

11 March 2010

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 Red Hill Iron Limited for the half-year ended 31 December 2009.

Yours faithfully

P.C.Ruttledge  
Company Secretary

# RED HILL IRON LIMITED

## INTERIM FINANCIAL REPORT

## FOR THE HALF-YEAR ENDED

**31 DECEMBER 2009**

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# RED HILL IRON LIMITED

## DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2009.

## DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as set out 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 2009 was \$303,525.

The Definitive Feasibility Study (DFS) for the development of the Red Hill Iron Ore Joint Venture (RHIOJV) project channel iron deposits (CID) continued and by the end of the half year engineering studies were 85% complete. The project has CID Mineral Resources of some 420 million tonnes. A mining operation sourcing approximately 25 million tonnes of iron ore per annum from the RHIOJV is proposed of which Red Hill Iron's share would be approximately 5 million tonnes per annum for at least 13 years.

Red Hill Iron Limited currently holds a 40% interest in the RHIOJV with API Management Pty Ltd (API) owning 60% and acting as manager. API (owned in equal proportions by Aquila Resources Limited and American Metals and Coal International Incorporated) is earning a further 20% interest by providing all of Red Hill Iron's share of project costs. These costs are repayable only from 80% of Red Hill Iron's share of any future surplus 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 Company and API continue to have some areas of disagreement with the interpretation of certain aspects of the Joint Venture Agreement, largely relating to ownership of port and rail facilities.

During the half year, Red Hill Iron completed the purchase of the Pannawonica Project securing 100% of the CID rights to a 150 square kilometre portion of Exploration Licence E08/1685 from Zanthus Resources Pty Ltd. The purchase price was \$2 million plus the issue of 2 million fully paid Red Hill Iron shares. The Project area covers two extensive paleochannels designated as the Whitegate and Redgate CID prospects. Subsequent to the end of the half year, a Heritage Survey was completed and sites prepared for an initial drill program at the Whitegate prospect. Drilling is programmed to commence during the first half of March 2010.

### 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.*

## 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.



**Neil Tomkinson**  
**Chairman**

Perth, 11 March 2010

# RED HILL IRON LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	31 December 2009 \$	31 December 2008 \$
Revenue from continuing operations	3	144,508	285,585
Other income		-	29,962
Exploration expenditure		(174,482)	(978,117)
Other expenses	4	<u>(273,551)</u>	<u>(211,390)</u>
<b>Loss before income tax</b>		(303,525)	(873,960)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss for the half-year</b>		<u>(303,525)</u>	<u>(873,960)</u>
<b>Total comprehensive loss attributable to the owners of the Company</b>		<u>(303,525)</u>	<u>(873,960)</u>
<b>Loss per share attributable to the ordinary equity holders of the Company</b>			
Basic loss and diluted loss per share		(0.72) cents	(2.14) cents

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

# RED HILL IRON LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	31 December 2009 \$	30 June 2009 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		6,966,137	7,660,111
Trade and other receivables	5	<u>1,106,914</u>	<u>96,584</u>
Total Current Assets		<u>8,073,051</u>	<u>7,756,695</u>
<b>Non Current Assets</b>			
Exploration assets	6	10,008,025	102,110
Plant and equipment		<u>73,765</u>	<u>83,410</u>
Total Non Current Assets		<u>10,081,790</u>	<u>185,520</u>
Total Assets		<u>18,154,841</u>	<u>7,942,215</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	<u>2,947,417</u>	<u>134,218</u>
Total Current Liabilities		<u>2,947,417</u>	<u>134,218</u>
Total Liabilities		<u>2,947,417</u>	<u>134,218</u>
<b>Net Assets</b>		<u>15,207,424</u>	<u>7,807,997</u>
<b>EQUITY</b>			
Issued Capital	8	20,776,519	13,073,567
Reserves		285,770	285,770
Accumulated losses		<u>(5,854,865)</u>	<u>(5,551,340)</u>
<b>Total Equity</b>		<u>15,207,424</u>	<u>7,807,997</u>

The above Statement of Financial Position 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 2009

	Issued Capital \$	Share Based Payments Reserve \$	Future Value Option Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2009</b>	13,073,567	77,200	208,570	(5,551,340)	7,807,997
Comprehensive loss					
Net loss for the period	-	-	-	(303,525)	(303,525)
Total comprehensive loss for the period	-	-	-	(303,525)	(303,525)
Transactions with equity holders in their capacity as equity holders:					
Issue of ordinary fully paid shares	7,484,962	-	-	-	7,484,962
Exercise of options	217,990	-	-	-	217,990
Transfer on exercise of options	-	(77,200)	77,200	-	-
	<u>7,702,952</u>	<u>(77,200)</u>	<u>77,200</u>	<u>-</u>	<u>7,702,952</u>
<b>Balance at 31 December 2009</b>	<u>20,776,519</u>	<u>-</u>	<u>285,770</u>	<u>(5,854,865)</u>	<u>15,207,424</u>
<b>Balance at 1 July 2008</b>	12,775,617	123,585	162,185	(4,181,704)	8,879,683
Comprehensive loss					
Net loss for the period	-	-	-	(873,960)	(873,960)
Total comprehensive loss for the period	-	-	-	(873,960)	(873,960)
Transactions with equity holders in their capacity as equity holders:					
Exercise of options	297,950	-	-	-	297,950
Transfer on exercise of options	-	(46,385)	46,385	-	-
	<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>13,073,567</u>	<u>77,200</u>	<u>208,570</u>	<u>(5,056,204)</u>	<u>8,303,133</u>

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

# RED HILL IRON LIMITED

## STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	31 December 2009	31 December 2008
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(249,991)	(249,677)
Payments for exploration expenditure	(231,771)	(950,736)
Interest received	69,798	363,391
	<u>                    </u>	<u>                    </u>
Net cash outflow from operating activities	<u>(411,964)</u>	<u>(837,022)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration assets	(500,000)	-
	<u>                    </u>	<u>                    </u>
Net cash outflow from investing activities	<u>(500,000)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Proceeds from conversion of options	220,000	300,000
Payments for share issue costs	(2,010)	(2,050)
	<u>                    </u>	<u>                    </u>
Net cash inflow from financing activities	<u>217,990</u>	<u>297,950</u>
<b>Net decrease in cash and cash equivalents</b>	(693,974)	(539,072)
Cash and cash equivalents at the beginning of the half-year	<u>7,660,111</u>	<u>8,613,744</u>
<b>Cash and cash equivalents at the end of the half-year</b>	<u><u>6,966,137</u></u>	<u><u>8,074,672</u></u>

The above Statement of Cash Flows 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 2009

### NOTE 1 - BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL STATEMENTS

The half-year financial statements do not include all notes of the type normally included within the annual financial statements 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 statements should be read in conjunction with the annual financial statements of Red Hill Iron Limited as at 30 June 2009.

It is also recommended that the half-year financial statements be considered together with any public announcements made by Red Hill Iron Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

#### (a) Basis of accounting

The half-year financial statements are general-purpose financial statements, 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 statements have been prepared on the accruals basis and are 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 statements, 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 statements are consistent with those adopted and disclosed in the Company's annual financial statements for the year ended 30 June 2009 and the corresponding half year reporting period, except as set out below.

The Company has applied AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these half year financial statements as of and for the six months to 31 December 2009.

The Company has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker, which has been identified by the company as the members of the Board of Directors.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.



# RED HILL IRON LIMITED

## NOTE 2 - SEGMENT INFORMATION

The management of Red Hill Iron Limited has determined that the Company has one reportable segment, being mineral exploration within Australia. The Board of Directors monitors the Company based on actual versus budgeted exploration expenditure. This internal reporting framework is the most relevant to assist the Board with making decisions regarding its ongoing exploration activities.

	31 December 2009 \$	30 June 2009 \$
Reportable segment assets	<u>10,008,025</u>	<u>102,110</u>
	31 December 2009 \$	31 December 2008 \$
Reportable segment loss	<u>(174,482)</u>	<u>(978,117)</u>
Reconciliation of reportable segment loss:		
Reportable segment loss	(174,482)	(978,117)
Other profit	144,508	315,547
Unallocated corporate expenses	<u>(273,551)</u>	<u>(211,390)</u>
Loss before tax	<u>(303,525)</u>	<u>(873,960)</u>

## NOTE 3 – REVENUE

### Revenue

Interest income	<u>144,508</u>	<u>285,585</u>
	<u>144,508</u>	<u>285,585</u>

## NOTE 4 – EXPENSES

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

Personnel expenses		
Salaries and associated expenses	231,417	217,284
Superannuation	16,341	16,744
Increase/(Decrease) in liability for annual leave	9,588	(517)
Equity-settled transactions	<u>-</u>	<u>-</u>
	257,346	233,511
Less: Capitalised to exploration	<u>(122,077)</u>	<u>(172,544)</u>
	135,269	60,967
Depreciation	9,647	9,552
Other expenses		
Accounting fees	23,190	37,831
Admin services	4,229	5,565
ASX fees	3,818	2,553
Audit	3,663	5,809
Communication and computing costs	4,152	5,868
Operating lease expense	22,383	17,229
Other	<u>67,200</u>	<u>66,016</u>
	<u>273,551</u>	<u>211,390</u>

# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

### NOTE 5 – CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	31 December 2009	31 December 2008
	\$	\$
Trade and other receivables	<u>1,106,914</u>	<u>96,584</u>

The balance at 31 December 2009 includes a receivable of \$950,000 GST arising from the Company's acquisition in December of the Pannawonica Project.

### NOTE 6 – NON CURRENT ASSETS – EXPLORATION ASSETS

Carrying amount at beginning of year	102,110	102,110
Acquisition for Right to Channel Iron Deposits	<u>9,905,915</u>	<u>-</u>
Carrying amount at end of year	<u>10,008,025</u>	<u>102,110</u>

### NOTE 7 – CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade and other payables	<u>2,947,417</u>	<u>134,218</u>
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The balance at 31 December 2009 includes a payable of \$2,450,000 in respect of consideration for the Company's acquisition in December of the Pannawonica Project. This has subsequently been paid.

# RED HILL IRON LIMITED

## NOTE 8 – EQUITY – SECURITIES ISSUED

### Ordinary Shares Fully Paid

	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	No of Shares	No of Shares	\$	\$
<b>At 1 July</b>	41,715,686	40,715,686	13,073,567	12,775,616
Exercise of options	200,000	1,000,000	220,000	300,000
Less cost of share issue	-	-	(2,010)	(2,050)
Issue of ordinary fully paid shares	2,000,000	-	7,500,000	-
Less cost of share issue	-	-	(15,038)	-
<b>At 31 December</b>	<u>43,915,686</u>	<u>41,715,686</u>	<u>20,776,519</u>	<u>13,073,566</u>

### Options

	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	No of Options	No of Options	\$	\$
<b>At 1 July</b>	200,000	1,200,000	77,200	123,585
Exercise of options	<u>(200,000)</u>	<u>(1,000,000)</u>	<u>(77,200)</u>	<u>(46,385)</u>
<b>At 31 December</b>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>77,200</u>

## NOTE 9 - COMMITMENTS FOR EXPENDITURE

In order to maintain the mineral tenements in which the Company and other parties are involved, the Company is committed to fulfill 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 10 – 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 2009.

## NOTE 11 - EVENTS OCCURRING AFTER BALANCE DATE

There have been no material items, transactions or events other than commented on in this report subsequent to 31 December 2009 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in these statements.

To the best of the Directors knowledge and belief there have been no material items, transactions or events other than commented on in this report subsequent to 31 December 2009 which, although they do not relate to conditions existing at that date, have not been dealt with in these statements and which would cause reliance on the information shown in these statements to be misleading.

At 31 December \$500,000 of the \$2,000,000 cash component of the consideration for the acquisition of exploration rights on the Pannawonica project has been paid and the balance of \$1,500,000 was paid on 18 January 2010.

## NOTE 12 – 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 set out in this financial report are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
  - (ii) complying 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, 11 March 2010

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

### Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of Red Hill Iron Ltd for the period ended 31 December 2009 included on Red Hill Iron Ltd's web site. The disclosing entity's directors are responsible for the integrity of Red Hill Iron Ltd's web site. We have not been engaged to report on the integrity of Red Hill Iron Ltd's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Red Hill Iron Ltd, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the the disclosing entity at the half-year end or from time to time during the half-year.

### 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 establishing and maintaining internal controls 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 and Other Financial Reports 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 2009 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 Ltd, 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

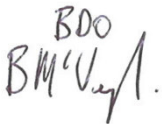
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

## 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 Ltd 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 2009 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 Audit (WA) Pty Ltd



**Brad McVeigh**  
Director

Signed in Perth, Western Australia  
Dated this 11th day of March 2010.

11 March 2010


The Directors  
Red Hill Iron Ltd  
P.O Box 1160  
WEST PERTH WA 6872

Dear Sirs

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

As lead auditor of Red Hill Iron Ltd for the half-year ended 31 December 2009, 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.



**Brad McVeigh**  
Director



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