

Iron Ore Holdings Ltd

New assay results support a further significant resource upgrade and likely positive share price catalyst

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News

IOH has announced the first assay results from its recently completed Reverse-Circulation ("RC") drilling programme targeting strike and depth extensions at its Iron Valley project. These results further demonstrate the continuity of both the thickness and grade of mineralised zones within the current resource area as well as indentifying significant high grade mineralisation outside the existing 159.7mt resource envelope.

The new data are from 41 RC holes, which formed the recent Phase III drilling programme of 44 RC holes covering ~4,800 metres, and have returned thicker zones of mineralisation, including intercepts of up to 90 metres at 62% Fe in hole IV154, and highlights the conservative nature of the previous resource estimates for Iron Valley. Exhibit 3 includes highlights of the result assay results.

IOH has rapidly developed the Iron Valley project having only obtained an exploration licence for the prospect in May'08 with the initial discovery made only in Oct'08 (refer to Exhibit 4 for a summary timeline). The assay results from the recent 44 RC hole drill programme are expected form the basis of a further resource upgrade in late November.

The Company continues to focus significant attention on the development of the Iron Valley project, which is expected to comprise a 5 to 10mtpa+ operation. A preliminary scoping study is ongoing and we believe the development of Iron Valley will continue to drive IOH's share price.

Analysis

Iron Valley is already the largest high grade deposit in the Pilbara outside of the major players and in our view offers further significant resource growth. We believe the results from the recent Phase III drill programme will support a further significant resource upgrade, bring Iron Valley's total inventory to +200mt (the Phase II programme was also ~5,000 metres and saw a 44mt resource upgrade to 132.3mt @ 58.9% Fe), and will future attract the markets attention. Indeed it is worth highlighting that the Company's press release announcing the new assay results was released after the close of the ASX on Thursday.

In our view recent corporate activity in the sector, including BHPB's A\$204m cash offer for UMC (total resource of 158mt @ 58% Fe, including a DSO resource of 100.7mt @ 60.3% Fe) and the hostile battle for Polaris, have set a new benchmark price for strategic undeveloped projects and has highlighted the unique quality, scale and favourable location of IOH's projects and the favourable valuation anomaly IOH trades at. Despite the recent strong share price performance of IOH we believe the market is not yet close to pricing in a resource of +200mt at Iron Valley (nor the expected near term development of Phil's Creek), and we expect the resource upgrade at the end of November to likely be a further catalyst for outperformance and further differentiate IOH from its peers.

The Phase III drilling programme has intersected mineralisation approximately 40m below and 400m south of the current resource envelope, and we believe there is scope for further drilling beyond the recent programme to expand the size of Iron Valley. Furthermore, it must be highlighted that IOH offers further potential resource growth from ongoing exploration activities at other targets. As outlined in the recently quarterly report the Company is set to begin exploration/resource definition drilling at: Koodaideri South (an estimated 3,000 metres of RC drilling at 3 targets is expected to take place in the current quarter); Buckland Hills (an estimated 1,500 metre programme has recently commenced); while work continues at Lamb's Creek; and follow up geotechnical drilling continues at Iron Valley.

As highlighted in our recent initiation report on IOH, "Comparable transactions highlight favourable valuation anomaly – Initiation of Coverage" (Oct 21st), we believe the commercialisation of Iron Valley in the next 12 months will provide IOH visibility for total production of at least 6mtpa in the medium term and that delivery on a number of key project development milestones will support a re-rating and result in IOH trading at a premium to its peers.

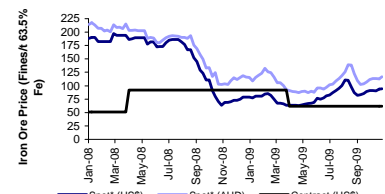
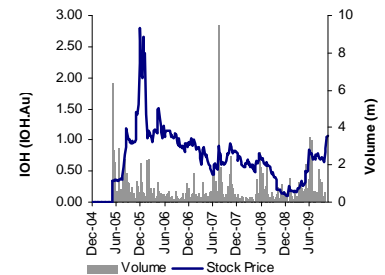
Key Events / Valuation Triggers

Near term company specific news flow is expected to be positive including: a further significant resource upgrade for Iron Valley by the end of November; exploration drilling results from ongoing programmes; concluding final sale terms with RIO for the Phil's Creek; scoping studies, permitting and potential development discussions for Iron Valley are ongoing.

OCEAN EQUITIES Ltd

Nov 5th 2009

Market Cap	A\$138m
Listing:Ticker	ASX – IOH
Share Price	A\$1.18
Shares o/s	117m
52 week High/Low	A\$1.205 / 0.096
Cash	A\$13.3m
Bloomberg	IOH AU



* Spot prices are quoted CFR while contract price is quoted FOB basis. Current shipping rate from the Pilbara to China is only ~US\$9.25/t

Highlighted Related Research

Oct 21st IOH "Comparable transactions highlight favourable valuation anomaly – Initiation of Coverage"

Oct 16th UMC & Pilbara Iron Ore Sector update "Conditional cash offer at a 43% premium for UMC by BHPB has supported a further rally in the juniors"

Oct 7th UMC & Pilbara Iron Ore Sector update "Positive re-rating of the junior sector if the "potential change of control transaction" for UMC comes to fruition?"

Sep 18th Pilbara Iron Ore sector review "Proposed China/CO deal renews sector activity & highlights the value of the Pilbara"

Jun 11th Pilbara Iron Ore sector review "The time is nigh on infrastructure"

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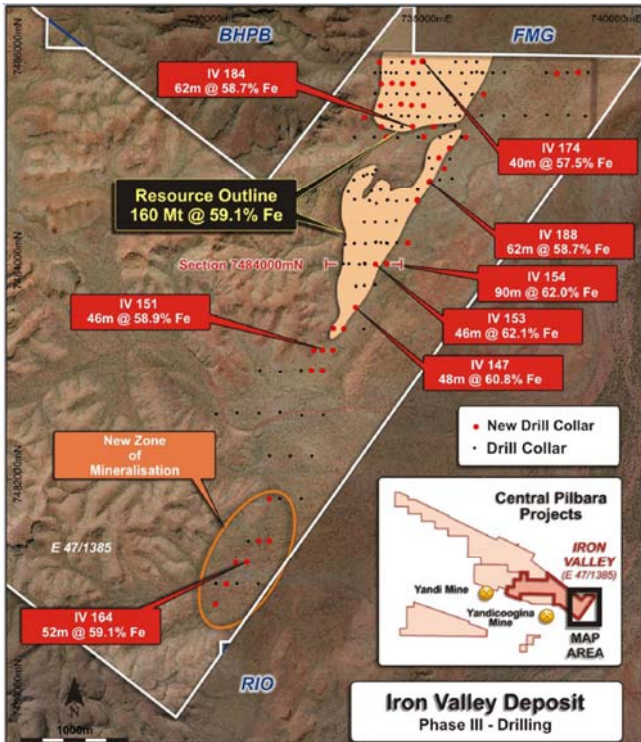
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This report must be read with the disclaimer and disclosures on the final page that forms part of this report.

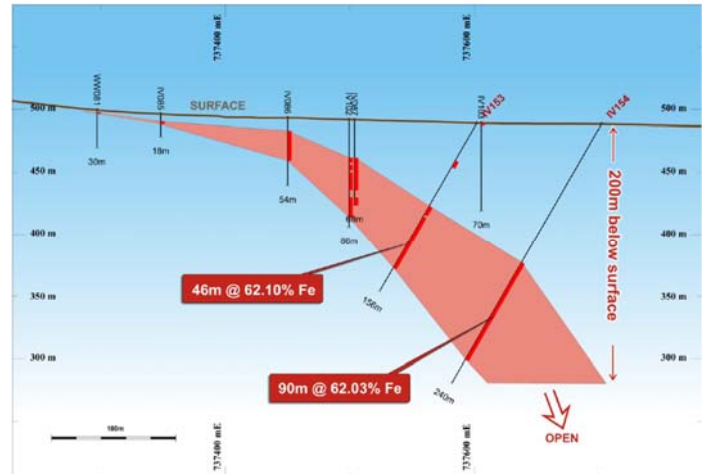
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Exhibit 1: The current resources at the Iron Valley deposit stands at ~160mt @ 59% Fe and ongoing infill & new exploration drilling is expect to increase this resource to +200mt by the end of the year. . .



Source: Iron Ore Holdings

Exhibit 2: . . . with the recent drill programming returning thicker zones of mineralisation, including intercepts of up to 90 metres at 62% Fe in hole IV154 . . . Cross section of 7484000mN



Source: Iron Ore Holdings

Exhibit 3: . . . These results further demonstrate the continuity of both the thickness and grade of mineralised zones within the current resource area as well as identifying significant high grade mineralisation outside the existing 159.7mt resource envelope. . .

Highlights of the result assay results from the Phase III drilling programme at Iron Valley (refer to the IOH press release for further details)

Hole	Intersection Width (m)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%	From (m)
IV151	46	59.0	4.53	3.26	0.18	7.04	48
IV152	26	60.4	4.05	3.42	0.19	5.22	66
IV153	46	62.1	3.39	2.32	0.15	4.79	88
IV154	90	62.0	3.06	2.09	0.19	5.32	128
IV157	68	61.1	3.04	2.13	0.12	6.81	60
IV163	26	60.3	2.82	2.23	0.23	7.86	56
IV164	52	59.9	3.26	2.99	0.18	7.23	60
IV184	62	58.7	2.44	2.56	0.21	8.63	90
IV188	62	60.1	3.12	2.35	0.15	7.85	102

Source: Iron Ore Holdings

Exhibit 4: . . . IOH continues to focus on rapidly developing the Iron Valley project, and preliminary scoping study's and pit designs are ongoing for a 5 to 10mtpa+ operation

Iron Valley Timeline						
Date	Activity	Comments	Holes	Metres (approx)		
May 2008	Tenement Grant					
Oct 2008	First Round RC Drilling	First hole WW001 intersected mineralisation	82	6,000		
Mar 2009	Maiden Resource	88.2Mt @ 58.5% Fe				
Mar 2009	Second Round RC Drilling		63	5,000		
June 2009	Second Resource	132.3Mt @ 58.9% Fe				
June 2009	First Diamond Holes		6	800		
Aug 2009	Third Resource	159.7Mt @ 59.1% Fe				
Aug 2009	Third Round RC Drilling		45	4,800		
Sep/Oct '09	Geotechnical Drilling		3	700		
		Approximate Total:	199	17,300		

Source: Iron Ore Holdings

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