

11 March 2011

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 2010.

Yours faithfully

P.C.Ruttledge
Company Secretary

RED HILL IRON LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2010

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RED HILL IRON LIMITED

DIRECTORS' REPORT

The directors of Red Hill Iron Limited (RHI or the Company) submit their report for the half year ended 31 December 2010.

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 Company's operating loss for the half year ended 31 December 2010 was \$848,802 (2009: \$303,525).

Red Hill Iron Ore Joint Venture (RHIOJV)

In December 2010, API Management Pty Ltd (API), a management company jointly owned by subsidiaries of Aquila Resources Limited and American Metals & Coal International, Inc., resolved to undertake Stage 1 mine development of the West Pilbara Iron Ore Project (WPIOP). The decision was subject to a number of conditions including government approvals and Native Title agreements being realized.

Commencement of development will require a development decision being taken with the unanimous approval of the RHIOJV, the participants of which are RHI and API, together with a similar decision by the participants in the adjacent Mt Stuart Joint Venture.

Stage 1 of the WPIOP is planned to entail production of 30 million tonnes per annum (mtpa) of direct shipping channel iron deposit (CID) ore from reserves predominantly located on tenements owned by the RHIOJV together with lesser tonnage from reserves located on tenements owned by the Mt Stuart Joint Venture.

The project will require the construction of 280 kilometres of railway to connect the mining operations to Anketell Point where new port facilities are to be established. Approval was received during the period for the publication of the Public Environmental Review for public comment in relation to the port development plans.

During this half year, the RHIOJV confirmed Proven and Probable Reserves of 289 million tonnes grading 57.3% iron derived from Measured, Indicated and Inferred Resources of 472 million tonnes at 56.7% iron. These reserves do not include the substantial reserves of the Kens Bore East CID, the ownership of which is in dispute between the Company and API.

The Company currently holds a 40% interest in the RHIOJV. API is providing all of the Company's project costs and may increase its project interest to 80% on the delivery of first project ore to customers. These costs are repayable from 80% of RHI's share of future surplus mine revenues, although RHI retains the right to convert its interest to a 2% free-on-board project 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 the Kens Bore East prospect and participation in the proposed port and rail facilities.

Pannawonica – Redgate and Whitegate

A three hole large diameter diamond drill hole program was completed at the Redgate prospect of the Pannawonica CID Project to obtain samples for metallurgical testing. Subsequent to the end of the half year a rigorous testing program using composited samples from selected material produced by the drilling program was completed. This testwork concluded that conventional scrubbing is largely ineffective for upgrading the bulk of the Pannawonica ore.

Competent Person Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Doug Stewart, who is a Fellow of The Australasian Institute of Mining and Metallurgy and is an employee of Red Hill Iron Limited. Mr Stewart has sufficient experience which is relevant to the style of mineralisation and types of deposits 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 Stewart 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 his consent.

RED HILL IRON LIMITED

DIRECTORS' REPORT (CONTINUED)

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, 10 March 2011

RED HILL IRON LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010 \$	31 December 2009 \$
Revenue from continuing operations	3	104,648	144,508
Other income		50,550	-
Exploration expenditure		(683,046)	(174,482)
Other expenses	4	<u>(320,954)</u>	<u>(273,551)</u>
Loss before income tax		(848,802)	(303,525)
Income tax expense		<u>-</u>	<u>-</u>
Loss for the half year attributable to the owners of the Company		<u>(848,802)</u>	<u>(303,525)</u>
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive loss attributable to the owners of the Company		<u>(848,802)</u>	<u>(303,525)</u>
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss and diluted loss per share		(1.93) cents	(0.72) 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 2010

	Note	31 December 2010 \$	30 June 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents		3,422,437	4,390,939
Trade and other receivables		<u>223,044</u>	<u>146,736</u>
Total Current Assets		<u>3,645,481</u>	<u>4,537,675</u>
Non Current Assets			
Exploration assets		10,008,025	10,008,025
Plant and equipment		<u>55,763</u>	<u>64,275</u>
Total Non Current Assets		<u>10,063,788</u>	<u>10,072,300</u>
Total Assets		<u>13,709,269</u>	<u>14,609,975</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		<u>201,384</u>	<u>253,288</u>
Total Current Liabilities		<u>201,384</u>	<u>253,288</u>
Total Liabilities		<u>201,384</u>	<u>253,288</u>
Net Assets		<u>13,507,885</u>	<u>14,356,687</u>
EQUITY			
Issued Capital	5	20,776,519	20,776,519
Reserves		285,770	285,770
Accumulated losses		<u>(7,554,404)</u>	<u>(6,705,602)</u>
Total Equity		<u>13,507,885</u>	<u>14,356,687</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 2010

	Issued Capital \$	Share Based Payments Reserve \$	Future Value Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2010	20,776,519	-	285,770	(6,705,602)	14,356,687
Comprehensive loss					
Net loss for the period	-	-	-	(848,802)	(848,802)
Total comprehensive loss for the period	-	-	-	(848,802)	(848,802)
Transactions with equity holders in their capacity as equity holders:	-	-	-	-	-
Balance at 31 December 2010	<u>20,776,519</u>	<u>-</u>	<u>285,770</u>	<u>(7,554,404)</u>	<u>13,507,885</u>
 Balance at 1 July 2009	 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, net of issue cost	7,484,962	-	-	-	7,484,962
Exercise of options	217,990	-	-	-	217,990
Transfer on exercise of options	-	(77,200)	77,200	-	-
Balance at 31 December 2009	<u>20,776,519</u>	<u>-</u>	<u>285,770</u>	<u>(5,854,865)</u>	<u>15,207,424</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 2010

	31 December 2010	31 December 2009
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(388,753)	(249,991)
Payments for exploration expenditure	(660,498)	(231,771)
Payments for security deposits	(16,703)	
Interest received	46,902	69,798
Other income	50,550	-
	<u>(968,502)</u>	<u>(411,964)</u>
Cash flows from investing activities		
Payments for exploration assets	-	(500,000)
	<u>-</u>	<u>(500,000)</u>
Cash flows from financing activities		
Proceeds from conversion of options	-	220,000
Payments for share issue costs	-	(2,010)
	<u>-</u>	<u>217,990</u>
Net decrease in cash and cash equivalents	(968,502)	(693,974)
Cash and cash equivalents at the beginning of the half year	<u>4,390,939</u>	<u>7,660,111</u>
Cash and cash equivalents at the end of the half year	<u>3,422,437</u>	<u>6,966,137</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 2010

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 statements.

The half year financial statements should be read in conjunction with the annual financial statements of Red Hill Iron Limited as at 30 June 2010.

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 2010 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.

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 2010 and the corresponding half year reporting period.

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 2010 \$	30 June 2010 \$
Reportable segment assets	<u>10,008,025</u>	<u>10,008,025</u>
	31 December 2010 \$	31 December 2009 \$
Reportable segment loss	<u>(683,046)</u>	<u>(174,482)</u>
Reconciliation of reportable segment loss:		
Reportable segment loss	(683,046)	(174,482)
Other profit	155,198	144,508
Unallocated corporate expenses	<u>(320,954)</u>	<u>(273,551)</u>
Loss before tax	<u>(848,802)</u>	<u>(303,525)</u>

RED HILL IRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

NOTE 3 – REVENUE

	31 December 2010 \$	31 December 2009 \$
Revenue		
Interest income	<u>104,648</u>	<u>144,508</u>

NOTE 4 – EXPENSES

Loss before income tax includes the following specific administration expenses:

Personnel expenses		
Salaries superannuation and associated expenses	<u>291,185</u>	<u>257,346</u>
	291,185	257,346
Less: Expensed to exploration	<u>(163,676)</u>	<u>(122,077)</u>
	127,509	135,269
Depreciation	8,513	9,647
Other expenses		
Accounting fees	24,616	23,190
Admin services	5,003	4,229
ASX fees	3,781	3,818
Audit	4,437	3,663
Communication and computing costs	3,841	4,152
Consultants fees	50,817	765
Company secretarial	18,050	18,050
Legal fees	31,959	35,643
Operating lease expense	32,173	22,383
Other	<u>10,255</u>	<u>12,742</u>
	<u>320,954</u>	<u>273,551</u>

RED HILL IRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

NOTE 5 – EQUITY – SECURITIES ISSUED

Ordinary Shares Fully Paid

	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	No of Shares	No of Shares	\$	\$
At 1 July	43,915,686	41,715,686	20,776,519	13,073,567
Exercise of options	-	200,000	-	220,000
Less cost of share issue	-	-	-	(2,010)
Issue of ordinary fully paid shares	-	2,000,000	-	7,500,000
Less cost of share issue	-	-	-	(15,038)
At 31 December	<u>43,915,686</u>	<u>43,915,686</u>	<u>20,776,519</u>	<u>20,776,519</u>

Options

	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	No of Options	No of Options	\$	\$
At 1 July	-	200,000	-	77,200
Exercise of options	-	(200,000)	-	(77,200)
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 2010.

NOTE 8 - EVENTS OCCURRING AFTER BALANCE DATE

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 2010 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.

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 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 2010 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;
- (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.

On behalf of the Board



Neil Tomkinson
Chairman

Perth, 10 March 2011



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Australia

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Red Hill Iron Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 2010 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Red Hill Iron Limited, would be in the same terms if given to the directors as at the time of this auditor's report.




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 2010 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

BDO Audit


Chris Burton
Director

Perth, Western Australia
Dated this 10th day of March 2011

10 March 2011

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

Dear Sirs,

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF RED HILL IRON LIMITED

As lead auditor of Red Hill Iron Limited for the period ended 31 December 2010, 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.



Chris Burton
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia