

12 March 2008

Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Interim Financial Report – 31 December 2007

Attached is a copy of the Red Hill Iron Limited Interim Financial Report for the half year ended 31 December 2007.

Yours faithfully

P.C.Ruttledge
Company Secretary

RED HILL IRON LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2007

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RED HILL IRON LIMITED

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2007.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Graham Riley	(Non Executive Chairman)
Mr Joshua Pitt	(Non Executive Director)
Mr Stanley Macdonald	(Non Executive Director)
Mr Garry Strong	(Non Executive Director)

REVIEW AND RESULTS OF OPERATIONS

The operating loss for the half-year ended 31 December 2007 was \$1,121,671 (2006 \$1,387,547).

Exploration and pre feasibility studies for the appraisal and development of Channel Iron Deposits (CID) on the Red Hill Joint Venture Project continued during the 6 months to 31 December 2007. This project is located on the western margin of the Hamersley iron province in the West Pilbara region of Western Australia where the Company holds over 2000 square kilometres of land under exploration licence.

The project is managed in joint venture by API Management Pty Ltd (API), a company owned in equal proportions by Aquila Resources Limited and AMCI Pty Ltd. Under the terms of the joint venture API has previously earned a 60% participating interest and is currently earning a further 20% participating interest by providing all of Red Hill Iron Limited's share of project costs, including any capital costs for mine development. These costs are repayable only from 80% of Red Hill Iron's share of any future mine revenues. Red Hill Iron retains the right to convert its interest in the project to a 2% free-on-board royalty at any time up to the delivery of first ore to customers. The Red Hill Joint Venture covers iron ore rights only with Red Hill Iron retaining rights to all other metals for which it has an ongoing exploration programme.

During the half year a development and exploration budget of \$25.96 million was approved and substantial progress was made on the pre-feasibility studies (PFS) for the establishment of a mining operation of up to 20 million tonnes of iron ore per annum and ancillary transport and port facilities.

PFS activity has included:

- baseline environmental surveys
- hydrology and hydro-geological assessments of mining areas
- analysis of Cape Preston and Dixon Island for potential port locations, and discussions with other potential users and government authorities
- ground water exploration

RED HILL IRON LIMITED

DIRECTORS' REPORT

- sinter test work programme commencing with CISIRI in Beijing
- mine scheduling to optimise resource development
- continuing resource upgrade

RC and diamond drilling programmes continued to test the CID deposits. At the Upper Cane deposit drilling improved the continuity of the two mineralised zones indicating that this deposit is continuous. Exploration drilling at the Ken's Bore, Catho Well North, and Trinity Well prospects continued to produce highly encouraging results and provided information for the announcement of a significant increase in Mineral Resource estimates on 7 March 2008. The Mineral Resource estimates, compiled by API staff and an independent consultant in accordance with the guidelines of the JORC code, raise the total Mineral Resource inventory for the Red Hill Joint Venture to 350.2 million tonnes at 57.2% iron which represents an increase of 215 million tonnes over the previous estimate of 135 million tonnes announced in May 2007. Furthermore, approximately 69% of the total Mineral Resource is classified as either Measured or Indicated (with 56 million tonnes or 16% in the Measured category) with the balance classified as Inferred.

Exploration for gold and base metals included the collection of soil and stream sediment geochemical samples, RAB/aircore and RC drilling, and systematic field evaluation of TEM anomalies defined by the 2006 HoisTEM survey. This programme has generated a large number of geological/geochemical/geophysical anomalies which will be ranked and further refined to produce number of targets for drilling during the 2008 field season.

RC drilling of the Red Hill gold anomaly did not return any economic gold intersections. The Company also completed a limited exploration programme on the Cullen Resources Limited joint venture ground which included a dipole-dipole Induced Polarisation survey, and soil and stream sediment geochemical sampling over selected areas. A small RAB drilling programme produced no significant values.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 13 of the financial report.

Signed in accordance with a resolution of the directors.



Mr Graham Riley
Chairman
Perth, 12 March 2008

RED HILL IRON LIMITED

INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	31 December 2007 \$	31 December 2006 \$
Revenue from continuing operations	2	308,103	81,007
Exploration expenditure		(1,183,350)	(1,018,696)
Depreciation and amortisation expenses		(14,496)	(6,102)
Administration expenditure	2	(231,928)	(443,756)
Loss before income tax from continuing operations		<u>(1,121,671)</u>	<u>(1,387,547)</u>
Income tax expense		-	-
Loss attributable to members of the Company		<u>(1,121,671)</u>	<u>(1,387,547)</u>
Basic loss per share		(2.84) cents	(4.16) cents

Diluted earnings per share is not calculated as it is not considered dilutive and therefore has not been disclosed.

The above income statement should be read in conjunction with the accompanying notes.

RED HILL IRON LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	31 December 2007	30 June 2007
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	8,749,140	9,405,172
Trade and other receivables	228,881	164,404
Total Current Assets	<u>8,978,021</u>	<u>9,569,576</u>
Non Current Assets		
Exploration assets	102,110	102,110
Plant and equipment	108,230	128,020
Total Non Current Assets	<u>210,340</u>	<u>230,130</u>
Total Assets	<u>9,188,361</u>	<u>9,799,706</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	437,329	144,517
Total Current Liabilities	<u>437,329</u>	<u>144,517</u>
Total Liabilities	<u>437,329</u>	<u>144,517</u>
Net Assets	<u>8,751,032</u>	<u>9,655,189</u>
EQUITY		
Share capital	12,375,771	12,158,256
Reserves	285,770	285,770
Accumulated losses	<u>(3,910,509)</u>	<u>(2,788,837)</u>
Total Equity	<u>8,751,032</u>	<u>9,655,189</u>

The above balance sheet should be read in conjunction with the accompanying notes.

RED HILL IRON LIMITED

CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	31 December 2007	31 December 2006
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(221,639)	(140,523)
Payments for exploration expenditure	(916,197)	(934,166)
Interest received	<u>269,684</u>	<u>126,424</u>
Net cash outflow from operating activities	<u>(868,152)</u>	<u>(948,265)</u>
Cash flows from investing activities		
Payments for plant and equipment	<u>(5,396)</u>	<u>(61,904)</u>
Net cash outflow from investing activities	<u>(5,396)</u>	<u>(61,904)</u>
Cash flows from financing activities		
Proceeds from conversion of options	<u>217,515</u>	<u>-</u>
Net cash inflow from financing activities	<u>217,515</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(656,033)	(1,010,169)
Cash and cash equivalents at the beginning of the half year	<u>9,405,172</u>	<u>3,128,493</u>
Cash and cash equivalents at the end of the half year	<u><u>8,749,139</u></u>	<u><u>2,118,324</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes.

RED HILL IRON LIMITED

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

	Fully Paid Shares	Share- based payments reserve	Future value option reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2006	3,974,115	92,770	-	(877,824)	(3,189,061)
Loss for the period	-	-	-	(1,387,547)	(1,387,547)
Net income and expense recognised during the period	-	-	-	(1,387,547)	(1,387,547)
Transactions with equity holders in their capacity as equity holders: Equity settled share based payment transaction	-	270,200	-	-	270,200
	-	270,200	-	(1,387,547)	1,117,347
Balance at 31 December 2006	<u>3,974,115</u>	<u>362,970</u>	<u>-</u>	<u>(2,265,372)</u>	<u>2,071,713</u>
Balance at 1 July 2007	12,158,256	285,770	-	(2,788,837)	9,655,189
Loss for the period	-	-	-	(1,121,671)	(1,121,671)
Net income and expense recognised during the period	-	-	-	(1,121,671)	(1,121,671)
Transactions with equity holders in their capacity as equity holders: Exercise of options	217,515	-	-	-	217,515
Equity settled share based payment transaction	-	(77,200)	77,200	-	-
	217,515	(77,200)	77,200	(1,121,671)	(904,156)
Balance at 31 December 2007	<u>12,375,771</u>	<u>208,570</u>	<u>77,200</u>	<u>(3,910,509)</u>	<u>8,751,032</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Red Hill Iron Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Red Hill Iron Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements.

The half-year financial report has been prepared on the accruals basis and is based on historical cost modified for financial assets and liabilities for which the fair value basis of accounting has been applied.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Summary of Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s annual financial report for the year ended 30 June 2007 and the corresponding interim reporting period.

RED HILL IRON LIMITED

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

	31 December 2007 \$	31 December 2006 \$
NOTE 2 – REVENUE AND EXPENSES		
Loss before income tax expense includes the following revenue and expenditure items the disclosure of which is relevant to explaining the performance of the company.		
(i) Revenue from continuing operations		
Interest revenue from other persons	308,103	81,007
Total revenue	<u>308,103</u>	<u>81,007</u>
(ii) Administration expenditure		
Employment related costs	117,080	92,149
Corporate related costs	41,037	52,422
Share based compensation	-	270,200
Other expenses	73,811	28,985
Total administration expenditure	<u>231,928</u>	<u>443,756</u>

NOTE 3 – EQUITY SECURITIES ISSUED

Ordinary Shares Fully Paid

	31 December 2007 No of Shares	31 December 2006 No of Shares	31 December 2007 \$	31 December 2006 \$
At 1 July	39,415,686	33,333,333	12,158,256	3,974,115
Exercise of options	200,000	-	220,000	-
Less cost of share issue	-	-	(2,485)	
At 31 December	<u>39,615,686</u>	<u>33,333,333</u>	<u>12,375,771</u>	<u>3,974,115</u>

RED HILL IRON LIMITED

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

NOTE 3 – EQUITY SECURITIES ISSUED (Continued)

Options

	31 December 2007 No of Shares	31 December 2006 No of Shares	31 December 2007 \$	31 December 2006 \$
At 1 July	2,500,000	2,000,000	285,770	92,770
Exercise of options	(200,000)	-	(77,200)	-
Issue of options	-	700,000	-	270,200
At 31 December	<u>2,300,000</u>	<u>2,700,000</u>	<u>208,570</u>	<u>362,970</u>

NOTE 4 - COMMITMENTS FOR EXPENDITURE

In order to maintain the mineral tenements in which the Company and other parties are involved, the Company is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. Since the last reporting date, there has been no material change to these commitments.

NOTE 5 – RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2007 annual financial report.

NOTE 6 - EVENTS OCCURRING AFTER BALANCE DATE

There have been no material items, transactions or events subsequent to 31 December 2007 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

To the best of the Directors knowledge and belief there have been no material items, transactions or events subsequent to 31 December 2007 which, although they do not relate to conditions existing at that date, have not been dealt with in this report and which would cause reliance on the information shown in this report to be misleading.

NOTE 7 – CONTINGENT LIABILITIES

Since the last annual reporting date there has been no material change of any contingent liabilities or contingent assets.

NOTE 8 – SEGMENT REPORTING

All the Company's operations were in exploration within Australia.

RED HILL IRON LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the economic entity as set out on pages 3 to 9.
 - (i) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) 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 directors of Red Hill Iron Limited.

On behalf of the Board



Mr Graham Riley
Chairman

Perth, 12 March 2008



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF RED HILL IRON LIMITED

We have reviewed the accompanying half-year financial report of Red Hill Iron Limited, which comprises the balance sheet, the income statement, statement of changes in equity and cash flow statement for the half-year ended 31 December 2007, a statement of accounting policies, other selected explanatory notes and the directors' declaration in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity 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 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 disclosing 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 Red Hill Iron 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*.

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 Red Hill Iron Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing 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 Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
BG McVeigh

BG McVeigh
Director

Dated this 12th day of March 2008
Perth, Western Australia



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

12 March 2008

The Directors
Red Hill Iron Limited
PO Box 689
WEST PERTH WA 6872

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF RED HILL IRON LIMITED

As lead auditor for the review of Red Hill Iron Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

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

BG McVeigh
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia