

# Quarterly Activities Report

For the period ending 31 December 2011



Discovery of large magnetite mineralisation at Mt Dempster

## HIGHLIGHTS

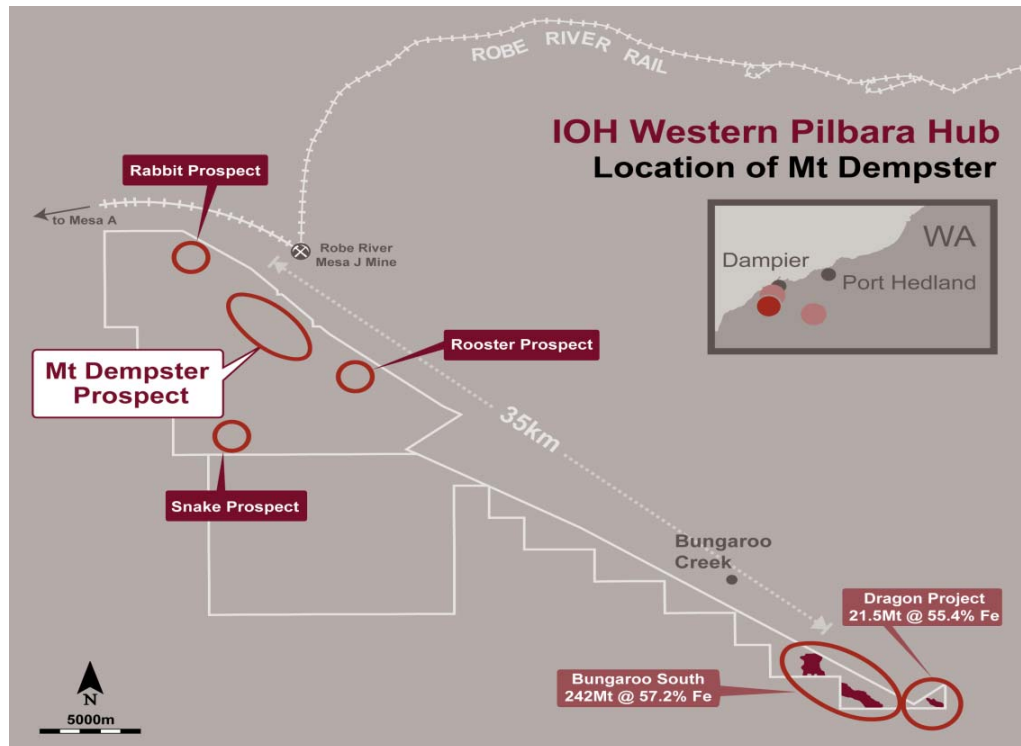
- Cash inflow - \$37 million was received from tenement divestment transactions.
- Cash balance - \$68.5 million in cash was held at the end of the quarter.
- Settlement of the Koodaideri South sale to Rio Tinto for \$32 million plus a 2 per cent royalty.
- Sale of three Central Pilbara satellite tenement packages to a wholly owned subsidiary of Mineral Resources Ltd for \$42 million cash – subject to completion conditions.
- Large magnetite discovery at Mt Dempster.
- Acquisition of the Mardie tenement from Azimuth Resources Ltd for a cash payment of \$225,000.
- Share buy-back announced on 14 December 2011.

## 1. EXPLORATION AND STUDIES

### 1.1 Large magnetite discovery at Mt Dempster

On 5 December 2011, IOH announced positive results from its drilling program at the Mt Dempster Prospect, which is located 70km from the Pilbara coast, 135km to the southwest of Karratha and within 10km of both the Rio Tinto Mesa J mine and the planned API railway to Anketell Port (refer Figure 1).

**Figure 1: Mt Dempster Prospect Location**



The magnetite at Mt Dempster is in a similar stratigraphic position (i.e. Brockman Iron Formation - BIF) to the CITIC Pacific Mining development at Cape Preston.

Stage 1 drilling covered an overall strike length of 6km. The shallow dipping Joffre Member has an apparent thickness of 250m and has been drilled over a distance of around 2km across strike.

Based on initial drilling, there is an exploration potential of 3 to 4 billion tonnes of magnetic BIF with approximate grade of 29 - 32 per cent Fe<sup>1</sup>. The overburden layer is narrow at approximately 40m compared to more than 200m of ore body intersections potentially leading to a low waste ratio.

On the basis of the initial tenement mapping and aerial surveys, there appears to be significant potential for further magnetite mineralisation in the currently undrilled parts of the Mt Dempster prospect.

The early stage Davis Tube metallurgical test work on the Mt Dempster prospect indicates that it is a hard and relatively fine grained magnetite and that a blast furnace grade pellet feed concentrate at a grind size similar to other Pilbara magnetite projects can potentially be produced from such material. Further test work is being undertaken to optimise recovery of magnetic and non-magnetic iron components.

<sup>1</sup> The potential quantity of the exploration target is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

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IOH is now preparing for a Stage 2 campaign with reverse circulation drilling to define JORC Mineral Resource.

Planning of a Concept Study has also commenced which will include a further campaign to determine detailed metallurgical properties of the magnetite and practical options for mining and connecting to infrastructure.

IOH has a total JORC Mineral Resource of 934Mt (refer Table 1).

Additional exploration drilling is planned during 2012 at Mt Dempster and other IOH locations at Maitland River, Western Satellites and Mardie.

## 1.2 JORC Resources

Table 1 – IOH JORC Mineral Resource at 31 December 2011

Hub	Project or Tenement	JORC Indicated Resource	JORC Inferred Resource	Fe	CaFe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	LOI	Cut-off	Total
				(%)	(%)	(%)	(%)	(%)	(%)	(Fe)	
Central Pilbara	Iron Valley	216.3		58.4	63.0	5.1	3.1	0.18	7.3	50%	360.7Mt
			42.8	57.9	61.1	7.0	3.9	0.14	5.2	50%	
	Phil's Creek <sup>1</sup>	15.1		55.6	60.5	7.2	4.2	0.10	8.1	50%	
	Lamb Creek <sup>1</sup>	15.2		60.6	64.5	4.4	2.2	0.13	6.0	50%	
			24.5	54.9	58.6	10.3	4.0	0.09	6.3	50%	
	North Marillana	46.8		50.0	55.8	9.5	7.7	0.05	10.4	45%	
Western Pilbara	Bungaroo South		241.6	57.2	62.2	7.0	2.4	0.15	8.1	50%	263.1Mt
	Dragon		21.5	55.4	60.5	7.9	3.6	0.15	8.4	50%	
Coastal Pilbara	Maitland River (Magnetite)		310.0	34.7	34.7	42.0	1.4	0.06	0.1	25%	310.0Mt
<b>Total Mineral Resource</b>		<b>293.4</b>	<b>640.4</b>	<b>Total Resource (Indicated and Inferred)</b>							<b>933.8Mt</b>

1 – Subject to the sale agreement with Process Minerals International

## 2. BUSINESS DEVELOPMENT

### 2.1 Settlement of Rio Tinto Transaction

On 27 September 2011, IOH announced the execution of a sale agreement for its Koodaideri South tenement package with Rio Tinto, for \$32 million cash plus a 2 per cent FOB royalty on ore mined from the tenements. This transaction completed on 7 October 2011 with the receipt of \$32 million.

### 2.2 Sale of three Central Pilbara satellite tenement packages to Mineral Resources Ltd

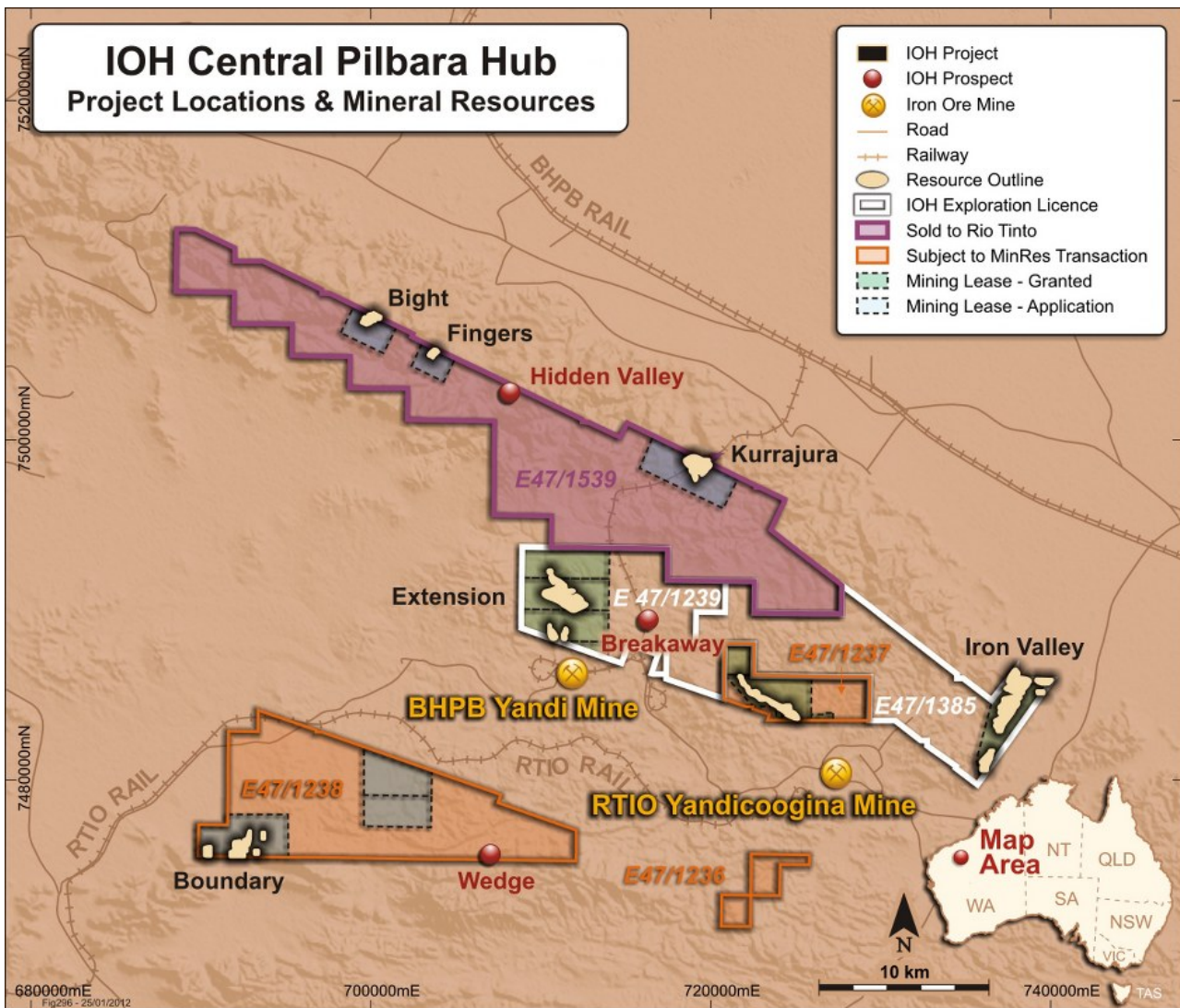
On 13 October 2011, IOH announced the sale of three satellite tenements (E47/1236 - Yandicoogina Creek; E47/1237- Phil's Creek and E47/1238 - Lamb Creek: see Figure 2) to Process Minerals International (PMI), a wholly owned subsidiary of Mineral Resources Ltd, for \$42 million.



The transaction involved PMI paying a \$5 million deposit and the remaining \$37 million in two further tranches. Conditions for transaction completion include Ministerial consent for the transfer of tenements and the transfer of the mining licence for the Phil's Creek deposit. These matters are still being progressed.

Phil's Creek, Lamb Creek and Yandicoogina Creek are a group of three tenements, which formed part of IOH's Central Satellite deposits within the Central Hub with two identified resources at Lamb Creek and Phil's Creek. These three tenements jointly contain 54.8Mt of combined Inferred and Indicated JORC Resource at an average 56.7 per cent Fe.

**Figure 2: Location of the Central Pilbara Satellite tenements**



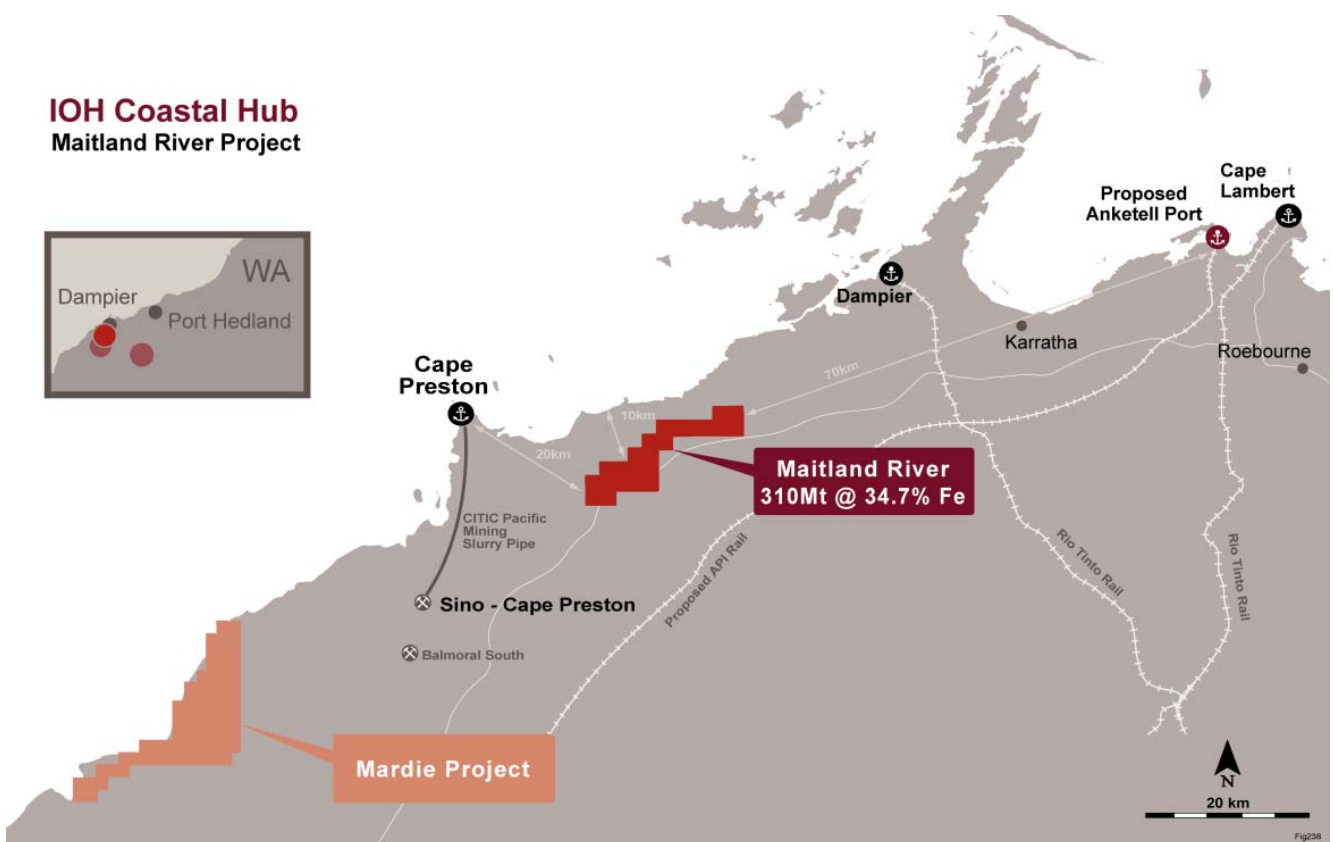
**2.3 Acquisition of the Mardie tenement**

IOH announced, on 19 October 2011, that it had acquired full ownership of the Mardie tenement (E08/1849-I) in the north-west Pilbara region of Western Australia, from Azimuth Resources Limited (ASX:AZH) for \$225,000 cash.

The Mardie tenement has a 37 km coastline and is within 20 km from the Balmoral deposits which are managed by Citic Pacific Mining and Australasian Resources Ltd (see Figure 3).

Although the tenement does not currently contain any mineral resource, it presents exploration upside for both hematite and magnetite ore and has a pre-feasibility study completed on a salt project.

**Figure 3: Location of the Mardie Tenement**



**3. CORPORATE**

**3.1 Share Buy-Back**

The company announced on 14 December 2011, that it intended to purchase up to \$10 million - which is within the allowed 10 per cent - of its ordinary shares through an on-market share buy-back process (the "Buy-Back").

After reviewing the Company's financial position, business plans and share trading history, the Board approved the Company undertake a capital management initiative in the form of the Buy-Back.



The number of share purchases actually made by the Company will depend on the Board's assessment of market conditions over the Buy-Back period and whether the Board believes that the Buy-Back can be undertaken without impacting the Company's development of its current assets, its pursuit of growth opportunities and without compromising its capital or liquidity position.

IOH appointed Foster Stockbroking to undertake the first \$5 million tranche of the Buy-Back. All shares acquired will be cancelled.

### **3.2 Cash**

Following the receipt of \$32 million from Rio Tinto and a \$5 million deposit from PMI, IOH had a cash balance as at 31 December 2011 of \$68.5 million.

#### **Competent Persons Statement:**

The information in this report that relates to exploration, exploration targets and drilling results is based on information compiled by Mr Manohar Ghorpade, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Ghorpade is a full time employee of Iron Ore Holdings Ltd and has sufficient experience which is relevant to the style of mineralisation 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 Ghorpade consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources has been compiled by Mr Lynn Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Widenbar is a full time employee of Widenbar and Associates and produced the Mineral Resource Estimates 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, Minerals 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.



**Corporate Profile** (as at 31 December 2011)

Iron Ore Holdings Ltd (ASX: IOH) owns and manages a portfolio of iron ore tenements and projects within its Central, Western and Coastal hubs in the Pilbara region of Western Australia. The Company's projects are all strategically located within close proximity to existing and planned infrastructure. IOH has a stable share register, as well as a highly experienced Board and senior management team.

**Ordinary Shares on Issue:** 166,087,005

**Cash Balance:** \$68.5 million

**Registered Office:**

1/1 Altona Street  
West Perth, WA, 6005

**Board of Directors:**

Hon Richard Court AC	Non-Executive Chairman
Alwyn Vorster	Managing Director
Mal Randall	Non-Executive Director
Brian O'Donnell	Non-Executive Director
Ryan Stokes	Non-Executive Director

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**E:** [info@ironoreholdings.com](mailto:info@ironoreholdings.com)

**W:** [www.ironoreholdings.com](http://www.ironoreholdings.com)

**Company Secretary:**

Simon Robertson

**Share Registry:**

Security Transfer Registrars Pty Limited.

770 Canning Highway

Applecross, WA, 6153

[www.securitytransfer.com.au](http://www.securitytransfer.com.au)

**Executive Team:**

Christian Johnstone	Chief Financial Officer
Brett Hazelden	GM Project Development
Zen Davison	GM Business Development
Manohar Ghorpade	Chief Geologist

**Major Shareholders**

Wroxby Pty Ltd 51.48 per cent

Sumisho Iron 4.20 per cent