

RED HILL IRON LIMITED

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2015

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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 2015.

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 Mark Okeby | Non Executive Director, appointed 12 August 2015 |
| Mr Garry Strong | Executive Director |

REVIEW AND RESULTS OF OPERATIONS

The Company's operating loss for the half year ended 31 December 2015 was \$345,527 (2014: \$518,990).

Operations Review

Red Hill Iron is a 40% participant in the Red Hill Iron Ore Joint Venture (RHIOJV), which is part of the planned development of the West Pilbara Iron Ore Project (WPIOP) the participants in which are Aquila Resources, POSCO and AMCI Inc. The WPIOP involves iron ore production of 40 million tonnes per annum (dry) and transportation of the ore to Asian markets via a new 250 km railway and a new deep-water port facility located at Anketell Point.

During the half-year, due largely to current iron ore market conditions, a decision has been made by the WPIOP participants to discontinue targeting completion of a definitive feasibility study on the WPIOP for mid-2016. However key approvals and areas of potential value enhancement will continue to be pursued ahead of an anticipated decision on the immediate future of the Project to be made at the end of the first quarter of calendar year 2016.

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, 25 February 2016

RED HILL IRON LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2015

| | Note | 31 December 2015 \$ | 31 December 2014 \$ |
|---|------|------------------------|------------------------|
| Revenue from continuing operations | 2 | 3,426 | 13,036 |
| Exploration expenditure | | (102,897) | (272,809) |
| Administration expenses | 3 | <u>(246,056)</u> | <u>(259,217)</u> |
| Loss before income tax | | (345,527) | (518,990) |
| Income tax expense | | <u>-</u> | <u>-</u> |
| Loss for the half year after tax | | (345,527) | (518,990) |
| Other comprehensive income for the half year | | <u>-</u> | <u>-</u> |
| Total comprehensive loss for the half year attributable to the equity holders of the Company | | <u>(345,527)</u> | <u>(518,990)</u> |

Loss per share attributable to the ordinary equity holders of the Company

| | | |
|----------------------------------|--------------|--------------|
| Basic and diluted loss per share | (0.70) cents | (1.05) 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 2015

| | Note | 31 December 2015 \$ | 30 June 2015 \$ |
|-----------------------------|------|------------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 177,479 | 532,112 |
| Trade and other receivables | | <u>16,908</u> | <u>20,699</u> |
| Total Current Assets | | <u>194,387</u> | <u>552,811</u> |
| Non Current Assets | | | |
| Exploration assets | | 10,008,025 | 10,008,025 |
| Plant and equipment | | <u>-</u> | <u>52</u> |
| Total Non Current Assets | | <u>10,008,025</u> | <u>10,008,077</u> |
| Total Assets | | <u>10,202,412</u> | <u>10,560,888</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 4 | <u>107,601</u> | <u>120,550</u> |
| Total Current Liabilities | | <u>107,601</u> | <u>120,550</u> |
| Total Liabilities | | <u>107,601</u> | <u>120,550</u> |
| Net Assets | | <u>10,094,811</u> | <u>10,440,338</u> |
| EQUITY | | | |
| Issued Capital | | 25,086,598 | 25,086,598 |
| Reserves | | 462,770 | 462,770 |
| Accumulated losses | | <u>(15,454,557)</u> | <u>(15,109,030)</u> |
| Total Equity | | <u>10,094,811</u> | <u>10,440,338</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 2015

| | Issued Capital \$ | Share Based Payments Reserve \$ | Exercised Options Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|--|-------------------------|---|---------------------------------------|-----------------------------|-----------------------|
| 2015 | | | | | |
| Balance at 1 July 2015 | 25,086,598 | 177,000 | 285,770 | (15,109,030) | 10,440,338 |
| Comprehensive Income: | | | | | |
| Net loss for the half year | - | - | - | (345,527) | (345,527) |
| Total comprehensive income for the half year | - | - | - | (345,527) | (345,527) |
| Transactions with equity holders in their capacity as equity holders | - | - | - | - | - |
| Balance at 31 December 2015 | 25,086,598 | 177,000 | 285,770 | (15,454,557) | 10,094,811 |
| 2014 | | | | | |
| 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 | - | - | - | - | - |
| Balance at 31 December 2014 | 25,086,598 | 177,000 | 285,770 | (15,067,874) | 10,481,494 |

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 2015

| | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Payments to suppliers and employees | (261,225) | (370,875) |
| Payments for exploration expenditure | (98,639) | (349,238) |
| Proceeds from Research & Development incentive | - | 231,781 |
| Proceeds from security deposits | - | 85,000 |
| Interest received | 5,231 | 16,271 |
| | <u>(354,633)</u> | <u>(387,061)</u> |
| Cash flows from investing activities | <u>-</u> | <u>-</u> |
| Cash flows from financing activities | <u>-</u> | <u>-</u> |
| Net decrease in cash and cash equivalents | (354,633) | (387,061) |
| Cash and cash equivalents at the beginning of the half year | <u>532,112</u> | <u>931,197</u> |
| Cash and cash equivalents at the end of the half year | <u>177,479</u> | <u>544,136</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 2015

NOTE 1 – 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 2015 | 30 June 2015 |
|--|-------------------------|---------------------|
| | \$ | \$ |
| Reportable segment assets | <u>10,008,025</u> | <u>10,008,025</u> |
| Reportable segment liabilities | <u>51,777</u> | <u>49,751</u> |
| Reconciliation of reportable segment liabilities: | | |
| Reportable segment liabilities | 51,777 | 49,751 |
| Unallocated corporate liabilities | <u>55,824</u> | <u>70,799</u> |
| Total liabilities | <u>107,601</u> | <u>120,550</u> |

| | 31 December 2015 | 31 December 2014 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Reportable segment loss | <u>(102,897)</u> | <u>(272,809)</u> |
| Reconciliation of reportable segment loss: | | |
| Reportable segment loss | (102,897) | (272,809) |
| Other revenue | 3,426 | 13,036 |
| Unallocated corporate expenses | <u>(246,056)</u> | <u>(259,217)</u> |
| Loss before tax | <u>(345,527)</u> | <u>(518,990)</u> |

NOTE 2 – REVENUE

Revenue from continuing operations

| | | |
|-----------------|--------------|---------------|
| Interest income | <u>3,426</u> | <u>13,036</u> |
|-----------------|--------------|---------------|

RED HILL IRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 3 – ADMINISTRATION EXPENSES

| | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| | \$ | \$ |
| Loss before income tax includes the following specific administration expenses: | | |
| Personnel expenses | | |
| Salaries, superannuation and associated expenses | 94,523 | 94,143 |
| Less: Expensed to exploration | <u>(21,863)</u> | <u>(27,596)</u> |
| | 72,660 | 66,547 |
| Depreciation | 52 | 332 |
| Other administration expenses | | |
| Accounting fees | 26,186 | 22,986 |
| Administration services | 30,240 | 30,240 |
| Audit Fees | 9,423 | 8,890 |
| Company secretarial | 21,150 | 21,150 |
| Legal fees | 1,000 | 38,677 |
| Operating lease expense | 45,877 | 41,084 |
| Other | <u>39,468</u> | <u>29,311</u> |
| | <u>246,056</u> | <u>259,217</u> |

NOTE 4 – TRADE AND OTHER PAYABLES

| | 31 December 2015 | 30 June 2015 |
|------------------------------|------------------|----------------|
| | \$ | \$ |
| Trade creditors and accruals | 100,034 | 115,239 |
| Employee entitlements | <u>7,567</u> | <u>5,311</u> |
| | <u>107,601</u> | <u>120,550</u> |

NOTE 5 – CAPITAL

Ordinary Shares Fully Paid

There was no movement in the ordinary shares and issued capital during the half year.

NOTE 6 – RESERVES

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

NOTE 7 – COMMITMENTS FOR EXPENDITURE

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

RED HILL IRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 8 – RELATED PARTY TRANSACTIONS

In August 2015 the Company entered into agreements with companies associated with directors Mr Tomkinson and Mr Pitt whereby these companies made available loan facilities totalling \$500,000 to the Company. These facilities are to enable the Company to meet its ongoing working capital requirements. As at the date of this report, no part of these facilities had been drawn down.

Subsequent to the end of the reporting period, these facilities were increased by \$200,000 to \$700,000.

All other arrangements with related parties, details of which are set out in the financial report for the year ended 30 June 2015, continue to be in place.

NOTE 9 – EVENTS OCCURRING AFTER BALANCE DATE

There have been no material items, transactions or events subsequent to 31 December 2015, other than the related party transactions referred to above, which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in these statements.

NOTE 10 – CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities at 31 December 2015 other than that relating to mineral exploration agreements as noted in the 30 June 2015 annual report.

NOTE 11 – BASIS OF PREPARATION

The half year financial statements do not include all notes of the type normally included within the annual financial statements. It 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 and should be read in conjunction with the annual financial statements of Red Hill Iron Limited as at 30 June 2015.

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 2015 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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.

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 2015 and the corresponding half year reporting period.

Going Concern

The Company incurred a loss for the half year of \$345,527 (2014: loss \$518,990) and a net cash outflow from operating activities of \$354,633 (2014: net cash outflow \$387,061). At 31 December 2015, the Company had cash assets of \$177,479 and current assets exceeded current liabilities by \$86,786.

Whilst the Directors consider that the Company has sufficient cash and assets to meet its ongoing exploration commitments and administration expenditure through the next 12 months, they recognise that, in the absence of other funding alternatives, this is dependent upon drawing down on the \$700,000 loan facility from the directors-related entities, as mentioned in Note 8. Based on this, the Directors consider it appropriate that the financial report be prepared on a going concern basis.

RED HILL IRON LIMITED

DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2015

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 2015 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, 25 February 2016

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 2015, 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 2015 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 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch
Director

Perth, 25 February 2016

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH 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 2015, 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.



Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, 25 February 2016