

6 March 2015

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

Dear Sir/Madam

**Interim Financial Statements and Directors' Report**

Attached is a copy of the Interim Financial Statements and Directors' Report for the company for the year ended 31 December 2014.

Yours faithfully

P C Rutledge  
Company Secretary

# RED HILL IRON LIMITED

## INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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# RED HILL IRON LIMITED

## DIRECTORS' REPORT

The directors of Red Hill Iron Limited ("Red Hill Iron" or "the Company") submit their report for the half year ended 31 December 2014.

## DIRECTORS

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

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

## REVIEW AND RESULTS OF OPERATIONS

The Company's operating loss for the half year ended 31 December 2014 was \$518,990 (2013: \$1,539,179).

### Operations Review

The Company currently has two operating areas:-

#### The Red Hill Iron Ore Joint Venture

Red Hill Iron is a participant in the Red Hill Iron Ore Joint Venture (RHIOJV) which is planning the development of a Channel Iron Deposit (CID) mining operation in the West Pilbara using a new rail and port connection on the coast through Anketell Point.

The other ultimate participants with Red Hill Iron in the joint venture are Baosteel Resources Australia, a wholly owned enterprise of the Chinese Government and one of the most modern steel producers in China, and AMCI Inc., a privately owned company with strategic investments in coal, minerals, metals and shipping. A revised Feasibility Study is currently being carried out that contemplates a new iron ore mining operation based on the production of up to 40 million tonnes a year for 16 years. It is estimated that production could commence late in 2017.

The current outlook for iron ore marketing is sobering. Prices have fallen in the last 12 months to levels not seen for several years in large part as a result of rapid expansion of iron ore supply from major Australian producers and reduced Chinese customer appetite.

Notwithstanding this somber assessment, it is important to note that the current price of iron ore is not directly relevant to Red Hill Iron. The Company has no debt and is carried at the 40% level for all project costs until production commences. Once production commences, the Company can elect to reduce its interest in the RHIOJV to 20% and repay 20% of RHIOJV project costs to that date out of 80% of its share of free cash flow, or elect to exchange its total project interest for a 2% FOB Royalty on all RHIOJV production, in which event all funds advanced will be written off.

#### The Pannawonica Project 100% RHI

The Pannawonica Project is dependent on the development by third parties of transport infrastructure solutions. Either the proposed rail and port infrastructure development through Anketell Point, or the BC Iron Limited proposed road and transshipment infrastructure involving a new port at Cape Preston East could enable this project, which has an Ore Reserve Estimate (JORC Code 2012) of 29.3 million tonnes at 54% iron, to be developed.

## AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors.



**Neil Tomkinson**  
Chairman  
Perth, 6 March 2015

# RED HILL IRON LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	31 December 2014 \$	31 December 2013 \$
Revenue from continuing operations	3	13,036	37,203
Exploration expenditure		(272,809)	(1,297,417)
Administration expenses	4	<u>(259,217)</u>	<u>(278,965)</u>
<b>Loss before income tax</b>		(518,990)	(1,539,179)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss for the half year after tax</b>		(518,990)	(1,539,179)
<b>Other comprehensive income for the half year</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the half year attributable to the ordinary equity holders of the Company</b>		<u>(518,990)</u>	<u>(1,539,179)</u>
<b>Loss per share attributable to the ordinary equity holders of the Company</b>			
Basic and diluted loss per share		(1.05) cents	(3.12) cents

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

# RED HILL IRON LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	31 December 2014 \$	30 June 2014 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		544,136	931,197
Trade and other receivables		<u>38,844</u>	<u>356,597</u>
Total Current Assets		<u>582,980</u>	<u>1,287,794</u>
<b>Non Current Assets</b>			
Exploration assets		10,008,025	10,008,025
Plant and equipment		<u>179</u>	<u>511</u>
Total Non Current Assets		<u>10,008,204</u>	<u>10,008,536</u>
Total Assets		<u>10,591,184</u>	<u>11,296,330</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	5	<u>109,690</u>	<u>295,846</u>
Total Current Liabilities		<u>109,690</u>	<u>295,846</u>
Total Liabilities		<u>109,690</u>	<u>295,846</u>
<b>Net Assets</b>		<u>10,481,494</u>	<u>11,000,484</u>
<b>EQUITY</b>			
Issued Capital	6	25,086,598	25,086,598
Reserves		462,770	462,770
Accumulated losses		<u>(15,067,874)</u>	<u>(14,548,884)</u>
<b>Total Equity</b>		<u>10,481,494</u>	<u>11,000,484</u>

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

# RED HILL IRON LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Issued Capital \$	Share Based Payments Reserve \$	Exercised Options Reserve \$	Accumulated Losses \$	Total Equity \$
<b>2014</b>					
Balance at 1 July 2014	25,086,598	177,000	285,770	(14,548,884)	11,000,484
Comprehensive Income: Net loss for the half year	-	-	-	(518,990)	(518,990)
Total comprehensive income for the half year	-	-	-	(518,990)	(518,990)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
<b>Balance at 31 December 2014</b>	<b>25,086,598</b>	<b>177,000</b>	<b>285,770</b>	<b>(15,067,874)</b>	<b>10,481,494</b>
<b>2013</b>					
Balance at 1 July 2013	25,086,598	177,000	285,770	(12,575,842)	12,973,526
Comprehensive Income: Net loss for the half year	-	-	-	(1,539,179)	(1,539,179)
Total comprehensive income for the half year	-	-	-	(1,539,179)	(1,539,179)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
<b>Balance at 31 December 2013</b>	<b>25,086,598</b>	<b>177,000</b>	<b>285,770</b>	<b>(14,115,021)</b>	<b>11,434,347</b>

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

# RED HILL IRON LIMITED

## STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	31 December 2014	31 December 2013
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(370,875)	(302,687)
Payments for exploration expenditure	(349,238)	(1,306,972)
Proceeds from Research & Development incentive	231,781	-
Proceeds from security deposits	85,000	8,690
Interest received	16,271	49,989
	<u>                    </u>	<u>                    </u>
Net cash outflow from operating activities	(387,061)	(1,550,980)
	<u>                    </u>	<u>                    </u>
<b>Cash flows from investing activities</b>	-	-
	<u>                    </u>	<u>                    </u>
<b>Cash flows from financing activities</b>	-	-
	<u>                    </u>	<u>                    </u>
<b>Net decrease in cash and cash equivalents</b>	(387,061)	(1,550,980)
Cash and cash equivalents at the beginning of the half year	931,197	2,963,803
	<u>                    </u>	<u>                    </u>
<b>Cash and cash equivalents at the end of the half year</b>	<u>544,136</u>	<u>1,412,823</u>

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

# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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

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

The half year financial statements should be read in conjunction with the annual financial statements of Red Hill Iron Limited as at 30 June 2014.

It is also recommended that the half year financial statements be considered together with any public announcements made by Red Hill Iron during the half year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

#### (a) Basis of accounting

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

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

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial statements are consistent with those adopted and disclosed in the Company's annual financial statements for the year ended 30 June 2014 and the corresponding half year reporting period, except as follows:

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

AASB 2014-1: 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. No options were issued during the period.

Interpretation 21: The Company is not liable to pay any government levies so there was no impact on the financial statements upon first adoption of this interpretation.



# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### NOTE 2 - SEGMENT INFORMATION

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

	31 December 2014 \$	30 June 2014 \$
Reportable segment assets	<u>10,008,025</u>	<u>10,240,531</u>
Reportable segment liabilities	<u>54,688</u>	<u>66,992</u>
	31 December 2014 \$	31 December 2013 \$
Reportable segment loss	<u>(272,809)</u>	<u>(1,297,417)</u>
Reconciliation of reportable segment loss:		
Reportable segment loss	(272,809)	(1,297,417)
Other revenue	13,036	37,203
Unallocated corporate expenses	<u>(259,217)</u>	<u>(278,965)</u>
Loss before tax	<u>(518,990)</u>	<u>(1,539,179)</u>

### NOTE 3 – REVENUE

#### Revenue from continuing operations

Interest income	<u>13,036</u>	<u>37,203</u>
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### NOTE 4 – ADMINISTRATION EXPENSES

Loss before income tax includes the following specific administration expenses:

Personnel expenses		
Salaries, superannuation and associated expenses	94,143	133,091
Less: Expensed to exploration	<u>(27,596)</u>	<u>(90,338)</u>
	66,547	42,753
Depreciation	332	1,050
Other administration expenses		
Accounting fees	22,986	35,002
Administration services	30,240	27,229
Audit Fees	8,890	12,858
Company secretarial	21,150	23,556
Legal fees	38,677	73,933
Operating lease expense	41,084	49,138
Other	<u>29,311</u>	<u>13,446</u>
	<u>259,217</u>	<u>278,965</u>

# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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

	31 December 2014	30 June 2014
	\$	\$
Trade creditors and accruals	103,343	286,183
Employee entitlements	<u>6,347</u>	<u>9,664</u>
	<u>109,690</u>	<u>295,846</u>

### NOTE 6 – EQUITY – SECURITIES ISSUED

#### Ordinary Shares Fully Paid

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	No of Shares	No of Shares	\$	\$
At 1 July	<u>49,405,037</u>	<u>49,405,037</u>	<u>25,086,598</u>	<u>25,086,598</u>
At 31 December	<u>49,405,037</u>	<u>49,405,037</u>	<u>25,086,598</u>	<u>25,086,598</u>

### NOTE 7 – EQUITY RESERVES

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

### NOTE 8 – COMMITMENTS FOR EXPENDITURE

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

### NOTE 9 – RELATED PARTY TRANSACTIONS

Arrangements with related parties, details of which are set out in the financial report for the year ended 30 June 2014, continue to be in place.

### NOTE 10 – EVENTS OCCURRING AFTER BALANCE DATE

There have been no material items, transactions or events subsequent to 31 December 2014 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in these statements.

### NOTE 11 – CONTINGENT LIABILITIES

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

### NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Recurring fair value measurements

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

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

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

# RED HILL IRON LIMITED

## DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2014

In the opinion of the directors:

- (a) the financial statements and notes set out in this financial report are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



**Neil Tomkinson**  
**Chairman**  
Perth, 6 March 2015

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Red Hill Iron Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Red Hill Iron Limited, which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Red Hill Iron Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

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



## Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'BDO' on the top line and 'BMcV' on the bottom line, followed by a large, stylized flourish.

Brad McVeigh  
Director

Perth, 6 March 2015

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF RED HILL IRON LIMITED

As lead auditor for the review of Red Hill Iron Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Brad McVeigh  
Director

BDO Audit (WA) Pty Ltd

Perth, 6 March 2015