
IRON ORE HOLDINGS LTD
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NOTICE OF ANNUAL GENERAL MEETING

**The Annual General Meeting will be held
at CWA House, 1176 Hay Street, West Perth, Western Australia on
14 November 2012 at 9.00 AM (WST).**

The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Shareholders are urged to attend or vote by lodging the proxy form attached to this Notice.

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IRON ORE HOLDINGS LTD

ABN 17 107 492 517

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Iron Ore Holdings Ltd ("**Company**") will be held at CWA House, 1176 Hay Street, West Perth, Western Australia on 14 November 2012 at 9.00 AM (WST) ("**Meeting**").

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday, 12 November 2012 at 5.00 PM (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

Financial, Directors' and Auditor's Report

To receive the Financial Report, Directors' Report and Auditor's Report of the Company and its controlled entities for the financial year ended 30 June 2012.

1. Resolution 1 – Remuneration Report

To consider, and if thought fit, pass as an ordinary resolution with or without amendment the following:

"That the Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

Voting Exclusion

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

2. Resolution 2 – Re-election of Mr Brian O’Donnell as a Director

To consider, and if thought fit, pass as an ordinary resolution with or without amendment the following:

"That Mr Brian O’Donnell, who retires in accordance with article 11.3 of the Constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

3. Resolution 3 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities of up to 10% of the issued capital of the Company, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed.

However, the Company will not disregard a vote if:

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

4. Resolution 4 – Approval of Increase to Directors Fees

To consider, and if thought fit, to pass the following resolution as an ordinary resolution with or without amendment:

"That in accordance with Listing Rule 10.17 and Article 11.15 of the Constitution, the maximum aggregate Directors’ fees payable to non-executive Directors be set at \$500,000 per annum for each financial year commencing on or after 1 July 2012 which may be allocated between the non-executive Directors in the manner determined by the Board from time to time."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by non-executive Directors and any of their associates.

However, the Company need not disregard a vote if:

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

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

- (a) the appointment specifies the way the proxy is to vote on this Resolution; or

- (b) the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5. Resolution 5 – Approval of Grant of Options to Mr Alwyn Vorster

To consider, and if thought fit, pass as an ordinary resolution with or without amendment the following:

"That in accordance with Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, the Directors be authorised to grant 1,000,000 Options each exercisable at the higher of \$1.40 or 1.43 times the five day VWAP of Shares up to and including the date of the Meeting, expiring three years from the date of grant and vesting on grant, to the Managing Director, Mr Alwyn Vorster or his nominees on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Vorster and any of his associates.

However, the Company need not disregard a vote if:

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

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

- (a) the appointment specifies the way the proxy is to vote on this Resolution; or
- (b) the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

6. Resolution 6 – Approval of Grant of Options to Mr Malcolm Randall

To consider, and if thought fit, pass as an ordinary resolution with or without amendment the following:

"That in accordance with Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, the Directors be authorised to grant 1,000,000 Options each exercisable at the higher of \$1.40 or 1.43 times the five day VWAP of Shares up to and including the date of the Meeting, expiring three years from the date of grant and vesting on grant, to a Director, Mr Malcolm Randall or his nominees on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Randall and any of his associates.

However, the Company need not disregard a vote if:

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

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

- (a) the appointment specifies the way the proxy is to vote on this Resolution; or
- (b) the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

7. Resolution 7 – Approval of Employee Option Scheme

To consider, and if thought fit, pass as an ordinary resolution with or without amendment the following:

"That in accordance with Exception 9 of Listing Rule 7.2, Shareholders approve the establishment of an employee option scheme to be called the "Iron Ore Holdings Employee Option Scheme" and the issue of options under the Scheme on the terms and conditions in the Explanatory Memorandum."

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates. However, the Company will not disregard a vote if:

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

Further, a member of the Key Management Personnel and their Closely Related Parties who are appointed as a proxy will not vote on this Resolution unless:

- (a) the appointment specifies the way the proxy is to vote on this Resolution; or
- (b) the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Dated 28 September 2012

By Order of the Board



Simon Robertson
Company Secretary

How to vote

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post or by facsimile.

Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

Voting by a corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a Shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. However, where a member of the Key Management Personnel or their Closely Related Party is appointed as a proxy, the proxy may only vote on Resolutions 1, 4, 5, 6 and 7 if the proxy is the Chairman and the appointment expressly authorises the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the

remuneration of a member of the Key Management Personnel.

- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
 - If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
 - Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed resolutions. These rules are explained in this Notice.
 - To be effective, proxies must be lodged by 9.00 AM (WST) on 12 November 2012. Proxies lodged after this time will be invalid.
 - Proxies may be lodged using any of the following methods:
 - by returning a completed proxy form in person to 770 Canning Highway
Applecross WA 6135
 - by post using the pre-addressed envelope provided with this Notice to:
PO Box 535, Applecross WA 6953
 - by faxing a completed proxy form to
+ 61 8 9315 2233.
- The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 9.00 AM (WST) on 12 November 2012. If facsimile transmission is used, the power of attorney must be certified.

Shareholders who are entitled to vote

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00PM (WST) on 12 November 2012.

IRON ORE HOLDINGS LTD

ABN 17 107 492 517

EXPLANATORY MEMORANDUM

Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at CWA House, 1176 Hay Street, West Perth, Western Australia on 14 November 2012 at 9.00 AM (WST).

Financial, Directors' and Auditor's Report

Shareholders will be offered the opportunity to discuss the Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June 2012 at the Meeting, copies of which can be found on the Iron Ore Holdings Ltd website www.ironoreholdings.com or by contacting the Company's registered office on (08) 9483 2000.

Shareholders will be offered the opportunity to ask questions or make comments on the management of the Company.

1. Resolution 1 – Remuneration Report

Pursuant to section 250R(2) of the Corporations Act, the Company is required to put the Remuneration Report to the vote of Shareholders. The Directors' Report for the year ended 30 June 2012 contains the Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors. The Remuneration Report is set out in the Company's Annual Report and is also available on the Company's website at www.ironoreholdings.com.

Section 250R(3) of the Corporations Act provides that Resolution 1 is advisory only and does not bind the Directors of the Company. Of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report.

However, the Corporations Act has been amended by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011 (Director and Executive Remuneration Act)* which received the Royal Assent on 27 June 2011 and came into effect on 1 July 2011.

The Director and Executive Remuneration Act introduced new sections 250U and 250Y, amongst others, into the Corporations Act, giving Shareholders the opportunity to remove the Board if the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company did not receive a first strike at its 2011 Annual General Meeting which was held on 23 November 2011. Therefore, if the Remuneration Report receives a 'no' vote of 25% or more at this Meeting, Shareholders should be aware that if there is a 'no' vote of 25% or more at the next annual general meeting the consequences are that it may result in the re-election of the Board.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments, on the Remuneration Report.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you do not specify the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

2. Resolution 2 – Re-election of Mr Brian O'Donnell as a Director

It is a requirement of the Company's Constitution and the Listing Rules that one third of the Directors must retire at each annual general meeting (rounded down to the nearest whole number).

The Constitution provides that a Director who retires by rotation is eligible for re-election.

Pursuant to the Constitution, Mr Brian O'Donnell will retire by rotation and seek re-election.

Mr O'Donnell has been a Director of the Company since 4 December 2008 and is Chairman of the Audit and Risk Committee.

Mr O'Donnell has 27 years' experience in the finance and investment industry. Mr O'Donnell graduated with a Bachelor of Commerce Degree from the University of Western Australia in 1985, and qualified as a Chartered Accountant in 1987. He has served on the Boards of several listed and unlisted public and private companies.

The Board believes that Mr O'Donnell has performed the duties and responsibilities of a director diligently and professionally, in the best interests of all Shareholders.

The Board (excluding Mr O'Donnell) unanimously supports the re-election of Mr O'Donnell.

3. Resolution 3 – Approval of 10% Placement Facility

3.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2(c) below).

The Company intends to continue its current operations of mineral exploration and tenement acquisition with a view to the commercial development or other monetisation of discovered or acquired mineral resources. The Company may use the 10% Placement Facility for this purpose.

The Directors of the Company believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

3.2 Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue Shares and unlisted Convertible Securities.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

(A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;

(B) plus the number of partly paid shares that became fully paid in the 12 months;

(C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without Shareholder approval;

(D) less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 161,174,005 Shares and has a capacity to issue:

(i) 24,176,100 Equity Securities under Listing Rule 7.1; and

- (ii) subject to Shareholder approval being sought under Resolution 3, 16,117,400 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2(c) above).

- (e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

- (f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

3.3 Listing Rule 7.1A

The effect of Resolution 3 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

3.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the

Company will be diluted as shown in the below table (in the case of Convertible Securities, only if the Convertible Securities are exercised). There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.435 50% decrease in Issue Price	\$0.87 Issue Price	\$1.74 100% increase in Issue Price
Current Variable "A" 161,174,005 Shares	10% Voting Dilution	16,117,400 Shares	16,117,400 Shares	16,117,400 Shares
	Funds raised	\$7,011,069	\$14,022,138	\$28,044,276
50% increase in current Variable "A" 241,761,008 Shares	10% Voting Dilution	24,176,100 Shares	24,176,100 Shares	24,176,100 Shares
	Funds raised	\$10,516,603	\$21,033,207	\$42,066,414
100% increase in current Variable "A" 322,348,010 Shares	10% Voting Dilution	32,234,801 Shares	32,234,801 Shares	32,234,801 Shares
	Funds raised	\$14,022,138	\$28,044,277	\$56,088,554

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (ii) No Convertible Securities (including any Convertible Securities issued under the 10% Placement Facility) are exercised into Shares before the date of the issue of the Equity Securities.
 - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
 - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes Convertible Securities, it is assumed that those Convertible Securities are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (vii) The issue price is \$0.87, being the closing price of the Shares on ASX on 26 September 2012.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 3 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of the new resources assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such an acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new

Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new resources assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

- (e) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.
- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

4. Resolution 4 – Approval of Increase to Directors Fees

Under article 11.15 of the Constitution the level of aggregate fees paid to non-executive Directors needs to be approved by Shareholders.

Listing Rule 10.17 provides that an entity must not increase the total amount of directors' fees payable by it or any of its child entities without the approval of holders of its ordinary securities. The rule does not apply to the salary of an executive director. Listing Rule 10.17 also requires that the amount of any increase and the maximum amount payable annually to the directors as a whole be stipulated.

It is considered appropriate and necessary to set an aggregate level of fees payable to non-executive Directors that ensures the Company is able to attract and retain appropriate persons as non-executive Directors, and appoint additional non-executive Directors which may become necessary as the Company progresses its objectives.

It is proposed that the amount of funds available for payment of fees to non-executive Directors be set at \$500,000 per annum. The current maximum amount payable is \$250,000 per annum. This would therefore be an increase of \$250,000 per annum.

The maximum amount payable to non-executive Directors has not been increased since the Company's listing on ASX in May 2005.

This proposed level of permitted fees does not mean that the Company must pay the entire amount approved as fees in each year. However, the Board considers that it is reasonable and appropriate to establish this amount as this will provide the Company with the flexibility to attract and retain appropriately qualified non-executive Directors and to act quickly if the circumstances require it.

The Chairman intends to exercise all undirected proxies in favour of Resolution 4. If the Chairman of the Meeting is appointed as your proxy and you do not specify the way the Chairman is to vote on Resolution 4, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

5. Resolutions 5 & 6 – Approval of Grant of Options to Mr Alwyn Vorster and Mr Malcolm Randall

5.1 Background to Resolutions 5 & 6

Resolutions 5 and 6 seek Shareholder approval in accordance with Listing Rule 10.11 and section 208 of the Corporations Act for the grant of a total of:

- (a) 1,000,000 Options to Mr Alwyn Vorster (or his nominees); and

(b) 1,000,000 Options to Mr Malcolm Randall (or his nominees),

on the terms specified in section 5.3 below and Schedule 2.

The Options are unlisted but are transferable and are otherwise subject to the terms and conditions outlined in Schedule 2. No application for quotation of the Options will be made by the Company.

The Company is a small listed company, which is focused on the exploration and development of its iron ore projects. The Company's funds are allocated to specific exploration and development activities.

The Board has chosen to grant Options to Messrs Vorster and Randall as a key component of their remuneration in order to retain their services and to provide incentive linked to the performance of the Company.

There are no performance criteria on the Options as, given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of Messrs Vorster and Randall and the performance and value of the Company are closely related. As such, the Options granted will generally only be of benefit if Messrs Vorster and Randall perform to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.

The Directors consider that the proposed issue of Options to Messrs Vorster and Randall will realign the interests of the Company and Messrs Vorster and Randall to maximise Shareholder value.

5.2 Reason approval is required

Shareholder approval is required under Listing Rule 10.11 and section 208 of the Corporations Act because the Directors are related parties of the Company. Listing Rule 10.11 requires Shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party.

Section 208 is contained within Chapter 2E of the Corporations Act, and prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

Furthermore, Shareholder approval of the issue of Options means that the grant will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

5.3 Specific information required by section 219 of the Corporations Act

Section 219 of the Corporations Act requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval for the grant:

- (a) The related parties are Mr Alwyn Vorster and Mr Malcolm Randall who are related parties by virtue of being Directors.
- (b) 1,000,000 Options will be granted to Mr Vorster (or his nominees) on the following terms and the terms and conditions set out in Schedule 2:

Number of Options	Exercise price	Vesting date	Expiry Date
1,000,000	The higher of \$1.40 or 1.43 times the 5 day VWAP of Shares up to and including the date of the Meeting	On grant	3 years from date of grant

- (c) 1,000,000 Options will be granted to Mr Randall (or his nominees) on the following terms and the terms and conditions set out in Schedule 2:

Number of Options	Exercise price	Vesting date	Expiry Date
1,000,000	The higher of \$1.40 or 1.43 times the 5 day VWAP of Shares up to and including the date of the Meeting	On grant	3 years from date of grant

- (d) The proposed financial benefit to be given is the grant of Options for no consideration to Messrs Vorster and Randall.
- (e) The dilution effect if all of the Options to be granted are exercised is as follows:

Current number of Shares on issue	161,174,005
Current number of Options on issue	10,250,000
Number of Shares on issue if all Options on issue are exercised	171,424,005
Number of Options to be granted under Resolutions 5 & 6	2,000,000
Dilution effect if all Options to be granted are exercised	1.15%

The market price of the Company's Shares during the life of the Options will normally determine whether or not the Options will be exercised. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the price of the Options.

- (f) The current relevant interests in security holdings of Messrs Vorster and Randall (not including the Options proposed to be issued subject to Resolutions 5 & 6) is as follows:

Name of Director	Shares	Options
Alwyn Vorster	105,000	4,000,000 ¹
Malcolm Randall	2,125,000	300,000 ²

⁽¹⁾ 500,000 unlisted Options exercisable at \$2.475 each on or before 11 October 2013
500,000 unlisted Options exercisable at \$2.725 each on or before 8 April 2014, subject to vesting conditions
1,000,000 unlisted Options exercisable at \$1.60 each on or before 23 November 2012
1,000,000 unlisted Options exercisable at \$1.75 each on or before 23 November 2013, subject to vesting conditions
1,000,000 unlisted Options exercisable at \$1.90 each on or before 23 November 2014, subject to vesting conditions

⁽²⁾ 150,000 unlisted Options exercisable at \$1.75 each on or before 23 November 2013, subject to vesting conditions
150,000 unlisted Options exercisable at \$1.90 each on or before 23 November 2014, subject to vesting conditions

- (g) The expected and actual remuneration from the Company to Mr Vorster and Mr Randall for the current financial year and previous financial year are set out below:

Director	Current Financial Year ⁽¹⁾		Previous Financial Year	
	Salary/Fees \$	Superannuation \$	Salary/Fees \$	Superannuation \$
Alwyn Vorster	488,032 ⁽²⁾	25,000	464,792 ⁽³⁾	25,000
Malcolm Randall	54,000 ⁽⁴⁾	4,860	49,000 ⁽⁴⁾	4,410

(1) Expected salary/fees for the financial year (1 July 2012 – 30 June 2013).

(2) Mr Vorster is also entitled to participate in the Company's short term incentive plan for the current financial year. The value of share based payments in respect to Options previously granted is excluded.

(3) In addition Mr Vorster received an amount of \$110,203 as a short term incentive payment and \$400,000 in discretionary payments made upon exceeding value targets in the tenement divestment process. The value of share based payments in respect of Options which have been previously granted and expensed in Financial Year 2012 was \$875,615 and is expected to be \$320,807 in Financial Year 2013. These Options have an exercise price ranging from \$1.60 to \$2.725.

(4) The value of share based payments in respect of Options which have been previously granted and expensed in Financial Year 2012 was \$129,379 and is expected to be \$54,342 in Financial Year 2013. These Options have an exercise price ranging from \$1.75 to \$1.90.

(5) Mr Vorster and Mr Randall are also entitled to fringe benefits relating to car parking valued in 2012 at \$4,640 each.

Further details of remuneration and emoluments for the financial year ending 30 June 2012 are available in the remuneration report contained within the 2012 Annual Report available on the ASX and Iron Ore Holdings Ltd's website.

- (h) The valuation of the Options the subject of Resolutions 5 and 6, together with the assumptions used to value the Options is set out in the table below:

Number to be granted to Mr Vorster	1,000,000
Number to be granted to Mr Randall	1,000,000
Date of valuation	26/9/2012
Risk Free Interest Rate	2.61%
Share price at date of valuation	\$0.90
Exercise Price	\$1.40
Volatility rate	60%
Value per Option	\$0.262
Total value of Options to be granted to Mr Vorster	\$262,000
Total value of Options to be granted to Mr Randall	\$262,000

The total value of the Options to be granted the subject of Resolutions 5 and 6 is \$524,000.

The value of the Options granted may go up or down after the valuation date as it will depend on the future price of a Share. The Black & Scholes model has been used, together with the assumptions outlined in the table above.

Any change in the variables applied in the Black & Scholes model between the date of the valuation and the date the Options are granted would have an impact on their value.

- (i) The market price of Shares would normally determine whether Messrs Vorster or Randall will exercise the Options or not. If the Options are exercised at a price that is lower than the price at which Shares are trading on ASX, there may be a perceived cost to the Company.
- (j) Historical share price information for the last twelve months is as follows:

	Price \$	Date
Highest	1.725	21 February 2012
Lowest	0.745	7 September 2012
Last	0.870	27 September 2012

- (k) Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options pursuant to Resolutions 5 and 6.
- (l) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolutions 5 and 6.

5.4 Directors' recommendation

All the Directors were available to make a recommendation of Resolutions 5 and 6.

Messrs Court, Randall, O'Donnell and Stokes (who have no interest in the outcome of Resolution 5) recommend that Shareholders vote in favour of Resolution 5. Mr Vorster declines to make a recommendation about Resolution 5 as he has a material personal interest in the outcome of the Resolution as it relates to the proposed grant of Options to him or his nominee(s).

Messrs Court, Vorster, O'Donnell and Stokes (who have no interest in the outcome of Resolution 6) recommend that Shareholders vote in favour of Resolution 6. Mr Randall declines to make a recommendation about Resolution 6 as he has a material personal interest in the outcome of the Resolution as it relates to the proposed grant of Options to him or his nominee(s).

The Directors providing the recommendations outlined above consider that the value of the financial benefit to be provided through the issue of the Options to Messrs Vorster and Randall is reasonable based on the following considerations:

- (a) the overall remuneration of Messrs Vorster and Randall;
- (b) the Directors' wish to ensure that the remuneration offered is competitive with market standards. The Directors have considered the proposed number of Options to be granted will ensure that Messrs Vorster and Randall's overall remuneration is in line with market standards; and

- (c) incentives to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise.

In addition, the Options granted will generally only be of benefit if Messrs Vorster and Randall perform to the level whereby the value of the Company increases sufficiently to warrant exercising the Options.

The Directors consider that the proposed issue of Options to Messrs Vorster and Randall will realign the interests of the Company and Messrs Vorster and Randall to maximise Shareholder value.

5.5 Additional Information required by Listing Rule 10.13

Listing Rule 10.11 requires Shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party. Accordingly, Listing Rule 10.11 requires Shareholders to approve the grant of Options to Messrs Vorster and Randall (or their nominee/s).

The following information in relation to the Options to be granted pursuant to Resolution 5 and 6 is provided to Shareholders for the purposes of Listing Rule 10.13:

- (a) the Options will be granted to Messrs Vorster and Randall (or their nominee/s), as noted above;
- (b) the maximum number of Options to be granted is 2,000,000 being 1,000,000 to Mr Vorster and 1,000,000 to Mr Randall;
- (c) the Options will be allotted and granted on a date which will be no later than 1 month after the date of this Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (d) the Options will be granted for nil consideration;
- (e) no funds will be raised by the grant of the Options; and
- (f) the terms and conditions of the Options are set out in Schedule 2.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.

5.6 Voting

The Chairman intends to exercise all undirected proxies in favour of Resolutions 5 and 6. If the Chairman of the Meeting is appointed as your proxy and you do not specify the way the Chairman is to vote on Resolutions 5 and 6, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on these Resolutions.

6. Resolution 7 - Adoption of Employee Option Scheme

Resolution 7 seeks Shareholder approval in accordance with Listing Rule 7.2 for the establishment of the Iron Ore Holdings Employee Option Scheme and the issue of Options pursuant to this Scheme.

The Directors of the Company are not eligible to participate in the Scheme.

The two main purposes of the Scheme are to give an incentive to the Eligible Employees to provide dedicated and ongoing commitment and effort to the Company aligning the interests of both employees and Shareholders and for the Company to reward Eligible Employees for their efforts. The Scheme contemplates the issue to Eligible Employees of options to subscribe for Shares.

Listing Rule 7.1 places restrictions on the number of equity securities, including options, which a listed company may issue in any 12 months. However, certain issues are exempt from this Listing Rule and are effectively disregarded for the purposes of counting the number of securities which a company may issue.

Exempt issues include an issue of securities to persons participating in an employee option scheme where Shareholders have approved the issue of securities under the scheme as an exemption from Listing Rule 7.1. Shareholder approval must be given in a general meeting held not more than 3 years before the date of issue where the Notice contains or is accompanied by certain prescribed information (set out below).

In order to take advantage of the exemption from Listing Rule 7.1 and allow the Company greater flexibility to issue securities, Shareholders are requested to approve the Scheme as an exemption from Listing Rule 7.1.

This approval will be effective for a period of 3 years from the date the passing by Shareholders of Resolution 7.

The Company has in place a current employee share option plan dated 23 November 2009. Under the existing employee share option plan there are currently 3,450,000 options on issue. No further options will be issued under this plan but options currently on issue will remain current until their expiry or exercise in accordance with the terms of the options.

For the purpose of Listing Rule 7.2 Exception 9, the terms of the Scheme are in Schedule 3.

The Chairman intends to exercise all undirected proxies in favour of Resolution 7. If the Chairman of the Meeting is appointed as your proxy and you do not specify the way the Chairman is to vote on Resolution 7, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

7. Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

10% Placement Facility has the meaning given in Section 3.

10% Placement Period has the meaning given in Section 3.

Annual Report means the Directors' Report, the Financial Report and Auditor's Report, in respect to the year ended 30 June 2012.

ASX means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Auditor's Report means the auditor's report on the Financial Report.

Board means the board of Directors of the Company.

Chairman means the person appointed to chair the Meeting of the Company convened by the Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

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

Constitution means the constitution of the Company as at the date of the Meeting.

Convertible Security means a security of the Company which is convertible into Shares.

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

Director means a director of the Company.

Directors' Report means the annual directors' report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Eligible Employee means an employee of the Company eligible to participate in the Scheme, excluding Directors.

Equity Security has the same meaning as in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Financial Report means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means this notice of annual general meeting.

Option means an option to acquire a Share.

Proxy Form means the proxy form attached to the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolution means a resolution referred to in the Notice.

Schedule means a schedule to the Notice.

Scheme means the Iron Ore Holdings Employee Option Scheme.

Section means a section of the Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

VWAP means volume weighted average price.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 - Terms and conditions of Options

(a) Entitlement

The Options entitle the holder to subscribe for one (1) Share upon the exercise of each Option.

(b) Exercise Price

The exercise price of each Option will be the greater of \$1.40 and 1.43 times the five days VWAP of Shares up to and including the date of the Meeting.

(c) Expiry Date

3 years from date of issue.

(d) Vesting Date and Exercise Period

Options will vest immediately on issue and are exercisable any time after the vesting date to the Expiry Date.

(e) Cessation of Directorship or Employment

Unless otherwise agreed by the Company, if Mr Vorster ceases to be an employee or a Director of the Company prior to the vesting date then the Options which have not yet vested will automatically expire within 90 days.

Unless otherwise agreed by the Company, if Mr Randall ceases to be a director of the Company prior to the vesting date then the Options which have not yet vested will automatically expire within 90 days.

(f) Trigger Events

Any Options that have been issued but have not yet vested will automatically vest upon one or more of the following events occurring:

- i. the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the *Corporations Act 2001* (Cth);
- ii. the service of a bidder's statement or a like document on the Company; or
- iii. the date upon which a person or a group of associated person becomes entitled, subsequent to the date of issue of the Option, to sufficient Shares to give it or them the ability, in general meeting to replace all, or allow a majority, of Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

(g) Notice of Exercise

The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

(h) Shares Issued on Exercise

Shares issued on exercise of the Options rank equally with the Shares of the Company.

(i) Quotation of Shares on Exercise

Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

(j) Timing of issue of Shares

After an Option is validly exercised, the Company must as soon as possible:

- (i) issue the Share; and
- (ii) do all such acts matters and things to obtain
 - (A) the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Option; and
 - (B) receipt of cleared funds equal to the sum payable on the exercise of the Options.

(k) Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holder will not be entitled to participate in new issues of capital offered to Shareholders during the term of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holder of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(l) Adjustment for Bonus Issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(m) Adjustment for Rights Issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E [P - (S+D)]}{N+1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one (1) Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex-rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one (1) new share.

(n) Adjustments for Reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(o) Quotation of Options

The Options will be unlisted Options. No application for quotation of the Options will be made by the Company.

(p) Options transferable

The Options are transferable.

(q) Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.

Schedule 3 - Terms and conditions of Employee Option Scheme

The Directors are empowered to operate the Scheme in accordance with the Listing Rules and on the following terms and conditions:

- (a) Subject to clause (d), the Directors may offer to issue Options to Eligible Employees in accordance with Class Order 03/184, the Scheme and in such manner and on such terms and conditions as they in their absolute discretion determine.
- (b) If the Company has offered you Options, to accept the offer complete the Acceptance Form or accept in such other form as the Directors may in their absolute discretion approve from time to time.
- (c) The Eligible Employees to participate in the Scheme shall be as the Directors in their absolute discretion determine and shall take into account skills, experience, length of service with the Company, remuneration level and such other criteria as the Directors consider appropriate in the circumstances.
- (d) Options may not be offered under this Scheme without the issue of a prospectus in accordance with Chapter 6D of the Corporations Act, if the aggregate of:
 - (i) the number of Options to be issued;
 - (ii) the number of Shares which would be issued if all the current Options issued under any employment incentive scheme were exercised;
 - (iii) the number of Shares which have been issued as a result of the exercise of Options issued under any employee incentive scheme, where the Options were issued during the preceding five years; and
 - (iv) all other Shares issued pursuant to any employee incentive scheme during the preceding five years;but disregarding any offer made, Options or Shares issued by way of or as a result of:
 - (v) an offer to a person situated at the time of receipt of the offer outside Australia;
 - (vi) an offer that was an excluded offer or invitation within the meaning of the Corporations Act as it stood prior to the commencement of schedule 1 of the Corporate Law Economic Reform Program Act 1999;
 - (vii) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
 - (viii) an offer under a disclosure document,would exceed 5% of the then current number of Shares on issue.
- (e) Options will be issued free of charge to Eligible Employees. The exercise price of the Options shall be as the Directors in their absolute discretion determine, provided that it shall not be less than that amount which is equal to 80% of the average market price of the Shares in the 5 days in which sales in the Shares were recorded immediately preceding the day on which the Directors resolve to offer the Options.
- (f) Options may be issued with such Exercise Conditions as the Directors consider appropriate.
- (g) The Directors may limit the total number of Options which may be exercised under the Scheme in any year.

- (h) The Directors, in their absolute discretion, having regard to skills, experience, length of service with the Company, remuneration level and such other criteria as the Directors consider appropriate in the circumstances, shall determine criteria to establish the periods during which the Options may be exercised.
- (i) All Options with a common expiry date shall have the same exercise price and rights to participate in issues of securities by the Company.
- (j) Unless the Directors in their absolute discretion determine otherwise, Options shall lapse upon the earlier of:
 - (i) the expiry of the exercise date;
 - (ii) the Option holder ceasing to be an Eligible Employee if the Exercise Conditions have not been met;
 - (iii) if the Exercise Conditions have been met:
 - (A) the date 30 days after the Option holder ceases to be an Eligible Employee by reason of termination of employment, office or services other than as set out in (j)(iii)(B); or
 - (B) the date 90 days after the Option holder ceases to be an Eligible Employee by reason of:
 - (1) bona fide redundancy;
 - (2) bona fide retirement; or
 - (3) death or total and permanent disability.
 - (iv) a determination by the Directors that the Option holder has acted fraudulently, dishonestly or in breach of his or her obligations to the Company or an Associated Body Corporate.
- (k) If an Eligible Employee accepts an offer from the Company to participate in the Scheme then the Company will evidence the issue of an Option to an Eligible Employee by issuing that Eligible Employee a Certificate for that Option.
- (l) Each Option entitles the holder to subscribe for and be issued with one Share.
- (m) Shares issued pursuant to the exercise of Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue.
- (n) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (o) The Options will not be quoted on ASX. However, application will be made to ASX for official quotation of the Shares issued on the exercise of the Options if the Shares are listed on ASX at that time.
- (p) An application to be issued Options may be made by Eligible Employees invited to participate in the Scheme in such form and on such terms and conditions concerning the closing date for applications as the Directors in their absolute discretion determine.

- (q) If at any time the issued capital of the Company is reconstructed, all rights of Option holders are to be changed in a manner consistent with the Listing Rules.
- (r) Subject to and in accordance with the Listing Rules (including any waiver issued under such Listings Rules), the Directors (without the necessity of obtaining the prior or subsequent consent of Shareholders of the Company in a general meeting) may from time to time amend (including the power to revoke, add to or vary) all or any provisions of the Terms and Conditions in any respect whatsoever, by an instrument in writing, provided that rights or entitlements in respect of any Option issued before the date of amendment shall not be reduced or adversely affected unless prior written approval from the affected holder(s) is obtained.
- (s) At the absolute discretion of the Directors, the terms upon which Options will be issued may incorporate performance related factors. Such factors may reflect, inter alia, profitability levels, increases in production or decreases in production costs and may, subject to clause (r) above, be amended from time to time in a manner favourable to the Option holder. However such performance related factors, if included in the Option terms or so amended shall not act in any way to constitute a breach of the Terms and Conditions.
- (t) Notwithstanding the Terms and Conditions, upon the occurrence of a Trigger Event the Directors may determine:
 - (i) that the Options may be exercised at any time from the date of such determination, and in any number until the date determined by the Directors acting bona fide so as to permit the holder to participate in any change of control arising from a Trigger Event provided that the Directors will forthwith advise in writing each holder of such determination. Thereafter, the Options shall lapse to the extent they have not been exercised; or
 - (ii) to use their reasonable endeavours to procure that an offer is made to holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Trigger Event in which case the Directors shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the Options shall immediately become exercisable and if not exercised within 10 days, shall lapse.
- (u) An Option may not be transferred or assigned except that a legal personal representative of a holder of an Option who has died or whose estate is liable to be dealt with under laws relating to mental health will be entitled to be registered as the holder of that Option after the production to the Directors of such documents or other evidence as the Directors may reasonably require to establish that entitlement.
- (v) An Option is exercisable by the holder lodging with the Company a Notice of Exercise of Option together with a cheque for the exercise price of each Option to be exercised and the relevant Option Certificate. If not all of the holder's Options are being exercised, a holder must exercise Options in multiples of 1,000.
- (w) Neither participation in the Scheme by the Company or an Associated Body Corporate or any Eligible Employees or Option holders or anything contained in these Terms and Conditions shall in any way prejudice or affect the right of the Company or an Associated Body Corporate to dismiss any Eligible Employees or Option holder or to vary the terms of employment of any Eligible Employees or Option holder. Nor shall participation or the rights or benefits of an Eligible Employees or Option holder under the Terms and Conditions be relevant to or be used as grounds for granting or increasing damages in any action brought by an Eligible Employees or Option holder against the Company or an Associated Body Corporate whether in respect of any alleged wrongful dismissal or otherwise.
- (x) At all times during which Eligible Employees may subscribe for or purchase Shares upon exercise of an Option issued pursuant to the Scheme, the Company shall provide, within

a reasonable period of a request by Eligible Employees, the current market price of the Shares. Contact the Company Secretary to obtain this information.

- (y) The Scheme shall be administered by the Directors who shall have power to:
- (A) determine appropriate procedures for administration of the Scheme consistent with these Terms and Conditions;
 - (B) resolve conclusively all questions of fact or interpretation or dispute in connection with the Scheme and settle as the Directors in their absolute discretion determine expedient any difficulties or anomalies howsoever arising with or by reason of the operation of the Scheme;
 - (C) delegate to any one or more persons for such period and on such conditions as it may determine the exercise of any of the Directors' powers or discretions arising under the Scheme; and
 - (D) subject to the Listing Rules, waive strict compliance with, amend or add to the Terms and Conditions of the Scheme except for the provisions of clause 4, and where such actions are taken such actions shall be conclusive, final and binding on Option holders.

Definitions

In this Schedule the following terms shall bear the following meanings:

Acceptance Form means the Acceptance Form which will accompany the invitation to the Eligible Employee to participate in the Scheme.

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

ASX means ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

Business Day means those days other than a Saturday, Sunday, New Year's Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which ASX shall declare and publish is not a business day.

Certificate means a certificate for any Option issued to Eligible Employees which will include all of the terms and conditions of the Option and the Notice of Exercise of Option or such other evidence of ownership that the Directors may in their absolute discretion determine from time to time.

Company means Iron Ore Holdings Ltd.

Company Group means the Company and its Associated Bodies Corporate.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Directors mean the directors from time to time of the Company.

Eligible Employees means any full or part time employees of the Company or its Associated Bodies Corporate excluding Directors.

Exercise Condition means in respect of an Option, any condition set out in the offer of Options to Eligible Employees which must be satisfied before that Option can be exercised or any other restriction on exercise of that Option specified in the offer or in these Terms and Conditions.

Listing Rules means the official listing rules of ASX as amended from time to time.

Notice of Exercise of Option means the Notice of Exercise of Option which will accompany the invitation to the Eligible Employee to participate in the Scheme.

Option means an option to acquire a Share issued in accordance with the Scheme.

Scheme means the Iron Ore Holdings Ltd Employee Option Scheme in which Eligible Employees may be invited to participate in accordance with the Terms and Conditions.

Share means a fully paid ordinary share in the capital of the Company.

Terms and Conditions means the terms and conditions of the Scheme, as amended from time to time.

Trigger Event means:

- (a) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;
- (b) the service of a bidder's statement or a like document on the Company; or
- (c) the date upon which a person or a group of associated person becomes entitled, subsequent to the date of issue of the Option, to sufficient Shares to give it or them the ability, in general meeting to replace all, or allow a majority, of Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

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PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

IRON ORE HOLDINGS LTD

REGISTERED OFFICE:
LEVEL 1
1 ALTONA STREET
WEST PERTH WA 6005

ABN: 17 107 492 517

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

Holder Number:

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

OR

**The meeting Chairman
(mark with an "X")**

**The name of the person you are appointing
(if this person is someone other than the Chairman of the meeting).**

or failing the person named, or if no person is named, the Chairman, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Meeting of the Company to be held at 9.00 AM on Wednesday 14 November 2012 at CWA House, 1176 Hay Street, West Perth, Western Australia and at any adjournment of that Meeting.

Proxy appointments will only be valid and accepted by the company if they are made and received no later than 48 hours before the meeting.

- IMPORTANT: If the Chairman is your proxy or is appointed you proxy by default

The Chairman intends to vote all available proxies in favour of Resolutions 1, 4, 5, 6 and 7 inclusive. If the Chairman is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolutions 1, 4, 5, 6 and 7 inclusive, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions on Resolution 1, 4, 5, 6 and 7 even if the Resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your proxy.

Resolution

- 1. Remuneration Report
- 2. Re-election of Mr Brian O'Donnell as a Director
- 3. Approval of 10% Placement Facility
- 4. Approval of Increase to Directors Fees
- 5. Approval of Grant of Options to Mr Alwyn Vorster
- 6. Approval of Grant of Options to Mr Malcolm Randall
- 7. Approval of Employee Option Scheme

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.
The Chairman intends to vote all available proxies in favour of each Resolution.

SECTION C: Please Sign Below

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Sole Director and Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director / Company Secretary

9076559708

Reference Number:

1

IOH

1

My/Our contact details in case of enquiries are:

NAME

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TELEPHONE NUMBER

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NOTES

1. Name and Address
 This is the name and address on the Share Register of IRON ORE HOLDINGS LTD. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. Appointment of a proxy
 If you wish to appoint the Chairman of the Meeting as your proxy please mark "X" in the box in Section A. Please also refer to Section B of this proxy form and ensure you mark the box in that section if you wish to appoint the Chairman as your proxy.

If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of IRON ORE HOLDINGS LTD.

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at the Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from the Company's share registry.

3. Directing your proxy how to vote
 To direct the proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. Appointment of a second proxy
 You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry +61 8 9315 2333 or you may photocopy this form.

- To appoint a second proxy you must:
- (a) On each of the Proxy Forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half of your votes; and
 - (b) Return both forms in the same envelope.

DATE (dd/mm/yy)

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5. Signing Instructions
Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of Proxy
 Proxy Forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 9.00 AM on Monday 12 November 2012, being 48 hours before the time for holding the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross, Western Australia 6953

Street Address:
Alexandrea House, Suite 1
770 Canning Highway
Applecross, Western Australia 6153

Telephone +61 8 9315 2333
Facsimile +61 8 9315 2233
Email registrar@securitytransfer.com.au

PRIVACY STATEMENT
 Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.