



BC IRON
LIMITED

27 May 2008

Manager Announcements
Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Unit 8, 8 Clive Street
West Perth, WA 6005
GPO Box 2811 - Perth WA 6001
Telephone : +61 (0)8 9324 3200
Facsimile : +61 (0)8 9324 3111
Email : info@bciron.com.au
ABN : 21 120 646 924
Website : www.bciron.com.au

Dear Sir,

PROPOSED ISSUE OF OPTIONS

The Directors of BC Iron Limited wish to advise that, subject to shareholder approval, they have resolved to issue 1,000,000 options to Mr Michael Young, Managing Director of the Company.

These options, if approved, will be issued on the following terms:

- a) Each option will entitle the holder to subscribe for one ordinary share in the Company.
- b) The options will vest in two tranches:
 - (i) Tranche 1: 500,000 to vest six months from the date of issue (the **First Vesting Date**) with an exercise price of \$1.85 each; and
 - (ii) Tranche 2: 500,000 to vest 18 months from the date of issue or on a decision to commercially mine the Company's iron ore project, whichever is earlier, (the **Second Vesting Date**) with an exercise price of \$2.00 each.
- c) The options will expire three years from the date of issue
- d) Should Mr. Young cease, for any reason to be an employee of BC Iron Limited
 - (i) any unvested options will lapse immediately; and
 - (ii) any vested options will lapse three months from the date of ceasing subject to the Board having the discretion to waive or vary this condition.
- e) The options are not transferable and will be unlisted.

As Mr Young is a director and related party of the Company shareholder approval is required for the issue under the ASX Listing Rules and also the Corporations Act and to that end a general meeting of shareholders will be convened shortly.

The options are being issued as an incentive to Mr. Young with what the directors consider to be appropriate exercise prices and vesting conditions.

Yours faithfully,
for **BC IRON LIMITED**

[signed]

A Kiernan
Chairman