



ABN 17 107 492 517

28 August 2014

By ASX online platform

Companies Announcement Office
ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Sirs

Target's Statement – Off-market takeover offer by BC Iron Limited

In accordance with item 14 of section 633(1) of the *Corporations Act 2001* (Cth), we enclose a copy of the target's statement dated 28 August 2014 (**Target's Statement**) given by Iron Ore Holdings Ltd (ABN 17 107 492 517) (**IOH**) in relation to the off-market takeover offer by BC Iron Limited ABN 21 120 646 924 (**BC Iron**) for all of the fully paid ordinary shares in the capital of IOH.

The Target's Statement has today been lodged with the Australian Securities and Investments Commission and sent to BC Iron.

Yours sincerely

A handwritten signature in black ink that reads "Simon Robertson".

Simon Robertson
Company Secretary
Iron Ore Holdings Ltd

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Target's Statement

prepared by

IRON ORE HOLDINGS LTD

ABN 17 107 492 517

in relation to the off-market takeover bid by

BC IRON LIMITED

ABN 21 120 646 924

to acquire all of your ordinary fully paid shares in Iron Ore Holdings Ltd

THE DIRECTORS OF IRON ORE HOLDINGS LTD UNANIMOUSLY RECOMMEND,
IN THE ABSENCE OF A SUPERIOR PROPOSAL, THAT YOU

ACCEPT

THE OFFER FROM BC IRON LIMITED



Corporate Adviser



LAWYERS

Legal Adviser

This is an important document and requires your immediate attention. If you do not understand it or are in doubt as to how to act, you should consult your legal, financial or other professional adviser immediately. If you have recently sold all your IOH Shares please disregard this document. IOH Shareholders that require assistance can call the IOH shareholder information line on 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) at any time between 7am and 5pm (WST) on Monday to Friday.

Important notices

This document is the Target's Statement dated 28 August 2014 given by Iron Ore Holdings Ltd ABN 17 107 492 517 (**Target** or **IOH** or **Company**) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by BC Iron Ltd ABN 21 120 646 924 (**BC Iron**) for all of the IOH Shares. A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

Your Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the Offer. This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each IOH Shareholder and it does not contain personal advice. IOH encourages you to seek independent legal, financial and taxation advice before making a decision as to whether or not to accept the Offer for your IOH Shares.

Defined Terms

A number of defined terms are used in this Target's Statement. These terms are defined in section 10.1 of this Target's Statement.

IOH Shareholder information

IOH has established a shareholder information line which IOH Shareholders may call if they have any queries in relation to the Offer. The telephone number for the IOH shareholder information line is 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) at any time between 7am and 5pm (WST) on Monday to Friday. Calls to the IOH shareholder information line may be recorded.

Further information relating to the Offer can be obtained from IOH's website at www.ironoreholdings.com. Information contained in, or otherwise accessible through, this internet site is not a part of this Target's Statement. All references in this Target's Statement to this internet site are inactive textual references and are for your information only.

Forward Looking Statements

This Target's Statement contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. IOH believes that it has reasonable grounds for making all statements relating to future matters attributed to it in this Target's Statement. IOH Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of IOH. Shareholders should note that any reference to past performance is not intended to be, nor should it be relied upon as, a guide to any future performance. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward looking statement. None of IOH, its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievements expressed or implied in any forward looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement. The forward looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement. Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

Risk Factors

Shareholders should note that there are a number of risks attached to their investment in IOH.

Please refer to section 8.10 of this Target's Statement (Risk Factors) for further information on those risks.

Disclaimer as to information

The information on BC Iron contained in this Target's Statement has been prepared by IOH

using publicly available information (including information contained in the Bidder's Statement) and has not been independently verified by IOH. Accordingly, subject to the Corporations Act, IOH does not make any representation (express or implied) as to the accuracy or completeness of such information.

For the purposes of this Target's Statement, IOH has assumed that the number of IOH Shares held by BC Iron, or in which BC Iron has a Relevant Interest, is as set out in the Bidder's Statement. Any calculations in this Target's Statement relating to the number of BC Iron Shares to be issued under the Offer exclude the IOH Shares in which BC Iron already has a Relevant Interest.

Maps and diagrams

Any maps, diagrams, charts, graphs and tables contained in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in maps, diagrams, charts, graphs and tables is based on information available as at the date of this Target's Statement.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

Foreign Jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation

in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Privacy

IOH has collected your information from the IOH register of shareholders and option holders for the purpose of providing you with this Target's Statement. The type of information IOH has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in IOH. Without this information, IOH would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders and option holders to be held in a public register. Your information may be disclosed on a confidential basis to IOH's related bodies corporate and external service providers (such as the share registry of IOH and BC Iron, print and mail service providers of IOH and BC Iron and the share registry advisers of IOH and BC Iron) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by IOH, please contact Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross WA 6156 or on +61 (0) 8 9315 2333. The registered address of IOH is Level 1, 1 Altona Street, West Perth, WA 6005.

Key Dates

Event	Key Date
Announcement of the Offer	11 August 2014
Date of Bidder's Statement	22 August 2014
Date of this Target's Statement	28 August 2014
Date of the Offer	25 August 2014
Last Date for Wroxby to accept the Offer in the absence of a Superior Proposal	12 September 2014
Last Date for BC Iron to give Notice of Status of Conditions	22 September 2014
Close of Offer Period (unless extended or withdrawn)	5.00pm (WST) 30 September 2014

Note to IOH Shareholders

- 1 Shareholders should note that once they have accepted the Offer, they will not be able to withdraw their acceptance even if a Superior Proposal is received unless the limited rights of withdrawal of acceptances apply (please refer to section 12.5 of the Bidder's Statement).
- 2 If you accept the Offer then your acceptance will automatically be void if any of the conditions precedent under section 12.8 of the Bidder's Statement are not fulfilled and not waived by BC Iron by the end of the Offer Period.¹

¹ Or, in the case of the condition noted in section 12.8(j) of the Bidder's Statement, by the end of the third Business Day after the end of the Offer Period.

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REASONS TO ACCEPT THE OFFER, IN THE ABSENCE OF A SUPERIOR PROPOSAL

YOUR DIRECTORS UNANIMOUSLY RECOMMEND YOU **ACCEPT** THE BC IRON OFFER IN THE ABSENCE OF A SUPERIOR PROPOSAL FOR THE FOLLOWING REASONS:

1. The Offer implies a significant premium relative to the IOH Share price prior to the Announcement Date

See section 2 of this Target's Statement and the section entitled 'Why you should accept the Offer' of the Bidder's Statement

2. If the Offer is successful, IOH Shareholders have the opportunity to become shareholders in BC Iron

See section 2 of this Target's Statement and the section entitled 'Why you should accept the Offer' of the Bidder's Statement

3. The Combined Group will be a leading mid-cap iron ore mining company, with the technical and financial capability to accelerate development and funding of the Buckland project

See section 2 of this Target's Statement and section 8 of the Bidder's Statement

4. BC Iron Shares are significantly more liquid than IOH Shares

See section 2 of this Target's Statement and the section entitled 'Why you should accept the Offer' of the Bidder's Statement

5. IOH Shareholders that accept the Offer may be able to obtain scrip-for-scrip rollover relief

See section 8.19 of this Target's Statement and section 10.2 of the Bidder's Statement

KEY POINTS OF THE OFFER

1. **BC Iron is offering 0.44 new BC Iron Shares and \$0.10 for every one (1) of your IOH Shares**

See section 3.2 of this Target's Statement and section 12.1 of the Bidder's Statement

2. **The Offer expires at 5.00pm (WST) on 30 September 2014, unless extended or withdrawn by BC Iron.**

See section 3.11 of this Target's Statement and section 12.2 of the Bidder's Statement

3. **You can accept the Offer by carefully following the instructions in the Bidder's Statement and completing the Acceptance Form enclosed with the Bidder's Statement prior to the expiry of the Offer**

See section 5 of this Target's Statement and section 12.3 of the Bidder's Statement

4. **The IOH Board unanimously recommends, in the absence of a Superior Proposal, that you ACCEPT the Offer**

See section 2 of this Target's Statement and section 1 of the Bidder's Statement



Letter from the Chairman

28 August 2014

Dear IOH Shareholder

BC Iron announced its intention to make a takeover bid for all of the IOH Shares on 11 August 2014. The consideration being offered by BC Iron under the Offer is 0.44 new BC Iron Shares and \$0.10 in cash for each IOH Share held. The Offer is subject to conditions. You will receive a Bidder's Statement from BC Iron around the same time as this Target's Statement. The Offer Period is currently due to close on 30 September 2014, unless extended or withdrawn.

Your Directors unanimously recommend that you accept the Offer, in the absence of a Superior Proposal.

Your Directors also unanimously recommend that IOH Optionholders accept the Options Offer to be made to them (see section 3.18 of this Target's Statement for further information), in the absence of a Superior Proposal.

Furthermore, your Directors intend to accept, or procure the acceptance of, the Offer in respect of all IOH Shares they control and accept the Options Offer for all IOH Options they control, in the absence of a Superior Proposal.

As announced on 11 August 2014 IOH has been advised by its major shareholder, Australian Capital Equity Pty Limited ABN 88 009 412 328 (**ACE**) (through its subsidiary, Wroxby Pty Ltd ABN 52 061 621 921 (**Wroxby**)), 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 as at 11 August 2014) within 14 Business Days of the Offer opening, in the absence of a Superior Proposal.

Assuming BC Iron acquires 100% of IOH, current IOH security holders (including IOH Optionholders) and purchasers of BC Iron Shares issued in respect of Foreign Shareholders will own approximately 36.6% of the Combined Group.

The Offer is subject to conditions, including a 90% minimum acceptance condition described in section 12.8(b) of the Bidder's Statement. In order for BC Iron to acquire Shares under the Offer all the conditions must be either satisfied or waived.

If the Offer becomes unconditional, IOH Shareholders who accept the Offer will become shareholders of BC Iron. In those circumstances, IOH Shareholders will be exposed to the risks which are specific to an investment in BC Iron. These risks are explained in detail in section 9 of the Bidder's Statement.

Your Directors note that there are risks associated with both accepting the Offer and rejecting the Offer. Your Directors encourage IOH Shareholders to consider the risks outlined in sections 4.1 and 4.3 of this Target's Statement.

In addition, IOH Shareholders should be aware that CGT rollover relief will not be available if BC Iron acquires less than 80% of the IOH Shares under 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:

- 1 The Offer implies a significant premium to the trading price of IOH Shares over a range of time periods prior to the Announcement Date:

	BC Iron Share price (as at close, 8 August 2014)	Implied Offer Price	IOH Share price (as at close, 8 August 2014)	Implied Offer premium
At announcement	\$3.31	\$1.56	\$0.95	64%
30 day VWAP	\$3.36	\$1.58	\$0.89	77%
60 day VWAP	\$3.40	\$1.59	\$0.89	79%
90 day VWAP	\$3.71	\$1.73	\$0.91	90%
180 day VWAP	\$4.34	\$2.01	\$0.92	118%

- 2 If the Offer completes, IOH Shareholders (excluding Foreign Shareholders) will become shareholders in BC Iron, a successful ASX/S&P 200 iron ore mining company and the operator, manager and 75% partner in the Nullagine Iron Ore Joint Venture (**NJV**). In FY15 the NJV is expected to produce and sell between 5.8-6.2 million wet tonnes of iron ore fines, at C1 cash costs of \$49-53 per wet tonne FOB, and total costs (including royalties, marketing and corporate costs) of \$60-68 per wet tonne (as further described in section 2.4 of the Bidder's Statement).
- 3 The Combined Group will be a leading Australian 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 development and funding of the Buckland project, and a board and management team with a track record of delivering value for shareholders.
- 4 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 \$4.3 million, whereas for IOH it has been \$59,000.
- 5 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 in relation to 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. You are encouraged to read the Bidder's Statement and Target's Statement in full and to consider the Offer having regard to your personal circumstances.

If you have any questions in relation to your position as an IOH Shareholder, we encourage you to seek financial, taxation or legal advice without delay and contact the IOH shareholder information line on 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) at any time between 7am and 5pm (WST) on Monday to Friday.

We would like to thank you for your support and look forward to providing further updates in due course.

Yours faithfully



Hon. Richard Court AC
Chairman

1 Frequently asked questions about BC Iron's Offer

In this section answers are provided to some commonly asked questions about the Offer. This section should be read together with the rest of this Target's Statement. This section is not intended to comprehensively answer all questions that may arise in relation to the Offer nor address all issues that are relevant to IOH Shareholders.

Question	Answer
<i>Who is offering to purchase my IOH Shares?</i>	BC Iron Limited ABN 21 120 646 924 (BC Iron). BC Iron is a company incorporated in Australia and listed on the Australian Securities Exchange (ASX). Information in relation to BC Iron can be obtained from section 2 of the Bidder's Statement and BC Iron's website at www.bcion.com.au .
<i>What is the Offer for my IOH Shares?</i>	The consideration being offered by BC Iron under the Offer is 0.44 new BC Iron Shares and \$0.10 in cash for each IOH Share held.
<i>Should I accept the Offer?</i>	Your Directors unanimously recommend that you accept the Offer, in the absence of a Superior Proposal. If there is any change to this recommendation your Directors will inform you. Further details regarding your Directors' recommendation are contained in section 2 of this Target's Statement. You are encouraged to read the Bidder's Statement and Target's Statement in full and to consider the Offer having regard to your personal circumstances. Your Directors encourage you to seek your own independent financial and taxation advice prior to deciding whether to accept the Offer.
<i>How do I ACCEPT the Offer?</i>	Follow the instructions in the acceptance form accompanying the Bidder's Statement.
<i>How do I REJECT the Offer?</i>	To reject the Offer, you do not need to do anything. If you wish to reject the Offer, do not respond to any calls or correspondence from or made on behalf of BC Iron. You should note, however, that if BC Iron at a later date acquires further IOH Shares, such that BC Iron has a Relevant Interest in 90% of the IOH Shares, BC Iron may be entitled to compulsorily acquire the IOH Shares that it does not own.
<i>What do your Directors intend to do with their IOH Shares?</i>	Each of your Directors currently intend, in the absence of a Superior Proposal, to accept or procure the acceptance of, the Offer in relation to those IOH Shares he controls.
<i>What does the majority shareholder ACE intend to do with its IOH Shares?</i>	ACE (through its subsidiary, Wroxby) holds or controls approximately 52.7% of all IOH Shares on issue and has stated 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 (i.e. on or before 12 September 2014), in the absence of a Superior

Question	Answer
	Proposal.
<i>What choices do I have?</i>	<p>As an IOH Shareholder, you can:</p> <ul style="list-style-type: none"> • ACCEPT the Offer – a course of action your Directors recommend. Once you accept, you are locked into the Offer unless the limited withdrawal rights under the Offer apply. You will not receive any consideration until after the Offer becomes unconditional; or • REJECT the Offer by doing nothing; or • SELL your IOH Shares on market (unless you have previously accepted the Offer and have not validly withdrawn your acceptance in the limited circumstances where this is permitted). <p>YOUR DIRECTORS UNANIMOUSLY RECOMMEND, IN THE ABSENCE OF A SUPERIOR PROPOSAL, THAT YOU <u>ACCEPT</u> THE OFFER.</p>
<i>What if I want to sell my IOH Shares on market?</i>	<p>During the Offer Period, you may sell your IOH Shares through ASX for cash (less any brokerage), provided you have not accepted the Offer for those IOH Shares.</p> <p>You should contact your broker for information on how to sell your IOH Shares on ASX and your tax adviser to determine your tax implications of such a sale.</p>
<i>When do I have to decide?</i>	<p>If you wish to accept the Offer you need to do so before its scheduled closing date. BC Iron has stated that its Offer is scheduled to close at 5.00pm (WST) on 30 September 2014, unless it is extended or withdrawn.</p> <p>If you wish to reject the Offer, you do not need to do anything.</p>
<i>What happens if I accept the Offer now?</i>	<p>If you accept the Offer now, while it is conditional, you will give up your rights to sell your IOH Shares on market or otherwise deal with them (for example, by accepting a Superior Proposal if one was to emerge) unless the limited withdrawal rights apply at the applicable time and you validly withdraw your acceptance.</p>
<i>If I accept the Offer, can I withdraw my acceptance if I change my mind?</i>	<p>You may only withdraw your acceptance if:</p> <ul style="list-style-type: none"> • the conditions of the Offer are not fulfilled or waived by the times specified in the Bidder's Statement; or • BC Iron extends the Offer Period for more than one month and the Offer remains subject to 1 or more of the conditions at the time (see section 12.5 of the Bidder's Statement). In these circumstances, you will have a period of one month after the date that the Offer is extended to withdraw your acceptance. If the Offer Period is further extended, you may receive further statutory withdrawal rights. <p>If you accept the Offer after all of the conditions have been satisfied or waived, you will not be able to withdraw your acceptance.</p>

Question	Answer
<i>What happens if BC Iron increases its Offer?</i>	If you accept the Offer now and BC Iron subsequently raises its Offer Price you will receive the higher price if the Offer has become unconditional.
<i>What are the conditions of the Offer?</i>	<p>The Offer is subject to numerous conditions. These include:</p> <ul style="list-style-type: none"> • 90% minimum acceptance; • consent of the Pilbara Ports Authority (PPA) to the change of control in IOH in respect of certain agreements between PPA and IOH. This requires PPA to assess the technical and financial capacity of BC Iron, and is considered low risk; • no Material Adverse Change, Prescribed Occurrence or a Specified Event occurring in respect of IOH, as set out in section 12.8 of the Bidder's Statement; • the Platts IODBZ00 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 \$90/dmt on 20 consecutive days on which Platts publishes an iron ore assessment during the Offer Period; • the ASX/S&P200 does not close 10% or more below the closing level on 11 August 2014 for 5 or more consecutive trading days whilst the Offer is open; and • other standard conditions for a transaction of this type. <p>Full terms of the conditions are set out in section 12.8 of the Bidder's Statement.</p>
<i>When will BC Iron advise as to the status of the conditions?</i>	<p>Section 12.12 of the Bidder's Statement indicates that the Bidder will give a Notice of Status of Conditions in accordance with section 630(3) of the Corporations Act.</p> <p>The Bidder is required to set out in this Notice of Status of Conditions:</p> <ul style="list-style-type: none"> • whether the Offer is free of any or all of the conditions; • whether, so far as the Bidder knows, any of the conditions have been fulfilled on the date the notice is given; and • the Bidder's voting power in IOH. <p>If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period and the Bidder is required to give notice that states the new date for the giving of the Notice of Status of Conditions.</p> <p>If a condition is fulfilled (so that the Offer becomes free of that condition) before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give ASX and IOH a notice that states that the particular condition has been fulfilled.</p>

Question	Answer
<i>What happens if the conditions are not satisfied or waived?</i>	If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You will then be able to deal with your IOH Shares without the restraint of the Offer.
<i>How can BC Iron extend the Offer Period?</i>	<p>While the Offer is subject to conditions, BC Iron may extend the Offer Period at any time before giving the Notice of Status of Conditions and after giving the Notice of Status of Conditions in the circumstances described in section 650C(2) of the Corporations Act.</p> <p>However, if the Offer is unconditional (that is, all the conditions are satisfied or waived), BC Iron may extend the Offer Period at any time before the end of the Offer Period.</p> <p>In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period:</p> <ul style="list-style-type: none"> • BC Iron improves the consideration offered under the Offer; or • BC Iron voting power in IOH increases to more than 50%. <p>If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.</p>
<i>Can BC Iron withdraw the Offer?</i>	BC Iron may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. See further section 12.13 of the Bidder's Statement.
<i>Will BC Iron Shares issued under the Offer be listed on ASX?</i>	BC Iron intends to make an application for quotation of the BC Iron Shares issued under the Offer on ASX. If the application is not successful, then all contracts resulting from acceptances of the Offer will be automatically void.
<i>Can I be forced to sell my IOH Shares?</i>	<p>You cannot be forced to sell your IOH Shares unless BC Iron acquires a Relevant Interest in at least 90% of all IOH Shares.</p> <p>BC Iron's intentions with respect to compulsory acquisition are set out in section 7.4 of the Bidder's Statement. In summary, BC Iron has indicated that if it becomes entitled to do so under the Corporations Act, it intends:</p> <ul style="list-style-type: none"> • to give notices to compulsorily acquire any outstanding IOH Shares in accordance with section 661B of the Corporations Act; and • to the extent not acquired above, give notices to IOH Shareholders and IOH Optionholders to compulsorily acquire any outstanding IOH Shares and IOH Options in accordance with sections 662A and 664C of the Corporations Act.
<i>Does the Offer include my IOH Options?</i>	No. However, as soon as practical after BC Iron makes the Offers, BC Iron will make an Options Offer to the Optionholders to have their Options cancelled in exchange for the relevant consideration set out in the Bid Implementation Agreement and conditional only on the Offer becoming unconditional and BC Iron acquiring voting power in IOH of at least 50.1% (which is a

Question	Answer
	<p>condition of the ASX Listing Rule waiver granted by ASX).</p> <p>If the Options Offers become or are declared unconditional, IOH has agreed to ensure the cancellation and extinguishment of each Option held by an Optionholder who has accepted an Options Offer (the Relevant Options) to the extent necessary to cancel and extinguish the Relevant Options, amend or waive the terms of issue of the Relevant Options and update the register of Optionholders to show that the relevant Optionholder is no longer the holder of the Relevant Options.</p>
<p><i>I am a Foreign Shareholder. Can I accept the Offer?</i></p>	<p>BC Iron Shares will not be issued as consideration to Foreign Shareholders. Such IOH Shareholders will have their BC Iron Shares sold on their behalf and receive the net cash proceeds. Please refer to section 8.13 of this Target's Statement for further details.</p>
<p><i>Will I need to pay brokerage or stamp duty if I accept the Offer?</i></p>	<p>Section 1 of the Bidder's Statement states that if your IOH Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to BC Iron, you will not incur any brokerage fees or be obliged to pay stamp duty in connection with your acceptance of the Offer.</p> <p>If your IOH Shares are registered in a Chess Holding, or if you are a beneficial owner whose IOH Shares are registered in the name of a broker, bank custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p>
<p><i>When will I receive the Offer consideration if I accept the Offer?</i></p>	<p>If you accept the Offer and each of the conditions are satisfied or waived, BC Iron will issue/pay you the Offer consideration for your IOH Shares within 10 Business Days after the date of your acceptance or, if the Offer is subject to a defeating condition when you accept this Offer, within 10 Business Days after the Offer becomes unconditional.</p> <p>Full details of when you will receive the Offer consideration are set out in section 12.6 of the Bidder's Statement.</p>
<p><i>What are the risks associated with IOH and its business?</i></p>	<p>These risks are detailed in section 8.10 of this Target's Statement.</p>
<p><i>What happens if there is a competing offer?</i></p>	<p>IOH has entered into a Bid Implementation Agreement with BC Iron which contains certain exclusivity provisions in favour of BC Iron, and provision for payment of a reimbursement fee in certain circumstances. Refer to section 11.3 of the Bidder's Statement for further details.</p> <p>If there is a Competing Proposal IOH Shareholders that have already accepted the Offer will not be able to accept the Competing Proposal unless either the Offer comes to an end as a result of the conditions applying to it not being satisfied or waived, or limited circumstances giving rise to withdrawal rights arise. Refer to section 12.5 of the Bidder's Statement for further</p>

Question	Answer
	details.
<i>If I have further questions in relation to the Offer what can I do?</i>	<p>If you have any further queries in relation to the Offer, please call the IOH shareholder information line or you can speak to your financial or other professional adviser.</p> <p>The telephone number for the IOH shareholder information line is 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) at any time between 7am and 5pm (WST) on Monday to Friday.</p>
<i>Is there an independent expert's report?</i>	No, IOH has not commissioned an independent expert's report for the purposes of the Offer. There is no legal requirement to do so.

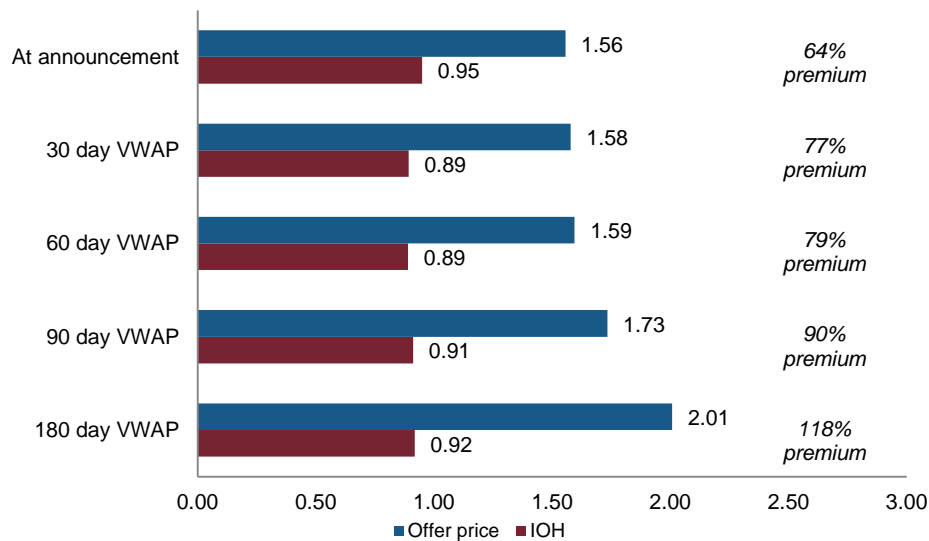
2 Reasons to ACCEPT the Offer, in the absence of a Superior Proposal

Your Directors believe that IOH Shareholders should, in the absence of a Superior Proposal, accept the Offer for the reasons set out below.

2.1 The Offer implies a significant premium relative to recent prices for IOH Shares

The Offer implies a premium to IOH trading prices of 64% to 118% over a range of trading periods.

Figure 1: Implied premia against recent prices for IOH Shares



See the section entitled 'Why you should accept the Offer' of the Bidder's Statement for more information.

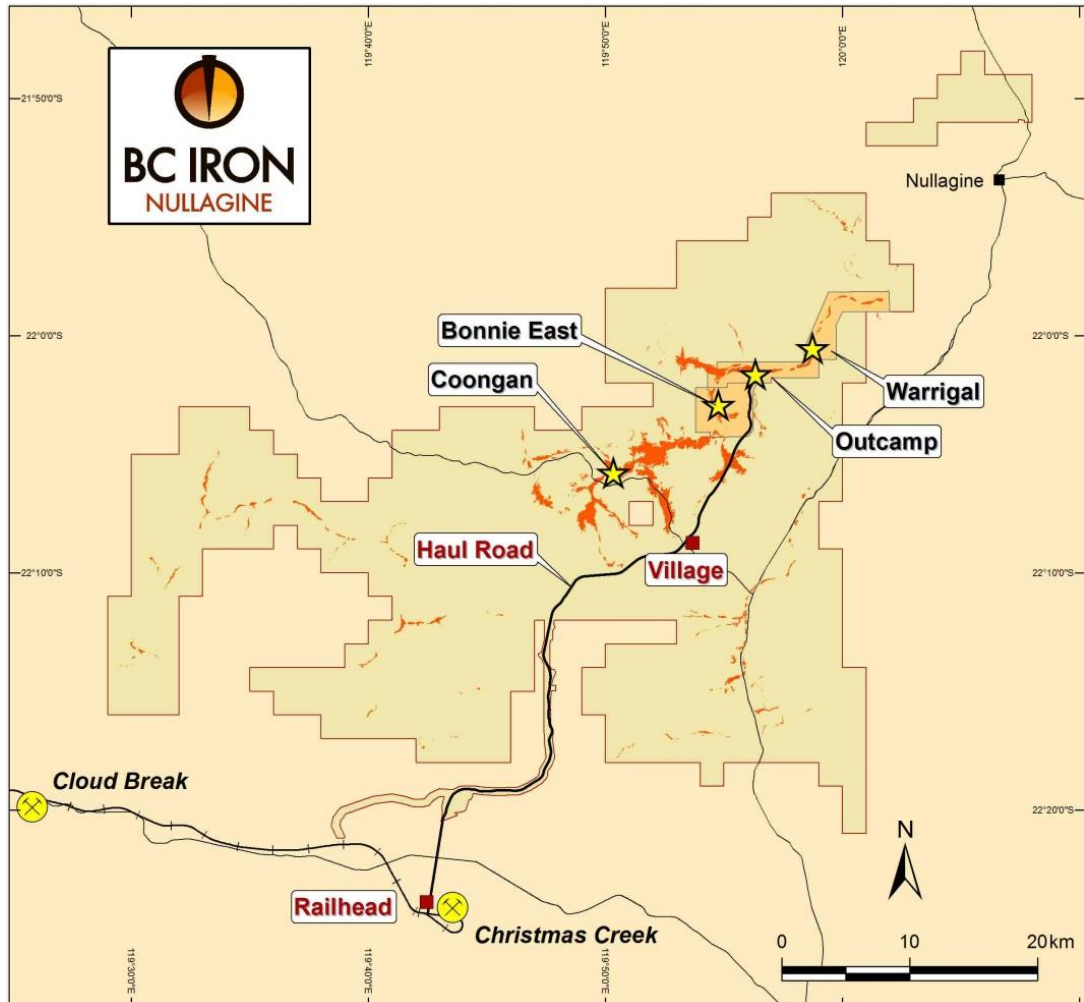
2.2 If the Offer is successful, IOH Shareholders have the opportunity to become shareholders in BC Iron

BC Iron is a successful ASX/S&P 200 iron ore mining company and the operator, manager and 75% partner in the Nullagine Iron Ore Joint Venture (**NJV**).

In FY15 BC Iron currently expects the NJV to produce and sell between 5.8-6.2 million wet tonnes of iron ore fines, at C1 cash costs of \$49-53 per wet tonne FOB, and total costs (including royalties, marketing and corporate costs) of \$60-68 per wet tonne (as further described in section 2.4 of the Bidder's Statement). For the latest position regarding the NJV, refer to section 2.4 of the Bidder's Statement and BC Iron's announcement of 27 August 2014 regarding NJV Ore Reserves and Mineral Resources.

A diagram setting out the NJV mining areas and mesas is set out on the next page.

Figure 2: NJV mining areas and mesas



Since the first sales of iron ore from Nullagine occurred in February 2011, BC Iron has operated the joint venture safely and profitably, exporting in excess of 15 million wet tonnes of product (100% basis), whilst also acquiring an additional 25% joint venture interest from FMG in December 2012. BC Iron currently owns 75% of the NJV with FMG holding a 25% interest. BC Iron has an offtake agreement with Hong Kong-based industrial and trading company, Henghou Industries. Until the end of 2018, BC Iron is contracted to sell 1.3 Mtpa (wet) of Bonnie Fines product to Henghou Industries at a pre-agreed discount to the Platts 62% Fe Index, over and above iron grade adjustment. BC Iron's remaining approximately 3.2 Mtpa (wet) of uncommitted production is sold on a short term basis. Sales of this have historically attracted no discount to the Platts 62% Fe Index other than for iron grade. However, since March 2014, the NJV has been required to offer discounts for these shipments, reflecting prevailing softer iron ore market conditions.

The NJV has a remaining mine life of approximately 5 years based on the current mine plan and stockpiles. BC Iron is undertaking Project Inventory, an initiative aimed at extending mine life. The focus of Project Inventory is the beneficiation of low grade (50-55% Fe) material into a saleable product.

BC Iron completed a beneficiation trial in January 2014, producing approximately 30,000 wet tonnes

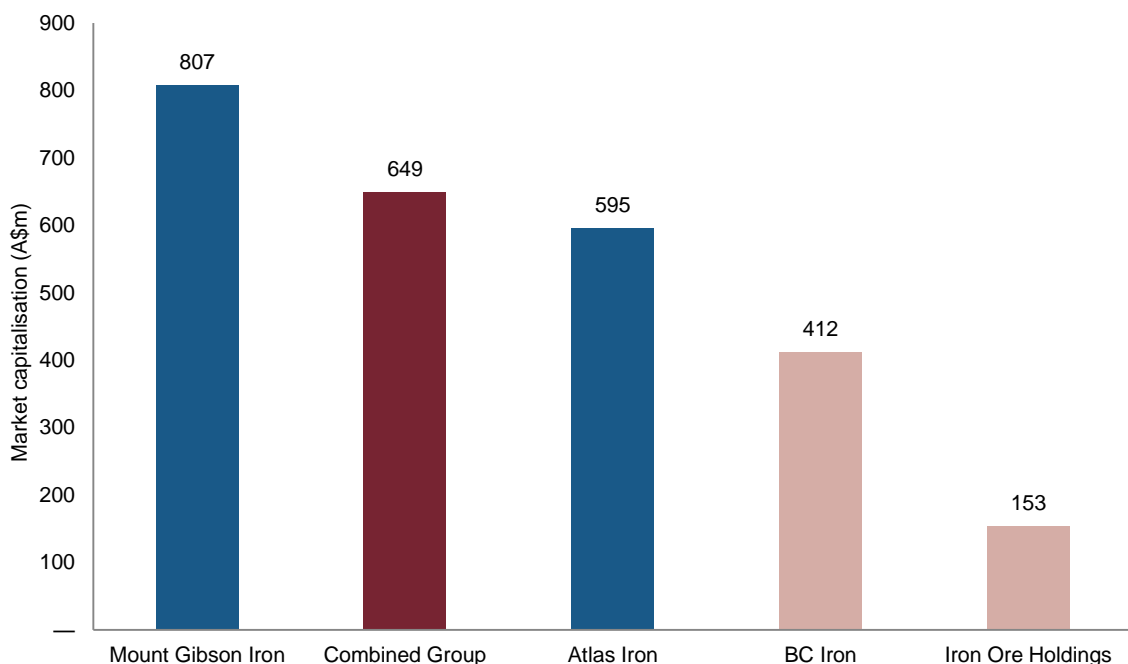
of beneficiated product at a similar specification to Bonnie Fines. The beneficiated product was blended with Bonnie Fines and exported to China.

See section 2.4 of the Bidder's Statement for more information.

2.3 The Combined Group will be a leading mid-cap iron ore mining company

The Combined Group will have an attractive and complementary portfolio of production and development assets located in the Pilbara, a significantly strengthened balance sheet and improved technical and financial capability to accelerate development and funding of the Buckland project, and a board and management team with a track record of delivering value for shareholders.

Figure 3: ASX listed mid-cap iron ore companies



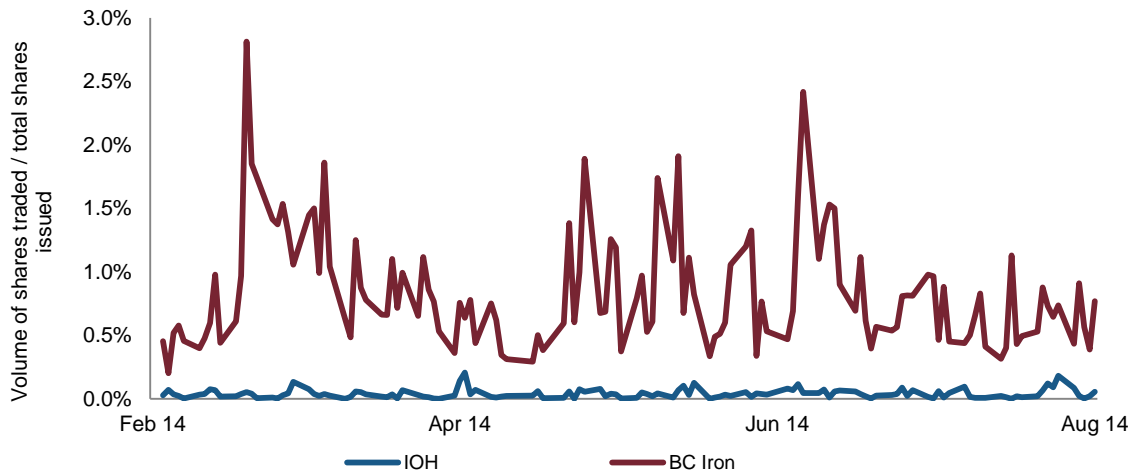
Note: Market capitalisation calculated as at close, 8 August 2014. The Combined Group market capitalisation calculated as BC Iron market capitalisation plus the additional equity which would be issued to acquire all IOH Shares and IOH Options. Issue price is assumed to be at \$3.31, based on the BC Iron Share price at close, 8 August 2014.

See section 8 of the Bidder's Statement for more information.

2.4 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 \$4.3 million, whereas for IOH it has been \$59,000. The proportion of issued BC Iron Shares traded each day is also higher than that for IOH Shares.

Figure 4: Trading history of BC Iron Shares and IOH Shares



See the section entitled 'Why you should accept the Offer' of the Bidder's Statement for more information.

2.5 IOH Shareholders may be able to obtain potential capital gains tax relief through scrip-for-scrip rollover relief

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 in relation to 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.

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 8.19 of this Target's Statement and section 10 of the Bidder's Statement.

See section 10 of the Bidder's Statement for more information.

3 Evaluation of the Offer

3.1 Background to the Offer

On 11 August 2014, BC Iron announced its proposal to acquire all of the fully paid ordinary shares in the capital of IOH by way of an off-market takeover bid.

Around the time you receive this Target's Statement, you will have received BC Iron's Bidder's Statement, containing the full terms and conditions of the Offer, together with other information material to your decision whether or not to accept the Offer.

3.2 The Offer

BC Iron will offer 0.44 new BC Iron Shares and \$0.10 in cash for each IOH Share held. See section 3.9 of this Target's Statement for information regarding Foreign Shareholders.

3.3 The Offer consideration

As the consideration being offered by BC Iron under the Offer includes BC Iron Shares, the value of the consideration offered for each IOH Share depends on the value of a BC Iron Share.

In the following table the value of the Offer consideration is measured by reference to historical prices and volume weighted average prices for BC Iron.

	IOH Share	BC Iron Share	Implied BC Iron Share component	Cash component	Total consideration
8-Aug-14 Close	\$0.95	\$3.31	\$1.46	\$0.10	\$1.56
30 day VWAP	\$0.89	\$3.36	\$1.48	\$0.10	\$1.58
60 day VWAP	\$0.89	\$3.40	\$1.49	\$0.10	\$1.59
90 day VWAP	\$0.91	\$3.71	\$1.63	\$0.10	\$1.73
180 day VWAP	\$0.92	\$4.34	\$1.91	\$0.10	\$2.01
27-Aug-14 Close	\$1.26	\$2.90	\$1.28	\$0.10	\$1.38

As at close of trade on 27 August 2014, the Offer valued your IOH Shares at \$1.38 per IOH Share. You should note that continued market fluctuations in the price of BC Iron Shares will continue to favourably or adversely impact the implied value of the Offer.

See section 3 of the Bidder's Statement for more information on BC Iron Shares, including capital structure, share price history, dividend history, rights and liabilities attaching to BC Iron Shares, options and performance rights and substantial holders of BC Iron Shares.

3.4 Offer Premium

The section entitled 'Why you should accept the Offer' of the Bidder's Statement refers to the Offer representing a premium to the 60 day Volume Weighted Average Price (**VWAP**) to IOH Shares.

Your Directors draw your attention to the below table that sets out the significant premium being offered under the Offer relative to recent prices for IOH Shares for a range of time periods:

	BC Iron Share price (as at close, 8 August 2014)	Implied Offer Price	IOH Share price (as at close, 8 August 2014)	Implied Offer premium
At announcement	\$3.31	\$1.56	\$0.95	64%
30 day VWAP	\$3.36	\$1.58	\$0.89	77%
60 day VWAP	\$3.40	\$1.59	\$0.89	79%
90 day VWAP	\$3.71	\$1.73	\$0.91	90%
180 day VWAP	\$4.34	\$2.01	\$0.92	118%

3.5 The Offer is unanimously recommended

Your Directors unanimously recommend that Shareholders accept the Offers to be made to them in the absence of a Superior Proposal.

3.6 Directors' intentions in relation to the Offer

Your Directors, who hold approximately 2.31% of IOH Shares on issue at the date of this Target's Statement, have indicated their intention to accept, or procure the acceptance of, the Offer in the absence of a Superior Proposal in respect of the IOH Shares they control.

3.7 BC Iron intentions

See section 7 of the Bidder's Statement for a summary of BC Iron's intentions following completion of the Offer.

3.8 Intention of IOH's largest shareholder

IOH has been advised by its major shareholder, ACE (through its subsidiary, Wroxby), 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 (i.e. on or before 12 September 2014), in the absence of a Superior Proposal.

Wroxby has also advised IOH in its letter to the IOH Board attached to the announcement made to ASX by IOH and BC Iron in respect of the Offer dated 11 August 2014 (**Statement of Intention Letter**) that if the Offer is declared or becomes unconditional and Wroxby is issued shares in BC Iron under the terms of the Offer, Wroxby does not intend to acquire any further BC Iron Shares other than with the consent of the BC Iron Board (such consent not to be unreasonably withheld) for 12 months after the close of the Offer, except in the following circumstances:

- (i) the right to acquire further BC Iron Shares to prevent dilution of Wroxby's interest in the event of a new issue of BC Iron Shares or other equity capital raising by BC Iron;
- (ii) if any third party takeover bid is made for BC Iron; or
- (iii) where there has been a material decline in BC Iron's share price after the date of Wroxby's Statement of Intention Letter.

Wroxby has advised in its Statement of Intention Letter that it is willing to enter into a standstill agreement with BC Iron reflecting these terms on or immediately prior to the issue of BC Iron Shares to Wroxby as consideration pursuant to the Offer. The rationale for the standstill is to maintain liquidity in BC Iron Shares, while not restricting ACE from being able to increase its investment in appropriate circumstances.

3.9 Foreign Shareholders

Foreign Shareholders will not be entitled to receive BC Iron Shares as consideration for their IOH Shares pursuant to the Offer.

An IOH Shareholder is a Foreign Shareholder for the purposes of the Offer if their address as shown in the IOH register of members is in a jurisdiction other than Australia or its external territories or New Zealand, unless BC Iron otherwise determines after being satisfied that it is not unlawful, not unduly onerous and not unduly impractical to make the Offer to an IOH Shareholder in the relevant jurisdiction, and to issue BC Iron Shares to such an IOH Shareholder on acceptance of the Offer, and that it is lawful for the IOH Shareholder to accept the Offer in such circumstances in the relevant jurisdiction. Notwithstanding anything in the Bidder's Statement, BC Iron is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

The BC Iron Shares which would otherwise have been issued to a Foreign Shareholder will instead be issued to the Nominee who will sell those BC Iron Shares. The net proceeds of the sale of such BC Iron Shares will then be remitted to the relevant Foreign Shareholder. See section 12.7 of the Bidder's Statement for further details.

3.10 Offer conditions

The Offer is subject to a number of conditions which are outlined below.

(a) No regulatory action

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

- (i) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
- (ii) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (iii) 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:

- (iv) 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 the Bid Implementation Agreement and the Bidder's Statement; or
- (v) requires the divestiture by BC Iron of any IOH Shares or any material assets of IOH or any subsidiary of IOH.

(b) **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).

(c) **No material adverse change**

(i) Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following occurs:

- (A) an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;
- (B) 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
- (C) 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 (A), (B) and (C), 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.

(ii) For the purposes of paragraph (c)(i) above, a Specified Event shall not include:

- (A) matters Fairly Disclosed:
 - to BC Iron in the IOH Disclosure Materials; or
 - in information accessible prior to the date of the Bid Implementation Agreement on a public register maintained 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
 - in IOH's public filings with ASX and ASIC prior to the date of the Bid Implementation Agreement;
- (B) changes in government or political conditions generally;
- (C) changes in general economic conditions, currency exchange rates, securities markets and commodity prices that impact on IOH and its competitors in a similar manner;
- (D) changes occurring as a result of any matter, event or circumstance required by the Bid Implementation Agreement, the Offer or the transactions contemplated by them;

- (E) changes arising as a result of any generally applicable change in accounting standards required by law, law or governmental policy in Australia or New Zealand;
- (F) changes approved in writing by BC Iron; or
- (G) any event, occurrence, circumstance or matter affecting the iron ore industry generally.

(d) **Expenditures**

- (i) 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:
 - (A) 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;
 - (B) 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;
 - (C) 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
 - (D) expenditure amounts accrued prior to but not paid until after the Announcement Date for the period to 30 June 2014.
- (ii) 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).

(e) **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:

- (i) 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:
 - (A) the manner in which IOH conducts its business;

- (B) the nature (including balance sheet classification), extent or value of the assets of IOH; or
- (C) 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:

- (D) 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
- (E) 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 Project as a result of the exercise by Hamersley Iron of a pre-emptive right which is triggered by a change of control;

- (ii) 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;
- (iii) 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
- (iv) 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.

(f) 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.

(g) Assignment of port leases and licences

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

BC Iron may not waive the above condition to the Offer without obtaining the prior written consent of IOH (which must not be unreasonably withheld).

(h) 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 \$90/dmt on 20 consecutive days on which Platts publishes an iron ore assessment during the Offer Period.

(i) 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.

(j) 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:

- (i) IOH converting all or any of the IOH Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) IOH or a subsidiary of IOH resolving to reduce its share capital in any way;
- (iii) 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;
- (iv) 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;
- (v) IOH or a subsidiary of IOH issuing, or agreeing to issue, convertible notes;
- (vi) 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 Project royalty as contemplated in the Bid Implementation Agreement;
- (vii) 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;
- (viii) IOH or a subsidiary of IOH resolving that it be wound up;
- (ix) the appointment of a liquidator or provisional liquidator of IOH or of a subsidiary of IOH;
- (x) the making of an order by a court for the winding up of IOH or of a subsidiary of IOH;
- (xi) an administrator of IOH or of a subsidiary of IOH being appointed under section 436A, 436B or 436C of the Corporations Act;

- (xii) IOH or a subsidiary of IOH executing a deed of company arrangement; or
- (xiii) 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.

(k) **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.

(l) **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 of the Bid Implementation Agreement are true and correct in all material respects.

3.11 Offer Period, withdrawal and extension

Unless the Offer is extended or withdrawn, it is open for acceptance from 25 August 2014 until 5.00pm (WST) on 30 September 2014.

In accordance with section 652B of the Corporations Act, the Offer may only be withdrawn with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

BC Iron may extend the Offer Period in accordance with the Corporations Act.

While the Offer is subject to the conditions, BC Iron may extend the Offer Period at any time before giving the Notice of Status of Conditions and after giving the Notice of Status of Conditions in the circumstances described in section 650C(2) of the Corporations Act.

However, if the Offer is unconditional (that is, the conditions are satisfied or waived), BC Iron may extend the Offer Period at any time before the end of the relevant Offer Period.

In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period BC Iron increases the consideration being offered under the Offer or BC Iron's voting power in IOH increases to more than 50%.

If either of these two events occurs, the Offer Period for the Offer is automatically extended so that it ends 14 days after the relevant event occurs.

BC Iron is required to first obtain IOH's consent before extending the Offer Period where the proposed extension will result in the Offer Period having been open for more than six months.

3.12 Effect of acceptance

The effect of accepting the Offer is set out in section 12.5 of the Bidder's Statement.

IOH Shareholders should read these provisions in full to understand the effect that acceptance will have on the rights attaching to their IOH Shares and the representations and warranties which they give by accepting the Offer.

The conditions in section 12.8 of the Bidder's Statement are conditions to performance of BC Iron's obligations. Accordingly, IOH Shareholders who accept the Offer while the Offer is still subject to conditions will give up their right to sell their IOH Shares on the stock market or otherwise deal with their IOH Shares (and the rights attaching to those IOH Shares) while the Offer remains open.

3.13 Your ability to withdraw your acceptance

You will only be permitted to withdraw your acceptance if:

- (i) the conditions of the Offer are not fulfilled or waived by the times specified in the Bidder's Statement; or
- (ii) BC Iron extends the Offer Period for more than one month and the Offer remains subject to one or more of the conditions at that time (see section 12.5 of the Bidder's Statement for further information).

3.14 When you will receive the Offer consideration if you accept the Offer

If you accept the Offer and each of the conditions are satisfied or waived, BC Iron will issue you the Offer consideration within 10 Business Days after the date of your acceptance or, if the Offer is subject to a defeating condition when you accept the Offer, within 10 Business Days after the Offer becomes unconditional.

Full details of when you will receive the Offer consideration are set out in section 12.6 of the Bidder's Statement.

3.15 Effect of any increase in Offer consideration

If BC Iron improves the Offer consideration under the Offer, all IOH Shareholders, whether or not they have accepted the Offer before that increase in the Offer consideration, will be entitled to the benefit of that increase in Offer consideration.

3.16 Lapse of Offer

The Offer will lapse if the conditions are not freed or fulfilled by the end of the Offer Period.² In these circumstances, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will then be able to deal with your IOH Shares without the restraint of the Offer.

3.17 Compulsory acquisition

BC Iron's intentions with respect to compulsory acquisition are set out in section 7.4 of the Bidder's Statement.

In summary, BC Iron has indicated that if it becomes entitled to do so under the Corporations Act, BC Iron intends:

- (i) to give notices to compulsorily acquire any outstanding IOH Shares in accordance with section 661B of the Corporations Act; and

² Or, in the case of the condition noted in section 12.8(j) of the Bidder's Statement, by the end of the third Business Day after the end of the Offer Period.

- (ii) to the extent not acquired above, give notices to IOH Shareholders and IOH Optionholders to compulsorily acquire any outstanding IOH Shares and IOH Options in accordance with section 664C of the Corporations Act.

An overview of BC Iron's rights to compulsorily acquire IOH Shares is set out below.

(a) Post bid compulsory acquisition

BC Iron will be entitled, under section 661A of the Corporations Act, to compulsorily acquire any IOH Shares in respect of which it has not received an acceptance of the Offer on the same terms as the Offer if, during or at the end of the Offer Period, BC Iron (together with its Associates) has a Relevant Interest in at least 90% (by number) of the IOH Shares and BC Iron and its Associates have acquired at least 75% (by number) of the IOH Shares that BC Iron offered to acquire under the Offer.

If these thresholds are met, BC Iron will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to IOH Shareholders who have not accepted the Offer. IOH Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant IOH Shareholder to establish to the satisfaction of a Court that the consideration offered does not represent "fair value" for their IOH Shares.

If compulsory acquisition occurs, IOH Shareholders who have their IOH Shares compulsorily acquired will be paid their consideration later than IOH Shareholders who accept the Offer.

(b) General compulsory acquisition provisions

BC Iron will be entitled, under section 664A of the Corporations Act, to compulsorily acquire any outstanding IOH Shares and IOH Options if BC Iron's voting power in IOH is at least 90% and BC Iron (either in its own right or through related bodies corporate) acquires full beneficial interests in at least 90% (by value) of the aggregate of all IOH Shares and IOH Options and:

- (i) BC Iron lodges a compulsory acquisition notice with ASIC within 6 months of achieving that 90% holding;
- (ii) BC Iron proposes a cash sum for the compulsory acquisition of the IOH Shares and IOH Options; and
- (iii) BC Iron obtains the report of an expert stating whether, in the expert's opinion, the terms proposed in the notice give fair value of the securities covered.

BC Iron has not stated in the Bidder's Statement the cash sum it would propose for any compulsory acquisition of the IOH Shares or IOH Options that is undertaken by BC Iron under section 664A of the Corporations Act.

3.18 The Options Offer

As soon as practical after BC Iron makes the Offers, BC Iron will make the Options Offer to Optionholders, pursuant to which the Optionholders may have their Options cancelled in exchange for the relevant consideration set out in the Bid Implementation Agreement and conditional only on the Offer becoming unconditional and BC Iron acquiring voting power in IOH of at least 50.1% (which is a condition of the ASX Listing Rule waiver granted by ASX). See section 8.6 of this Target's Statement for more information regarding the effect of the Options Offer.

3.19 Risks associated with rejecting the Offer

(a) No Premium

If the Offer is not successful IOH Shareholders will not receive the premium offered by BC Iron. The price of IOH Shares on ASX may potentially fall back to the levels at which it was trading before the Announcement Date.

(b) Lower Liquidity

If the Offer is not successful, IOH Shareholders may not achieve the benefit of higher liquidity which has been characteristic of trading in BC Iron Shares.

(c) Minority shareholding

If the Offer was successful but BC Iron failed to acquire sufficient IOH Shares to be entitled to compulsorily acquire all outstanding IOH shares, non-accepting IOH Shareholders would find themselves as minority shareholders in a company with potentially very limited share liquidity. In those circumstances (given current market conditions) there would be a risk that IOH Shares would trade at prices materially lower than the Offer Price.

(d) Delisting

In the circumstances outlined in the preceding paragraph, BC Iron may seek to have IOH removed from the official list of the ASX. If delisting occurs, IOH Shares will not be able to be bought or sold on the ASX.

(e) Financial Capability and the Buckland Project

If the Offer is not successful, the benefits of the Offer to IOH Shareholders will not be realised. The financial capability of IOH may not be strengthened, and undertaking the Buckland project will potentially place a higher financial burden on IOH Shareholders.

(f) Compulsory acquisition

If, after the end of the Offer Period, BC Iron becomes the holder of at least 90% of all IOH Shares (for example, by subsequent acquisitions of IOH Shares), then BC Iron may be entitled to compulsorily acquire the IOH Shares it does not own (see section 3.17 of this Target's Statement and 7.4 of the Bidder's Statement for more information).

(g) No Scrip for Scrip Rollover Relief

If the Offer results in BC Iron owning less than 80% of IOH Shares, IOH Shareholders will not receive scrip for scrip taxation rollover relief.

3.20 Further developments

Should there be any developments during the Offer Period (for example, the emergence of a Superior Proposal from BC Iron or another bidder) which would alter your Directors' recommendations in relation to the Offer, IOH Shareholders will be notified through a supplementary Target's Statement.

3.21 Taxation Consequences

In making a decision whether to accept the Offer, IOH Shareholders should also have regard to the fact that the disposal of IOH Shares may have taxation consequences. IOH

Shareholders should seek their own independent advice as to any such taxation consequence (please refer to section 8.19 of the Target's Statement and section 10 of the Bidder's Statement).

4 Risks associated with the Offer and being a BC Iron shareholder

IOH Shareholders should be aware of the following key risks that arise from:

- (i) the Offer; and
- (ii) being a BC Iron Shareholder.

4.1 Risks associated with the Offer

(a) Conditions of the Offer

As described in section 12.8 of the Bidder's Statement and section 3.10 of this Target's Statement, the Offer is subject to a number of conditions.

If the conditions of the Offer are not satisfied by the applicable date (or waived by BC Iron), the Offer will not be free of conditions and therefore will not proceed.

(b) Limited withdrawal rights

You may only withdraw your acceptance if:

- (i) the conditions of the Offer are not fulfilled or waived by the times specified in the Bidder's Statement; or
- (ii) BC Iron extends the Offer Period for more than one month and the Offer remains subject to one or more of the conditions at that time (see section 12.5 of the Bidder's Statement).

Otherwise, you will be unable to withdraw your acceptance even if the value of IOH Shares varies significantly from the date of your acceptance of the Offer.

(c) CGT

If the Offer becomes unconditional, CGT rollover relief will not be available if BC Iron acquires less than 80% of the IOH Shares under the Offer. A general overview of the tax implication of accepting the Offer for Australian resident IOH Shareholders is set out in section 8.19 of this Target's Statement and section 10.2 of the Bidder's Statement.

(d) Minority ownership consequences

In sections 7.5 and 7.6 of the Bidder's Statement, BC Iron describes its intentions in the event that it does not become entitled to at least 90% of the IOH Shares.

If the scenario described in sections 7.5 and 7.6 of the Bidder's Statement occur, IOH Shareholders who do not accept the Offer will become minority shareholders in IOH and those IOH Shareholders will no longer collectively control IOH.

This has a number of possible implications including the following:

- (i) BC Iron will be able to cast the majority of votes at a general meeting of IOH enabling it to control the Board and senior management, determine IOH's dividend policy and control the strategic direction of IOH.
- (ii) Subject to the requirements of the Corporations Act and IOH's constitution, BC Iron may appoint nominees of BC Iron to the Board.
- (iii) Your Directors believe it is reasonably likely that the liquidity of IOH Shares would be lower than at present if a number of IOH Shareholders accept the Offer.
- (iv) BC Iron may apply for IOH's removal from the official list of ASX. If this occurs, IOH Shares will not be able to be bought or sold on ASX.
- (v) If BC Iron acquires 75% or more of the IOH Shares, it will be able to pass special resolutions of IOH. This will enable BC Iron to amend IOH's constitution.

(e) **Consideration**

BC Iron will offer 0.44 new BC Iron Shares and \$0.10 in cash for each IOH Share held. As BC Iron is listed on ASX, the value of the Offer consideration will fluctuate depending on the market value of BC Iron Shares. There are risks associated with investing in BC Iron. These risks are discussed in section 9 of the Bidder's Statement and also in section 4.3 of this Target's Statement.

4.2 Risks associated with holding IOH Shares

There are also risks associated with holding IOH Shares and these risks are set out in section 8.10 of this Target's Statement.

4.3 Risks associated with being an BC Iron Shareholder

There are certain risks involved in holding BC Iron Shares and those risks are outlined in section 9 of the Bidder's Statement. The IOH Board draws your attention to the risks set out below.

(a) **Iron ore price risk**

BC Iron's revenues and cash flows are derived from the sale of iron ore. Its financial performance is therefore exposed to fluctuations in the iron ore price, which has been particularly volatile in recent times. This risk factor also affects IOH and will continue to affect IOH in the event the Offer is not successful.

(b) **Operating and development risks**

The ability of BC Iron to achieve production targets within anticipated time lines, or at all, or meet operating and capital expenditure estimates cannot be assured. This includes any impact on the production targets and sales forecasts as a result of the operational update announced by BC Iron on 21 August 2014 and further set out in section 2.4 of the Bidder's Statement.

(c) **Future funding requirements**

BC Iron is required to issue financial assurance, particularly insurances and bond/bank guarantee instruments, to secure statutory and environmental performance undertakings

and commercial arrangements. BC Iron's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

While BC Iron anticipates being able to meet its debt repayments when they fall due and staying within financial covenants, deteriorating economic or project specific events may cause this to change leading to adverse consequences.

(d) Risk of dilution

If the Offer is successful and 100% of IOH securities are acquired by BC Iron, IOH security holders (including IOH Optionholders) and purchasers of BC Iron Shares issued in respect of Foreign Shareholders will hold 36.6% of the Combined Group. Shareholders will be exposed to BC Iron projects and may be diluted by any future equity capital raisings that are not undertaken by way of a pro rata rights issue.

4.4 Other risks that arise from the Offer

There are also certain risks that relate to the merger of BC Iron and IOH should the Offer succeed. BC Iron has summarised these risks in section 9 of the Bidder's Statement, which summary includes risks relating to:

(a) BC Iron Share price

Under the Offer, BC Iron will issue a significant number of BC Iron Shares. Some IOH Shareholders may not intend to continue to hold their BC Iron Shares and may wish to sell them on ASX. There is a risk that if a significant number of IOH Shareholders seek to sell their BC Iron Shares, this may adversely impact the price of BC Iron Shares.

(b) Integration risks

There are risks that any integration between the businesses of the BC Iron Group and IOH Group may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, inability to achieve synergy benefits and cost savings, and the potential loss of key personnel.

In addition, the utilisation by the Combined Group of the tax losses of IOH is subject to the satisfaction of a number of conditions. There is a risk that these conditions may not be satisfied. While BC Iron expects that value will be added through the Offer, there is a risk that the full benefits may be achieved only in part, or not at all.

(c) Accounting

The acquisition of IOH will be accounted for as a 'Business Combination' in accordance with applicable accounting standards. The BC Iron Board intends to undertake a comprehensive review of the fair value of the assets and liabilities of the IOH Group once it acquires all of the IOH Shares pursuant to the Offer. There is a risk that these charges may be substantially greater than those that would exist in BC Iron and IOH as separate businesses. These accounting charges may reduce the future earnings of the Combined Group.

Your Directors strongly encourage Shareholders to consider section 9 of the Bidder's Statement before deciding their course of action in relation to the Offer.

5 Steps to be taken as an IOH Shareholder

YOUR DIRECTORS UNANIMOUSLY RECOMMEND YOU ACCEPT THE OFFER IN THE ABSENCE OF A SUPERIOR PROPOSAL

However, as an IOH Shareholder you have three options currently available to you. You are encouraged to read this Target's Statement and the Bidder's Statement in full and seek appropriate legal, financial and taxation advice before taking any action in response to the Offer.

Option 1 ACCEPT the Offer	<p>To accept the Offer follow the instructions on the acceptance form accompanying the Bidder's Statement. To validly accept the Offer, BC Iron must receive your acceptance before 5.00pm (WST) on 30 September 2014, unless the Offer Period is extended.</p> <p>Once you have accepted the Offer, you may only withdraw your acceptance if:</p> <ul style="list-style-type: none">• the conditions of the Offer are not fulfilled or waived by the times specified in the Bidder's Statement; or• BC Iron extends the Offer Period for more than 1 month and the Offer remains subject to 1 or more of the conditions at the time.
Option 2 Reject the Offer	<p>To reject the Offer, you do not need to do anything. If you wish to reject the Offer, you do not need to respond to any calls or correspondence from BC Iron.</p>
Option 3 Sell your IOH Shares	<p>During the Offer Period, you may sell your IOH Shares through ASX for cash (less any brokerage), provided you have not accepted the Offer for those IOH Shares.</p> <p>You should contact your broker for information on how to sell your IOH Shares on ASX and your tax adviser to determine your tax implications of such a sale.</p>

6 What you should know about BC Iron

6.1 Important information

The following information about BC Iron is based on public information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, IOH does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on BC Iron in this Target's Statement should not be considered comprehensive. IOH Shareholder's should refer to sections 2 and 3 of the Bidder's Statement for information about BC Iron. Information about the Combined Group is set out in section 8 of the Bidder's Statement.

6.2 Overview of BC Iron

BC Iron is the operator and manager of the NJV, a 75:25 unincorporated joint venture with FMG. The NJV's core focus is the Nullagine Iron Ore Project (**Nullagine Project**). The Nullagine Project is located approximately 150km north of Newman in the East Pilbara region. FMG provides the NJV with rail haulage, port, product marketing, shipping and sales agency services.

Operations comprise mining, crushing and screening, road haulage to Christmas Creek, rail haulage and ship loading at Port Hedland. The NJV operating plan is for an annual production rate of approximately 6 Mtpa (wet), and the mine life is currently estimated at approximately 5 years. BC Iron is undertaking test work aimed at extending mine life through the beneficiation of low grade (50-55% Fe) material into saleable product. For the latest position regarding the Nullagine Project, refer to section 2.4 of the Bidder's Statement and BC Iron's announcement of 27 August 2014 regarding NJV Ore Reserves and Mineral Resources.

BC Iron's other principal activity is exploration for iron ore in Brazil. A 50:50 alliance between BC Iron and ASX-listed Cleveland Mining Company Ltd (**Cleveland**) is earning up to an 80% interest in the Bahia and Minas Novas projects in Brazil. The alliance is targeting itabirite mineralisation ranging from 30-45% Fe that can be beneficiated to a higher grade product.

6.3 Directors

As at the date of this Target's Statement, the following are directors of BC Iron:

- (i) Anthony Kiernan – Non Executive Chairman;
- (ii) Morgan Ball – Managing Director;
- (iii) Andrew Haslam – Non-Executive Director;
- (iv) Malcolm McComas – Non-Executive Director;
- (v) Terry Ransted – Non-Executive Director;
- (vi) Peter Wilshaw – Non-Executive Director; and
- (vii) Mike Young – Non-Executive Director.

6.4 Financial information and project activities

Further information about BC Iron's project activities, financial position and capital structure is set out in sections 2 and 3 of the Bidder's Statement.

6.5 Profile of the Combined Group

For details of the Combined Group, IOH Shareholders should refer to section 8 of the Bidder's Statement.

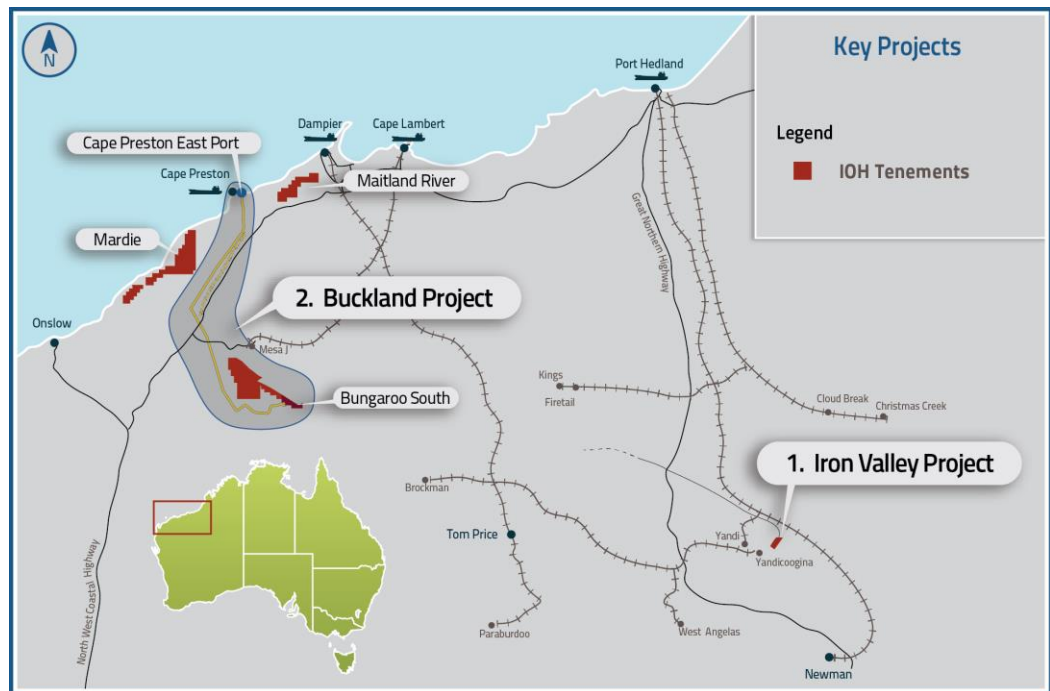
7 What you should know about IOH

7.1 Overview of IOH

IOH is an exploration and project development company, with a successful strategy of owning and managing a portfolio of bedded hematite, channel iron and magnetite iron ore tenements and projects in the Pilbara region of Western Australia.

The IOH portfolio comprises two key assets, Iron Valley and Buckland projects, as well as royalty entitlements and numerous other tenements and projects which are prospective for iron ore, or precious and base metals. The projects are all strategically located within close proximity to existing and planned infrastructure, as illustrated below. If the Offer completes, the Combined Group will be a leading mid-cap iron ore mining company, with the technical and financial capability to accelerate development and funding of the Buckland project. The IOH portfolio is described further in section 7.3 of this Target's Statement.

Figure 5: IOH key project locations



The IOH portfolio has:

- (i) Ore Reserves of 269 million tonnes @ 58.1% Fe, in direct shipping ore;
- (ii) Mineral Resources of 542 million tonnes @ 57.4% Fe, in direct shipping ore; and
- (iii) Mineral Resources of 1,106 million tonnes @ 30.4% Fe in beneficiable feed ore.

IOH is listed on the ASX under the code 'IOH' and, as at 8 August 2014 (the last trading day before the announcement of the Offer) had a market capitalisation of \$153 million.

7.2 History

A chronological account of key IOH events is set out below.

IOH was established in 2003 and listed on ASX in May 2005.

IOH initially focussed on geological activities across its Central Pilbara tenements.

In 2007 IOH purchased 10 iron ore tenements (accounting for an area of 640 kilometres) from Echelon Resources Ltd (now known as Fusion Resources Pty Ltd). These tenements were located at Buckland Hills, Koodaideri South Project and Maitland River.

As part of a strategic rationalisation process, IOH sold a number of smaller satellite tenements in 2011. These included the sale of Koodaideri South Project to Hamersley Iron for \$32 million cash plus a 2% FOB royalty on the ore mined from the tenements and three Central Pilbara satellite tenement packages, Phil's Creek, Lamb Creek and Yandicoogina Creek, to Mineral Resources Ltd (**MIN**) for \$42 million in cash.

In early 2012, IOH entered into a memorandum of understanding with FMG which gave FMG a 13-month option to study the feasibility of developing a mine at Iron Valley. IOH received a cash payment of \$25 million (the **FMG Iron Valley Option**).

Late in 2012 a pre-feasibility study for the Buckland project delivered strong results and set in place a solid foundation for the execution of a formal feasibility study on an integrated mine to ship solution for the Buckland project.

In February 2013 a deed of release was signed with FMG which facilitated the early termination of the FMG Iron Valley Option. Less than one month later IOH completed a mine gate sale agreement for the Iron Valley project with MIN.

In September 2013 IOH continued the strategy of divesting non-core tenements through the sale of its North Marillana group of satellite tenements to Australian Aboriginal Mining Corporation (formerly known as Maiden Iron Pty Ltd) for upfront and milestone based cash payments of up to \$7.75 million total with additional production based royalties. These arrangements are detailed further in sections 8.12(f) and 8.12(g) of this Target's Statement.

MIN commenced construction at the Iron Valley project in March 2014, with first shipment targeted by September 2014.

The feasibility study for the Buckland project was successfully completed in June 2014 and in the same month IOH entered into agreements with PPA for the development and operation of a transshipment facility at Cape Preston East.

7.3 Project activities

IOH is currently engaged in two significant projects.

(a) Iron Valley

The Iron Valley project is located in the Central Pilbara close to existing mines operated by the BHP Billiton group and the Rio Tinto group. IOH and MIN entered into an agreement dated 28 February 2013 (**IV Agreement**), under the terms of which MIN is developing and will operate the mine at MIN's cost and make quarterly mine gate sale payments to IOH for ore mined from the Iron Valley tenement.

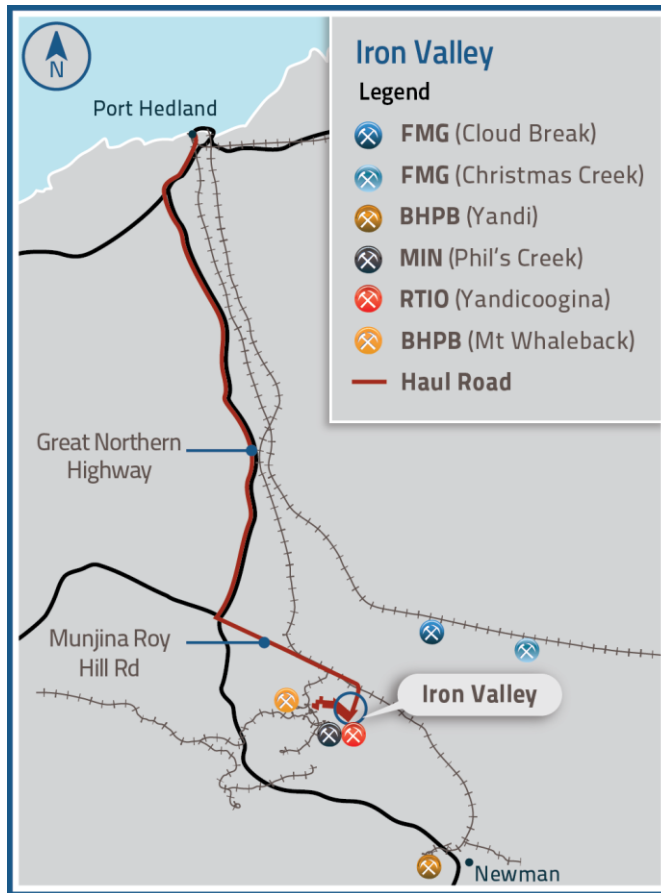
Construction is well advanced, and MIN plans to commence production from Iron Valley in Q1 FY2015. Transport will occur via road haulage to Port Hedland, on an established route MIN is currently using for the nearby Phil's Creek mine. Currently installed infrastructure should allow for up to 5-6 Mtpa production, with mine approvals secured that will allow for potential expansion to 10 Mtpa production.

The IV Agreement includes the following key terms:

- (i) The term of the arrangement with MIN, subject to extension by agreement, is the lesser of 20 years or 200 million tonnes of product purchased by MIN.
- (ii) MIN is to develop the mine at MIN's cost within 6 months from all required approvals being secured. The development milestone is on track to be achieved in Q1 FY2015.
- (iii) A production ramp up to a minimum of 4 Mtpa is anticipated within 2-3 years.
- (iv) MIN is to operate the mine at MIN's cost, pay to IOH a mine gate payment and take ownership of the mined tonnes at the Iron Valley mine gate.
- (v) Iron Valley Pty Ltd, a 100% owned subsidiary of IOH, remains the tenement owner and will make necessary statutory payments to keep the tenements in good standing. IOH is also responsible for making royalty payments to third parties and the State Government associated with the tonnes of iron ore that IOH sells to MIN.
- (vi) The mine gate price and the minimum tonnage purchase obligations are each structured in a manner that provides appropriate protection to the parties against agreed operational and economic conditions, while ensuring the parties also share in the upside of higher iron ore prices. The parties may suspend production under agreed circumstances including certain pricing and operating cost conditions.
- (vii) MIN will pay the mine gate payment to IOH on a quarterly basis. The payment will be based on the tonnage of product removed from the Iron Valley tenement during the quarter and an agreed confidential percentage rate of the average invoiced FOB Iron Valley price for the quarter (or a published index price, where removed Iron Valley ore is not sold by MIN during the relevant quarter). The percentage rate is tiered, and increases corresponding to higher Iron Valley FOB sale prices.
- (viii) The IV Agreement includes a mechanism whereby the parties would share on an agreed proportionate basis the benefit of any actual operating cost savings derived from a lower cost logistics solution for the transport of Iron Valley ore.

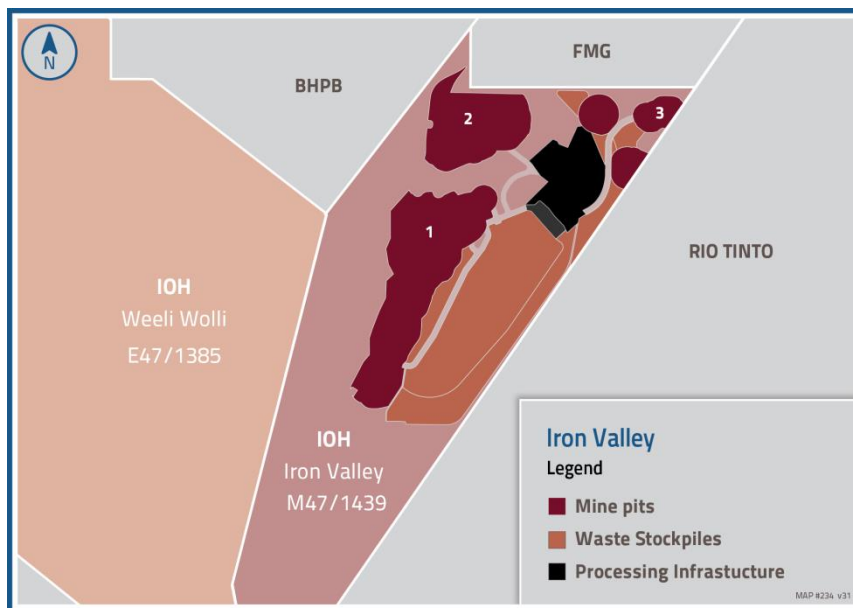
As an indication of potential value for IOH, assuming long term average Iron Valley FOB received prices between \$90 per tonne and \$110 per tonne, and production from 4 Mtpa to 7.5 Mtpa, the potential annual earnings that could flow to IOH could range from approximately \$20 million (assuming the lower price and production rate) to more than \$75 million (assuming the higher price and production rate and benefits of lower cost logistics solutions). All forecast earnings are particularly sensitive to key variables such as volatility in the iron ore market, foreign exchange rates and actual annual production tonnages achieved from the Iron Valley mine. Naturally, IOH cannot control or guarantee these key variables which will ultimately determine the earnings actually derived by IOH under the IV Agreement.

Figure 6: Iron Valley location



The proposed mine pit layout for Iron Valley is presented in Figure 7 below:

Figure 7: Iron Valley – Mine pit layout



(b) **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 Mtpa of ~58% Fe fines for more than 15 years with:

- (i) a reported pre-tax NPV¹⁰ of more than \$900 million;³
- (ii) low upfront capital intensity of approximately \$93 per annual tonne;⁴
- (iii) a low life-of-mine strip ratio of approximately 1:1;
- (iv) FOB cash operating costs averaging \$48.40 per tonne over the life-of-mine; and
- (v) all primary tenure and approvals in place.

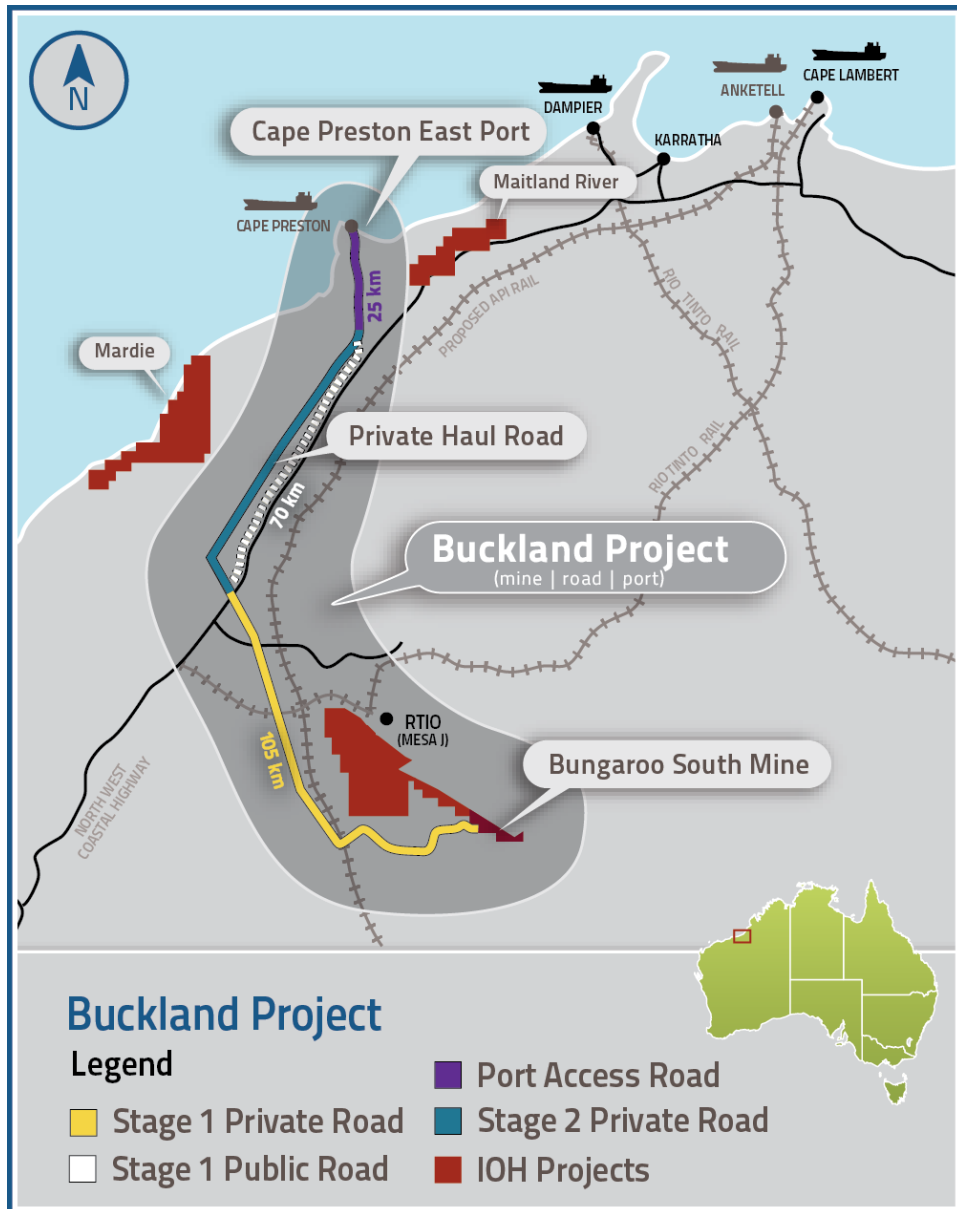
In June 2014, IOH entered into the Port Agreements with PPA which, subject to the satisfaction of certain conditions, will result in IOH's wholly owned subsidiary, CPL, being granted a lease at Cape Preston East with an initial term of 20 years for an area capable of supporting a 20 Mtpa port facility.

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 party deposits, potentially creating a significant additional revenue stream not included in the announced feasibility study financial results.

³ Refer IOH ASX announcement dated 4 June 2014.

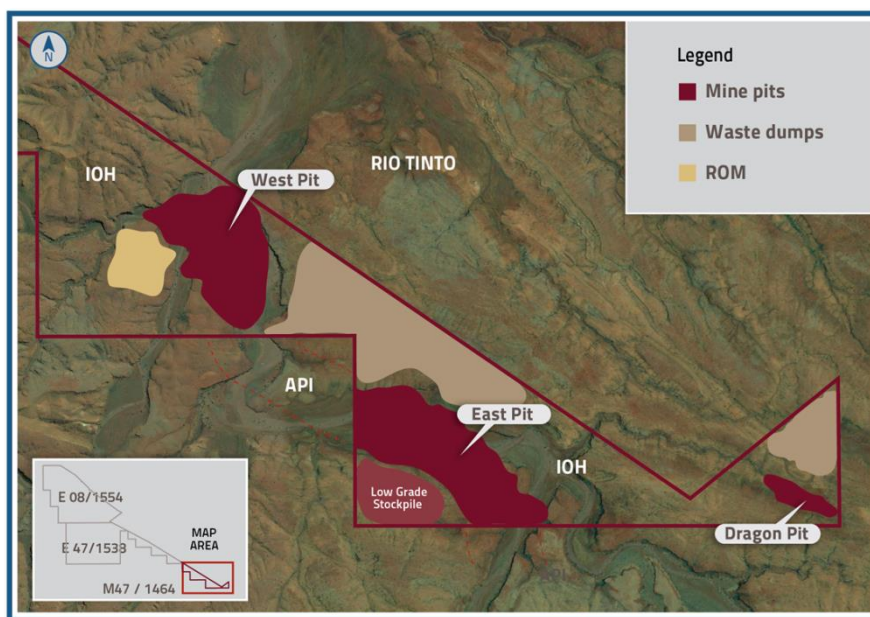
⁴ Based on upfront capital of A\$744 million (real; 2014 dollars) divided by 8 Mtpa.

Figure 8: IOH Buckland project



The proposed mine pit layout for Bungaroo South is presented below:

Figure 9: Bungaroo South – Mine pit layout



(c) **Other IOH Assets**

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

7.4 Resources and reserves

Within its projects IOH has total estimated Measured, Indicated and Inferred Mineral Resources comprising 542 million tonnes @ 57.4% Fe of DSO ore type and 1.1 Billion tonnes @ 30.4% Fe of BFO ore type (see Table A below).

IOH’s total estimated Proved and Probable Ore Reserve is 269 million tonnes @ 58.1% Fe, including 134 million tonnes @ 57.6% Fe (at a 54% Fe cut-off grade) at the Buckland project and 134.7 million tonnes @ 58.5% Fe (at a 53% Fe cut-off grade) at the Iron Valley project (see Table B).

Table A: IOH Total Mineral Resources

Type / Deposit	JORC Class	Cut-off (% Fe)	Tonnes ^D (Mt)	Density t/m ³	Fe (%)	CaFe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Direct Shipping Ore (DSO)										
Iron Valley^{A+B}	Indicated	50	216.3	2.9	58.4	63.0	5.1	3.1	0.18	7.2
	Inferred	50	42.8	3.0	57.9	61.1	7.0	3.9	0.14	5.2
Buckland^C										
Bungaroo South	Measured	50	30.9 ^C	2.6	57.4	62.1	6.7	3.0	0.15	7.6
	Indicated	50	214.9 ^C	2.5	56.6	61.6	7.8	2.4	0.15	8.1

Type / Deposit	JORC Class	Cut-off (% Fe)	Tonnes ^D (Mt)	Density t/m ³	Fe (%)	CaFe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Dragon	Indicated	50	9.1	2.3	55.8	60.9	8.1	3.1	0.14	8.3
	Inferred	50	3.4	2.3	54.7	59.4	10.2	3.0	0.13	7.9
Rabbit	Indicated	50	5.9	2.6	55.0	58.9	10.3	3.4	0.13	6.6
	Inferred	50	1.3	2.5	53.7	58.1	11.2	3.3	0.08	7.5
Rooster	Indicated	50	5.2	2.6	55.8	60.2	7.2	4.6	0.08	7.3
	Inferred	50	5.4	2.5	52.1	56.8	9.6	6.3	0.06	8.3
Snake	Inferred	50	7.1	2.6	57.0	62.6	5.8	2.8	0.15	9.0
	Measured	50	30.9	2.6	57.4	62.1	6.7	3.0	0.15	7.6
	Indicated	50	451.4	2.7	57.4	62.2	6.5	2.8	0.16	7.7
	Inferred	50	60.0	2.9	57.0	60.7	7.3	3.9	0.13	6.1
	Total DSO^E		542.3	2.7	57.4	62.0	6.6	2.9	0.16	7.5
Beneficial Feed Ore (BFO)										
Maitland River^A	Inferred	26	1,106.0 ^G	3.25	30.4	30.8	44.0	2.3	0.06	1.2
	Total BFO^F		1,106.0	3.25	30.4	30.8	44.0	2.3	0.06	1.2

^A This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported. All other resources classified and reported in accordance with JORC Code 2012 edition.

^B Includes Probable Ore Reserve of 134.7 million tonnes (see Table A above) - JORC Code 2004 edition.

^C Includes Proved and Probable Ore Reserves of 134.3 million tonnes (see Table 1 above) - JORC Code 2012 edition.

^D Tonnages are dry metric tonnes and have been rounded, hence small differences may be present in the totals.

^E DSO (**Direct Shipping Ore**) is considered to be ore types which do not require significant beneficiation (upgrading) before it is usable as feedstock in the sinter or iron making processes.

^F BFO (**Beneficial Feed Ore**) is comprised of ore types which require significant beneficiation (upgrading) before it is usable as feedstock in the sinter or iron making processes.

^G Indicative Davis Tube Recovery (grind size, P80 25 μ) testwork produced a magnetite concentrate with weight yields ranging from 13 - 28%.

Table B: IOH Total Ore Reserves

Deposit	JORC Ore Reserve	Tonnes ^B (Mt)	Cut-off (% Fe)	Fe (%)	CaFe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)	
Iron Valley^A	Proved	-	-	-	-	-	-	-	-	
	Probable	134.7	53	58.5	63.0	4.9	3.2	0.17	7.2	
Buckland										
Bungaroo South	Proved	23.2	54	58.3	62.9	5.8	2.9	0.15	7.4	
	Probable	106.7	54	57.5	62.6	6.6	2.3	0.15	8.1	
Dragon	Proved	-	-	-	-	-	-	-	-	
	Probable	4.4	54	57.1	62.3	6.5	2.8	0.14	8.4	
Total		269.0		58.1	62.8	5.7	2.8	0.16	7.6	

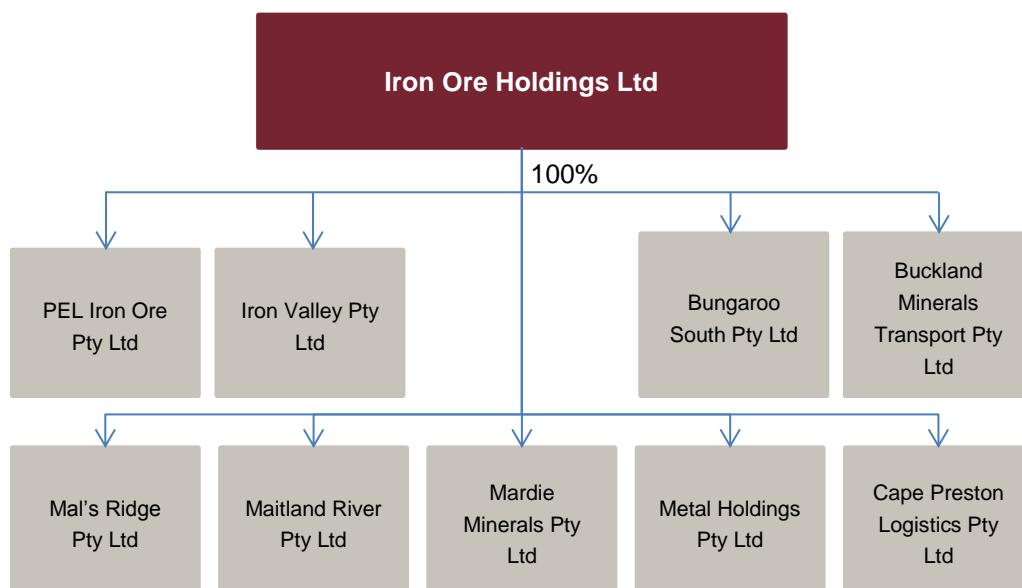
^A Reported in 2012 in accordance with JORC Code 2004 edition.

^B Tonnages are dry metric tonnes and have been rounded, hence small differences may be present in the totals.

7.5 IOH Group structure

The IOH Group structure is set out below.

Figure 10: IOH Group structure



7.6 IOH officers

(a) Hon. Richard Court AC - Non-Executive Chairman

Hon. Richard Court AC	
Appointment	Non-Executive Director from November 2007 and Non-Executive Chairman from January 2011
Qualifications	B.Comm (UWA)
Experience	<p>Mr Court was Premier and Treasurer of Western Australia from 1993 – 2001. He retired from Parliament after nineteen years as the Member for Nedlands. His Government led the LNG marketing push into new markets, the successful deregulation of the Western Australian gas markets and the successful privatisations of the SGIO, Bank West, Alinta Gas, Westrail Freight and the Dampier to Bunbury Natural Gas pipeline.</p> <p>In addition to the directorships held in other listed entities detailed below, Mr Court is also Chairman of Resource Investment Strategy Consultants; a consultant to ACE and Trustee of the Channel 7 Telethon Trust.</p> <p>Mr Court was appointed Companion in the General Division of the Order of Australia in June 2003 for service to the Western Australian Parliament and to the community, particularly the indigenous community and in the areas of child health research and cultural heritage and to economic development through negotiating major resource projects including new gas markets, furthering the interests of the nation as a whole.</p>
Special Responsibilities	Audit and Risk Committee member.

Hon. Richard Court AC

Directorships held in other listed entities in past three years

Chairman of National Hire Group Limited (appointed as Non-Executive Director in July 2008, appointed as Chairman in May 2010 and the Company was delisted in December 2011).

(b) **Brian O'Donnell – Non-Executive Director**

Mr Brian O'Donnell

Appointment

Non-Executive Director from December 2008

Qualifications

B.Comm (UWA), FCA

Experience

Mr O'Donnell has 30 years' experience in the finance and investment industry. He joined ACE as Group Treasurer in 1996, and was appointed to the Board in 2001. As Finance and Investments Director for the ACE Group, Mr O'Donnell has overall responsibility for all finance facilities and lender relationships for the ACE Group, in addition to responsibility for investment assessment, execution and management.

Prior to joining ACE, Mr O'Donnell was employed by the Deutsche Bank Group (1991-1996), Challenge Bank (1988-1991) and Arthur Andersen (1985-1988).

Mr O'Donnell has served on the Boards of several listed and unlisted public and private companies. Among other directorships, Mr O'Donnell is currently Non-Executive Chairman of the Landfill Gas & Power Holdings Pty Ltd Group and @www Pty Ltd, he is a Non-Executive Director of Coates Group Holdings Limited and the Fremantle Football Club. Mr O'Donnell is a Member of the Australian Institute of Company Directors.

Special Responsibilities

Audit and Risk Committee Chairman.

Directorships held in other listed entities in past three years

None.

(c) **Malcolm Randall – Non-Executive Director**

Mr Malcolm Randall

Appointment

Non-Executive Chairman from May 2005 to December 2010 and Non-Executive Director from January 2011

Qualifications

Dip Applied Chem, MAICD

Experience

Mr Randall has had extensive experience in corporate, management and marketing in the resource sector including over 27 years with the Rio Tinto group of companies. His iron ore experience has included senior technical and commercial management roles in Hamersley Iron and a commercial advisor to the Hope Downs Iron Ore project. Mr Randall is also a Non-Executive Director of four other ASX listed resource companies

Mr Malcolm Randall

Special Responsibilities

as noted below. Mr Randall is a Member of the Australian Institute of Company Directors.

Audit and Risk Committee member.

Directorships held in other listed entities in past three years

Current Director of Thundelarra Exploration Ltd, MZI Resources Ltd, Royal Resources Ltd and Summit Resources Ltd.

(d) Ryan Stokes – Non-Executive Director

Mr Ryan Stokes

Appointment

Non-Executive Director from January 2011

Qualifications

B.Comm (Curtin), FAIM

Experience

Mr Ryan Stokes is Chief Executive Officer of ACE and Chief Operating Officer of the ASX listed Seven Group Holdings Ltd (**SVW**). Mr Stokes was appointed an Executive Director of ACE in 2001 and CEO in April 2010. ACE is a private company. ACE holds a 68% interest in SVW. He has been an Executive Director of Seven Group Holdings Limited since February 2010, and was appointed Chief Operating Officer in 2012.

Mr Stokes is also a Director of WesTrac Pty Limited and has extensive experience in China, having developed relationships with various mining and media companies over the past 14 years. Mr Stokes is a Director of Seven West Media which owns the Seven Network, The West Australian Newspaper, Pacific Magazines, and 50% of Yahoo7. He has been a Director of Seven Network Limited since 2005 and was Executive Director then Chairman of Pacific Magazines from 2004 until 2008 and previously a Director of Yahoo!7 from inception in 2005 until 2013.

Mr Stokes is Chairman of the National Library of Australia, a position he has held since July 2012 and is a Director of the Australian Strategic Policy Institute. Mr Stokes is also a member of the Prime Ministerial Advisory Council on Veterans Mental Health established 2014.

Mr Stokes is the former Chairman of Australia's National Youth Mental Health Foundation (Headspace), a Federal Government initiative established in 2006. Mr Stokes was also a former member of the International Olympic Committee's Radio and Television Commission.

Special Responsibilities

None.

Directorships held in other listed entities in past three years

Current Executive Director of Seven Group Holdings (appointed as a Director in February 2010 and as Executive Director in April 2010) and Non-Executive Director of Seven West Media (appointed 21 August 2012), Director of Engin Limited (until the company delisted on 8 August 2011) and Consolidated Media Holdings (until the company delisted on 20 November 2012).

(e) **Alwyn Vorster – Managing Director**

Mr Alwyn Vorster	
Appointment	Managing Director from January 2011.
Qualifications	BSc (Geology), MSc (Mineral Economics), MBA.
Experience	<p>Mr Vorster joined IOH in the position of Chief Executive Officer in November 2010 and was appointed Managing Director in January 2011. He has more than 28 years' experience in both technical and commercial roles with some of the world's leading mining companies. Prior to joining IOH, Mr Vorster held positions of CEO (acting) and General Manager Business Development of Oakajee Port and Rail, and prior to that was Rio Tinto's Regional Manager for iron ore sales into Asia. During his employment with Rio Tinto, he served on the management board of the Channar Joint Venture (between Rio Tinto and Sinosteel). The earlier part of his career included geological, business development and marketing roles with Kumba Resources (a subsidiary of Anglo American).</p> <p>He is a member of the executive committee of the Australia China Business Council and is a Member of the Australian Institute of Company Directors.</p>
Special Responsibilities	Managing Director.
Directorships held in other listed entities in past three years	None.

(f) **Simon Robertson – Company Secretary**

Mr Simon Robertson	
Appointment	Company Secretary from November 2007.
Qualifications	B.Bus, CA, M Appl. Fin.
Experience	<p>Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and the Governance Institute of Australia. Mr Robertson currently holds the position of Company Secretary for a number of publically listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements.</p>
Special Responsibilities	Company Secretary.
Directorships held in other listed entities in past three years	None.

7.7 Financial profile of IOH

(a) Basis of presentation of unaudited financial information

The historical financial information below relates to IOH on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only. Full financial statements for IOH for year ended 30 June 2014 have not yet been finalised, and therefore the figures presented below in respect of that period are unaudited. Full financial statements for the year ended 30 June 2013, including notes to the accounts, can be found in IOH's annual report for that period.

As the financial information below includes unaudited financial information for the year ended 30 June 2014, there is a risk that finalisation of the audit of the financial information below may result in adjustments being made. IOH Shareholders should therefore treat the results of the financial performance for the year ended 30 June 2014 and the financial position as at 30 June 2014 outlined below as a guide only.

Where the audit leads to material adjustments to the financial information outlined below IOH will release a supplementary target's statement to disclose those material adjustments.

(b) Historical financial information of IOH

(i) Statement of financial position

The summarised historical statement of financial position of IOH as at 30 June 2014 and 30 June 2013 set out below has been extracted from the unaudited consolidated statement of financial position of IOH as at 30 June 2014, being the last balance date prior to the date of this Target's Statement. The consolidated statement of financial position of IOH as at 30 June 2013 has been audited.

	June 2014	June 2013
	\$	\$
Current assets		
Cash and cash equivalents	50,965,338	74,651,500
Trade and other receivables	822,124	1,132,166
Other assets	110,803	153,206
Total current assets	51,898,265	75,936,872
Non-current assets		
Trade and other receivables	363,564	328,319
Plant and equipment	366,357	597,025
Deferred mineral acquisition expenditure	1,888,981	1,888,981
Deferred tax assets	8,230,515	4,583,068
Total non-current assets	10,849,417	7,397,393
Total assets	62,747,682	83,334,265
Current liabilities		
Trade and other payables	6,497,464	9,073,557
Provisions	287,468	259,590
Total current liabilities	6,784,932	9,333,147
Non-current liabilities		
Total non-current liabilities	-	-

	June 2014 \$	June 2013 \$
Total liabilities	6,784,932	9,333,147
Net assets	55,962,750	74,001,118
Equity		
Issued capital	85,647,898	85,647,898
Reserves	1,624,323	3,867,700
Accumulated losses	(31,309,471)	(15,514,480)
Total equity	55,962,750	74,001,118

(ii) Statement of financial performance

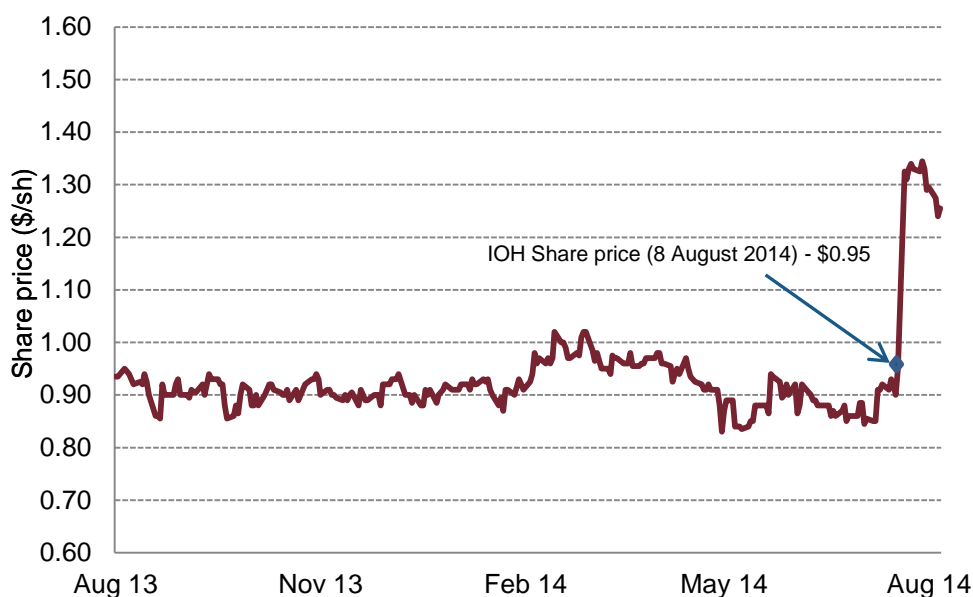
The summarised historical statement of financial performance of IOH for the year ended 30 June 2014 and the year ended 30 June 2013 shown below has been extracted from the unaudited consolidated statement of financial performance for the year ended 30 June 2014 (unaudited) and the year ended 30 June 2013 (audited).

	Year ended June 2014 \$	Year ended June 2013 \$
Revenue	4,968,910	4,487,375
Total revenue	4,968,910	4,487,375
Employee benefits expense	(7,473,803)	(8,150,373)
Administration expenses	(3,549,791)	(4,940,234)
Exploration, evaluation and development expenditure	(15,819,410)	(25,216,857)
FMG option termination fee and write off	-	(5,908,637)
Depreciation and amortisation expense	(339,669)	(600,998)
Loss before income tax	(22,213,763)	(40,329,724)
Income tax benefit	3,647,447	7,480,112
Loss after income tax from continuing operations	(18,566,316)	(32,849,612)
Other comprehensive income/(expense)	-	-
Loss for the year attributable to owners of IOH	(18,566,316)	(32,849,612)
Basic (loss) per share from continuing operations (cents per share)	(11.52)	(20.38)
Diluted (loss) per share from continuing operations (cents per share)	(11.52)	(20.38)

7.8 Recent share price performance

The below chart shows the price performance of IOH Shares on ASX during the period beginning 12 months prior to 27 August 2014.

Figure 11: IOH Share price – last 12 months



7.9 Issued capital

As at the date of this Target's Statement, IOH has the following securities on issue:

- (i) 161,174,005 IOH Shares; and
- (ii) 7,850,000 IOH Options (see sections 7.9, 8.3 and 8.6 of this Target's Statement for further information on the terms and conditions of these IOH Options).

7.10 Substantial holdings

As at the date of this Target's Statement, so far as known to IOH, there are no substantial holders of IOH Shares, except as set out below:

Substantial Holder	Number of IOH Shares held	Voting power
Wroxby Pty Ltd	84,936,013	52.70%
3 rd Wave Investors Ltd	8,725,000	5.41%

8 Additional information

8.1 Details of Directors

Your Directors as at the date of this Target's Statement are:

Name	Position
Hon. Richard Court AC	Non-Executive Chairman
Alwyn Vorster	Managing Director
Brian O'Donnell	Non-Executive Director
Malcolm Randall	Non-Executive Director
Ryan Stokes	Non-Executive Director

8.2 Directors' intentions with respect to their own IOH Shares

Each of your Directors currently intends, in the absence of a Superior Proposal, to accept or procure the acceptance of:

- (i) the Offer for all IOH Shares which he controls; and
- (ii) the Options Offer for all IOH Options which he controls.

8.3 Interests of Directors

(a) Interests in securities in IOH

Details of IOH Shares and IOH Options in which each Director has a Relevant Interest are as follows:

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

1. IOH Shares held indirectly by Australian Executor Trustees Limited for the RF Court Private Superannuation Fund
2. IOH 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
1,000,000 options exercisable at \$1.797 each on or before 24 November 2018
3. IOH Shares held indirectly by Rockstone Enterprises Pty Ltd ACN 009 348 467 as trustee for the O'Donnell Superannuation Fund
4. IOH Shares and IOH Options held indirectly by Renique Holdings Pty Ltd ACN 009 084 575 (Renique Holdings) as trustee for the Randall Superannuation Fund. Mr Randall is a director and shareholder of Renique Holdings.
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

(b) **Dealings in securities in IOH**

No Director acquired or disposed of a Relevant Interest in any IOH Shares or IOH Options during the four month period ending on the date immediately before the date of this Target's Statement.

(c) **Interests in securities of BC Iron**

No Director has a Relevant Interest in BC Iron securities.

(d) **Dealings in securities of BC Iron**

Neither IOH nor any Director acquired or disposed of a Relevant Interest in any securities in BC Iron during the four month period ending on the date immediately before the date of this Target's Statement.

(e) **Agreements and benefits conditional on or connected with the Offer**

No Director is a party to any agreement or arrangement with, and no Director is entitled to receive any benefit from BC Iron which is conditional on or connected with the Offer save in his capacity as an IOH Shareholder, other than for:

- (i) Mr Vorster who may be engaged for a term consultancy to continue his work on the Buckland project (see section 7.4 of the Bidder's Statement for further information);
- (ii) Mr Vorster and Mr Randall who hold IOH Options (see sections 7.9, 8.3 and 8.6 of this Target's Statement for further information) and who intend to accept the Options Offer (see section 8.6 of this Target's Statement for further information); and
- (iii) Mr Vorster and Mr O'Donnell who will be invited to become non-executive directors of BC Iron and may therefore be entitled to the same directors fees as other non-executive directors of BC Iron.

(f) **Contracts with IOH**

As disclosed in a covering letter (dated 23 October 2013) to the IOH Quarterly Activities Report for the period ending 30 September 2013 (**Quarterly Activities Report**) and in accordance with ASX Listing Rule 3.16.4 and ASX Policy on Disclosure of MD / CEO Remuneration, IOH advised that Mr Alwyn Vorster's contract as Managing Director had been renewed.

The key terms of Mr Vorster's contract extension are described in the Quarterly Activities Report.

(g) **Payments and benefits**

Except as disclosed in this Target's Statement, other than a benefit permitted under section 200F of the Corporations Act, no benefit is proposed to be given to a Director:

- (i) in connection with his retirement from office at IOH or a related body corporate of IOH; or
- (ii) in connection with the transfer of the whole or any part of the undertaking or property of IOH.

To the extent permitted by law and subject to restrictions in the Corporations Act, IOH indemnifies each Director against any liabilities arising as a result of the Director acting as an officer of the Company.

IOH has also paid a premium in respect of a contract insuring all directors, secretaries and officers of IOH against liabilities incurred in their capacity as a director or officer, as the case may be, of IOH. The period of the policy extends from 30 April 2014 (being the renewal) until 30 April 2015 or when BC Iron acquires the business or assets of IOH, whichever the earlier.

8.4 Bid Implementation Agreement

On 10 August 2014, BC Iron and IOH entered into the Bid Implementation Agreement. A full copy of the Bid Implementation Agreement was released by BC Iron to the ASX on the Announcement Date and is available at www.asx.com.au.

The key terms of the Bid Implementation Agreement are summarised below. The conditions of the Offer as included in the Bid Implementation Agreement are set out in section 3.10 of this Target's Statement and section 12.8 of the Bidder's Statement.

(a) Exclusivity arrangements

The Bid Implementation Agreement contains certain exclusivity arrangements in favour of BC Iron. These arrangements are set out in full in clause 8 of the Bid Implementation Agreement. In summary, IOH has agreed to the following exclusivity arrangements which apply during the exclusivity period, (which is a period beginning 10 August 2014 and ending on the earlier of either the end of the Offer Period or the date the Bid Implementation Agreement is terminated):

- (i) **No shop** – IOH must not, and must ensure that none of its Related Persons, solicit, invite, encourage or initiate any inquiry, expression of interest, proposal or discussion by any person that may encourage or lead to a Competing Proposal;
- (ii) **No talk** – IOH must not, and must ensure that none of its Related Persons, participate in or continue any negotiations or discussions, enter into an agreement, arrangement or understanding, or provide any non-public information that may encourage or lead to a Competing Proposal, unless the IOH Board determines in good faith that compliance with such obligations would be likely to be considered a breach of fiduciary or statutory duties owed by your Directors;
- (iii) **Notification of approaches** – if IOH, or any of its Related Persons, becomes aware of any approach in relation to a Competing Proposal, IOH must notify BC Iron of such approach, and provide certain details to BC Iron relating to the Competing Proposal; and
- (iv) **Matching right** – IOH is prohibited from entering into an agreement in connection with a Competing Proposal unless:

- (A) the IOH Board acting in good faith determines that the Competing Proposal would be or would be likely to lead to a Superior Proposal;
- (B) IOH has provided to BC Iron the material terms and conditions of the Competing Proposal, including the price and identity of the person making the Competing Proposal;
- (C) IOH has given BC Iron at least 3 Business Days after provision of such information to provide a matching or superior proposal to the terms of the Competing Proposal; and
- (D) 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 referred to above.

(b) **Reimbursement fee arrangements**

IOH has agreed to pay BC Iron a reimbursement fee of \$2.6 million in certain circumstances. The circumstances are set out in full in clause 7.2 of the Bid Implementation Agreement.

In summary, the reimbursement fee will be payable to BC Iron if:

- (i) **Failure to recommend** – during the exclusivity period, the IOH Board or any Director fails to recommend that IOH Shareholders accept the Offer in the absence of a Superior Proposal, or having made such recommendation, withdraws, adversely revises or adversely qualifies that recommendation for any reason;
- (ii) **Recommending a Competing Proposal** – during the exclusivity period, the IOH Board or any Director recommends that IOH Shareholders accept, vote in favour of or otherwise support a Competing Proposal;
- (iii) **Third Party acquires control** – a Competing Proposal is announced during the exclusivity period and within 12 months of that announcement, the third party or any Associate of that third party completes the Competing Proposal (of a kind referred to in paragraphs 2 to 4 of the definition of Competing Proposal), enters into an agreement, arrangement or understanding (of the kind referred to in paragraph 5 of the definition of Competing Proposal), or (either alone or together with any Associate) acquires a Relevant Interest in more than 50% of the IOH Shares or acquires control of IOH; or
- (iv) **Material breach by IOH** – BC Iron terminates the Bid Implementation Agreement in relation to a material breach by IOH.

BC Iron has also agreed to pay IOH a reimbursement fee of \$2.6 million if IOH terminates the Bid Implementation Agreement in relation to a material breach by BC Iron.

(c) **Conduct of business**

The Bid Implementation Agreement sets out in clause 4 (amongst other things) the obligations of IOH from the date of the Bid Implementation Agreement until the end of the exclusivity period in relation to its conduct of business.

Amongst other things, IOH has agreed to:

- (i) conduct its business in the ordinary and usual course consistent with how the business was conducted immediately prior to entry into the Bid Implementation Agreement;
- (ii) keep BC Iron informed of the conduct of their business and promptly provide to BC Iron upon reasonable request regular reports 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;
- (iii) take reasonable steps to preserve and maintain the value of the business and assets, and relationships with customers, suppliers, employees and others with whom they have material business dealings; and
- (iv) notify, and consult with, BC Iron prior to any material engagement or communication with any Government Agencies or existing or potential counterparties in connection with the Offer, the Buckland or Iron Valley projects, or a material contract.

Clause 4 of the Bid Implementation Agreement also sets out similar obligations on behalf of BC Iron.

(d) Distributions

Until the end of the Offer Period, IOH has agreed that it will not declare any dividend or other distribution without the prior written consent of BC Iron.

(e) Change in recommendation

IOH must use reasonable endeavours to participate in efforts reasonably required by BC Iron to promote the merits of the Takeover Bid and has agreed, in the absence of a Superior Proposal, to unanimously recommend the Offer to shareholders, not to make any public statement or take any public action which would suggest otherwise, and not to withdraw its recommendation.

(f) Warranties

IOH and BC Iron have each provided a number of warranties as at the date of the Bid Implementation Agreement and until the last issue of the BC Iron Shares under the Offer. These warranties are set out in full in clause 10 of the Bid Implementation Agreement.

(g) Termination

Either BC Iron or IOH may terminate the Bid Implementation Agreement by written notice to the other if:

- (i) the IOH Board or a majority of the IOH Board changes its recommendation in relation to the Takeover Bid as a result of determining it has received a Superior Proposal;
- (ii) the other party is in material breach of the Bid Implementation Agreement (and fails to rectify such breach within 10 Business Days);
- (iii) a representation or warranty is or becomes untrue in any material respect (and if it had been disclosed it would have resulted in the party not entering

into the Bid Implementation Agreement or entering into it on materially different terms);

- (iv) a court or Government Agency restrains or prohibits the Takeover Bid and there is no realistic prospect of a successful appeal or review; or
- (v) BC Iron withdraws the Takeover Bid for any reason, including non-fulfilment of a condition that is not waived by BC Iron.

IOH may also terminate the Bid Implementation Agreement by written notice to BC Iron if a material adverse change or prescribed occurrence occurs in relation to BC Iron, or if BC Iron announces, makes, declares or pays any distribution other than the dividend disclosed in the Bid Implementation Agreement.

8.5 Potential impact of Offer on IOH's material contracts

IOH is a party to the following material contracts, which require the consent of third parties to a change of control of IOH:

- (i) royalty deed between Hamersley Iron and PEL (a wholly owned subsidiary of IOH) dated 27 September 2011 (**Royalty Deed**) with a deed of assignment between PEL and IOH under which PEL agreed to assign a portion of its interest under the Royalty Deed to IOH;
- (ii) the Port Facilities Agreement; and
- (iii) the Construction Works Lease.

The Royalty Deed provides broadly that any change in the beneficial ownership of 50% or more (in aggregate) of the voting shares in PEL and IOH (as the holders of the royalty the subject of the Royalty Deed (**Royalty**)) or any change in the effective control of PEL and IOH is deemed to be an assignment by PEL and IOH of the Royalty. In these circumstances, as that deemed assignment is to any person that produces, trades or otherwise disposes of iron ore products other than a related body corporate of PEL and IOH, each of PEL and IOH will have to first give notice to that effect to Hamersley Iron, and Hamersley Iron will have a right to acquire the sale interest and to discharge its obligations under the Royalty Deed. As such, if a change of control (as defined in the Royalty Deed) occurs there will be a deemed assignment of the Royalty to BC Iron, as BC Iron produces iron ore, Hamersley Iron may acquire the Royalty by paying the applicable price determined in accordance with the Royalty Deed to PEL and IOH (as appropriate).

Further information regarding the Royalty Deed is provided in section 8.12(d) of this Target's Statement.

The Port Facilities Agreement and the Construction Works Lease provide broadly that any change in the beneficial ownership of 50% or more (in aggregate) of the voting shares in Cape Preston Logistics or any change in the effective control of Cape Preston Logistics is deemed to be an assignment of the Port Agreements and require PPA's prior consent and compliance with the other requirements of the Port Agreements. The Offer is conditional on PPA's written consent to the change of control in IOH that could occur pursuant to the Offer (which is treated by each of the Port Facilities Agreement and the Construction Works Lease as an assignment of Cape Preston Logistics' rights under the those agreements to BC Iron).

Further information regarding the Port Agreements is provided in section 8.12(e) of this Target's Statement.

8.6 Impact of Offer on IOH Options

IOH has 7,850,000 IOH Options on issue, each exercisable into one IOH Share. The table below summarises the IOH Options on issue as at the date of this Target's Statement:

Number of IOH Options	Expiry Date	Exercise Price
1,950,000	22 November 2014	\$1.90
2,900,000	13 November 2015	\$1.40
1,000,000	24 November 2016	\$1.297
1,000,000	24 November 2017	\$1.547
1,000,000	24 November 2018	\$1.797

Prior to the Offer becoming unconditional, pursuant to the Bid Implementation Agreement, BC Iron agreed to make an offer to each holder of IOH Options to acquire IOH Options.

The Options Offer will be an offer by BC Iron to Optionholders in respect of IOH Options on the terms set out in the Bid Implementation Agreement (which offers will only become unconditional if the Offer becomes unconditional and any necessary waiver is granted).

The Offer extends to IOH Shares issued after the Record Date and during the Offer Period due to the exercise of IOH Options that are on issue at the Record Date.

8.7 Valuation of IOH Options under Options Offer

The value of the consideration payable under the Options Offer has been determined using the Black Scholes options valuation method and on the basis of the following assumptions and inputs:

- (i) no adjustment for liquidity and vesting criteria;
- (ii) assuming an IOH dividend yield of 0%;
- (iii) 50% volatility;
- (iv) a risk free rate based on the yield of Australian Government bonds with a term closest to the expiry date of the application IOH Options tranche;
- (v) 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) Implied BC Iron Share Price = A-B;
 - (B) "A" is the 60 day 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" is the BC Iron final dividend for financial year 2014 per BC Iron Share;
- (vi) 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; and

- (vii) the BC Iron Shares issued pursuant to the Options Offer shall be unrestricted and rank equally with all other BC Iron Shares on issue.

The BC Iron Shares to be offered pursuant to the Options Offer are set out in the following table:

Number of IOH Options	Expiry Date	Exercise Price	BC Iron Shares to be issued
1,950,000	22 November 2014	\$1.90	33,811
2,900,000	13 November 2015	\$1.40	368,018
1,000,000	24 November 2016	\$1.297	177,290
1,000,000	24 November 2017	\$1.547	176,229
1,000,000	24 November 2018	\$1.797	180,099

8.8 Changes in the financial position of IOH

The most recent published financial information in relation to the IOH Group is contained in the Company's audit reviewed financial report for the half-year ended 31 December 2013, which was lodged with ASX on 5 March 2014. The unaudited financial position as at 30 June 2014 contained in section 7.7 of this Target's Statement has not been previously published as the financial statements have not been finalised as at the date of this Target's Statement.

As the financial information contained in section 7.7 of this Target's Statement includes unaudited financial information for the year ended 30 June 2014, there is a risk that finalisation of the audit of that information may result in adjustments being made. IOH Shareholders should therefore treat the results of the financial performance for the year ended 30 June 2014 and the financial position as at 30 June 2014 contained in section 7.7 of this Target's Statement as a guide only.

Where the audit leads to material adjustments to the financial information contained in section 7.7 of this Target's Statement, IOH will release a supplementary target's statement to disclose those material adjustments.

8.9 Continuous disclosure

IOH is a disclosing entity and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These require IOH to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for confidential information.

Copies of documents filed with ASX by IOH may be obtained from the ASX website at www.asx.com.au or from the IOH website at www.ironoreholdings.com. Copies of documents lodged with ASIC in relation to IOH may also be obtained from, or inspected at, an ASIC office.

A list of documents filed with ASX by or concerning IOH since its last Annual Report is set out in the table below.

Date	Announcement
25 August 2014	Notice of completion of dispatch of Bidder's statement

Date	Announcement
25 August 2014	Form 603 – initial notice IOH takeover bid from BCI
22 August 2014	Offer for IOH – notice of record date
22 August 2014	Offer for IOH – Bidder's Statement
11 August 2014	Presentation – BC Iron acquisition of Iron Ore Holdings
11 August 2014	Bid Implementation Agreement
11 August 2014	BC Iron to acquire Iron Ore Holdings
25 July 2014	Investor Presentation
25 July 2014	Quarterly Activities Report
25 July 2014	Quarterly Cashflow Report
26 June 2014	Buckland Project Port Lease Secured
4 June 2014	Buckland Project Positive Feasibility Study Results
4 June 2014	Buckland Project Updated Ore Reserve
21 May 2014	Buckland Project Stage 2 Haul Road Licences Granted
29 April 2014	Quarterly Activities Report
29 April 2014	Quarterly Cashflow Report
11 April 2014	Change of Director's Interest Notice AV
31 March 2014	Buckland Project Heritage Approvals for Mine Road and Port
18 March 2014	Buckland Project Haul Road Licences Secured
12 March 2014	Investor Presentation
6 March 2014	Iron Valley Project – Construction Commences
5 March 2014	Half Yearly Report and Accounts
14 February 2014	Buckland Project Mine Environmental Approval
30 January 2014	Buckland Project Increased Ore Reserve
28 January 2014	Buckland Project Mineral Resource Update
24 January 2014	Quarterly Activities Report
24 January 2014	Quarterly Cashflow Report
26 November 2013	Change of Director's Interest Notice MR
26 November 2013	Change of Director's Interest Notice AV
26 November 2013	Appendix 3B
25 November 2013	Results of Meeting
25 November 2013	Annual General Meeting 2013 Presentation

Date	Announcement
25 November 2013	Annual General Meeting Option Exercise Price
8 November 2013	Change of Director's Interest Notice AV
5 November 2013	Becoming a substantial shareholder

8.10 Risk factors of holding your IOH Shares

There are a number of risks which may have a material and adverse impact on the future operating and financial performance of IOH and the value of IOH Shares. These may be risks that are widespread risks associated with any form of business or specific risks associated with IOH's business and its involvement in the exploration and mining industry. While most risk factors are largely beyond the control of IOH and your Directors, the Company will seek to mitigate the risks where possible, for example by obtaining appropriate insurances and maintaining its key relationships.

The following summary, which is not exhaustive, represents some of the major risk factors which affect IOH. These risk factors ought not to be taken as exhaustive of the risks faced by IOH or by IOH Shareholders. These factors, and others not specifically referred to, may in the future materially affect the financial performance of IOH and the value of IOH Shares.

(a) Future trading price

There is a risk that the IOH Share price may fall if the Offer is unsuccessful.

Your Directors are not in a position to speculate on the future trading price of the IOH Shares, including if the Offer lapses. The future price of IOH Shares is dependent not only on IOH's performance, but also on external market and other factors.

(b) Share market risk

Share market conditions may affect the value of IOH's Shares regardless of IOH's operating performance. The market price of IOH Shares may be subject to fluctuation and may be affected by many factors including (but not limited to) the general economic outlook, interest rates and inflation rates, currency fluctuations, commodity price fluctuations, changes in investor sentiment toward particular market sectors, the demand for, and supply of, capital and terrorism or other hostilities.

(c) Financing and capital

IOH's continued ability to effectively implement its business plan over time may depend in part on its ability to raise additional funds. Notwithstanding IOH's current financial position, IOH's capacity to develop projects depends on its ability to put significant funding solutions in place.

There can be no assurance that IOH will generate sufficient cash flow, or that access to sufficient investments, loans or other financing alternatives will be secured on commercially acceptable terms.

(d) Commodity price volatility

Internationally traded commodities and price changes are driven by a number of supply and demand factors which are outside of IOH's control and are subject to exchange rate

risks. In addition, commodity prices fluctuate and are affected by many factors beyond the control of IOH and your Directors.

Changes to commodity prices may impact the value of IOH's projects and any revenue derived from those projects.

(e) **Operating risks**

The current and future operations of IOH, including exploration, appraisal, construction and production activities may be affected by a range of factors, including adverse geological conditions, limitations on activities due to seasonal weather patterns and cyclone activity, unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities, mechanical failure of operating plant and equipment, industrial and environmental accidents, industrial disputes, riots and other force majeure events, unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment and the inability to obtain necessary consents or approvals.

Further, mechanical or operational failures during drilling, sampling, test work construction and production could cause IOH substantial loss due to the cost of delay, personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Any of these events might also give rise to claims against IOH.

(f) **Area D risk**

The area known as 'Area D' at Cape Preston East forms part of the base-case for the land area for the proposed Cape Preston East multi-user port to be developed by CPL.

Area D is currently the subject of a general purpose lease held by Mineralogy Pty Ltd (**Mineralogy**) under the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002* (WA) (**Mineralogy Agreement**).

In December 2008, the Mineralogy Agreement was varied to provide that the Minister responsible for the Mineralogy Agreement could request Mineralogy to surrender Area D. IOH understands that a request to surrender Area D was issued to Mineralogy but to date, Mineralogy has not complied with that requirement.

IOH further understands the State and Mineralogy have agreed to enter into arbitration on issues associated with the surrender of Area D. Until Area D is surrendered under the Mineralogy Agreement, IOH's ability to access and use that area is curtailed.

The Construction Works Lease contains a mechanism by which IOH will, if Area D becomes available, be granted a lease in respect of that area.

If Area D is not available to CPL, IOH has developed viable alternatives, however those alternatives will increase the capital and operating costs of the Buckland project and delay the project implementation.

(g) **Exploration and development risk**

IOH's future value will be materially dependent on the success or otherwise of IOH's activities which are directed towards the search, evaluation and development of iron ore and other resources. Exploration for these resources is speculative and involves a significant degree of risk. Although the rewards can be substantial, there is no guarantee that future exploration on territories for which IOH has exploration permits and licences

will lead to a commercial discovery or, if there is such discovery, that IOH will be able to develop it economically. If at any stage IOH is precluded from pursuing any of its exploration programs or from developing any resource it may identify or decides not to continue with any of these, this may have an adverse effect on the value of IOH Shares.

(h) **Resource and reserve estimates**

Resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information (including changed commodity prices) or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change.

(i) **Reliance on key personnel**

IOH has benefited from having a high quality but small management team available. Loss of a number of key personnel may adversely affect IOH.

(j) **Regulatory approvals**

Any successful progression of discoveries and development of associated infrastructure requires obtaining and continuing to hold the necessary statutory licences, tenure and rights together with the relevant regulatory approvals as required from local, state, national government agencies and authorities.

The required tenure, rights and approvals may be issued at the discretion of the relevant authorities and may be delayed or subject to conditions or preconditions or forfeited or cancelled. Any delay or denial may result in the relevant project being curtailed or abandoned or imposition of prescribed conditions that may impact a project's viability.

These risks apply generally to the IOH Group including the arrangements under the Port Agreements which, as at the date of this Target's Statement, remain conditional upon the satisfaction of a number of matters including the vesting by the State of Western Australia of the land for the Cape Preston East multi-user port in PPA.

(k) **Foreign exchange risk**

Commodity contracts are often denominated in US dollars. However, IOH will incur the majority of its costs in Australian dollars. As such, a strengthening or weakening of the Australian dollar relative to the US dollar may impact IOH's financial position adversely or positively.

(l) **Litigation**

Litigation risks relating to the IOH Group include contractual claims, employee claims, regulatory disputes, joint venture claims and disputes and the costs associated with such claims and disputes. There is a risk that material or costly disputes could arise which may have a material adverse effect on the financial performance and position of IOH.

Mineralogy lodged an application for judicial review with the Supreme Court of Western Australia on 3 June 2014 in respect of the grant of miscellaneous licences 08/104 and 08/105 to Buckland Minerals Transport Pty Ltd (**Licences**). The Licences were granted under the terms of the *Mining Act 1978* (WA) by Warden K Tavener on 24 April 2014 after a contested hearing involving Mineralogy as the objector. The IOH Group intends on using the Licences as part of the expansion of the Buckland project to transport ore in

excess of 8 Mtpa from the Buckland project to the transshipping facility at Cape Preston East. That application is scheduled for hearing on 9 and 10 October 2014.

There is a risk that this matter, and any other similar material or costly disputes that may arise, may have a material adverse effect on the financial performance and position of the IOH Group.

(m) **Environmental risks and health and safety**

The proposed activities and operations of IOH are subject to Australian laws and regulations concerning the environment and health and safety matters. Although IOH endeavours to conduct its activities in a safe and environmentally responsible manner, if it is responsible for environmental damage it may incur substantial costs for rehabilitation, emergency response and losses by third parties resulting from its operations. In addition, some of IOH's activities are conducted in potentially hazardous conditions, which can lead to accidents resulting in significant trauma and loss of life and compensation claims or payments, some of which may not be insured. Production delays can also occur as a result of a significant event.

(n) **Sovereign risk**

IOH's exploration and development activities are conducted in Australia. There is no assurance that future political and economic conditions will not result in either government adopting policies that may result in changes in laws or implementing new legislation.

8.11 Due diligence

IOH has provided BC Iron with certain non-public information about IOH, for the purposes of BC Iron conducting a due diligence review of that information in connection with the Offer.

8.12 Material contracts

Set out below are summaries of the material contracts to which IOH or any of its subsidiaries is a party.

(a) **Bid Implementation Agreement**

On 10 August 2014 IOH entered into the Bid Implementation Agreement with BC Iron. The Bid Implementation Agreement was attached to the announcement dated 11 August 2014.

(b) **Iron Valley Agreement**

On 28 February 2013 IOH entered into the IV Agreement with MIN which is in effect an iron ore sale and purchase agreement. IOH has subsequently assigned its interest in the Iron Valley project and the IV Agreement to its wholly owned subsidiary, Iron Valley Pty Ltd. Further information regarding the IV Agreement is set out in section 7.3 of this Target's Statement.

(c) **Ammon Royalty Deed**

On 22 March 2005, IOH entered into a royalty deed with Mr Derek Noel Ammon under which IOH agreed to pay Mr Ammon a royalty of 1.25% of the FOB price of iron ore produced and sold from exploration licences 47/1236, 47/1237, 47/1238, 47/1239 and 47/1385 (and replacement or subsequent tenements). The affected tenements that are

still held by the IOH Group include the Breakaway Tenements and the Iron Valley project tenement. The Buckland project is not affected by the royalty arrangement with Mr Ammon.

(d) **Koodaideri Royalty Deed**

As part of a sale of IOH's former Koodaideri South Project to Hamersley Iron in September 2011, on 27 September 2011 PEL entered into the Royalty Deed with Hamersley Iron.

Under the Royalty Deed, PEL is to be paid a royalty equal to 2% of the FOB revenue for all iron ore product mined and sold by Hamersley Iron from the Koodaideri South Project.

On 26 June 2013 PEL assigned a part of its interest in the Royalty to IOH.

(e) **Port Agreements**

IOH has entered into the following Port Agreements:

- (i) a Construction Works Lease and Licence – CPL Port Facility dated 26 June 2014 between PPA, Cape Preston Logistics and IOH (**Construction Works Lease**);
- (ii) a Port Facilities Agreement – CPL Port Facility dated 26 June 2014 between PPA, Cape Preston Logistics and IOH; and
- (iii) a Third Party Access Regime dated 26 June 2014 between PPA, Cape Preston Logistics and IOH (**Third Party Access Regime**).

Subject to the satisfaction of certain conditions, the Construction Works Lease enables IOH to develop a 25 km port access road, a stockyard area capable of supporting 20 Mtpa throughput and a 1.4 km trestle jetty with a conveyor and shiploader system. Associated infrastructure such as a desalination plant, power generators, accommodation facilities, administration buildings and a truck maintenance area will also be constructed at Cape Preston East.

On completion of constructions the Construction Works Lease provides for an operating lease to be entered into, which creates a leasehold interest of the area of the Cape Preston East multi-user port for an initial term of 20 years. IOH will have, subject to conditions, the right to extend the term and to expand its leased area.

The Third Party Access Regime governs the ability of third parties to gain access to the Cape Preston East facilities.

(f) **Asset Sale Agreement and Royalty Deed – Extension Tenements**

On 4 September 2013 IOH entered into an asset sale agreement with Australian Aboriginal Mining Corporation in relation to mining leases 47/1353, 47/1354, 47/1355 and 47/1356 (the **Extension Tenements**). As part of that sale, Australian Aboriginal Mining Corporation paid IOH an initial amount of \$2,250,000. A further payment of \$1,750,000 is to be paid by Australian Aboriginal Mining Corporation within 90 days of it commencing substantial mining activities associated with the production of iron ore products (including pre-stripping) on the Extension Tenements.

In addition, under a royalty deed between IOH and Australian Aboriginal Mining Corporation dated 4 September 2013, once Australian Aboriginal Mining Corporation commences production of iron ore products from the Extension Tenements, it must pay

IOH a royalty at a sliding rate of between 1.25% and 2.5% of the aggregate value of the iron ore product shipped. IOH was granted a mortgage over the Extension Tenements in respect of its royalty interest.

(g) Option and Sale Agreement – Breakaway Tenements

On 4 September 2013 IOH entered into an option and sale agreement with Australian Aboriginal Corporation in relation to exploration licences 47/1239 and 47/2001 (the **Breakaway Tenements**). Under that arrangement, in exchange for a non-refundable payment of \$250,000 to IOH, Australian Aboriginal Corporation was granted the sole and exclusive option to acquire a 100% interest in the Breakaway Tenements. Australian Aboriginal Corporation has until 3 September 2014 to exercise that option. If Australian Aboriginal Corporation elects to exercise the option, it must pay IOH a further \$3,500,000.

In addition, if Australian Aboriginal Corporation exercises the option to acquire the Breakaway Tenements, once Australian Aboriginal Corporation commences production of iron ore products from the Breakaway Tenements, it must pay IOH a royalty at a sliding rate of between 1.25% and 2.5% of the aggregate value of the iron ore product shipped. IOH will also be granted a mortgage over the Breakaway Tenements in respect of its royalty interest.

Further, if at any time Australian Aboriginal Corporation is producing iron ore from the Breakaway Tenements and such product is transported by rail, Australian Aboriginal Corporation must pay IOH an additional rail savings payment.

(h) Native title agreements

The IOH Group has entered into the following material native title arrangements:

- (i) a land access deed between IOH and the Nyiyaparli People dated 20 December 2011 relating to the Iron Valley project;
- (ii) a land access deed between IOH, PEL, Maitland River Pty Ltd, Mal's Ridge Pty Ltd, Yandi Coogina Pty Ltd (now known as Mardie Minerals Pty Ltd), Bungaroo South Pty Ltd, South Marillana Pty Ltd (now known as Cape Preston Logistics) and the Kuruma Marthudunera People dated 22 October 2012 relating to the Buckland project; and
- (iii) a land access deed between IOH, PEL, Maitland River Pty Ltd, Mardie Minerals Pty Ltd, Cape Preston Logistics and the Yaburara Mardudhunera People dated 23 November 2012 relating to the Buckland project.

Each of the respective deeds allow the IOH Group to exercise all rights on all exploration, mining and infrastructure tenements (other than rail and deep water port developments) within the relevant claim boundaries, subject to the IOH Group complying with the relevant legislation. Under the deeds, IOH agreed to commercial terms that provide compensation to the relevant native title claimant group for the IOH Group conducting mining within the relevant claim areas and procedural frameworks for the conduct of heritage surveys, heritage site management and consultation. Disclosure of the commercial terms agreed cannot be disclosed under the terms of the deeds.

8.13 Foreign Shareholders

If you are a Foreign Shareholder (that is, any IOH Shareholder whose address is in a place outside Australia and its external territories and New Zealand), unless BC Iron otherwise determines that:

- (i) it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with BC Iron Shares on acceptance of the Offer; and
- (ii) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia and its external territories and New Zealand,

then you will not be entitled to receive BC Iron Shares as consideration for your IOH Shares under the Offer.

Otherwise, BC Iron will:

- (iii) arrange for the issue to the Nominee (a nominee approved by ASIC as Nominee) of the number of BC Iron Shares to which you and all other Foreign Shareholders would have been entitled but for residing in a place within Australia and its external territories and New Zealand;
- (iv) cause those BC Iron Shares to be offered for sale on ASX as soon as practicable and in any event within 21 Business Days after the expiry of the Offer Period for the Offer in such a manner, at such price and on such other terms and conditions as are determined by the Nominee acting in good faith; and
- (v) promptly pay, or procure that the Nominee pays, to you the net proceeds of the sale of such shares.

Please refer to section 12.7 of the Bidder's Statement for further details.

8.14 Consent to inclusion of Statements

Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following information in this Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:

- (i) each Director, to being named as a director;
- (ii) Gilbert + Tobin, to being named in this Target's Statement as legal advisers to IOH;
- (iii) Australia and New Zealand Banking Group Limited, to being named in this Target's Statement as corporate advisers to IOH;
- (iv) Mr Lynn Widenbar, to being named in this Target's Statement as Competent Person for the purposes of the 2004 and 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves in the form and context in which he is named and to the inclusion of matters based on his information in the form and context in which it appears;
- (v) Mr Roland Bartsch, to being named in this Target's Statement as Competent Person for the purposes of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves in the form and context in which he is named and to the inclusion of matters based on his information in the form and context in which it appears;

- (vi) Mr Alan G. Cooper, to being named in this Target's Statement as Competent Person for the purposes of the 2004 and 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves in the form and context in which he is named and to the inclusion of matters based on his information in the form and context in which it appears;
- (vii) ACE, to being named in this Target's Statement in the form and context in which its name appears; and
- (viii) Wroxby, to being named in this Target's Statement in the form and context in which its name appears.

This Target's Statement also includes statements made by, or statements based on statements made by BC Iron. BC Iron has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to inclusion of those statements.

Each person named above as having given its consent to the inclusion of a statement or report or to being named in this Target's Statement:

- (ix) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, a statement or report included in this Target's Statement with the consent of that person; and
- (x) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, any statement or report which has been included in this Target's Statement with the consent of that party.

As permitted by ASIC Class Order 01/1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the ASX Listing Rules). Pursuant to this Class Order, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- (xi) fairly representing a statement by an official person; or
- (xii) from a public official document or published book, journal or comparable publication.

Pursuant to ASIC Class Order 03/635, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

Any IOH Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 01/1543 may obtain a copy free of charge by writing to the IOH Company Secretary or by contacting the IOH shareholder information line on 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) at any time between 7am and 5pm (WST) on Monday to Friday.

Copies of all announcements by IOH may also be obtained from the Company's website at www.ironoreholdings.com.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains share price trading data sourced from IRESS and Bloomberg without their consents.

8.15 BC Iron ore reserves and mineral resources disclosures

The information in this Target's Statement is based on and refers to the ASX announcement entitled NJV Ore Reserves and mineral resources dated 27 August 2014 and is available to view on <http://www.bcion.com.au/investors/asx-announcements/2014.html>. BC Iron has confirmed 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. BC Iron has confirmed that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcement.

8.16 IOH ore reserves and mineral resources disclosures

The information in this Target's Statement 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.

The information in this Target's Statement that relates to IOH exploration targets and IOH exploration results is based on information compiled by Mr Roland Bartsch, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Bartsch is a full time employee of IOH and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Bartsch consents to the inclusion in this Target's Statement of the matters based on his information in the form and context in which it appears.

In respect of the Iron Valley and Maitland River deposits the information in this Target's Statement 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 Target's Statement of the matters based on his information in the form and context that the information appears. It has not been updated to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

In respect of the Iron Valley deposit the information in this Target's Statement that relates to Ore Reserve estimations has been 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 and produced the Mineral Resource Estimates based on data and geological information supplied by IOH. Mr Cooper 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 Cooper consents to the inclusion in this Target's Statement of the matters based on his information in the form and context that the information appears. It has not been updated to comply with JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

8.17 Publicly available information

This Target's Statement contains statements which are made in or based on statements made in, documents lodged by various parties (including IOH) with ASIC, or given to ASX, namely in the Bidder's Statement.

As required by ASIC Class Order 01/1543, IOH will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to IOH Shareholders who request it during the Offer Period. To obtain a copy of these documents (or the relevant extracts), IOH Shareholders may telephone the official IOH shareholder information line on 1800 132 875 (within Australia) or +61 1800 132 875 (outside Australia) at any time between 7am and 5pm (WST) on Monday to Friday.

8.18 Material litigation

As at the date of this Target's Statement, IOH is not aware of any current or proposed litigation or dispute that is material other than the Judicial Review proceedings discussed in section 8.10(l) of this Target's Statement.

8.19 Taxation considerations for IOH Shareholders

The taxation consequences of IOH Shareholders accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. Section 10.2 of the Bidder's Statement sets out a general outline of the Australian capital gains tax consequences of the acceptance of the Offer.

The following comments do not apply to IOH Shareholders who:

- (i) are not resident of Australia for taxation purposes;
- (ii) acquired their IOH Shares through an employee share or option scheme, or in return for services rendered;
- (iii) hold their IOH Shares as trading stock or otherwise on revenue account; or
- (iv) are subject to the taxation of financial arrangements rules.

Those IOH Shareholders should seek their own specific professional advice as to the taxation implications applicable to their circumstances.

The following comments do not apply to IOH Optionholders or to IOH Shares which are compulsorily acquired. It is recommended that IOH Optionholders obtain their own independent professional tax advice in respect of their specific circumstances.

(a) **General capital gains tax considerations**

Acceptance of the Offer will result in the disposal of IOH Shares by IOH Shareholders. This disposal will constitute a CGT event. The effective date of disposal for CGT purposes will generally be the time at which the IOH Shareholder accepted the Offer.

To the extent that the capital proceeds received by an IOH Shareholder for an IOH Share exceeds the cost base that the IOH Shareholder has in that IOH Share, then prima facie, a capital gain will arise. A capital loss will arise if the capital proceeds are less than the reduced cost base of an IOH Share.

The capital proceeds received in respect of each IOH Share by an IOH Shareholder who accepts this Offer will be equal to the sum of the cash component and the market value of the BC Iron Shares received.

The cost base or reduced cost base of an IOH Shareholder's IOH Shares should broadly be equal to the money that an IOH Shareholder paid or was required to pay to acquire its IOH Shares, plus certain other incidental costs such as brokerage.

Subject to the CGT discount and rollover relief discussed below, capital gains and losses of a taxpayer in a year of income are aggregated to determine whether the taxpayer has a net capital gain or loss for that period. Any net capital gain, after applying carried forward capital losses, is subject to income tax at the taxpayer's marginal rate.

Capital losses may be offset against capital gains (before applying any discount) realised in the same year of income. A net capital loss for an income year can only be carried forward to offset capital gains in future income years.

(b) **Capital gains roll over relief**

IOH Shareholders may be entitled to CGT rollover relief in respect of the disposal of IOH Shares to the extent they receive BC Iron Shares as consideration.

CGT rollover relief will only be available in respect of the receipt of BC Iron Shares if:

- (i) BC Iron acquires 80% or more of all IOH Shares as a result of the Offer;
- (ii) the IOH Shareholder has made a capital gain;
- (iii) IOH Shareholders exchange their IOH Shares for BC Iron Shares;
- (iv) the exchange of IOH Shares for BC Iron Shares is in consequence of a single arrangement, being the Offer; and
- (v) the takeover bid is not in contravention of paragraphs 612(a) to (g) of the Corporations Act.

If, as a result of the Offer, BC Iron owns less than 80% of IOH Shares, IOH Shareholders who make a capital gain by accepting the Offer will **not** be able to elect to obtain CGT rollover relief. While it is a condition of the Offer that BC Iron obtain at least 90% of the IOH Shares, this condition can be waived by BC Iron. Therefore it is possible that BC Iron will acquire less than 80% of all IOH Shares such that rollover relief will not be available to an IOH Shareholder who has accepted the Offer.

Additionally, CGT rollover relief is not available if a capital loss is made on the disposal of an IOH Share.

CGT rollover relief is not available for the cash component of the consideration received. To determine the capital gain that is not the subject of CGT rollover relief (i.e. the portion referable to the cash component of the consideration), the IOH Shareholder's cost base that is reasonably attributable to the IOH Shares disposed of for cash consideration may be calculated for each IOH Share by multiplying the existing cost base in each IOH Share by the fraction of the total value of consideration provided (cash and BC Iron Shares) in respect of each IOH Share transferred to BC Iron for cash consideration. For example, given that the cash component of the Offer is \$0.10, and assuming the total Offer Price is \$1.56 (based on market value of BC Iron Shares as at 8 August 2014), then approximately 6.4% of an IOH Shareholder's cost base in the IOH Shares disposed of is reasonably attributable to the cash consideration received.

If CGT rollover relief is available in respect of the receipt of BC Iron Shares, eligible IOH Shareholders can elect for CGT rollover relief to apply. Such IOH Shareholders can elect rollover relief by excluding the relevant portion of the capital gain for which they received BC Iron Shares from their tax returns for the income year in which the CGT event occurred for which they received BC Iron Shares.

For IOH Shareholders who obtain CGT rollover relief, their cost base in BC Iron Shares will be equal to the cost base in their IOH Shares disposed of less the cost base attributable to the portion of proceeds which was ineligible for CGT rollover relief (being the cash consideration). For example, assuming that the market value of BC Iron Shares received is \$1.46, and assuming the total Offer Price is \$1.56 (based on market value of BC Iron Shares as at 8 August 2014), then an IOH Shareholder's cost base in BC Iron Shares received will be approximately 93.6% of the cost base in their IOH Shares disposed of.

For IOH Shareholders who do not (or are ineligible to) choose rollover relief, their cost base in BC Iron Shares will be equal to the market value of their IOH Shares transferred multiplied by the market value of the BC Iron Shares received over the market value of the BC Iron Shares received plus the cash consideration.

(c) CGT discount

For capital gains arising in respect of the cash component and where CGT rollover relief is not available, IOH Shareholders (other than companies) who have held their IOH Shares for 12 months or more and who dispose of those IOH Shares may be eligible for CGT discount (for individuals, the CGT discount is 50% and for superannuation funds the CGT discount is 33^{1/3}%).

For capital gains arising in respect of the cash component and where CGT rollover relief is not available, IOH Shareholders who have held their IOH Shares for less than 12 months and who dispose of those IOH Shares will not be eligible for any CGT discount. Those IOH Shareholders may therefore be taxed on any net capital gain at their top marginal rate of tax.

(d) GST

The disposal of IOH Shares by IOH Shareholders under the Offer will not attract GST. Similarly, no GST will be payable on the acquisition of BC Iron Shares.

(e) Stamp duty

The transfer of IOH Shares will not give rise to any stamp duty liabilities for IOH Shareholders.

(f) **Australian income tax consequences of holding BC Iron Shares**

Various Australian income tax consequences may flow from holding BC Iron Shares following this Offer including in circumstances where BC Iron pays a dividend or if BC Iron Shares are disposed of. IOH Shareholders should seek their own tax advice in connection with such consequences, including in relation to franking of dividends and CGT on any future disposal of BC Iron Shares.

(g) **Further information**

The information in this section 8.19 of the Target's Statement is based upon taxation law and practice in effect at the date of the Target's Statement. It is not intended as an authoritative or complete statement or analysis such of taxation laws applicable to the particular circumstances of every IOH Shareholder.

IOH Shareholders should consult their own tax adviser for tax advice tailored to their own particular facts and circumstances. IOH Shareholders should not solely rely on section 10 of the Bidder's Statement and this section 8.19 of the Target's Statement in relation to the taxation implications of accepting the Offer. In particular, IOH Shareholders who are subject to taxation outside Australia should obtain their own advice as to the tax consequences for them of the Offer, which may be different to those applicable to Australian resident IOH Shareholders.

Neither IOH, nor any of your Directors, nor its taxation or other advisers, accept any liability or responsibility in respect of any statement concerning the taxation consequence of accepting the Offer in relation to particular IOH Shareholders.

8.20 ASIC declarations and Listing Rule waivers

IOH has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer. Further, IOH has not been granted any waivers from ASX in relation to the Offer other than a waiver of Listing Rule 6.23.2 to permit IOH to cancel the IOH Options for the consideration set out in the Bid Implementation Agreement without approval by IOH Shareholders.

8.21 No other material information

This Target's Statement is required to include all the information that IOH Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (i) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (ii) only if the information is known to any Director.

Your Directors are of the opinion that the information that IOH Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- (iii) the information contained in the Bidder's Statement;
- (iv) the information which has been previously disclosed by IOH as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC;

- (v) the information contained in IOH releases to ASX prior to the date of this Target's Statement; and
- (vi) the information contained in this Target's Statement.

In deciding what information should be included in this Target's Statement, your Directors have had regard to:

- (vii) the nature of the IOH Shares (being fully paid ordinary shares);
- (viii) the matters which IOH Shareholders may reasonably be expected to know;
- (ix) the fact that certain matters may reasonably be expected to be known to the professional advisors of IOH Shareholders; and
- (x) the time available to IOH to prepare this Target's Statement.

Your Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

9 Approval of Target's Statement

This Target's Statement has been approved by a resolution of the IOH Board.

Signed for and on behalf of IOH.

A handwritten signature in blue ink, appearing to read 'Richard Court', with a stylized flourish extending to the right.

Hon. Richard Court AC
Chairman

Dated 28 August 2014

10 Glossary

10.1 Definitions

In this Target's Statement, unless the context otherwise requires:

A\$, \$, or AUD means the currency of Australia.

ACE means Australian Capital Equity Pty Limited ABN 88 009 412 328.

Announcement Date means the date of the announcement of the Offer by BC Iron, being 11 August 2014.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in section 12(2) of the Corporations Act.

ASX means ASX Limited ACN 008 624 691, and where the context requires, the Australian Securities Exchange.

ASX Listing Rules means the official listing rules of ASX as amended, varied, modified or waived from time to time.

ASX Settlement means ASX Settlement Pty Ltd ABN 49 008 504 532.

ASX Settlement Operating Rules means the operating rules of the ASX Settlement which govern the administration of the Clearing House Electronic Sub-register System.

Australian Aboriginal Mining Corporation means Australian Aboriginal Mining Corporation Pty Ltd (formerly known as Maiden Iron Pty Ltd) ABN 76 126 497 434.

BC Iron or Bidder means BC Iron Limited ABN 21 120 646 924.

BC Iron Board means the board of directors of BC Iron.

BC Iron Shares means fully paid ordinary shares in the capital of BC Iron.

Bid Implementation Agreement means the bid implementation agreement entered into by BC Iron and IOH on 10 August 2014, which provides the manner in which the parties have agreed the Offer will be implemented.

Bidder's Statement means the statement of BC Iron under Part 6.5 Division 2 of the Corporations Act relating to the Offer lodged by BC Iron with ASIC on 22 August 2014.

Bloomberg means Bloomberg L.P.

Breakaway Tenements means exploration licences 47/1239 and 47/2001 as set out in section 8.12(g) of this Target's Statement.

Business Day means a day on which banks are open for business in Australian Western Standard Time, excluding a Saturday, Sunday or public holiday.

Cape Preston Logistics or CPL means Cape Preston Logistics Pty Ltd ACN 152 574 233, a wholly owned subsidiary of IOH.

CGT means capital gains tax.

CHES Holding means a number of IOH Shares which are registered in the register of members of IOH being a register administered by the ASX Settlement and which records uncertificated holdings of IOH Shares.

Combined Group means BC Iron and its subsidiaries, including IOH and its subsidiaries if the Offer is successful.

Competing Proposal has the meaning given to that term in the Bid Implementation Agreement.

Construction Works Lease means the Construction Works Lease and Licence – CPL Port Facility dated 26 June 2014 between PPA, Cape Preston Logistics and IOH.

Controlling Participant in relation to your IOH Shares, has the same meaning as in the ASX Settlement Operating Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

dmt means dry metric tonnes.

Extension Tenements means mining leases 47/1353, 47/1354, 47/1355 and 47/1356 as set out in section 8.12(f) of this Target's Statement.

Fairly Disclosed means sufficient information has been disclosed that a sophisticated investor, experienced in transactions of the nature of the Offer and familiar with the business of iron ore exploration and development, would be aware of the substance and significance of the information.

FMG means Fortescue Metals Group Ltd ABN 57 002 594 872.

Foreign Shareholder means an IOH Shareholder whose address as shown in the register of members of IOH is in a jurisdiction other than Australia or its external territories or New Zealand, unless BC Iron otherwise determines (in its absolute discretion) after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to an IOH Shareholder in the relevant jurisdiction and to issue BC Iron Shares to such an IOH Shareholder on acceptance of the Offer, and that it is not unlawful for such an IOH Shareholder to accept the Offer in such circumstances of the relevant jurisdiction.

Government Agency means 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.

Hamersley Iron means Hamersley Iron Pty Limited ABN 49 004 558 276.

IOH or Company or Target means Iron Ore Holdings Ltd ABN 17 107 492 517.

IOH Board or Board means the board of Directors of IOH.

IOH Disclosure Materials means:

- (i) 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 the Bid Implementation Agreement; and
- (ii) written information provided from IOH and its Related Persons to BC Iron and its Related Persons.

IOH Group means IOH and each of its subsidiaries.

IOH Optionholder means a person registered in the register of options of IOH as a holder of one or more IOH Options.

IOH Options or **Options** means options to subscribe for IOH Shares which are on issue at the Register Date.

IOH Shareholder or **Shareholder** means a person registered in the register of members of IOH as a holder of one or more IOH Shares.

IOH Shares or **Shares** means fully paid ordinary shares in the capital of IOH.

IRESS means IRESS Limited ABN 47 060 313 359.

Issuer Sponsored Holdings means a holding of IOH Shares on an IOH issuer sponsored sub-register.

IV Agreement means the iron ore sale and purchase agreement dated 28 February 2013 between IOH and MIN in relation to the Iron Valley project as set out in section 8.12(b) of this Target's Statement.

Koodaideri South Project means exploration licences 47/1539, 47/1620, 47/1644, 47/1645, 47/1646, 47/1647 and 47/1648 located in the Central Pilbara region of Western Australia.

Material Adverse Change means any occurrence that would constitute a BC Iron Material Adverse Change or that would trigger section 4.3 of Schedule 2 of the Bid Implementation Agreement.

MIN means Mineral Resources Limited ABN 33 118 549 910.

Mineralogy means Mineralogy Pty Ltd ABN 65 010 582 680.

Minimum Acceptance Condition has the meaning given to that term in the Bid Implementation Agreement, being the condition to the Offer requiring BC Iron to acquire a Relevant Interest in at least 90% of the IOH Shares (on a fully diluted basis).

Mtpa means million tonnes per annum.

NJV means the Nullagine Iron Ore Joint Venture.

Nominee means a nominee appointed by BC Iron to receive BC Iron Shares on behalf of Foreign Shareholders in accordance with section 12.7 of the Bidder's Statement.

Notice of Status of Conditions means the BC Iron notice disclosing the status of the conditions of the Offer which is required to be given by subsection 630(3) of the Corporations Act.

Nullagine Project means the Nullagine Iron Ore Project.

Offer means the offer for Shares under the terms and conditions contained in section 12.1 of the Bidder's Statement.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with section 12.2 of the Bidder's Statement.

Offer Price means the consideration offered under the Offer for each IOH Share. As at the date of this Target's Statement, that consideration is:

- (i) 0.44 BC Iron Shares; and
- (ii) \$0.10 in cash,

for each IOH Share held by an IOH Shareholder.

Options Offer means the offer by BC Iron to Optionholders in respect of IOH Options on the terms set out in the Bid Implementation Agreement (which offers will only become unconditional if the Offer becomes unconditional and any necessary waiver is granted).

PEL means PEL Iron Ore Pty Ltd ABN 24 115 382 753.

Pilbara Ports Authority or **PPA** means the Pilbara Ports Authority (previously the Dampier Port Authority).

Port Agreements means the Third Party Access Regime, the Port Facilities Agreement and the Construction Works Lease.

Port Facilities Agreement means the Port Facilities Agreement – CPL Port Facility between PPA, Cape Preston Logistics and IOH dated 26 June 2014.

Prescribed Occurrence means any occurrence listed in section 652C of the Corporations Act, but does not include the possible disposal of the Koodaideri South royalty as contemplated in the Bid Implementation Agreement.

Register Date means the date set by the Bidder under section 633(2) of the Corporations Act, being 8.00am (WST) 19 August 2014.

Related Persons means:

- (i) a subsidiary of IOH or BC Iron as the context requires;
- (ii) 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; or
- (iii) an officer or employee of any entity referred to in paragraphs (i) or (ii) of this definition.

Relevant Interest has the same meaning as given to it in sections 608 and 609 of the Corporations Act.

Royalty means the royalty the subject of the Royalty Deed as set out in section 8.5 of this Target's Statement.

Royalty Deed means the royalty deed between Hamersley Iron and PEL (a wholly owned subsidiary of IOH) dated 27 September 2011 as set out in section 8.5 of this Target's Statement.

Specified Event means:

- (i) an event, change, condition, matter or thing occurs or will or is reasonably likely to occur; or
- (ii) information is disclosed or announced by IOH in relation to those matters set out in (i) above; or
- (iii) information concerning those matters set out in (i) above becomes known to BC Iron (whether or not becoming public),

as set out in section 3.10(c) of this Target's Statement.

Superior Proposal has the meaning given to that term in the Bid Implementation Agreement.

SVW means Seven Group Holdings Limited ABN 46 142 003 469.

Takeovers Panel means the Takeovers Panel established under section 171 of the *Australian Securities and Investments Commission Act 1989* (Cth).

Target's Statement means this document being the statement of IOH under Part 6.5 Division 3 of the Corporations Act relating to the Offer.

The Pilbara Infrastructure Company means The Pilbara Infrastructure Pty Ltd ACN 103 096 340.

Third Party Access Regime means the agreement dated 26 June 2014 between PPA, CPL and IOH governing the ability of third parties to gain access to the Cape Preston East facilities.

tonne means dry metric tonne, unless otherwise specified.

VWAP means Volume Weighted Average Price.

Wroxby means Wroxby Pty Ltd ACN 061 621 921.

10.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (i) the singular includes the plural and vice versa;
- (ii) a reference to an individual or person includes a corporation, firm, partnership, joint venture, association, authority, trust, state or government and vice versa;
- (iii) a reference to any gender includes all genders;
- (iv) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (v) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be;

- (vi) unless otherwise specified, a reference to a section, clause, annexure or schedule is to a section, clause, annexure or schedule of or to this Target's Statement;
- (vii) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- (viii) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision;
- (ix) the words "including", "such as", "particularly" and similar expressions do not imply limitation; and
- (x) headings are for convenience of reference only and do not affect interpretation.

11 Corporate Directory

Iron Ore Holdings Ltd	Board of Directors
ABN 17 107 492 517 1/1 Altona Street West Perth WA 6005 Tel: +61 8 9483 2000 Fax: +61 8 9321 0322 Email: info@ironoreholdings.com Web: www.ironoreholdings.com ASX: IOH	Hon. Richard Court AC – Chairman Alwyn Vorster – Managing Director Brian O’Donnell – Non-Executive Director Mal Randall – Non-Executive Director Ryan Stokes – Non-Executive Director Simon Robertson – Company Secretary
Legal Adviser	Corporate Adviser
Gilbert + Tobin 1202 Hay Street West Perth WA 6005	Australia and New Zealand Banking Group Limited ANZ Tower 242 Pitt Street Sydney NSW 2000
Share Registry	Auditor
Security Transfer Registrars 770 Canning Highway Applecross WA 6153 Tel: +61 8 9315 2333 Fax: +61 8 9315 2233 Email: registrar@securitytransfer.com.au Web: www.securitytransfer.com.au	Deloitte Touche Tohmatsu Level 14 240 St Georges Terrace Perth WA 6000



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