

BC Iron to Acquire Iron Ore Holdings

HIGHLIGHTS

- **BC Iron Ltd (ASX:BCI) (“BC Iron”) to strengthen its Pilbara iron ore portfolio via recommended off-market takeover offer for Iron Ore Holdings Ltd (ASX: IOH) (“IOH”)**
- **BC Iron to offer 0.44 new BC Iron shares and A\$0.10 in cash for each IOH share held**
- **Transaction will create a leading mid-cap iron ore company with:**
 - **An attractive and complementary portfolio of production and development assets in the world’s best iron ore address**
 - **Strong operating cash flows from Nullagine and Iron Valley**
 - **Unaudited pro forma cash balance of A\$190 million¹ (as at 30 June 2014)**
 - **The technical and financial platform to develop the Buckland project**
 - **A proposed private haul road and port at Cape Preston East, for Buckland and potential third party tonnages**
 - **A multi-decade growth path for all shareholders**
- **Offer values IOH at A\$1.59 per share (based on BC Iron’s 60 day VWAP of A\$3.39), a 79% premium to IOH’s 60 day VWAP of A\$0.89**
- **IOH Board unanimously recommends that IOH shareholders accept the Offer in the absence of a superior proposal**
- **IOH major shareholder, Australian Capital Equity Pty Ltd², intends to accept the Offer within 14 business days of the Offer opening, in the absence of a superior proposal**
- **Assuming BC Iron acquires 100%, current IOH security holders will own ~36.6% of the combined group**
- **Two nominees from IOH will be invited to join the BC Iron Board**
- **BC Iron expects to announce a fully franked, final dividend for FY14 of A\$0.15 per share (final determination to be announced in conjunction with the release of the full year results on 27 August 2014). The Record Date will be prior to issue of BC Iron shares to IOH shareholders**

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

² Through its 100% owned subsidiary, Wroxby Pty Ltd.

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Transaction Overview

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

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

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

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

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

Strategic Rationale for Transaction

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

- Combined DSO / CID Ore Reserves of 294.0 Mt at 58.0% Fe, DSO / CID Mineral Resources of 626.5 Mt at 56.8% Fe, and 1.1 Bt at 30.4% Fe of magnetite Mineral Resources;³
- An attractive and complementary portfolio of production and development assets in a world class iron ore jurisdiction, including:
 - **Nullagine:** A 75% joint venture interest with Fortescue Metals Group (ASX: FMG) in an existing, low cost iron ore mine;
 - **Iron Valley:** A project with a 20 year mine life that is expected to start generating meaningful, low risk cash flows from production occurring in the current quarter, via an existing mine gate sale agreement with Mineral Resources Ltd (ASX: MIN) ("MIN"); and
 - **Buckland:** A long-life, low capital intensity mine to port development project with significant Ore Reserves, a completed Feasibility Study ("FS"), its own proposed infrastructure (haul road to a port at Cape Preston East, with the capacity to also carry third party product) and all primary tenure and licences secured.
- A strong balance sheet, with unaudited pro-forma cash as at 30 June 2014 of A\$190 million⁴ and debt of A\$54 million;

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

⁴ See footnote 1.

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

BC Iron Managing Director, Morgan Ball, said:

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

IOH Managing Director, Alwyn Vorster, said:

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

Reasons Why IOH Shareholders Should Accept the Offer

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

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

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

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

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

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

BC Iron Chairman, Tony Kiernan, said:

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

IOH Chairman, Richard Court, said:

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

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

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

Future Asset Base

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

Iron Valley

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

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

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

Buckland

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

- A reported pre-tax NPV10 of more than \$900 million;⁶
- Low upfront capital intensity of approximately A\$93 per annual tonne;⁷
- A low life-of-mine strip ratio of approximately 1:1;
- Comparable FOB cash operating costs to BC Iron's current operations averaging A\$48.40/dmt⁸ over the life-of-mine; and
- All primary tenure and approvals in place.

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

Other IOH Assets

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

BC Iron FY14 Final Dividend Guidance

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

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

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

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

⁶ Refer IOH ASX announcement dated 4 June 2014.

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

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

BC Iron Intentions

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

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

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

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

Transaction Details

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

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

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

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

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

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

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

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

ACE Standstill Provision

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

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

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

Timetable

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

Conference Call

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

Advisers

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

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About BC Iron Ltd

BC Iron is an iron ore development and mining company with key assets in the Pilbara region of Western Australia. The Company's core focus is the Nullagine Iron Ore Project, an unincorporated 75:25 joint venture with Fortescue Metals Group Ltd. The NJV uses Fortescue's infrastructure at Christmas Creek, 50km south of the Nullagine mine, to rail its ore to Port Hedland from where it is shipped directly to customers overseas.

BC Iron has had outstanding success since listing in December 2006. Iron ore exports commenced in February 2011 and since April 2013, the NJV has been operating at a nameplate production rate of 6 Mtpa. BC Iron was added to the S&P/ASX 200 Index in December 2013.

About Iron Ore Holdings Ltd

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

Notices Regarding Ore Reserves & Mineral Resources

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

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

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

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

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

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

Important Notice

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

Past performance

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

Forward-looking statements

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

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

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

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

Not financial product advice

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

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

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

8 August 2014

Dear Sirs

Proposed takeover offer

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

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

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

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

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

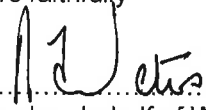
We also confirm that, if the Offer is declared or becomes unconditional and Wroxby is issued shares in BCI under the terms of the Offer, Wroxby does not intend to acquire any further shares in BCI, other than with the consent of the board of BCI (such consent not to be unreasonably withheld), for a period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

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

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

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

Yours faithfully


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