RED HILL
IRON LIMITED
ABN: 44 114 553 392

Exploration Office: Ground Floor, 43 Ventnor Ave, West Perth WA 6005
Registered Office: Level 2, 9 Havelock Street, West Perth WA 6005
Postal Address: PO Box 1160, West Perth WA 6872

Telephone: (61 8) 9322 1755
Facsimile: (61 8) 9481 0663
E-mail: redhillinfo@redhilliron.com.au
Website: www.redhilliron.com.au

15 October 2009

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

Dear Sir/Madam

Annual Report

Attached is the Red Hill Iron Limited 2009 Annual Report.

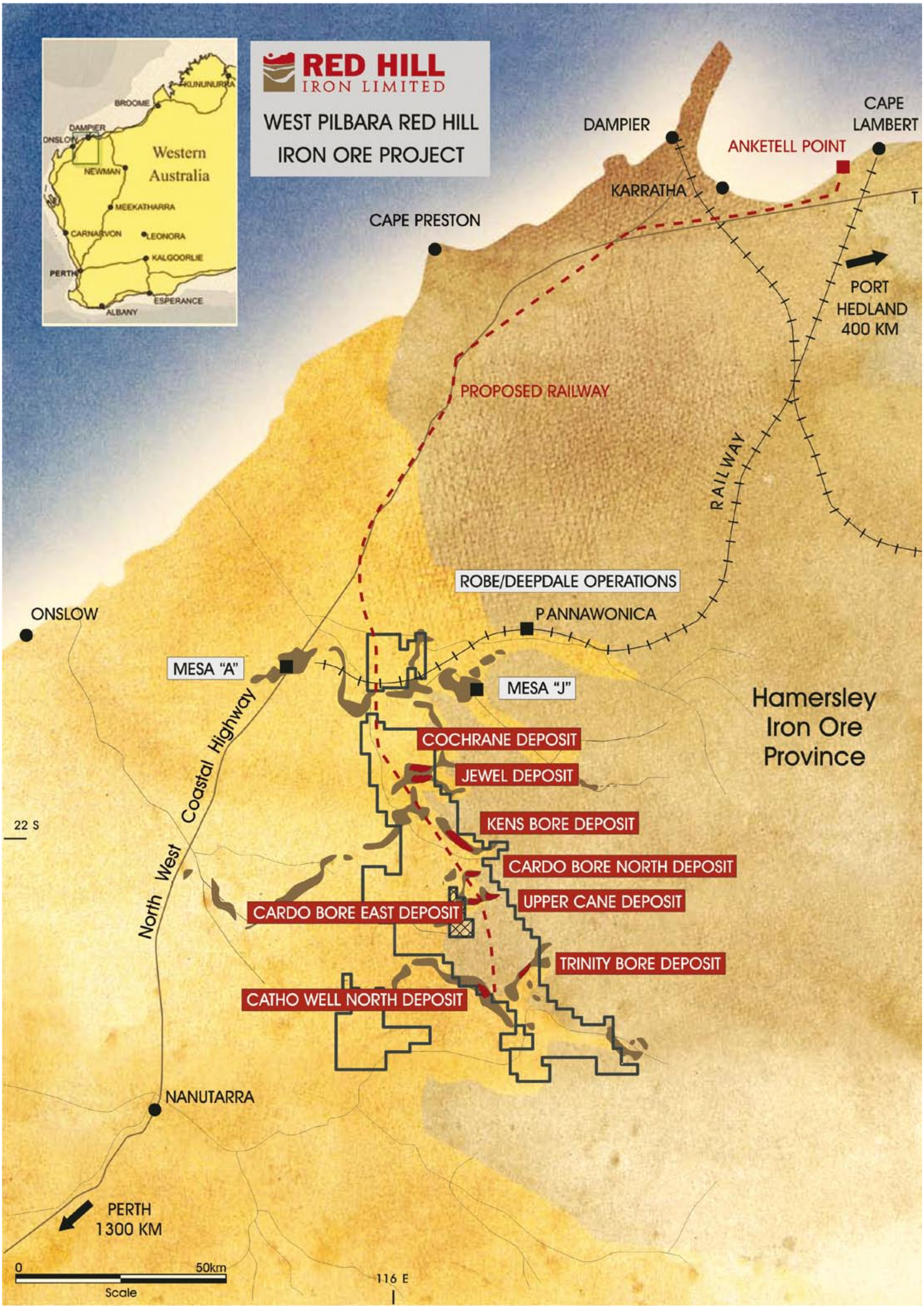
Yours faithfully

P.C.Ruttledge
Company Secretary

ANNUAL REPORT 2009

RED HILL IRON LIMITED

ABN 44 114 553 392


RED HILL
IRON LIMITED
WEST PILBARA RED HILL
IRON ORE PROJECT
KUNUNURRA
BROOME
DAMPIER
ONSLOW
Western
Australia
NEWMAN
MEEKATHARRA
CARNARVON
LEONORA
KALGOORLIE
PERTH
ESPERANCE
ALBANY
DAMPIER
CAPE
LAMBERT
ANKETELL POINT
KARRATHA
CAPE PRESTON
PORT
HEDLAND
400 KM
PROPOSED RAILWAY
RAILWAY
ROBE/DEEPDALE OPERATIONS
ONSLOW
PANNAWONICA
MESA "A"
MESA "J"
Hamersley
Iron Ore
Province
North West Coastal Highway
COCHRANE DEPOSIT
JEWEL DEPOSIT
KENS BORE DEPOSIT
CARDO BORE NORTH DEPOSIT
UPPER CANE DEPOSIT
CARDO BORE EAST DEPOSIT
TRINITY BORE DEPOSIT
CATHO WELL NORTH DEPOSIT
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NANUTARRA
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116 E

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Non Executive Chairman

Neil Tomkinson

Non Executive Directors

Joshua Pitt

Garry Strong

GENERAL MANAGER

Tim Boddington

COMPANY SECRETARY

Peter Ruttledge

REGISTERED OFFICE

Level 2, 9 Havelock Street
West Perth WA 6005
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EXPLORATION OFFICE

Ground Floor
43 Ventnor Avenue
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Tel: (08) 9322 1755
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Email: redhillinfo@redhilliron.com.au

HOME EXCHANGE

Australian Securities Exchange
2 The Esplanade
Perth WA 6000

AUDITOR

BDO Kendalls Audit & Assurance (WA)
128 Hay Street
Subiaco WA 6008

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233
Email: registrar@securitytransfer.com.au

REVIEW OF OPERATIONS

The primary asset of Red Hill Iron Limited is its interest in the Red Hill Iron Ore Joint Venture (the Joint Venture) and the Company intends to continue its policy of concentrating activities on the enhancement of its West Pilbara iron ore interests. It has recently ceased all gold and base metal exploration activities on the Red Hill tenements after negative results.

Your Company has cash assets of over $7 million. Your board is confident that adequate funds are already in place for husbanding the Company through the development phase of the iron ore interests. Company expenditure is limited to administration, consultancy and marketing costs in relation to Red Hill Iron's share of production. All exploration and development costs are to be funded by API Management Pty Ltd (API) under the terms of the Joint Venture.

Your Company currently has a 40% interest in the Joint Venture, with API owning 60% and acting as manager. API is owned in equal proportions by subsidiaries of the American investment group, American Metals and Coal International Incorporated, and the Australian listed company, Aquila Resources Limited. API holds interests in other joint ventures in the West Pilbara and also owns tenements in its own right. API refers to this entire suite as the West Pilbara Iron Ore Project (WPIOP). Red Hill Iron's Joint Venture interest will reduce to 20% upon first delivery of ore to customers.

Recently, Aquila Resources Limited announced a major cooperation agreement with the Baosteel Group Corporation of China which your board believes has positive implications for Red Hill Iron. It demonstrates important third party support for this capital intensive project and provides greater certainty that the substantial funding can be sourced.

The Red Hill Iron Ore Project

The Red Hill Iron Ore Project (Project) is situated in the West Pilbara region of Western Australia adjacent to the Robe River Associates Deepdale iron ore operations which are linked by rail to port at Cape Lambert. Feasibility studies are now well advanced for Stage One of the WPIOP at a 30 million tonne per year export rate that envisages railing product to a new port facility. As an alternative, the use of existing competitor owned rail and port facilities remains a possible option but subject to successful access negotiations.

The Joint Venture has now established iron ore Mineral Resources of some 420 million tonnes and is expecting a modest increase of these resources following recent exploration. These resources provide the great majority of the tonnes required for Stage One of the WPIOP, with the remainder planned to be sourced from the Catho Well deposit situated on adjacent tenements owned by API and a subsidiary of Cullen Resources Limited.

The iron ore resources occur as channel iron deposits that generally outcrop as elongate mesas. The iron ore is largely in pisolitic form with little clay within the matrix. Occasional clay bands separate thick horizontal beds of ore. The ore form and the nature of deposition lend these deposits to low cost and efficient mining with low stripping ratios. The ore will require no washing and will simply be mined and coarse crushed on site then conveyed to rail loading facilities, loaded onto trains and hauled to port. The ore from the several deposits will then undergo further crushing at the port after which it will be blended and stockpiled to provide a consistent product ready for shipping.

Intense efforts are being made to ensure production over the long term of a consistent ore blend acceptable to markets. Detailed drilling with sample collection from trial mining pits and winzes is being used to produce bulk samples to specification for forwarding to prospective customers. Metallurgical test work to aid the process of product acceptance is well advanced. Sinter test work to date has yeilded highly positive results and, despite the somewhat elevated silica and alumina content compared to many competitors, marketing initiatives are progressing smoothly. The recent ground breaking Aquila-Baosteel cooperation agreement suggests that the project will find ready buyers for product.

Feasibility Studies are progressing and should be completed by April 2010. A positive conclusion could lead to anticipated project commissioning commencing mid 2013 subject to the satisfactory progression of the various regulatory approval processes required. The studies examine the concept of building a railway linking four crushing and blending depots located on site with a major port facility to be constructed at Anketell Point near Cape Lambert some 250 kilometres away. The port is planned to have capacity well in excess of the Stage One requirements allowing third party usage and additional API controlled ores to be shipped as the WPIOP expands beyond Stage One.

Under the terms of the Joint Venture, Red Hill Iron has loan arrangements in place with API for all Project exploration and capital costs up to first delivery of ore to customers. These loans accumulate interest at Libor plus 2.5% and are to be repaid out of 80% only of Red Hill Iron's free cash flow from any future mining operation. In any year therefore, when the operations are profitable, Red Hill Iron would have a degree of free cash flow that could be applied to other purposes including dividends.

Red Hill Iron Ore Joint Venture Total Resource Inventory – CHANNEL IRON DEPOSITS										
Deposit	**Category**	**Tonnes 000s**	**Fe %**	**SiO2 %**	**Al2O3 %**	**P %**	**S %**	**LOI %**	**Mn %**	**MgO %**
Catho Well North	Measured	0								
	Indicated	0								
	Inferred	6,010	55.20	7.44	2.81	0.033	0.014	9.87	0.09	0.19
	Total	**6,010**	**55.20**	**7.44**	**2.81**	**0.033**	**0.014**	**9.87**	**0.09**	**0.19**
Cardo Bore East	Measured	0								
	Indicated	38,958	58.77	4.87	3.65	0.076	0.015	6.80	0.06	0.11
	Inferred	5,768	58.43	5.05	3.66	0.074	0.016	7.04	0.05	0.12
	Total	**44,726**	**58.72**	**4.89**	**3.65**	**0.076**	**0.015**	**6.83**	**0.06**	**0.11**
Cardo Bore North	Measured	0								
	Indicated	2,673	57.89	5.60	3.55	0.079	0.020	7.43	0.04	0.05
	Inferred	2,882	57.40	5.52	3.69	0.078	0.026	8.12	0.02	0.04
	Total	**5,555**	**57.63**	**5.56**	**3.62**	**0.078**	**0.023**	**7.78**	**0.03**	**0.04**
Cochrane	Measured	0								
	Indicated	32,705	57.31	5.34	4.01	0.078	0.022	8.04	0.01	0.11
	Inferred									
	Total	**32,705**	**57.31**	**5.34**	**4.01**	**0.078**	**0.022**	**8.04**	**0.01**	**0.11**
Jewel	Measured	0								
	Indicated	22,719	56.51	5.85	3.86	0.061	0.024	9.00	0.03	0.06
	Inferred	5,753	56.28	6.10	4.06	0.069	0.023	8.89	0.03	0.06
	Total	**28,472**	**56.46**	**5.90**	**3.90**	**0.063**	**0.024**	**8.98**	**0.03**	**0.06**
Kens Bore	Measured	0								
	Indicated	50,746	56.01	6.42	3.93	0.090	0.010	8.83	0.04	0.11
	Inferred	68,156	57.00	5.28	3.71	0.075	0.012	8.88	0.02	0.10
	Total	**118,902**	**56.58**	**5.77**	**3.81**	**0.081**	**0.011**	**8.86**	**0.03**	**0.10**
Trinity Bore	Measured	18,830	55.73	6.00	3.85	0.098	0.018	9.73	0.03	0.12
	Indicated	54,850	54.53	7.88	3.79	0.047	0.022	9.70	0.03	0.12
	Inferred	32,880	54.12	8.08	4.03	0.057	0.023	9.74	0.04	0.08
	Total	**106,560**	**54.62**	**7.61**	**3.87**	**0.059**	**0.022**	**9.72**	**0.03**	**0.11**
Upper Cane	Measured	56,056	58.17	5.49	3.16	0.080	0.018	7.60	0.02	0.05
	Indicated	22,903	57.83	5.95	3.25	0.076	0.019	7.41	0.03	0.06
	Inferred	0								
	Total	**78,959**	**58.07**	**5.63**	**3.19**	**0.079**	**0.018**	**7.55**	**0.02**	**0.05**
TOTAL	Measured	74,886	57.56	5.62	3.34	0.085	0.018	8.14	0.02	0.06
	Indicated	225,554	56.57	6.24	3.78	0.071	0.020	8.44	0.03	0.09
	Inferred	121,449	56.17	6.18	3.77	0.068	0.016	9.06	0.03	0.10
	Total	**421,889**	**56.63**	**6.11**	**3.70**	**0.072**	**0.017**	**8.56**	**0.03**	**0.09**


The Company also has the right to convert its project interest to a 2% FOB royalty on the entire production from the Project at any time prior to first delivery of ore to customers. This could be a particularly valuable option should the Project suffer unanticipated capital cost increases or projections for future operating costs and revenues move in favour of a royalty.

Gold and Base Metals

Red Hill Iron has completed a determined effort to evaluate the gold and base metal potential of the Project area. The programs ran over three field seasons. Extensive geochemical and geophysical surveys were carried out in conjunction with geological mapping allowing a thorough appraisal.

This work resulted in the definition of some gold and manganese targets particularly at the Bloodwood and Urandy prospects. However, in view of the desire to focus attention on iron ore, your board has concluded that they are not sufficiently encouraging to warrant further expenditure.

On behalf of shareholders your board would like to thank our exploration manager Tim Boddington and his team for their dedicated effort.

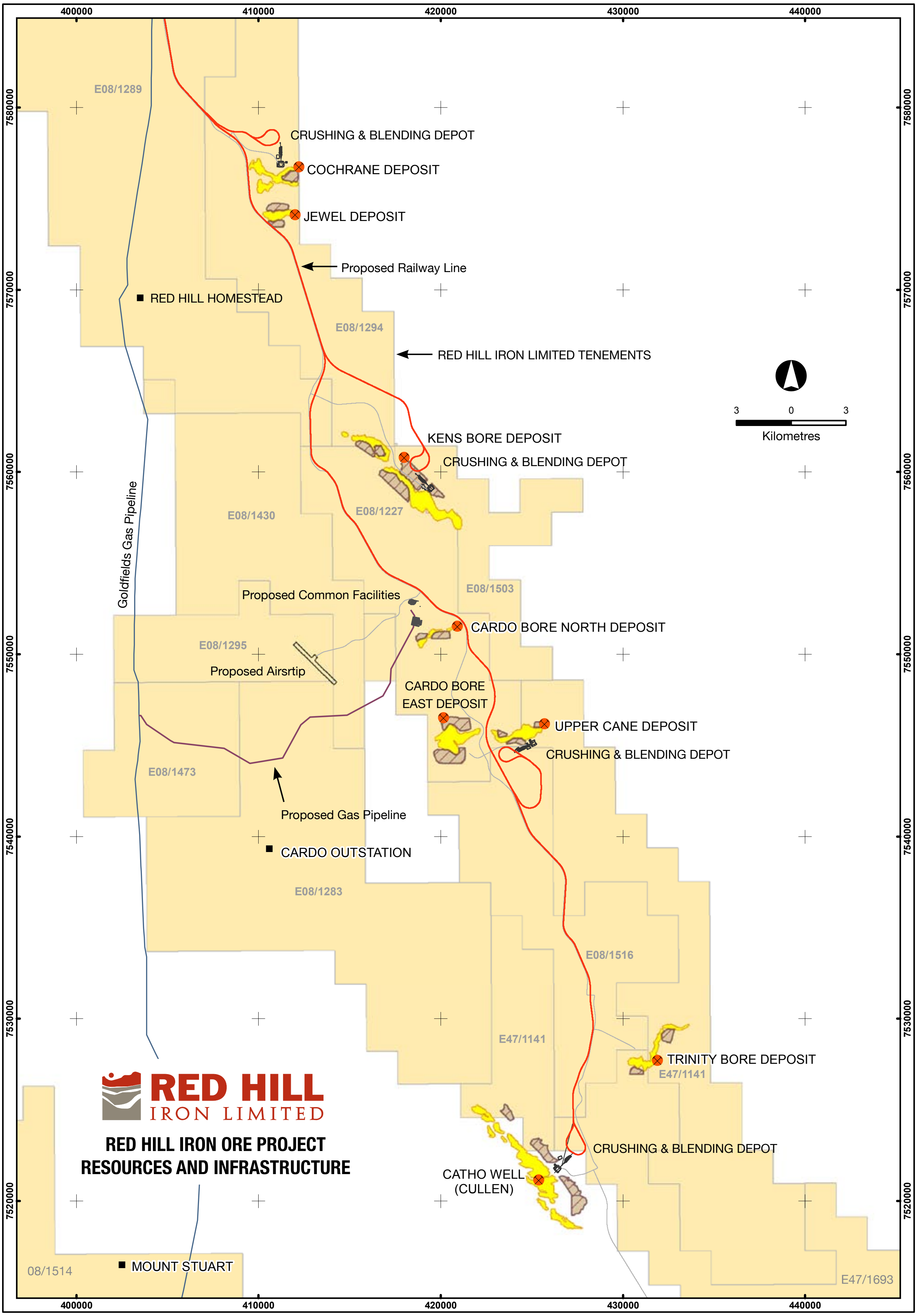
Conclusion

The Red Hill Iron Ore Project is likely to fill a central role in the development of the West Pilbara iron ore industry and is fundamental to opening up the full potential of the WPIOP's iron ore future.

Should the current studies prove positive, shareholders may look forward to the rewards of a substantial production share which your board anticipates to be at least 4.5 million tonnes per year for some 13 years that could be expanded should lower grade resources be processed or future exploration expand resources. Current planning schedules anticipate the commencement of construction mid 2011 with the commissioning of operations underway by mid 2013.

COMPLIANCE STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. T.D.M. 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
RED HILL IRON ORE PROJECT
RESOURCES AND INFRASTRUCTURE
CRUSHING & BLENDING DEPOT
COCHRANE DEPOSIT
JEWEL DEPOSIT
Proposed Railway Line
RED HILL HOMESTEAD
RED HILL IRON LIMITED TENEMENTS
KENS BORE DEPOSIT
CRUSHING & BLENDING DEPOT
Goldfields Gas Pipeline
Proposed Common Facilities
CARDO BORE NORTH DEPOSIT
Proposed Airsrtip
CARDO BORE
EAST DEPOSIT
UPPER CANE DEPOSIT
CRUSHING & BLENDING DEPOT
Proposed Gas Pipeline
CARDO OUTSTATION
TRINITY BORE DEPOSIT
CRUSHING & BLENDING DEPOT
CATHO WELL
(CULLEN)
MOUNT STUART
E08/1289
E08/1294
E08/1430
E08/1227
E08/1503
E08/1295
E08/1473
E08/1283
E08/1516
E47/1141
E47/1141
08/1514
E47/1693
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Kilometres
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DAMPIER
ANKETELL POINT
KARRATHA
ONSLOW
Hamersley
Iron Ore
Province
CARDO BORE NORTH DEPOSIT
North West
NANUTARRA
PERTH
1300 KM
50km
Scale
116 E

DIRECTORS' REPORT

Red Hill Iron Limited ("the Company" or "Red Hill Iron") is an Australian company listed on the Australian Securities Exchange. The registered and corporate office of the Company is located at Level 2, 9 Havelock Street, West Perth, and the exploration office is located at Ground Floor, 43 Ventnor Avenue, West Perth, Western Australia.

The directors of the Company present their report on the Company for the year ended 30 June 2009.

DIRECTORS

The following persons were directors of Red Hill Iron Limited during the financial year and up to the date of this report:

Joshua Pitt

Garry Strong

Neil Tomkinson

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year consisted of iron ore, other base metal and gold exploration. There has been no significant change in these activities during the financial year.

DIVIDENDS

No dividends were paid during the year and the directors do not recommend the payment of a dividend.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

The operating loss after tax for the year was $1,369,636 (2008: $1,392,867).

Exploration and feasibility studies continued during the year on the Company's Red Hill iron ore project in the West Pilbara region of Western Australia. The project is managed by API Management Pty Ltd (API), a company 50% owned by Aquila Resources Ltd and 50% owned by the American investment group, AMCI Incorporated. API, through the Red Hill Iron Ore Joint Venture with the Company (RHIOJV), currently owns a 60% participating interest in the iron ore rights of the project and is earning a further 20% participating interest by funding all of Red Hill Iron's share of exploration and development costs. Such funds as are advanced are repayable from 80% only of Red Hill Iron's share of mine revenue, with the Company retaining the right to convert its ultimate 20% interest in the project to a 2% FOB royalty at any time up to the first delivery of ore to a customer thereby cancelling all liability in respect of the repayment obligations.

The year has seen the rapid advancement of the project. In April 2009, the Company announced a significant increase in channel iron Mineral Resources to 422 million tonnes at 56.6% iron. A Definitive Feasibility Study was commenced early in the financial year for the development of a 30 million tonne per annum mine, rail and port operation with an estimated capital cost of some $4 billion. The envisaged operation involves the establishment of mining nodes at the several CID mesas that outcrop over the 100 kilometre strike length of the project. Crushing facilities with rail load out facilities are to be built proximal to each node and a rail line will link the nodes to new port facilities to be located at Anketell Point, some 250 kilometres North, near Cape Lambert. This study is due for completion during the last quarter of the next financial year and the joint venture aims to reach a development decision by September 2011.

The Company also maintained a significant gold and other base metal exploration programme in the Red Hill region over the last several years but, following disappointing results, the Company will curtail these activities.

The Company intends to limit its future activities to the husbanding of its iron ore interests in the Red Hill region of the West Pilbara.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the operating results there were no significant changes in the state of affairs of the Company during the financial year.

DIRECTORS' REPORT

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters or circumstances which have arisen since the end of the financial year that have significantly affected the operations of the Company or the results of those operations or the state of affairs of the Company, nor are there any such matters or circumstances or likely developments which in the view of directors may significantly affect the future operations or the results of those operations or the state of affairs of the Company.

ENVIRONMENTAL REGULATIONS

The mining leases, exploration licences and prospecting licences granted to the Company pursuant to the Mining Act (1978) (WA) are granted subject to various conditions which include standard environmental requirements. The Company adheres to these conditions and the directors are not aware of any contraventions of these requirements. The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period 1 July 2008 to 30 June 2009 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

INFORMATION RELATING TO DIRECTORS

Non Executive Chairman

Neil Tomkinson LLB Hons

Mr Tomkinson has extensive experience over the last thirty years in the administration of and investment in exploration and mining companies. Mr Tomkinson is the non-executive chairman of Hampton Hill Mining NL (appointed January 1997), Traka Resources Limited (appointed September 2003), and Pan Pacific Petroleum NL (appointed a director in June 2006 and chairman in December 2008). Mr Tomkinson is an investor in private mineral exploration and in resources in general in Australia.

Non Executive Directors

Joshua Pitt, BSc, MAusIMM, MAIG

Mr Pitt is a geologist with extensive exploration experience who has for more than thirty years been a director of exploration and mining companies in Australia. He is a non-executive director of Hampton Hill Mining NL (appointed January 1997), Traka Resources Limited (appointed July 2003), Red Metal Limited (appointed July 2003) and Pan Pacific Petroleum (appointed December 2008). Mr Pitt is involved in substantial resource investment.

Garry Strong

Mr Strong is a prospector with forty years experience in gold and basemetal reconnaissance exploration in Australia. He has spent the last 16 years working in the Pilbara Region of Western Australia for the private exploration syndicate which originally acquired the core tenements purchased by Red Hill Iron. Previously he was a director of Golden Grove Mining NL, Aztec Exploration Limited, and Riverina Gold NL.

INFORMATION RELATING TO GENERAL MANAGER

Timothy Boddington, BSc Hons, MAusIMM, MAIG, GSA

Mr Boddington is an exploration geologist with over forty years experience in gold and base metal exploration, including several years spent exploring the Ashburton Trough on behalf of a private exploration syndicate which originally acquired the core tenements purchased by Red Hill Iron. He has extensive field experience and has spent a significant amount of time at senior management level directing exploration programs for a number of listed and unlisted companies.

INFORMATION RELATING TO COMPANY SECRETARY

Peter Ruttledge, BSc, CA, FFin

Mr Ruttledge is a Chartered Accountant and a Fellow of The Financial Services Institute of Australia and has over 20 years experience as company secretary of a number of listed mining and exploration companies.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The number of shares and options in the Company held directly and indirectly by the directors as at the date of this report is set out below:

Directors	Ordinary Shares	Options over Ordinary shares
N Tomkinson	3,525,830	-
J N Pitt	4,459,034	-
G R Strong	1,493,946	-

The relevant interests of Mr Tomkinson and Mr Pitt in the shares of the company are their combined holdings of 7,984,864 ordinary shares.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of directors held during the financial year and the number of meetings attended by each director:

	Meetings of Directors whilst a Director	Meetings attended
N Tomkinson	3	3
J N Pitt	3	3
G R Strong	3	3

AUDITED REMUNERATION REPORT

(a) Principles used to determine the nature and amount of remuneration

The objective of the Company's remuneration policy for directors and other key management personnel is to ensure that:

- remuneration packages properly reflect the duties and responsibilities of the person concerned, and
- remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The remuneration framework has regard to shareholders' interests by:

- focusing on sustained growth in share price, as well as focusing the executive on key non-financial drivers of value, and
- attracting and retaining high calibre executives.

The remuneration framework has regard to executives' interests by:

- rewarding capability and experience,
- providing a clear structure for earning rewards,
- providing recognition for contribution.

The remuneration policy is not linked to the Company's performance.

Remuneration is reviewed by the board on an annual basis having regard to performance and market competitiveness.

DIRECTORS' REPORT

AUDITED REMUNERATION REPORT (continued)

The remuneration of executive personnel is determined by the non-executive directors and comprises a base salary or fee and, by way of an incentive, the opportunity to take up options in the Company and thereby participate in the future success of the Company.

All remuneration paid to key management personnel is valued at cost to the Company and expensed.

Non-executive directors

Fees paid to the non-executive directors for services as directors are determined by the board (within the overall limit set by shareholders) based on their level of responsibility and with reference to the general level of fees paid by companies of similar size and operations.

The Company operates with a small staff and a non-executive director can be called upon to undertake work for the Company in addition to his/her services as a director. Where this occurs a provision is made to remunerate the director for those additional services at market rates. Non-executive directors may be paid all travelling and other expenses properly incurred by them in the business of the Company.

Executives

The remuneration of the general manager is determined by the board and comprises a base salary with superannuation, and from time to time the grant of options to acquire shares in the Company. The non-executive directors review terms of the general manager's remuneration on an annual basis. The nature and amount of remuneration paid to the general manager has been determined by reference to the services provided, experience, length of service and prevailing market rates.

The remuneration of the company secretary, Mr Peter Ruttledge, is by way of fees paid to Sable Management Pty Ltd, for company secretarial, accounting and administration services provided to the Company, and invoiced on an hourly basis. The directors regularly review the services provided and the hourly rate charged.

(b) Details of remuneration

The key management personnel of the Company are the directors and the general manager.

The remuneration of directors and other specified executives for the financial year is summarised below:

2009	**Short Term**	**Post-employment Benefits**	**Share based payments**	**Total**	**Value of options as proportion of remuneration**
	Salary & Fees	**Superannuation**	**Options**		
	$	**$**	**$**	**$**	**%**
Directors – non executive					
N Tomkinson	25,000	2,250	-	27,250	-
J N Pitt	27,250	-	-	27,250	-
G R Strong	-	27,250	-	27,250	-
	52,250	29,500	-	81,750	-
Other key management personnel					
T D M Boddington	100,000	100,000	-	200,000	-
Total key management personnel	152,250	129,500	-	281,750	-
Other specified executives					
P C Ruttledge	44,500	-	-	44,500	-

DIRECTORS' REPORT

AUDITED REMUNERATION REPORT (continued)

2008	Short Term	Post-employment Benefits	Share based payments	Total	Value of options as proportion of remuneration
	Salary & Fees	Superannuation	Options		
	$	$	$	$	%
Directors – non-executive					
N Tomkinson					
(Appointed 11 April 2008)	5,495	495	-	5,990	-
G D Riley					
(Resigned 11 April 2008)	19,505	1,746	-	21,251	-
J N Pitt	27,250	-	-	27,250	
G R Strong	46,366	27,250	-	73,616	-
S A Macdonald					
(Resigned 11 April 2008)	23,387	-	-	23,387	-
	122,003	29,491	-	151,494	
Other key management personnel					
T D M Boddington	88,333	100,000	-	188,333	-
Total key management personnel	210,336	129,491	-	339,827	
Other specified executives					
P C Ruttledge	30,271	-	-	30,271	-

No part of the remuneration of directors and other key management personnel and specified executives is contingent on the performance of the Company.

(c) Service Agreements

Non-executive directors

Shareholders of the Company have approved the maximum fees payable in aggregate to the directors of the Company for their services as directors be set at $200,000 per annum. Each non-executive director of the Company is entitled to receive an annual fee of $25,000 plus statutory superannuation for their services as directors.

Executives

The terms and conditions of employment of the general manager, Mr Boddington, are set out in a written employment agreement the initial two year term of which was to February 2008. The agreement was extended for a further 12 months at an increased annual salary of $200,000 and has been extended on a 3 monthly basis. The salary and superannuation package for Mr Boddington for the year ended 30 June 2009 was $200,000 (2008: $188,333). There are no termination arrangements in respect of Mr Boddington's employment other than the expectation that he would receive 3 months salary in the event of his services being terminated by the Company. Mr Boddington has held this position since the Company's listing on 9 February 2005.

The fees payable by the Company to Sable Management Pty Ltd for Mr Ruttledge's services for the financial year exclusive of GST were $ 44,500 (2008: $30,271). Mr Ruttledge has held this position since the Company's formation on 1 June 2005.

DIRECTORS' REPORT

AUDITED REMUNERATION REPORT (continued)

(d) Share based compensation

The General Manager and other specified executives from time to time are entitled to participate in the Red Hill Iron Employee Share Option Plan and be granted options to acquire ordinary shares in the Company at the discretion of the board.

Share based payments are generally provided in the form of options vesting immediately. The issue of these options is not linked to past company performance since their principal purpose is to promote continuity of performance and provide additional incentive to the key management personnel to increase shareholder wealth. There is no specific board policy restricting employees from taking action to limit their exposure to risk in relation to share based payments. Nevertheless, in terms of the Company's corporate governance policies, all employees are prohibited from dealing in the Company's securities when they possess inside information and they are obliged to inform the board of any proposed transactions in securities.

No options have been issued to directors or other specified executives during the year ended 30 June 2009.

(e) Additional information

Share based compensation: Options

Name	Value at grant date (i)	Value at exercise date (ii)	Value at lapse date (iii)
	$	$	$
T D M Boddington	-	1,700,000	-

(i) The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration. No options were granted as remuneration during the year.

(ii) The value at exercise date of options that were granted as part of remuneration and were exercised during the year being the intrinsic value of the options at that date.

(iii) The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised. No options expired unexercised during the year

Shares issued on exercise of remuneration options

The following ordinary shares in the Company were issued as a result of the exercise of options issued as remuneration to specified executives are set out below:

Date options granted	Issue price of shares	Number of ordinary shares issued
19 November 2008	$0.30	1,000,000

No amounts are unpaid on any shares issued on the exercise of options.

Employee share schemes

None of the directors of the Company are eligible to participate in the company's employee share scheme.

The audited remuneration report ends here.

SHARE OPTIONS

Options to take up ordinary fully paid shares in the Company at the date of this report are as follows:

Date options granted	Exercise price	Expiry date	Number of options
28 November 2006	$1.10	28 November 2009	200,00

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

DIRECTORS' REPORT

SHARE OPTIONS (continued)

Shares issued on the exercise of options:

The following ordinary shares of the Company were issued during the year ended 30 June 2009 on the exercise of options granted under the Employee Option Plan:

Date options granted	Issue price of shares	Number of shares issued
7 December 2005	$0.30	1,000,000

INSURANCE OF OFFICERS

During the financial year the Company paid a premium to insure the directors and officers of the Company against certain liabilities which may be incurred by them whilst acting in their capacity as directors and officers of the Company. In accordance with commercial practice the policy prohibits disclosure of the terms of the policy including the limit of liability and the amount of premium paid.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of any court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for a purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

AUDIT COMMITTEE

The Company is not of a size nor are its financial affairs of such complexity to justify a separate audit committee of the board of directors. All matters that might properly be dealt with by such a committee are the subject of scrutiny at full board meetings.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by Section 307C of the Corporations Act 2001 is included in this Annual Report

NON-AUDIT SERVICES

BDO Kendalls Audit & Assurance (WA) Pty Ltd, the company's auditor, did not perform any non-audit services for the Company for the year ended 30 June 2009.

Signed in Perth in accordance with a resolution of directors on 8 September 2009.

Mr N Tomkinson

Chairman

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
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WEST PERTH WA 6872
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ABN 79 112 284 787

Board of Directors
Red Hill Iron Limited
Level 2, 9 Havelock Street
WEST PERTH, WA, 6005

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 year ended 30 June 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 audit; and
- any applicable code of professional conduct in relation to the audit.

B. McVeigh

Brad McVeigh
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Western Australian, Perth
Dated this 8th day of September 2009.

BDO Kendalls is a national association of separate partnerships and entities. Liability limited by a scheme approved under Professional Standards Legislation.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 $	2008 $
Revenue	4	463,534	625,374
Other income		29,962	100
Exploration expenditure		(1,417,476)	(1,555,096)
Expenses	5	(445,656)	(463,245)
Loss before income tax		(1,369,636)	(1,392,867)
Income tax expense	6	-	-
Loss attributable to the ordinary equity holders of the Company		(1,369,636)	(1,392,867)
Loss per share for loss attributable to the ordinary equity holders of the Company			
Basic loss and diluted loss per share	22	3.31 cents	3.49cents

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

 

BALANCE SHEET

AS AT 30 JUNE 2009

	NOTE	2009 $	2008 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	7,660,111	8,613,744
Trade and other receivables	8	96,584	193,157
Total Current Assets		7,756,695	8,806,901
Non Current Assets			
Exploration assets	9	102,110	102,110
Plant and equipment	10	83,410	101,131
Total Non Current Assets		185,520	203,241
Total Assets		7,942,215	9,010,142
LIABILITIES			
Current Liabilities			
Trade and other payables	11	134,218	130,459
Total Current Liabilities		134,218	130,459
Total Liabilities		134,218	130,459
Net Assets		7,807,997	8,879,683
EQUITY			
Issued Capital	12	13,073,567	12,775,617
Reserves	13	285,770	285,770
Accumulated losses		(5,551,340)	(4,181,704)
Total Equity		7,807,997	8,879,683

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	Issued Capital $	Share Based Payments Reserve $	Future Value Option Reserve $	Accumulated Losses $	Total Equity $
2009					
Balance at 1 July 2008	12,775,617	123,585	162,185	(4,181,704)	8,879,683
Net loss for the year	-	-	-	(1,369,636)	(1,369,636)
Total income and expense recognised during the year	-	-	-	(1,369,636)	(1,369,636)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares on exercise of options	297,950	-	-	-	297,950
Transfer on exercise of options	-	(46,385)	46,385	-	-
Balance at 30 June 2009	13,073,567	77,200	208,570	(5,551,340)	7,807,997
2008					
Balance at 1 July 2007	12,158,256	285,770	-	(2,788,837)	9,655,189
Net loss for the year	-	-	-	(1,392,867)	(1,392,867)
Total income and expense recognised during the year	-	-	-	(1,392,867)	(1,392,867)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares on exercise of options	617,361	-	-	-	617,361
Transfer on exercise of options	-	(162,185)	162,185	-	-
Balance at 30 June 2008	12,775,617	123,585	162,185	(4,181,704)	8,879,683

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 $	2008 $
Cash flows from operating activities			
Payments to suppliers and employees		(461,572)	(384,495)
Payments for exploration expenditure		(1,397,142)	(1,577,852)
Interest received		608,431	561,625
Net cash outflow from operating activities	21	(1,250,283)	(1,400,722)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	9,091
Payments for plant and equipment		(1,300)	(17,158)
Net cash outflow from investing activities		(1,300)	(8,067)
Cash flows from financing activities			
Proceeds from issue of shares		297,950	617,361
Net cash inflow from financing activities		297,950	617,361
Net decrease in cash and cash equivalents		(953,633)	(791,428)
Cash and cash equivalents at the beginning of the year		8,613,744	9,405,172
Cash and cash equivalents at the end of the year	7	7,660,111	8,613,744

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial report consists of the financial statements for Red Hill Iron Limited for the year ended 30 June 2009 ("the financial year"). Red Hill Iron Limited is a listed public company, incorporated and domiciled in Australia.

(a) Basis of preparation

This general-purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Red Hill Iron Limited comply with International Financial Reporting Standards (IFRS).

Reporting Basis and Conventions

These financial statements have been prepared on an accruals basis and under the historical cost convention.

Critical accounting estimates

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of exploration and evaluation assets, and plant and equipment. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(b) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operation in other economic environments.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income is brought to account as income over the term of each financial instrument on an effective interest basis.

Other revenue is recognised as it accrues.

(d) Income tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any objective evidence that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Cash and cash equivalents

Cash includes deposits at call and bills of exchange which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(g) Trade receivables

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. An allowance for doubtful debts is raised where some doubt as to collection exists.

(h) Financial assets and liabilities

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debts less principal payments and amortisation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

(i) Exploration and evaluation expenditure

Exploration and evaluation expenditure is recorded at historical cost on an area of interest basis. Expenditure on acquisition of an area of interest is carried forward where rights to tenure of the area of interest are current and:

- It is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
- Exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A provision for unsuccessful exploration and evaluation is created against each area of interest by means of a charge against the Income Statement.

The recoverable amount of each area of interest is determined on a bi-annual basis and the provision recorded in respect of that area adjusted so that the net carrying amount does not exceed the recoverable amount. For areas of interest that are not considered to have any commercial value, or where exploration rights are no longer current, the capitalised amounts are written off against the provision and any remaining amounts are charged against profit.

Exploration and evaluation expenditure incurred by the Company subsequent to acquisition is expensed as incurred.

Once a decision to proceed to development has been taken, all further expenditure incurred relating to the area will be capitalised.

Projects are advanced to development status when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest.

(j) Plant and equipment

Recognition and measurement

Plant and equipment items are measured on the cost basis less accumulate depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and Equipment:	5% to 50% straight line.
Motor Vehicles:	5% to 50% straight line.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(k) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departure and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefits obligations

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

Share based payments

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the price, the term, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the unlisted options, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term.

(l) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributed to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a buy-back, those instruments are deducted from equity, and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(m) Loss per share

Basic loss per share

Basic loss per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) Joint venture agreements

The Company's joint venture agreements do not constitute separate legal entities. They are contractual agreements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit.

The joint venture agreements are of the type where initially one party contributes tenements with the other party earning a specified percentage by funding exploration activities; thereafter the parties often share exploration and development costs in proportion to their ownership of joint venture assets. The joint ventures do not hold any assets and accordingly the company's share of exploration expenditure is accounted for in accordance with the policy set out in Note 1(i).

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) New accounting standards and interpretations

The following Australian Accounting Standards have been issued and or amended and are applicable to the Company but are not yet effective. They have not been adopted in the preparation of the financial statements at reporting date. The Application Date of the standard is for the annual reporting periods beginning on or after the date shown in the table below:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Affected Standards	Nature of change to accounting policy and impact on accounts	Application date
AASB 8 aasb 2007-3	AASB 8 replaces AASB 114 Segment Reporting	As this is a disclosure standard, there will be no impact on amounts recognised in the financial statements. The amendments may have an impact on the Company's segment disclosures.	1 January 2009
AASB 101 (revised) AASB 2007-8 AASB 2007-10	Amendments to AASB 101 Presentation of Financial Statements	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.	1 January 2009
AASB 2008-1	Amendments to AASB 2 - Share Based Payments: Vesting Conditions and Cancellations	No impact because the Company has not issued any options to employees that include non-vesting conditions.	1 January 2009
AASB 2009-2	Amendments to Australian Accounting Standards - Improving Disclosure about Financial Instruments (AASB 4, 7, 1023 and 1038)	The main amendment to AASB 7 requires fair value measurements to be disclosed by source of inputs using a set hierarchy. This is not expected to be applicable to the Company. The amendments to the other listed AASB's are editorial only.	1 January 2009
AASB 2009-7	Amendments to Australian Accounting Standards (AASB 5, 7, 107, 112, 136, 139 and Interpretation 17)	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009
Amendments to International Financial Reporting Standards (IFRS)	Improvements to IFRSs	The Company has not yet determined the extent of the impact of the amendments, if any.	1 January 2009 except amendments to IFRS 5, which are effective from 1 July 2009
AASB 2008-5 AASB 2008-6 AASB 2009-4 AASB 2009-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 7, 101, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 and 1038)	Only the amendments to AASB 136 are applicable and there will be no financial impact when these amendments are first adopted because these amendments relate to additional disclosure requirements only.	1 January 2009 1 July 2009 1 July 2009 1 January 2010

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 – FINANCIAL RISK MANAGEMENT

The Company, in its normal course of business, is exposed to financial risks comprising market risk (essentially interest rate risk), credit risk and liquidity risk.

The directors have overall responsibility for the Company's management of these risks and seek to minimise these risks through ongoing monitoring and review of the adequacy of the risk management framework in relation to the risks encountered by the Company.

Market risk

The Company's market risk exposure is to the Australian money market interest rates in respect of its cash assets. The risk is managed by monitoring the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of its cash assets and interest rate return.

Bills of exchange, with a face value $400,000 (2008: $8,400,000), and bank deposits at call, amounting to $7,000,000 (2008: $32,000), all mature within 200 days of balance date.

The weighted average rate of interest to which the Company was exposed on its cash assets as at the year end was 3.68% (2008: 7.56%).

The table below summarises the sensitivity of the Company's cash assets to interest rate risk. The Company has no interest rate risk associated with any of its other financial assets or liabilities. Whilst this analysis reflects the effect of a 1% decline in interest rates recent Australian Treasury announcements and press reports would indicate a further downward movement in interest rates of this magnitude to be unlikely over the next 12 months.

Financial Assets	Carrying amount of cash assets	Effect of decrease or increase of interest rate on profit and equity of the Company			
		-1%		+ 1%	
		Profit	Equity	Profit	Equity
	$	$	$	$	$
2009					
Cash & cash equivalents	7,660,111				
Total increase/(decrease)		(76,601)	(76,601)	76,601	76,601
2008					
Cash & cash equivalents	8,613,744				
Total increase/(decrease)		(86,137)	(86,137)	86,137	86,137

Liquidity risk

The Company has no significant exposure to liquidity risk as the Company's only debt is that associated with trade creditors in respect of which the Company's policy is to ensure payment within 30 days. The Company manages its liquidity by monitoring forecast cash flows.

Credit risk

The Company does not have any significant exposure to credit risk. The minimal exposure to credit risk that could arise is from having its cash assets all deposited at one bank. Whilst the risk of the bank failing is considered minimal, the Company manages this exposure by ensuring its funds are deposited only with a major bank with high security ratings.

Exposure to credit risk	Closing carrying amount of cash assets	
	2009	2008
	$	$
Trade and other receivables	96,584	193,157
Cash & cash equivalents	7,660,111	8,613,744

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 – FINANCIAL RISK MANAGEMENT (continued)

Fair value estimates

The carrying amount of the Company's financial assets and liabilities approximates fair value due to their short term maturity.

Capital management risk

The Company's objective in managing capital which consists primarily of equity capital is to safeguard its ability to continue as a going concern, so that it can continue to explore for minerals with the ultimate objective of providing returns for shareholders whilst maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets, or farm out joint venture interests in its projects.

NOTE 3 – SEGMENT INFORMATION

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.

NOTE 4 – REVENUE

	2009 $	2008 $
Revenue		
Interest income	463,534	625,374
	463,534	625,374

NOTE 5 – EXPENSES

Loss before income tax includes the following specific administration expenses:		
Personnel expenses		
Salaries and associated expenses	312,590	324,021
Superannuation	163,187	180,477
(Decrease)/Increase in liability for annual leave	(3,218)	10,547
Equity–settled transactions	-	-
	472,559	515,045
Less: Capitalised to exploration	(335,261)	(333,239)
	137,298	181,806
Depreciation	19,020	24,265
Other expenses		
Accounting fees	30,196	40,126
Admin services	16,144	33,067
ASX fees	36,680	32,176
Audit	23,929	20,140
Communication costs	9,452	6,715
Operating lease expense	69,485	41,665
Other	103,452	83,285
	445,656	463,245

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 6 – INCOME TAX

	2009 $	2008 $
(a) Income tax		
The components of income tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconcilliation of income tax expense to prima facia tax payable		
Operating loss from continuing operations before income tax	(1,369,636)	(1,392,867)
Income tax at the tax rate of 30% (2008: 30%)	(410,890)	(417,860)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share issue costs	(9,389)	(9,558)
Tax loss and temporary differences not brought to account	420,279	427,418
Income tax expense	-	-
(c) Deferrred tax assets and liabilities		
On income tax account:		
Carried forward losses	1,586,458	1,204,130
Temporary differences	4,761	(33,190)
Unrecognised deferred tax assets	1,591,219	1,170,940

These benefits will only be obtained if the conditions for deductibility set out in Note 1(d) occur.

NOTE 7 – CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2009 $	2008 $
Cash on hand	200	200
Cash at bank	260,954	195,257
Deposits at call	7,000,000	32,000
Bills receivable	398,957	8,386,287
	7,660,111	8,613,744

Reconciliation to cash at the end of the year
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

	2009 $	2008 $
Balances as above	7,660,111	8,613,744
Balance per cash flow statement	7,660,111	8,613,744

Information about the Company's exposure to interest rate risk and credit risk is disclosed in Note 2.

NOTE 8 – CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2009 $	2008 $
Security deposits	32,000	-
Interest	35,290	179,239
Other	29,294	13,918
	96,584	193,157

Interest receivables comprise pro-rata interest receivable at balance date in respect of bills of exchange and deposits at call that are expected to be repaid within 200 days.

Other receivables are receivables expected to be repaid within 30 days of balance date. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

No Trade and other receivables are considered impaired.

NOTE 9 – NON-CURRENT ASSETS - EXPLORATION ASSETS

	2009 $	2008 $
Carrying amount at beginning of year	102,110	102,110
Carrying amount at end of year	102,110	102,110

Ultimate recoupment of exploration expenditure capitalised on acquisition of tenements and carried forward is dependent on successful development and commercial exploitation, or alternatively sale, of the respective tenements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 10 – NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2009	2008
	$	$
Leasehold improvements – at cost	5,714	5,714
Accumulated depreciation	(5,713)	(5,713)
	1	1
Field equipment – at cost	47,963	46,663
Accumulated depreciation	(17,357)	(10,493)
	30,606	36,170
Office furniture and equipment – at cost	29,211	29,211
Accumulated depreciation	(14,029)	(8,964)
	15,183	20,247
Motor vehicle – at cost	56,580	56,580
Accumulated depreciation	(18,960)	(11,867)
	37,620	44,713
Total plant and equipment	83,410	101,131

A reconciliation of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year is set out below:

	Leasehold improvements	Office furniture & equipment	Field equipment	Motor vehicle	Total
	$	$	$	$	$
2009					
Carrying amount at 1 July 2008	1	20,247	36,170	44,713	101,131
Additions during the year	-	-	1,300	-	1,300
Disposals during the year	-	-	-	-	-
Depreciation expense	-	(5,064)	(6,864)	(7,093)	(19,021)
Carrying amount at 30 June 2009	1	15,183	30,606	37,620	83,410
2008					
Carrying amount at 1 July 2007	5,333	23,009	28,701	70,977	128,020
Additions during the year	-	2,207	14,951	-	17,158
Disposals during the year	-	-	(1,650)	(18,132)	(19,782)
Depreciation expense	(5,332)	(4,969)	(5,832)	(8,132)	(24,265)
Carrying amount at 30 June 2008	1	20,247	36,170	44,713	101,131

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2009	2008
	$	$
Trade creditors and accruals	100,946	97,692
Employee entitlements	33,272	32,767
	134,218	130,459

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 2.

NOTE 12 – EQUITY - ISSUED CAPITAL

	2009	2008
Paid up capital 41,715,686 (2008: 40,715,686) ordinary fully paid shares	13,073,567	12,775,617

(a) Rights attaching to ordinary shares

Ordinary shares entitle the holder to participate in dividends and in the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary fully paid shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote. The ordinary fully paid shares are listed on the Australian Securities Exchange ("ASX").

(b) Restricted shares

As at balance date there were no shares restricted from trading on the ASX.

(c) Movements in ordinary share capital during the past 2 years:

Fully Paid Shares

	Details	Number of Orinary Shares	Issue Price $	Amount $
2009				
1 July 2008	Balance	40,715,686		12,775,617
19 November 2008	Exercise of options	1,000,000	0.30	300,000
	Less cost of share issue	-	-	(2,050)
30 June 2009	Balance	41,715,686		13,073,567
2008				
1 July 2007	Balance	39,415,686		12,158,256
19 July 2007	Exercise of options	100,000	1.10	110,000
	Less cost of share issue	-	-	(1,243)
12 October 2007	Exercise of options	100,000	1.10	110,000
	Less cost of share issue	-	-	(1,243)
14 February 2008	Cost of releasing restricted shares	-	-	(7,635)
26 March 2008	Exercise of options	1,000,000	0.30	300,000
	Exercise of options	100,000	1.10	110,000
	Less cost of share issue	-	-	(2,518)
30 June 2008	Balance	40,715,686		12,775,617

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 12 – EQUITY - CONTRIBUTED EQUITY (continued)

(d) Options

At balance date the Company had on issue 200,000 unlisted options to acquire 200,000 ordinary shares, exercisable on or before 28 November 2009 at $1.10 per share.

(e) Movements in options during the last 2 years

	Details	Number of Options	Exercise Price per Share cents	Grant Date	Expiry Date
2009					
1 July 2008	Balance	1,200,000			
19 November 2008	Exercise of options	(1,000,000)	30	7/12/2008	6/12/2009
30 June 2009	Balance	200,000			
2008					
1 July 2007	Balance	2,500,000			
19 July 2007	Exercise of options	(100,000)	110	28/11/2006	28/11/2009
12 October 2007	Exercise of options	(100,000)	110	28/11/2006	28/11/2009
26 March 2008	Exercise of options	(1,000,000)	30	7/12/2008	6/12/2009
28 March 2008	Exercise of options	(100,000)	110	28/11/2006	28/11/2009
30 June 2008	Balance	1,200,000			

NOTE 13 – EQUITY - RESERVES

	2009 $	2008 $
Share based payments reserve	77,200	123,585
Future value option reserve	208,570	162,185
	285,770	285,770

Nature and purpose of reserves

The share based payments reserve records items recognised as expenses on valuation of options issued to employees.

The future value option reserve arises on the exercise of options when the share based payments reserve attributable to the options being exercised is transferred to this reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14 – KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation	2009	2008
	$	$
Short-term employee benefits	152,250	210,336
Post-employment benefits	129,500	129,491
Share-based payments	-	-
	281,750	339,827

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report forming part of this Annual Report.

(b) Shareholdings

The number of ordinary fully paid shares in the Company held directly and indirectly by the directors and other key management personnel and any movements in these holdings over the year is set out below:

2009	Balance 1 July 2008	Received as remuneration	Options exercised	Net changes other	Balance 30 June 2009
Directors					
N Tomkinson	2,954,493	-	-	571,337	3,525,830
J N Pitt	3,467,076	-	-	933,188	4,400,264
G R Strong	1,578,946	-	-	(85,000)	1,493,946
	8,000,515	-	-	1,419,525	9,420,040
Other key management personnel					
Mr T D M Boddington	1,168,193	-	1,000,000	(249,000)	1,919,193

2008	Balance 1 July 2007	Received as remuneration	Options exercised	Net changes other	Balance 30 June 2008
Directors					
N Tomkinson (appointed 11/04/2008)	-	-	-	2,954,493	2,954,493
G D Riley (resigned 11/04/2008)	684,742	-	-	(684,742)	-
J N Pitt	2,178,825	-	-	1,288,251	3,467,076
G R Strong	1,723,946	-	-	(145,000)	1,578,946
S A Macdonald (resigned 11/04/2008)	743,239	-	-	(743,239)	-
	5,330,752	-	-	2,669,763	8,000,515
Other key management personnel					
Mr T D M Boddington	238,193	-	1,000,000	(70,000)	1,168,193

Net changes other relate to shares acquired or sold during the financial year, and balance of shares on commencing or ceasing to be a director during the year.

No shares are held nominally

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14 – KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Shareholdings (continued)

Mr Tomkinson's and Mr Pitt's relevant interest in the shares of the company at 30 June 2009 is their combined holdings of 7,926,094 shares.

Subsequent to 30 June 2009 and up to the date of the Directors' Report, Mr Pitt has acquired an additional 58,770 ordinary shares.

(c) Option holdings

The number of options held by key management personnel are set out below:

2009	Balance 1 July 2008	Received as remuneration	Options exercised	Net changes other	Balance 30 June 2009
Other key management personnel					
T D M Boddington	1,000,000	-	(1,000,000)	-	-

2008	Balance 1 July 2007	Received as remuneration	Options exercised	Net changes other	Balance 30 June 2008
Other key management personnel					
T D M Boddington	2,000,000	-	(1,000,000)	-	1,000,000

No directors held options at any time during the financial year.

NOTE 15 – REMUNERATION OF AUDITOR

	2009 $	2008 $
Amounts received, or due and receivable, by auditors for:		
Auditing or reviewing the accounts of Red Hill Iron Limited	23,929	20,140
Other Services	-	-
	23,929	20,140

NOTE 16 – CONTINGENCIES

Contingent Liabilities

There are no contingent liabilities for termination benefits under service agreements with directors or executives at 30 June 2009.

The directors are not aware of any other contingent liabilities at 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 17 – CAPITAL AND LEASE COMMITMENTS

Mineral Tenements

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. The minimum estimated expenditure in accordance with the requirements of the Western Australian Department of Mines and Petroleum for the next financial year in respect of most of the Company's mineral tenements is expected to be paid by the party farming in to the iron ore rights on the Company's tenements in accordance with a farm in agreement.

The Company expects to have some commitments for minimum expenditure requirements and maintenance expenditure in respect of tenements not part of the iron ore joint venture.

The Company expects to have commitments as set out below. These commitments are expected to be fulfilled in the normal course of operations and may be varied from time to time subject to approval by the grantor of titles. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

	2009 $	2008 $
Minimum estimated expenditure requirements	-	484,627

NOTE 18 – RELATED PARTY TRANSACTIONS

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 14.

(b) Other transactions with director-related entities

Office rental, secretarial and administration services

During the financial year, the Company paid, pursuant to a sub-lease, $64,422 (2008: $57,227) to Traka Resources Limited, a listed company of which Mr Pitt and Mr Tomkinson are directors and shareholders, for rental of office space and secretarial and administration services. Both the office rental and the secretarial and administration services are pursuant to arms length agreements between the companies on normal commercial terms and conditions.

During the financial year the Company paid $5,174 (2008: $2,196) to Hampton Hill Mining NL, a listed company of which Mr Pitt and Mr Tomkinson are directors and shareholders, for administration services determined on arms length basis between the companies on normal commercial terms and conditions.

(c) Transactions of directors and director-related entities concerning shares or share options

The aggregate number of ordinary shares in the Company held directly, indirectly or beneficially by directors or their director-related entities at balance date were as follows:

	2009 No. of shares	2008 No. of shares
Ordinary shares – fully paid	9,420,040	8,000,515

Shares acquired and disposed of by the directors during the year are set out in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 19 – JOINT VENTURES

The Company has interests in the following mineral exploration joint venture agreements as at 30 June 2009:

Name of project	Interest	Activities	Other Parties
West Pilbara – Red Hill Iron Ore	40%	Iron ore exploration	API Management Pty Ltd (60% earning 80%)

In order for API to earn an increase in its interest in the Red Hill Iron Ore Joint Venture from 60% to 80%, API is required to fund, on a 100% basis, all exploration and development expenditures relating to the Red Hill project up to the point when first delivery of ore to customers takes place.

At any time up to and including the first delivery of ore, Red Hill Iron can elect to:-

(a) maintain a 20% participating interest in the project by agreeing to repay the 20% of funds expended on its behalf by API out of 80% of the Company's share of the Red Hill project's free cash flow during mining operations; or

(b) revert to a 2% FOB royalty, which election will trigger the automatic cancellation of all liability in relation to exploration and development expenditures incurred by API on the Company's behalf.

Red Hill Iron may also repay funds expended on its behalf by API at any time by way of a lump sum payment.

The total expenditure funded on behalf of Red Hill Iron by API to 30 June 2009, including interest thereon, amounted to $8.28 million.

During the year the Company withdrew from the Cullen Resources Limited Joint Venture.

The Company's joint ventures do not constitute separate legal entities but are contractual agreements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit. Refer note 1(n).

NOTE 20 – EVENTS OCCURING AFTER BALANCE DATE

There have been no material items, transactions or events subsequent to 30 June 2009 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 30 June 2009 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 21 – CASH FLOW INFORMATION

	2009 $	2008 $
Reconciliation of loss after income tax with cash flow from operating activities		
Loss after income tax	(1,369,636)	(1,392,867)
Depreciation	19,020	24,265
Net loss/(profit) on disposal of non-current assets	-	10,690
Change in operating assets and liabilities:		
Decrease/(Increase) in debtors	143,949	(63,849)
Increase/(Decrease) in creditors	3,761	(14,057)
(Increase)/Decrease in GST receivable	(15,377)	35,096
(Increase)/Decrease in security deposit	(32,000)	-
Net cash outflow from operating activities	(1,250,283)	(1,400,722)

NOTE 22 – LOSS PER SHARE

	Cents	Cents
Basic and diluted loss per share	(3.31)	(3.49)
Reconciliation of loss	$	$
The loss used in calculating basic and diluted loss per share is equal to the loss attributable to ordinary equity holders of the Company in the Income Statement.	(1,369,636)	(1,392,867)
	No. of shares	No. of shares
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share	41,328,323	39,872,672

The weighted average number of ordinary shares used in calculating basic and diluted loss per share is derived from the fully paid ordinary shares on issue.

The diluted loss per share is the same as the basic loss per share on account of the Company's potential ordinary shares (in the form of options) not being dilutive because their conversion to ordinary shares would not increase the loss per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 23 – SHARE BASED PAYMENTS

The Company has established an Employee Share Option Plan, the details of which were set out in the Company's initial public offering prospectus in December 2005. The Company from time to time grants options to acquire ordinary fully paid shares in the Company to key management personnel and other staff on terms set out in the plan. The granting of options is at the directors' discretion and is designed to provide an incentive component in the remuneration package of key personnel. Options granted carry no dividend or voting rights. Each option is exercisable into a fully paid ordinary share of the Company. The exercise price of the options is set at the time of grant with reference to the weighted average price at which the Company's shares have been trading on the ASX prior to the decision to grant.

A summary of share based payments is set out below:

2009

Grant date	Expiry date	Exercise price	Balance at start of year	Granted during year	Exercised during year	Balance at end of year
7 Dec 2005	6 Dec 2009	$0.30	1,000,000	-	1,000,000	-
28 Nov 2006	28 Nov 2009	$1.10	200,000	-	-	200,000
			1,200,000	-	1,000,000	200,000

The weighted average price at which options were exercised during the year was $0.30

The weighted average remaining contractual life of options outstanding at the end of the year was 5 months.

2008

Grant date	Expiry date	Exercise price	Balance at start of year	Granted during year	Exercised during year	Balance at end of year
7 Dec 2005	6 Dec 2009	$0.30	2,000,000	-	1,000,000	1,000,000
28 Nov 2006	28 Nov 2009	$1.10	500,000	-	300,000	200,000
			2,500,000	-	1,300,000	1,200,000

The weighted average price at which options were exercised during the year was $0.485

The weighted average remaining contractual life of options outstanding at the end of the year was 7 months.

No options expired during the periods covered by the above tables.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out in this financial report are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; 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.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of directors.

Mr N Tomkinson

Chairman

Perth, 8 September 2009

BDO Kendalls

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

We have audited the accompanying financial report of Red Hill Iron Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Independence

In conducting our audit, 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 report was made.

Auditor's Opinion

In our opinion the financial report of Red Hill Iron Limited is in accordance with the *Corporations Act 2001*, including:

(a) (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in paragraphs (a) to (e) of the Directors' Report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Red Hill Iron Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Brad McVeigh
Director

Signed in Perth, Western Australia
Dated this 8th day of September 2009.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Red Hill Iron Limited (the "Company") is responsible for monitoring the business affairs of the Company and protecting the rights and interests of shareholders. High standards of corporate governance are essential to give effect to its responsibilities. The Company's corporate governance arrangements are set and reviewed by the Board on an ad-hoc basis having regard to any changing circumstances of the Company and the best interests of shareholders. They comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the 'Principles') as revised and reissued in August 2007.

This statement outlines the Company's approach to corporate governance policy for the financial year ended 30 June 2009. Any documents referenced in this statement as being available on the Company's website can be found on: www.redhilliron.com.au.

1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Functions reserved for the Board and those delegated to senior executives

The Board's key objective is the increase of shareholder value by successful exploration for and/or production of minerals. The Board focuses the Company's activities on pursuing exploration opportunities in the mineral resource business which are judged to have the potential for success without exposing the Company to undue risk. Red Hill Iron's predominant current interest is in the search for and exploitation of iron ore deposits in the West Pilbara.

The Board is accountable to shareholders for the performance of the Company, and its responsibilities include:

(a) approval of corporate strategy including annual approval of budget and monitoring performance against the budget;

(b) determining the capital structure of the Company;

(c) appointing and determining the duration, remuneration and other terms of appointment of the general manager and other senior management;

(d) evaluating the performance of the general manager and other senior management;

(e) approval of financial and other periodic reporting requirements;

(f) approving the risk management strategy and frameworks and monitoring their effectiveness;

(g) corporate governance systems and practices within the company;

(h) approval of investments, corporate acquisitions, new joint ventures; and

(i) appointment of the external auditors and principal advisors.

Due to the concentration of corporate aim and the small size of the Board all issues are considered by the full Board.

Any new directors, who may be appointed to the Board, will be provided with a letter of appointment including their remuneration details together with copies of Company and Board policies, the Constitution and access to prior Board minutes and papers. New directors will also be advised of their confidentiality and disclosure obligations, share trading policy guidelines, indemnity and insurance arrangements.

The Company has not prepared formal letters of appointment for the existing directors of the Board.

Senior executives

The role of the General Manager during the year under review has been to manage the Company's exploration activities on a day to day basis pursuant to authority delegated by the Board and implementation of Board and corporate policy and planning in accordance with approved exploration programmes and budgets. The General Manager reports to the Board regularly and is under an obligation to make sure that all reports which he presents give a true and fair view of the Company's exploration activities.

1.2 The process for evaluating the performance of senior executives

The Board is responsible for setting the General Manager's performance objectives and for evaluating his performance against them. The full Board carries out an annual review of the adequacy of his remuneration and participation in share incentive arrangements.

The Board is responsible for the appointment of the Company Secretary, evaluating his performance on an annual basis and determining his remuneration.

CORPORATE GOVERNANCE STATEMENT

2 STRUCTURE THE BOARD TO ADD VALUE

2.1 Board members' independence

The Board is made up of 3 directors only one of whom, Mr G R Strong, is independent in terms of the Relationships affecting Independent Status (the "Categories") in Recommendation 2.1 of the Principles.

The remainder of the directors on the Board are not independent within the strict meaning of the Categories because they are associated with a substantial shareholder in the Company as defined in the Corporations Act. However recognizing that approximately 60% of the Company's share capital is held by three non associated substantial shareholders, and having noted that no member of the Board has any association with the two substantial shareholders not represented at Board level, Directors believe that there exists a strong incentive for all Board members to carry out their directorial duties in an independent manner. The Board considers that this, combined with the fact that there is sufficient independence of view and variety of intellectual input between the directors, achieves the objectives of the Categories and consequently views all directors as independent.

A determination with respect to independence is made by the Board on an annual basis. In addition the Directors are required on an ongoing basis to disclose relevant personal interests and conflicts of interest which may in turn trigger a review of a director's independent status.

2.2 Chairman's independence

As detailed above the chairman is considered to be independent and the Board considers that the Board and shareholder structure of the Company ensure that the chairman effectively acts as an independent director.

2.3 Roles of chairman and chief executive officer

The Company has complied with this Principle - the chief executive officer (equivalent) role is filled by the General Manager.

Role of the Chairman

The Chairman is responsible for the effective conduct of meetings of directors and general meetings of shareholders. The Chairman is also responsible for settling the agenda for Board meetings with the Company Secretary and General Manager. Any director of the Board may request an item of business to be included on the agenda.

While the General Manager is responsible to the Board as a whole, he also liaises with the Chairman and other Board Members regularly.

The Chairman is the person authorised by the Board to make verbal statements on the Company's behalf.

2.4 The Board should establish a nomination committee

No formal procedure governing the appointment of new Directors has been established. The Board considers that it is in the best interests of the Company to determine the criteria for the selection of new directors based on any perceived "gaps" in the skill set of the Board as and when a casual vacancy arises.

Retirement and rotation of directors is governed by the Corporations Act and the constitution of the Company. Each year, one-third of the directors must retire and offer themselves for re-election. Any casual vacancy filled between general meetings will be subject to a shareholder vote at the next Annual General Meeting of the Company.

Re-appointment of directors is not automatic. Shareholders are provided with relevant information on each of the candidates for election or, where applicable, re-election.

2.5 Board performance

Due to the size and composition of the Board, the Company does not have a formal process for the performance evaluation of the Board, its committees or individual directors.

Accordingly, no formal performance evaluation for the Board or its members took place in the reporting period.

Directors are encouraged to attend director training and professional development courses, as required, at the Company's expense. New directors will have access to all employees to gain full background on the Company's operations.

All directors have access to company records and information and receive regular detailed financial and operational reports from management. The Chairman and the other non-executive directors regularly consult with the General Manager and the Company Secretary and may consult with and request additional information from any employee.

The Board collectively, and each director individually, has the right to seek independent professional advice at the expense of the Company to assist with the discharge of their duties. While the Chairman's prior approval is required, it may not be unreasonably withheld.

CORPORATE GOVERNANCE STATEMENT

Company Secretary

The Board is responsible for the appointment of the Company Secretary. The Company Secretary attends all Board meetings and is responsible for providing directors with ongoing guidance and advice on commercial and corporate governance matters. The Company Secretary is also responsible for the preparation of the semi annual and annual accounts.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 Code of conduct

Due to its size, activities, and the number of employees, the Company has not adopted a formal code of conduct, but is committed to achieving the following objectives:

(a) ensuring that all of its business affairs are conducted legally, ethically and with integrity;

(b) ensuring that the Company itself and its joint venturers who act as operators of projects in which the Company has an interest adopt high standards of occupational health and safety, environmental management and ethics;

(c) managing its legal obligations and the reasonable expectations of stakeholders effectively through the development and implementation of a risk management framework which incorporates these key areas; and

(d) fostering and maintaining a culture of ownership, care, professional excellence, confidentiality, integrity and freedom from any conflict or perceived conflict of interest in each of the Company's employees and consultants.

Director Conflict of Interest

All directors are required to disclose any actual or potential conflict of interest upon appointment and are required to keep these disclosures to the Board up-to-date.

3.2 Trading in company securities

The Red Hill Iron Board policy is that directors, officers and employees are prohibited from dealing in the Company's shares when they possess inside information. The Board is to be notified when trading of shares in Red Hill Iron by any Director or officer of the Company occurs. 'Inside information' is information that, if it were generally available, would or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit committee

Red Hill Iron's Directors do not consider that the Company's affairs are of such a size and complexity as to merit the establishment of a separate audit committee. Until this situation changes, the Board of will carry out all audit committee functions.

The Board monitors the form and content of the Company's financial statements; it also maintains an overview of the Company's internal financial control and audit system and risk management systems.

Additionally, on an annual basis, the Board, in line with its overall responsibility to shareholders, reviews the performance and independence of the external auditor and the continuation of that appointment. The Board also approves the remuneration and terms of engagement of the external auditor. Any appointment of a new external auditor will be submitted for ratification by shareholders at the next annual general meeting of the Company.

Corporate governance recommendations 4.2 and 4.3 do not apply as there is no audit committee.

5. MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Compliance with ASX disclosure requirements

Detailed compliance procedures, to ensure timely and balanced disclosure of information in line with the Principles have been noted and adopted by the Company. The Company Secretary is charged with ensuring that any necessary steps which need to be taken by the Company are brought before the Board for discussion and, subject to amendment, approval.

The Company Secretary is responsible for non-material and standard form disclosures to the market. In addition he is responsible for communications with the ASX.

Commentary on Financial Results

The Company provides commentary in conjunction with its half yearly and yearly results in a clear and objective manner to ensure that shareholders and potential shareholders have access to the information needed to make an informed assessment of the Company's activities and results.

CORPORATE GOVERNANCE STATEMENT

6. RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Communication with and participation of Shareholders

The Board aims to ensure that shareholders are fully informed by communicating to shareholders through:

(a) continuous disclosure reporting to the ASX;

(b) the quarterly, half yearly and annual reports; and

(c) media releases copies of which are lodged with ASX and placed on the Company's website, www.redhilliron.com.au.

Shareholders are given the option to receive information such as the Annual Report and Notices of Meeting /Explanatory Memoranda in print or electronic form.

Red Hill Iron Limited maintains a website at www.redhilliron.com.au and complies with the continuous disclosure requirements of the ASX Listing Rules. Shareholders may find all recent information on the Company under various headings on the Company's website, including latest ASX releases, details of its projects and its Corporate Profile. Shareholders may also request a copy of the Company's ASX recent releases.

7. RECOGNISE AND MANAGE RISK

7.1 Oversight and management of material business risks

The Company has a management policy in place for the identification and effective management of risk. The policy caters for the management of risk by the Board and management being principally the risks involved in iron ore, base metal and gold exploration and potential development.

7.2 Design and implementation of systems to manage material business risks

Management has established a register of business risks and identified the material business risks affecting the Company. To the extent possible in a Company with a very small staff, internal controls are in place to mitigate against any material business risks. Risks of a strategic, financial and operational nature (such as ability to raise capital to fund exploration, commodity price and currency fluctuations, adequate levels of insurance, contract documentation, resourcing, and meeting financial reporting and compliance obligations) are reviewed on a regular basis by the Board as and when applicable.

Potential operational risks involved in running the Company are managed by the Board. Due to the size of the Company, the Board does not consider it practicable to establish a separate committee to focus on these issues.

The Company Secretary, who has overall responsibility for the implementation of the policy, reports to the Board on whether those risks are being managed effectively.

7.3 Compliance with Corporations Act Section 295A

The Board receives a declaration from the General Manager and the Company Secretary covering the matters set out in section 295A of the Corporations Act 2001 and in accordance with the terms stipulated in Recommendation 7.3.

8. REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration committee

The Board does not have a separate remuneration committee due to the size of the Board, the Company and the limited number of employees. The full Board carries out the functions of a remuneration committee.

The Board on an annual basis reviews executive remuneration and incentive policies, as well as superannuation arrangements. In addition, the Board reviews and approves the audited remuneration report set out in the Directors' Report. The Board where needed consults external consultants and specialists.

8.2 Distinguishing remuneration structure

Remuneration for non-executive directors is fixed and non-executive directors do not participate in any incentive plans. Non-executive directors do not receive any retirement benefits, except that, as part of their fixed remuneration they are paid superannuation. For information about non-executive director remuneration practice, please refer to the audited remuneration report set out in the Directors' Report.

General Manager

For information about the remuneration of the General Manager, please refer to the audited remuneration report set out in the Directors' Report.

SHAREHOLDER INFORMATION

AS AT 10 SEPTEMBER 2009

NUMBER AND DISTRIBUTION OF SHARES AND OPTIONS

	No. listed	No. not listed	Total
Shares			
Ordinary shares fully paid	41,715,686	-	41,715,686
Options			
Exercisable at 1.10 cents expiring 28 Nov 09	-	200,000	200,000

Distribution of shares and options by holding			Shareholders	Option Holders
1	-	1,000	131	-
1,001	-	5,000	200	-
5,001	-	10,000	105	-
10,001	-	100,000	198	-
100,001	+		37	1
			671	1

MARKETABLE PARCEL

There are 10 holders of less than a marketable parcel of ordinary shares.

EMPLOYEE INCENTIVE SCHEMES

The options were issued under an employee incentive scheme.

SUBSTANTIAL SHAREHOLDERS

The following shareholders are recorded as substantial shareholders of the Company:

Name	No of Shares	%
Aquila Resources Limited & associates	8,532,731	20.45
AMCI Investments Pty Ltd & FRC Australian Holdings BV	8,082,422	19.38
Wythenshawe Pty Ltd & Warramboo Holdings Pty Ltd	7,984,864	19.14

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at a general meeting every shareholder or class of shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid share which that member holds or represents and, in respect of partly paid shares, voting rights pro-rata to the amount paid up or credited as paid up on each such share.

Any vendor securities which are or might be in breach of the Australian Securities Exchange Listing Rules or any escrow agreement entered into by the Company shall not be entitled to any votes for as long as the breach exists.


SHAREHOLDER INFORMATION

AS AT 10 SEPTEMBER 2009

TWENTY LARGEST SHAREHOLDERS

Shareholders		No of Shares	%
1	Aquila Steel Pty Ltd	5,882,353	14.10
2	UBS Wealth Management Australia Nominees	4,951,210	11.87
3	Wythenshawe Pty Ltd	4,459,034	10.69
4	Rubicon Nominees Pty Ltd	4,051,212	9.71
5	Warramboo Holdings Pty Ltd	3,525,830	8.45
6	T D M Boddington	1,760,393	4.22
7	Aquila Resources Limited	1,143,613	2.74
8	G R Strong <Capricorn A/c>	630,000	1.51
9	G R Strong	630,000	1.51
10	Berne No 132 Nominees Pty Ltd <399949 A/c>	606,522	1.45
11	Rupert Clarke & Co Pty Ltd	600,000	1.44
12	BT X Pty Ltd	584,750	1.40
13	Australian Mineral Investors Pty Ltd	536,513	1.29
14	A & M A Poli <A Poli Superannuation Fund A/c>	500,000	1.20
15	J F G Phillips	476,016	1.14
16	Evergem Pty Ltd	439,617	1.05
17	M E I'ons	391,000	.94
18	Creekwood Nominees Pty Ltd	372,305	.89
19	Maxigold Holdings Pty Ltd <MGR Thomson Super A/c>	370,340	.89
20	Breamlea Pty Ltd	307,244	.74
		32,217,952	77.23

MINERAL TENEMENT INFORMATION

Project	Tenement	Title Holder	Joint Venturer
Red Hill	E08/1227-I	RHI 40% API 60%	API earning 80%
	E08/1283-I	RHI 40% API 60%	API earning 80%
	E08/1289-I	RHI 40% API 60%	API earning 80%
	E08/1293-I	RHI 40% API 60%	API earning 80%
	E08/1294-I	RHI 40% API 60%	API earning 80%
	E08/1295-I	RHI 40% API 60%	API earning 80%
	E08/1430-I	RHI 40% API 60%	API earning 80%
	E08/1473-I	RHI 40% API 60%	API earning 80%
	E08/1514-I	RHI 40% API 60%	API earning 80%
	E08/1516-I	RHI 40% API 60%	API earning 80%
	E08/1537-I	RHI 40% API 60%	API earning 80%
	E47/1141-I	RHI 40% API 60%	API earning 80%
	E47/1693-I	RHI 40% API 60%	API earning 80%
	P47/1271	RHI 40% API 60%	API earning 80%
	ELA 08/1503	GIR	

NOTES

ELA 08/1503 to be transferred to RHI upon grant. Second in time to competitor application.

RHI - Red Hill Iron Limited

API - API Management Pty Limited

GIR - Giralia Resources Limited

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RED HILL
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