



HERBERT
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Agreement

Execution version

Bid implementation agreement

BC Iron Limited

Iron Ore Holdings Ltd



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Bid implementation agreement

Date •

Between the parties

BC Iron

BC Iron Limited

ABN 21 120 646 924 of Level 1, 15 Rheola Street West Perth WA 6005

IOH

Iron Ore Holdings Ltd

ABN 17 107 492 517 of Level 1, 1 Altona Street West Perth WA 6005

Recitals

- 1 BC Iron is proposing to make a Takeover Bid for all the IOH Shares and the Directors are proposing to recommend the Takeover Bid in the absence of a Superior Proposal.
 - 2 The parties have agreed to implement the Takeover Bid and deal with the Options on the terms and conditions set out in this agreement.
-

The parties agree as follows:



1 Definitions, interpretation and agreement components

1.1 Definitions

The meanings of the terms used in this agreement are set out below.

Term	Meaning
Agreed Bid Terms	the terms and conditions set out in Schedule 2.
Announcement Date	the date of the first announcement of the Takeover Bid.
Associate	has the meaning set out in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to this agreement.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691, and where the context requires, the financial market it operates.
BC Iron Group	BC Iron and each of its subsidiaries.
BC Iron Material Adverse Change	<p>between the Announcement Date and the end of the Offer Period (each inclusive), any of the following occurs:</p> <ol style="list-style-type: none">1 an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;2 information is disclosed or announced by BC Iron concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur; or3 information concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur becomes known to IOH (whether or not becoming public), <p>(each of (1), (2) and (3), a Specified Event) which, whether individually or when aggregated with all such events, changes, conditions, matters or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the BC Iron Group.</p> <p>For the purposes of establishing the existence of a BC Iron Material</p>



Term	Meaning
	<p>Adverse Change, a Specified Event shall not include:</p> <ol style="list-style-type: none">4 matters that are Fairly Disclosed:<ol style="list-style-type: none">(A) in the BC Iron Disclosure Materials;(B) in information accessible prior to the date of this agreement on a public register monitored by the Western Australian Supreme Court, the Federal Court of Australia, Personal Property Securities Register, Mining Titles Online register maintained by the Western Australian Department of Mines and Petroleum pursuant to the <i>Mining Act 1978</i> (WA), register maintained by the National Native Title Tribunal in relation to registered native title applications, determinations and Indigenous Land Use Agreements; or(C) in BC Iron's public filings with the ASX and ASIC prior to the date of this agreement;5 changes in government or political conditions generally;6 changes in general economic conditions, currency exchange rates, securities markets and commodity prices that impact on BC Iron and its competitors in a similar manner;7 changes occurring as a result of any matter, event or circumstance required by this agreement, the Offer or the transactions contemplated by them;8 arising as a result of any generally applicable change in accounting standards required by law or governmental policy in Australia or New Zealand;9 changes approved in writing by IOH; or10 any event, occurrence, circumstance or matter affecting the iron ore industry generally.
BC Iron Prescribed Occurrence	<ol style="list-style-type: none">1 BC Iron converting all or any of the BC Iron Shares on issue as at the date of this agreement into a larger or smaller number of shares under section 254H of the Corporations Act;2 BC Iron or a subsidiary of BC Iron resolving to reduce its share capital in any way;3 BC Iron or a subsidiary of BC Iron entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;4 BC Iron or a subsidiary of BC Iron making an issue of BC Iron Shares (other than BC Iron Shares issued under a dividend reinvestment plan adopted by BC Iron or as a result of the exercise of options or vesting of performance rights into BC Iron Shares where those options or performance rights were granted before the date of this agreement, and other than BC Iron Shares issued under the Offers) or granting an option over BC Iron Shares or agreeing to make such an issue or grant such an option (other than performance rights granted to employees of the BC Iron Group under a long term incentive plan consistent



Term	Meaning
	with past practice);
	5 BC Iron or a subsidiary of BC Iron issuing, or agreeing to issue, convertible notes;
	6 BC Iron or a subsidiary of BC Iron disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
	7 BC Iron or a subsidiary of BC Iron granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
	8 BC Iron or a subsidiary of BC Iron resolving that it be wound up;
	9 the appointment of a liquidator or provisional liquidator of BC Iron or of a subsidiary of BC Iron;
	10 the making of an order by a court for the winding up of BC Iron or of a subsidiary of BC Iron;
	11 an administrator of BC Iron or of a subsidiary of BC Iron being appointed under section 436A, 436B or 436C of the Corporations Act;
	12 BC Iron or a subsidiary of BC Iron executing a deed of company arrangement; and
	13 the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of BC Iron or of a subsidiary of BC Iron.
BC Iron Share	an ordinary share in the capital of BC Iron.
Bid Conditions	the conditions to the Takeover Bid included in item 4 of the Agreed Bid Terms.
BC Iron Disclosure Materials	written information provided from BC Iron and its Related Persons to IOH and its Related Persons prior to the date of this agreement in connection with the due diligence process.
Bidder's Statement	the bidder's statement to be prepared by BC Iron in relation to the Takeover Bid in compliance with Part 6.5 of the Corporations Act.
Business Day	a day on which banks are open for business in Perth, other than a Saturday, Sunday or public holiday.
Change of Control Right	a right pursuant to which any party (other than IOH or any of its subsidiaries) could: 1 terminate a Material Contract;



Term	Meaning
	<p>2 materially vary, amend or modify a Material Contract;</p> <p>3 exercise or enforce any material right under a Material Contract; or</p> <p>4 materially benefit from the operation of a provision which automatically terminates, varies, amends or modifies a Material Contract,</p> <p>(each a Change of Control Right) (including where that Change of Control Right is subject to (i) the satisfaction or failure of a contingency or condition or (ii) one or more defeating conditions to the Offer being fulfilled or freed) as a direct or indirect result of:</p> <p>5 BC Iron announcing or making the Offer;</p> <p>6 BC Iron acquiring, or acquiring a Relevant Interest in, any IOH Shares;</p> <p>7 BC Iron obtaining a Relevant Interest in 50% or more of IOH Shares then on issue;</p> <p>8 BC Iron acquiring control of IOH;</p> <p>9 BC Iron implementing or seeking to implement any of its intentions for IOH as described in the Bidder's Statement; or</p> <p>10 any of the Directors making a recommendation in relation to the Offer.</p>
Claim	<p>any claim, demand, legal proceedings or cause of action including any claim, demand, legal proceedings or cause of action:</p> <p>1 based in contract (including breach of any warranty);</p> <p>2 based in tort (including misrepresentation or negligence);</p> <p>3 under common law or equity; or</p> <p>4 under statute (including the Australian Consumer Law (being Schedule 2 of the <i>Competition and Consumer Act 2010</i> (Cth) (CCA)) or Part VI of the CCA, or like provisions in any state or territory legislation),</p> <p>in any way relating to this agreement or the transaction contemplated by it.</p>
Competing Proposal	<p>any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associate) may:</p> <p>1 directly or indirectly acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 30% or more of the IOH Shares or of the IOH Share capital of any of the Material Subsidiaries;</p> <p>2 acquire control of IOH or any of the Material Subsidiaries;</p> <p>3 directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of</p>



Term	Meaning
	<p>IOH's business or assets or the business or assets of any of the Material Subsidiaries;</p> <p>4 otherwise directly or indirectly acquire or merge with IOH or any of the Material Subsidiaries; or</p> <p>5 enter into any agreement, arrangement or understanding requiring IOH to abandon, or otherwise fail to proceed with, the Takeover Bid, or requiring IOH or any of the Directors to (a) change, withdraw or modify the Directors' recommendation of the Takeover Bid or (b) not to recommend the Takeover Bid,</p> <p>whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, buyback, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), or other transaction or arrangement.</p>
Confidentiality Agreement	the confidentiality agreements dated 24 October 2012, 11 April 2013 and 29 May 2014 between BC Iron and IOH.
control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
CPL	Cape Preston Logistics Pty Limited ACN 152 574 233.
DPA	Dampier Port Authority (now the Pilbara Ports Authority).
Director	a director of IOH.
Exclusivity Period	<p>the period from and including the date of this agreement to and including the earlier of:</p> <p>1 the date of termination of this agreement; or</p> <p>2 the end of the Offer Period.</p>
Foreign IOH Shareholder	a Shareholder whose address shown in the register of members of IOH is a place outside of Australia and its external territories or New Zealand, unless BC Iron determines that it is lawful, not unduly onerous and not unduly impracticable to make the Offer to a Shareholder in the relevant jurisdiction and to issue that Shareholder with BC Iron Shares on completion of the Offer and that it is lawful for that Shareholder to participate in the Offer by the



Term	Meaning
	law of the relevant jurisdiction.
Fairly Disclosed	sufficient information has been disclosed that a sophisticated investor, experienced in transactions of the nature of the Takeover Bid and familiar with the business of iron ore exploration and development, would be aware of the substance and significance of the information.
Government Agency	any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.
IOH Board	the board of Directors of IOH.
IOH Disclosure Materials	<ol style="list-style-type: none">1 the documents and information contained in the data room made available by IOH to BC Iron and its Related Persons before the date two Business Days before the date of this agreement, the index of which has been initialled by, or on behalf of, the parties for identification; and2 written information provided from IOH and its Related Persons to BC Iron and its Related Persons prior to the date of this agreement in connection with the due diligence process.
IOH Group	IOH and each of its subsidiaries.
IOH Share	an ordinary share in the capital of IOH.
Koodaideri South Royalty Deed	means a royalty deed between Hamersley Iron Pty Limited ACN 004 558 276 and PEL Iron Ore Pty Limited ACN 115 382 753 dated 27 September 2011 and deed of assignment between PEL Iron Ore Pty Limited and IOH dated 7 June 2013.
Listing Rules	the official listing rules of ASX.
Material Contract	any agreement, contract, deed or other arrangement or instrument which: <ol style="list-style-type: none">1 involves the provision of financial accommodation to IOH or any subsidiary of IOH of a value greater than \$1 million but excluding any financial accommodation between members of the IOH Group;2 imposes obligations or liabilities on any party of at least \$2



Term	Meaning
	million per annum or \$10 million over the life of the agreement, contract, deed or other arrangement or instrument; or
	3 is entered into by IOH or any of its subsidiaries in connection with the Cape Preston East port facility giving rise to obligations or liabilities in excess of \$5 million over the term of the agreement, contract, deed or other arrangement or instrument.
Material Subsidiaries	the following wholly owned subsidiaries of IOH: <ol style="list-style-type: none">1 Iron Valley Pty Limited ACN 152 574 813;2 Bungaroo South Pty Limited ACN 152 574 528;3 Cape Preston Logistics Pty Limited ACN 152 574 233; and4 Buckland Minerals Transport Pty Limited ACN 152 574 082.
Minimum Acceptance Condition	the minimum acceptance condition set out in item 4.2 of Schedule 2.
Offer	each offer to acquire IOH Shares made pursuant to the Takeover Bid.
Offer Period	the period during which the Offer is open for acceptance.
Option	an option, issued by IOH prior to the date of this agreement, to acquire by way of issue an IOH Share.
Optionholder	a registered holder of Options.
Options List	a list setting out the identity of each Optionholder, together with: <ol style="list-style-type: none">1 the current address of the Optionholder to which the Options Offer should be sent;2 the number of Options held;3 the expiry date of such Options; and4 the consideration proposed to be offered by BC Iron in exchange for the cancellation of such Options under the terms of the Options Offer.
Options Offer	the offer by BC Iron to the relevant Optionholders in respect of the Options on the terms set out in Schedule 7 (which offers will only become unconditional if the Offer becomes unconditional and any necessary waiver is granted).



Term	Meaning
Port Agreements	the Port Facilities Agreement – CPL Port Facility and the Construction Works Lease and Licence – CPL Port Facility, both between DPA, CPL and IOH dated 26 June 2014.
Record Date	the date set by BC Iron pursuant to section 633(2) of the Corporations Act.
Reimbursement Fee	\$2,600,000.
related body corporate	has the meaning given in section 50 of the Corporations Act.
Related Person	<ol style="list-style-type: none">1 a subsidiary of IOH or BC Iron as the context requires;2 an adviser of IOH or BC Iron as the context requires or an adviser of a subsidiary of IOH or BC Iron as the context requires; or3 an officer or employee of any entity referred to in items 1 or 2 of this definition.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Security Interest	has the same meaning as in section 51A of the Corporations Act.
Shareholder	a registered holder of IOH Shares.
subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Superior Proposal	<p>a bona fide Competing Proposal of the kind referred to in any of paragraphs 1, 2, 3 or 4 of the definition of Competing Proposal (and not resulting from a breach by IOH of any of its obligations under clause 8 of this agreement) which the IOH Board, acting in good faith determines:</p> <ol style="list-style-type: none">1 is reasonably capable of being completed taking into account all terms and conditions of the Competing Proposal; and2 would, if completed substantially in accordance with its terms, be more favourable to Shareholders (as a whole) than the Takeover Bid (as such Takeover Bid may be amended or varied following application of the matching right set out in clause 8.4), taking into account all terms and conditions of the Competing



Term	Meaning
	Proposal.
Takeover Bid	a takeover bid by BC Iron that satisfies the requirements in clause 2 (as may be amended from time to time).
Target's Statement	the target's statement to be prepared by IOH in relation to the Takeover Bid in compliance with Part 6.5 of the Corporations Act.
Third Party	a person, other than BC Iron and its Associates.
Timetable	the indicative timetable set out in Schedule 3.
Unacceptable Circumstances	has the meaning set out in section 657A of the Corporations Act.

1.2 Interpretation

In this agreement:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this agreement;
- (b) the singular includes the plural and the plural includes the singular;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this agreement have a corresponding meaning;
- (d) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (e) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this agreement;
- (f) a reference to any thing (including, but not limited to, any right) includes a part of that thing, but nothing in this clause 1.2(f) implies that performance of part of an obligation constitutes performance of the obligation;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (h) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to a party to a document includes that party's successors and permitted assignees;



- (j) a reference to an agreement other than this agreement includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing;
- (k) a reference to '\$' or 'dollars' is to Australian currency unless denominated otherwise;
- (l) a reference to any time is a reference to Perth, Western Australia time; and
- (m) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.3 Interpretation of inclusive expressions

Specifying anything in this agreement after the words 'including', 'includes', 'for example' or similar expression does not limit what else is included unless there is express wording to the contrary.

1.4 Agreement components

This agreement includes any schedule.

2 The Takeover Bid

2.1 Making the Takeover Bid

BC Iron agrees to:

- (a) make Offers pursuant to an off-market takeover bid under Chapter 6 of the Corporations Act to acquire all the IOH Shares on terms and conditions no less favourable to Shareholders than the Agreed Bid Terms; and
- (b) without limiting this clause 2.1, publicly announce a proposal to make Offers under the Takeover Bid, in accordance with clause 3, immediately after both parties have executed this agreement.

2.2 Directors' recommendation and acceptance

IOH represents and warrants that:

- (a) the IOH Board has met and considered the possibility of BC Iron agreeing to make the Takeover Bid; and
- (b) all of the Directors have informed IOH that, if BC Iron complies with clause 2.1, they will:
 - (1) unanimously recommend that Shareholders accept the Offer to be made to them under the Takeover Bid and the Optionholders accept the Options Offers;
 - (2) accept, or procure the acceptance of, the Offer in respect of any IOH Shares that they control, including the IOH Shares set out in Schedule 5; and
 - (3) accept, or procure the acceptance of, the Options Offer, in respect of any Options that they control,

in each case in the absence of a Superior Proposal.



2.3 IOH Shares issued during the Offer Period

BC Iron agrees that, subject to section 617 of the Corporations Act, it will extend its Offers to all IOH Shares that are issued as a result of the exercise of Options during the period from the Record Date to the end of the Offer Period.

3 Public announcement

Immediately after the execution and exchange of this agreement, BC Iron and IOH must issue a joint public announcement concerning the Takeover Bid in the form set out in Schedule 6, or as otherwise agreed between the parties.

4 Facilitating the Offer

4.1 Bidder's Statement and Target's Statement

- (a) BC Iron will, to the extent practicable, give IOH a reasonable opportunity to review an advanced draft of the Bidder's Statement, and will consult in good faith with IOH with respect to any comments IOH may have.
- (b) IOH will, to the extent practicable, give BC Iron a reasonable opportunity to review an advanced draft of the Target's Statement, and will consult in good faith with BC Iron in relation to any comments BC Iron may have.

4.2 Dispatch of Offers

- (a) IOH agrees that the Offers and accompanying documents to be sent by BC Iron under item 6 of section 633(1) of the Corporations Act may be sent on a date nominated by BC Iron that is earlier than the date prescribed by item 6 of section 633(1) of the Corporations Act.
- (b) Each party agrees to use best endeavours to implement the Takeover Bid in accordance with the Timetable.
- (c) Provided that a Superior Proposal has not been received by IOH in the interim, each party agrees to use reasonable endeavours to send the Bidder's Statement and Target's Statement to Shareholders together.

4.3 Access to information

Each party agrees to provide the other party, on a timely basis, with information that may be reasonably required to assist in the preparation of the Bidder's Statement or the Target's Statement (as applicable) or to satisfy any of the Bid Conditions.

4.4 Promoting the Takeover Bid

During the Offer Period, in the absence of a Superior Proposal, a BC Iron Material Adverse Change or a BC Iron Prescribed Occurrence, the IOH Board will support the Takeover Bid and the Options Offer and will use reasonable endeavours to participate in efforts reasonably required by BC Iron to promote the merits of the Takeover Bid and the Options Offer, and encourage Shareholders to accept an Offer under the Takeover Bid and Optionholders to accept an Options Offer, including meeting with key Shareholders,



analysts, management, customers and press if requested to do so by BC Iron and IOH agrees:

- (a) to include in all material public statements relating primarily to the Takeover Bid or the Options Offer (following the initial announcement of the Takeover Bid made pursuant to clause 3) and in the Target's Statement, a statement to the effect that:
 - (1) the Directors unanimously recommend that Shareholders accept the Offers to be made to them;
 - (2) the Directors unanimously recommend that Optionholders accept the Options Offer to be made to them; and
 - (3) each Director intends to accept, or procure the acceptance of, the Offers made to them in respect of all IOH Shares they control, including the IOH Shares set out in Schedule 5,in each case in the absence of a Superior Proposal;
- (b) not to make any public statement or take any other public action which would suggest that the Takeover Bid or the Options Offer is not unanimously recommended by the Directors unless a Superior Proposal emerges; and
- (c) not to withdraw its recommendation subsequently unless a Superior Proposal emerges.

4.5 Conduct of IOH during Offer Period

From the date of this agreement until the end of the Exclusivity Period, and without limiting any other obligations of IOH under this agreement:

- (a) IOH must, and must procure that each of its Material Subsidiaries:
 - (1) conduct their business in the usual and ordinary course and on a basis consistent with the manner in which it was conducted immediately prior to the date of this agreement;
 - (2) keep BC Iron informed of the conduct of their business, promptly provide to BC Iron, upon reasonable request, regular reports including on the financial affairs and operations of the IOH Group and consult with BC Iron on material matters concerning the financial affairs and operations of the IOH Group; and
 - (3) take reasonable steps to preserve and maintain the value of their business and assets, and their relationships with customers, suppliers, employees and others with whom they have material business dealings;
- (b) IOH must not issue any IOH Shares or other securities except as a consequence of the exercise of Options;
- (c) IOH must, and must procure that each of IOH's subsidiaries must, prior to entering into any engagement or communication concerning:
 - (1) the Offer; or
 - (2) the Buckland project or the Iron Valley project, or a Material Contract, with any Government Agency or any existing or potential counterparty to any Material Contract (other than those of a purely mechanical or housekeeping type and other than those engagements or communications which are progressing the ordinary course of business that was previously Fairly Disclosed to BC Iron):



- (3) notify BC Iron of such proposed engagement or discussions; and
- (4) consult in good faith with BC Iron in relation to any such engagement or discussion and take into account any comments or requests BC Iron may have in relation to any such engagement or discussion,

provided that nothing in this clause 4.5(c) restricts IOH from taking any action to reasonably and prudently respond to an emergency or disaster (including a situation giving rise to a risk of personal injury or damage to property) or any action that is necessary for a member of the IOH Group to meet its legal or contractual obligations; and

- (d) IOH must not vary, amend or modify any Material Contract without the prior written consent of BC Iron.

Nothing in this clause 4.5 prevents IOH from making normal presentations to brokers, portfolio investors, analysts and the business community at large in the ordinary course of business or promoting the merits of the Takeover Bid.

4.6 Conduct of BC Iron during Offer Period

From the date of this agreement until the end of the Exclusivity Period:

- (a) BC Iron must, and must procure that each of its subsidiaries:
 - (1) conduct their business in the usual and ordinary course and on a basis consistent with the manner in which it was conducted immediately prior to the date of this agreement; and
 - (2) take reasonable steps to preserve and maintain the value of their business and assets, and their relationships with customers, suppliers, employees and others with whom they have material business dealings;
- (b) BC Iron must not issue any securities except as a consequence of the exercise of any options or performance rights on issue as at the date of this agreement, under a dividend reinvestment plan adopted by BC Iron or to employees under a long term incentive plan consistent with past practice; and
- (c) BC Iron must not, and must procure that each of its subsidiaries do not, acquire or dispose of any asset or business which would or would be likely to involve a material change in:
 - (1) the manner in which BC Iron conducts its business; or
 - (2) the nature, extent or value of the assets or liabilities of BC Iron.

4.7 Permitted conduct

The obligations of the parties under clauses 4.5 and 4.6 do not apply in respect of:

- (a) any matter required to be done or procured by the other party pursuant to, or which is otherwise contemplated by, this agreement or the Takeover Bid;
- (b) any matter which is required to be done by law or by an order of a court or a Government Agency;
- (c) any matter the undertaking of which the other party has approved in writing (which approval must not be unreasonably withheld or delayed);
- (d) any matter which has been Fairly Disclosed in the IOH Disclosure Materials (in respect of IOH) or BC Iron Disclosure Materials (in respect of BC Iron); and



- (e) any matter which has been Fairly Disclosed by the other party to ASX before the date of this agreement.

4.8 Bid Conditions

- (a) Subject to clause 4.8(c), each party must use all reasonable endeavours to satisfy the Bid Conditions as soon as practicable after the date of this agreement.
- (b) Subject to clause 4.8(c), each party agrees not to do, or omit to do, anything which will, or is likely to, result in any of the Bid Conditions being breached.
- (c) Nothing in this clause 4.8 prevents IOH or its Related Persons from taking, or failing to take, action where to do otherwise would or would be likely to, in the opinion of the IOH Board (determined in good faith and acting reasonably), constitute a breach of the Directors' fiduciary or statutory duties.
- (d) Each party must keep the other promptly and reasonably informed of the steps it has taken and its progress towards satisfaction of the Bid Conditions, and promptly notify the other if it becomes aware that any Bid Condition has been satisfied. If any event occurs or becomes apparent which would cause any of the Bid Conditions to be breached or cause satisfaction of them to be unreasonably delayed, each party must, to the extent that the party is actually aware of such information, immediately notify the other party of that event.
- (e) IOH represents and warrants that the IOH Disclosure Materials contain complete and accurate copies of all Material Contracts, including all Material Contracts which include a Change of Control Right, and must:
 - (1) seek and use all reasonable endeavours to secure the waiver or release of any Change of Control Rights, or any consent required in connection with any Change of Control Rights (as applicable), as soon as reasonably practicable after the date of this agreement;
 - (2) consult with, and consider all reasonable requests and suggestions received from, BC Iron in relation to securing consents, waivers or releases (as appropriate) to ensure that the relevant parties to those contracts do not exercise any rights under any such provisions, including, on BC Iron's reasonable request, allowing BC Iron to attend any meetings or telephone calls with the counterparties to the relevant Material Contracts; and
 - (3) provide BC Iron copies of all documents provided to and received from the counterparties to the relevant Material Contracts following execution of this agreement, other than those of a purely mechanical or housekeeping type or those documents which are progressing in the ordinary course of business the subject matter of those Material Contracts,but any failure to obtain such waiver or release shall not constitute a material breach of this agreement where IOH has otherwise used all reasonable endeavours to obtain such waiver or release (however, to avoid doubt, it is acknowledged that BC Iron may be entitled to rely on the condition in item 4.7 of Schedule 2 in such circumstances).
- (f) A reference in this clause 4.8 to a Bid Condition being breached includes a reference to the Bid Condition not being, or not being capable of being, satisfied.

4.9 Options Offer

- (a) As soon as practical after BC Iron makes the Offers, BC Iron will make an Options Offer to the persons set out in the Options List to have their Options cancelled in exchange for the relevant consideration set out in the Options List and conditional only on the Offer becoming unconditional and any necessary ASX Listing Rule waiver being granted.
- (b) IOH must promptly after the date of this agreement apply to ASX for a necessary waiver of Listing Rule 6.23.2, and a release of any escrow restrictions on any of the Options, in relation to the Options Offer.
- (c) If the Options Offers become or are declared unconditional, IOH agrees to:
 - (1) ensure the cancellation and extinguishment of each Option held by an Optionholder who has accepted an Options Offer (the **Relevant Options**);
 - (2) to the extent necessary to cancel and extinguish the Relevant Options, amend or waive the terms of issue of the Relevant Options; and
 - (3) update the register of Optionholders to show that the relevant Optionholder is no longer the holder of the Relevant Options.

4.10 Dividends

Between the date of this agreement and up to and including the end of the Offer Period:

- (a) IOH must not, without the prior written consent of BC Iron, announce, pay or declare any dividend or other distribution; and
- (b) BC Iron must not, without the prior written consent of IOH, announce, pay or declare any dividend or other distribution that exceeds \$0.15 per BC Iron Share, when aggregated with any other dividend or distribution since 30 June 2014.

4.11 No independent expert

The parties agree that an independent expert's report in connection with the Takeover Bid or the Options Offer is not required by section 640 of the Corporations Act.

4.12 Approvals

- (a) BC Iron agrees that, as soon as practicable after announcing the Takeover Bid and the Options Offer, it will do all things required to facilitate:
 - (1) the application by IOH for the consent referred to in item 4.7 on Schedule 2; and
 - (2) IOH and its subsidiary meeting their obligations under Koodaideri South Royalty Deed in the event of a change of control of IOH.
- (b) IOH agrees to use reasonable endeavours to assist BC Iron in obtaining the regulatory approvals set out in clause 4.12(a)(1), including any statements of support to Government Agencies reasonably requested by BC Iron.

5 Takeover Bid – variation and waiver

5.1 Variation

- (a) Except as otherwise provided by the Bid Conditions and item 3(b) of Schedule 2 and subject to clause 5.1(b), BC Iron may vary the terms and conditions of the Takeover Bid in any manner which is permitted by the Corporations Act, provided that the varied terms and conditions are not less favourable to Shareholders than the Agreed Bid Terms.
- (b) Notwithstanding clause 5.1(a), BC Iron will not vary the terms of the Port Agreements condition set out in item 4.7 of Schedule 2, without obtaining the prior written consent of IOH (which must not be unreasonably withheld).

5.2 Waiver of Bid Conditions and extension

- (a) Except as otherwise provided by the Bid Conditions and item 3(b) of Schedule 2 and subject to the Corporations Act, BC Iron may declare the Takeover Bid to be free from any Bid Condition or extend the Takeover Bid at any time.
- (b) Notwithstanding clause 5.2(a), BC Iron will not declare the Offers free of the condition set out in item 4.7 of Schedule 2 without obtaining the prior written consent of IOH (which must not be unreasonably withheld).

6 Appointment of directors and retention of employees

- (a) As soon as practicable after BC Iron acquires a Relevant Interest in 50.1% of the IOH Shares (on a fully diluted basis) and the Offer becomes or is declared unconditional:
 - (1) IOH must use best endeavours to procure the resignation and appointment of Directors such that a majority of the Directors are directors nominated by BC Iron in writing; and
 - (2) BC Iron must use best endeavours to procure the appointment of Mr Brian O'Donnell and Mr Alwyn Vorster to the board of BC Iron,subject in both cases to the receipt of a consent to act from each relevant person, the respective boards being properly constituted and the new directors not participating in any discussion of the Offer until the end of the Offer Period.
- (b) BC Iron agrees that it will include in the Bidder's Statement a statement that in the event it obtains control of IOH under or as a consequence of the Offer, that it will:
 - (1) continue the employment of selected employees of IOH on terms comparable to their existing terms of employment to advance amongst other things the development of the Buckland project;
 - (2) offer redundancy terms in accordance with existing IOH policies to all IOH employees who do not receive BC Iron offers of employment comparable to their current IOH employment agreements; and
 - (3) offer a short term consultancy contract to the current IOH Managing Director to advise the BC Iron Managing Director on specific aspects of the IOH business such as funding of the Buckland project,



marketing and business development on market based terms to be agreed.

7 Reimbursement Fee

7.1 Background

- (a) BC Iron and IOH acknowledge that, if they enter into this agreement and the Takeover Bid is subsequently not implemented, BC Iron and IOH will incur significant costs, including those set out in clause 7.5.
- (b) In these circumstances, each party has requested that provision be made for the payments outlined in this clause 7, without which they would not have entered into this agreement or have otherwise agreed to implement the Takeover Bid.
- (c) Each party confirms that its board of directors believes, having taken advice from its legal advisors and its financial advisers, that the Takeover Bid will provide benefits to it and that it is appropriate for it to agree to the payments referred to in this clause 7 in order to secure the other party's participation in the Takeover Bid.

7.2 Payment of costs incurred by BC Iron

IOH must pay the Reimbursement Fee to BC Iron, without set-off or withholding, if:

- (a) **(failure to recommend)** during the Exclusivity Period, the IOH Board or any Director fails to recommend that Shareholders accept an Offer under the Takeover Bid in the absence of a Superior Proposal or, having made such a recommendation, withdraws, adversely revises or adversely qualifies that recommendation for any reason;
- (b) **(recommending a Competing Proposal)** during the Exclusivity Period, the IOH Board or any Director recommends that Shareholders accept or vote in favour of, or otherwise support (including support by way of accepting or voting, or by way of stating an intention to accept or vote, in respect of any IOH Shares a Director owns or controls), a Competing Proposal of any kind that is announced (whether or not such proposal is stated to be subject to any pre-conditions) during the Exclusivity Period;
- (c) **(Third Party acquires control)** a Competing Proposal of any kind is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and, within 12 months of the date of such announcement, the Third Party or any Associate of that Third Party:
 - (1) completes a Competing Proposal of a kind referred to in any of paragraphs 2, 3 or 4 of the definition of Competing Proposal;
 - (2) enters into an agreement, arrangement or understanding with IOH or the IOH Board of the kind referred to in paragraph 5 of the definition of Competing Proposal; or
 - (3) without limiting clause 7.2(c)(1) or 7.2(c)(2), acquires (either alone or in aggregate) a Relevant Interest in more than 50% of the IOH Shares or acquires (either alone or in aggregate) control of IOH; or
- (d) **(material breach)** BC Iron terminates this agreement in accordance with clause 11.1(a)(2) or 11.1(a)(3) of this agreement.



7.3 Compensation for IOH

In consideration for IOH entering into this agreement, if IOH terminates this agreement in accordance with clauses 11.1(a)(2) or 11.1(a)(3) of this agreement, BC Iron undertakes to pay IOH the Reimbursement Fee without set-off or withholding.

7.4 Timing of payment of Reimbursement Fee

- (a) A demand by a party for payment of the Reimbursement Fee under this clause 7 must:
 - (1) be in writing;
 - (2) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (3) state the circumstances which give rise to the demand; and
 - (4) nominate an account in the name of that party into which the other party is to pay the Reimbursement Fee.
- (b) The Reimbursement Fee must be paid into the account nominated by the relevant party under clause 7.4(a)(4) without set-off or withholding within 10 Business Days after receiving a demand for payment where it is entitled under clause 7.2 or 7.3 (as applicable) to the Reimbursement Fee.

7.5 Basis of Reimbursement Fee

The Reimbursement Fee has been calculated to reimburse BC Iron or IOH (as applicable) for costs including the following:

- (a) fees for legal and financial advice in planning and implementing the Takeover Bid;
- (b) reasonable opportunity costs incurred in engaging in the Takeover Bid or in not engaging in other alternative acquisitions or strategic initiatives;
- (c) costs of its management's and directors' time in planning and implementing the Takeover Bid;
- (d) out of pocket expenses incurred by BC Iron or IOH (as applicable) and its employees, advisers and agents in planning and implementing the Takeover Bid,
and the parties agree that:
- (e) the costs actually incurred by the relevant party under this clause 7 will be of such a nature that they cannot all be accurately ascertained; and
- (f) the Reimbursement Fee is a genuine and reasonable pre-estimate of those costs.

7.6 Compliance with law

- (a) This clause 7 does not impose an obligation on a party to pay the Reimbursement Fee to the extent (and only to the extent) that the obligation to pay the Reimbursement Fee:
 - (1) is declared by the Takeovers Panel to constitute Unacceptable Circumstances; or
 - (2) is determined to be unenforceable or unlawful by a court,



provided that all proper avenues of appeal and review, judicial and otherwise, have been exhausted.

- (b) The parties must not make or cause or permit to be made, any application to the Takeovers Panel or a court for or in relation to a declaration or determination referred to in clause 7.6(a).

7.7 Reimbursement Fee payable only once

Where the Reimbursement Fee becomes payable under this clause 7 and is actually paid, the recipient cannot make any claim against the other party for payment of any subsequent Reimbursement Fee.

8 Exclusivity

8.1 No shop and no talk

During the Exclusivity Period, IOH must not, and must ensure that its subsidiaries do not and must use best endeavours to ensure that each of its other Related Persons does not, directly or indirectly:

- (a) **(no shop)** solicit, invite, encourage or initiate (including by the provision of non-public information) any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or communicate to any person an intention to do anything referred to in this clause 8.1(a); or
- (b) **(no talk)** subject to clause 8.2:
- (1) participate in or continue any negotiations or discussions with respect to, or which would reasonably be expected to encourage or lead to, an actual, proposed or potential Competing Proposal;
 - (2) enter into any agreement, arrangement or understanding with respect to, or which would reasonably be expected to encourage or lead to, an actual, proposed or potential Competing Proposal;
 - (3) disclose or otherwise provide any non-public information in relation to IOH or its subsidiaries with respect to, or which would reasonably be expected to encourage or lead to, an actual, proposed or potential Competing Proposal (including providing such information for the purposes of due diligence investigations); or
 - (4) communicate to any person an intention to do anything referred to in the preceding paragraphs of this clause 8.1(b),

but nothing in this clause 8.1 prevents IOH from making normal presentations to brokers, portfolio investors and analysts in the ordinary course of business or promoting the merits of the Takeover Bid.

8.2 Fiduciary exception

Clause 8.1(b) does not prohibit any action or inaction by IOH or any of its Related Persons in relation to an actual, proposed or potential Competing Proposal if compliance with that clause would, in the opinion of the IOH Board, formed in good faith, constitute, or would be likely to constitute, a breach of any of the fiduciary or statutory duties of the



Directors, provided that the actual, proposed or potential Competing Proposal was not directly or indirectly brought about by, or facilitated by, a breach of clause 8.1(a).

8.3 Notification of approaches

- (a) During the Exclusivity Period, IOH must as soon as possible notify BC Iron in writing if it, or any of its Related Persons, becomes aware of any:
- (1) negotiations, discussions, or approach in relation to an actual, proposed or potential Competing Proposal;
 - (2) proposal made to IOH or any of its Related Persons, in connection with, or in respect of any exploration or completion of, an actual, proposed or potential Competing Proposal; or
 - (3) provision by IOH or any of its Related Persons of any non-public information concerning the business or operations of IOH or any of its subsidiaries to a Third Party (other than a Government Agency) in connection with an actual, proposed or potential Competing Proposal, whether direct or indirect, solicited or unsolicited, and in writing or otherwise. For the avoidance of doubt, any of the acts described in paragraphs (1) to (3) may only be taken by IOH if not proscribed by clause 8.1 or if permitted by clause 8.2.
- (b) A notification given under clause 8.3(a) must include:
- (1) all material terms and conditions of the actual, proposed or potential Competing Proposal; and
 - (2) the identity of the relevant person making or proposing the relevant actual, proposed or potential Competing Proposal (or on whose behalf the Competing Proposal was made, as the case may be) where consent has been provided by that person to the disclosure of their identity. If such consent has not been given, IOH may withhold the identity of the person from the notification under clause 8.3(a) if the IOH Board, acting in good faith, determines that the disclosure of the identity of the person would be likely to involve a breach of the fiduciary or statutory duties owed by any Director.

8.4 Matching right

Without limiting clause 8.1, during the Exclusivity Period, IOH:

- (a) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, IOH or both proposes or propose to undertake or give effect to an actual, proposed or potential Competing Proposal; and
- (b) must use its best endeavours to procure that none of its Directors change their recommendation in favour of the Takeover Bid to publicly recommend an actual, proposed or potential Competing Proposal (or recommend against the Takeover Bid),
unless:
 - (c) the IOH Board acting in good faith and in order to satisfy what the members of the IOH Board consider to be their statutory or fiduciary duties determines that the Competing Proposal would be or would be likely to be an actual, proposed or potential Superior Proposal;



- (d) IOH has provided BC Iron with the material terms and conditions of the actual, proposed or potential Competing Proposal, including price and the identity of the Third Party making the actual, proposed or potential Competing Proposal;
- (e) IOH has given BC Iron at least 3 Business Days after the date of the provision of the information referred to in clause 8.4(d) to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal; and
- (f) BC Iron has not announced a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal by the expiry of the 3 Business Day period in clause 8.4(e) above.

8.5 Cease discussions

IOH must immediately cease any discussions or negotiations existing as at the date of this agreement relating to:

- (a) any actual, proposed or potential Competing Proposal; or
- (b) any transaction that would, or would reasonably be expected to, reduce the likelihood of success of the Takeover Bid.

8.6 Confidentiality arrangements with Third Parties

As soon as practicable following the execution of this agreement and in any event within 2 Business Days to the extent it has not already done so, IOH must request in writing the immediate return or destruction of all IOH's confidential information that has been provided to any Third Party during the 6 months before the date of this agreement under a confidentiality agreement in relation to a Competing Proposal and terminate those persons' access to IOH's confidential information on an on-going basis.

9 Confidentiality

9.1 Confidentiality Agreement

- (a) The parties release each other from their confidentiality obligations under the Confidentiality Agreement to the extent necessary to facilitate the Takeover Bid.
- (b) Each party acknowledges and agrees that, except as provided for in clause 9.1(a), it continues to be bound by the Confidentiality Agreement in respect of all information received by it from the other party before or after the date of this agreement.

9.2 Survival of obligations

The rights and obligations of the parties under the Confidentiality Agreement survive termination of this agreement.



10 Warranties

10.1 Mutual warranties

Each party represents and warrants to the other that, as at the date of this agreement and until the issue of the BC Iron Shares under the Offers:

- (a) it is validly incorporated, organised and subsisting under the laws of the place of its incorporation;
- (b) it has full power and capacity to:
 - (1) own its own property and carry on its business; and
 - (2) enter into and perform its obligations under this agreement;
- (c) this agreement has been duly executed and is a legal, valid and binding agreement, enforceable against the party in accordance with its terms;
- (d) all necessary authorisations for the execution, delivery and subject to the terms of the agreement, performance by it of this agreement in accordance with its terms have been obtained;
- (e) it is not bound by any agreement that would prevent or restrict it from entering into and performing its obligations under this agreement or the transaction contemplated by it;
- (f) no resolutions have been passed or steps taken, and no petition or other process has been presented or threatened in writing against it, for winding-up or dissolution, and no receiver, receiver and manager, liquidator, administrator or like official has been appointed, or is threatened or expected to be appointed, over the whole or any part of its assets; and
- (g) no regulatory action of any nature has been taken that would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement.

10.2 IOH warranties

- (a) In addition to the warranties set out in clause 10.1, IOH represents and warrants that, as at the date of this agreement and on each day up to and including the last day of the Exclusivity Period:
 - (1) **(Bid Conditions)** unless it has provided notification under clause 4.8(d), it is not aware of any event or circumstance that would, or would be likely to, result in one or more of the Bid Conditions being breached or becoming incapable of fulfilment excluding items 4.8 and 4.9 of Schedule 2;
 - (2) **(capital structure)** its capital structure, including all issued securities as at the date of this agreement, is as set out in Schedule 4 and it has not issued or granted (or agreed to issue or grant) any other securities, options, warrants, performance rights or other instruments which are still outstanding and may convert into IOH Shares other than as set out in Schedule 4 and it is not under any obligation to issue or grant, and no person has any right to call for the issue or grant of, any IOH Shares, options, warrants, performance rights or other securities or instruments in IOH;
 - (3) **(continuous disclosure)** IOH has complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1 and,



other than for this Takeover Bid, it is not relying on the carve-out in Listing Rule 3.1A to withhold any material information from public disclosure;

- (4) **(IOH Disclosure Materials)**
- (A) so far as IOH is aware, each document comprising the IOH Disclosure Materials is complete and accurate in all material respects;
 - (B) so far as IOH is aware, the IOH Disclosure Materials contain complete and accurate copies of each Material Contract; and
 - (C) IOH has not intentionally withheld from the IOH Disclosure Materials given before the date of this agreement any written information that is known to IOH to be material to BC Iron as purchaser of the IOH Group as a whole; and
- (5) **(advisors)** as at the date of this agreement, IOH has no arrangements in place with any financial adviser in respect of the Takeover Bid, other than as Fairly Disclosed to BC Iron in the IOH Disclosure Materials.
- (b) For the purposes of clauses 10.2(a)(2) to 10.2(a)(5), IOH will be deemed to know or be aware of a particular fact, matter or circumstance if IOH or a Director or officer of IOH is actually aware of that fact, matter or circumstance as at the date of this agreement or would be aware of that fact, matter or circumstance if they had made reasonable enquiries in relation to that fact, matter or circumstance.

10.3 BC Iron warranties

- (a) In addition to the warranties set out in clause 10.1, BC Iron represents and warrants that, as at the date of this agreement and on each day up to and including the last day of the Exclusivity Period:
- (1) **(BC Iron Shares)** the BC Iron Shares to be issued to Shareholders under the Takeover Bid will be fully paid and issued free from any encumbrances or other third party interests;
 - (2) **(cash)** BC Iron will have available to it sufficient cash amounts to enable it to perform its obligations to pay the total cash consideration payable to Shareholders under the Takeover Bid;
 - (3) **(continuous disclosure)** BC Iron has complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1 and, other than for this Takeover Bid, it is not relying on the carve-out in Listing Rule 3.1A to withhold any material information from public disclosure;
 - (4) **(capital structure)** its capital structure, including all issued securities as at the date of this agreement, is as set out in Schedule 8 and it has not issued or granted (or agreed to issue or grant) any other securities, options, warrants, performance rights or other instruments which are still outstanding and may convert into BC Iron Shares other than as set out in Schedule 8 and it is not under any obligation to issue or grant, and no person has any right to call for the issue or grant of, any BC Iron Shares, options, warrants, performance rights or other securities or instruments in BC Iron (other than an issue or grant of performance rights to employees of the BC Iron Group under a long

term incentive plan consistent with past practice or under a dividend reinvestment plan adopted by BC Iron, and other than BC Iron Shares issued under the Offers); and

- (5) **(BC Iron Disclosure Materials)** BC Iron has not intentionally withheld from the BC Iron Disclosure Materials given before the date of this agreement any written information that is known to BC Iron to be material to IOH in the context of the Takeover Bid.
- (b) For the purposes of clause 10.3(a), BC Iron will be deemed to know or be aware of a particular fact, matter or circumstance if BC Iron or a director or officer of BC Iron is actually aware of that fact, matter or circumstance as at the date of this agreement or would be aware of that fact, matter or circumstance if they had made reasonable enquiries in relation to that fact, matter or circumstance.

10.4 Reliance on representations and warranties

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation, inducement, statement, warranty, forecast or statement of belief by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement and has made its own assessment of the disclosure materials.
- (c) BC Iron and IOH each acknowledge and accept that any estimates, budgets or forecasts made, or opinion expressed, in relation to the financial position, prospects of IOH or BC Iron (as applicable) or ore reserves or resources (whether written or oral) were made or expressed to and accepted by BC Iron or IOH (as applicable) on the basis and condition that:
- (1) neither IOH or BC Iron (as applicable) nor any of its Related Persons or their Associates have made nor makes any representation or warranty as to the accuracy or completeness of such estimate, budget, forecast or expression of opinion will be achieved; and
- (2) neither IOH or BC Iron (as applicable) nor any of its Related Persons will be liable to BC Iron or IOH (as applicable) in the event that, for whatever reason, such estimate, budget, forecast or expression of opinion is or becomes inaccurate, incomplete or misleading in any respect.
- (d) The warranties given in this clause 10 are given subject to and are qualified by, and the liability of the parties in respect of a breach of such warranties will be reduced or extinguished (as the case may be) to the extent that the breach arises as a result of any matters Fairly Disclosed:
- (1) in the case of BC Iron, in the BC Iron Disclosure Materials; and
- (2) in the case of IOH, in the IOH Disclosure Materials.
- (e) Each party acknowledges and confirms that clauses 10.4(a) and 10.4(b) do not prejudice any rights a party may have in relation to information which has been filed by the other party with ASIC or ASX.



10.5 Release of officers

- (a) Subject to the Corporations Act, none of the Directors or officers of IOH will be liable to BC Iron for:
- (1) any breach of any representations and warranties of IOH or any other member of the IOH Group in this agreement; or
 - (2) any disclosures containing any statement which is false or misleading whether in content or by omission,
- but nothing in this clause 10.5(a) excludes any liability that may arise from wilful misconduct, fraud, wilful misrepresentation (including by omission) or bad faith on the part of such a person. For the avoidance of doubt, nothing in this clause 10.5(a) limits BC Iron's rights to terminate this agreement under clause 11.1(a)(3).
- (b) IOH receives and holds the benefit of clause 10.5(a) as agent for its Directors and officers.
- (c) Subject to the Corporations Act, none of the directors or officers of BC Iron will be liable to IOH for:
- (1) any breach of any representations and warranties of BC Iron or any other member of the BC Iron Group in this agreement; or
 - (2) any disclosures containing any statement which is false or misleading whether in content or by omission,
- but nothing in this clause 10.5(c) excludes any liability that may arise from wilful misconduct, fraud, wilful misrepresentation (including by omission) or bad faith on the part of such a person. For the avoidance of doubt, nothing in this clause 10.5(c) limits IOH's rights to terminate this agreement under clause 11.1(a)(3).
- (d) BC Iron receives and holds the benefit of clause 10.5(c) as agent for its directors and officers.

10.6 Notification

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance that constitutes or may constitute a breach of any of the representations and warranties given by it under this clause 10.

11 Termination

11.1 Termination rights

- (a) A party may terminate this agreement by written notice to the other party if at any time after the date on which the Offer is announced under clause 3 and before the end of the Offer Period:
- (1) the IOH Board or a majority of the IOH Board changes its recommendation in relation to the Takeover Bid as a result of the IOH Board or a majority of the IOH Board determining that it has received a Superior Proposal as permitted by this agreement;
 - (2) the other party is in material breach of this agreement and, to the extent that the breach is capable of remedy, that breach is not



remedied by that other party within 10 Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;

- (3) a representation or warranty given by the other party under clause 10 is or becomes untrue in any material respect and the breach of the representation or warranty is of a kind that, had it been disclosed to the first party before its entry into this agreement, could reasonably be expected to have resulted in that first party either not entering into this agreement or entering into it on materially different terms;
 - (4) a court or Government Agency has issued an order, decree or ruling, or taken other action, that permanently restrains or prohibits the Takeover Bid, and the action is final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review; or
 - (5) BC Iron withdraws the Takeover Bid or the Takeover Bid lapses for any reason, including non-satisfaction or incapability of satisfaction of a condition to the Takeover Bid that is not waived by BC Iron.
- (b) IOH may terminate this agreement by written notice to BC Iron if at any time after the date on which the Offer is announced under clause 3 and before the end of the Offer Period:
- (1) a BC Iron Material Adverse Change or a BC Iron Prescribed Occurrence occurs; or
 - (2) BC Iron announces, makes, declares or pays any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) or agree to do any of the foregoing, other than the dividend contemplated by clause 4.10(b).

11.2 Effect of termination

If this agreement is terminated by a party:

- (a) each party will be released from its obligations under this agreement, except that clauses 1, 7 (to the extent the obligation to pay arises pursuant to clause 7.2), 9, 11, 12, 13 and 14 (except clause 14.6) will survive termination and remain in force;
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this agreement; and
- (c) in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force or effect, including any further obligations in respect of the Takeover Bid.

11.3 Termination

Where a party has a right to terminate this agreement, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this agreement and the provision under which it is terminating the agreement.

11.4 No other termination

Neither party may terminate or rescind this agreement except as permitted under clause 11.1.



12 GST

12.1 Interpretation

In this clause 12, a word or expression defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) has the meaning given to it in that Act.

12.2 GST gross up

- (a) Subject to clause 12.2(b), if a party makes a supply under or in connection with this agreement in respect of which GST is payable, the consideration for the supply but for the application of this clause 12.2 (**GST exclusive consideration**) is increased by an amount equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.
- (b) Clause 12.2(a) does not apply to any consideration that is expressed in this agreement to be inclusive of GST.

12.3 Reimbursements and indemnifications

If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by any input tax credit the other party is entitled to for the loss, cost or expense, and then increased in accordance with clause 12.2.

12.4 Tax invoice

A party need not make a payment for a taxable supply made under or in connection with this agreement until it receives a tax invoice for the supply to which the payment relates.

13 Notices

13.1 Form of Notice

A notice or other communication to a party under this agreement (**Notice**) must be:

- (a) in writing and in English; and
- (b) addressed to that party in accordance with the details nominated in Schedule 1 (or any alternative details nominated to the sending party by Notice).

13.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.



Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By fax to the nominated fax number	At the time indicated by the sending party's transmission equipment as the time that the fax was sent in its entirety. However, if the recipient party informs the sending party within 4 hours after that time that the fax transmission was illegible or incomplete, then the Notice will not be regarded as given or received. When calculating this 4 hour period, only time within a business hours period is to be included.
By email to the nominated email address	When sent by email (and recorded as being sent on the device from which the sender sent the email) and the sender does not receive an email delivery failure notification or an automated message that the email has not been delivered.

13.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than fax and email as permitted in clause 13.2).

14 General

14.1 Governing law and jurisdiction

- (a) This agreement is governed by the law in force in Western Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this agreement. Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum

14.2 Duty, costs and expenses

- (a) BC Iron must pay all stamp duty in respect of the execution, delivery and performance of this agreement.
- (b) Except as otherwise provided in this agreement, each party must pay its own legal costs and expenses in respect of the negotiation, preparation, execution, delivery and completion of this agreement and any other agreement or



document entered into or signed under this agreement or in connection with the Offer.

- (c) Any action to be taken by any party in performing its obligations under this agreement must be taken at its own cost and expense unless otherwise provided in this agreement.

14.3 Invalidity and enforceability

- (a) If any provision of this agreement is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.
- (b) Clause 14.3(a) does not apply where enforcement of the provision of this agreement in accordance with clause 14.3(a) would materially affect the nature or effect of the parties' obligations under this agreement.

14.4 Waivers and variation

- (a) A provision of, or a right, discretion or authority created under, this agreement may not be:
 - (1) waived except in writing signed by the party granting the waiver; and
 - (2) varied except in writing signed by the parties.
- (b) A failure or delay in exercise, or partial exercise, of a power, right, authority, discretion or remedy arising from a breach of, or default under this agreement does not result in a waiver of that right, power, authority, discretion or remedy.

14.5 Assignment of rights

- (a) Rights arising out of or under this agreement are not assignable by a party without the prior written consent of the other party.
- (b) A breach of clause 14.5(a) by a party entitles the other party to terminate this agreement.
- (c) Clause 14.5(b) does not affect the construction of any other part of this agreement.

14.6 Further assurances

Each party must do all things and execute all further documents necessary to give full effect to this agreement.

14.7 Counterparts

This agreement may be executed in any number of counterparts which together will constitute one instrument. A party may execute this agreement by signing any counterpart.

14.8 Severability

Any provision in this agreement that is invalid or unenforceable in any jurisdiction is to be read down for the purpose of that jurisdiction, if possible, so as to be valid and enforceable, and otherwise shall be severed to the extent of the invalidity or



unenforceability, without affecting the remaining provisions of this agreement or affecting the validity or enforceability of that provision in any other jurisdiction.

14.9 Approvals and consent

If the doing of any act, matter or thing under this agreement is dependent on the approval or consent of a party, that party may give conditionally or unconditionally or withhold its approval or consent in its absolute discretion, unless this agreement expressly provides otherwise.

14.10 Attorneys

Each of the attorneys executing this agreement (if any) states that the attorney has no notice of the revocation of the power of attorney appointing that attorney.

14.11 No merger

The rights and obligations of the parties under this agreement do not merge on completion of any transaction contemplated by this agreement.



Schedules

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Schedule 1

Notice details

BC Iron

BC Iron Limited

Address	Level 1, 15 Rheola Street West Perth WA 6005
Attention	Morgan Ball – Managing Director
Phone	+61 8 6311 3400
Fax	+61 8 6311 3449
Email	morgan.ball@bciron.com.au

IOH

Iron Ore Holdings Ltd

Address	Level 1, 1 Altona Street West Perth WA 6005
Attention	Mr Alwyn Vorster – Managing Director
Phone	+61 8 9483 2000
Fax	+61 8 9321 0322
Email	avorster@ironoreholdings.com



Schedule 2

Agreed Bid Terms

1 Consideration

The consideration under the Offer is:

- (a) 0.44 BC Iron Shares; and
- (b) \$0.10 in cash,

for each IOH Share to be issued and paid within 10 Business Days of the day the Offer becomes unconditional for acceptances received before that day, and within 10 Business Days of an acceptance being received for acceptances received on or after that day.

If the number of IOH Shares held by a Shareholder means that their aggregate entitlement to BC Iron Shares is not a whole number, then any fractional entitlement will be rounded down to the nearest whole number.

BC Iron will apply to the ASX for the quotation of BC Iron Shares in the period required by the ASX Listing Rules.

2 Foreign IOH Shareholders

Subject to the Corporations Act, BC Iron will, unless satisfied that the laws of a Foreign IOH Shareholder's country of residence (as shown in the IOH Share register) permit the issue of BC Iron Shares to the Foreign IOH Shareholder either unconditionally or after compliance with conditions which BC Iron reasonably regards as not unduly onerous or unduly impracticable, issue the BC Iron Shares to which a Foreign IOH Shareholder would otherwise be entitled to a nominee appointed by BC Iron who will sell those BC Iron Shares and pay to that Foreign IOH Shareholder the net proceeds received (after deducting the applicable brokerage (applied at market standard rates), taxes and charges) in accordance with the Offer, calculated on an average basis per BC Iron Share, so that all Foreign IOH Shareholders receive the same price per BC Iron Share (subject to rounding).

3 Offer Period

- (a) The Offer Period shall initially last for at least one month and shall be subject to BC Iron's right to extend the period.
- (b) Notwithstanding item 3(a) of this Schedule 2, BC Iron agrees to include in the Bidder's Statement and the first announcement of the Takeover Bid (the form of which is contained in Schedule 6) an acknowledgment that it will not seek to extend the Offer Period beyond six months (inclusive of the initial Offer Period) without the prior written consent of IOH, which must not be unreasonably withheld.



4 Bid Conditions

4.1 No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
- (b) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (c) no application is made to any Government Agency (other than by BC Iron or any Associate of BC Iron),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which:

- (d) restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by this agreement and the Bidder's Statement; or
- (e) requires the divestiture by BC Iron of any IOH Shares or any material assets of IOH or any subsidiary of IOH.

4.2 Minimum acceptance

At the end of the Offer Period, BC Iron has a Relevant Interest in at least 90% of the IOH Shares (on a fully diluted basis).

4.3 No material adverse change

- (a) Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following occurs:
 - (1) an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;
 - (2) information is disclosed or announced by IOH concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur; or
 - (3) information concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur becomes known to BC Iron (whether or not becoming public),(each of (1), (2) and (3), a **Specified Event**) which, whether individually or when aggregated with all such events, changes, conditions, matters or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the IOH Group.
- (b) For the purposes of item 4.3(a) of this Schedule 2, a Specified Event shall not include:
 - (1) matters Fairly Disclosed:
 - (A) to BC Iron in the IOH Disclosure Materials; or

- (B) in information accessible prior to the date of this agreement on a public register monitored by the Western Australian Supreme Court, the Federal Court, Personal Property Securities Register, Mining Titles Online register maintained by the Western Australian Department of Mines and Petroleum pursuant to the *Mining Act 1978 (WA)*, register maintained by the National Native Title Tribunal in relation to registered native title applications, determinations and Indigenous Land Use Agreements; or
- (C) in IOH's public filings with the ASX and ASIC prior to the date of this agreement;
- (2) changes in government or political conditions generally;
- (3) changes in general economic conditions, currency exchange rates, securities markets and commodity prices that impact on IOH and its competitors in a similar manner;
- (4) changes occurring as a result of any matter, event or circumstance required by this document, the Offer or the transactions contemplated by them;
- (5) arising as a result of any generally applicable change in accounting standards required by law, law or governmental policy in Australia or New Zealand;
- (6) changes approved in writing by BC Iron; or
- (7) any event, occurrence, circumstance or matter affecting the iron ore industry generally.

4.4 Expenditures

- (a) Between 1 July 2014 and the Announcement Date, IOH has not incurred or committed to incur, and between the Announcement Date and 30 September 2014 (each inclusive), IOH does not incur or commit to incur, an amount of expenditure in excess of 10% of the aggregate of the expenditure itemised in the IOH Board approved first quarter FY15 budget (with such first quarter FY15 budget including all expenditure that has been committed, incurred or accrued by IOH before the Announcement Date) contained in the IOH Disclosure Materials, which first quarter FY15 budget expressly excludes:
 - (1) transaction fees payable to third party consultants (including corporate advisory fees) incurred in relation to the Takeover Bid set out in the IOH Disclosure Materials;
 - (2) legal fees incurred in relation to the Takeover Bid in excess of \$200,000 as reflected in the first quarter FY15 Budget in the IOH Disclosure Material;
 - (3) redundancy costs and other remuneration payable by IOH that is directly attributable to the Takeover Bid and that reflects the information Fairly Disclosed in the IOH Disclosure Material; and
 - (4) expenditure amounts accrued prior to but not paid until after the Announcement Date for the period to 30 June 2014.
- (b) Between 30 September 2014 and the end of the Offer Period (inclusive), IOH does not incur or commit to incur an amount of expenditure in excess of 10% of the aggregate of the expenditure itemised in a budget to be agreed between IOH and BC Iron for all subsequent quarters or part thereof, which will facilitate



IOH operating in its normal course of business and after taking into account the expenses of the Takeover Bid on IOH's operating costs, and where the parties cannot reach such agreement the budget for all subsequent quarters or part thereof will be the same as for the first quarter FY15 (excluding one-off items relating to the Buckland project and items relating to the Takeover Bid incurred during the first quarter FY15).

4.5 Acquisitions, disposals and other matters

Between the Announcement Date and the end of the Offer Period (each inclusive), neither IOH nor any of its subsidiaries:

- (a) acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any asset or business, or enters into any corporate transaction, which would or would be likely to involve a material change in:
- (1) the manner in which IOH conducts its business;
 - (2) the nature (including balance sheet classification), extent or value of the assets of IOH; or
 - (3) the nature (including balance sheet classification), extent or value of the liabilities of IOH,

including, without limitation, any transaction which would or (subject to one or more conditions) may involve:

- (4) IOH or any subsidiary of IOH acquiring, or agreeing to acquire, one or more companies, businesses or assets for an amount in aggregate greater than \$2 million; or
- (5) IOH or any subsidiary of IOH disposing, or agreeing to dispose of, one or more companies, businesses or assets (or any interest therein) for an amount in aggregate greater than \$2 million,

other than the disposal of the royalty over Koodaideri South as a result of the exercise by Hamersley Iron Pty Limited of a pre-emptive right which is triggered by a Change of Control;

- (b) enters into or materially amends any material employment, consulting, severance or similar agreement or arrangement with officers, directors, other executives or employees of IOH or a subsidiary of IOH or otherwise materially increasing compensation or benefits, or accelerating compensation or benefits, for any of the above;
- (c) declares, agrees to pay or becomes liable to pay a material bonus (or similar remuneration based incentive payment) to any director, officer, employee, consultant or contractor of any member of the IOH Group, other than pursuant to (i) a resolution of the IOH Board passed before 30 June 2014 or (ii) a contract or arrangement entered into before 30 June 2014 (but not pursuant to an amendment to such contract or arrangement made after 30 June 2014); and
- (d) materially varies, amends or modifies any Material Contract, or enters into, offers to enter into, or announces that it proposes to enter into, any material joint venture, asset or profit sharing, partnership, royalty, commodity pre-purchase, offtake or mineral streaming agreement or makes an announcement in relation to such a commitment.



4.6 No litigation on foot or pending

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against IOH or any of its subsidiaries, to which IOH or any of its subsidiaries are a party, which may reasonably result in a judgement of \$5 million or more is commenced, is threatened to be commenced, is announced, or is made known to BC Iron (whether or not becoming public) or IOH, other than that which is in the public domain as at the Announcement Date and other than as disclosed in the IOH Disclosure Materials.

4.7 Assignment of port leases and licences

Between the Announcement Date and the end of the Offer Period (each inclusive), the DPA providing written consent to the change of control in IOH which is treated by virtue of the Port Agreements to be an assignment of CPL's rights under the Port Agreements to BC Iron.

4.8 Iron ore price

Between the Announcement Date and the end of the Offer Period (each inclusive), the Platts IODBZ00 IODEX 62% Fe CFR China iron ore price (converted from US dollars to Australian dollars using the official exchange rate published by the Reserve Bank of Australia on the relevant day) does not close below A\$90/dmt on any 20 consecutive days on which Platts publishes an iron ore assessment.

4.9 Index out

Between the Announcement Date and the end of the Offer Period (each inclusive), the ASX/S&P200 does not close 10% or more below the closing level on the Announcement Date for 5 or more consecutive trading days.

4.10 No prescribed occurrences

Between the Announcement Date and the date the Minimum Acceptance Condition is fulfilled or waived (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (a) IOH converting all or any of the Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) IOH or a subsidiary of IOH resolving to reduce its share capital in any way;
- (c) IOH or a subsidiary of IOH entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) IOH or a subsidiary of IOH making an issue of IOH Shares (other than IOH Shares issued as a result of the exercise of Options into IOH Shares) or granting an option over the IOH Shares or agreeing to make such an issue or grant such an option;
- (e) IOH or a subsidiary of IOH issuing, or agreeing to issue, convertible notes;
- (f) IOH or a subsidiary of IOH disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property other than for the possible disposal of the Koodaideri South royalty as contemplated in this agreement;
- (g) IOH or a subsidiary of IOH granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;



- (h) IOH or a subsidiary of IOH resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of IOH or of a subsidiary of IOH;
- (j) the making of an order by a court for the winding up of IOH or of a subsidiary of IOH;
- (k) an administrator of IOH or of a subsidiary of IOH being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) IOH or a subsidiary of IOH executing a deed of company arrangement; or
- (m) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of IOH or of a subsidiary of IOH.

4.11 No distributions

Between the Announcement Date and the end of the Offer Period (each inclusive), IOH does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) or agree to do any of the foregoing.

4.12 No breach of representation or warranty

Between the Announcement Date and the end of the Offer Period (each inclusive), the IOH warranties in clause 10.2 are true and correct in all material respects.



Schedule 3

Timetable

Event	Date
Joint announcement of Takeover Bid	Monday 11 August 2014
<ul style="list-style-type: none">• BC Iron lodges Bidder's Statement with ASIC and serves it on IOH and ASX• IOH lodges Target's Statement with ASIC and serves it on BC Iron and ASX	Wednesday 20 August 2014
<ul style="list-style-type: none">• Completion of joint despatch of Bidder's Statement and Target's Statement to Shareholders• Offer Period commences	Friday 22 August 2014
Offer Period ends (unless extended)	Friday 26 September 2014



Schedule 4

IOH's capital structure

- IOH has the following fully paid ordinary shares on issue: 161,174,005
- IOH has the following unlisted options to acquire unissued fully paid ordinary shares on issue:

Number	Vesting Date	Exercise Price	Expiry Date
1,950,000	N/A	\$1.90	22 November 2014
2,900,000	N/A	\$1.40	13 November 2015
1,000,000	N/A	\$1.297	24 November 2016
1,000,000	25 November 2014	\$1.547	24 November 2017
1,000,000	25 November 2015	\$1.797	24 November 2018



Schedule 5

Directors' interests

Director	Shares	Options
Hon. Richard Court AC	1,181,817 ¹	Nil
Alwyn Vorster	336,473	5,000,000 ²
Brian O'Donnell	59,090 ³	Nil
Malcolm Randall	2,150,000 ⁴	1,150,000 ⁴
Ryan Stokes	Nil	Nil

- Shares held indirectly by Australian Executor Trustees Limited for the RF Court Private Superannuation Fund*
- Options held indirectly by Mr Vorster as trustee for the Vorster Family Trust.
1,000,000 options exercisable at \$1.90 each on or before 22 November 2014
1,000,000 options exercisable at \$1.40 each on or before 13 November 2015
1,000,000 options exercisable at \$1.297 each on or before 24 November 2016
1,000,000 options exercisable at \$1.547 each on or before 24 November 2017, vesting 25 November 2014 (subject to vesting conditions being achieved)
1,000,000 options exercisable at \$1.797 each on or before 24 November 2018 vesting 25 November 2015 (subject to vesting conditions being achieved)*
- Shares held indirectly by Rockstone Enterprises Pty Limited as trustee for the O'Donnell Superannuation Fund*
- Shares and Options held indirectly by Renique Holdings Pty Limited as trustee for the Randall Superannuation Fund. Mr Randall is a director and shareholder of Renique Holdings Pty Limited.
150,000 options exercisable at \$1.90 each on or before 22 November 2014
1,000,000 options exercisable at \$1.40 each on or before 13 November 2015*



Schedule 6

Form of initial joint announcement

Schedule 7

Terms of Options Offer

- (a) BC Iron must make the Options Offers:
- (1) by offering BC Iron Shares as consideration;
 - (2) to the Optionholders set out in the Options List; and
 - (3) on the terms outlined for each tranche of Options set out in the Options List and Table 1 of this Schedule 7.
- (b) The value of the consideration payable for the Options has been determined using the Black Scholes options valuation model and on the basis of the following assumptions and inputs:
- (1) no adjustment for liquidity and vesting criteria;
 - (2) assuming an IOH dividend yield of 0%;
 - (3) 50% volatility;
 - (4) a risk free rate based on the yield of Australian Government bonds with a term closest to the expiry date of the application Options tranche; and
 - (5) an IOH Share price equal to the implied Offer price per IOH Share, calculated as $(\text{Implied BC Iron Share Price} \times 0.44) + \0.10 where:
 - (A) $\text{Implied BC Iron Share Price} = A - B$;
 - (B) "A" for the purposes of item (b)(5)(A) above is the 60 day volume weighted average price (**VWAP**) of BC Iron Shares as at the close of trade on the last ASX trading day prior to the Announcement Date; and
 - (C) "B" for the purposes of item (b)(5)(A) above is the BC Iron final dividend for financial year 2014 per BC Iron Share.
- (c) The number of BC Iron Shares to be issued as consideration for the IOH Options to be calculated using the Implied BC Iron Share Price.
- (d) The BC Iron Shares issued pursuant to the Options Offers shall be unrestricted and rank equally with all other BC Iron Shares on issue.
- (e) Subject to clause 4.9 of the agreement, the consideration payable under the Options Offer shall be paid simultaneously with the consideration payable under the Offer.

Table 1

Options	Tranche	1	2	3	4	5	Total
Exercise Price	\$/share	\$1.90	\$1.40	\$1.297	\$1.547	\$1.797	
Expiry Date		22-Nov-14	13-Nov-15	24-Nov-16	24-Nov-17	24-Nov-18	
Offer price per option	\$/option	\$0.056	\$0.411	\$0.575	\$0.571	\$0.584	



BC Iron Shares Issued	Number	33,811	368,018	177,290	176,229	180,099	935,447
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Schedule 8

BC Iron's capital structure

- BC Iron has the following fully paid ordinary shares on issue: 124,345,439
- BC Iron has the following unlisted options to acquire unissued fully paid ordinary shares on issue:

Number	Exercise Price	Expiry Date
200,000	\$3.86 to \$4.32	31 December 2014
100,000	\$4.09	30 June 2015

- BC Iron has the following unlisted performance rights on issue: 393,948



Signing page

Executed as an agreement

BC Iron

Signed for
BC Iron Limited
by

sign here • _____
Company Secretary/Director

print name _____

sign here • _____
Director

print name _____

IOH

Signed for
Iron Ore Holdings Ltd
by

sign here • _____
Company Secretary/Director

print name _____

sign here • _____
Director

print name _____
