



RED HILL IRON Limited

ABN 44 114 553 392

2014
ANNUAL REPORT





RED HILL IRON
Limited

RED HILL IRON PROJECTS WEST PILBARA



-21°

Western
Australia

Cape Preston

Dampier

117°
Cape Lambert
Anketell Point

Karratha

Wickham

Roebourne

North West Coastal Highway

Proposed Railway

PANNAWONICA PROJECT
RHI 100%

Yarraloola

Pannawonica

ROBE RIVER IRON ASSOCIATES
MESA A MINE

ROBE RIVER IRON ASSOCIATES
MESA J MINE

**THREE PEAK HILL
PROJECT**
RHI 100%

Proposed IOH Road

• IOH Bungaroo South Project

Red Hill
Homestead

RHIOJV PROJECT
RHI 20% INTEREST
UPON FIRST SALES

Cardo Outstation

**MOUNT STUART IRON ORE
JOINT VENTURE PROJECT**
RHI NO INTEREST

Nanutarra
Roadhouse

Nanutarra Wittenoorn Road

20km

-22°

CONTENTS

CORPORATE DIRECTORY	2
CHAIRMAN'S REVIEW	3
MINERAL RESOURCES AND ORE RESERVES	5
DIRECTORS' REPORT	7
AUDITOR'S INDEPENDENCE DECLARATION	13
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	14
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF CHANGES IN EQUITY	16
STATEMENT OF CASH FLOWS	17
NOTES TO THE FINANCIAL STATEMENTS	18
DIRECTORS' DECLARATION	36
INDEPENDENT AUDITOR'S REPORT	37
CORPORATE GOVERNANCE STATEMENT	39
MINERAL TENEMENT INFORMATION	44
SHAREHOLDER INFORMATION	45

CORPORATE DIRECTORY

DIRECTORS

Executive

Neil Tomkinson - Chairman

Garry Strong

Non Executive

Joshua Pitt

REGISTERED OFFICE

Level 2, 9 Havelock Street

West Perth WA 6005

Tel: (08) 9481 8627

Fax: (08) 9481 8445

Email: redhillinfo@redhilliron.com.au

Website: www.redhilliron.com.au

PROJECT MANAGER

Doug Stewart

COMPANY SECRETARY

Peter Rutledge

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

HOME EXCHANGE

Australian Securities Exchange

2 The Esplanade

Perth WA 6000

AUDITOR

BDO (WA) Pty Ltd

38 Station Street

Subiaco WA 6008

www.redhilliron.com.au

ASX Code: RHI

CHAIRMAN'S REVIEW

RED HILL IRON ORE JOINT VENTURE

Activities of the Red Hill Iron Ore Joint Venture (RHIOJV) were restrained during most of the 2014 Financial Year. However, the takeover of Aquila Resources Limited (Aquila) by subsidiaries of Baosteel Group Corporation (Baosteel) and Aurizon Holdings Limited (Aurizon) after the year's end has emphatically changed the outlook for new iron ore production in the West Pilbara.

The West Pilbara Iron Ore Project (WPIOP), of which the RHIOJV is the proposed major supplier of ore for the first 15 or so years of production, has been given new impetus. Development of a West Pilbara production hub and a new deep water port at Anketell Point is now perceived as likely.

Participants in the RHIOJV are currently the Project Manager, API Management Pty Ltd (API)*, with 60% and Red Hill Iron with 40%. Ownership of these interests is not scheduled to change (unless Red Hill Iron exercises its right to convert its interest to a 2% FOB Royalty in the interim) until first production of ore from the joint venture tenements.

At that time, when project financing is in place and all capital and operating costs known, Red Hill Iron may elect either to become a 20% participant in RHIOJV production or to convert its interest into a 2% FOB Royalty on 100 % of RHIOJV production.

If Red Hill Iron becomes a 20% RHIOJV participant, it will be obligated to pay back funds expended on its behalf out of 80% of the Company's share of the project's free cash flow. If Red Hill Iron elects to take the royalty, all funds advanced or provided by API on Red Hill Iron's behalf will be written off.

A recent ASX announcement by Aurizon confirmed that all of the participants in the WPIOP have agreed to participate in an Infrastructure Framework Agreement (IFA) for rail and port infrastructure development. This is an important advance for both the WPIOP and the RHIOJV.

The Aquila takeover has resulted in a new spirit of co-operation between the WPIOP and the RHIOJV, with the agreed aim of accelerating the process towards development. Decisions have also been taken to carry out significant further drilling, aimed at increasing the RHIOJV Ore Reserve Estimate, and to update the 2010 WPIOP Joint Venture Feasibility Study.

The participants in the WPIOP and RHIOJV have commenced negotiations aimed at agreeing the various arrangements required to ensure a smooth progress to development. These arrangements include the setting up of ownership structures for both the mining and infrastructure operations and, pursuant to the terms of the IFA, delivery of an initial base tariff (+/- 25%) for the integrated rail and port services to be charged by Aurizon. This is anticipated by March 2015, with a refined tariff (+/- 15 %) expected by October 2015.

PANNAWONICA PROJECT

At the Pannawonica Project, which is wholly owned by Red Hill Iron, the Company completed a positive Pre-Feasibility Study during the year, executed a Native Title Agreement with the Kuruma Marthudunera Native Title Claim Group and secured the granting of Mining Leases covering the Redgate and Whitegate channel iron deposits as well as the Three Peak Hill hard rock quarry site.

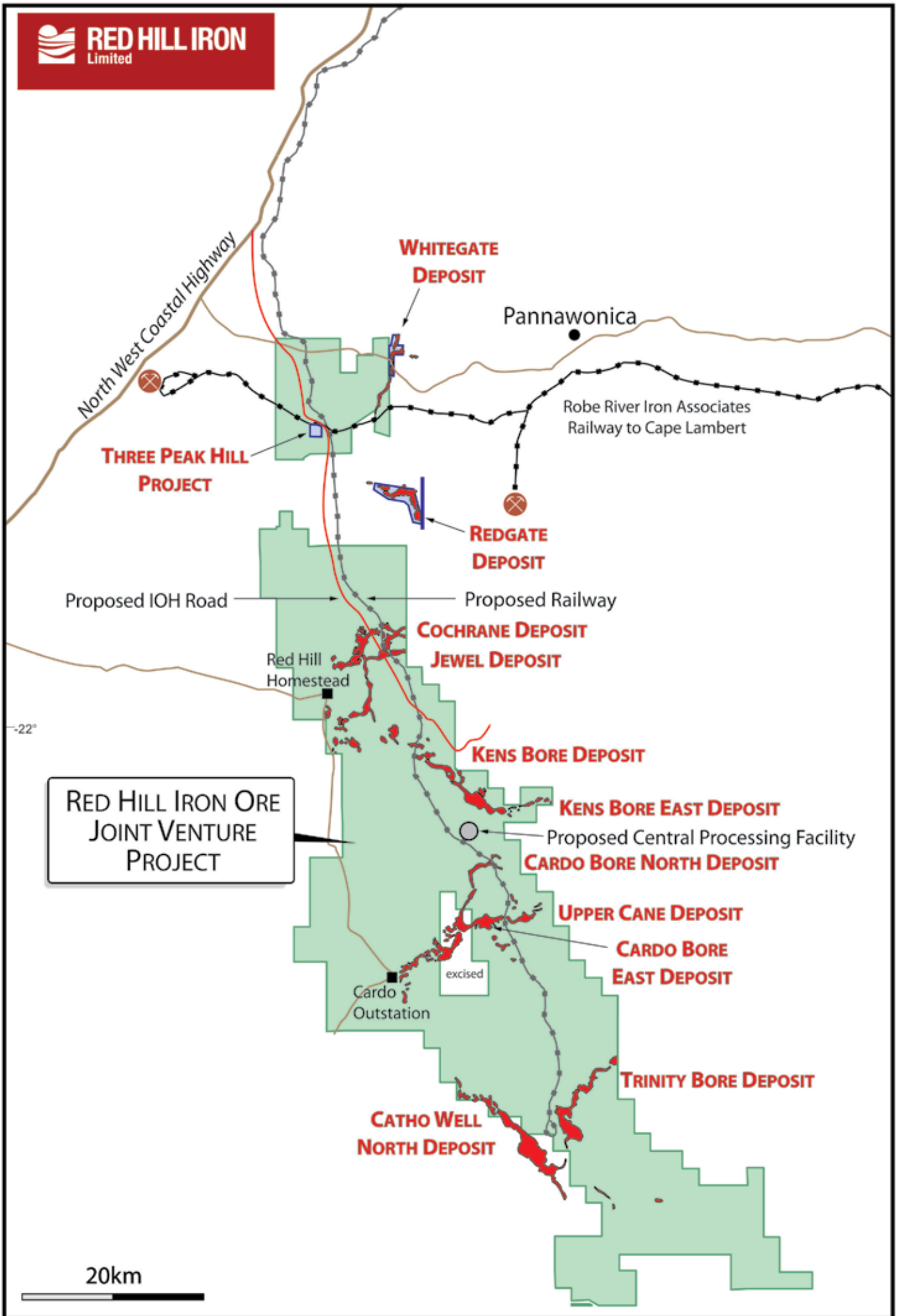
Red Hill Iron continues to investigate the potential for a mining operation at Pannawonica which will, to a large extent, be dependent on transport infrastructure solutions being provided by third parties. This could be solved by either the proposed Aurizon rail and port infrastructure development or the proposed Iron Ore Holdings Ltd road and transshipment infrastructure development.

COMMERCIAL

Red Hill Iron continued with proceedings against API contending that the Kens Bore East deposit occurs within the RHIOJV Project Area, as defined within the provisions of the RHIOJV Agreement, and that therefore the deposit is a joint venture asset.

N Tomkinson
Chairman
September 2014

**API is 50% owned by Aquila with the other 50% owned by a company jointly owned by American Metals & Coal International (AMCI) and the major Korean steel producer, POSCO.*



MINERAL RESOURCES AND ORE RESERVES

AS AT 30 JUNE 2014

PROJECT: WEST PILBARA IRON ORE PROJECT – RED HILL IRON ORE JOINT VENTURE (“RHIOJV”)

Commodity: Iron ore
Red Hill Iron interest: 40% (with election on first production to move to 20% participating or 2% FOB royalty)
Location: West Pilbara, Western Australia
Review: The Mineral Resources and Ore Reserves of the project remained unchanged during the year ended 30 June 2014.

Mineral Resources (JORC 2004): (Red Hill Iron ASX announcement 29 October 2010)

Project	JORC category	Mt	Fe (%)	Al ₂ O ₃ (%)	P (%)	SiO ₂ (%)	LOI (%)
West Pilbara Iron Ore Project - RHIOJV	Measured	125	57.7	3.37	0.084	5.36	8.06
	Indicated	285	56.4	3.83	0.071	6.22	8.68
	Inferred	62	55.6	4.15	0.070	6.57	9.01
	Total	472	56.6	3.75	0.074	6.03	8.56
RHI attributable if elects for 20%		94					

The Mineral Resources in this table are inclusive of the Ore Reserves in the table below.

Ore Reserves (JORC 2004): (Red Hill Iron ASX announcements 3 December 2010 and 31 January 2011)

Project	JORC category	Mt	Fe (%)	Al ₂ O ₃ (%)	P (%)	SiO ₂ (%)	LOI (%)
West Pilbara Iron Ore Project - RHIOJV	Proved	106	57.84	3.30	0.086	5.30	8.04
	Probable	183	57.01	3.57	0.072	5.82	8.44
	Total	289	57.31	3.47	0.077	5.63	8.30
RHI attributable if elects for 20%		57					

Note: the above Mineral Resources and Ore Reserves may increase should the Company be successful in its current Supreme Court action to have the Resources and Reserves of the adjacent Ken's Bore East deposit included in the RHIOJV.

Comparison with previous year:

There have been no changes in the Mineral Resources and Ore Reserves of this project in the past financial year.

Competent Person Statements:

The information in this Mineral Resource and Ore Reserve Statement that relates to the Mineral Resources for the West Pilbara Iron Ore Project – RHIOJV, has been extracted from the report of the RHIOJV manager, API Management Pty Ltd (API), to Red Hill Iron Limited, titled **Resource Estimate Upgrade – Red Hill Joint Venture - October 2010**, prepared by Golder Associates Pty Ltd, an independent consultant, under the supervision of Mr Stuart Tuckey, a full time employee of API, in accordance with the guidelines defined in the 2004 Edition of the Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves (JORC Code 2004). Mr Tuckey is a member of the Australasian Institute of Mining and Metallurgy and 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 JORC Code 2004. Mr Tuckey consents to the inclusion of this information in this public statement in the form and context in which it appears.

The Statement of Iron Ore Reserves for the West Pilbara Iron Ore Project - RHIOJV, as stated in this Mineral Resource and Ore Reserve Statement, has been extracted from the report: **West Pilbara Iron Ore Project – Reserve Statement as defined in December 2010**, and accurately reflects the information compiled in the report. The report was prepared by Orelogy and supervised by Mr Steve Craig. The reserves were prepared and first disclosed under the JORC Code 2004. The Reserve Statement has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Mr Craig consents to the inclusion of this information in this public statement in the form and context in which it appears. Mr Craig is a Fellow of the Australasian Institute of Mining and Metallurgy (No 112346). Mr Craig has sufficient relevant experience to act as a Competent Person, as defined in Clause 10 of the JORC Code 2004, for the West Pilbara Iron Ore Project Reserves Statement.

MINERAL RESOURCES AND ORE RESERVES

AS AT 30 JUNE 2014

PROJECT: PANNAWONICA

Commodity: Iron ore
Red Hill Iron interest: 100%
Location: West Pilbara, Western Australia
Review: An independent Mineral Resource estimate was completed during the year followed by an Ore Reserve estimate and prefeasibility study.

Mineral Resources (JORC 2012): *(Red Hill Iron ASX announcement 18 February 2014)*

Project	JORC category	Mt	Fe (%)	Al ₂ O ₃ (%)	P (%)	SiO ₂ (%)	LOI (%)
Pannawonica	Measured	5.5	53.8	4.7	0.03	8.2	9.4
	Indicated	47.6	53.4	5.1	0.05	8.8	9.0
	Inferred	9.3	53.4	5.2	0.05	8.6	9.1
	Total	62.5	53.4	5.1	0.05	8.7	9.0

The Mineral Resources in this table are inclusive of the Ore Reserves in the table below.

Ore Reserves (JORC 2012): *(Red Hill Iron ASX announcement 14 April 2014)*

Project	JORC category	Mt	Fe (%)	Al ₂ O ₃ (%)	P (%)	SiO ₂ (%)
Pannawonica	Proved	4.2	54.1	4.6	0.03	8.1
	Probable	25.1	54.0	4.9	0.05	8.2
	Total	29.3	54.0	4.8	0.05	8.2

Comparison with previous year:

No Ore Reserves for this project had been estimated in the previous year.

An Inferred Mineral Resource (JORC 2004) was announced in 2010 for this project:

70.5 Mt @ 54.1% Fe, 4.8% Al₂O₃, 0.05% P, 8.5% SiO₂

Competent Person Statements:

The information in this report that relates to the Mineral Resources (JORC 2012) for the Pannawonica Project is based on information compiled by Mr Neal Leggo and Mr Shane Fieldgate, who are employees of Ravensgate. Mr Fieldgate is a Registered Professional Member of the Australian Institute of Geoscientists and Mr Leggo is a Member of the Australian Institute of Geoscientists. Mr Leggo has had sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves (JORC Code 2012). Mr Fieldgate has had sufficient experience that is relevant to the style of mineralisation and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code 2012. Mr Leggo and Mr Fieldgate consent to the inclusion of this information in this public statement in the form and context in which it appears.

The information in this report that relates to the Ore Reserves for the Pannawonica Project is based on information compiled by Roselt Croeser, who is an independent consultant engaged by Ravensgate. Mr Croeser is a member of the Australasian Institute of Mining and Metallurgy. Mr Croeser has had sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code 2012. Mr Croeser consents to the inclusion of this information in this public statement in the form and context in which it appears.

Governance and internal controls:

The Company is satisfied that the above Mineral Resource and Ore Reserve Statement complies with the Company's Corporate Governance arrangements and Internal Controls.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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, Western Australia.

The directors of the Company present their report on the Company for the year ended 30 June 2014.

DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

Neil Tomkinson

Garry Strong

Joshua Pitt

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year consisted of iron ore exploration. There has been no significant change in the Company's activity 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

Red Hill Iron has continued to explore for iron ore on mining tenements located in the West Pilbara region during the period under review. During the year following the completion of a positive Pre-Feasibility Study and the execution of a Native Title Agreement with the Kuruma Marthudunera Native Title Claim Group, Mining Leases covering the Company's 100% owned Pannawonica channel iron deposits and Three Peak Hill hard rock quarry site were granted. The Company continues to investigate the potential of a mining operation at Pannawonica which will to a large extent depend on third party transport infrastructure.

Activities of the Red Hill Iron Ore Joint Venture (RHIOJV) were restrained during most of the 2014 financial year. The takeover of Aquila Resources Limited ("Aquila") by subsidiaries of Baosteel Group Corporation ("Baosteel") and Aurizon Holdings Limited ("Aurizon"), completed after year's end, has had a positive effect on the outlook for the project going forward. Aquila owns 50% of API Management Pty Ltd (API), the manager of the RHIOJV, and the substantial investment by Baosteel and Aurizon in that company has added impetus to the RHIOJV and has led to the decision to update the 2010 API Joint Venture Feasibility Study of which the RHIOJV Ore Reserve is an integral component.

Over the next 12 months the arrangements required to be made between the various parties ahead of the commencement of planned mining and infrastructure development will be negotiated and the revised feasibility study should be completed. These arrangements will include the setting up of ownership structures for both the mining and infrastructure operations and agreement on the rail and port tariffs to be charged to the mining participants by the providers of the port and rail. Although Red Hill Iron will not have any ownership rights in the rail and port development the proponents have indicated that the tariffs agreed will apply to all users on the same basis.

The recent corporate activity referred to above has clarified the position with regard to the general development of iron ore resources in the West Pilbara and the exploitation of the RHIOJV reserves in particular. They have removed large areas of doubt which had resulted in depression of the Company's share price and the likely commencement date of development.

COMMERCIAL

Red Hill Iron has commenced proceedings against API contending that the Kens Bore East deposit lies within the RHIOJV Project Area, as defined within the provisions of the RHIOJV Agreement, and that therefore the deposit is a joint venture asset. These proceedings are ongoing with a hearing not likely before the fourth quarter of calendar year 2014.

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

FOR THE YEAR ENDED 30 JUNE 2014

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. Other than as noted in the Review of Operations and Likely Developments there are no such matters or circumstances or likely developments which, in the view of directors, may significantly affect the Company's future operations or the results of those operations or the state of affairs of the Company.

ENVIRONMENTAL REGULATIONS

The mineral tenements 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 environmental laws that are not being complied with. 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 period 1 July 2013 to 30 June 2014 the directors have assessed that there are no current reporting requirements, but that the Company may be required to report in the future.

INFORMATION RELATING TO THE DIRECTORS

Executive Chairman

Neil Tomkinson, LLB Hons

Mr Tomkinson, who has been Chairman of the Company since April 2008, was appointed Executive Chairman on 31 August 2011. Mr Tomkinson has extensive experience over the last thirty five years in the administration of and investment in exploration and mining companies. At 30 June 2014, Mr Tomkinson was a non-executive director of Hampton Hill Mining NL (appointed January 1997) and the non-executive chairman of Traka Resources Limited (appointed September 2003) and Pan Pacific Petroleum NL (appointed a director in 2006 and chairman in December 2008). Mr Tomkinson is an investor in private mineral exploration and in resources in general in Australia.

Executive Director

Garry Strong

Mr Strong is a prospector with over forty years' experience in gold and base metal reconnaissance exploration in Australia. He has spent the last twenty 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.

Non-executive Director

Joshua Pitt BSc, MAusIMM, MAIG

Mr Pitt is a geologist with extensive exploration experience who has, for more than thirty five years, been a director of exploration and mining companies in Australia. Mr Pitt is involved in private mineral exploration and also in substantial resource investments. At 30 June 2014, Mr Pitt was the executive chairman of Hampton Hill Mining NL (appointed a director in January 1997 and chairman in April 2012), and a non-executive director of Traka Resources Limited (appointed July 2003), Red Metal Limited (appointed July 2003) and Pan Pacific Petroleum NL (appointed December 2008).

INFORMATION RELATING TO THE 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 twenty five years' experience as company secretary of a number of listed mining and exploration companies.

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	5,189,912	-
J N Pitt	8,234,722	-
G R Strong	1,286,938	-

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS' INTERESTS IN SHARES AND OPTIONS (continued)

The relevant interests of Mr Tomkinson and Mr Pitt in the shares of the Company are their combined holdings of 13,424,634 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:

Director	Meetings of Directors whilst a director	Meetings attended
N Tomkinson	2	2
J N Pitt	2	2
G R Strong	2	2

The Company does not have any committees.

AUDITED REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3c) of the Corporations Act 2001.

(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 persons 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 executives 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, and
- providing recognition for contribution.

The remuneration policy is not linked to the Company's performance and is linked to shareholder wealth only in so far as options over the Company's shares are included in remuneration.

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

The remuneration of executive personnel, other than the Chairman, is determined by the non-executive director and the Chairman and comprises a base salary or fee based on the services provided and market rates of remuneration.

The remuneration of the executive chairman is determined by the remainder of the board.

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 the director may be remunerated 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

AUDITED REMUNERATION REPORT (continued)

Executives

The remuneration of the executive chairman, Mr N Tomkinson, is the basic fee, including superannuation, paid to a non-executive director. The remainder of the board reviews the terms of the executive chairman's remuneration on an annual basis.

The remuneration of the executive director, Mr G Strong, consists of the basic fee paid to a non-executive director plus, from the point in time of his appointment as an executive, a set monthly amount to compensate him for his executive services. It is paid in the form of director fees and related superannuation plus a fee for the executive services. The remainder of the board reviews the terms of the executive director's remuneration annually.

Company Performance

It is not possible at this time to evaluate the Company's financial performance using generally accepted measures such as profitability and total shareholder return as the Company is an exploration company with no significant revenue stream. This assessment will be developed if and when the Company moves from explorer to producer.

The table below shows the gross revenue, losses and loss per share for the last five years for the Company:

		2014	2013	2012	2011	2010
Revenue and other income	(\$000)	290	80	153	246	236
Net Loss	(\$000)	1,973	3,596	1,043	1,231	1,154
Loss per share	(cents)	4.0	7.9	2.4	2.8	2.7
Share price at year end	(\$)	1.65	0.80	1.90	2.18	2.80

No dividends have been declared during these periods.

(b) Details of remuneration

The key management personnel of the Company are the directors.

The remuneration of key management personnel for the financial year is summarised below:

	Short-term benefits	Post-employment benefits	Total	Performance related
	Salary & fees	Superannuation		
2014	\$	\$	\$	%
Directors – executive				
N Tomkinson (Chairman)	27,313	-	27,313	-
G R Strong	123,000	27,313	150,313	-
Directors – non-executive				
J N Pitt	25,000	2,313	27,313	-
Total key management personnel	175,313	29,626	204,939	-
2013				
Directors – executive				
N Tomkinson (Chairman)	25,000	2,250	27,250	-
G R Strong	75,500	27,250	102,750	-
Directors – non-executive				
J N Pitt	25,000	2,250	27,250	-
Total key management personnel	125,500	31,750	157,250	-

No part of the remuneration of the key management personnel is contingent upon the performance of the Company.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

AUDITED REMUNERATION REPORT (continued)

(c) Service agreements

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 director of the Company is currently entitled to receive an annual fee of \$25,000 plus statutory superannuation for their services as directors.

Executive director

Commencing 1 January 2013, Mr Strong was requested by the other members of the board to take on an executive role overseeing the company's ongoing exploration and evaluation of its Pannawonica CID project. It was agreed that Mr Strong be paid \$7,500 per month plus a field allowance of \$500 per day when attending the project site. No fixed terms or notice period applies and there is no provision for termination benefits.

Executive chairman

There is no separate service agreement for the Chairman on his appointment as Executive Chairman. No fixed term or notice period applies and there is no provision for termination benefits.

(d) Share-based compensation

Currently the board does not anticipate that any share-based compensation will be issued to directors.

No options have been issued to, or exercised by, directors or any other key management personnel during the year ended 30 June 2014.

(e) Equity held by key management personnel

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:

2014	Balance 1 July 2013	Received as remuneration	Options exercised	Net changes other	Balance 30 June 2014
Directors					
N Tomkinson	4,953,225	-	-	236,687	5,189,912
J N Pitt	7,712,368	-	-	297,354	8,009,722
G R Strong	1,286,938	-	-	-	1,286,938
	<u>13,952,531</u>	<u>-</u>	<u>-</u>	<u>534,041</u>	<u>14,486,572</u>

There were no shares granted as compensation to key management personnel during the reporting period.

Net changes other relate to shares acquired or sold during the financial year.

No shares are held nominally.

No options are held by key management personnel.

Mr Tomkinson's and Mr Pitt's relevant interest in the shares of the company at 30 June 2014 is their combined holdings of 13,199,634 shares.

Subsequent to 30 June 2014 and up to the date of signing the Directors' Report accompanying these financial statements, Mr Pitt has acquired an additional 225,000 ordinary shares in the Company taking the combined relevant interest to 13,424,634 shares.

(f) Additional information

Voting and comments at the Company's 2013 Annual General Meeting

The Company received an overwhelming majority of votes in favour of its remuneration report for the 2013 financial year. The Company did not receive any specific comments on its remuneration practices at the AGM or throughout that year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

AUDITED REMUNERATION REPORT (continued)

Other

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

The Company has not engaged remuneration consultants to make a remuneration recommendation in respect of any of the key management personnel.

The Company has not made any loans to key management personnel during the year.

There were no other transactions with key management personnel and related parties during the year other than reported in Note 17(c).

The audited remuneration report ends here.

OPTIONS OVER UNISSUED SHARES

No options over unissued shares were issued to an employee during the year ended 30 June 2014 under the Employee Share Option Plan. The total number of options over unissued shares at 30 June 2014 was 500,000.

INSURANCE OF OFFICERS

During the financial year the Company paid an amount to insure all current 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 other than conduct including a wilful breach of duty to 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 to any court pursuant to section 237 of the Corporations Act 2001 for leave 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.

NON-AUDIT SERVICES

BDO Audit (WA) Pty Ltd ("BDO"), the company's auditor, did not perform any non-audit services for the Company for the year ended 30 June 2014.

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. BDO continues in office in accordance with section 327 of the Corporations Act 2001.

Signed in Perth in accordance with a resolution of directors on 29 August 2014.



Mr N Tomkinson

Chairman

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

As lead auditor of Red Hill Iron Limited for the year ended 30 June 2014, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Chris Burton

Director

BDO Audit (WA) Pty Ltd

Perth, 29 August 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$	2013 \$
Revenue from continuing operations	4	58,232	80,567
Other income	4	231,781	-
Exploration expenditure		(1,663,946)	(700,814)
Administration expenses	5	(599,109)	(2,976,046)
Loss before income tax		(1,973,042)	(3,596,293)
Income tax expense	6	-	-
Loss for the year		(1,973,042)	(3,596,293)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year attributable to the ordinary equity holders of the Company		(1,973,042)	(3,596,293)
Loss per share attributable to the ordinary equity holders of the Company			
Basic and diluted loss per share (cents)	21	4.0	7.9

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	NOTE	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	931,197	2,963,803
Trade and other receivables	8	356,597	199,311
Total Current Assets		1,287,794	3,163,114
Non-Current Assets			
Exploration assets	9	10,008,025	10,008,025
Plant and equipment	10	511	2,326
Total Non-Current Assets		10,008,536	10,010,351
Total Assets		11,296,330	13,173,465
LIABILITIES			
Current Liabilities			
Trade and other payables	11	295,846	199,939
Total Current Liabilities		295,846	199,939
Total Liabilities		295,846	199,939
Net Assets		11,000,484	12,973,526
EQUITY			
Issued capital	12	25,086,598	25,086,598
Reserves	13	462,770	462,770
Accumulated losses		(14,548,884)	(12,575,842)
Total Equity		11,000,484	12,973,526

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Issued capital \$	Share based payments reserve \$	Future value option reserve \$	Accumulated losses \$	Total equity \$
2014					
Balance at 1 July 2013	25,086,598	177,000	285,770	(12,575,842)	12,973,526
Net loss for the year	-	-	-	(1,973,042)	(1,973,042)
Total comprehensive income recognised during the year	-	-	-	(1,973,042)	(1,973,042)
Transactions with equity holders in their capacity as equity holders:	-	-	-	-	-
Balance at 30 June 2014	25,086,598	177,000	285,770	(14,548,884)	11,000,484
2013					
Balance at 1 July 2012	20,776,519	-	285,770	(8,979,549)	12,082,740
Net loss for the year	-	-	-	(3,596,293)	(3,596,293)
Total comprehensive income recognised during the year	-	-	-	(3,596,293)	(3,596,293)
Transactions with equity holders in their capacity as equity holders:					
Issue of ordinary fully paid shares, net of issue cost	4,310,079	-	-	-	4,310,079
Equity settled share based payment transaction	-	177,000	-	-	177,000
Balance at 30 June 2013	25,086,598	177,000	285,770	(12,575,842)	12,973,526

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$	2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(485,178)	(2,973,493)
Payments for exploration expenditure		(1,652,504)	(597,767)
Payments for security deposits		-	(17,690)
Receipts of security deposits refunded		32,690	-
Interest received		72,386	72,354
Interest paid		-	(4,080)
		<hr/>	<hr/>
Net cash outflow from operating activities	20	(2,032,606)	(3,520,676)
Cash flows from investing activities			
Net cash flow from investing activities		<hr/>	<hr/>
		-	-
Cash flows from financing activities			
Proceeds from borrowings		-	1,000,000
Repayment of borrowings		-	(1,000,000)
Proceeds from issue of shares		-	4,391,480
Payment for share issue costs		-	(81,401)
		<hr/>	<hr/>
Net cash inflow from financing activities		-	4,310,079
Net (decrease)/increase in cash and cash equivalents		(2,032,606)	789,403
Cash and cash equivalents at the beginning of the year		<hr/>	<hr/>
		2,963,803	2,174,400
Cash and cash equivalents at the end of the year	7	<hr/>	<hr/>
		931,197	2,963,803

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are for Red Hill Iron Limited for the year ended 30 June 2014 (“the financial year”). Red Hill Iron Limited is a public company, incorporated and domiciled in Australia and listed on the Australian Securities Exchange (“ASX”).

(a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Board (“IASB”).

Reporting Basis and Conventions

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

Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements 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 Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of exploration and evaluation assets, and plant and equipment. Where an impairment trigger exists under the relevant standard, the recoverable amount of the asset is determined. The recoverable amount of the asset is the higher of its value in use and its fair value less costs to sell. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and fair value less cost to sell is determined using market rates.

Included as part of the Exploration Assets in the Statement of Financial Position is an amount of \$9,905,915 relating to the Company’s interest in the Pannawonica project. This amount has been carried forward on the basis that the Company has (a) secured entitlement to the channel iron deposit mineralisation through the grant of mining leases, and (b) has completed a pre-feasibility study, incorporating an independently determined ore reserve estimate, that indicates a profitable mining operation could be developed.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the members of the board of Directors.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 date.

Deferred tax is accounted for using the 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 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 comprehensive income.

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 statement of comprehensive income except where it relates to items that may be credited directly to equity or comprehensive income, 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 profit or loss.

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) 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 2014

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 profit or loss.

(h) **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.

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.

Impairment

At each reporting date the Company assesses for impairment expenditure on acquisition of each area of interest that is to be carried forward to ensure that the carrying amount of the exploration and evaluation expenditure does not exceed its recoverable amount. Any resulting provision for impairment is recognised as a charge to the profit or loss.

(i) **Plant and equipment**

Recognition and measurement

Plant and equipment items are measured on the cost basis less accumulated 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 profit or loss 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 company commencing from the time the asset is held ready for use.

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Office furniture and equipment	5% to 25% straight line
Field equipment	5% to 15% straight line

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(j) **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days or recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Borrowings and borrowing costs

Borrowings are short term and initially recognised at fair value. There are no transaction costs associated with the borrowings. Interest on borrowings is accrued daily using the effective interest rate method and recognised in profit or loss over the period of the borrowings.

(l) 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 not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is 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 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.

(m) Provisions

Provisions for legal claims are recognised when the Company has a present legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time-value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

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.

(p) Joint arrangements

The Company's mineral exploration agreements with third parties 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 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 parties to the agreement do not hold any assets other than their title to the mineral tenements and accordingly the company's share of exploration expenditure is accounted for in accordance with the policy set out in Note 1(h).

(q) 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. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

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

(r) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

Reference and title	Nature of change to accounting policy and impact on initial application	Application date
AASB 9 Financial Instruments	Amends the requirement for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Upon adoption, the Company's financial assets classified as available-for-sale will be reclassified into the fair value through profit and loss category. The cumulative fair value changes in the available-for-sale reserve will be reclassified into retained earnings and subsequent fair value changes recognised in profit and loss. The Company does not have any financial liabilities measured at fair value through profit or loss.	1 July 2017
AASB 2014-1 Australian Accounting Standards	Non-urgent but necessary changes to standards arising from the Annual Improvements to IFRS cycle. There will be no impact on the financial statements upon adoption of these amendments as they apply prospectively to share-based payment transactions only for which the grant date is on or after 1 July 2014, or are disclosure impacts only.	1 July 2014
Interpretation 21 Levies	Clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The Company is not liable to pay any government levies so there will be no impact on the financial statements when this interpretation is first adopted.	1 July 2014
IFRS 15 Revenue from contracts with customers	Revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.	1 July 2017

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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.

Bank deposits at call, amounting to \$800,000 (2013: \$2,300,000), all mature within 63 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 3.27% (2013: 3.57%).

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. This analysis includes the effect of a 0.5% decline and 0.5% increase in interest rates as recent Australian Treasury announcements and press reports would indicate movement in interest rates of this magnitude to be possible over the next 12 months.

Financial Assets	Carrying amount of cash assets	Effect of decrease or increase of interest rate on			
		Post tax profit		Equity	
2014	\$	-0.5%	+0.5%	-0.5%	+0.5%
Cash & cash equivalents	931,197				
Total increase/(decrease)		(4,656)	4,656	(4,656)	4,656
2013	\$	-0.5%	+0.5%	-0.5%	+0.5%
Cash & cash equivalents	2,963,803				
Total increase/(decrease)		(14,819)	14,819	(14,819)	14,819

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	2014	2013
	\$	\$
Closing carrying amount		
Cash & cash equivalents	931,197	2,963,803
Trade and other receivables	356,597	199,311

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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. The Company has no financial instruments carried at fair value.

Capital management risk

The Company's objective in managing capital, which consists of equity capital and reserves less accumulated losses to date, 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

Management has determined that the Company has one reportable segment, being mineral exploration within Australia. The board of directors, which constitutes the chief operating decision maker, monitors the company based on actual versus budgeted exploration expenditure. This reporting framework is the most relevant to assist the board with making decisions regarding its ongoing exploration activities.

	2014 \$	2013 \$
Reportable segment assets	10,240,531	10,008,025
Reportable segment liabilities	66,992	130,548
Reportable segment loss	(1,431,440)	(700,814)
Reconciliation of reportable segment loss:		
Reportable segment loss	(1,431,440)	(700,814)
Other revenue	57,507	80,567
Unallocated corporate expenses	(599,109)	(2,976,046)
Loss before tax	(1,973,042)	(3,596,293)

NOTE 4 – REVENUE

Revenue from continuing operations

Interest income	58,232	80,567
Other income		
Research and development incentive	231,781	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5 – ADMINISTRATION EXPENSES

	2014 \$	2013 \$
Loss before income tax includes the following specific administration expenses:		
Personnel expenses		
Salaries, directors fees and other employment expenses	215,557	177,814
Superannuation	15,922	14,620
Share based payments	-	177,000
	<u>231,479</u>	<u>369,434</u>
Less: Recharged to exploration expenditure	(134,338)	-
	97,141	369,434
Depreciation	1,815	4,110
Other expenses		
Accounting fees	56,638	47,355
Administration services	75,957	12,898
Audit fees	30,688	22,614
Operating lease expense	93,300	86,618
Legal expenses	107,095	2,291,799
Listing fees	30,898	37,858
Other	105,577	103,360
	<u>599,109</u>	<u>2,976,046</u>

2013 legal expenses include an amount of \$1,863,636 (net of GST) paid in settlement of legal costs arising from the Company's failed Supreme Court action against its joint venture partners.

NOTE 6 – INCOME TAX

(a) Income tax benefit

The components of income tax benefit comprise:

Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

(b) Reconciliation of income tax benefit to prima facie tax payable on accounting loss

Operating loss before income tax	(1,973,042)	(3,596,293)
Prima facie tax benefit at Australian rate of 30% (2013: 30%)	(591,913)	(1,078,888)
Adjusted for tax effect of the following amounts:		
Non-deductible items	-	53,100
Non-taxable items	(75,441)	(6,030)
Under provision in prior year	154,521	-
Tax benefits not brought to account	512,833	1,031,818
	<u>-</u>	<u>-</u>
Income tax benefit	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6 – INCOME TAX (continued)

	2014	2013
	\$	\$
(c) Deferred tax assets and liabilities not brought to account		
<p>The directors estimate that the potential deferred tax assets and liabilities carried forward but not brought to account at year end at the Australian corporate tax rate of 30% are made up as follows:</p>		
On income tax account:		
Carried forward tax losses	7,177,608	6,668,397
Deductible temporary differences	5,779	6,621
Taxable temporary differences	(3,003,874)	(3,008,338)
	<hr/>	<hr/>
Unrecognised net deferred tax assets	4,179,513	3,666,680

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

(d) Minerals Resource Rent Tax (MRRT)

On 19 March, 2012, the Australian Government passed through the Senate, the *Minerals Resource Rent Tax Act 2012*, with application to certain profits arising from the iron ore and coal extracted in Australia. In broad terms, the tax is imposed on a project-by-project basis.

This tax applies to upstream mining operations only, and the effective rate of Minerals Resource Rent Tax is 22.5%.

This tax is considered to be an “income tax” for the purposes of AASB 112. Certain transition measures are contained in the legislation which can give rise to deductions in future years for MRRT purposes.

The Company’s iron ore assets are not of a size that is likely to be subject to MRRT and consequently no valuation of the Company’s iron ore assets with a view to calculating a possible impact on deferred tax has been performed. Even in the event that there was an impact on deferred tax assets, the Company does not currently recognise any deferred tax assets –Note 6(c).

NOTE 7 – CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and on hand	131,197	663,803
Deposits at call	800,000	2,300,000
	<hr/>	<hr/>
	931,197	2,963,803

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:

Balances as above	931,197	2,963,803
	<hr/>	<hr/>
Balance per statement of cash flows	931,197	2,963,803

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 8 – CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2014 \$	2013 \$
Security deposits	85,000	117,690
Interest receivable	5,613	19,768
Other	265,984	61,853
	<u>356,597</u>	<u>199,311</u>

Security deposits are held with the bank as security for the Department of Mines and Petroleum bonds issued by the bank on behalf of the Company.

Interest receivable comprises primarily pro-rata interest receivable at balance date in respect of deposits at call that are expected to be repaid within 45 days.

Other receivables relate to amounts recoverable from the Australian Taxation Office in respect of Research and Development incentives and GST.

Due to their short term nature, the carrying value of trade and other receivables is equal to their fair value. No trade and other receivables are considered impaired or past due.

Information about the company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in Note 2.

NOTE 9 – NON-CURRENT ASSETS - EXPLORATION ASSETS

Carrying amount	<u>10,008,025</u>	<u>10,008,025</u>
-----------------	-------------------	-------------------

The carrying amount represents the initial acquisition cost of the Company's wholly owned Pannawonica Iron Ore Project. Ultimate recoupment of exploration expenditure capitalised on acquisition of tenements and carried forward is dependent upon successful development and commercial exploitation, or alternatively sale, of the respective tenements.

NOTE 10 – NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Field equipment – at cost	21,966	21,966
Accumulated depreciation	<u>(21,455)</u>	<u>(19,640)</u>
Total field equipment	<u>511</u>	<u>2,326</u>
Total plant and equipment	<u>511</u>	<u>2,326</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10 – NON-CURRENT ASSETS - PLANT AND EQUIPMENT (continued)

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.

	Office furniture & equipment \$	Field equipment \$	Total \$
2014			
Carrying amount at 1 July 2013	-	2,326	2,326
Additions during the year	-	-	-
Disposals during the year	-	-	-
Depreciation expense	-	(1,815)	(1,815)
Carrying amount at 30 June 2014	-	511	511
2013			
Carrying amount at 1 July 2012	6,812	5,651	12,463
Additions during the year	-	-	-
Disposals during the year	(6,027)	-	(6,027)
Depreciation expense	(785)	(3,325)	(4,110)
Carrying amount at 30 June 2013	-	2,326	2,326

NOTE 11 – CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2014 \$	2013 \$
Trade creditors and accruals	286,182	187,551
Employee entitlements	9,664	12,388
	<u>295,846</u>	<u>199,939</u>

Trade and other payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts for trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12 – EQUITY – ISSUED CAPITAL

(a) Share Capital	2014 \$	2013 \$
49,405,037 (2013: 49,405,037) fully paid ordinary shares	<u>25,086,598</u>	<u>25,086,598</u>

(b) 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 ASX and carry no trade restrictions.

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

Fully Paid Shares

	Details	Number of ordinary shares	Issue price \$	Amount \$
2014				
1 July 2013	Balance	49,405,037		25,086,598
	No movement	<u>-</u>		<u>-</u>
30 June 2014	Balance	<u>49,405,037</u>		<u>25,086,598</u>
2013				
1 July 2012	Balance	43,915,686		20,776,519
	Issue of ordinary fully paid shares arising from fully paid underwritten pro-rata entitlement	5,489,351	0.80	4,391,480
	Less cost of share issue			<u>(81,401)</u>
30 June 2013	Balance	<u>49,405,037</u>		<u>25,086,598</u>

(d) Options

At balance date the Company had on issue 500,000 unlisted options to acquire ordinary shares (2013: 500,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12 – EQUITY – ISSUED CAPITAL (continued)

(e) Movements in options during the past 2 years

	Details	Number of options	Exercise price per share \$	Grant date	Expiry date
2014					
1 July 2013	Balance	500,000	0.9875	13 April 2013	08 April 2016
	No movement	-			
30 June 2014	Balance	<u>500,000</u>			
2013					
1 July 2012	Balance	-			
	Issue of unlisted options	<u>500,000</u>	0.9875	13 April 2013	08 April 2016
30 June 2013	Balance	<u>500,000</u>			

NOTE 13 – EQUITY – RESERVES

	2014 \$	2013 \$
Share based payments reserve	177,000	177,000
Future value option reserve	<u>285,770</u>	<u>285,770</u>
	<u>462,770</u>	<u>462,770</u>

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.

NOTE 14 – AUDITOR REMUNERATION

Amounts received, or due and receivable, by BDO Audit (WA) Pty Ltd for:

Auditing the financial report of Red Hill Iron Limited	30,688	22,614
Other services	-	-
	<u>30,688</u>	<u>22,614</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15 – CONTINGENCIES

Contingent Liabilities

There are no contingent liabilities for termination benefits under service agreements with directors or executives at 30 June 2014.

The directors are not aware of any other contingent liabilities at 30 June 2014 other than as noted in Note 18.

NOTE 16 – 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.

	2014	2013
	\$	\$
Minimum estimated expenditure requirements	208,000	3,250

NOTE 17 – RELATED PARTY TRANSACTIONS

(a) Key management personnel

Directors of the Company during the financial year were:

Neil Tomkinson
Garry Strong
Joshua Pitt

(b) Key management personnel compensation

Short-term employee benefits	175,313	125,500
Post-employment benefits	29,626	31,750
	<u>204,939</u>	<u>157,250</u>

Further details regarding the key management personnel remuneration are provided in the Audited Remuneration Report contained in the Directors' Report accompanying these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17– RELATED PARTY TRANSACTIONS (continued)

(c) Other transactions with director-related entities

During the financial year the Company paid \$92,815 (2013: \$60,218) to Hampton Hill Mining NL, a listed company of which Mr Tomkinson and Mr Pitt are directors and shareholders, for rental of office space and administration services. This agreement is at arms length and on normal commercial terms and conditions.

NOTE 18 – MINERAL EXPLORATION AGREEMENTS

The Company has an interest in the following pre-existing mineral exploration agreement as at 30 June 2014:

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 iron ore 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 iron ore 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.

API has advised that the total expenditure funded on behalf of Red Hill Iron by API to 30 June 2014, including interest thereon, amounted to \$23,806,049.

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(p).

NOTE 19 – EVENTS OCCURRING AFTER BALANCE DATE

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 Company's future operations or the results of those operations or the state of affairs of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20 – CASH FLOW INFORMATION

	2014 \$	2013 \$
Reconciliation of loss after income tax with cash flow from operating activities		
Loss after income tax	(1,973,042)	(3,596,293)
Depreciation	1,815	4,110
Loss on disposal of non current assets	-	6,027
Equity based payments	-	177,000
Change in operating assets and liabilities:		
Decrease /(Increase) in debtors	(217,626)	(8,215)
Decrease /(Increase) in creditors	95,907	(62,548)
Decrease /(Increase) in GST receivable	27,650	(23,067)
Decrease /(Increase) in security deposit	32,690	(17,690)
	<hr/>	<hr/>
Net cash outflow from operating activities	(2,032,606)	(3,520,676)

NOTE 21 – LOSS PER SHARE

	Cents	Cents
Basic and diluted loss per share	<hr/> 4.0	<hr/> 7.9
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 Statement of Profit or Loss and Other Comprehensive Income	<hr/> (1,973,042)	<hr/> (3,596,293)
	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	<hr/> 49,405,037	<hr/> 45,405,307

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 2014

NOTE 22 – SHARE BASED PAYMENTS

The Company has established an Employee Share Option Plan, the details of which are 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 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 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.

Grant date	Expiry date	Exercise price \$	Balance at start of year	Granted during year	Exercised during year	Balance at year end
2014						
13 April 2013	8 April 2016	0.9875	500,000	-	-	500,000
			500,000	-	-	500,000
2013						
13 April 2013	8 April 2016	0.9875	-	500,000	-	500,000
			-	500,000	-	500,000

The weighted average remaining contractual life of options outstanding at the end of the year was 21 months.

No options were issued during the year.

No options expired, lapsed or were exercised during the year.

The assessed fair value, and hence the cost to the Company, of the options granted during the year ended 30 June 2013 was \$177,000. The fair value has been calculated as at the date of grant using the Black-Scholes model for the valuation of call options. The assumptions used in arriving at the value of the options issued to staff are set out below.

	2014	2013
No of options granted	-	500,000
Grant date	-	13 April 2013
Exercise by	-	8 April 2016
Exercise price per share	-	\$0.9875
Expected average life of the options	-	3 years
Underlying security spot price at time of grant	-	\$0.79
Risk free interest rate	-	2.81%
Expected volatility	-	75%

Historical volatility has been the basis for estimating likely future share price volatility. Actual future volatility may differ from the estimate used.

The expected average life of the options granted in the year ended 30 June 2013 was determined to be 2 years, 1 year less than the term, to take account of the fact that the options are not transferable. The actual life of the options could differ from this estimate if the holder of the options chooses to exercise his options prior to their expiry date.

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2014

The directors of the Company declare that:

1. The financial statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the *Corporations Act 2001*.
4. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the directors and is signed for and on behalf of the directors by:



Mr N Tomkinson

Chairman

Perth, 29 August 2014



Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Red Hill Iron Limited

Report on the Financial Report

We have audited the accompanying financial report of Red Hill Iron Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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 opinion.



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*, which has been given to the directors of Red Hill Iron Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Red Hill Iron Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (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 the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of Red Hill Iron Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton

Director

Perth, 29 August 2014

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

The board of directors (the "Board") of Red Hill Iron Limited ("Red Hill Iron" or the "Company") is responsible for monitoring the business affairs of the Company and protecting the rights and interests of all 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, statutory and regulatory requirements and the best interests of all shareholders. They comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition (the 'Principles'). The Company will report against the ASX Corporate Governance Council's third edition (released in March 2014) in 2015.

This statement outlines the Company's approach to corporate governance for the financial year ended 30 June 2014. 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 iron ore resources, namely the potential development of the Red Hill Iron Ore Joint Venture and the evaluation and possible development of its 100% owned Pannawonica Project and Three Peak Hill road metal and ballast deposit.

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 project manager and other senior executive personnel;
- (d) evaluating the performance of the project manager and other senior personnel;
- (e) approval of financial and other periodic reporting requirements;
- (f) approving the risk management strategy and frameworks and monitoring their effectiveness;
- (g) determination of 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 and the Company's share trading policy guidelines and indemnity and insurance arrangements.

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

Senior executives

Executive Chairman: the Chairman is the chief executive officer of the Company.

Executive Director: The Board has appointed one of its non-executive members, Mr G R Strong, to take on the executive responsibility for managing the exploration and evaluation of the Company's Pannawonica CID Project and its nearby quarry interests. The Executive Director is delegated by the Board to implement its policy, planning and strategy in respect of this project and to report regularly on the implementation to the full Board.

Project Manager: The role of the Project Manager during the year under review has been to manage the Company's interest in the Red Hill Iron Ore project pursuant to authority delegated by the Board and implement Board and corporate policy and planning in regard to this project. The Project 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 interests in the Red Hill Iron Ore project.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

1.2 The process for evaluating the performance of senior executives

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

The Executive Director's performance is reviewed regularly by the other members of the Board, who also review annually his remuneration

The Executive Chairman's performance is evaluated by the rest of the board. The Executive Chairman has elected with the board's consent to receive no additional remuneration to that of the non-executive board members.

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

2 STRUCTURE THE BOARD TO ADD VALUE

2.1 Board members' independence

The Board is made up of 3 directors. None of the directors are considered independent in terms of the Relationships affecting Independent Status (the "Categories") in Recommendation 2.1 of the Principles. Two of the directors, Mr N Tomkinson, the Chairman, and Mr J N Pitt, 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, and the Chairman is an executive of the Company. The third director, Mr G Strong, ceased to be independent in terms of the Categories when he was appointed to an executive role on 1 January 2013.

However, recognizing that approximately 60% of the Company's share capital is held by four non associated substantial shareholders and having noted that no member of the Board has any association with the three substantial shareholders not represented at Board level, the 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 the non-executive director as effectively 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

The Chairman is the Company's chief executive officer of the Company, which means that he cannot be considered to be independent. Nevertheless 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 does not comply with this Principle, in that the role of the chief executive officer is filled by the Chairman.

Role of the Chairman

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

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

Due to the size of the Company and the composition of the board, a nomination committee has not been established. 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.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

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 financial and operational reports from management. The Chairman and the other directors regularly consult with the Project 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.

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 up to date these disclosures to the Board.

Trading in company securities

The Company's securities trading policy has been disclosed in accordance with the provisions of the ASX Listing Rules and is published on the Company's website.

3.2 Diversity

The Company believes in creating fair and equal access for employees to all employment opportunities and that a diverse workforce will provide the broadest and most effective talent pool. All appointments are nevertheless made on the basis of merit.

Due to the fact that the Company has no permanent employees, the Company does not have a formalised diversity policy in place, but the Board is cognisant of the benefits of diversity and will embrace the adoption of such a policy as and then the Company's growth allows.

3.3 Measurable objectives for achieving gender diversity

The Company will establish measurable objectives for achieving gender diversity as and when its workforce reaches a size that justifies such a policy.

3.4 Employee proportions

As at 30 June 2014 the Company had no full time employees. There were no new personnel appointments during the year to either the executive or the three man Board, which is all male.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

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 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, the Board, in line with its overall responsibility to shareholders, annually 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.

Recommendations 4.2 and 4.3 of the Principles do not apply as there is no audit committee.

5. MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Compliance with ASX Listing Rules disclosure requirements

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 information needed to make an informed assessment of the Company's activities and results.

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) 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.

The Company has not adopted a formal shareholder communication policy as the Company has been able to communicate effectively with its shareholders in the past and expects to be able to continue to do so. The Company recognises the importance of continuous disclosure to its shareholders and the market and adheres to the Continuous Disclosure requirements of the ASX Listing Rules.

Shareholders are given the option to receive information such as the Annual Report in print or electronic form.

The Company maintains a website at www.redhilliron.com.au. Shareholders can 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 provides for the management of risk by the Board, being principally the risks involved the Company's main business enterprise, namely iron ore, base metal and gold exploration and potential development.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

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.

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 practical to establish a separate committee to focus on these issues.

The Company Secretary and the Executive Chairman, who have overall responsibility for the implementation of the policy, report to the Board on the effective management of risk.

7.3 Compliance with Corporations Act Section 295A

The Board receives a declaration from the Executive Chairman 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 of the Principles.

8. REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration committee

The Board does not have a separate remuneration committee due to the small size of 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 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 directors is fixed and directors do not participate in any incentive plans. Directors do not receive any retirement benefits, except that, as part of their fixed remuneration, they are paid superannuation. The Executive Director receives a set salary in addition to his director fees to compensate him for his executive role. The Executive Chairman has elected, with the Board's consent, to receive no additional remuneration to that of the non-executive Board members. For information about director remuneration practice, reference can be made to the audited remuneration report set out in the Directors' Report.

Remuneration of other Company personnel is by way of salary or fees, on a set or hourly basis, and, at the Directors' discretion, may include the grant of options to acquire shares in the company in accordance with the Company's Employee Share Option Plan.

MINERAL TENEMENT INFORMATION

AS AT 30 JUNE 2014

Mining tenements and beneficial interests held, and their location:

Tenement	Location	Registered Holding	Beneficial Interest	Note
E08/1227-I	West Pilbara, WA	40%	40%	1
E08/1283-I	West Pilbara, WA	40%	40%	1
E08/1289-I	West Pilbara, WA	40%	40%	1
E08/1293-I	West Pilbara, WA	40%	40%	1
E08/1294-I	West Pilbara, WA	40%	40%	1
E08/1295-I	West Pilbara, WA	40%	40%	1
E08/1430-I	West Pilbara, WA	40%	40%	1
E08/1473-I	West Pilbara, WA	40%	40%	1
E08/1516-I	West Pilbara, WA	40%	40%	1
E08/1537-I	West Pilbara, WA	40%	40%	1
E47/1141-I	West Pilbara, WA	40%	40%	1
E47/1693-I	West Pilbara, WA	40%	40%	1
MLA47/1472	West Pilbara, WA	40%	40%	1
MLA08/483-I	West Pilbara, WA	40%	40%	1
MLA08/484-I	West Pilbara, WA	40%	40%	1
MLA08/485-I	West Pilbara, WA	40%	40%	1
M08/499-I	West Pilbara, WA	100%	100%	
M08/500-I	West Pilbara, WA	100%	100%	
M08/501	West Pilbara, WA	100%	100%	
M08/505-I	West Pilbara, WA	100%	100%	
P08/623	West Pilbara, WA	100%	100%	

Note 1: These tenements are held by the parties to the Red Hill Iron Ore Joint Venture.

Key:

E: Exploration licence

M: Mining lease

P: Prospecting licence

MLA: Mining lease application

SHAREHOLDER INFORMATION

AS AT 12 SEPTEMBER 2014

NUMBER AND DISTRIBUTION OF SHARES

	No. listed	No. not listed	Total
Shares			
Ordinary shares fully paid	49,405,037	-	49,405,037
Options			
Exercisable at 98.75 cents expiring 8 Apr 2016	-	500,000	500,000

Distribution of shares by holding

	Shareholders	Option Holders
1 - 1,000	100	
1,001 - 5,000	116	
5,001 - 10,000	58	
10,001 - 100,000	120	
100,001 +	49	1
	<u>443</u>	<u>1</u>

MARKETABLE PARCEL

There are 40 holders of less than a marketable parcel of ordinary shares.

EMPLOYEE INCENTIVE SCHEMES

The options were issued under an employee incentive scheme

SUBSTANTIAL SHAREHOLDERS

Substantial shareholdings in the Company and relevant percentage interests are set out below:

Name	No of Shares	%
Perth Capital Pty Ltd and associates	13,424,634	27.17
Baosteel Group Corporation, Fortune BS, Aurizon Holdings Limited, and associates	8,680,179	17.57
Brisbane Investments I Ltd, Brisbane Investments II Ltd	4,051,210	8.20
Acorn Capital Limited	3,171,212	6.42

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 12 SEPTEMBER 2014

Shareholders	No of Shares	%
1 Perth Capital Pty Ltd	8,162,200	16.52
2 Penoir Pty Ltd	6,735,772	13.63
3 Elohpool Pty Ltd	5,189,912	10.50
4 HSBC Custody Nominees Australia Limited	2,029,815	4.11
5 Brisbane Investments I Limited	2,025,605	4.10
6 Brisbane Investments II Limited	2,025,605	4.10
7 Yandal Investments Pty Ltd	2,000,000	4.05
8 Zero Nominees Pty Ltd	1,345,000	2.72
9 T D M Boddington	1,331,821	2.70
10 Aquila Resources Limited	1,286,564	2.60
11 Australian Mineral Investors Pty Ltd	1,136,077	2.30
12 Flexiplan Management Pty Ltd <Susan Thomas PSF A/c>	1,086,156	2.20
13 HSBC Custody Nominees Australia Ltd <NT Commonwealth Super>	993,355	2.01
14 National Nominees Limited	888,567	1.80
15 Maxigold Holdings Pty Ltd <MGR Thomson Super A/c>	870,843	1.76
16 BT X Pty Ltd	657,843	1.33
17 JP Morgan Nominees Australia Limited	615,943	1.25
18 Rupert Clarke & Co Pty Ltd	600,000	1.21
19 UBS Wealth Management Australia Nominees Pty Ltd	574,352	1.16
20 Strong Investments Pty Ltd <Prospector Super>	506,250	1.02
	<u>40,061,680</u>	<u>81.07</u>



RED HILL IRON Limited

Level 2, 9 Havelock Street
West Perth WA 6005

Telephone: 08 9481 8627
Facsimile: 08 9481 8445
Email: redhillinfo@redhilliron.com.au

Red Hill Iron Limited
P.O. Box 1160
West Perth WA 6872

www.redhilliron.com.au

