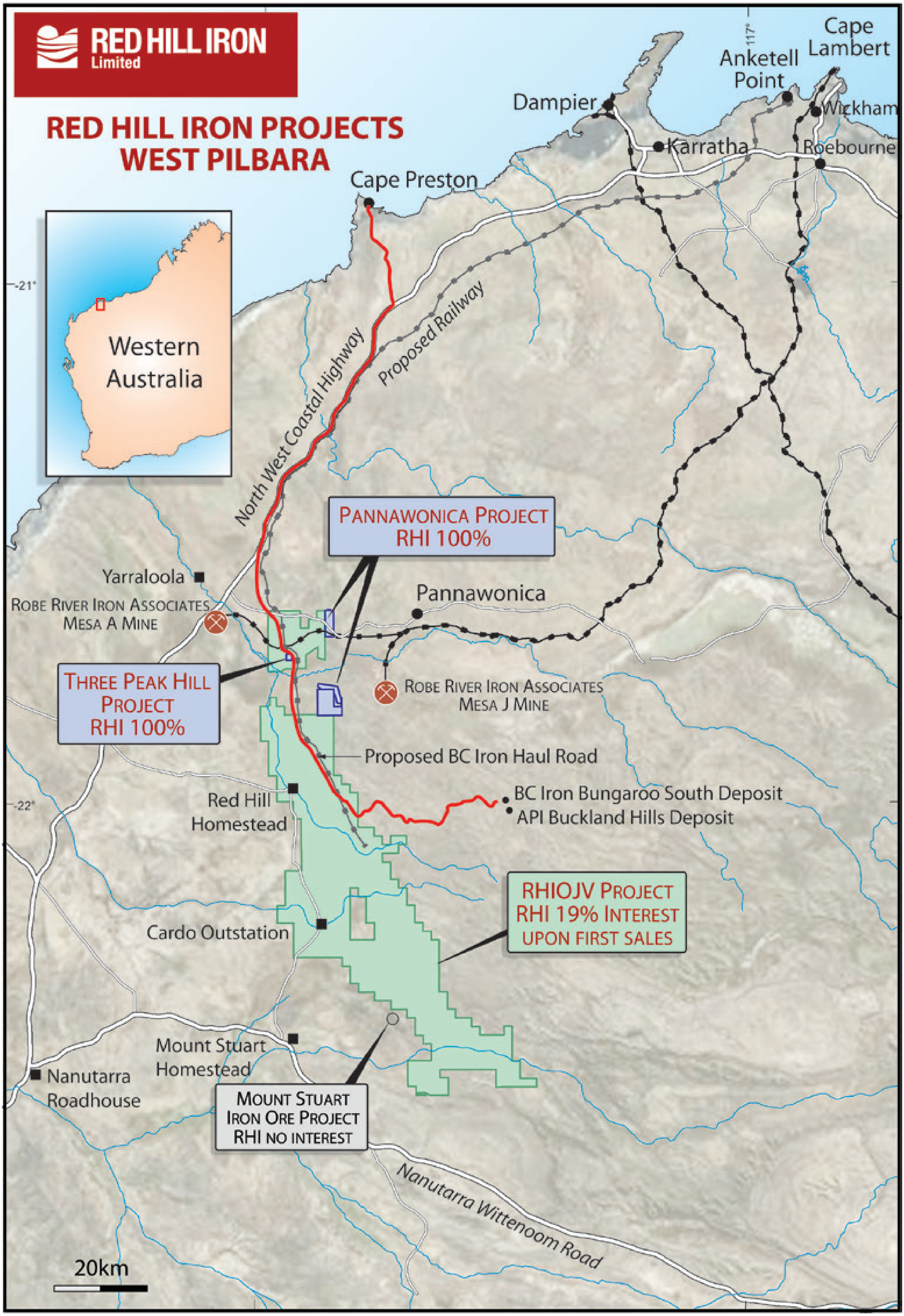
RED HILL IRON Limited

ABN 44 114 553 392

2018 ANNUAL REPORT



RED HILL IRON
Limited
RED HILL IRON PROJECTS
WEST PILBARA
Western
Australia
-21°
-22°
117°
Cape Lambert
Anketell Point
Dampier
Wickham
Karratha
Roebourne
Cape Preston
Proposed Railway
North West Coastal Highway
PANNAWONICA PROJECT
RHI 100%
Yarraloola
Pannawonica
ROBE RIVER IRON ASSOCIATES
MESA A MINE
THREE PEAK HILL
PROJECT
RHI 100%
ROBE RIVER IRON ASSOCIATES
MESA J MINE
Proposed BC Iron Haul Road
Red Hill
Homestead
BC Iron Bungaroo South Deposit
API Buckland Hills Deposit
RHIOJV PROJECT
RHI 19% INTEREST
UPON FIRST SALES
Cardo Outstation
Mount Stuart
Homestead
Nanutarra
Roadhouse
MOUNT STUART
IRON ORE PROJECT
RHI NO INTEREST
Nanutarra Wittenoom Road
20km

CONTENTS

CORPORATE DIRECTORY

DIRECTORS	
Executive	Neil Tomkinson - Chairman
Non Executive	Joshua Pitt Garry Strong Mark Okeby
PROJECT MANAGER	Doug Stewart
COMPANY SECRETARY	Peter Ruttledge
REGISTERED OFFICE	Level 2, 9 Havelock Street West Perth WA 6005 Tel: (08) 9481 8627 Email: redhillinfo@redhilliron.com.au
AUDITOR	HLB Mann Judd (WA Partnership) Level 4, 130 Stirling Street Perth WA 6000
HOME EXCHANGE	Australian Securities Exchange (ASX)
ASX CODE	RHI
SHARE REGISTRY	Security Transfer Australia 770 Canning Highway Applecross WA 6153 Telephone: 1300 992 916 Facsimile: (08) 9315 2233 Email: registrar@securitytransfer.com.au
WEBPAGE	www.redhilliron.com.au
CORPORATE GOVERNANCE STATEMENT	http://www.redhilliron.com.au/CorpGov.htm

Red Hill Iron Limited (ABN 44 114 553 392) is a public listed company incorporated and domiciled in Australia

OPERATIONS REVIEW

Red Hill Iron Limited (Red Hill Iron or the Company) is a ferrous metals, gold and base metals explorer whose activities are concentrated in the West Pilbara region of Western Australia.

The Company is a participant in the Red Hill Iron Ore Joint Venture (RHIOJV) (Red Hill Iron 40% carried interest) which is an integral part of the West Pilbara Iron Ore Project (WPIOP) Stage 1. Additionally, the Company holds all non-ferrous mineral rights within the large RHIOJV tenement area.

NON-FERROUS METAL EXPLORATION

Red Hill Iron recommenced base metal focused exploration in its own right on the RHIOJV tenement area during the year. Extensive field appraisals were carried out seeking new exploration targets and these are ongoing. The region extending south of the Urandy Outcamp has been singled out as of primary potential for mineralization; sedimentary hosted copper-lead-zinc mineralization has been identified near surface and targeting is well advanced.

This base metal search was initiated with a program of Reverse Circulation (RC) drilling with one hole being completed at each of four targets for a total of 620 metres. No significant mineralization was intersected at three of the targets tested, but at S-Bend visual examination of drill chips returned from a 20 metre down-hole interval, interpreted to be close to true width, indicated elevated values with assay results from test samples awaited.

The Company is now planning to complete the 2018 program by drilling at the B4 target, which remains untested following curtailment of the drill program due to weather. The Company also plans to drill a 300 metre hole at S-Bend to test for massive base metal mineralization at depth and a further hole at Urandy East.

In addition the Company is reviewing all past exploration information and will be carrying out field examination of targets defined by both detailed aerial photographic interpretation and a thorough re-examination of detailed aeromagnetic and electromagnetic surveys carried out by Red Hill Iron in 2009. It is anticipated that this process will produce a set of base metal targets to add to the S-Bend, B4 and Urandy East targets which remain untested and are slated for the forthcoming drill campaign.

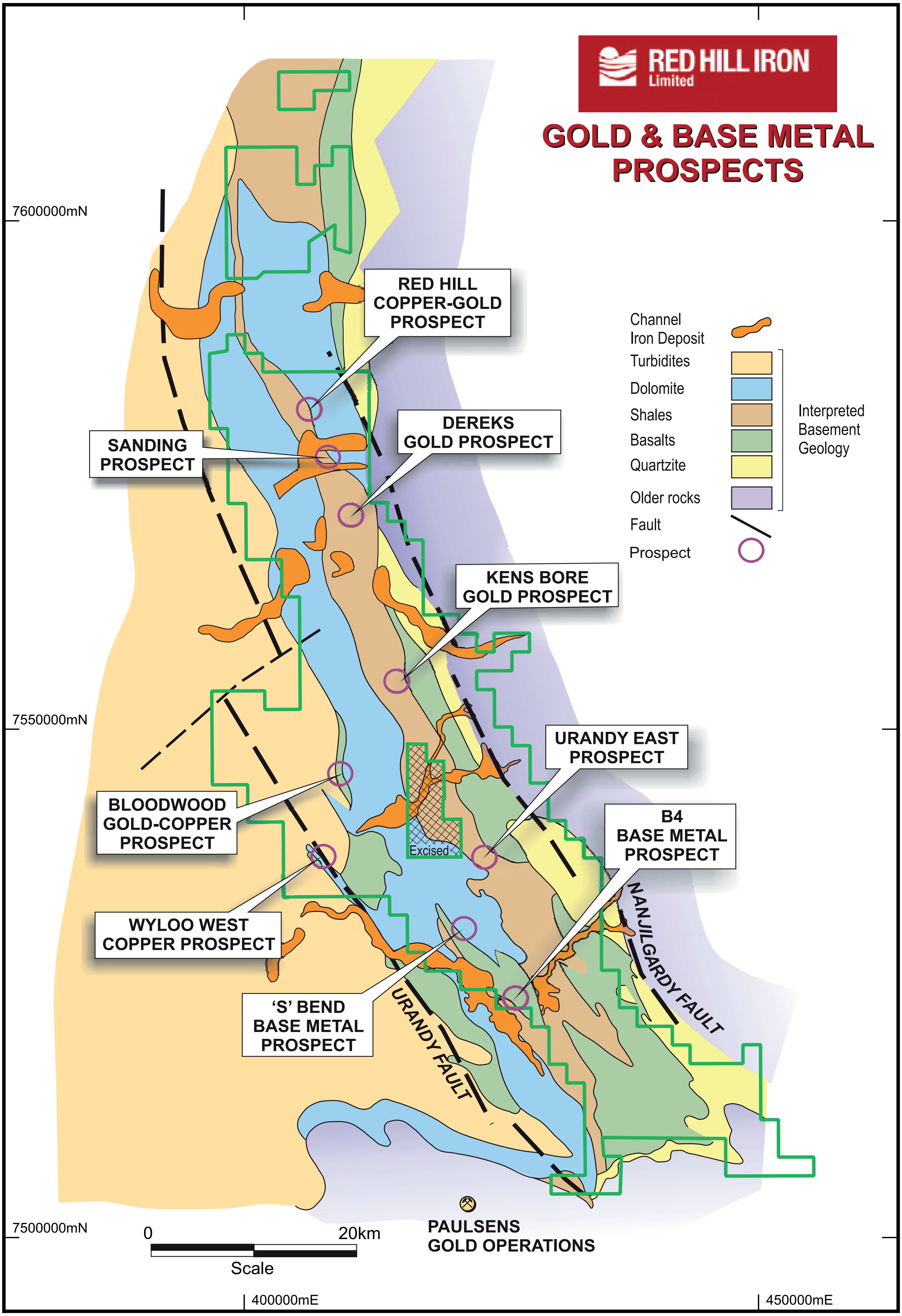
IRON ORE - THE RED HILL IRON ORE JOINT VENTURE

Red Hill Iron continues to retain a 40% interest in the RHIOJV, all the costs of which are met by fellow joint venturer API Management Pty Ltd (APIM) until production commences, at which point the Company may elect to either reduce its carried interest to a participating 19% interest or convert it to a 2% FOB Royalty on total RHIOJV iron ore sales.

APIM manages the RHIOJV as well as being the operator of other deposits in the vicinity of Red Hill. These additional deposits combined with RHIOJV ore will provide feed for the planned WPIOP production facility. Under the current plan, the majority of the production will however be derived from RHIOJV deposits.

The current WPIOP development concept proposes iron ore production of 40 million tonnes per annum (dry) over a 20-year period with transportation of the product to the coast via a new 250 km railway and export to Asian markets via a new deep-water port facility located at Anketell Point.

APIM has reported that RHIOJV expenditure for the year ended 30 June 2018 totalled $4.12 million compared to the revised budget of $4.30 million.


RED HILL IRON Limited
GOLD & BASE METAL PROSPECTS
7600000mN
7550000mN
7500000mN
400000mE
450000mE
RED HILL COPPER-GOLD PROSPECT
SANDING PROSPECT
DEREKS GOLD PROSPECT
KENS BORE GOLD PROSPECT
URANDY EAST PROSPECT
B4 BASE METAL PROSPECT
BLOODWOOD GOLD-COPPER PROSPECT
WYLOO WEST COPPER PROSPECT
'S' BEND BASE METAL PROSPECT
Excised
URANDY FAULT
NANJILGARDY FAULT
PAULSENS GOLD OPERATIONS
Channel Iron Deposit
Turbidites
Dolomite
Shales
Basalts
Quartzite
Older rocks
Fault
Prospect
Interpreted Basement Geology
0
20km
Scale

OPERATIONS REVIEW

OTHER EXPLORATION ASSETS

Red Hill Iron also retains 100% of the Pannawonica Project which contains the Whitegate and Redgate channel iron deposits, activity on which is currently suspended due to the prevailing price differential for lower grade iron ore.

The Company also owns a significant hard rock quarry resource which could provide material for any new mine and associated transport development mooted in the region.

N. Tomkinson
Chairman
October 2018

** APIM is 50% owned by Aquila Steel Pty Ltd (a company held 85% by Chinese state owned Baosteel and 15% by Aurizon Limited) with the other 50% owned by AMCI (IO) Pty Ltd a company jointly owned by American Metals & Coal International and the major Korean steel producer, POSCO.*

MINERAL RESOURCES AND ORE RESERVES
AS AT 30 JUNE 2018

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

Commodity: Iron ore
Red Hill Iron interest: 40% (with election on first production to move to 19% participating or 2% FOB royalty)
Location: West Pilbara, Western Australia
Review: The Mineral Resources and Ore Reserves of the project remained unchanged during the year ended 30 June 2018.

Mineral Resources (JORC 2012): *(Red Hill Iron ASX announcement 24 November 2016)*

Project	JORC category	Mt	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	LOI (%)	P (%)
West Pilbara Iron Ore Project - RHIOJV	Measured	263.5	57.17	5.71	3.67	8.24	0.081
	Indicated	448.7	56.32	6.31	3.85	8.64	0.070
	Inferred	103.7	55.19	6.82	4.21	9.37	0.064
	Total	**815.9**	**56.45**	**6.18**	**3.84**	**8.61**	**0.073**
RHI attributable if elects for 19%		**155**					

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

Ore Reserves (JORC 2012): *(Red Hill Iron ASX announcement 16 September 2015)*

Project	JORC category	Mt	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	LOI (%)	P (%)
West Pilbara Iron Ore Project - RHIOJV	Proved	208	57.7	5.5	3.6	7.9	0.08
	Probable	329	57.0	5.9	3.7	8.4	0.07
	Total	**537**	**57.2**	**5.7**	**3.6**	**8.2**	**0.07**
RHI attributable if elects for 19%		**102**					

Comparison with previous year:

There have been no changes in the Mineral Resources and Ore Reserves of this project since the previous year's statement.

Competent Person Statements:

Mineral Resources
The Competent Person responsible for the geological interpretation and the drill hole data used for the resource estimation is Mr Michael Wall who is a full-time employee of API Management Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. Michael Wall has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code (2012 Edition).

The information in this statement which relates to Mineral Resources is based on information compiled by Mr Richard Gaze who is a full-time employee of Golder Associates Pty Ltd, and a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Richard Gaze has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code (2012 Edition).

Ore Reserves
The information in this report that relates to the WPIOP-Stage 1 Ore Reserve estimate is based on information reviewed by Mr Glen Williamson, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Williamson is a full time employee of AMC Consultants Pty Ltd. Mr Williamson has sufficient experience that is relevant to the style of mineralisation or type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Williamson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

MINERAL RESOURCES AND ORE RESERVES
AS AT 30 JUNE 2018

PROJECT: PANNAWONICA

Commodity: Iron ore
Red Hill Iron interest: 100%
Location: West Pilbara, Western Australia
Review: The Mineral Resources and Ore Reserves of the project remained unchanged during the year ended 30 June 2018

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

Project	JORC category	Mt	Fe (%)	Al_2O_3 (%)	P (%)	SiO_2 (%)	LOI (%)
Pannawonica	Measured	5.5	53.8	4.7	0.03	8.2	9.4
	Indicated	47.6	53.4	5.1	0.05	8.8	9.0
	Inferred	9.3	53.4	5.2	0.05	8.6	9.1
	Total	**62.5**	**53.4**	**5.1**	**0.05**	**8.7**	**9.0**

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

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

Project	JORC category	Mt	Fe (%)	Al_2O_3 (%)	P (%)	SiO_2 (%)
Pannawonica	Proved	4.2	54.1	4.6	0.03	8.1
	Probable	25.1	54.0	4.9	0.05	8.2
	Total	**29.3**	**54.0**	**4.8**	**0.05**	**8.2**

Comparison with previous year:

There have been no changes in the Mineral Resources and Ore Reserves since the previous year's statement.

Competent Person Statements:

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

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

Governance and internal controls:

The Company is satisfied that the above statements of Mineral Resources and Ore Reserves comply with the Company's Corporate Governance arrangements and Internal Controls.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Red Hill Iron Limited (Red Hill Iron or the Company) 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 2018.

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

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

Red Hill Iron Ore Joint Venture (Red Hill Iron interest 40%)

Red Hill Iron continues to retain a 40% interest in the Red Hill Iron Ore Joint Venture (RHIOJV) located in the West Pilbara region of Western Australia, all the costs of which are provided for by fellow joint venturer API Management Pty Ltd (APIM) until production commences, at which point the Company may elect to either reduce its carried interest to a participating 19% interest or convert it to a 2% FOB Royalty on total RHIOJV iron ore sales.

APIM manages two joint ventures in the vicinity of Red Hill which own a number of iron ore deposits that, combined, will provide ore for the planned West Pilbara Iron Ore Project (WPIOP) production. Under the current plan, the majority of the production will be derived from RHIOJV deposits.

The current WPIOP development concept proposes an iron ore production of 40 million tonnes per annum (dry) over a 20 year period with transportation of the product via a new 250 km railway to a new deep-water port facility located at Anketell Point and export of the product to Asian markets.

APIM has reported that total RHIOJV expenditure for full-year 2018 totalled $4.12 million compared to the revised budget of $4.30 million.

Red Hill Iron non-ferrous exploration program (Red Hill Iron interest 100%)

The Company recommenced base metal and gold exploration during the year within the RHIOJV tenement area, in which it is the owner of all non-ferrous mineral rights, and carried out extensive field appraisals seeking further exploration targets.

One RC hole was completed at each of four targets for a total of 620 metres. Unfortunately, the program then had to be suspended due to wet weather. At the S-Bend target, a 20 metre down-hole interval interpreted to be close to true width returned elevated lead, zinc and copper values from preliminary assaying. This broad interval was oxidized and may not be representative of the values of any base metal mineralization at depth. The anomalous section will now be assayed at one metre intervals to provide a more accurate record.

At the Urandy East base metal target a review of the results has suggested a further hole is required to complete the initial assessment.

No significant assays were returned from the Sanding base metal or the Bloodwood gold targets and no further evaluation is planned for these targets.

The Company is now planning to complete the 2018 program by drilling at the B4 Base metal target. In addition a 300 metre drillhole is planned at the S-Bend target to test for massive base metal mineralization at depth, and a further hole at the Urandy East target.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS (continued)

Other exploration assets

Red Hill Iron retains 100% of the Whitegate and Redgate channel iron deposits, constituting the Pannawonica project. Activity on these deposits is currently suspended due to the pricing differential for lower grade iron ores.

The Company also owns a significant hard rock quarry resource which could provide material for any new mine and associated transport development mooted in the region.

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.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

To the best of the directors' knowledge and belief, there were no 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 2017 to 30 June 2018 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 a director and Chairman of the Company since April 2008, was appointed Executive Chairman in 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). Mr Tomkinson has held no other directorships of ASX listed companies during the last three financial 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). Mr Pitt has held no other directorships of ASX listed companies during the last three financial 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. He has held no other directorships of ASX listed companies during the last three years.

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:

Director	Ordinary shares	Options over ordinary shares
N Tomkinson	7,409,663	-
J N Pitt	10,579,355	-
G R Strong	1,310,951	-
D M Okeby	714,285	-

The relevant interest of Mr Tomkinson and Mr Pitt in the shares of the Company is their combined holding of 17,989,018 shares.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of directors held during the financial year and the number of meetings attended by each director:

Director	Meetings of Directors whilst a director	Meetings attended
N Tomkinson	7	7
J N Pitt	7	7
G R Strong	7	7
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.

AUDITED REMUNERATION REPORT (continued)

The remuneration framework has regard to shareholders' interests by:

- focusing on sustained growth in share price, as well as focusing the executives on key non-financial drivers of value, and
- attracting and retaining high calibre executives.

The remuneration framework has regard to executives' interests by:

- rewarding capability and experience,
- providing a clear structure for earning rewards, and
- providing recognition for contribution.

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

Remuneration is reviewed by the board on an annual basis having regard to performance and market competitiveness. The remuneration of executive personnel, other than the Chairman, is determined by the non-executive 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.

Company performance and its consequences on shareholder wealth

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:

		2018	2017	2016	2015	2014
Revenue and other income	$	18,168	14,117	5,223	344,090	290,013
Net loss	$	556,271	595,549	668,578	560,146	1,973,042
Loss per share	cents	1.02	1.2	1.4	1.1	4.0
Share price at year end	$	0.46	0.63	0.41	0.80	1.65

No dividends have been declared during these periods.

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:

		Short-term benefits	Post-employment benefits	Total	Performance related
	Year	Salary & fees	Superannuation		
		$	$	$	%
Executive directors					
N Tomkinson (Chairman)	**2018**	**25,000**	**2,375**	**27,375**	**-**
	2017	25,000	2,375	27,375	-
Non-executive directors					
J N Pitt	**2018**	**25,000**	**2,375**	**27,375**	**-**
	2017	25,000	2,375	27,375	-
G R Strong	**2018**	**18,500**	**27,375**	**45,875**	**-**
	2017	13,500	27,375	40,875	-
D M Okeby	**2018**	**25,000**	**2,375**	**27,375**	**-**
	2017	25,000	2,375	27,375	-
Total	**2018**	**93,500**	**34,500**	**128,000**	**-**
	2017	88,500	34,500	123,000	-

Mr Strong is occasionally required to carry out duties in addition to his director duties, for which he is remunerated accordingly.

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 directors

A service agreement is in place for Mr Okeby (appointed August 2016). There is no separate service agreement for the other non-executive directors.

Executive chairman

There is no separate service agreement for the Chairman in respect of his executive duties 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 2018. 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.

AUDITED REMUNERATION REPORT (continued)

(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 2017	Net changes	Balance 30 June 2018
Director			
N Tomkinson	7,303,004	106,659	7,409,663
J N Pitt	10,567,784	11,571	10,579,355
G R Strong	1,310,951	-	1,310,951
D M Okeby	714,285	-	714,285
	19,896,024	118,230	20,014,254

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

Payments to related parties

During the financial year the Company paid $80,189 (2017: $82,111) 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 provision of administration services. This agreement is at arms-length and on normal commercial terms and conditions.

Borrowings from directors

The loan facility of $900,000 with companies associated with directors Mr Tomkinson and Mr Pitt expired on 15 October 2017.

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 2017 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.

SHARES UNDER OPTION

The number of options on issue at the date of this report are set out below. The options were issued to members of staff and are unlisted.

Grant date	Expiry date	Issue price of shares	Number under option	Percent vested
24 Dec 2016	26 Dec 2019	54 cents per share	950,000	100%

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 the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

AUDIT COMMITTEE

The Company is not of a size nor are its financial affairs of such complexity to justify a separate audit committee of the board of directors. All matters that might properly be dealt with by such a committee are the subject of scrutiny at full board meetings.

NON-AUDIT SERVICES

HLB Mann Judd (WA Partnership) (HLB), the Company's auditor, did not perform any non-audit services for the Company for the year ended 30 June 2018.

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. HLB holds office in accordance with section 327C(2) of the Corporations Act 2001.

Signed in Perth in accordance with a resolution of directors on 5 September 2018.

Mr N Tomkinson

Chairman

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in 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	**B G McVeigh**
5 September 2018	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Revenue from continuing operations	2	18,168	14,117
Exploration expenditure		(150,588)	(120,005)
Administration expenses	3	(423,851)	(489,661)
Loss before income tax		(556,271)	(595,549)
Income tax expense	4	-	-
Loss for the year		(556,271)	(595,549)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year attributable to the ordinary equity holders of the Company		(556,271)	(595,549)
Loss per share attributable to the ordinary equity holders of the Company		**cents**	**cents**
Basic and diluted loss per share	5	1.02	1.15

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 2018

	Note	2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	680,306	227,746
Trade and other receivables	7	16,563	1,027,284
Total Current Assets		696,869	1,255,030
Non-Current Assets			
Exploration assets	8	10,008,025	10,008,025
Total Non-Current Assets		10,008,025	10,008,025
Total Assets		10,704,894	11,263,055
LIABILITIES			
Current Liabilities			
Trade and other payables	9	69,772	71,662
Total Current Liabilities		69,772	71,662
Total Liabilities		69,772	71,662
Net Assets		10,635,122	11,191,393
EQUITY			
Issued capital	10	27,035,248	27,035,248
Reserves	11	529,302	529,302
Accumulated losses		(16,929,428)	(16,373,157)
Total Equity		10,635,122	11,191,393

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 2018

	Issued capital $	Share based payments reserve $	Future value option reserve $	Accumulated losses $	Total equity $
2018					
Balance at 1 July 2017	27,035,248	243,532	285,770	(16,373,157)	11,191,393
Net loss for the year	-	-	-	(556,271)	(556,271)
Total comprehensive loss recognised during the year	-	-	-	(556,271)	(556,271)
Transactions with equity holders in their capacity as equity holders:	-	-	-	-	-
Balance at 30 June 2018	27,035,248	243,532	285,770	(16,929,428)	10,635,122
2017					
Balance at 1 July 2016	25,086,598	177,000	285,770	(15,777,608)	9,771,760
Net loss for the year	-	-	-	(595,549)	(595,549)
Total comprehensive loss recognised during the year	-	-	-	(595,549)	(595,549)
Transactions with equity holders in their capacity as equity holders:					
Issue of ordinary fully paid shares, net of issue cost	1,948,650	-	-	-	1,948,650
Equity-settled share based payments	-	66,532	-	-	66,532
Balance at 30 June 2017	27,035,248	243,532	285,770	(16,373,157)	11,191,393

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 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(424,383)	(443,943)
Payments for exploration expenditure		(150,588)	(184,054)
Interest received		27,531	3,155
Interest paid		-	(5,832)
Net cash outflows from operating activities	12	(547,440)	(630,674)
Cash flows from investing activities			
Receipt of funds placed on bank term deposit		1,000,000	-
Funds placed on bank term deposit		-	(1,000,000)
Net cash inflows/(outflows) from investing activities		1,000,000	(1,000,000)
Cash flows from financing activities			
Proceeds from borrowings		-	300,000
Repayment of borrowings		-	(500,000)
Proceeds from issue of shares		-	1,967,602
Payment of share issue costs		-	(18,952)
Net cash inflows from financing activities		-	1,748,650
Net increase in cash and cash equivalents		452,560	117,976
Cash and cash equivalents at the beginning of the year		227,746	109,770
Cash and cash equivalents at the end of the year	6	680,306	227,746

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

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.

	2018	2017
	$	$
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	696,869	1,255,030
Total assets	10,704,894	11,263,055
Reportable segment liabilities	-	633
Reconciliation of reportable segment liabilities:		
Reportable segment liabilities	-	633
Unallocated corporate liabilities	69,772	71,029
Total liabilities	69,772	71,662
Reportable segment loss	(150,588)	(120,005)
Reconciliation of reportable segment loss:		
Reportable segment loss	(150,588)	(120,005)
Other revenue	18,168	14,117
Unallocated corporate expenses	(423,851)	(489,661)
Loss before tax	(556,271)	(595,549)

NOTE 2 REVENUE

Revenue from continuing operations		
Interest income	18,168	14,117

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.

NOTE 3 ADMINISTRATION EXPENSES

	2018 $	2017 $
Loss before income tax includes the following specific administration expenses:		
Personnel expenses		
Salaries, directors fees and other employment expenses	117,726	120,310
Superannuation	9,614	10,065
Share based payments	-	66,532
	127,340	196,907
Less: Recharged to exploration expenditure	(495)	(6,133)
	126,845	190,774
Depreciation	-	-
Finance costs	-	4,493
Other expenses		
Accounting fees	48,134	47,609
Administration services	59,114	58,423
Audit fees	21,973	21,160
Operating lease expense	71,283	73,539
Listing fees	32,730	33,599
Other	63,772	60,064
	423,851	489,661

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	(556,271)	(595,549)
Prima facie tax benefit at Australian rate of 27.5% (2017: 27.5%)	152,975	163,776
Adjusted for tax effect of the following amounts:		
Non-deductible items	-	(18,296)
Non-taxable items	1,042	5,520
Adjustment for change in tax rate	-	(147,967)
Income tax benefit not brought to account	(154,017)	(3,033)
Income tax benefit	-	-

NOTE 4 INCOME TAX (continued)

The credit 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 28.5% to 27.5% effective from 1 July 2016. The Company currently satisfies the conditions to be a small business entity.

(c) Deferred tax assets and liabilities not brought to account	2018	2017
	$	$
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 27.5% (2017: 27.5%) are made up as follows:		
On income tax account:		
Carried forward tax losses	7,123,327	6,971,967
Deductible temporary differences	3,438	3,355
Taxable temporary differences	(2,752,647)	(2,755,221)
Unrecognised net deferred tax assets	4,374,118	4,220,101

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	1.02	1.15
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	(556,271)	(595,549)

NOTE 5 LOSS PER SHARE (continued)

	2018	2017
	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	54,582,936	52,001,080

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.

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

	$	$
Cash at bank and on hand	680,306	227,746

Cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Information about the Company's exposure to interest rate risk and credit risk is disclosed in Note 21.

NOTE 7 TRADE AND OTHER RECEIVABLES

Bank term deposit	-	1,000,000
Interest receivable	1,599	10,962
Other	14,964	16,322
	16,563	1,027,284

Bank term deposit is a cash deposit with a major Australian bank for a term exceeding 3 months.

Interest receivable comprises pro-rata interest receivable at balance date in respect of deposits at call and bank term deposits that is expected to be received within 60 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 21.

NOTE 8 EXPLORATION ASSETS

	2018 $	2017 $
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.

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 TRADE AND OTHER PAYABLES

Trade creditors and accruals	63,561	65,657
Employee entitlements	6,211	6,005
	69,772	71,662

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 21.

NOTE 10 ISSUED CAPITAL

(a) Share Capital

54,582,936 (2017: 54,582,936) fully paid ordinary shares	27,035,248	27,035,248

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 21.

NOTE 10 ISSUED CAPITAL (continued)

(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

	2018 Number of shares	2017 Number of shares	2018 $	2017 $
At 1 July	54,582,936	49,405,037	27,035,248	25,086,598
Movement during the year:				
Shares issued	-	5,177,899	-	1,967,602
Share issue costs	-	-	-	(18,952)
At 30 June	54,582,936	54,582,936	27,035,248	27,035,248

During the prior year the Company made an entitlement offer of new shares to existing shareholders on the basis of 1 new ordinary share for every 7 ordinary shares held at a price of 38 cents per share.

(d) Options to acquire ordinary shares

Set out below is a summary of the movement of options on issue during the current and prior years:

	2018 Number of options	2017 Number of options	Grant date	Expiry date	Exercise price per share $
At 1 July	950,000	-	24 Dec 2016	26 Dec 2019	0.54
Options issued during the year	-	950,000	24 Dec 2016	26 Dec 2019	0.54
At 30 June	950,000	950,000			
Vested and exercisable at 30 June	950,000	950,000			0.5400

The Company's policy on share-based payments, partly paid shares and share options is set out in Note 19.

NOTE 11 RESERVES

	2018 $	2017 $
Share based payments reserve	243,532	243,532
Future value option reserve	285,770	285,770
	529,302	529,302

The share based payments reserve is used to recognise the fair value of options issued.

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

NOTE 12 CASH FLOW INFORMATION

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

	2018 $	2017 $
Loss after income tax	(556,271)	(595,549)
Equity based payments	-	66,532
Change in operating assets and liabilities:		
Decrease/(increase) in debtors	9,363	(10,962)
Decrease in creditors	(1,890)	(85,426)
Decrease/(increase) in GST receivable	1,358	(5,269)
Net cash outflows from operating activities	(547,440)	(630,674)

There were no non-cash flows from financing and investing activities.

NOTE 13 CONTINGENCIES

Contingent liabilities

There are no contingent liabilities for termination benefits under service agreements with directors or executives at 30 June 2018.

The directors are not aware of any other contingent liabilities at 30 June 2018.

NOTE 14 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	117,000	66,000

NOTE 15 RELATED PARTY TRANSACTIONS

(a) Key management personnel

The key management personnel of the Company are the directors.
Directors of the Company during the financial year were:
Neil Tomkinson
Joshua Pitt
Garry Strong
Mark Okeby

NOTE 15 RELATED PARTY TRANSACTIONS (continued)

The compensation paid to key management personnel during the year is set out below:

	2018 $	2017 $
Short-term employee benefits	93,500	88,500
Post-employment benefits	34,500	34,500
	128,000	123,000

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

(b) Transactions with director-related entities

Payments to related parties

During the financial year the Company paid $80,189 (2017: $82,111) 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 provision of administration services. This agreement is at arms-length and on normal commercial terms and conditions.

Borrowings from directors

The loan facility of $900,000 with companies associated with directors Mr Tomkinson and Mr Pitt expired on 15 October 2017.

NOTE 16 MINERAL EXPLORATION AGREEMENTS

The Company has an interest in the following mineral exploration agreement as at 30 June 2018:

West Pilbara – Red Hill Iron Ore Joint Venture

Interest:	40%
Exploration activity:	Iron ore
Other parties:	API Management Pty Ltd (APIM)

In order for APIM to earn an increase in its interest in the RHIOJV from 60% to 81% (dependant on Red Hill Iron's election detailed in (a) and (b) below), APIM 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 APIM 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 APIM on the Company's behalf.

APIM has advised that the total expenditure funded on behalf of the Company by APIM to 30 June 2018, including interest thereon, amounted to $28,064,251.

The parties to the RHIOJV have entered into mutual Deeds of Cross Charge supported by Mortgages registered against their interests in the project tenements to ensure compliance with their obligations under the RHIOJV Agreement.

NOTE 17 EVENTS OCCURRING AFTER BALANCE DATE

To the best of the directors' knowledge and belief, there were no 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 18 REMUNERATION OF AUDITORS	**2018**	**2017**
	$	**$**
Amounts received, or due and receivable, by HLB for:		
Auditing and review of the financial report of the Company	21,973	21,160
Other services	-	-
	21,973	21,160

NOTE 19 SHARE BASED PAYMENTS

The Company has established an Employee Share Option Plan, the details of which are set out in the Company's initial public offering prospectus in December 2005. The Company from time to time grants options to acquire ordinary fully paid shares in the Company to management personnel and other staff on terms set out in the plan. The granting of options is at the directors' discretion and is designed to provide an incentive component in the remuneration package of personnel. Options granted carry no dividend or voting rights. Each option is exercisable into a fully paid ordinary share of the Company. The exercise price of the options is set at the time of grant with reference to the weighted average price at which the Company's shares have been trading on the ASX prior to the decision to grant.

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 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.

No options were issued during the current year. The assessed fair value of the options issued during the prior year was $66,532 as calculated at the date of grant using the Black-Scholes model for the valuation of call options. The model inputs for the options granted during the prior period included:

	2018	**2017**
Grant date:	-	24 December 2016
Exercised by:	-	26 December 2019
Exercise price per share:	-	$0.54
Share price at grant date:	-	$0.54
Expected volatility of the Company's shares:	-	16.7%
Risk-free interest rate:	-	2.07%

Historical volatility has been the basis for estimating likely future share price volatility. Actual future volatility may differ from the estimate used. The expected average life of the options has been estimated as 3 years. The actual life could differ from this estimate if the holder of the options chooses to exercise his options prior to their expiry date.

The weighted average remaining contractual life of options outstanding at the end of the year was 1.49 years (2017: 2.49 years). No options have been issued to or are held by directors.

NOTE 20 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 21 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 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.

(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 and bank term deposit receivable. The risk is managed by monitoring the interest rate yield curve out to 180 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 and bank term deposit receivable as at the year end was 2.09% (2017: 2.37%).

NOTE 21 FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the sensitivity of the Company's cash assets and bank term deposit receivable 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		Other components of equity	
	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$
Cash & cash equivalents	680,306	227,746				
Bank term deposit receivable	-	1,000,000				
Change in interest rate:						
- 0.5%			(3,402)	(6,139)	-	-
+ 0.5%			3,402	6,139	-	-

(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 22 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 by the board of directors. 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.

NOTE 22 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 and interpretations adopted

There were no new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

New accounting standards and interpretations in issue, not yet adopted

The following Standards and Interpretations have been issued and/or amended by the AASB 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:

NOTE 22 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference and title	Nature of change to accounting policy and impact on initial application	Application date
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. The adoption of this standard will have no impact on the financial statements as the Company's only revenue is interest income.	1 Jan 2018
AASB 9 Financial Instruments	Amends the requirement for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. The Company does not have any financial assets or liabilities measured at fair value through profit or loss. The adoption of this standard will have no impact on the financial statements.	1 Jan 2018
AASB 2016-5 Classification and measurement of share-based payment transactions	Clarifies the accounting for various aspects of share-based payment transactions under AASB 2, being: - Impact of vesting and non-vesting conditions when measuring cash-settled share-based payment transactions; - Net settlement feature for withholding tax obligations; and - Changing classification from cash-settled to equity-settled. The Company has elected not to early adopt this standard and have not yet quantified the effect of application on future periods.	1 Jan 2018

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2018

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 2018 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 2018.

This declaration is signed in accordance with a resolution of the Board of Directors on 5 September 2018 and is signed for and on behalf of the directors by:

Mr N Tomkinson

Chairman

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report
To the Members of Red Hill Iron Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Red Hill Iron Limited ("the Company") which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Key Audit Matter	How our audit addressed the key audit matter
Exploration assets Refer to note 8 in the financial statements	
In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Company capitalises all exploration and evaluation expenditure, acquisition costs and subsequently applies the expense model after recognition. Our audit focussed on the Company's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Company. We planned our work to address the audit risk that the capitalised expenditure might no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: • We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; • We considered the Directors' assessment of potential indicators of impairment; • We obtained evidence that the Company has current rights to tenure of its areas of interest; • We examined the exploration budget for the year ending 30 June 2019 and discussed with management the nature of planned ongoing activities; • We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Company had not resolved to discontinue exploration and evaluation at any of its areas of interest; and • We examined the disclosures made in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB Mann Judd

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Red Hill Iron Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B M'Veigh

B G McVeigh
Partner

Perth, Western Australia
5 September 2018

SHAREHOLDER INFORMATION
AS AT 14 SEPTEMBER 2018

NUMBER AND DISTRIBUTION OF SHARES AND OPTIONS

Shares	Listed	Not listed
Ordinary shares fully paid	54,582,936	-

Options over unissued shares		
Exercisable at 54 cents, each expiring 27 December 2019	-	950,000

Distribution of shares and options by size of holding			Shareholders	Option holders
1	-	1,000	93	-
1,001	-	5,000	92	-
5,001	-	10,000	43	-
10,001	-	100,000	105	2
100,001	+		40	2
			373	4

UNMARKETABLE PARCEL

There are 100 holders of less than a marketable parcel of ordinary shares.

EMPLOYEE INCENTIVE SCHEME

The unlisted options were issued under an employee incentive scheme.

SUBSTANTIAL SHAREHOLDERS

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

Name	No. of shares	%
Perth Capital Pty Ltd and associates	17,989,018	32.96
Aquila Resources Pty Ltd	9,920,202	18.17
Aigle Royal Superannuation Fund Pty Ltd <A Poli Super Fund A/c>	4,834,187	8.86
Brisbane Investments I Ltd, Brisbane Investments II Ltd	4,051,210	7.42

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at a general meeting every shareholder or class of shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each fully paid share which that member holds or represents and, in respect of partly paid shares, voting rights pro-rata to the amount paid up or credited as paid up on each such share.

SHAREHOLDER INFORMATION
AS AT 14 SEPTEMBER 2018

TWENTY LARGEST SHAREHOLDERS

Shareholders		No of shares	%
1	Perth Capital Pty Ltd	10,452,035	19.14
2	Aquila Resources Limited Pty Ltd	9,920,202	18.17
3	Elohpool Pty Ltd	7,409,663	13.58
4	Aigle Royal Superannuation Fund Pty Ltd <A Poli Super Fund A/C>	4,834,187	8.86
5	HSBC Custody Nominees Australia Limited	4,637,931	8.50
6	Yandal Investments Pty Ltd	2,200,000	4.03
7	Zero Nominees Pty Ltd	1,910,000	3.50
8	Pershing Australia Nominees Pty Ltd <Blue Ocean Equities>	1,241,321	2.26
9	T D M Boddington	1,211,821	2.22
10	Strong Investments Pty Ltd <The Prospectors Super A/C>	823,660	1.51
11	Liberty Management Pty Ltd <Liberty Super Fund A/C>	714,285	1.31
12	Rupert Clarke & Co Pty Ltd	685,714	1.26
13	J F G Phillips < J F G Phillips Family A/C>	429,280	0.79
14	M E I'Ons	400,000	0.73
15	G R Strong	315,077	0.58
16	Maxigold Holdings Pty Ltd <The M G R Thomson Super A/C>	315,056	0.58
17	Anneling Pty Ltd <Serendipity Super Fund A/C>	305,213	0.56
18	K J Cairns & C V Cairns<Cairns Family Super A/C>	250,000	0.46
19	Merrill Lynch (Australia) Nominees Pty Limited	245,319	0.45
20	Penmaen Limited	228,571	0.42
		48,529,335	88.91

MINERAL TENEMENT INFORMATION

AS AT 30 JUNE 2018

MINING TENEMENTS AND BENEFICIAL INTERESTS HELD, AND THEIR LOCATION

Tenement	Location	Registered Holding	Beneficial Interest	Note
E08/1227-I	West Pilbara, WA	40%	40%	1
E08/1283-I	West Pilbara, WA	40%	40%	1
E08/1289-I	West Pilbara, WA	40%	40%	1
E08/1293-I	West Pilbara, WA	40%	40%	1
E08/1294-I	West Pilbara, WA	40%	40%	1
E08/1295-I	West Pilbara, WA	40%	40%	1
E08/1430-I	West Pilbara, WA	40%	40%	1
E08/1516-I	West Pilbara, WA	40%	40%	1
E08/1537-I	West Pilbara, WA	40%	40%	1
E47/1141-I	West Pilbara, WA	40%	40%	1
E47/1693-I	West Pilbara, WA	40%	40%	1
M47/1472	West Pilbara, WA	40%	40%	1
M08/483-I	West Pilbara, WA	40%	40%	1
M08/484-I	West Pilbara, WA	40%	40%	1
M08/485-I	West Pilbara, WA	40%	40%	1
M08/480-I	West Pilbara, WA	0%	40%	
M08/512-I	West Pilbara, WA	0%	40%	
E08/1473-I	West Pilbara, WA	100%	100%	
M08/499-I	West Pilbara, WA	100%	100%	
M08/500-I	West Pilbara, WA	100%	100%	
M08/501	West Pilbara, WA	100%	100%	
M08/505-I	West Pilbara, WA	100%	100%	
ELA08/2729	West Pilbara, WA	0%	100%	
ELA08/2730	West Pilbara, WA	0%	100%	

Note 1: These tenements are held by the parties to the Red Hill Iron Ore Joint Venture.
Red Hill Iron's 40% beneficial interest relates to iron ore rights.
Red Hill Iron also has a 100% beneficial interest in all other minerals which occur within the Exploration Licences and Mining Leases.

Key:
E: Exploration Licence
ELA: Exploration Licence application
M: Mining Lease

RED HILL IRON
Limited

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