company making a pro rata issue of shares or other securities to the holders of ordinary shares in the Company (other than a bonus issue);
- g) If there is a bonus issue ("**Bonus Issue**") to the holders of ordinary shares in the Company, the number of shares over which the option is exercisable will be increased by the number of shares which the holder would have received if the option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue as the date of issue of the Bonus Shares;
- h) If prior to the expiry date, there is a reorganisation of the issued capital of the Company, options are to be treated in the manner set out in the Listing Rules of ASX;
- i) In the event that BC Iron is taken over or enters into a scheme of arrangement whereby 100% of its issued capital is held by one party (or a series of parties, persons or entities "associated with each other" as that term is used in the Corporations Act) and if at that time the right to exercise any of these Options has not arisen, then notwithstanding these terms, the right to exercise shall immediately arise in respect of any unexercised Options;
- j) The Options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the Option holder to exercise a specified number of Options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds;
- k) The exercise of only a portion of the Options held shall not affect the holder's rights to exercise the balance of any Options remaining;

- l) The Company will allot the corresponding Shares and deliver notification of share holdings within 10 Business Days after the allotment of the Shares; and
- m) Lapse of options

Options not validly exercised on or before the Expiry Date will automatically lapse.

Unless otherwise determined by the Board, if the grantee ceases to be an employee or contractor of the Company then:

- (a) if the grantee ceases to be an employee/contractor for any reason other than a Specified Reason, any such Options held by such grantee, or if appropriate, his or her Permitted Nominee, will automatically lapse; and
- (b) if the grantee ceases to be an employee/contractor for a Specified Reason, such grantee, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
 - (i) 3 months of the date of (as the case may be) Retirement, Redundancy, death or Total and Permanent Disablement; or
 - (ii) such longer period as the Board determines,

subject to the Board, in its absolute discretion, reducing, waiving or varying the Exercise Conditions applying to those Options so that those Options may be exercised. Options not exercised within 3 months or the longer period determined by the Board, will automatically lapse.

Unless otherwise determined by the Board, if a grantee ceases to be an employee/contractor at any time after an Option is or has become exercisable, then:

- (a) if the grantee ceases to be an employee/contractor for any reason other than a Specified Reason, such Employee/contractor, or if appropriate, his or her Permitted Nominee, may exercise any such Options held by him or her within:
 - (i) 1 month of ceasing to be an employee/contractor; or
 - (ii) such longer period as the Board determines,

and any Options the subject of this clause not exercised within 1 month or the longer period determined by the Board, will automatically lapse; and

- (b) if an employee/contractor ceases to be an employee/contractor for a Specified Reason, such employee/contractor, or if appropriate, his or her Permitted Nominee is entitled to exercise any such Option at any time prior to its Expiry Date.

A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an employee/contractor shall (in the absence of manifest error) be conclusive for the purposes of the this condition, both as to such occurrence and the reason for such occurrence and the date of such occurrence.

Subject to the terms hereof, if at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's Legal Personal Representative may:

- (a) elect to be registered as the new Holder of the deceased Holder's Options;
- (b) whether or not he or she becomes so registered, exercise those Options in accordance with and subject to these terms and conditions as if he were the Holder of them; and
- (c) if the deceased Holder had already given the Company a notice of exercise of his or her Options, pay the Exercise Price in respect of those Options.

Specified Reason" means Retirement, Total and Permanent Disablement, Redundancy or death;

OPTIONS CLASS OPT3

NON-EXECUTIVE DIRECTORS' OPTIONS ISSUED 11 OCTOBER 2006 AND CORPORATE ADVISOR'S OPTIONS ISSUED ON LISTING, 15 DECEMBER 2006

The terms and conditions of the options are as follows:

- a) Each option entitles the holder to subscribe for a fully paid ordinary share in the Company at twenty five cents (\$0.25) per share.
- b) The options are exercisable on and from the listing date on ASX and expire at 5pm Western Standard Time three years after the listing date ("**Expiry Date**"). Any options not exercised on or before the Expiry Date will automatically lapse.
- c) All shares allotted on the exercise of options will rank equally in all respects with the Company's then existing fully paid ordinary shares.
- d) The options are not transferable and no application will be made to Australian Stock Exchange Ltd (**ASX**) for quotation of the options. If the Company's ordinary shares are quoted by ASX, the Company must apply for quotation of all shares allotted pursuant to the exercise of options not later than 10 business days after the date of allotment.
- e) Holders may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give to holders at least 7 business days notice of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules of ASX.
- f) There will be no change to the exercise price of the option or the number of shares over which the option is exercisable in the event of the Company making a pro rata issue of shares or other securities to the holders of ordinary shares in the Company (other than a bonus issue).
- g) If there is a bonus issue ("**Bonus Issue**") to the holders of ordinary shares in the Company, the number of shares over which the option is exercisable will be increased by the number of shares which the holder would have received if the option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue as the date of issue of the Bonus Shares.
- h) If prior to the expiry date, there is a reorganisation of the issued capital of the Company, options are to be treated in the manner set out in the Listing Rules of ASX.