



BC IRON
LIMITED

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5 June 2008

Dear Shareholder

We are holding a General Meeting on Thursday July 17th 2008 at the Celtic Club on Ord Street in West Perth to address the special business as outlined in the enclosed Notice of General Meeting and Explanatory Statement.

It has been a busy year so far, with the completion of the Scoping Study on the Bonney Creek Channel Iron Deposit at Nullagine, WA. Furthermore, with the Pilbara field season upon us, the drilling rigs have begun the job of proving up our resources at Bonney Creek.

It will continue to be a busy year, and I cordially invite you to attend the meeting as I will be presenting a summary of where we've been, where we're at, and where we hope to go.

Thank you for your continued interest in BC Iron Limited.

Yours faithfully,

MICHAEL C YOUNG
Managing Director.

Enc.



BC IRON LIMITED
ABN 21 120 646 924

Notice of General Meeting and Explanatory Statement

**General Meeting to be held at
The Celtic Club, 48 Ord Street West Perth
on Thursday, 17 July 2008 commencing at 10am WST**

This Notice of General Meeting and Explanatory Statement should be read in its entirety.
If shareholders are in doubt as to how they should vote, they should seek advice from their
accountant, solicitor or other professional adviser without delay.

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Notice of General Meeting

Notice is given that a General Meeting of BC Iron Limited (ABN 21 120 646 924) will be held at The Celtic Club, 46 Ord Street West Perth on Thursday, 17 July 2008 commencing at 10am WST.

SPECIAL BUSINESS

1 RATIFICATION OF PREVIOUS SHARES ISSUE

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That, for the purpose of Listing Rule 7.4 of the Listing Rules of ASX Limited and for all other purposes, Shareholders approve and ratify the allotment and issue on 3 December 2007 of 5,400,000 fully paid ordinary shares in the capital of the Company at an issue price of \$1.70 per share to the parties, for the purposes and on the terms set out in the Explanatory Statement.

2 APPROVAL OF EMPLOYEE SHARE OPTION PLAN

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That, for the purpose of Exception 9 of Listing Rule 7.2 of the Listing Rules of ASX Limited and for all other purposes, Shareholders approve the BC Iron Limited Employee Share Option Plan, a summary of which is set out in the Explanatory Statement.

3 ISSUE OF OPTIONS TO MANAGING DIRECTOR, MR MICHAEL YOUNG

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That, for the purpose of Listing Rule 10.11 of the Listing Rules of ASX Limited and for all other purposes, Shareholders approve the allotment and issue of 1,000,000 options, each to acquire one fully paid ordinary share in the capital of the Company, to Mr Michael Young (or his nominee) for the purposes and on the terms and conditions set out in the Explanatory Statement.

Note: The options are to be issued in two tranches of 500,000 options each with respective exercise prices of \$1.85 each option and \$2.00 each option and are subject to the terms and conditions set out in Annexure B.

Voting Exclusions

For the purposes of:

- (a) (**resolution 1**): Listing Rule 7.5, the Company will disregard any votes cast on resolution 1 by a person who participated in the issue and any of their associates;

- (b) (**resolution 2**): Listing Rule 7.2 Exception 9, the Company will disregard any votes cast on resolution 2 by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates; and
- (c) (**resolution 3**): Listing Rule 10.11 and section 224 of the Corporations Act, the Company will disregard any votes cast on resolution 3 by Mr Young or any associate of Mr Young,

unless it is cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).

Explanatory Statement

The Explanatory Statement accompanying this Notice of General Meeting is incorporated in and comprises part of this Notice of General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in both this Notice of General Meeting and the Explanatory Statement.

Proxies

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

“Snap-shot” Time

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting.

The Company’s directors have determined that all shares of the Company that are quoted on ASX at 5.00pm WST on 15 July 2008 shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the shares at that time.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative. An appointment of Corporate Representative form is enclosed if required.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read 'A. Kiernan', with a long horizontal flourish extending to the right.

Anthony Kiernan
Chairman
BC Iron Limited

5 June 2008

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at a General Meeting of the Company convened for Thursday, 17 July 2008.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

1 RESOLUTION 1: RATIFICATION OF PREVIOUS SHARE ISSUE

On 3 December 2007, the Company announced to ASX that it had completed a placement to raise approximately \$9.18 million (“**Placement**”) through the issue of 5,400,000 Shares (“**Placement Shares**”).

Listing Rule 7.1 provides that a company must not, without prior approval of shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period unless such an issue of securities falls within one of the exceptions set out in Listing Rule 7.2.

Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company’s members subsequently approve it.

Under this resolution, the Company seeks from Shareholders approval for, and ratification of, the issue of the Placement Shares so as to limit the restrictive effect of Listing Rule 7.1 on any further issues of securities by the Company in the next 12 months.

The Placement Shares comprise approximately 9.1% of the Company’s share capital (calculated following completion of the Placement).

Listing Rule 7.5 requires the following information to be given to Shareholders with respect to the Placement:

- (a) 5,400,000 Shares were allotted at an issue price of \$1.70 per Share;
- (b) the Shares were issued on the same terms as and rank equally with the Existing Shares, the terms of which are summarised in **Annexure A** to this Explanatory Statement;
- (c) the Shares were issued to sophisticated and professional investors; and

- (d) the Company intends to use the funds raised under the Placement to continue exploration and development of the Company's Nullagine Iron Ore Project.

The Board believes that the ratification of the issue of the Placement Shares is beneficial for the Company and recommends Shareholders vote in favour of resolution 1. Such an approval allows the Company to retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months. As at the date of this Notice of General Meeting, the Board has no intention to issue further securities in that period. However, approval is sought to ensure that the Company retains the flexibility to issue further securities if it is in the best interest of the Company to do so.

2 RESOLUTION 2: APPROVAL OF EMPLOYEE SHARE OPTION PLAN

The Company seeks approval of the Employee Share Option Plan ("**Plan**") for the purposes of Exception 9(b) of Listing Rule 7.2.

Listing Rule 7.1 provides that a company must not, without prior approval of Shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period, unless such an issue of securities falls within one of the exceptions set out in Listing Rule 7.2.

Exception 9(b) of Listing Rule 7.2 provides that equity securities may be issued under an employee incentive scheme that has been approved by shareholders for that purpose within the last three years.

The purpose of the Plan is to give employees, directors and executive officers of the Company an opportunity, in the form of Options, to subscribe for Shares in the Company. The Directors consider the Plan enables the Company to retain and attract skilled and experienced employees, board members and executive officers and provide them with the motivation to make the Company more successful.

A summary of the terms and conditions of the Plan is set out below.

Participants in the Plan

The Board may offer Options, at no more than nominal consideration, to persons ("**Participants**") who are:

- (a) full-time or part-time employees; or
- (b) Directors,

of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant.

Upon receipt of such an offer, the Participant may nominate a nominee acceptable to the Board to be issued with the Options.

Number of Options

An Option may not be issued if immediately following its issue, the Shares to be received on exercise of the Option when aggregated with the number of Shares which would be issued if each outstanding offer of Shares or Options under the Plan or another employee incentive scheme were accepted or exercised, and the number of Shares issued during the previous 5 years under the Plan or another employee incentive scheme, exceeds 5% of the total number of Shares on issue in the Company.

Terms of Options

Each Option entitles the holder, on exercise, to one ordinary fully paid share in the Company.

There is no issue price for the Options. The exercise price for the Options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event shall the exercise price be less than the weighted average sale price of Shares sold on ASX during the five business days prior to the date of issue or such other period as determined by the Board (in its discretion).

The expiry date of the Options will be as determined by the Board, being a date no longer than 5 years from the issue date of the Options.

Shares issued on exercise of Options will rank equally with other Shares.

Options may not be transferred other than to a nominee of the holder. Quotation of Options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.

An Option may only be exercised after that Option has vested and any other conditions of exercise imposed by the Board are satisfied. The Board may determine the vesting period (if any). An Option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the Shares of the Company.

If, in the opinion of the Board any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare an Option to be free of any conditions of exercise. Options which are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

Future Issues of Shares

New Issues

There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure

that the record date for determining entitlements to any such issue will be at least 9 Business Days after the issue is announced. Optionholders shall be afforded the opportunity to exercise all Options which they are entitled to exercise pursuant to the Plan prior to the date for determining entitlements to participate in any such issue.

Bonus Issues

If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("**Bonus Issue**"), each Participant holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the Participant may subscribe pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank pari passu in all respects with the other Shares issued upon exercise of the Options.

Reconstruction of Capital

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each Participant is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

Taxation

Under current taxation laws any taxation liability in relation to the Options, or the Shares issued on exercise of the Options, will fall on the Participants. The Company will not be liable to fringe benefits tax in relation to Options or Shares issued under the Plan.

Participation by Directors

Although Directors are eligible to be offered Options under the Plan, this first requires specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act.

Voting on the Resolution

Votes of Shareholders who are Directors of the Company and their associates will be disregarded when determining the result of the resolution approving the Plan or any subsequent amendment to the Plan. Those persons should not vote on resolution 2.

3 RESOLUTION 3: ISSUE OF OPTIONS TO MANAGING DIRECTOR, MR MICHAEL YOUNG

3.1 Background

Under resolution 3, the Company seeks Shareholder approval to issue a total of 1,000,000 unlisted Options to Mr Michael Young, the Managing Director, (or his nominee) on the terms and conditions set out in **Annexure B**.

The Options to be issued to Mr Young upon resolution 3 being passed will have the exercise date and expiry date as set out in the table below. The value of the Options is also set out in the table. An explanation of the method used by the Company to value the Options is set out in section 3.5 of this Explanatory Statement.

	Number of Options	Vesting Date	Exercise Price	Expiry Date	Fair Value per Option	Total Fair Value
Tranche 1 Options	500,000	6 months from the date of issue	\$1.85	3 years from the date of issue	\$0.59	\$296,219
Tranche 2 Options	500,000	The earlier of 18 months from the date of issue and a decision to mine*	\$2.00	3 years from the date of issue	\$0.39	\$194,556

*A "decision to mine" means a decision to commercially mine the Company's iron ore project.

In order for the Options to be issued to Mr Young, Shareholder approval is required in accordance with Chapter 2E of the Corporations Act and Listing Rule 10.11 as Mr Young, a Director, is a related party of the Company.

3.2 Chapter 2E of the Corporations Act

Section 208 of the Corporations Act prohibits a company from giving a financial benefit to a related party without prior shareholder approval.

A "related party" for the purposes of the Corporations Act is defined widely. It includes an entity that controls a public company, entities controlled by directors of the public company or relatives of those directors, and a person who may be seen as acting in concert with the company on the understanding that a financial benefit will be received.

A "financial benefit" for the purposes of the Corporations Act is also defined widely. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and the effect of the transaction (rather than just the legal form) and any consideration which has been given is to be disregarded, even if it is full or adequate.

The granting of the Options to Mr Young may constitute the provision of a financial benefit to a related party and accordingly, the Company seeks Shareholder approval under section 208 of the Corporations Act.

The following information is provided to Shareholders in accordance with section 219 of the Corporations Act to enable them to assess the merits of the resolution:

(a) **The related party to whom the proposed resolution would permit the financial benefit to be given**

Mr Young (or his nominee) pursuant to resolution 3.

(b) **The nature of the financial benefit**

The proposed financial benefit to be given to Mr Young is the grant of 1,000,000 unlisted Options. There is no consideration payable by Mr Young on the issue of these Options.

The Options will vest in two tranches:

- 500,000 of the Options are exercisable at \$1.85 each on or before six months from the date of grant; and
- 500,000 of the Options are exercisable at \$2.00 each at the earlier of eighteen months from the date of grant or on a decision to mine.

The Options will otherwise be granted on the terms and conditions set out in **Annexure B**.

The Company has agreed to pay Mr Young, in his capacity as Managing Director, the amount of \$250,000 per annum (inclusive of superannuation).

Mr Young currently holds an interest in:

- 224,000 Shares;
- 500,000 Options exercisable at \$0.25 on or before 15 December 2009 (vested); and
- 500,000 Options exercisable at \$0.30 on or before 15 December 2009 (due to vest on 15 December 2008).

The Company currently has 59,400,000 Shares and 4,625,000 Options on issue. On the assumption that the Options the subject of resolution 3 are issued and vest in accordance with their terms, Mr Young exercises all of his existing Options and all other Options are exercised, Mr Young will hold an interest in 2,224,000 Shares, equal to approximately 3.4% of the issued share capital of the Company.

Information regarding the valuation of the Options is set out in section 3.5 below.

(c) **Directors' recommendations**

Mr Young declines to make a recommendation to Shareholders in regards to resolution 3 as he has a material personal interest in the outcome of the resolution as the resolution provides for the issue of Options to him (or his nominee).

The other Directors recommend Shareholders vote in favour of the resolution as they consider the issue of Options to Mr Young in the number and on the terms and conditions set out in this Explanatory Statement to be reasonable and appropriate in order to link the Managing Director's remuneration to the medium and long-term performance of the Company and to align the interests of Mr Young with those of Shareholders.

(d) Directors' interests in outcome of proposed resolution

Mr Young has a material personal interest in the outcome of resolution 3, which is set out above.

The remaining Directors do not have an interest in the outcome of resolution 3.

(e) All other information that is reasonably required by members in order to decide whether or not it is in the Company's interests to pass the proposed resolution and that is known to the Company or any of its Directors

If Shareholders approve the issue of Options to Mr Young and all of these Options vest and are subsequently exercised, the effect will be to dilute the shareholding of existing Shareholders by approximately 1.5% on a fully diluted basis (based on the number of Shares and Options in the Company on issue as at the date of this Notice of General Meeting and including those Options the subject of resolution 3).

The market price for Shares during the term of the Options would normally determine whether or not Mr Young exercises the Options. If, at the time any of the Options are exercised, the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.

In the 12 months prior to the date of this Notice of Meeting the lowest and highest price traded on ASX for the Company's Shares has been \$0.75 on 22 January 2008 and \$2.16 on 9 July 2007, respectively. The most recent closing price prior to the date of this Notice of Meeting was \$1.55 on 4 June 2008.

3.3 Listing Rules

Listing Rule 10.11 provides that a company must not issue equity securities (including options to acquire shares) to a related party of a company, such as a director, without the company obtaining the approval by ordinary resolution of its shareholders.

Accordingly the Company is seeking the approval of the Shareholders under Listing Rule 10.11 to allow the Company to issue the Options to Mr Young. If Shareholders approve the issue of the Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

3.4 Information required by Listing Rule 10.13

Listing Rule 10.13 requires that the information set out below be provided to Shareholders:

- (a) the number of securities to be issued by the Company is 1,000,000 Options;
- (b) the exercise price for the Options is set out in section 3.1 above;
- (c) the Options will be issued for no consideration and on the terms and conditions set out in **Annexure B** to this Explanatory Statement;
- (d) the Options will be issued to Mr Michael Young (or his nominee);
- (e) the Company will not seek official quotation of the Options on ASX;
- (f) the Options will issued to Mr Young as soon as practicable but, in any case, not later than 1 month after the date of the Meeting; and
- (g) no funds will be raised from the issue of the Options to Mr Young. If all of the Options are fully exercised, \$1,925,000 will be received by the Company. However, there is no guarantee that all the Options will be exercised. Any money raised as a result of the exercise of any Options will be used by the Company for general working capital purposes.

3.5 Valuation

It is an ASIC requirement that a dollar value is placed on the Options to be issued to Mr Young. The Black Scholes option pricing model is generally regarded as acceptable as a valuation model which is designed to value listed securities that are freely tradeable. While the Options proposed to be granted will not be listed for official quotation on ASX, in establishing a valuation for present purposes a discount has not been included notwithstanding the unlisted status of the Options.

In determining the value of the Options set out in the table in section 3.1, the Company is required to disclose the following assumptions that have been made:

- (a) a Share price of \$1.55 is used, based on the Share price of the Company on 4 June 2008;
- (b) the exercise price of the Options is \$1.85 for the Tranche 1 Options and \$2.00 for the Tranche 2 Options;
- (c) price volatility of the Company's Shares is approximately 63.6%;
- (d) the average current risk free interest rate is 6.75%;
- (e) all Options will be exercised immediately prior to their expiry date; and
- (f) the expected dividend yield is nil.

Based on these assumptions, and using the Black Scholes option pricing model, the Company estimates the fair value of the Options to be issued to Mr Young to be as follows:

	Fair Value per Option	Total Fair Value
Tranche 1 Options	\$0.59	\$296,219
Tranche 2 Options	\$0.39	\$194,556

Other than the information set out in this Explanatory Statement, neither the Board nor the Company is aware of any additional information that would be reasonably required by Shareholders to enable them to make a decision in relation to whether the allotment of Options to Mr Young is in the Company's interests.

4 GLOSSARY

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

Annexure	annexure to this Explanatory Statement.
ACH Clearing Rules	rules of Australian Clearing House Pty Ltd
ASIC	Australian Securities and Investments Commission.
ASTC Settlement Rules	rules of ASX Settlement and Transfer Corporation Pty Ltd.
ASX	ASX Limited.
ASX Listing Rules or Listing Rules	official listing rules of ASX.
Board	board of Directors.
Company	BC Iron Limited ABN 21 120 646 924.
Constitution	constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).
Director	director of the Company.
Option	option to subscribe for a Share.
Share	fully paid ordinary share in the capital of the Company.
Shareholder	shareholder of the Company.
WST	Western Standard Time.

ANNEXURE A

Terms of Shares

The rights attaching to the Shares arise from a combination of the Company's Constitution, the Corporations Act, the ASX Listing Rules and general law. A copy of the Company's Constitution is available for inspection during business hours at its registered office.

A summary of the more significant rights is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders. To obtain such a statement, persons should seek independent legal advice.

(a) Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and upon a poll, one vote for each Share held by the Shareholder and, for each partly paid share held, a fraction of one vote equal to the proportion which the amount paid up bears to the amounts paid or payable on that share. In the case of an equality of votes, the chairperson has a casting vote.

(b) Dividends

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.

(c) Winding-Up

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company any surplus must be divided among the Shareholders of the Company in the proportion which the amount paid on the Shares bears to the total amount paid and payable on the Shares of all Shareholders of the Company.

(d) Transfer of Shares

Generally, shares are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, ASTC Settlement Rules, the ACH Clearing Rules and the Corporations Act. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules, the ACH Clearing Rules or under the Company's Constitution.

(e) Further Increases in Capital

Subject to the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules, the ACH Clearing Rules and any rights attached to a class of shares, the Company (under the

control of the Directors) may allot and issue shares and grant options over shares on any terms at any time and for any consideration as the Directors resolve.

(f) Variation of Rights Attaching to Shares

Subject to the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules, the ACH Clearing Rules and the terms of the issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class or with the written consent of the holders of at least 75% of the votes in that class.

(g) General Meeting

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the ASX Listing Rules.

ANNEXURE B

Terms of Options

1 MANAGING DIRECTOR'S OPTIONS – TRANCHE 1 (500,000 OPTIONS)

- 1.1 Each Option entitles the holder to subscribe for a fully paid ordinary share in the Company at \$1.85 per Share;
- 1.2 The Options are exercisable on and from 6 months from the date of issue of the Options ("**Issue Date**") and expire at 5.00pm WST three years after the Issue Date ("**Expiry Date**"). Any Options not exercised on or before the Expiry Date will automatically lapse;
- 1.3 All Shares allotted on the exercise of Options will rank equally in all respects with the Company's then existing fully paid ordinary shares;
- 1.4 The Options are not transferable and no application will be made to 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;
- 1.5 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 ASX Listing Rules;
- 1.6 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);
- 1.7 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;
- 1.8 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 ASX Listing Rules;
- 1.9 In the event that the Company is taken over or enters into a scheme of arrangement whereby 90% 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;

- 1.10 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 refunds being duly cleared funds;
- 1.11 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;
- 1.12 The Company will allot the corresponding Shares and deliver notification of share holdings within 10 Business Days after the allotment of the Shares; and
- 1.13 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 of the Company at any time before an Option is or has become exercisable, then:

- (a) if the grantee ceases to be an employee 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 for a Specified Reason, such grantee may exercise any such Options held by him or her within:
- (i) 3 months of the date of the Specified Reason; or
 - (ii) such longer period as the Board determines,

subject to the Board, in its absolute discretion, reducing, waiving or varying any 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 at any time after an Option is or has become exercisable, then:

- (c) if the grantee ceases to be an employee for any reason other than a Specified Reason, such employee, or if appropriate, his or her permitted nominee ("**Permitted Nominee**"), may exercise any such Options held by him or her within:
- (i) 1 month of ceasing to be an employee; 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

- (d) if an employee ceases to be an employee for a Specified Reason, such employee, 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 shall (in the absence of manifest error) be conclusive for the purposes of 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 that have become exercisable an Optionholder ("**Holder**") dies, the deceased Holder's legal personal representative may:

- (e) elect to be registered as the new holder of the deceased Holder's Options;
- (f) 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
- (g) 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 total and permanent disablement, redundancy or death.

2 MANAGING DIRECTOR'S OPTIONS – TRANCHE 2 (500,000 OPTIONS)

- 2.1 Each Option entitles the holder to subscribe for a fully paid ordinary share in the Company at \$2.00 per Share;
- 2.2 The Options are exercisable on and from 18 months from the date of issue of the Options ("**Issue Date**") or on a decision to commercially mine the Company's iron ore project, whichever is earlier and expire at 5pm WST three years after the Issue Date ("**Expiry Date**"). Any Options not exercised on or before the Expiry Date will automatically lapse;
- 2.3 All Shares allotted on the exercise of Options will rank equally in all respects with the Company's then existing fully paid ordinary shares;
- 2.4 The Options are not transferable and no application will be made to 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;
- 2.5 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 of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules;
- 2.6 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);
- 2.7 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 the issue of the Bonus Shares;
- 2.8 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 ASX Listing Rules;
- 2.9 In the event that the Company is taken over or enters into a scheme of arrangement whereby 90% 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;

- 2.10 the Options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the Optionholder 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 refunds being duly cleared funds;
- 2.11 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;
- 2.12 The Company will allot the corresponding Shares and deliver notification of share holdings within 10 Business Days after the allotment of the Shares; and
- 2.13 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 of the Company at any time before an Option is or has become exercisable, then:

- (a) if the grantee ceases to be an employee 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 for a Specified Reason, such grantee may exercise any such Options held by him or her within:
- (i) 3 months of the date of the Specified Reason; 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 at any time after an Option is or has become exercisable, then:

- (c) if the grantee ceases to be an employee for any reason other than a Specified Reason, such employee, 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; 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
- (d) if an employee ceases to be an employee for a Specified Reason, such employee, 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 shall (in the absence of manifest error) be conclusive for the purposes of 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 that have become exercisable a Holder dies, the deceased Holder's Legal Personal Representative may:

- (e) elect to be registered as the new Holder of the deceased Holder's Options;
- (f) 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
- (g) 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 total and permanent disablement, redundancy or death.

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Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of BC Iron Limited and entitled to attend and vote hereby appoint

The Chairman
of the meeting

OR

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

(mark with an 'X')

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of BC Iron Limited to be held at The Celtic Club, 48 Ord Street West Perth on Thursday, 17 July 2008 at 10am WST and at any adjournment of that meeting.

IMPORTANT

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote, please place a mark in this box with an 'X'. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called. The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.



Voting directions to your proxy – please mark to indicate your directions

Special Business

		For	Against	Abstain*
Resolution 1.	Ratification of Previous Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2.	Approval of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3.	Issue of Options to Managing Director, Michael Young	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointment of a second proxy (see instructions overleaf)

If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form

 %

PLEASE SIGN HERE This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary



BC IRON

LIMITED

BC Iron Limited

ABN 21 120 646 924

How to complete this Proxy Form

Your Name and Address

Please print your name and address as it appears on your holding statement and the company's share register. If shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Lindsay Colless, the Company Secretary on (08) 9227 1186 or you may photocopy this form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the shareholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate is either included in the Notice of General Meeting or may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting. ie. no later than 10am WST on 15 July 2008. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the company's registered office at 129 Edward Street, Perth, Western Australia or sent by facsimile to the registered office on (08) 9227 8178.

Shareholder Details

This is to certify that by a resolution of the Directors of:

..... (Company),
Insert name of shareholder company

the Company has appointed:

.....,
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that company at the meeting of the members of BC Iron Limited to be held on Thursday, 17 July 2008 and at any adjournments of that meeting/all meetings of the members of BC Iron Limited.

DATED 2008

Please sign here

Executed by the Company)
in accordance with its constituent documents)

.....
Signed by authorised representative

.....
Signed by authorised representative

.....
Name of authorised representative (print)

.....
Name of authorised representative (print)

.....
Position of authorised representative (print)

.....
Position of authorised representative (print)

Instructions for Completion

1. Insert name of appointor Company and the name or position of the appointee (eg "John Smith" or "each director of the Company").
2. Execute the Certificate following the procedure required by your Constitution or other constituent documents.
3. Print the name and position (eg director) of each company officer who signs this Certificate on behalf of the company.
4. Insert the date of execution where indicated.
5. Send or deliver the Certificate to BC Iron Limited's registered office at 129 Edward Street, Perth, Western Australia or fax the Certificate to the registered office at (08) 9227 8178.