



ABN 17 107 492 517

IRON ORE HOLDINGS LIMITED

ABN 17 107 492 517

Half Year Financial Statements

31 December 2010



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CORPORATE DIRECTORY

DIRECTORS**Hon Richard Court AC***Non Executive Chairman***Alwyn Vorster***Managing Director***Brian O'Donnell***Non Executive Director***Malcolm Randall***Non Executive Director***Ryan Stokes***Non Executive Director***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****SOLICITORS****Hardy Bowen****28 Ord Street****West Perth WA 6005****AUDITORS****Stantons International****Level 1, 1 Havelock Street****West Perth WA 6005****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 2010.

Directors

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

Court, RF

Vorster, AP (appointed 1 January 2011)

O'Donnell, BF

Stokes, RK (appointed 1 January 2011)

Randall, MRJ

Rimes, M (resigned 6 August 2010)

Result of Operations

The net loss of the Consolidated Entity after providing for income tax for the six months ended 31 December 2010 amounted to \$10,025,191 (2009 loss \$7,569,463).

Review of Operations

It is recommended that the half-yearly financial statements be read in conjunction with the 30 June 2010 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

Activities during the half-year ended 31 December 2010 are set out in announcements made by the company to ASX highlights of which include:

- Continued exploration success resulting in the Company's total JORC Resource reaching 647 Million Tonnes.
- 115 holes drilled for 7136.9 metres.

Central Pilbara Hub

- Update on Iron Valley JORC Resource of 240Mt @ 58.8% Fe includes high grade component of 143Mt @ 60.8% Fe.
- The PQ diamond core drilling was conducted to collect core samples for metallurgical test work within the Iron Valley Project. The Metallurgical test work is underway.

Western Pilbara Hub

- 500% increase of JORC inferred Resource at Bungaroo South from 47.9Mt @ 58.1% Fe to 241.6Mt at 57.2% Fe.
- New discovery of magnetite deposit (Maitland River) two scout holes completed. MR 002 has encountered magnetite mineralisation intercept of 252 metres at 30.7% Fe from 96 metres (hole drilled at 50 degrees).

Corporate

- Appointment of new CEO Alwyn Vorster

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 the 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 Paul Hogan, who is a Member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy. Mr Hogan 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 Hogan 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 2010 under section 307C of the *Corporations Act 2001* is set out on page 16.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors

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

Hon Richard Court AC
Chairman

Dated this 15th day of February 2011

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31
DECEMBER 2010**

	Consolidated Half-Year	
	31.12.2010	31.12.2009
	\$	\$
Revenue	334,203	259,265
Employee benefits expense	(2,400,697)	(4,331,097)
Administration expenditure	(672,456)	(385,599)
Exploration expenditure	(6,957,019)	(3,426,186)
Depreciation expense	(329,222)	(136,001)
Loss before income tax benefit	(10,025,191)	(8,019,618)
Research and Development rebate	-	450,155
Loss from continuing operations	(10,025,191)	(7,569,463)
Loss for the period attributable to members	(10,025,191)	(7,569,463)
Other Comprehensive income for the period	-	-
Total Comprehensive loss for the period	(10,025,191)	(7,569,463)
Net loss attributable to the parent entity	(10,025,191)	(7,569,463)
Total Comprehensive loss attributable to the parent entity	(10,025,191)	(7,569,463)
Basic loss per share	(\$0.074)	(\$0.065)
Diluted loss per share	(\$0.074)	(\$0.065)

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

		Consolidated	
	Note	31.12.2010 \$	30.6.2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	8,240,572	17,351,478
Trade and other receivables		651,762	904,497
Prepayments		67,976	53,907
TOTAL CURRENT ASSETS		8,960,310	18,309,882
NON-CURRENT ASSETS			
Trade and other receivables		268,598	269,000
Plant and equipment		1,271,587	1,444,609
Deferred exploration and evaluation expenditure		2,684,460	2,684,460
TOTAL NON-CURRENT ASSETS		4,224,645	4,398,069
TOTAL ASSETS		13,184,955	22,707,951
CURRENT LIABILITIES			
Trade and other payables		1,642,917	3,757,266
Provisions		34,195	263,544
TOTAL CURRENT LIABILITIES		1,677,112	4,020,810
TOTAL LIABILITIES		1,677,112	4,020,810
NET ASSETS		11,507,843	18,687,141
SHAREHOLDERS' EQUITY			
Issued capital	4	49,992,641	47,818,717
Reserves		7,137,504	6,465,535
Accumulated losses		(45,622,302)	(35,597,111)
TOTAL SHAREHOLDERS' EQUITY		11,507,843	18,687,141

The accompanying condensed notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Consolidated				
Balance at 1.7.2010	47,818,717	6,465,535	(35,597,111)	18,687,141
<i>Total Comprehensive Income</i>				
Loss attributable to members	-	-	(10,025,191)	(10,025,191)
Other comprehensive income	-	-	-	-
 Total comprehensive loss for the period	-	-	(10,025,191)	(10,025,191)
<i>Transactions with owners recorded directly into equity</i>				
<i>Contributions by and distributions to owners</i>				
Shares issued during period	2,173,924	-	-	2,173,924
Options expense for the period	-	671,969	-	671,969
Balance at 31.12.2010	49,992,641	7,137,504	(45,622,302)	11,507,843
 Balance at 1.7.2009	30,827,565	2,880,315	(16,260,282)	17,447,598
<i>Total Comprehensive Income</i>				
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)
<i>Transactions with owners recorded directly into equity</i>				
<i>Contributions by and distributions to owners</i>				
Shares issued during the 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

The accompanying condensed notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER
2010**

	Note	Consolidated	
		31.12.2010	31.12.2009
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		383,476	287,053
Research and development rebate		-	450,155
Payments for exploration expenditure		(10,149,403)	(2,987,196)
Payments to suppliers and employees		(1,362,712)	(1,582,564)
Net cash (used in) operating activities		<u>(11,128,639)</u>	<u>(3,832,552)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Plant & Equipment		(156,191)	(114,113)
Purchase of short term deposits		-	(44,001)
Bond deposits		-	-
Net cash (used in) investing activities		<u>(156,191)</u>	<u>(158,114)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		<u>2,173,924</u>	<u>543,833</u>
Net cash provided by financing activities		<u>2,173,924</u>	<u>543,833</u>
Net (decrease) in cash and cash equivalents		(9,110,906)	(3,446,833)
Cash and cash equivalents at 1 July		<u>17,351,478</u>	<u>14,549,009</u>
Cash and cash equivalents at 31 December	3	<u>8,240,572</u>	<u>11,102,176</u>

The accompanying condensed notes form part of these financial statements.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2010**

Note 1: Basis of Preparation note

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 2010 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 accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the classification of expenditures on unrecognised assets in the statement of cash flows.

The adoption of these amendments has not resulted in any changes to the Group's accounting.

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 dependent 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.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2010**

Note 2: Loss from Ordinary Activities

	31.12.2010	31.12.2009
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
(a) Revenue		
Interest received – other persons	334,203	259,265
	<u>334,203</u>	<u>259,265</u>
(b) Expenses		
Depreciation – plant & equipment	329,222	136,001
Rental expense on operating lease		
- Rent	123,502	135,283
Exploration expenditure	6,957,019	3,426,186

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:

	31.12.2010	30.06.2010
	\$	\$
Cash at bank & on hand	1,240,572	2,851,478
Term deposits	7,000,000	14,500,000
	<u>8,240,572</u>	<u>17,351,478</u>

Note 4: Issued Capital

	31.12.2010	30.6.2010
	\$	\$
137,548,774 (30 June 2010:135,374,850) Ordinary fully paid Shares	49,992,641	47,818,717
Movements in ordinary share capital	Number of Shares	\$
Beginning of the financial period	135,374,850	47,818,717
Issued during the period:		
- Ordinary shares issued upon exercise of \$1.00 options	2,173,924	2,173,924
	<u>137,548,774</u>	<u>49,992,641</u>

**Condensed Notes to the financial statements for the
half-year ended 31 December 2010**

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 500,000 options were granted under the Employee Share Option Plan. The exercise price of the options granted in the current period is \$2.50 per option with an expiry date of 30 September 2013, vesting immediately on issue.

500,000 options were issued to the Managing Director with an exercise price of \$2.50 with an expiry date of 11 October 2013, vesting immediately on issue.

50,000 options were resolved to be issued in accordance with a land access agreement with an exercise price of \$1.00 with an expiry date of 24 June 2012, vesting immediately on issue.

The terms and conditions of the grants made during the six months ended 31 December 2010 are as follows:

Grant Date	Number Granted	Vesting Conditions	Contractual Life
12/10/2010	500,000	Immediately	2.97 years
12/10/2010	500,000	Immediately	3.00 years
11/11/2010	50,000	Immediately	2.12 years
	<u>1,050,000</u>		

Expenses arising from share-based payment transactions:

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

Options issued	500,000	500,000	50,000
Value per option	\$0.541	\$0.545	\$1.174
Weighted average exercise price	\$2.50	\$2.50	\$1.00
Weighted average life of the option (years)	2.97	3.00	2.12
Weighted average underlying share price	\$1.53	\$1.53	\$1.92
Expected share price volatility	69%	69%	68%
Weighted average risk free interest rate	4.89%	4.89%	4.89%

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 2010.

**Condensed Notes to the financial statements for the
half-year ended 31 December 2010**

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.

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 2010 summarise results of activities since that date.

There has been no matters or circumstances that have arisen since 31 December 2010 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

There have been no significant changes to the Company's exploration and expenditure commitments since 30 June 2010.

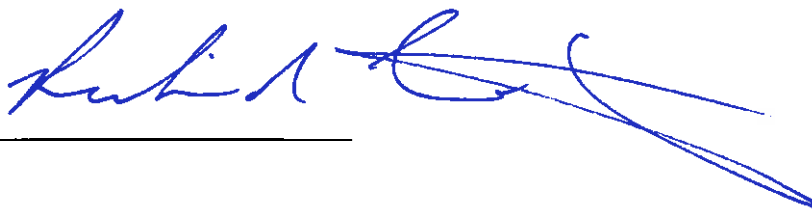
DIRECTORS' DECLARATION

The directors of the Consolidated Entity declare that:

1. The financial statements and notes, as set out on pages 5 to 12:
 - 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 2010 and of its performance for the half year ended on that date.
2. The financial statements and notes also comply with International Financial Reporting Standards.
3. 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



Hon Richard Court

Dated this ^{15th} day of February 2011

**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 consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, 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* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Standard on Review Engagements ASRE 2410 *Review of a Financial Report 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 2010 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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 14 February 2011.

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 2010 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 AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International audit and consulting 15 Feb


John P Van Dieren
Director

West Perth, Western Australia
15 February 2011

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Stantons International
Chartered Accountants and Consultants

15 February 2011

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 2010, 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 AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



JP Van Dieren
Director