RED HILL IRON Limited
ABN: 44 114 553 392

Level 2, 9 Havelock Street, West Perth WA 6005
PO Box 1160, West Perth WA 6872
Telephone: (61 8) 9481 8627
Facsimile: (61 8) 9481 8445
E-mail: redhillinfo@redhilliron.com.au
Website: www.redhilliron.com.au

23 September 2016

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

Dear Sir/Madam

Financial Statements and Directors' Report

Attached is a copy of the Financial Statements and Directors' Report for the company for the year ended 30 June 2016.

Yours faithfully

P C Ruttledge
Company Secretary

RED HILL IRON LIMITED

ABN 44 114 553 392

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2016

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

Red Hill Iron Limited (the Company or Red Hill Iron) is an Australian company listed on the Australian Securities Exchange (ASX). The registered and corporate office of the Company is 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 2016.

DIRECTORS

The following persons were directors of the Company during the financial year and up to the date of this report:
Neil Tomkinson
Joshua Pitt
Garry Strong
Mark Okeby (appointed 12 August 2015)

PRINCIPAL ACTIVITIES

The principal activities of the Company are exploration for iron ore, gold and base metals. 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

IRON ORE

Red Hill Iron is a 40% participant in the Red Hill Iron Ore Joint Venture (RHIOJV), which forms a major part of the planned development of the West Pilbara Iron Ore Project (WPIOP) the participants in which are Aquila Resources, POSCO and AMCI.

The WPIOP involves proposed iron ore production of 40 million tonnes per annum with transportation of the ore to Asian markets. A key development requirement is a rail connection to a new port or to one of the already existing iron ore port facilities on the Western Australian coast. Whilst the completion of a Project Feasibility Study has been delayed by the continuing slowdown in world steel production and the accompanying fall in the iron ore price, studies by the manager of the RHIOJV are ongoing and the WPIOP participants have commenced a desktop study to consider an integrated rail and port infrastructure solution. Areas of potential project value optimisation and enhancement will continue to be investigated over the balance of 2016.

Red Hill Iron's wholly owned Pannawonica iron ore deposits are also awaiting a rise in the iron ore price and access to port facilities.

GOLD AND BASE METALS

The Company has reviewed the gold and base metal potential of the extensive tenement package in the West Pilbara which is the focus of the RHIOJV. All non ferrous mineral rights on this large package of tenements are retained by Red Hill Iron. An intensive on ground field study has been completed.

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 2016

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year, the Company entered into an agreement with Chalice Gold Mines Limited (Chalice) to allow Chalice to farm-in to the Company's gold and base metal interests within the RHIOJV project area - termed the West Pilbara Gold Project. Chalice can earn up to 70% in the gold and base metal interests through expenditure of $3M with an initial minimum commitment of $500,000 within the first twelve months. The estimated financial effect of this agreement for the Company cannot be reliably measured at this time.

Subsequent to the end of the financial year the Company negotiated changes to the terms of its loan facility from related parties, increasing the facility to $900,000, consisting of two short term loans of up to $450,000 each, and extending the term to 15 October 2017.

To the best of the directors' knowledge and belief, there were no other material items, transactions or events subsequent to the end of the financial year which, although they do not relate to conditions existing at that date, have not been dealt with in these financial statements and which would cause reliance on the information shown in this report to be misleading.

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 2015 to 30 June 2016 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 and is an investor in private mineral exploration and in resources in general in Australia. He is a non-executive director of Hampton Hill Mining NL (appointed January 1997) and the non-executive chairman of Traka Resources Limited (appointed September 2003). He was a non-executive director of Pan Pacific Petroleum NL until his resignation in August 2014. Mr Tomkinson has held no other directorships of ASX listed companies during the last three years.

Non-executive Directors

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. He is 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) and Red Metal Limited (appointed July 2003).). He was a non-executive director of Pan Pacific Petroleum NL until his resignation in August 2014. Mr Pitt has held no other directorships of ASX listed companies during the last three years.

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. Mr Strong was an executive director of the Company to 31 March 2016, thereafter assuming a non-executive role. He has held no other directorships of ASX listed companies during the last three years.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

INFORMATION RELATING TO THE DIRECTORS (continued)

Mark Okeby, LLM

Mr Okeby has considerable experience in the resources industry as a lawyer and as a director of listed companies. He holds a Master of Laws (LLM) and was appointed a non-executive director on 12 August 2015. Mr Okeby is also a non-executive director of Regis Resources Ltd (appointed 29 July 2009). Mr Okeby has held no other directorships of ASX listed companies during the last three years.

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 thirty 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	6,203,254	-
J N Pitt	9,014,255	-
G R Strong	1,286,938	-
D M Okeby	625,000	-

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	9	9
J N Pitt	9	9
G R Strong	9	9
D M Okeby	7	7

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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

AUDITED REMUNERATION REPORT (continued)

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 directors 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.

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 Mr G Strong during his term as an executive director consisted of the basic fee paid to a non-executive director plus a set monthly amount to compensate him for his executive services. It was paid in the form of director fees and related superannuation plus a fee for the executive services.

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:

		2016	**2015**	**2014**	**2013**	**2012**
Revenue and other	$	5,223	344,090	290,013	80,567	152,811
Net Loss	$	668,578	560,146	1,973,042	3,596,293	1,043,311
Loss per share	cents	1.4	1.1	4.0	7.9	2.4
Share price at year end	$	0.41	0.80	1.65	0.80	1.90

No dividends have been declared during these periods.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

AUDITED REMUNERATION REPORT (continued)

(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:

	Year	Short-term benefits Salary & fees	Post-employment benefits Superannuation	Total	Performance related
Executive directors		$	$	$	%
N Tomkinson (Chairman)	**2016**	**25,000**	**2,375**	**27,375**	**-**
	2015	27,375	-	27,375	-
G R Strong	**2016**	**65,000**	**20,531**	**85,531**	**-**
	2015	98,000	27,375	125,375	-
Non-executive directors					
J N Pitt	**2016**	**25,000**	**2,375**	**27,375**	**-**
	2015	25,000	2,375	27,313	-
G R Strong	**2016**	**14,000**	**6,844**	**20,844**	**-**
	2015	-	-	-	-
D M Okeby	**2016**	**22,175**	**2,107**	**24,282**	**-**
	2015	-	-	-	-
Total	**2016**	**151,175**	**34,232**	**185,407**	**-**
	2015	150,375	29,750	180,125	-

Mr Strong ceased to act in an executive capacity on 31 March 2016 whereupon the "Salary & fees" component of his remuneration was no longer paid. No part of the remuneration of the key management personnel is contingent upon the performance of the Company.

(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.

Non-executive director

Mr Strong acted in an executive role up to 31 March 2016, overseeing the Company's ongoing exploration and evaluation of its Pannawonica CID project as well as undertaking other exploration and RHIOJV related activities. Mr Strong was paid $7,500 per month plus a field allowance of $500 per day when attending the project site. No fixed terms or notice period applied and there was no provision for termination benefits. With effect from 1 April 2016, Mr Strong ceased to act in an executive role and his remuneration reverted to the annual fee paid for services as a director.

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

No options have been issued to, or exercised by, directors or any other key management personnel during the year ended 30 June 2016. No options are held by key management personnel and currently the Board does not anticipate that any share-based compensation will be issued to directors.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

(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:

	Balance 1 July 2015	Balance on appointment	Net changes	Balance 30 June 2016
Directors				
N Tomkinson	5,292,043	n/a	865,607	6,157,650
J N Pitt	8,268,722	n/a	725,533	8,994,255
G R Strong	1,286,938	n/a	-	1,286,938
D M Okeby	n/a	-	625,000	625,000
	14,847,703	-	2,216,140	17,063,843

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

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

There were no shares granted on the exercise of options to key management personnel during the reporting period.

None of the shares are held nominally.

(f) Transactions with key management personnel

Income from related parties

During the financial year the Company paid $89,493 (2015: $87,211) 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.

Borrowings from directors

During the financial year, the Company entered into agreements with companies associated with directors Mr Tomkinson and Mr Pitt, whereby these companies made available a loan facility totalling $700,000 to the Company. This facility consists of two unsecured short term loans of up to $350,000 each at an interest rate of 2.5% per annum, repayable by 30 April 2017, is otherwise on normal commercial terms and conditions. The facility is to enable the Company to meets its ongoing working capital requirements.

Subsequent to the end of the financial year the loan facility was increased to $900,000, consisting of two loans of up to $450,000 each, and the term was extended to 15 October 2017.

The total amount drawn on the facility at balance date was $200,000 - $100,000 on each loan. The total interest payable on the loans for the financial year was $1,339 all of which remained payable at balance date.

Loans to key management personnel

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

(g) Additional information

The Company received a majority of votes in favour of its remuneration report for the 2015 financial year at its Annual General Meeting (AGM). The Company did not receive any specific comments on its remuneration practices at the AGM or throughout that year.

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

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

The audited remuneration report ends here.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2016

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.

CHANGE OF AUDITOR

BDO Audit (WA) Pty Ltd (BDO), with the consent of the Australian Securities Investments Commission, resigned as the Company's auditor on 19 May 2016 and HLB Mann Judd (WA Partnership) (HLB) was appointed by the directors in accordance with Section 327C(1) of the Corporations Act 2001. HLB holds office in accordance with section 327C(2) of the Corporations Act 2001 until the Company's next annual general meeting.

NON-AUDIT SERVICES

Neither BDO nor HLB performed any non-audit services for the Company for the year ended 30 June 2016.

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.

Signed in Perth in accordance with a resolution of directors on 22 September 2016.

Neil Tomkinson

Mr N Tomkinson
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Red Hill Iron Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
22 September 2016

B McVeigh
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 $	2015 $
Revenue from continuing operations	2	4,223	19,877
Other income	2	1,000	324,213
Exploration expenditure		(202,406)	(376,210)
Administration expenses	3	(471,395)	(528,026)
Loss before income tax		(668,578)	(560,146)
Income tax expense	4	-	-
Loss for the year		(668,578)	(560,146)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year attributable to the ordinary equity holders of the Company		(668,578)	(560,146)
Loss per share attributable to the ordinary equity holders of the Company		**cents**	**cents**
Basic and diluted loss per share	5	1.35	1.13

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 2016

	NOTE	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	109,770	532,112
Trade and other receivables	7	11,053	20,699
Total Current Assets		120,823	552,811
Non-Current Assets			
Exploration assets	8	10,008,025	10,008,025
Plant and equipment	9	-	52
Total Non-Current Assets		10,008,025	10,008,077
Total Assets		10,128,848	10,560,888
LIABILITIES			
Current Liabilities			
Trade and other payables	10	157,088	120,550
Borrowings	11	200,000	-
Total Current Liabilities		357,088	120,550
Total Liabilities		357,088	120,550
Net Assets		9,771,760	10,440,338
EQUITY			
Issued capital	12	25,086,598	25,086,598
Reserves	13	462,770	462,770
Accumulated losses		(15,777,608)	(15,109,030)
Total Equity		9,771,760	10,440,338

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 2016

	Issued capital $	Share based payments reserve $	Future value option reserve $	Accumulated losses $	Total equity $
2016					
Balance at 1 July 2015	25,086,598	177,000	285,770	(15,109,030)	10,440,338
Net loss for the year	-	-	-	(668,578)	(668,578)
Total comprehensive loss recognised during the year	-	-	-	(668,578)	(668,578)
Transactions with equity holders in their capacity as equity holders:	-	-	-	-	-
Balance at 30 June 2016	25,086,598	177,000	285,770	(15,777,608)	9,771,760
2015					
Balance at 1 July 2014	25,086,598	177,000	285,770	(14,548,884)	11,000,484
Net loss for the year	-	-	-	(560,146)	(560,146)
Total comprehensive loss recognised during the year	-	-	-	(560,146)	(560,146)
Transactions with equity holders in their capacity as equity holders:	-	-	-	-	-
Balance at 30 June 2015	25,086,598	177,000	285,770	(15,109,030)	10,440,338

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 2016

	NOTE	2016 $	2015 $
Cash flows from operating activities			
Payments to suppliers and employees		(441,970)	(595,239)
Payments for exploration expenditure		(187,475)	(468,451)
Receipt of Research & Development incentive		-	555,994
Receipts of security deposits refunded		-	85,000
Interest received		6,103	23,611
Net cash outflows from operating activities	14	(623,342)	(399,085)
Cash flows from investing activities			
Proceeds from sale of plant and equipment	2	1,000	-
Net cash flows from investing activities		1,000	-
Cash flows from financing activities			
Proceeds from borrowings		200,000	-
Net cash flows from financing activities		200,000	-
Net decrease in cash and cash equivalents		(422,342)	(399,085)
Cash and cash equivalents at the beginning of the year		532,112	931,197
Cash and cash equivalents at the end of the year	6	109,770	532,112

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 2016

NOTE 1 SEGMENT INFORMATION

Management has determined that the Company has one reportable operating and geographical segment, being mineral exploration within Western Australia. 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.

The board of directors 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.

	2016 $	2015 $
Reportable segment assets	10,008,025	10,008,025
Reconciliation of reportable segment assets:		
Reportable segment assets	10,008,025	10,008,025
Unallocated corporate assets	120,823	552,863
Total assets	10,128,848	10,560,888
Reportable segment liabilities	64,682	49,751
Reconciliation of reportable segment liabilities:		
Reportable segment liabilities	64,682	49,751
Unallocated corporate liabilities	292,406	70,799
Total liabilities	357,088	120,550
Reportable segment loss	(202,406)	(51,997)
Reconciliation of reportable segment loss:		
Reportable segment loss	(202,406)	(51,997)
Other revenue	5,223	19,877
Unallocated corporate expenses	(471,395)	(528,026)
Loss before tax	(668,578)	(560,146)

NOTE 2 REVENUE

Revenue from continuing operations		
Interest income	4,223	19,877
Other income		
Profit on disposal of assets	1,000	-
Research and development incentive	-	324,213

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 2016

NOTE 3 ADMINISTRATION EXPENSES	2016 $	2015 $
Loss before income tax includes the following specific administration expenses:		
Personnel expenses		
Salaries, directors fees and other employment expenses	152,915	153,017
Superannuation	13,043	10,438
	165,958	163,455
Less: Recharged to exploration expenditure	(38,362)	(65,863)
	127,596	97,592
Depreciation	52	459
Other expenses		
Accounting fees	49,172	49,172
Administration services	60,480	60,480
Audit fees	23,698	26,921
Operating lease expense	80,988	77,617
Legal expenses	1,367	42,677
Listing fees	30,185	32,454
Other	97,857	140,654
	471,395	528,026

NOTE 4 INCOME TAX

(a) Income tax benefit

The components of income tax benefit comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

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

Operating loss before income tax	(668,578)	(560,146)
Prima facie tax benefit at Australian rate of 28.5% (2015: 30%)	(190,545)	(168,044)
Adjusted for tax effect of the following amounts:		
Non-taxable items	(4,640)	(102,148)
Under provision in prior year	-	216,143
Adjustment for change in tax rate	211,678	-
Tax benefits not brought to account	(16,493)	54,049
Income tax benefit	-	-

The charge for current income tax expenses is based on the loss for the year adjusted for any non-assessable or disallowed items, calculated using tax rates enacted or substantively enacted by the balance date.

The income tax rate for small business entities was reduced from 30% to 28.5% effective from 1 July 2015. The Company currently satisfies the conditions to be a small business entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4 INCOME TAX (continued)

(c) Deferred tax assets and liabilities not brought to account	**2016**	**2015**
	$	**$**
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 28.5% (2015: 30%) are made up as follows:		
On income tax account:		
Carried forward tax losses	7,064,250	7,232,494
Deductible temporary differences	5,106	4,040
Taxable temporary differences	(2,852,287)	(3,002,971)
Unrecognised net deferred tax assets	4,217,069	4,233,563

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.

NOTE 5 LOSS PER SHARE	**cents**	**cents**
Basic and diluted loss per share	1.35	1.13
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	(668,578)	(560,146)
	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	49,405,037	49,405,037

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 5 LOSS PER SHARE (continued)

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. 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.

NOTE 6 CASH AND CASH EQUIVALENTS	2016	2015
	$	$
Cash at bank and on hand	109,770	132,112
Deposits at call	-	400,000
	109,770	532,112

Cash includes deposits at call, short term deposits 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.

Information about the Company's exposure to interest rate risk and credit risk is disclosed in Note 22.

NOTE 7 TRADE AND OTHER RECEIVABLES

Interest receivable	-	1,879
Other	11,053	18,820
	11,053	20,699

Interest receivable comprises 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 goods and services tax (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 22.

NOTE 8 EXPLORATION ASSETS

Carrying amount	10,008,025	10,008,025

The carrying amount represents the initial acquisition cost of the Company's wholly owned Pannawonica Iron Ore Project ($9,905,915) and the initial acquisition cost of the tenements that form the basis of the RHIOJV ($102,110). 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8 EXPLORATION ASSETS (CONTINUED)

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.

NOTE 9 PLANT AND EQUIPMENT	2016 $	2015 $
Field equipment – at cost	5,715	21,966
Accumulated depreciation	(5,715)	(21,914)
Total field equipment – carrying amount	-	52
Total plant and equipment – carrying amount	-	52
Field equipment		
Carrying amount at 1 July	52	511
Additions during the year	-	-
Disposals during the year	-	-
Depreciation expense	(52)	(459)
Carrying amount at 30 June	-	52

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 field equipment are 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 Profit or Loss and Other Comprehensive Income.

NOTE 10 TRADE AND OTHER PAYABLES

Trade creditors and accruals	144,091	115,240
Employee entitlements	12,997	5,310
	157,088	120,550

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. Non-derivative financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debts less principal payments and amortisation. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Information about the Company's exposure to liquidity risk is disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11 BORROWINGS

	2016 $	2015 $
Current and unsecured loans – related	200,000	-
Finance costs – related party loans	1,339	-

During the financial year, the Company entered into agreements with companies associated with directors Mr Tomkinson and Mr Pitt, whereby these companies made available a loan facility totalling $700,000 to the Company. This facility consists of two unsecured short term loans of up to $350,000 each at an interest rate of 2.5% per annum, repayable by 30 April 2017, and is otherwise on normal commercial terms and conditions. The facility is to enable the Company to meets its ongoing working capital requirements.

Subsequent to the end of the financial year the loan facility was increased to $900,000, consisting of two loans of up to $450,000 each, and the term was extended to 15 October 2017.

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. Due to the short term nature of these borrowings, their carrying value is assumed to approximate their fair value.

NOTE 12 ISSUED CAPITAL

(a) Share Capital

49,405,037 (2015: 49,405,037) fully paid ordinary shares	25,086,598	25,086,598

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.

The Company's capital risk management policy is set out in Note 22.

(b) Rights attaching to ordinary shares

The ordinary shares have no par value. 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 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 shares are listed on the ASX and carry no trade restrictions.

(c) Movements in ordinary fully paid shares during the past two years

	2016 Number of shares	2015 Number of shares	2016 Amount $	2015 Amount $
At 1 July	49,405,037	49,405,037	25,086,598	25,086,598
Movement during the year	-	-	-	-
At 30 June	49,405,037	49,405,037	25,086,598	25,086,598

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 12 ISSUED CAPITAL (continued)

(d) Share options - unlisted

Options on issue and movement in options during the past two years:

	2016 Number of options	2015 Number of options	Grant date	Expiry date	Exercise price per share $
At 1 July	500,000	500,000	13 April 2013	8 April 2016	0.9875
Options issued during the year	-	-			
Options expired during the year	(500,000)	-	13 April 2013	8 April 2016	0.9875
Options exercised during the year	-	-			
At 30 June	-	500,000			
Vested and exercisable at 30 June	-	500,000			

The weighted average remaining contractual life of options outstanding at the end of the prior year was 9 months.

The fair value of the options expired during the year was $177,000

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.

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.

NOTE 13 RESERVES

	2016 $	2015 $
Share based payments reserve	177,000	177,000
Future value option reserve	285,770	285,770
	462,770	462,770

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14 CASH FLOW INFORMATION

Reconciliation of loss after income tax with cash flow from operating activities

	2016 $	2015 $
Loss after income tax	(668,578)	(560,146)
Depreciation	52	459
Profit on disposal of non current assets	(1,000)	-
Change in operating assets and liabilities:		
Decrease in debtors	1,879	235,515
Increase/(Decrease) in creditors	36,538	(175,296)
Decrease in GST receivable	7,767	15,383
Decrease in security deposit	-	85,000
Net cash outflows from operating activities	(623,342)	(399,085)

NOTE 15 CONTINGENCIES

Contingent liabilities

There are no contingent liabilities for termination benefits under service agreements with directors or executives at 30 June 2016.

The directors are not aware of any other contingent liabilities at 30 June 2016 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, 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.

Minimum estimated expenditure requirements	65,000	207,000

NOTE 17 RELATED PARTY TRANSACTIONS

(a) Key management personnel

Directors of the Company during the financial year were:
Neil Tomkinson
Joshua Pitt
Garry Strong
Mark Okeby

(b) Key management personnel compensation

Short-term employee benefits	151,175	150,375
Post-employment benefits	34,232	29,750
	185,407	180,125

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 2016

NOTE 17 RELATED PARTY TRANSACTIONS (continued)

(c) Loans from director-related entities

Refer to Note 11 Borrowings for details of borrowings from related parties.

(d) Other transactions with director-related entities

During the financial year the Company paid $89,493 (2015: $87,211) 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 2016:

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

In order for API to earn an increase its interest in the RHIOJV from 60% to 81% (dependant on Red Hill Iron's election detailed in (a) and (b) below), API is required to fund, on a 100% basis, all exploration and development expenditures relating to the RHIOJV 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) reduce its interest to a 19% participating interest in the project by agreeing to repay 19% of funds expended on its behalf by API out of 80% of the Company's share of the RHIOJV 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 which are incurred by API on the Company's behalf.

API has advised that the total expenditure funded on behalf of the Company by API to 30 June 2016, including interest thereon, amounted to $23,994,792

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 8.

NOTE 19 EVENTS OCCURRING AFTER BALANCE DATE

Subsequent to the end of the financial year, the Company entered into an agreement with Chalice Gold Mines Limited (Chalice) to allow Chalice to farm-in to the Company's gold and base metal interests within the RHIOJV project area - termed the West Pilbara Gold Project. Chalice can earn up to 70% in the gold and base metal interests through expenditure of $3M with an initial minimum commitment of $500,000 within the first twelve months. The estimated financial effect of this agreement for the Company cannot be reliably measured at this time.

Subsequent to the end of the financial year the Company negotiated changes to the terms of its loan facility from related parties, increasing the facility to $900,000, consisting of two short term loans of up to $450,000 each, and extending the term to 15 October 2017.

To the best of the directors' knowledge and belief, there were no other material items, transactions or events subsequent to the end of the financial year which, although they do not relate to conditions existing at that date, have not been dealt with in these financial statements and which would cause reliance on the information shown in this report to be misleading.

NOTE 20 REMUNERATION OF AUDITORS	**2016**	**2015**
	$	**$**
Amounts received, or due and receivable, by BDO for:		
Auditing and review of the financial report of the Company	9,698	26,291
Other services	-	-
Amounts received, or due and receivable, by HLB for:		
Auditing and review of the financial report of the Company	14,000	-
Other services	-	-
	23,698	26,921

NOTE 21 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.

Capitalisation of exploration and evaluation expenditure

The amount attributable to Exploration Assets in the Statement of Financial Position consists of $9,905,915 relating to the Company's interest in the Pannawonica project and $102,110 relating to the initial acquisition cost of the tenements that form the basis of the RHIOJV. These amounts have been carried forward on the basis that the Directors consider there to be no facts or circumstances suggesting that the carrying amount of the exploration and evaluation assets may exceed their recoverable amount.

NOTE 22 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.

(a) Liquidity risk

The Company has no significant exposure to liquidity risk as the Company's only debt, other than related party loans (Note 11), is that associated with trade creditors in respect of which the Company's policy is to ensure payment within 30 days. The related party loans are not considered to be a significant liquidity risk as the magnitude and term of the loans are such that the Company has adequate time to manage their repayment funded by raising additional capital or realising exploration assets. The Company manages its liquidity by monitoring forecast cash flows

(b) 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, currently AA-.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

Interest rate 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.

The weighted average rate of interest to which the Company was exposed on its cash assets as at the year end was 0.79% (2015: 2.08%).

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.

	Carrying amount of cash assets		Effect of decrease or increase of interest rate on			
			Post tax profit		Equity	
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
Cash & cash equivalents	109,770	532,112				
Change in interest rate:						
- 0.5%			(549)	(2,661)	(549)	(2,661)
+ 0.5%			549	2,661	549	2,661

(d) Capital risk management

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 23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Red Hill Iron is a public company, incorporated and domiciled in Australia and listed on the ASX. The accounting policies adopted in the preparation of the financial statements that relate specifically to matters dealt with in the preceding notes, are set out in the relevant notes. The more general accounting policies not already set out above, are listed below.

These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Statement of compliance and basis of preparation

The financial report was authorised for issue on the 22 September 2016. The financial report complies with the Corporations Act 2001 and Australian Accounting Standards, which include Australian equivalents to International Financial Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS). The Company is a for-profit entity for the purpose of applying these standards.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) 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.

(c) Financial assets and liabilities

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 in the relevant notes.

(d) 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.

Retirement benefits obligations

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

(e) Goods and services tax

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.

(f) Accounting standards and interpretations

New accounting standards adopted

There were no new Australian Accounting Standards that are mandatory for the first time in the current financial year for adoption in the preparation of the financial statement at reporting date.

New accounting standards and interpretations not yet adopted

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference and title	Nature of change to accounting policy and impact on initial application	Application date
AASB 2014-4 Depreciation and amortisation	Revenue-based depreciation for property, plant and equipment cannot be used. The Company does not calculate the depreciation of its property, plant and equipment based on revenue. The adoption of this statement will have no impact on the financial statements.	1 Jan 2016
AASB 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 Company has not yet made a detailed assessment of the impact of this standard.	1 Jan 2018

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2016

1 In the opinion of the Directors of the Company

a. the accompanying financial statements are in accordance with the Corporations Act 2001 and

(i) give a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year then ended; and

(ii) comply with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

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.

c. The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2 This declaration has been made after receiving the declarations required be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 2016

This declaration is signed in accordance with a resolution of the Board of Directors on 22 September 2016 and is signed for and on behalf of the directors by:

Mr N Tomkinson

Chairman

Perth, 22 September 2016

HLB Mann Judd

Accountants | Business and Financial Advisers

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 ("the company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit and 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, for the company.

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 23(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements of Red Hill Iron Limited 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

Auditor's 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 2016 and 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 23(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Red Hill Iron Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B G McVeigh
Partner

Perth, Western Australia
22 September 2016