

7 March 2014

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

Dear Sir/Madam

**Interim Financial Statements and Directors' Report**

Attached is a copy of the Interim Financial Statements and Directors' Report for the company for the year ended 31 December 2013.

Yours faithfully

P C Rutledge  
Company Secretary

# RED HILL IRON LIMITED

## INTERIM FINANCIAL REPORT

## FOR THE HALF YEAR ENDED

31 DECEMBER 2013

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# RED HILL IRON LIMITED

## DIRECTORS' REPORT

The directors of Red Hill Iron Limited ("Red Hill Iron" or "the Company") submit their report for the half year ended 31 December 2013.

## DIRECTORS

The names of the Company's directors in office during the half year and until the date of this report are as set out below. Directors were in office for this entire period unless otherwise stated.

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

## REVIEW AND RESULTS OF OPERATIONS

The Company's operating loss for the half year ended 31 December 2013 was \$1,539,179 (2012: \$2,469,287).

### Operations Review

Red Hill Iron is an explorer for iron ore, gold, base metal and quarry deposits within its tenements in the West Pilbara Region of Western Australia. The Company has a 40% interest in the Red Hill Iron Ore Joint Venture ("RHIOJV") which will reduce to 20% upon the first commercial sale of iron ore from the reserves defined by the RHIOJV. Red Hill Iron retains the right to elect to convert this interest to a 2% FOB royalty on sales of all iron ore produced from the joint venture tenements.

The RHIOJV has ore reserves of 289 million tonnes at 57.3% Fe (Proven 106 million tonnes and Probable 183 million tonnes), announced January 2011, compliant with JORC Code 2004. Development has been deferred due to capital constraints. The owners of the other RHIOJV participant, API Management Pty Ltd, being Aquila Resources Limited and AMCI Inc., have not as yet reached agreement on continuing expenditure and arrangement of the substantial expenditures required to adequately advance the project.

In its own right, Red Hill Iron is finalising a prefeasibility study of its wholly owned CID resources contained within two Mining Lease Applications which cover the Pannawonica Iron Ore Project. The Company recently reported an independent Mineral Resource estimate, compliant with JORC Code 2012, of 62.5 million tonnes at 53.4% Fe, 5.1% Al<sub>2</sub>O<sub>3</sub>, 8.7% SiO<sub>2</sub>, 0.05% P and 9.0% LOI (52% Fe cut-off). 85% of the Pannawonica Iron Ore Project resource is in the Measured and Indicated Mineral Resource category.

Substantial environmental studies have been completed at both the Redgate and Whitegate sites of the project. These are sufficient to show that the key environmental impact issues are similar to those of other projects currently operating on Western Australian CID deposits. It is considered likely that the impacts at the Company's leases may be less than at other operations in the region. The Company intends to proceed with final studies during appropriate field seasons.

Concurrent negotiations are taking place with the Kuruma Marthudunera ("KM") people, the Native Title Claimants within whose claim area the Pannawonica Iron Ore Project lies. Once agreement is reached with the KM people, it is anticipated that the two Mining Lease Applications will be converted to Mining Leases.

Samples, derived from recent metallurgical diamond drilling on the Pannawonica Iron Ore Project and suitable for studies of the smelting qualities of the CID ore, have been despatched to a Chinese laboratory where sinter tests designed to assess suitability, both individually or in a blend with other ores, have recently been completed. A report on the results is expected shortly.

Studies also continue on the potential of Red Hill Iron's proposed wholly owned hard rock quarry, which is situated in close proximity to the Pannawonica Iron Ore Project and is currently the subject of a separate Mining Lease Application. This Application falls within the ambit of the Native Title Agreement referred to above and the expectation is of a grant taking place in the June 2014 quarter.

## RED HILL IRON LIMITED

Litigation initiated by Red Hill Iron against its RHIOJV joint venturer, API Management Pty Ltd, in the Supreme Court of Western Australia is continuing. The Company is claiming a share of CID deposits contained within Exploration Licences acquired by API which about the Ken's Bore CID deposit and, in Red Hill Iron's contention, form part of the RHIOJV assets.

### AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "Neil Tomkinson". The signature is written in a cursive style with a large initial "N".

Neil Tomkinson  
Chairman  
Perth, 6 March 2014

# RED HILL IRON LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	31 December 2013 \$	31 December 2012 \$
Revenue from continuing operations	3	37,203	39,444
Exploration expenditure		(1,297,417)	(49,471)
Administration expenses	4	<u>(278,965)</u>	<u>(2,459,260)</u>
Loss before income tax		(1,539,179)	(2,469,287)
Income tax expense		<u>-</u>	<u>-</u>
Loss for the half year after tax		(1,539,179)	(2,469,287)
Other comprehensive income for the half year		<u>-</u>	<u>-</u>
Total comprehensive loss for the half year attributable to the ordinary equity holders of the Company		<u>(1,539,179)</u>	<u>(2,469,287)</u>
Loss per share attributable to the ordinary equity holders of the Company			
Basic and diluted loss per share		(3.12)	(5.62) cents

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

# RED HILL IRON LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	31 December 2013 \$	30 June 2013 \$
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents		1,412,823	2,963,803
Trade and other receivables		<u>183,419</u>	<u>199,311</u>
Total Current Assets		<u>1,596,242</u>	<u>3,163,114</u>
Non Current Assets			
Exploration assets		10,008,025	10,008,025
Plant and equipment		<u>1,276</u>	<u>2,326</u>
Total Non Current Assets		<u>10,009,301</u>	<u>10,010,351</u>
Total Assets		<u>11,605,543</u>	<u>13,173,465</u>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	5	<u>171,196</u>	<u>199,939</u>
Total Current Liabilities		<u>171,196</u>	<u>199,939</u>
Total Liabilities		<u>171,196</u>	<u>199,939</u>
Net Assets		<u>11,434,347</u>	<u>12,973,526</u>
<b>EQUITY</b>			
Issued Capital	6	25,086,598	25,086,598
Reserves	7	462,770	462,770
Accumulated losses		<u>(14,115,021)</u>	<u>(12,575,842)</u>
Total Equity		<u>11,434,347</u>	<u>12,973,526</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# RED HILL IRON LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Issued Capital \$	Share Based Payments Reserve \$	Exercised Options Reserve \$	Accumulated Losses \$	Total Equity \$
2013					
Balance at 1 July 2013	25,086,598	177,000	285,770	(12,575,842)	12,973,526
Comprehensive Income:					
Net loss for the half year	-	-	-	(1,539,179)	(1,539,179)
Total comprehensive income for the half year	-	-	-	(1,539,179)	(1,539,179)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
Balance at 31 December 2013	25,086,598	177,000	285,770	(14,115,021)	11,434,347
2012					
Balance at 1 July 2012	20,776,519	-	285,770	(8,979,549)	12,082,740
Comprehensive Income:					
Net loss for the half year	-	-	-	(2,469,287)	(2,469,287)
Total comprehensive income for the half year	-	-	-	(2,469,287)	(2,469,287)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
Balance at 31 December 2012	20,776,519	-	285,770	(11,448,836)	9,613,453

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

# RED HILL IRON LIMITED

## STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	31 December 2013	31 December 2012
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(302,687)	(765,700)
Payments for exploration expenditure	(1,306,972)	(76,607)
Proceeds from security deposits	8,690	-
Interest received	49,989	45,505
	<u>                    </u>	<u>                    </u>
Net cash outflow from operating activities	(1,550,980)	(796,802)
	<u>                    </u>	<u>                    </u>
Cash flows from investing activities	-	-
	<u>                    </u>	<u>                    </u>
Cash flows from financing activities	-	-
	<u>                    </u>	<u>                    </u>
Net decrease in cash and cash equivalents	(1,550,980)	(796,802)
Cash and cash equivalents at the beginning of the half year	2,963,803	2,174,400
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents at the end of the half year	<u>1,412,823</u>	<u>1,377,598</u>

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



# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

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

The half year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements.

The half year financial statements should be read in conjunction with the annual financial statements of Red Hill Iron Limited as at 30 June 2013.

It is also recommended that the half year financial statements be considered together with any public announcements made by Red Hill Iron during the half year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

#### (a) Basis of accounting

The half year financial statements are general-purpose financial statements, prepared in accordance with the requirements of the Corporations Act 2001 and applicable Accounting Standards, including AASB 134 "Interim Financial Reporting".

The half year financial statements have been prepared on the accruals basis and are based on historical cost.

For the purpose of preparing the half year financial statements, the half year has been treated as a discrete reporting period.

#### (b) Summary of significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half year financial statements are consistent with those adopted and disclosed in the Company's annual financial statements for the year ended 30 June 2013 and the corresponding half year reporting period, except as follows:

##### *Change of Accounting Policies:*

**AASB 13 - Fair value measurement.** This new AASB has been adopted with effect from 1 July 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all Australian Accounting Standards. The standard provides guidance on how fair value accounting should be applied where its use is already required or permitted under Australian Accounting Standards.

**AASB 119 – Employee benefits.** This amended AASB became effective from 1 July 2013. The main changes to the standard relate to defined benefit plans, the timing for recognition of liabilities for termination benefits, and the calculation of employee benefits such as annual leave. The Company does not have any defined benefit plans, nor does it have employees entitled to termination or annual leave employee benefits. Consequently the adoption of this standard has had no effect on the Company's financial statements.

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## NOTE 2 - SEGMENT INFORMATION

The Directors of Red Hill Iron (who, collectively as the board, are the chief operating decision makers) have determined that the Company has one reportable segment, being mineral exploration within Australia. The Board of Directors monitors the Company based on actual versus budgeted exploration expenditure. This internal reporting framework is the most relevant to assist the Board with making decisions regarding its ongoing exploration activities.

	31 December 2013 \$	30 June 2013 \$
Reportable segment assets	<u>10,008,025</u>	<u>10,008,025</u>
Reportable segment liabilities	<u>123,618</u>	<u>130,548</u>
	31 December 2013 \$	31 December 2012 \$
Reportable segment loss	<u>(1,297,417)</u>	<u>(49,471)</u>
Reconciliation of reportable segment loss:		
Reportable segment loss	(1,297,417)	(49,471)
Other revenue	37,203	39,444
Unallocated corporate expenses	<u>(278,965)</u>	<u>(2,459,260)</u>
Loss before tax	<u>(1,539,179)</u>	<u>(2,469,287)</u>

## NOTE 3 – REVENUE

Revenue from continuing operations

Interest income	<u>37,203</u>	<u>39,444</u>
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## NOTE 4 – ADMINISTRATION EXPENSES

Loss before income tax includes the following specific administration expenses:

Personnel expenses		
Salaries, superannuation and associated expenses	133,091	80,529
Less: Expensed to exploration	<u>(90,338)</u>	<u>-</u>
	42,753	80,529
Depreciation	1,050	2,058
Other administration expenses		
Accounting fees	35,002	25,275
Admin services	27,229	5,800
Audit	12,858	7,840
Communication and computing costs	2,664	3,424
Consultants fees	-	14,430
Company secretarial	23,556	19,575
Legal fees	73,933	2,235,918
Operating lease expense	49,138	48,073
Other	<u>10,782</u>	<u>16,338</u>
	<u>278,965</u>	<u>2,459,260</u>

# RED HILL IRON LIMITED

## NOTE 5 – CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	31 December 2013	30 June 2013
	\$	\$
Trade creditors and accruals	166,225	187,551
Employee entitlements	<u>4,971</u>	<u>12,388</u>
	<u>171,196</u>	<u>199,939</u>

## NOTE 6 – EQUITY - ISSUED CAPITAL

### Ordinary Shares Fully Paid

	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	No of Shares	No of Shares	\$	\$
At 1 July	<u>49,405,037</u>	<u>43,915,686</u>	<u>25,086,598</u>	<u>20,776,519</u>
At 31 December	<u>49,405,037</u>	<u>43,915,686</u>	<u>25,086,598</u>	<u>20,776,519</u>

## NOTE 7 – RESERVES

There was no movement in the reserves during the half year.

## NOTE 8 – COMMITMENTS FOR EXPENDITURE

In order to maintain the mineral tenements in which the Company and other parties are involved, the Company is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. Since the last reporting date, there has been no material change to these commitments.

## NOTE 9 – RELATED PARTY TRANSACTIONS

Arrangements with related parties, details of which are set out in the financial report for the year ended 30 June 2013, continue to be in place.

## NOTE 10 – EVENTS OCCURRING AFTER BALANCE DATE

There have been no material items, transactions or events subsequent to 31 December 2013 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in these statements.

## NOTE 11 – CONTINGENT LIABILITIES

There are no contingent liabilities or assets and since the last annual statements' date there has been no material change of any contingent liabilities or contingent assets.

## NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

### Recurring fair value measurements

The Company does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

### Fair value of financial instruments not measured at fair value

The Company does not have any financial instruments that are not measured at fair value in the statement of financial position.

# RED HILL IRON LIMITED

## DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes set out in this financial report are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



Neil Tomkinson  
Chairman  
Perth, 6 March 2014

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Red Hill Iron Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Red Hill Iron Limited, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Red Hill Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Red Hill Iron Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Red Hill Iron Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO  


Chris Burton  
Director

Perth, 6 March 2014

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

As lead auditor for the review of Red Hill Iron Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

BDO  


**Chris Burton**  
Director

Perth, 6 March 2014