

Iron Ore Holdings Ltd

2009 was a transformational year; we see further value accretion in 2010 driven by the development of Iron Valley

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Investment Opportunity

Iron Ore Holdings ("IOH" or the "Company") is an extremely promising Australian listed iron ore development company with a relatively large tenement holding in various prospective and strategic regions in the Pilbara. The Company's Central Pilbara tenements are situated in the Yandi hub which currently accounts for a third of combined BHPB and RIO Pilbara production with the proposed BHPB/RIO JV likely to seek to consolidate the landholding around the Yandi orebody, and IOH's Western Pilbara projects are favourably located to strategic infrastructure.

IOH is scheduled to generate near term cash flow in 2H'10 from its first small scale project, Phil's Creek (9.2mt @ 58% Fe), via a commercial Mine Gate Sales ("MGS") with Rio Tinto ("RIO"), where IOH will deliver 1.5mtpa of pisolite ore (Yandi fines product) to RIO's neighbouring Yandicoogina mine (the largest iron ore mine in Australia operating at nameplate capacity of 52mtpa). IOH's flagship second asset, Iron Valley (191.5mt @ 59.1% Fe), was discovered a year ago, is still open, and is already the largest high grade deposit in the Pilbara outside of the major players. In Dec'09 IOH and RIO formally entered an exclusive Relationship Agreement where they will endeavour to negotiate an acquisition, for some or the entire project, in the next 6 months.

In our view IOH's development of Iron Valley and the suite of other recent discoveries including Lamb Creek, Buckland Hills and Koodaideri South (refer Exhibit 3 for further details) offers further significant scale, favourable development optionality, and considerable valuation upside.

IOH's board and management team have an established track record of developing and managing iron ore operations with vast experience gained within RIO's iron ore divisions, and enjoy strong corporate and shareholder relationships with a number of influential figures supporting IOH.

Review of 2009

2009 was a significant year for IOH, with the Company: finalising the commercial agreement with RIO for Phil's Creek; delineating a maiden JORC resource for Iron Valley; increasing its DSO resource inventory to +200mt; signing an exclusive Relationship Agreement with RIO for Iron Valley; and making new discoveries at Buckland Hills and Lamb Creek.

However, the macro and industry picture was a lot more mixed. 2009 saw the seaborne iron ore market contract in absolute terms for the first time since 1999, with spot prices hitting a low of ~US\$60/t (CFR China) in 2Q'09. The prospect of returning global economic growth in 2010 bodes well for iron ore demand. Expectations are for global crude steel production to rise by +10% in 2010, to a record 1.4b tonnes, which would support a record ~125mt rise for imported iron ore taking global seaborne trade >1bt. Against this backdrop both pricing and demand for iron ore remains extremely favourable with the current landed spot price of US\$135/t trading at a 99% premium to the non-China JFY'09/10 benchmark price.

Outlook for 2010

While production from Phil's Creek is set to commence by late 2010, generating reasonable cash flow and returns, we believe 2010 is likely to provide the foundation for a further significant re-rating for IOH. In our view it is highly likely that by mid 2010 IOH will have commercial agreements in place for at least 6mtpa of attributable production (via Phil's Creek & Iron Valley), with further blue sky coming from the development of the next "Iron Valley" (and the Buckland Hills discovery, amongst others, is already shaping up as that).

It is again worth highlighting that Atlas (market cap ~A\$1,023m) has DSO resources of 138.6mt and is only currently producing 1mtpa from Pardoo (set to increase to 2.5mtpa in Mar'10) with total production expected to increase to 6mtpa by Dec'10 (subject to converting the FMG rail-and-port MoU into binding agreements with production commencing at Wodinga). In our view this implies that IOH's market cap should at least double again in the next 12 months if management executes its intended strategy, which we have high confidence they will. On top of this we expect that exploration success at a number of recent discoveries will provide a picture of the next stage of IOH's development strategy.

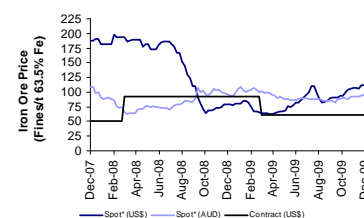
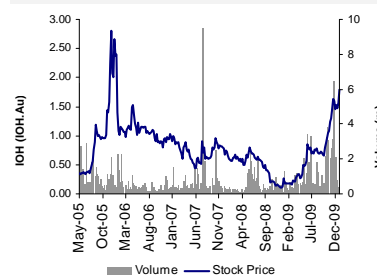
Increased broker and press coverage in 2010 is likely to see the IOH story mature from being just another niche 'would be' iron ore story to potentially being the flagship producer in the Australian iron ore junior sector offering an extremely exciting growth profile with exploration upside at a significant discount to its peers.

Near term company specific news flow is expected to be frequent and positive including: granting of mining license for Phil's Creek; further details on the development/funding strategy for Phil's Creek; further drill and assay results from ongoing, or recently completed, drill programmes at Iron Valley, Buckland Hills, Koodaideri South and Lamb Creek in 1Q'10 – the last 3 all of which have the potential to be another major project development and/or corporate target; further significant resource upgrades for Iron Valley and maiden resource statements for a number of new projects in 1Q'10; scoping studies, permitting and potential development discussions for Iron Valley – particularly with RIO which has entered into an exclusive negotiating agreement for a period of 6 months with IOH (formally agreed on Dec 18th).

OCEAN EQUITIES Ltd

Jan 11th 2010

Market Cap	A\$227m
Listing:Ticker	ASX – IOH
Share Price	A\$1.91
Shares o/s	118.6m
52 week High/Low	A\$1.965 / 0.145
Cash	A\$13.3m
Bloomberg	IOH AU
'09 performance	+1,190% (1/1/09 to 31/12/09)



* Spot prices are quoted CFR while contract price is quoted FOB basis. Current shipping rate from the Pilbara to China is ~US\$11.5/t

Highlighted Related Research

Dec 18th IOH "Final 2009 paperwork sets the sense for a transformational 2010"

Dec 10th IOH "Final native title agreement in place for Phil's Creek, & more significant drilling results at Iron Valley"

Nov 24th IOH "Is 191.5mt in the price? . . . we think not & the blue sky is only getting bigger"

Nov 5th IOH "New assay results support a further significant resource upgrade and likely positive share price catalyst"

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

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Disclosures & Disclaimer

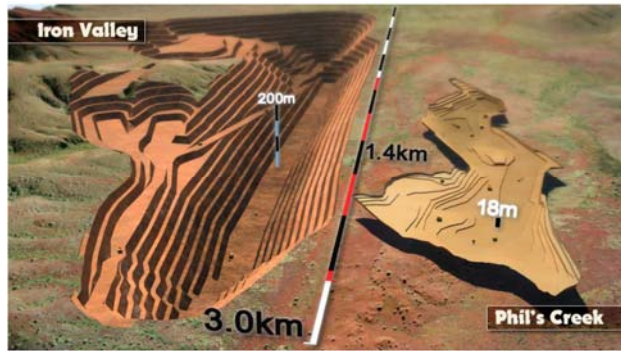
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Exhibit 1: Iron Valley's resource is already 20 times larger than Phil's Creek, and is expected to further increase in early 2010 . . .

Phil's Creek/Iron Valley conceptual pit designs – Comparison of size

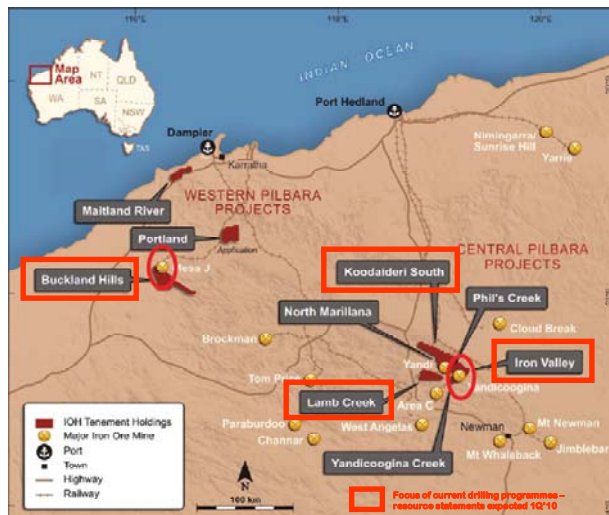


Phil's Creek via its Mine Gate Sale ("MGS") agreement is set to be the first mine development to be undertaken based on a cooperative ore sales arrangement between an iron ore junior and a major in the Pilbara. The commercial agreements result in a project **Net Present Value ("NPV") of ~A\$40m to ~A\$60m** based on projected iron ore pricing scenarios, and estimated capital and operating costs. IOH has initiated the mining contractor tender process and is investigating the various funding options for the estimated A\$30m of project capex.

Source: Iron Ore Holdings, Ocean Equities

Exhibit 3: Ongoing exploration is likely to lead to a significant increase in DSO resources in 1Q'10 at a number of projects

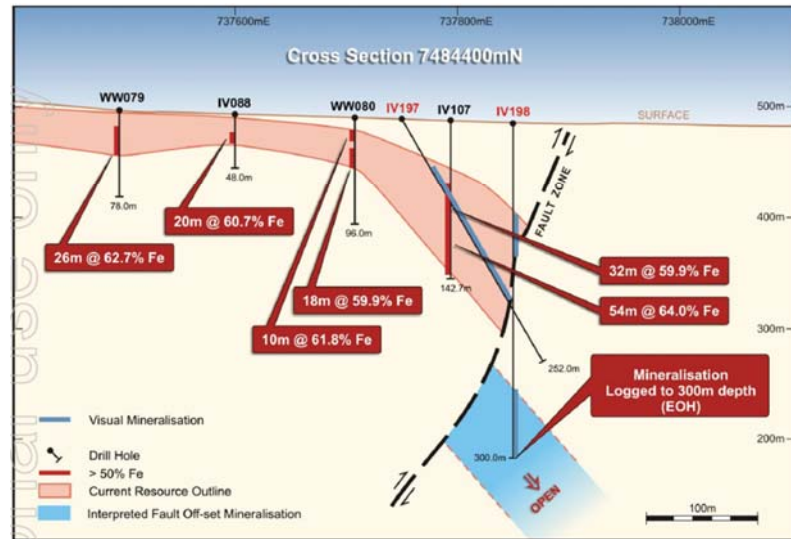
IOH project locations – with current exploration targets highlighted



Source: Iron Ore Holdings, Ocean Equities

Exhibit 2: . . . with strike and depth extensions leading to a resource upgrade in 1Q'10, a programme of ~10 holes over 3,000 metres is ongoing with geological logging from drill holes IV197 & IV198 intersecting new iron mineralisation below the current resource envelope

Iron Valley: Drill section 7 484 400mN



Source: Iron Ore Holdings

Exhibit 4: IOH continues to focus on rapidly developing the Iron Valley project, and preliminary scoping studies and pit designs are ongoing for a 5 to 10mtpa+ operation, and RIO has entered a 6 month exclusivity period

Iron Valley historical & future potential timeline					
Date	Activity	Comments	Holes	Metres	Cumulative
May'08	Tenement exploration license granted				
Oct'08	First Round RC drilling	First hole intersected mineralisation	82	6,000	6,000
Mar'09	Maiden Resource	88.2mt @ 58.5% Fe			
Mar'09	Second Round RC drilling		63	5,000	11,000
Jun'09	Second Resource	132.3mt @ 58.9% Fe			
Jun'09	First Diamond Holes		6	800	11,800
Aug'09	Third Resource	159.7mt @ 59.1% Fe			
Aug'09	Third Round RC Drilling		45	4,800	16,600
Sep'09	Detailed mine planning & environmental studies start				
Oct'09	Geotechnical Drilling		3	700	17,300
Nov'09	Fourth Resource	191.5mt @ 59.1%			
Nov'09	Fourth Round RC Drilling	Remains open at depth & along strike	10	3,000	20,300
Nov'09	6 month exclusivity agreement granted to RIO.				
Dec'09	Visual logging of recent drilling has resulted in a significant extension in know mineralisation				
Mar'10	Fifth Resource update?	Potential to be +210mt - further follow up programmes likely			
May'10	Likely MoU JV agreement with RIO for the co-development of Iron Valley?				
2H'10	Construction & permitting?				
2011	Ramp up of production?				

Source: Iron Ore Holdings, Ocean Equities

The ongoing activities in both the Western & Central Pilbara is a key component to the medium term story of IOH and provides increased visibility for the next 'Iron Valley' project(s) which have the potential to be significant catalysts for the Company in 2010. It is likely that ongoing exploration activities at four key projects will provide meaningful resource statements, with likely positive news flow before the Dec'09 quarterly report (due by the end of Jan'10) and 1Q'10. Further details are:

- Iron Valley (Brockman ore deposit)** – ongoing RC drilling, ~3,000m over 10 hole programme, commenced Nov 23rd testing the extensions to the deposit which remains open at depth and along strike. Drilling is expected to be completed prior to the end of the field season and will support a likely resource upgrade in 1Q'10.
- Koodaideri South (Brockman ore target)** – This project is adjacent to RIO's 1bt proven reserve Koodaideri project (which is earmarked for production post 2013), and includes six identified targets. Recently IOH complete a 2,460 metre programme of drilling at two targets with assays results expected shortly.
- Lamb Creek (Brockman ore target)** – An initial exploration programme of 2,150 metres has returned promising grades and widths including 20 to 30 metres intersection between 58.93% & 63.25% Fe. A follow up programme of 1,080 metres is now complete with assay results expected shortly. A maiden JORC resource is anticipated for 1Q'10.
- Buckland Hills (high grade CID/Yandi target)** – Phase I, 1,390 metre drilling programme has been completed across two targets zones with significant high grade mineralisation identified over a length of 1,200m and up to 500m wide with intersected thickness of up to 58m at 61% Fe. This zone alone, assuming an average thickness of ~20m, provides the potential for a significant scale resource in the order of ~40-60mt. A follow up drill campaign is currently being planned, aimed at testing continuity and extensions of the newly discovered mineralisation at target 2. The Buckland Hills prospect is located in the West Pilbara, which is 7km from RIO's Mesa J mine (historic production of ~26mtpa/resource 135mt @ 56.4% Fe – now winding down to 7mtpa). RIO's Pannawonica is within 55km (via existing roads) of both IOH's target areas, and the Mesa A/Warramboe mine, about 50km from Pannawonica, is expected to have initial production of 20mtpa increasing to 25mtpa by 2011 (total high grade reserves ~249mt with a total mine life of 11 years). Capex for the Mesa A/Warramboe project is +US\$900m and includes a 49km rail extension.

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