

IRON ORE HOLDINGS LTD

ABN 17 107 492 517

Half Year Financial Report

31 December 2007

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CORPORATE DIRECTORY

<p>DIRECTORS</p> <p>Malcolm Roger Joseph Randall <i>Non Executive Chairman</i></p> <p>Matthew James Rimes <i>Managing Director</i></p> <p>Godfrey Edward Taylor <i>Non Executive Director</i></p> <p>Hon Richard Fairfax Court AC <i>Non Executive Director</i></p> <p>CONSOLIDATED ENTITY SECRETARY</p> <p>Simon Robertson</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>Hardy Bowen 28 Ord Street West Perth WA 6005</p> <p>AUDITORS</p> <p>Stantons International Level 1, 1 Havelock Street West Perth WA 6005</p> <p>SHARE REGISTRY</p> <p>Security Transfer Registrars Pty Ltd Suite 1 770 Canning Highway Applecross WA 6153</p> <p>AUSTRALIAN SECURITIES EXCHANGE</p> <p>2 The Esplanade Perth WA 6000 ASX CODE: IOH</p>
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DIRECTORS' REPORT

Your directors submit the financial report of the Consolidated Entity for the half-year ended 31 December 2007.

Directors

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

Randall, MRJ

Rimes, MJ

Court, RF (appointed 20 November 2007)

Taylor, GE

Result of Operations

The net loss of the Consolidated Entity after providing for income tax for the six months ended 31 December 2007 amounted to \$1,728,404 (2006 loss \$1,414,855).

Review of Operations

It is recommended that this half-yearly report be read in conjunction with the 30 June 2007 Annual report and any public announcements made by the Consolidated Entity during the half year.

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

Activities

The Consolidated Entity has defined an Indicated Mineral Resource of 8.3 Mt of channel iron deposit at Phil's Creek. The project has similar iron ore grades to the pisolite mine at the nearby Yandi and Yandicoogina mines of BHP Billiton and Rio Tinto. A Scoping Study has been completed by Promet Engineers Pty Ltd.

The Scoping Study indicates an NPV ranging from \$68 million (pre-tax), using a 10% discount rate and 2007 iron ore (fines) pricing. The NPV increases to \$120 million for a 20% increase in product value, and \$150 million for a 30% price increase. The project is relatively robust and can withstand a 25% decrease in product value before reaching the breakeven point. The projected annual production rate is 1.5Mtpa with a mine life of 6 years.

During the year a drilling program comprised 333RC holes for a total of 3990 metres was completed at the nearby Extension target. Significant drill intersections averaging greater than 55% Fe were recorded in 64 holes. Whilst higher grade intersections were less in width than expected from the geological mapping, the higher grade pisolite material importantly contains low phosphorous levels and is covered with relatively thin overburden. A JORC compliant Indicated Mineral Resource of 46.8 Mt grading 50% Fe has been delineated, however, the ore is of a lower grade to current direct shipping channel iron deposit Pilbara ore.

The Consolidated Entity's holdings in the Marillana area have increased from 349 km² to 589 km² through acquisition of tenements.

The Consolidated Entity also acquired further tenements at Buckland Hills that cover an area of 275 km². Buckland Hills is located approximately 7km south of Robe River Mesa J operations, and is adjacent to land held by Robe River and Fortescue Metals. The tenements are in close proximity to an operating mine and its associated infrastructure. Buckland Hills is also adjacent to Robe River's more recently discovered buried channel iron deposits at Bungaroo Creek.

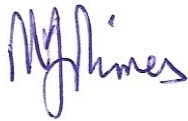
In July of this year Binalong Pty Limited (a 100% owned subsidiary of Australian Capital Equity Pty Limited) acquired a 40% interest in Iron Ore Holdings.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half year ended 31 December 2007 under section 307C of the *Corporations Act 2001* is set out on page 15.

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

A handwritten signature in blue ink, appearing to read 'M. James Rimes', is positioned above the printed name of the Managing Director.

Managing Director: _____

Matthew James Rimes

Dated this 13th day of March 2008

CONDENSED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated Half Year	
	31.12.2007	31.12.2006
	\$	\$
Revenue	59,384	125,759
Employee benefits expense	(891,550)	(178,321)
Administration	(346,327)	(259,226)
Exploration expenditure	(537,273)	(1,094,223)
Depreciation	(12,638)	(8,844)
Loss before income tax expense	(1,728,404)	(1,414,855)
Income tax expense	-	-
Loss from continuing operations	(1,728,404)	(1,414,855)
Loss attributable to members	(1,728,404)	(1,414,855)
Overall Operations		
Basic loss per share	(\$0.02)	(\$0.02)
Diluted loss per share	(\$0.02)	(\$0.02)

The accompanying condensed notes form part of these financial statements.

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2007

		Consolidated	
	Note	31.12.2007	30.6.2007
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,306,401	2,031,100
Trade and other receivables		49,701	60,278
TOTAL CURRENT ASSETS		1,356,102	2,091,378
NON-CURRENT ASSETS			
Deferred exploration and evaluation expenditure		2,684,460	2,684,460
Plant and equipment		35,561	29,252
Other receivables		18,919	-
TOTAL NON-CURRENT ASSETS		2,738,940	2,713,712
TOTAL ASSETS		4,095,042	4,805,090
CURRENT LIABILITIES			
Trade and other payables		139,905	192,320
Short term provisions		19,404	53,230
TOTAL CURRENT LIABILITIES		159,309	245,550
TOTAL LIABILITIES		159,309	245,550
NET ASSETS		3,935,733	4,559,540
EQUITY			
Issued capital	4	9,892,834	9,322,834
Reserves		2,026,412	1,491,815
Accumulated losses		(7,983,513)	(6,255,109)
TOTAL EQUITY		3,935,733	4,559,540

The accompanying condensed notes form part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Consolidated				
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	6,672,834	1,412,770	(5,130,751)	2,954,853
Balance at 1.7.2007	9,322,834	1,491,815	(6,255,109)	4,559,540
Shares issued during the period	570,000	-	-	570,000
Options expense for the period	-	534,597	-	534,597
Less attributable to members	-	-	(1,728,404)	(1,728,404)
Balance at 31.12.2007	9,892,834	2,026,412	(7,983,513)	3,935,733

The accompanying condensed notes form part of these financial statements.

CONDENSED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	31.12.2007	31.12.2006
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	59,384	125,759
Payments for exploration expenditure	(815, 669)	(1,013,528)
Payments to suppliers and employees	(519, 466)	(487,210)
Net cash (used in) operating activities	<u>(1,275,751)</u>	<u>(1,374,979)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Plant & Equipment	<u>(18,948)</u>	<u>(2,875)</u>
Net cash (used in) investing activities	<u>(18,948)</u>	<u>(2,875)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	<u>570,000</u>	-
Net cash provided by financing activities	<u>570,000</u>	-
Net (decrease) in cash and cash equivalents	(724,699)	(1,377,854)
Cash and cash equivalents at 1 July 2007	<u>2,031,100</u>	<u>4,304,371</u>
Cash and cash equivalents at 31 December 2007	<u>3 1,306,401</u>	<u>2,926,517</u>

The accompanying condensed notes form part of these financial statements.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2007**

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 2007 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.

Since 1 July 2007 the Consolidated Entity has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial performance or position of the Consolidated Entity.

- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)
- AASB 2007-04 Amendments to Australian Accounting Standards arising from ED 151 and other amendments
- AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 and 108)

Reporting Basis and Conventions

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

Going Concern Basis

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

Note 2: Loss from Ordinary Activities

	31.12.2007	31.12.2006
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
(a) Revenue		
Interest received – other persons	59,384	125,759
(b) Expenses		
Depreciation – plant & equipment	12,638	8,844
Rental expense on operating lease		
- Rent	44,142	27,399
Exploration Expenditure	537,273	1,094,223

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2007**

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:

	31.12.2007	31.12.2006
	\$	\$
Cash at bank & on hand	229,244	9,680
Deposits at call	-	347,530
Term deposits	80,647	77,033
Commercial bills	996,510	2,492,274
	<u>1,306,401</u>	<u>2,926,517</u>

Note 4: Issued Capital

	31.12.2007	30.6.2007
	\$	\$
76,370,000 (30 June 2007:74,370,000) Ordinary fully paid Shares	9,892,834	9,322,834
Movements in ordinary share capital	Number of Shares	\$
Beginning of the financial period	74,370,000	9,322,834
Issued during the period:		
– Ordinary shares issued upon exercise of 45c options	350,000	157,500
– Ordinary shares issued upon exercise of 25c options	1,650,000	412,500
	<u>76,370,000</u>	<u>9,892,834</u>

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 \$1.00 per option and have an expiry date of 3 September 2010 with vesting periods of up to 12 months.

The terms and conditions of the grants made during the six months ended 31 December 2007 are as follows:

Grant Date	Number Granted	Vesting Conditions	Contractual Life
29/10/2007	250,000	Immediately	2.85 years
29/10/2007	250,000	12 months	2.85 years
	<u>500,000</u>		

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE
HALF-YEAR ENDED 31 DECEMBER 2007**

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the half year was \$0.61. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

Weighted average exercise price	\$1.00
Weighted average life of the option (years)	2.85
Weighted average underlying share price	\$0.89
Expected share price volatility	115 %
Weighted average risk free interest rate	6.65%

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 2007.

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.

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. There is a potential liability of \$135,450 payable to be State Revenue for stamp duty as referred to in the 30/6/07 financial report.

Note 8: Events Subsequent to Reporting Date

There has been no matters or circumstances that have arisen since 31 December 2007 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.

DIRECTORS' DECLARATION

The directors of the Consolidated Entity declare that:

1. The financial statements and notes, as set out on pages 5 to 11:
 - 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 2007 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

Director



Matthew James Rimes

Dated this 13th day of March 2008

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 condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a condensed statement of accounting policies, 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 controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of 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 consolidated entity's financial position as at 31 December 2007 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.

Independence

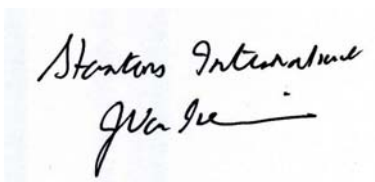
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Iron Ore Holdings Limited on 13 March 2008.

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 2007 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 (Authorised Audit Company)

The image shows a handwritten signature in black ink over a light blue watermark. The watermark consists of the words "Stantons International" in a cursive font, with a horizontal line underneath. The signature itself is written in a similar cursive style and appears to read "John P Van Dieren".

**John P Van Dieren
Director**

West Perth, Western Australia
13 March 2008

13 March 2008

Board of Directors
Iron Ore Holdings Limited
Level 14, BGC Centre
28 The Esplanade
Perth WA 6000

Dear Directors

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 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



John P Van Dieren
Director