IRON ORE HOLDINGS LTD

ABN 17 107 492 517

Half Year Financial Statements

31 December 2009

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CORPORATE DIRECTORY

DIRECTORS **Malcolm Roger Joseph Randall** ***Non Executive Chairman*** **Matthew James Rimes** ***Managing Director*** **Hon Richard Fairfax Court AC** ***Non Executive Director*** **Brian Francis O'Donnell** ***Non Executive Director***	**SOLICITORS** **Hardy Bowen** **28 Ord Street** **West Perth WA 6005** **AUDITORS** **Stantons International** **Level 1, 1 Havelock Street** **West Perth WA 6005**
CONSOLIDATED ENTITY SECRETARY **Simon Robertson** **REGISTERED OFFICE** **Level 1, 1 Altona Street** **West Perth WA 6005** **Tel: +61 8 9483 2000** **Fax: +61 8 9321 0322** **Email: info@ironoreholdings.com** **WEBSITE: www.ironoreholdings.com**	**SHARE REGISTRY** **Security Transfer Registrars Pty Ltd** **Suite 1, 770 Canning Highway** **Applecross WA 6153** **AUSTRALIAN SECURITIES EXCHANGE** **2 The Esplanade** **Perth WA 6000** **ASX CODE: IOH**

DIRECTORS' REPORT

Your directors submit the financial statements of the Consolidated Entity for the half-year ended 31 December 2009.

Directors

The names of directors who held office during or since the end of the half-year:

Randall, MRJ

Rimes, MJ

Court, RF

O'Donnell, BF

Result of Operations

The net loss of the Consolidated Entity after providing for income tax for the six months ended 31 December 2009 amounted to $ 7,569,463 (2008 loss $3,076,856).

Review of Operations

It is recommended that this half-yearly financial statements be read in conjunction with the 30 June 2009 Annual report and any public announcements made by the Consolidated Entity during the half year.

In accordance with the continuous disclosure requirements, readers are referred to the announcements lodged with Australian Securities Exchange regarding exploration and other activities of the Consolidated Entity.

Activities

The Consolidated Entity's activities are reported in announcements made by the company to ASX. Highlights of the half-year ended 31 December 2009 include:

- A JORC Indicated Mineral Resource of 9.2Mt @ 58.0% Fe, 5.7% SiO_2, 3.1% Al_2O_3, 0.10 % P, 7.5% LOI has been estimated for Phil's Creek.
- A Definitive Engineering Study (DES) on the Phil's Creek DSO project was completed in July 2009.
- Ore sales at up to 1.5Mtpa are scheduled to commence in the last quarter of 2010. A formal ore sales agreement with Rio Tinto was signed in December 2009.
- A JORC resource of 191.5Mt has been estimated for the Iron Valley project. The Company has entered into a 6 month exclusive agreement with Rio Tinto for the purchace of part or all of the Iron Valley project.
- Drilling continued on the Company's other projects at Buckland Hills, Koodaideri South and the Lamb Creek tenement.

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- A JORC resource of 191.5Mt has been estimated for the Iron Valley project. The Company has entered into a 6 month exclusive agreement with Rio Tinto for the purchace of part or all of the Iron Valley project.
- Drilling continued on the Company's other projects at Buckland Hills, Koodaideri South and the Lamb Creek tenement.

The information in this report that relates to Mineral Resources has been compiled by Mr Lyn Widenbar, Mr Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Widenbar and Associates and produced the Mineral Resource Estimate 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, Mineral

Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this report of the matters based on his information in th e form and context that the information appears.

The information in this report that relates to mineralization and exploration results is based on information compiled by Mr Tony Greenaway, who is a Member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy. Mr Greenaway is a full time employee of Iron Ore Holdings Ltd and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Greenaway consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half year ended 31 December 2009 under section 307C of the *Corporations Act 2001* is set out on page 18.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Matthew James Rimes
Managing Director

Dated this 12th day of February 2010

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Half-Year	
	31.12.2009	**31.12.2008**
	$	**$**
Revenue	259,265	756,280
Employee benefits expense	(4,331,097)	(1,447,867)
Administration	(385,599)	(444,219)
Exploration expenditure	(3,426,186)	(2,134,382)
Depreciation	(136,001)	(73,117)
Loss before income tax benefit	(8,019,618)	(3,343,305)
Research and Development rebate	450,155	266,449
Loss from continuing operations	(7,569,463)	(3,076,856)
Loss for the period attributable to members	(7,569,463)	(3,076,856)
Other Comprehensive income for the period	-	-
Total Comprehensive loss for the period	(7,569,463)	(3,076,856)
Net loss attributable to the parent entity	(7,569,463)	(3,076,856)
Total Comprehensive loss attributable to the parent entity	(7,569,463)	(3,076,856)
Basic loss per share	($0.065)	($0.026)
Diluted loss per share	($0.065)	($0.026)

The accompanying condensed notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	Consolidated 31.12.2009 $	Consolidated 30.6.2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	11,102,176	14,549,009
Trade and other receivables		367,783	269,539
Prepayments		8,359	25,077
TOTAL CURRENT ASSETS		11,478,318	14,843,625
NON-CURRENT ASSETS			
Trade and other receivables		236,728	192,727
Plant and equipment		1,349,311	665,088
Deferred exploration and evaluation expenditure		2,684,460	2,684,460
TOTAL NON-CURRENT ASSETS		4,270,499	3,542,275
TOTAL ASSETS		15,748,817	18,385,900
CURRENT LIABILITIES			
Trade and other payables		1,861,310	709,152
Provisions		230,216	229,150
TOTAL CURRENT LIABILITIES		2,091,526	938,302
TOTAL LIABILITIES		2,091,526	938,302
NET ASSETS		13,657,291	17,447,598
SHAREHOLDERS' EQUITY			
Issued capital	4	31,371,398	30,827,565
Reserves		6,115,638	2,880,315
Accumulated losses		(23,829,745)	(16,260,282)
TOTAL SHAREHOLDERS' EQUITY		13,657,291	17,447,598

The accompanying condensed notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Issued Capital	Option Reserve	Accumulated Losses	Total
Consolidated	$	$	$	$
Balance at *1.7.2009*	30,827,565	2,880,315	(16,260,282)	17,447,598
Total Comprehensive Income				
Loss attributable to members	-	-	(7,569,463)	(7,569,463)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(7,569,463)	(7,569,463)
Transactions with owners recorded directly into equity				
Contributions by and distributions to owners				
Shares issues during period	543,833	-	-	543,833
Capital raising expenses incurred	-	-	-	-
Options expense for the period	-	3,235,323	-	3,235,323
Balance at *31.12.2009*	31,371,398	6,115,638	(23,829,745)	13,657,291
Balance at *1.7.2008*	30,778,244	2,304,231	(9,474,519)	23,607,956
Total Comprehensive Income				
Loss attributable to members	-	-	(3,076,856)	(3,076,856)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(3,076,856)	(3,076,856)
Transactions with owners recorded directly into equity				
Contributions by and distributions to owners				
Shares issued during the period	43,750	-	-	43,750
Capital raising expenses incurred	(44,429)	-	-	(44,429)
Options expense for the period	-	397,249	-	397,249
Balance at *31.12.2008*	30,777,565	2,701,480	(12,551,375)	20,927,670

The accompanying condensed notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated 31.12.2009 $	31.12.2008 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		287,053	765,354
Research and Development Rebate		450,155	266,449
Payments for exploration expenditure		(2,987,196)	(2,129,355)
Payments to suppliers and employees		(1,582,564)	(1,139,511)
Net cash (used in) operating activities		(3,832,552)	(2,237,063)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Plant & Equipment		(114,113)	(305,392)
Purchase of short term deposits		(44,001)	(77,773)
Bond deposits		-	(11,000)
Net cash (used in) investing activities		(158,114)	(394,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		543,833	43,750
Capital raising costs incurred		-	(44,429)
Net cash provided by financing activities		543,833	(679)
Net (decrease) in cash and cash equivalents		(3,446,833)	(2,631,907)
Cash and cash equivalents at ***1 July***		14,549,009	5,690,197
Cash and cash equivalents at ***31 December***	3	11,102,176	3,058,290

The accompanying condensed notes form part of these financial statements.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 1: Basis of Preparation

The half-year financial statements are a general purpose financial statement prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Iron Ore Holdings Ltd during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income, Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the single statement approach to the presentation of the statement of comprehensive income; and
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.

- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- If the Group holds less than 100% of the equity interests in an acquiree and the business combination results in goodwill being recognised, the Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group elects which method to adopt for each acquisition.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs.

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest dollar, unless otherwise stated.

Going Concern Basis

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realization of assets and settlement of liabilities in the ordinary course of business. The going concern of the Consolidated Entity is dependant upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the consolidated entity. The directors are confident that sufficient funding can be secured if required to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Note 2: Loss from Ordinary Activities

	31.12.2009 $	31.12.2008 $
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
(a) Revenue		
Interest received – other persons	259,265	755,594
Profit on disposal of assets	-	686
	259,265	756,280
(b) Expenses		
Depreciation – plant & equipment	136,001	73,117
Rental expense on operating lease		
- Rent	135,283	125,750
Exploration expenditure	3,426,186	2,134,382
Employee option expense (non cash)	3,235,323	397,249

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Note 3: Cash and Cash Equivalents

Reconciliation of cash and cash equivalents

Cash at the end of the financial period as shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:

	31.12.2009 $	30.06.2009 $
Cash at bank & on hand	102,176	549,009
Term deposits	11,000,000	14,000,000
	11,102,176	14,549,009

Note 4: Issued Capital

	31.12.2009 $	30.6.2009 $
118,605,031 (30 June 2009:116,429,948) Ordinary fully paid Shares	31,371,398	30,827,565

Movements in ordinary share capital	**Number of Shares**	**$**
Beginning of the financial period	116,429,948	30,827,565
Issued during the period:		
– Ordinary shares issued upon exercise of 25c options	2,175,000	543,750
– Ordinary shares issued upon exercise of $1.00 options	83	83
	118,605,031	31,371,398

Note 5: Share-based payments

Employee Share Option Plan

The Consolidated Entity provides benefits to employees, including directors of the Consolidated Entity in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence.

During the period 600,000 options were granted under the Employee Share Option Plan and to a consultant. The exercise price of the options granted in the current period is $1.15 per option and have an expiry date of 1 July 2012 with vesting periods of up to 4 months.

3,000,000 options were issued to directors with an exercise price of $1.15 with an expiry date of 30 September 2012, vesting immediately.

The terms and conditions of the grants made during the six months ended 31 December 2009 are as follows:

Grant Date	Number Granted	Vesting Conditions	Contractual Life
08/7/2009	600,000	Up to 4 months	2.98 years
24/11/2009	3,000,000	Immediately	2.85 years
	3,600,000		

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Expenses arising from share-based payment transactions:

The value of options granted during the period was calculated using the Black-Scholes European Option Pricing Model. The values and inputs were as follows:

Options issued	600,000	3,000,000
Value per option	$0.383	$0.975
Weighted average exercise price	$1.15	$1.15
Weighted average life of the option (years)	2.98	2.85
Weighted average underlying share price	$0.73	$1.60
Expected share price volatility	95%	95%
Weighted average risk free interest rate	5.22%	5.22%

The basis of measuring fair value is consistent with that disclosed in the Consolidated entity's financial report as at and for the year ended 30 June 2009.

Note 6: Segment Reporting

The Consolidated Entity operates entirely in Australia and predominantly in the field of mineral exploration with particular emphasis on iron ore.

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

Note 7: Contingent Liabilities and Contingent Assets

The Consolidated Entity's activities in Australia are subject to the Native Titles Act of the Commonwealth or State. The Consolidated Entity is not aware of any other matters that cannot be resolved through the normal legal process, should they arise.

The Consolidated Entity is not aware of any other matters that may impact upon its timely access to the land that comprises its project areas.

There has been no change in contingent liabilities since the last annual reporting date.

Note 8: Events Subsequent to Reporting Date

Announcements made to ASX since 31 December 2009 summarise results of activities since that date.

There has been no matters or circumstances that have arisen since 31 December 2009 that has significantly affected or may significantly affect:

- the Consolidated Entity's operations in future years; or
- the results of those operations in future years; or
- the Consolidated Entity's state of affairs in future years.

Note 9: Commitments

The Consolidated Entity has entered into an Iron Ore Sales Agreement with Hamersley Iron Pty Ltd (a subsidiary of Rio Tinto) for the production of iron ore at the Phil's Creek Project. While the final decision to commence operations has not yet been made, the Consolidated Entity is committed to progressing towards commencing mining operations later in 2010, and will incur expenses in this process.

The Consolidated Entity has also entered into a Relationship Agreement with Hamersley Iron Pty Ltd under which, the parties will endeavour to negotiate the terms of an Acquisition Agreement for IOH's 100% owned Iron Valley Project. IOH has granted to Hamersley Iron a 6 month exclusivity period for agreement to be reached. Expenditure will be incurred during this period in relation to the negotiation process.

DIRECTORS' DECLARATION

The directors of the Consolidated Entity declare that:

1. The financial statements and notes, as set out on pages 5 to14:
   a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
   b. give a true and fair view of the Consolidated Entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Matthew James Rimes

Dated this 12th day of February 2010

Stantons International

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF IRON ORE HOLDINGS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Iron Ore Holdings Limited, which comprises the statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, a condensed statement of accounting policies, other selected explanatory notes and the directors' declaration for Iron Ore Holdings Limited, the consolidated entity. The consolidated entity comprises both Iron Ore Holdings Limited, the company, and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Iron Ore Holdings Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of Interim Financial and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Iron Ore Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Iron Ore Holdings Limited on 12 February 2010.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Iron Ore Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL
(An Authorised Audit Company)

Stantons International

John P Van Dieren
Director

West Perth, Western Australia
12 February 2010

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12 February 2010

Board of Directors
Iron Ore Holdings Limited
Level 1, 1 Altona Street
WEST PERTH WA 6005

Dear Sirs

RE: IRON ORE HOLDINGS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Iron Ore Holdings Limited.

As Audit Director for the review of the financial statements of Iron Ore Holdings Limited for the period ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

JP Van Dieren
Director