

10 March 2009

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

Dear Sir/Madam

**Interim Financial Report**

Attached is the Interim Financial Report for the half year ended 31 December 2008.

Yours faithfully

P.C.Ruttledge  
Company Secretary

# RED HILL IRON LIMITED

## INTERIM FINANCIAL REPORT

## FOR THE HALF-YEAR ENDED

**31 DECEMBER 2008**

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# RED HILL IRON LIMITED

## DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2008.

## 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 Neil Tomkinson	(Non Executive Chairman)
Mr Joshua Pitt	(Non Executive Director)
Mr Garry Strong	(Non Executive Director)

## REVIEW AND RESULTS OF OPERATIONS

The operating loss for the half-year ended 31 December 2008 was \$873,960 (2007 \$1,121,671).

The Definitive Feasibility Study (DFS) of the Channel Iron Deposits (CID) on the Red Hill Iron Ore Joint Venture (RHIOJV) project commenced during the 6 months to 31 December 2008. The project involves one of the larger known West Pilbara accumulations of CID resources with 350 million tonnes of Mineral Resources outlined and reported to date. The project area is over 2,000 square kilometres located on the western margin of the Hamersley iron province, Western Australia.

The project is managed by API Management Pty Ltd (API), a company owned in equal proportions by Aquila Resources Limited and AMCI Pty Ltd. API holds a 60% participating interest and is currently earning a further 20% 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 joint venture covers iron ore rights only, with Red Hill Iron retaining rights to all other metals for which it has an ongoing exploration program.

The DFS is for the establishment of a mining operation of up to 30 million tonnes of iron ore per annum and ancillary transport and port facilities. The DFS activity has included engineering, mining and metallurgical and marketing studies as well as a continuing exploration drilling program to upgrade known Mineral Resources and define new resources.

The mining studies have included a test open cut at the Upper Cane deposit delivering 22,000 tonnes of ore and the sinking of winzes on other deposits for the verification of drill data and the collection of further bulk samples. The derived ore will be used for further definitive metallurgical test work. Also, the Upper Cane sample area has been subjected to a close spaced RC drilling program as part of the process of confirming ore characteristics.

The indications to date with regard to the desirability of the project's product to steel mill customers have been positive.

The DFS RC drilling budget involves some 35,000 metres. During the period, drilling focused on extending the known resources at the Trinity Bore deposit and work has recently commenced on other CID targets.

Red Hill Iron continued its gold and basemetal exploration programs throughout the period with limited success. A modest budget for the drill testing of a select set of gold and manganese targets generated by this work is now being considered.

## COMPLIANCE STATEMENT

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Tim Boddington who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Boddington is a full-time employee of the company. Mr. Boddington 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 Boddington consents to the inclusion in the report of the matters based on his information in the form and context in which it appears, and has not withdrawn this consent.*

# RED HILL IRON LIMITED

## DIRECTORS' REPORT

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under Section 307C of the Corporations Act 2001 is included in this Interim Financial Report.

Signed in accordance with a resolution of the directors.

A handwritten signature in blue ink, appearing to read "Neil Tomkinson".

**Neil Tomkinson**  
**Chairman**  
Perth, 9 March 2009

# RED HILL IRON LIMITED

## INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	31 December 2008 \$	31 December 2007 \$
Revenue from continuing operations	3	285,585	308,103
Other income		29,962	-
Exploration expenditure		(978,117)	(1,183,350)
Other expenses	4	<u>(211,390)</u>	<u>(246,424)</u>
<b>Loss before income tax from continuing operations</b>		(873,960)	(1,121,671)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss attributable to the ordinary equity holders of the Company</b>		<u><u>(873,960)</u></u>	<u><u>(1,121,671)</u></u>
<b>Loss per share attributable to the ordinary equity holders of the Company</b>			
Basic loss and diluted loss per share		(2.14) cents	(2.84) cents

The above Income Statement should be read in conjunction with the accompanying notes.

# RED HILL IRON LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2008

	31 December 2008	30 June 2008
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	8,074,672	8,613,744
Trade and other receivables	<u>210,704</u>	<u>193,157</u>
Total Current Assets	<u>8,285,376</u>	<u>8,806,901</u>
<b>Non Current Assets</b>		
Exploration assets	102,110	102,110
Plant and equipment	<u>91,580</u>	<u>101,131</u>
Total Non Current Assets	<u>193,690</u>	<u>203,241</u>
Total Assets	<u>8,479,066</u>	<u>9,010,142</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	<u>175,933</u>	<u>130,459</u>
Total Current Liabilities	<u>175,933</u>	<u>130,459</u>
Total Liabilities	<u>175,933</u>	<u>130,459</u>
<b>Net Assets</b>	<u>8,303,133</u>	<u>8,879,683</u>
<b>EQUITY</b>		
Issued Capital	13,073,567	12,775,617
Reserves	285,770	285,770
Accumulated losses	<u>(5,056,204)</u>	<u>(4,181,704)</u>
<b>Total Equity</b>	<u>8,303,133</u>	<u>8,879,683</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 2008

	31 December 2008	31 December 2007
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(249,677)	(221,639)
Payments for exploration expenditure	(950,736)	(916,197)
Interest received	<u>363,391</u>	<u>269,684</u>
Net cash outflow from operating activities	<u>(837,022)</u>	<u>(868,152)</u>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	<u>-</u>	<u>(5,396)</u>
Net cash outflow from investing activities	<u>-</u>	<u>(5,396)</u>
<b>Cash flows from financing activities</b>		
Proceeds from conversion of options	<u>297,950</u>	<u>217,515</u>
Net cash inflow from financing activities	<u>297,950</u>	<u>217,515</u>
<b>Net decrease in cash and cash equivalents</b>	(539,072)	(656,033)
Cash and cash equivalents at the beginning of the half-year	<u>8,613,744</u>	<u>9,405,172</u>
<b>Cash and cash equivalents at the end of the half-year</b>	<u><u>8,074,672</u></u>	<u><u>8,749,139</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 2008

	Issued Capital \$	Share Based Payments Reserve \$	Future Value Option Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2007</b>	<u>12,158,256</u>	<u>285,770</u>	<u>-</u>	<u>(2,788,837)</u>	<u>9,655,189</u>
Net loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,121,671)</u>	<u>(1,121,671)</u>
Total income and expense recognised during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,121,671)</u>	<u>(1,121,671)</u>
-					
Transactions with equity holders in their capacity as equity holders:					
Exercise of options	217,515	-	-	-	217,515
Transfer on exercise of options	<u>-</u>	<u>(77,200)</u>	<u>77,200</u>	<u>-</u>	<u>-</u>
	<u>217,515</u>	<u>(77,200)</u>	<u>77,200</u>	<u>-</u>	<u>275,515</u>
<b>Balance at 31 December 2007</b>	<u><u>12,375,771</u></u>	<u><u>208,570</u></u>	<u><u>77,200</u></u>	<u><u>(3,910,509)</u></u>	<u><u>8,751,032</u></u>
<b>Balance at 1 July 2008</b>	<u>12,775,617</u>	<u>123,585</u>	<u>162,185</u>	<u>(4,181,704)</u>	<u>8,879,683</u>
Net loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(873,960)</u>	<u>(873,960)</u>
Total income and expense recognised during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(873,960)</u>	<u>(873,960)</u>
Transactions with equity holders in their capacity as equity holders:					
Exercise of options	297,950	-	-	-	297,950
Transfer on exercise of options	<u>-</u>	<u>(46,385)</u>	<u>46,385</u>	<u>-</u>	<u>-</u>
	<u>297,950</u>	<u>(46,385)</u>	<u>46,385</u>	<u>-</u>	<u>297,950</u>
<b>Balance at 31 December 2008</b>	<u><u>13,073,567</u></u>	<u><u>77,200</u></u>	<u><u>208,570</u></u>	<u><u>(5,056,204)</u></u>	<u><u>8,303,133</u></u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### NOTE 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 2008.

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 2008 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 2008 and the corresponding interim reporting period.

### NOTE 2 - SEGMENT REPORTING

The Company operates predominantly in one industry. The principal activities are iron ore, other base metal and gold exploration and prospecting.

The Company currently operates only in Australia which is a single geographic segment.

# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2008

### NOTE 3 - REVENUE

	31 December 2008	31 December 2007
	\$	\$
<b>Revenue from continuing operations</b>		
Interest income	<u>285,585</u>	<u>308,103</u>

### NOTE 4 – OTHER EXPENSES

**Loss before income tax includes the following  
specific administration expenses:**

Personnel Expenses		
Salaries, superannuation and associated expenses	61,484	107,874
Decrease/Increase in liability for annual leave	(517)	7,175
Equity-settled transactions	-	-
Depreciation	9,552	14,496
Other expenses		
Accounting fees	37,831	7,343
Administration services	5,565	15,126
ASX fees	2,553	2,164
Audit	5,809	6,058
Communication costs	5,868	3,103
Operating lease expense	17,229	15,285
Other	<u>66,016</u>	<u>67,800</u>
	<u>211,390</u>	<u>246,424</u>

# RED HILL IRON LIMITED

## NOTE 5 – EQUITY – ISSUED CAPITAL

### Ordinary Shares Fully Paid

	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	No of Shares	No of Shares	\$	\$
At 1 July	40,715,686	39,415,686	12,775,616	12,158,256
Exercise of options	1,000,000	200,000	300,000	220,000
Less cost of share issue	<u>-</u>	<u>-</u>	<u>(2,050)</u>	<u>(2,485)</u>
At 31 December	<u>41,715,686</u>	<u>39,615,686</u>	<u>13,073,566</u>	<u>12,375,771</u>

### Options

	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	No of Options	No of Options	\$	\$
At 1 July	1,200,000	2,500,000	123,585	285,770
Exercise of options	<u>(1,000,000)</u>	<u>(200,000)</u>	<u>(46,385)</u>	<u>(77,200)</u>
At 31 December	<u>200,000</u>	<u>2,300,000</u>	<u>77,200</u>	<u>208,570</u>

## NOTE 6 - 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 7- RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the financial report for the year end 30 June 2008.

## NOTE 8 - EVENTS OCCURRING AFTER BALANCE DATE

There have been no material items, transactions or events subsequent to 31 December 2008 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

## NOTE 9 – CONTINGENT LIABILITIES

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

# 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 in this Interim Financial Report are in accordance with the Corporations Act 2001 and:
  - (i) give a true and fair view of the financial position as at 31 December 2008 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

**Neil Tomkinson**  
**Chairman**



Perth, 9 March 2009



## **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 as at 31 December 2008, and the income statement, statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### **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 2008 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 entity's financial position as at 31 December 2008 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  
B G McVeigh

**B G McVeigh**  
Director

Signed in Perth, Western Australia  
Dated this 9<sup>th</sup> day of March 2009



BDO Kendalls

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ABN 79 112 284 787

9th March 2009

The Board of 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 of Red Hill Iron Limited for the half year ended 31 December 2008, 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
- any applicable code of professional conduct in relation to the review.

**B G McVeigh**  
Director

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