

IRON ORE HOLDINGS LTD

ABN 17 107 492 517

Half Year Financial Report

31 December 2006

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CORPORATE DIRECTORY

<p>DIRECTORS</p> <p>Malcolm Roger Joseph Randall <i>Chairman & Executive Officer</i></p> <p>Derek Noel Ammon <i>Executive Director</i></p> <p>Godfrey Edward Taylor <i>Non Executive Director</i></p> <p>Andrew John Linfoot <i>Non Executive Director</i></p> <p>COMPANY SECRETARY</p> <p>Matthew Vernon Hogan</p> <p>REGISTERED OFFICE</p> <p>Level 14, BGC Centre 28 The Esplanade Perth, WA 6000 Tel: +61 8 89321 6999 Fax: +61 8 9321 0322 Email: info@ironoreholdings.com</p> <p>WEBSITE: www.ironoreholdings.com</p>	<p>SOLICITORS</p> <p>Taylor Linfoot & Holmes Commercial Lawyers Level 3, 40 St Georges Terrace Perth WA 6000</p> <p>Fairweather & Lemonis Barristers & Solicitors Level 9, 172, St Georges Terrace Perth WA 600</p> <p>INDEPENDENT GEOLOGISTS</p> <p>Mackay & Schnellman 4 Lawrence Avenue West Perth WA 6005</p> <p>AUDITORS</p> <p>Grant Thornton Western Australian Partnership Level 6, 256 St Georges Terrace Perth WA 6000</p> <p>SHARE REGISTRY</p> <p>Security Transfer Registrars Pty Ltd Suite 1 770 Canning Highway Applecross WA 5153</p> <p>AUSTRALIAN STOCK EXCHANGE</p> <p>2 The Esplanade Perth WA 6000</p> <p>ASX CODE: IOH</p>
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DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half-year ended 31 December 2006.

Directors

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

Randall, MRJ

Ammon, DN

Linfoot, AJ

Taylor, GE

Result of Operations

The net loss of the Company after providing for income tax for the six months ended 31 December 2006 amounted to \$1,414,855 (31/12/2005 loss \$2,353,594).

Review of Operations

It is recommended that this half-yearly report be read in conjunction with the 30 June 2006 Annual report and any public announcements made by the Company during the half year.

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

Activities

Following the Company's initial drilling programme of 86 holes for 1,474 metres on Derek's prospect on the Lamb Creek tenement, the Company focused its exploration activities on the Extension tenement, approximately 20kms north east of Derek's.

Aboriginal heritage surveys and ground clearance activities were progressed on the prospects throughout the period with RC drilling commencing on 26th September 2006. A total of 206 RC holes for a total of 2,780 metres were completed on the Phil's Creek target on a 100m x 50m grid pattern and 56 RC holes for a total of 811 metres at Extension on a 200m x 100m grid pattern. Targeted pisolite material was intercepted in all holes except the close out holes on both the Phil's Creek and Extension targets.

The first batch of assay results (21 holes) for Phil's Creek were released on 21st November 2006 and confirmed the pisolite intersections observed during the drilling programme.

The results included a number of +60% Fe intersections and the thickness of drilled CID intervals grading 55% Fe or better on the first 21 holes ranged from 3 metres at the palaeo channel margin to a maximum of 17 metres towards the centre of the target.

Subsequent assay results up to hole 70 continue to be encouraging and indicate the continuation of high grade CID iron ore at the Phil's Creek project. Assay results from the Extension target drilling were expected in early 2007.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half year ended 31 December 2006 under section 307C of the *Corporations Act 2001* is set out on page 13.

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

On behalf of the Directors

Director:



Randall, MRJ

Dated this 12th day of February 2007

INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	31.12.2006	31.12.2005
	\$	\$
Revenue	125,759	169,004
Employee benefits expense	(178,321)	(560,169)
Administration	(259,226)	(957,684)
Exploration Expenditure	(1,094,223)	(997,424)
Depreciation & Amortisation	(8,844)	(7,321)
Loss before income tax expense	(1,414,855)	(2,353,594)
Income tax expense	-	-
Loss from continuing operations	(1,414,855)	(2,353,594)
Loss attributable to members	(1,414,855)	(2,353,594)
Overall Operations		
Basic loss per share (cents per share)	(0.02)	(0.03)
Diluted loss per share (cents per share)	(0.02)	(0.03)

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2006

	31.12.2006	30.6.2006
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash & cash equivalents	2,926,517	4,304,371
Trade and other receivables	106,012	46,506
TOTAL CURRENT ASSETS	<u>3,032,529</u>	<u>4,350,877</u>
NON-CURRENT ASSETS		
Mineral Interests	59,460	59,460
Property, plant and equipment	32,510	38,480
TOTAL NON-CURRENT ASSETS	<u>91,970</u>	<u>97,940</u>
NET ASSETS	<u>3,124,499</u>	<u>4,448,817</u>
CURRENT LIABILITIES		
Trade & other payables	132,299	43,410
Short term provisions	37,347	35,699
TOTAL CURRENT LIABILITIES	<u>169,646</u>	<u>79,109</u>
TOTAL LIABILITIES	<u>169,646</u>	<u>79,109</u>
NET ASSETS	<u>2,954,853</u>	<u>4,369,708</u>
EQUITY		
Issued capital	6,672,834	6,672,834
Reserves	1,412,770	1,412,770
Accumulated Losses	(5,130,751)	(3,715,896)
TOTAL EQUITY	<u>2,954,853</u>	<u>4,369,708</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	\$	\$	\$	\$	
	<u>Issued Capital</u>		<u>Accumulated</u>		
	Note	Ordinary	Option Reserve	Losses	Total
Balance at 1.7.2005		5,732,757	43,690	(407,152)	5,369,295
Shares Issued during the period		940,555	-	-	940,555
Options issued during the period	4	-	1,369,080	-	1,369,080
Loss attributable to members		-	-	(2,353,594)	(2,353,594)
Balance at 31.12.2005		<u>6,673,312</u>	<u>1,412,770</u>	<u>(2,760,746)</u>	<u>5,325,336</u>
Balance at 1.7.2006		6,672,834	1,412,770	(3,715,896)	4,369,708
Loss attributable to members		-	-	(1,414,855)	(1,414,855)
Balance at 31.12.2006		<u>6,672,834</u>	<u>1,412,770</u>	<u>(5,130,751)</u>	<u>2,954,853</u>

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	31.12.2006	31.12.2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	125,759	169,004
Payments for exploration expenditure	(1,013,528)	(769,244)
Payments to suppliers and employees	(487,210)	(256,677)
Net cash provided by (used in) operating activities	<u>(1,374,979)</u>	<u>(856,917)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Plant & Equipment	(2,875)	(9,077)
Net cash provided by (used in) investing activities	<u>(2,875)</u>	<u>(9,077)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,001,000
Share issue costs	-	(60,445)
Net cash provided by (used in) financing activities	<u>-</u>	<u>940,555</u>
Net (decrease) increase in cash held	(1,377,854)	74,561
Cash at 1 July 2006	<u>4,304,371</u>	<u>5,286,924</u>
Cash at 31 December 2006	<u>2,926,517</u>	<u>5,361,485</u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2006**

Note 1: Basis of Preparation note

The half-year financial statements are a general purpose financial report 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 2006 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.

Reporting Basis and Conventions

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

Note 2: Loss from Ordinary Activities

	31.12.2006	31.12.2005
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
(a) Revenue		
Interest received – other persons	125,759	169,004
(b) Expenses		
Depreciation – plant & equipment	8,844	7,321
Rental expense on operating lease		
- Rent	27,399	26,305
Exploration Expenditure	1,094,223	997,424

Note 3: Cash & Cash Equivalents

	31.12.2006	31.12.2005
	\$	\$
Cash at bank & on hand	9,680	52,021
Deposits at call	347,530	333,805
Term Deposits	77,033	-
Commercial Bills	2,492,274	4,975,659
	2,926,517	5,361,485

Reconciliation of Cash

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:

Cash	2,926,517	5,361,485
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2006**

Note 4: Options

No Options were issued during the period. During the period ended 31 December 2005 the Company issued 3,600,000 options exercisable at \$1.30 to directors and consultants for services provided. Each option has an expiry date of 10 May 2010.

Note 5: Segment Reporting

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

Note 6: Contingent Liabilities and Contingent Assets

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

The Company 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 7: Events Subsequent to Reporting Date

There has been no matters or circumstances that have arisen since 31 December 2006 that has significantly affected or may significantly affect:

- (a) the Company's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the Company's state of affairs in future years.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 9:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2006 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company 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



Randall, MRJ

Dated this 12th day of February 2007

Independent Review Report

To the Members of Iron Ore Holdings Ltd

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Iron Ore Holdings Ltd, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date and other selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim 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 company's financial position as at 31 December 2006 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 Ltd, 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.

Independence

In conducting our review, we complied with the independence requirements of the Australian professional ethical pronouncements and the Corporations Act 2001.

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 Ltd is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP
Chartered Accountants



SEAN MCGURK
Partner

Perth

12 February 2007

Grant Thornton Western Australian Partnership
ABN 21 965 022 882
Chartered Accountants, Business Advisers and Consultants

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Iron Ore Holdings Ltd for the half-year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP
Chartered Accountants



SEAN MCGURK
Partner

Dated 12 February 2007