

15 March 2013

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

Dear Sir/Madam

Interim Financial Statements and Directors' Report

Attached is a copy of the Interim Financial Statements and Directors' Report for the company for the year ended 31 December 2012.

Yours faithfully

P C Rutledge
Company Secretary

RED HILL IRON LIMITED

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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RED HILL IRON LIMITED

DIRECTORS' REPORT

The directors of Red Hill Iron Limited ("Red Hill Iron" or "the Company") submit their report for the half year ended 31 December 2012.

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	(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 2012 was \$2,469,287 (2011: \$298,765).

Red Hill Iron Ore Joint Venture (RHIOJV)

The manager of the RHIOJV, API Management Pty Ltd (API), approved a revised 2012-13 programme and budget of \$12,000,000 during the period. The programme included continuation of the preparation of a Development Proposal and ancillary studies which included aquifer modelling, grade variability evaluation, environmental field work and Heritage surveys. Native Title negotiations continue to progress and limited exploration mapping and sampling programmes were conducted during the period.

Pannawonica Project

In December 2012 the Company secured sole entitlement to Channel Iron Deposits (CIDs) within the Red Hill Iron Purchase Area of Exploration Licence E08/1685, held by Zanthus Resources Pty Ltd, by submitting two mining lease applications covering the Redgate and Whitegate deposits. These deposits had earlier been outlined by a wide-spaced drilling programme. The Company has now commenced a pre-feasibility study of the CIDs which will include an in-fill drilling programme and further metallurgical drilling and sample testing.

Non-ferrous exploration

The Company retains 100% of rights to all minerals other than iron ore within the RHIOJV Project area. A review of gold and base metal potential was undertaken and reactivation of exploration activities is planned.

Corporate

The Company's proceedings in the Supreme Court of Western Australia against API, aimed at seeking determination as to whether or not Red Hill Iron had the right to share in the ownership of the proposed port and rail facilities, resulted in the Court dismissing the claim, awarding costs against Red Hill Iron.

Proceedings flowing from the writ served by the Company on API contending that the Kens Bore East deposit lies within the RHIOJV Project area are proceeding with the matter likely to be the subject of trial before calendar year's end.

Events occurring after balance date

Subsequent to the end of the half-year the Company reached agreement with its RHIOJV partner, API, to pay API \$2,050,000 inclusive of GST in settlement of legal costs arising from the Company's failed Supreme Court action against that company. Red Hill Iron has accrued for this settlement (net of GST) in its financial statements for the half year ended 31 December 2012.

In order to ensure prompt payment of this settlement the Company entered into agreements with companies associated with Directors Mr Tomkinson and Mr Pitt whereby those companies advanced to Red Hill Iron \$1,000,000 on normal commercial terms. These loans have subsequently been repaid.

On 31 January 2013 the Company announced a 1 for 8 pro-rata entitlement offer of up to 5,489,461 fully paid ordinary shares to raise up to \$4,391,570 before costs for the purposes of furthering its Pannawonica project and other exploration and evaluation, overseeing the Company's interest in the RHIOJV, pursuing the Company's legal case for the Kens Bore East deposit to be included in the RHIOJV, repaying the short term director loans and meeting administration costs and the costs of the issue. The offer was fully underwritten by Euroz Securities Limited. Entities associated with Directors Mr Tomkinson and Mr Pitt undertook to take up their full entitlements under this offer and agreed with the underwriter to extend their support by sub-underwriting the majority of the issue for no sub-underwriting fee. The offer closed on 8 March 2013 with entitlement acceptances of 65%, shareholders' shortfall applications of 17% and the balance of 18% being taken up by the underwriters.

RED HILL IRON LIMITED

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.

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, 15 March 2013

RED HILL IRON LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Note	31 December 2012 \$	31 December 2011 \$
Revenue from continuing operations	3	39,444	80,880
Exploration expenditure		(49,471)	(27,883)
Administration expenses	4	<u>(2,459,260)</u>	<u>(351,762)</u>
Loss before income tax		(2,469,287)	(298,765)
Income tax expense		<u>-</u>	<u>-</u>
Loss for the half year		(2,469,287)	(298,765)
Other comprehensive income for the half year		<u>-</u>	<u>-</u>
Total comprehensive loss for the half year attributable to the ordinary equity holders of the Company		<u>(2,469,287)</u>	<u>(298,765)</u>
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss and diluted loss per share		(5.62) cents	(0.68) cents

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

RED HILL IRON LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31 December 2012 \$	30 June 2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,377,598	2,174,400
Trade and other receivables		<u>124,320</u>	<u>150,338</u>
Total Current Assets		<u>1,501,918</u>	<u>2,324,738</u>
Non Current Assets			
Exploration assets		10,008,025	10,008,025
Plant and equipment		<u>10,405</u>	<u>12,463</u>
Total Non Current Assets		<u>10,018,430</u>	<u>10,020,488</u>
Total Assets		<u>11,520,348</u>	<u>12,345,226</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	5	<u>1,906,895</u>	<u>262,486</u>
Total Current Liabilities		<u>1,906,895</u>	<u>262,486</u>
Total Liabilities		<u>1,906,895</u>	<u>262,486</u>
Net Assets		<u>9,613,453</u>	<u>12,082,740</u>
EQUITY			
Issued Capital	6	20,776,519	20,776,519
Reserves		285,770	285,770
Accumulated losses		<u>(11,448,836)</u>	<u>(8,979,549)</u>
Total Equity		<u>9,613,453</u>	<u>12,082,740</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 2012

	Issued Capital \$	Share Based Payments Reserve \$	Exercised Option Reserve \$	Accumulated Losses \$	Total Equity \$
2012					
Balance at 1 July 2012	20,776,519	-	285,770	(8,979,549)	12,082,740
Net loss for the half year	-	-	-	(2,469,287)	(2,469,287)
Total comprehensive income recognised during the half year	-	-	-	(2,469,287)	(2,469,287)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
Balance at 31 December 2012	20,776,519	-	285,770	(11,448,836)	9,613,453
2011					
Balance at 1 July 2011	20,776,519	-	285,770	(7,936,238)	13,126,051
Net loss for the half year	-	-	-	(298,765)	(298,765)
Total comprehensive income recognised during the half year	-	-	-	(298,765)	(298,765)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
Balance at 31 December 2011	20,776,519	-	285,770	(8,235,003)	12,827,286

RED HILL IRON LIMITED

STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(765,700)	(413,374)
Payments for exploration expenditure	(76,607)	(8,953)
Payments for security deposits	-	-
Interest received	45,505	91,609
	<u>(796,802)</u>	<u>(330,718)</u>
Net cash outflow from operating activities		
	<u>(796,802)</u>	<u>(330,718)</u>
Cash flows from investing activities		
Proceeds from sale of plant and equipment	-	500
	<u>-</u>	<u>500</u>
Net cash outflow from investing activities		
	<u>-</u>	<u>500</u>
Cash flows from financing activities		
Net cash inflow from financing activities	-	-
	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(796,802)	(330,218)
Cash and cash equivalents at the beginning of the half year	2,174,400	3,062,832
	<u>2,174,400</u>	<u>3,062,832</u>
Cash and cash equivalents at the end of the half year	<u>1,377,598</u>	<u>2,732,614</u>

The above Statement of Cash Flows 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 2012

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 2012.

It is also recommended that the half year financial statements be considered together with any public announcements made by Red Hill Iron during the half year ended 31 December 2012 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 2012 and the corresponding half year reporting period, except as follows:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income. Comparatives have been reclassified to be consistent with the current year presentation. The reclassification does not have an impact on the results presented.

RED HILL IRON LIMITED

NOTE 2 - SEGMENT INFORMATION

The Board of Directors of Red Hill Iron (who are collectively the chief operating decision makers) 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 2012	30 June 2012
	\$	\$
Reportable segment assets	10,008,025	10,008,025
Reportable segment liabilities	363	27,500
	31 December 2012	31 December 2011
	\$	\$
Reportable segment loss	<u>(49,471)</u>	<u>(27,883)</u>
Reconciliation of reportable segment loss:		
Reportable segment loss	(49,471)	(27,883)
Other revenue	39,444	80,880
Unallocated corporate expenses	<u>(2,459,260)</u>	<u>(351,762)</u>
Loss before tax	<u>(2,469,287)</u>	<u>(298,765)</u>

NOTE 3 – REVENUE

Revenue from continuing operations

Interest income	<u>39,444</u>	<u>80,880</u>
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NOTE 4 – ADMINISTRATION EXPENSES

	31 December 2012	31 December 2011
	\$	\$
Loss before income tax includes the following specific administration expenses:		
Personnel expenses		
Salaries superannuation and associated expenses	80,529	73,549
	<u>80,529</u>	<u>73,549</u>
Less: Expensed to exploration	-	-
	<u>80,529</u>	<u>73,549</u>
Depreciation	2,058	3,953
Other expenses		
Accounting fees	25,275	25,250
Admin services	5,800	4,560
Audit	7,840	4,926
Communication and computing costs	3,424	5,952
Consultants fees	14,430	11,875
Company secretarial	19,575	19,590
Legal fees	2,235,918	135,902
Operating lease expense	48,073	26,709
Listing fees	3,534	3,681
Other	12,804	35,815
	<u>2,459,260</u>	<u>351,762</u>

NOTE 5 – CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	31 December 2012	30 June 2012
	\$	\$
Trade and other payables	41,895	262,486
Accrual for settlement of legal costs (net of GST)	1,865,000	-
	<u>1,906,895</u>	<u>262,486</u>

The accrual for settlement of legal costs is in respect of a settlement of legal costs that was reached after period end but related to a Supreme Court decision against the Company during the period.

NOTE 6 – EQUITY – ISSUED CAPITAL

Ordinary Shares Fully Paid

	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	No of Shares	No of Shares	\$	\$
At 1 July	43,915,686	43,915,686	20,776,519	20,776,519
	<u>43,915,686</u>	<u>43,915,686</u>	<u>20,776,519</u>	<u>20,776,519</u>
At 31 December	43,915,686	43,915,686	20,776,519	20,776,519

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NOTE 7 – 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 8 – RELATED PARTY TRANSACTIONS

Arrangements with related parties, details of which are set out in the financial report for the year ended 30 June 2012, continue to be in place.

NOTE 9 – EVENTS OCCURRING AFTER BALANCE DATE

Subsequent to the end of the half-year the Company reached agreement with its RHIOJV partner, API, to pay API \$2,050,000 inclusive of GST in settlement of legal costs arising from the Company's failed Supreme Court action against that company. Red Hill Iron has accrued for this settlement (net of GST) in its financial statements for the half year ended 31 December 2012.

In order to ensure prompt payment of this settlement the Company entered into agreements with companies associated with Directors Mr Tomkinson and Mr Pitt whereby those companies advanced to Red Hill Iron \$1,000,000 on normal commercial terms. These loans have subsequently been repaid.

On 31 January 2013 the Company announced a 1 for 8 pro-rata entitlement offer of up to 5,489,461 fully paid ordinary shares to raise up to \$4,391,570 before costs for the purposes of furthering its Pannawonica project and other exploration and evaluation, overseeing the Company's interest in the RHIOJV, pursuing the Company's legal case for the Kens Bore East deposit to be included in the RHIOJV, repaying the short term director loans and meeting administration costs and the costs of the issue. The offer was fully underwritten by Euroz Securities Limited. Entities associated with Directors Mr Tomkinson and Mr Pitt undertook to take up their full entitlements under this offer and agreed with the underwriter to extend their support by sub-underwriting the majority of the issue for no sub-underwriting fee. The offer closed on 8 March 2013 with entitlement acceptances of 65%, shareholders' shortfall applications of 17% and the balance of 18% being taken up by the underwriters.

Other than as stated in this report, there have been no other material items, transactions or events subsequent to 31 December 2012 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 10 – CONTINGENT LIABILITIES

At the last annual reporting date the Company noted that a contingent liability to pay the defendant's legal costs existed as the consequence of the Company losing its Supreme Court action against API. As a result of the subsequent settlement of the amount of legal costs resulting in an accrual being made in these financial settlements (refer Notes 5 and 9) no contingent liability remains.

RED HILL IRON LIMITED

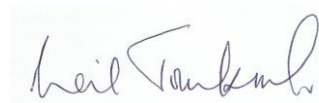
DIRECTORS' DECLARATION

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 2012 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, 15 March 2013

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 2012, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 internal 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2012 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 review 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 company's financial position as at 31 December 2012 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


Chris Burton
Director

Perth, Western Australia
Dated this 15th day of March 2013

15 March 2013

The Board of Directors
Red Hill Iron Limited
Level 2, 9 Havelock Street
West Perth, WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON 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 2012, 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.



Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia