



BC IRON LIMITED
ABN 21 120 646 924

Notice of Annual General Meeting and Explanatory Statement

**Annual General Meeting to be held at
The Celtic Club, 48 Ord Street, West Perth, Western Australia
on Wednesday, 16 November 2011 commencing at 10.00am (WST)**

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

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Notice of Annual General Meeting

Notice is given that the Annual General Meeting of BC Iron Limited (ABN 21 120 646 924) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Wednesday, 16 November 2011 commencing at 10.00am (WST).

BUSINESS OF THE MEETING

FINANCIAL STATEMENTS AND REPORTS 2011

To receive and consider the annual financial report of the Company, the Directors' Report and the Independent Audit Report for the year ended 30 June 2011.

Copies of these reports are available on the Company's website - www.bciron.com.au.

ORDINARY BUSINESS

RESOLUTION 1 – RE-ELECTION OF MR ANTHONY KIERNAN AS DIRECTOR

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

"To elect as Director of the Company, Mr Anthony Kiernan, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election."

RESOLUTION 2 – ELECTION OF MR ANDREW HASLAM AS DIRECTOR

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

"To elect as Director of the Company, Mr Andrew Haslam, who was appointed as a Director of the Company since the last general meeting and, being eligible, offers himself for election."

RESOLUTION 3 – ADOPTION OF REMUNERATION REPORT

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

"To adopt the Remuneration Report for the year ended 30 June 2011."

Note - The vote on the Remuneration Report is advisory only and does not bind the Directors or the Company.

Voting exclusion:

The Company will disregard any vote cast on Resolution 3 by, or on behalf of:

- (a) a member of the key management personnel as disclosed in the Remuneration Report ("**Key Management Personnel**"); and
- (b) a closely related party (such as close family members and any controlled companies) of those persons,

unless the vote is cast by a person as a proxy for a person entitled to vote in accordance with a direction on the Proxy Form.

The Chairman of the meeting intends to vote all undirected proxies in favour of Resolution 3.

SPECIAL BUSINESS

RESOLUTION 4 – RE-APPROVAL OF EMPLOYEE SHARE OPTION PLAN

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

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, shareholders re-approve the Company’s Employee Share Option Incentive Scheme (“Option Plan”), a summary of which is set out in the Explanatory Statement.”

Voting Exclusion:

The Company will disregard any vote cast on Resolution 4 by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associate of a Director, unless:

- (a) it is cast by a person as a proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 5 – REMUNERATION OF NON-EXECUTIVE DIRECTORS

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

“That, for the purposes of clause 11.6 of the Company’s Constitution, ASX Listing Rule 10.17 and all other purposes, the maximum aggregate remuneration to be paid to all the non-executive Directors in any financial year be increased from \$400,000 to \$700,000.”

Voting Exclusions:

The Company will disregard any vote cast on Resolution 5 by a Director or any associate of a Director, unless:

- (a) it is cast by a person as a proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, a member of Key Management Personnel and their closely related parties may not vote as a proxy on this resolution if the appointment does not specify how the proxy is to vote.

The Chairman of the meeting intends to vote all undirected proxies in favour of Resolution 5.

RESOLUTION 6 – GRANT OF PERFORMANCE RIGHTS

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

"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given to grant performance rights (and the issue of shares following the vesting of the performance rights) to the Managing Director of the Company, Mr Michael Young, in respect to the financial years ending 30 June 2011 and 30 June 2012, in accordance with the BC Iron Limited Employee Performance Rights Plan ("Plan") and on the terms set out in the Explanatory Statement."

Voting exclusions:

The Company will disregard any vote cast on Resolution 6 by Mr Michael Young or any of his associates, unless:

- (a) 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
- (b) it is cast by 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.

Further, a member of Key Management Personnel and their closely related parties may not vote as a proxy on this resolution if the appointment does not specify how the proxy is to vote.

The Chairman of the meeting intends to vote all undirected proxies in favour of Resolution 6.

By order of the Board of Directors



Morgan Ball
Company Secretary
27 September 2011

Important information for Shareholders

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it. The glossary at the end of the Explanatory Statement contains definitions of capitalised terms used in this Notice of Meeting and the Explanatory Statement.

Required majorities

All of the Resolutions are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the resolution.

Proxies

All Shareholders who are entitled to attend and vote at the meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Shareholder. Shareholders holding two or more shares can appoint either one or two proxies. If two proxies are appointed, the appointing Shareholder can specify what proportion of their votes they want each proxy to exercise.

To vote by proxy, please complete and return the proxy form enclosed with this Notice of Meeting as soon as possible. To be effective, a completed proxy form or online proxy instructions must be received by no later than **10.00am (WST) on Monday 14 November 2011**, being not less than 48 hours prior to the commencement of the meeting.

Where the proxy form is executed under power of attorney, the power of attorney must be lodged in the same way as the proxy form.

Corporate representatives

A body corporate may appoint an individual as its representative to attend and vote at the meeting and exercise any other powers the body corporate can exercise at the meeting. The appointment may be a standing one. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company. An appointment form is included with the meeting materials.

Voting entitlements

The Board has determined that, for the purpose of voting at the meeting, Shareholders are those persons who are the registered holders of the Company's shares at 4.00pm (WST) on Monday 14 November 2011.

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Annual General Meeting of the Company convened for Wednesday, 16 November 2011 commencing at 10.00am (WST).

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

BUSINESS OF THE MEETING

FINANCIAL STATEMENTS AND REPORTS 2011

The Corporations Act requires the Company to lay before the Annual General Meeting the Financial report, Directors' report (including the remuneration report) and the Auditor's report for the last financial year that ended before the Annual General Meeting. Copies of these reports are available on the Company's website - www.bcion.com.au.

No resolution is required for this item, but Shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to these reports. The Company's auditor will also be present at the meeting and Shareholders will be given the opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

RESOLUTION 1 – RE-ELECTION OF MR ANTHONY KIERNAN AS DIRECTOR

In accordance with clause 11.2 of the Company's Constitution, at each Annual General Meeting of the Company one-third of the Directors (other than the Managing Director), or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third need to retire from office by rotation. Further, and in accordance with the ASX Listing Rules, no Director may retain office for more than three years without submitting himself or herself for re-election even though the submission results in more than one-third of the Directors retiring from office.

Accordingly, Mr Kiernan is required to retire by rotation at the Annual General Meeting, and being eligible, offers himself for re-election as a Director.

Further information on Mr Kiernan is included in the 2011 Annual Report.

Recommendation: The Directors (excluding Mr Kiernan) recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION 2 – ELECTION OF MR ANDREW HASLAM AS DIRECTOR

Mr Haslam was appointed as a Director on 19 September 2011. In accordance with clause 11.4 of the Company's Constitution, the Board can appoint a person to be a Director, either to fill a causal vacancy or in addition to the existing Directors. However, any Director so appointed by the Board holds office until the

next general meeting of the Company. Accordingly, Mr Haslam is required to retire at the Annual General Meeting, and being eligible, offers himself for re-election as a Director.

Mr Haslam began his mining career at the Bluebird mine with Endeavour Resources (now St Barbara Mines) and later became Mine Superintendent at Dominion's Labouchere gold operation. Following this, he was Operations Manager at both AWP Contractors and then Henry Walker Eltin during which he was the Registered Mine Manager for BHP's Yandi iron ore mine.

Mr Haslam was Mining Manager for Thiess Pty Ltd's operations in Western Australia and South Australia before becoming Managing Director at Vital Metals Limited. Most recently, he was Managing Director of Territory Resources Ltd, an ASX listed company, producing 2.0 Mtpa DSO lump and fines iron ore from its 100% owned and operated Frances Creek mine in the Northern Territory. He stepped down from this role following the successful \$133 million on-market takeover bid for Territory by Noble Group Limited.

Mr Haslam holds a Graduate Diploma in Mining from Ballarat University and a Diploma of Extractive Industries Management from SEM College in WA. He has over 27 years of wide ranging experience in mining operations.

Recommendation: The Directors (excluding Mr Haslam) recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3 – ADOPTION OF REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act. The Remuneration Report details the Company's policy on the remuneration of non-executive Directors, the Managing Director and senior executives and is set out in the Company's Annual Report. The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Shareholders will be provided with a reasonable opportunity to ask questions, or make comments on, the remuneration report at the Annual General Meeting.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 3 by marking either "For", "Against" or "Abstain" on the Proxy Form. **The Chairman of the meeting intends to vote all undirected proxies in favour of Resolution 3.**

Recommendation: The Directors recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4 – RE-APPROVAL OF EMPLOYEE SHARE OPTION PLAN

Background

Resolution 4 seeks the re-approval of Shareholders for the Company's Employee Share Option Incentive Scheme ("**Option Plan**"). The Option Plan was initially approved by Shareholders in July 2008. Under ASX Listing Rules, a refreshed approval is required every 3 years.

ASX Listing Rule 7.1 provides that a listed company may not issue equity securities equal to more than 15% of that company's issued share capital in any 12 months without obtaining shareholders' approval. An

exception to ASX Listing Rule 7.1 is set out in ASX Listing Rule 7.2 (Exception 9) which provides that issues under an employee incentive plan are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the plan as an exception to ASX Listing Rule 7.1.

The two main purposes of the Option Plan are to give an incentive to the eligible participants to provide dedicated and ongoing commitment and effort to the Company and for the Company to reward eligible participants for their efforts. The Option Plan contemplates the issue of options to subscribe for shares in the Company to eligible participants.

In order to take advantage of the exemption from ASX Listing Rule 7.1 contained in ASX Listing Rule 7.2 (Exception 9) and allow the Company greater flexibility to issue securities, Shareholders are requested to approve the Option Plan as an exemption to ASX Listing Rule 7.1. This approval will be effective for a period of 3 years from the date of passing by Shareholders of Resolution 4. However, options cannot be issued to directors under the Option Plan without specific shareholder approval.

Options issued under the Option Plan since last Shareholder approval

The Company presently has 1,080,000 employee options on issue. Since the Option Plan was last approved on 17 July 2008:

- (a) 2,700,000 options have been issued under the terms of the Option Plan for nil consideration; and
- (b) 1,470,000 options have been exercised for an aggregate exercise price of \$2,483,000.

Option Plan Summary

For the purposes of ASX Listing Rule 7.2 (Exception 9) a summary of the terms and conditions of the Option Plan is set out below.

Participants in the Option 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 Option Plan or another employee incentive scheme were accepted or exercised, and the number of Shares issued during the previous 5 years under the Option Plan or another employee incentive scheme, exceeds 5% of the total number of Shares on issue in the Company.



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Terms of options

Each option entitles the holder, on exercise, to one fully paid ordinary 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:

- (a) the Company entering into a scheme of arrangement;
- (b) the commencement of a takeover bid for the Company's Shares; or
- (c) 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 option-holders 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. Option-holders shall be afforded the opportunity to exercise all options which they are entitled to exercise pursuant to the Option 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 equally 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 Option Plan.

Participation by Directors

Although Directors are eligible to be offered options under the Option Plan, as noted above, this would first require specific Shareholder approval due to the requirements of the ASX Listing Rules and the Corporations Act.

Recommendation: The Directors recommend that Shareholders vote in favour of Resolution 4.

RESOLUTION 5 – REMUNERATION OF NON-EXECUTIVE DIRECTORS

Under clause 11.6 of the Company’s Constitution and ASX Listing Rule 10.17, the upper limit on aggregate non-executive Directors’ remuneration may only be increased with shareholder approval. The limit was last approved by shareholders in December 2006 upon the listing of the Company on the ASX.

Shareholder approval is sought to increase the upper limit on aggregate non-executive Directors’ remuneration from \$400,000 to \$700,000 in any financial year.

The Directors are seeking shareholder approval to increase the upper limit on aggregate non-executive Directors’ remuneration for the following reasons:

- (a) to reflect that the Company has now transitioned from an explorer to a producer;
- (b) to ensure the Company maintains the ability to remunerate competitively and attract and retain high calibre non-executive Directors;
- (c) to allow for some growth in non-executive Directors’ remuneration in the future to reflect market competitiveness for non-executive Directors with the skills and experience appropriate for the Company’s business;



- (d) to create some capacity to appoint additional non-executive Directors if necessary as part of the Board's succession planning strategy; and
- (e) to reflect current governance best practice that options not be issued to non-executive directors.

The proposed maximum aggregate remuneration has been determined after consideration of the above factors, the appointment of an independent remuneration consultant and a review of an independent survey of the remuneration paid by similar companies listed on ASX. The Board believes that the proposed increase in aggregate remuneration is appropriate for the Company and is in line with the remuneration paid by similar companies.

The following information is provided for the purposes of Listing Rule 10.17:

- (a) the total maximum amount payable to the non-executive Directors of the Company, if shareholders approve the resolution, will increase from \$400,000 to \$700,000 for any financial year; and
- (b) the Board consider that the total maximum amount payable to the non-executive Directors of the Company in remuneration is reasonable and commensurate with the role of a director of a publicly listed company, having regard to the duties and responsibilities of the position and is in line with external and independent remuneration advice.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 5 by marking either "For", "Against" or "Abstain" on the Proxy Form. **The Chairman of the meeting intends to vote all undirected proxies in favour of Resolution 5.**

Recommendation: The non-executive Directors have an interest in Resolution 5 and accordingly do not make a recommendation to Shareholders as to how to vote. Mr Michael Young, the only executive director, has no interest in Resolution 5 and recommends that Shareholders vote in favour of Resolution 5.

RESOLUTION 6 – GRANT OF PERFORMANCE RIGHTS

Background

Shareholder approval is being sought for the grant of performance rights to the Managing Director of the Company, Mr Michael Young, in accordance with the BC Iron Employee Performance Rights Plan ("the Plan"). The Plan was approved by Shareholders at the 2010 Annual General Meeting for the purposes of ASX Listing Rule 7.2 (Exception 9).

The Company established the Plan to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance and rewarding and retaining executives.

Under his employment agreement, Mr Young is currently entitled to receive fixed remuneration of a base salary plus statutory superannuation of \$450,000 per annum. In addition, subject to the Board's discretion, Mr Young may be entitled to a variable remuneration component in the form of a short-term incentive bonus and/or a long term incentive component in the form of the grant of either options or performance rights (subject to requisite shareholder approvals first being obtained). Any variable incentive payable to Mr Young is capped at 100% of his fixed remuneration in the relevant year.

Under the Plan, the Board has the discretion to grant performance rights to any person it declares eligible upon the terms set out in the Plan. A performance right is, in effect, a contractual right to be issued with a fully paid ordinary share in the Company (“**Share**”) on the satisfaction of certain conditions.

Based on the Plan (and as set out below), Shareholder approval is being sought to grant up to 61,856 performance rights to Mr Young in relation to the year ended 30 June 2011. These performance rights are subject to specific performance conditions and will not vest into Shares until 1 July 2014. Shareholder approval is also being sought to grant up to 100,000 performance rights in relation to the year ending 30 June 2012, the actual number of which will be calculated based on the issue formula below. These performance rights are subject to specific performance conditions and will not vest into Shares until 1 July 2015.

As the Company continues to grow, the Directors believe that it is appropriate to provide Mr Young with a long-term incentive element in his remuneration package. The grant of performance rights is intended to continue to align his performance with successful company outcomes for the benefit of shareholders and provide him with an incentive to remain with the Company.

The non-executive Directors are of the view that the remuneration for Mr Young, including the proposed grant of performance rights, is reasonable having regard to the position of the Company, the duties and responsibilities of the Managing Director and market levels of remuneration for managing directors of similar companies. In arriving at their view, the non-executive Directors were assisted by an independent remuneration consultant engaged by the Remuneration Committee. The independent remuneration consultant assisted in the derivation of the proposed changes to the remuneration structure for the Managing Director and also conducted remuneration benchmarking against peer companies to aid in the decision making by the non-executive Directors.

As detailed below, a relative Total Shareholder Return (“**TSR**”) performance condition has been chosen to determine vesting of performance rights as it is widely recognised as one of the best indicators of shareholder value creation. TSR represents the change in market value of the Company over time, including dividends and any other distributions made to shareholders.

Terms of the Performance Rights

All performance rights to be granted will be on terms consistent with the rules of the Plan.

The key terms of the performance rights are as follows:

Grant of performance rights

Mr Young may be invited to apply for, and if an application is made, will be issued, the number of performance rights to be determined in accordance with the following formula:

$$P = 0.4 \times \frac{S}{VWAP}$$

(“**Issue Formula**”)

Where:

'P' is the whole number of performance rights under the Plan for which the Executive will be invited to apply;

'S' is the sum of Mr Young's fixed base salary and superannuation payable for the applicable period; and

'VWAP' is the 30 day volume weighted average price of ordinary shares in the Company on ASX at 30 June of the relevant financial year.

Each performance right is an entitlement to one Share in the Company, subject to satisfaction of the performance and vesting conditions outlined below.

Performance conditions

The performance rights issued will not vest (and the underlying Shares will not be issued) unless certain performance conditions have been satisfied. The grant of performance rights is designed to reward long term sustainable business performance measured by relative TSR performance conditions over a two year period.

The performance conditions will be measured by comparing the Company's TSR with that of a comparator group of companies based on the Argonaut Iron Ore Index (as defined in the Glossary below) over the period from 1 July in the financial year to which the grant of the performance rights relates to 30 June in the financial year that is 2 years after that date ("**Vesting Date**") – see the example below by way of illustration.

The performance rights will vest depending on the Company's percentile ranking within the comparator group on the relevant Vesting date as follows:

BC Iron TSR rank	Performance rights vesting
Below 50 th percentile	0%
At 50 th percentile	50%
Between 51 st and 100 th percentile	Between 51% and 100% on a straight line basis

Price of performance rights

No consideration is payable by Mr Young at the time of the grant of the performance rights or upon the allocation of Shares to which he may become entitled on the vesting dates.

Summary

For additional clarity, if Resolution 6 is approved by Shareholders, the performance rights to be issued to Mr Young will be calculated and treated as follows:

- On or about 16 November 2011, Mr Young will be issued 61,856 performance rights ("**Tranche 1**") calculated by reference to Mr Young's fixed remuneration as at 30 June 2011 and the Company's VWAP of \$2.91 over the 30 days to 30 June 2011 (see the Issue Formula above).
- On 30 June 2013, the performance of the Company will be evaluated over the period 1 July 2011 to 30 June 2013 by reference to the TSR over that period, and a number of Tranche 1 performance

rights will vest in Mr Young according to the TSR criteria set out above. If the TSR criteria are not met, then no performance rights will vest for conversion into Shares.

- Mr Young may then convert the vested Tranche 1 performance rights to Shares in the Company at no cost.
- On or about 1 July 2012, Mr Young will be issued a number of performance rights (“**Tranche 2**”) calculated by reference to Mr Young’s fixed remuneration as at 30 June 2012 and the Company’s VWAP over the 30 days to 30 June 2012. The maximum number of Tranche 2 performance rights will be 100,000.
- On 30 June 2014, the performance of the Company will be evaluated over the period 1 July 2012 to 30 June 2014 by reference to the TSR over that period, and a number of Tranche 2 performance rights will vest in Mr Young according to the TSR criteria set out above. If the TSR criteria are not met, then no performance rights will vest for conversion into Shares.
- Mr Young may then convert the vested Tranche 2 performance rights to Shares in the Company at no cost.

Regulatory information

The Board is of the view that Mr Young’s remuneration package, including the grant of the performance rights, is reasonable for the purposes of Chapter 2E of the Corporations Act, having regard to the circumstances of the Company and Mr Young’s circumstances (including the responsibilities involved in his office). Further details of Mr Young’s remuneration package are set out above and included in the Company’s Remuneration Report.

Under ASX Listing Rule 10.14, the acquisition of securities by a director under an employee incentive scheme requires shareholder approval.

The following information is provided for the purposes of Listing Rule 10.15.

- (a) The maximum number of performance rights that can be granted to Mr Young under this approval is:
 - (i) 61,856 performance rights for the financial year ending 30 June 2011; and
 - (ii) 100,000 performance rights for the financial year ending 30 June 2012, the actual number to be determined in accordance with the Issue Formula.
- (b) The price payable on the issue or exercise of each performance right is nil.
- (c) No performance rights have been granted since the Plan was approved.
- (d) The name of the person referred to in Listing Rule 10.14 entitled to participate in the Plan is Mr Michael Young.
- (e) There is no loan proposed in relation to the proposed grant of the performance rights to Mr Young.



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- (f) The Tranche 1 performance rights that are granted to Mr Young are intended to be granted on or about 16 November 2011 and in any event will not be granted later than 12 months after the date of approval by Shareholders at the Annual General Meeting.
- (g) The Tranche 2 performance rights that are granted to Mr Young are intended to be granted on or about 1 July 2012 and in any event will not be granted later than 12 months after the date of approval by Shareholders at the Annual General Meeting.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 6 by marking either "For", "Against" or "Abstain" on the Proxy Form. **The Chairman of the meeting intends to vote all undirected proxies in favour of Resolution 6.**

Recommendation: The Directors (excluding Mr Young) recommend that Shareholders vote in favour of Resolution 6.

GLOSSARY

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

Argonaut Iron Ore Index	Atlas Iron Limited Mount Gibson Iron Limited Gindalbie Metals Limited Grange Resources Limited Brockman Resources Limited Flinders Mines Limited Iron Ore Holdings Limited Red Hill Iron Limited Pluton Resources Limited
ASX	ASX Limited ACN 008 624 691
Board	the board of Directors of the Company.
Company	BC Iron Limited ACN 120 646 924.
Corporations Act	Corporations Act 2001 (Cwlth).
Director	a director of the Company.
Share(s)	a fully paid ordinary share(s) in the capital of the Company.
Shareholder	shareholder of the Company.
WST	Western Standard Time.



BC Iron Limited
ABN 21 120 646 924

Appointment of Corporate Representative Section 250D of the Corporations Act 2001

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 Wednesday 16 November 2011 commencing at 10.00am (WST) and at any adjournment of that meeting/all meetings of the members of BC Iron Limited.

DATED 2011

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.

Send or deliver the Certificate to Advanced Share Registry at Advanced Share Registry at 150 Stirling Hwy Nedlands WA 6009 or fax to +61 8 9389 7871.

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PROXY FORM

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 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 Annual General Meeting of BC Iron Limited to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Wednesday 16 November 2011 at 10.00am (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 (or that they are connected directly or indirectly with the remuneration of a member of key management personnel) 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.



Please note: By marking this box you further acknowledge that the Chairman will be casting votes in respect of, and in favour of, Resolutions 3 (Remuneration Report), 5 (Remuneration of non-executive directors) and 6 (Grant of performance rights) that arise from any undirected proxy that the Chairman holds even though these Resolutions are connected directly or indirectly with the remuneration of a member of key management personnel.

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

Items of Business

	For	Against	Abstain*
Resolution 1. RE-ELECTION OF MR ANTHONY KIERNAN AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2. ELECTION OF MR ANDREW HASLAM AS A DIRECTOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3. ADOPTION OF REMUNERATION REPORT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4. RE-APPROVAL OF EMPLOYEE SHARE OPTION PLAN	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5. REMUNERATION OF NON-EXECUTIVE DIRECTORS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6. GRANT OF PERFORMANCE RIGHTS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

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
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, the Company Secretary on (08) 6311 3400 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 Annual 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 that is no later than **10.00am (WST) on Monday 14 November 2011**. 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 Advanced Share Registry at 150 Stirling Hwy Nedlands WA 6009 or fax to +61 8 9389 7871.