

22 October 2019

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

Annual Report

Attached is the Red Hill Iron Limited 2019 Annual Report.

P.C.Ruttledge
Company Secretary



RED HILL IRON
Limited

ABN 44 114 553 392

2019
ANNUAL REPORT



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CORPORATE DIRECTORY

DIRECTORS

Executive

Neil Tomkinson - Chairman

Non Executive

Joshua Pitt
Garry Strong
Mark Okeby

PROJECT MANAGER

Doug Stewart

COMPANY SECRETARY

Peter Rutledge

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
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

CHAIRMAN'S REVIEW

THE RED HILL IRON ORE JOINT VENTURE

Development of the large scale Red Hill Iron Ore Joint Venture (RHIOJV) iron ore resources remains on hold pending an improvement in the price of lower grade iron ores. The project also requires a transport corridor and port facilities to enable production to be exported. API Management Pty Ltd (APIM) currently is responsible for all costs to production and, after commercial development has taken place, Red Hill Iron may elect to repay those costs and participate in the RHIOJV at the 19% level or reduce its interest to a 2% Royalty on all ore produced from the RHIOJV area, with all prior costs incurred on Red Hill Iron's behalf written off.

APIM is the manager of the RHIOJV and of the West Pilbara Iron Ore Project which currently involves the concept of iron ore production of 40 million tonnes per annum (dry), transportation of the product via a new 250 km railway and export to Asian markets via a new deep-water port facility located at Anketell Point.

The RHIOJV participants continue to work on alternative concepts.

PANNAWONICA ASSETS

Red Hill Iron retains 100% of the Pannawonica Project which contains the Whitegate and Redgate channel iron deposits, activity on which is currently suspended due to market conditions. This project may be developed if iron ore prices stabilise at a higher level subject to third party road and port developments. At Pannawonica the Company also owns a significant hard rock quarry resource which could provide material for any new mine and associated transport development proposed in the region.

RED HILL NON FERROUS METAL EXPLORATION

During the year Red Hill Iron expanded its review of the southern portion of the project area with field visits to areas of noted alteration signatures, anomalous base metal geochemistry and /or electromagnetic anomalism. A thorough photo interpretative study to enhance the understanding of the regional stratigraphy and structure was commissioned. This work has resulted in the selection of several priority targets for evaluation in the next field season.

The Company also carried out modest reverse circulation (RC) drilling at three existing targets.

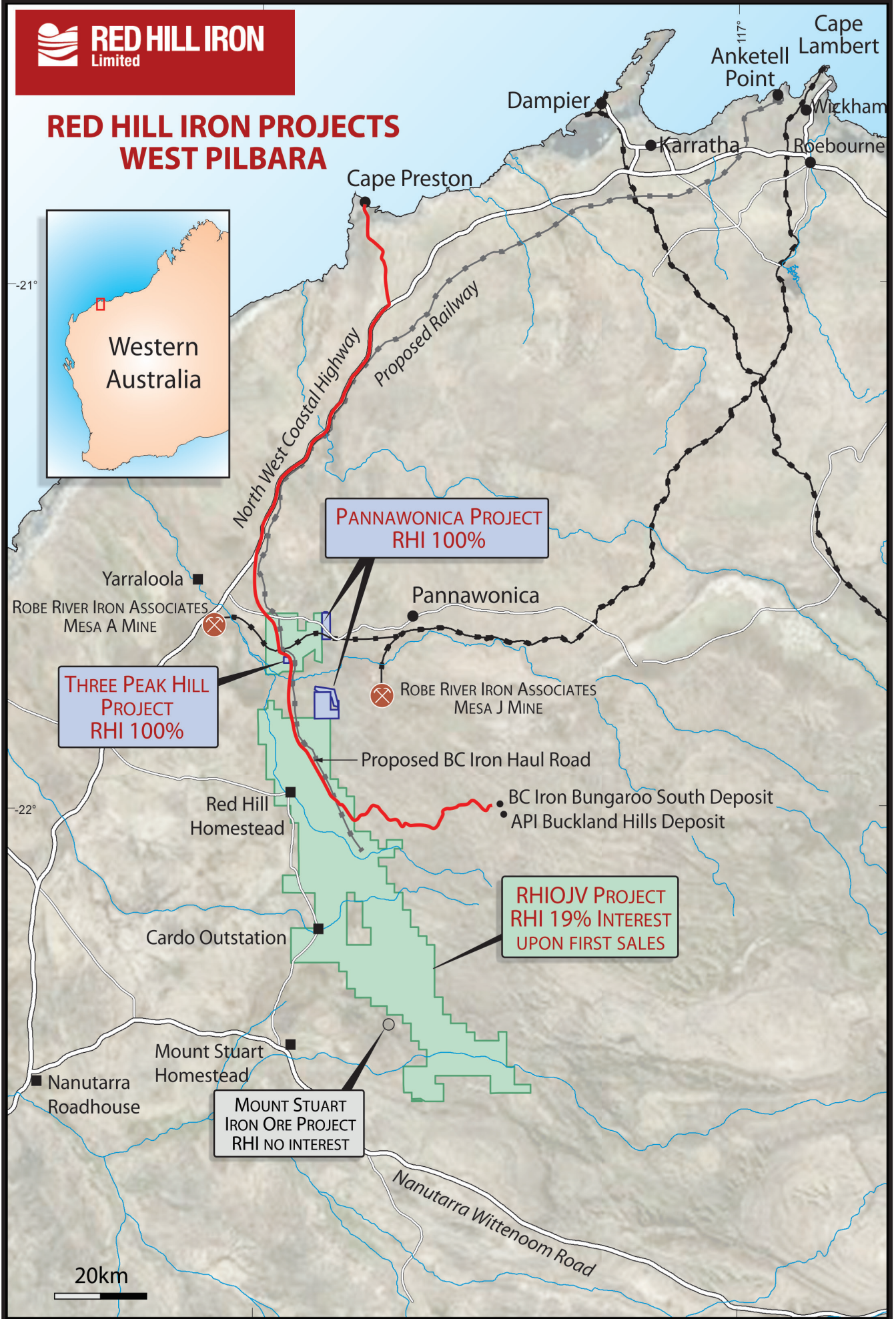
At the S Bend target, a 300 metre hole was completed seeking down dip mineralization from an earlier intersection of 20 metres true width assaying 0.15% copper, 0.63% lead and 0.24% zinc and within which fine galena crystals were observed (ASX quarterly activities report 31 October 2018). Unfortunately, the hole failed to reveal significant base metals. This target area is large and made more complex by a shallow 30 degree plunge of the stratigraphy. An earlier intersection some 500 metres to the north west recorded anomalous zinc over a downhole width of 85 metres, which emphasizes the prospectivity of this target. A full review will be required before determining the next exploration phase.

At the Urandy East target, a 171 metre RC hole was drilled in an attempt to intersect the silver/cobalt anomalous horizon discovered two years ago. This hole was abandoned at 171 metres just short of the target due to drill rig problems. The Urandy East target area is extensive and almost totally devoid of drilling. The evaporate rich sequences with cherty horizons are a promising environment for base and precious metal accumulation and several aerial EM anomalies provide targets for future evaluation.

At the B4 target an RC drill hole was abandoned at 72 metres due to drill rig problems. These problems were not due to ground conditions so we are confident a further hole can successfully test the target. This target is an excellent EM anomaly with supporting surface copper anomalism. The hole encountered encouraging silicified acid volcanics before being terminated ensuring that the target will be given drill priority next field season.



RED HILL IRON PROJECTS WEST PILBARA



CHAIRMAN'S REVIEW

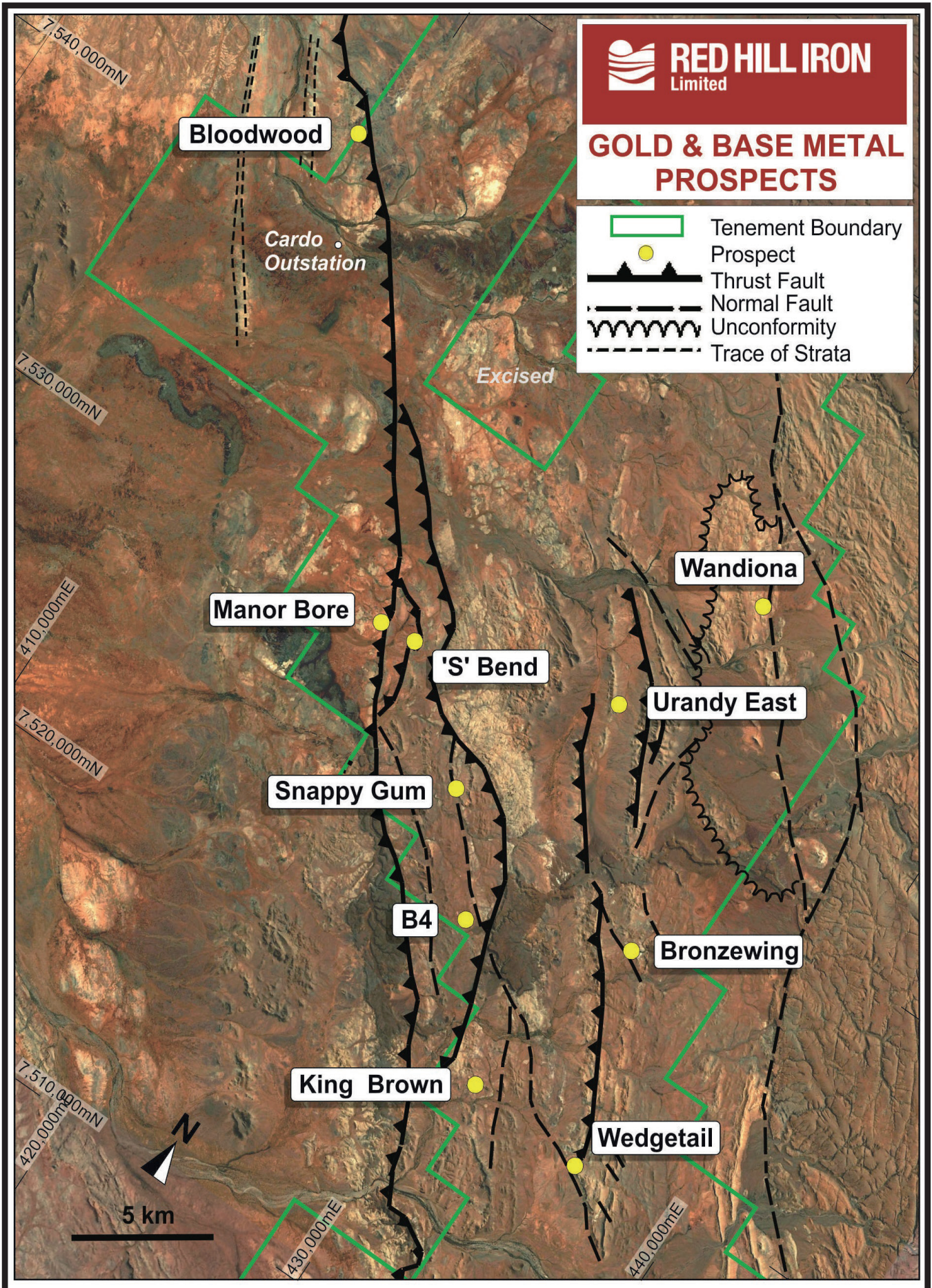
The new targets identified during the year have been chosen on the basis of their desirable structural settings and confirmed alteration signatures. We have also applied a sharper interpretation of a major aerial EM survey, which was flown in 2006, to help this selection. Ground surveys have provided anomalous rock chips at most locations. The targets are shown on the Gold and Base Metal Prospects map.

The Bloodwood target has been interpreted as a buried granitic porphyry with the potential to discover gold and copper at depth. A 300 metre hole is being planned to test this target below sulphate rich soils which have produced a localized vegetation anomaly. Strong silica stockwork is observed in outcrops adjacent to this anomaly and previous shallow drilling returned modest gold anomalism in several holes. The area is bounded by dolomitic breccia showing extreme manganese metasomatism which is believed to be a clear indication of an intrusive pressure and heat source at depth.

Other new targets are Wandiona, King Brown, Wedgetail, Snappy Gum and Manor Bore. They have been selected on the basis of exhibiting some or all of the key factors we have used for our analyses: strong alteration in favourable host sequences, dilational structural settings, surface and/or past drill hole sample anomalism and a positive electromagnetic signature.

We are now planning a drilling program for the next field season to advance a selection of these targets.

Neil Tomkinson
Chairman
October 2019



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

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 continues to own a 40% interest in the Red Hill Iron Ore Joint Venture (RHIOJV) located in the West Pilbara region of Western Australia. The current Mineral Resource Estimate is 816 million tonnes at an Fe grade of 56.45% (RHI ASX announcement 24 November 2016).

All ongoing expenditures on the RHIOJV are the responsibility of API Management Pty Ltd (APIM), the manager of the joint venture, and this will continue to be the case until production commences. Red Hill Iron will then have an election to reduce its carried interest to a participating 19% interest in the RHIOJV mining and production operation or convert that interest to a 2% FOB Royalty on 100% of future RHIOJV iron ore sales.

RHIOJV expenditure for the 2019 financial year totalled \$3.835M.

Red Hill Non-Ferrous Exploration Project

In 2019 Red Hill Iron commenced exploration for base metal and gold mineralization on the whole RHIOJV tenement package, over which Red Hill Iron holds the non-ferrous rights, reviewing past extensive ground geophysical programs and drilling 3 reverse circulation holes for a total of 563 metres.

The Company continues to review the results of this recent drilling and has completed a follow up on-ground field study with the Company's consultant to examine and sample a series of new targets for base metals defined from the reappraisal of detailed aerial EM and aeromagnetic surveys carried out earlier.

Pannawonica Project

The wholly owned Pannawonica Project contains the Whitegate and Redgate channel iron deposits, activity on which is currently suspended due to market conditions and lack of transport options. 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to balance date, the Company drew down \$100,000 on the loan facility with director related entities.

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 2018 to 30 June 2019 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, a director and Chairman of the Company since April 2008, was appointed Executive Chairman in August 2011. Mr Tomkinson has extensive experience over many years in the management of and investment in exploration and mining companies. He is an active investor in private mineral exploration and in resources in general in Australia specialising in the search for and discovery of new mineral deposits and the promotion of new listings on ASX. 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 a lifetime of experience in gold and base metal reconnaissance exploration in Australia and is a founding director of Red Hill Iron. Mr Strong has not held other directorships in ASX listed companies during the last three financial years.

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 was a non-executive director of Regis Resources Ltd from 29 July 2009 to 20 February 2019 when he retired from that role. Following the year end, on 8 July 2019, Mr Okeby was appointed a non-executive director of Capricorn Metals Ltd. Mr Okeby has held no other directorships of ASX listed companies during the last three financial 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' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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	10,729,355	-
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 18,139,018 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.

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

AUDITED REMUNERATION REPORT (continued)

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:

		2019	2018	2017	2016	2015
Revenue and other income	\$	7,982	18,168	14,117	5,223	344,090
Net loss	\$	574,936	556,271	595,549	668,578	560,146
Loss per share	cents	1.05	1.02	1.20	1.35	1.10
Share price at year end	\$	0.20	0.46	0.63	0.41	0.80

No dividends have been declared during these periods.

(b) Details of remuneration

The key management personnel of the Company are the directors.

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

	Year	Short-term benefits Salary & fees \$	Post-employment benefits Superannuation \$	Total \$	Performance related %
Executive directors					
N Tomkinson (Chairman)	2019	25,000	2,375	27,375	-
	2018	25,000	2,375	27,375	-
Non-executive directors					
J N Pitt	2019	25,000	2,375	27,375	-
	2018	25,000	2,375	27,375	-
G R Strong	2019	14,875	25,000	39,875	-
	2018	18,500	27,375	45,875	-
D M Okeby	2019	25,000	2,375	27,375	-
	2018	25,000	2,375	27,375	-
Total	2019	89,875	32,125	122,000	-
	2018	93,500	34,500	128,000	-

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

AUDITED REMUNERATION REPORT (continued)

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 2019. 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.

(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 2018	Net changes	Balance 30 June 2019
Director			
N Tomkinson	7,409,663	-	7,409,663
J N Pitt	10,579,355	150,000	10,729,355
G R Strong	1,310,951	-	1,310,951
D M Okeby	714,285	-	714,285
	20,014,254	150,000	20,164,254

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 \$78,792 (2018: \$80,189) 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

AUDITED REMUNERATION REPORT (continued)

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 \$300,000 to the Company. This facility consists of two unsecured short term loans of up to \$150,000 each at an interest rate of 2.5% per annum, repayable by 1 October 2020, and is otherwise on normal commercial terms and conditions. The facility is to enable the Company to meet its ongoing working capital requirements.

Subsequent to the end of the financial year the Company drew down \$100,000 on the loan facility, consisting of two loans of \$50,000 each.

No amount was drawn on the facility at balance date and no interest was payable on the loans for the financial year.

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 2018 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

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 10 September 2019.



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 2019, 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
10 September 2019

B G McVeigh
Partner

hl**b.com.au**

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Revenue from continuing operations	2	7,982	18,168
Exploration expenditure		(155,446)	(150,588)
Administration expenses	3	<u>(427,472)</u>	<u>(423,851)</u>
Loss before income tax		(574,936)	(556,271)
Income tax expense	4	<u>-</u>	<u>-</u>
Loss for the year		(574,936)	(556,271)
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive loss for the year attributable to the ordinary equity holders of the Company		<u>(574,936)</u>	<u>(556,271)</u>
Loss per share attributable to the ordinary equity holders of the Company		cents	cents
Basic and diluted loss per share	5	1.05	1.02

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 2019

	Note	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	126,237	680,306
Trade and other receivables	7	12,739	16,563
Total Current Assets		138,976	696,869
Non-Current Assets			
Exploration assets	8	10,008,025	10,008,025
Total Non-Current Assets		10,008,025	10,008,025
Total Assets		10,147,001	10,704,894
LIABILITIES			
Current Liabilities			
Trade and other payables	9	86,815	69,772
Total Current Liabilities		86,815	69,772
Total Liabilities		86,815	69,772
Net Assets		10,060,186	10,635,122
EQUITY			
Issued capital	10	27,035,248	27,035,248
Reserves	11	529,302	529,302
Accumulated losses		(17,504,364)	(16,929,428)
Total Equity		10,060,186	10,635,122

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 2019

	Issued capital \$	Share based payments reserve \$	Future value option reserve \$	Accumulated losses \$	Total equity \$
2019					
Balance at 1 July 2018	<u>27,035,248</u>	<u>243,532</u>	<u>285,770</u>	<u>(16,929,428)</u>	<u>10,635,122</u>
Net loss for the year	-	-	-	(574,936)	(574,936)
Total comprehensive loss recognised during the year	-	-	-	(574,936)	(574,936)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
Balance at 30 June 2019	<u>27,035,248</u>	<u>243,532</u>	<u>285,770</u>	<u>(17,504,364)</u>	<u>10,060,186</u>
2018					
Balance at 1 July 2017	<u>27,035,248</u>	<u>243,532</u>	<u>285,770</u>	<u>(16,373,157)</u>	<u>11,191,393</u>
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	<u>27,035,248</u>	<u>243,532</u>	<u>285,770</u>	<u>(16,929,428)</u>	<u>10,635,122</u>

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 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(427,353)	(424,383)
Payments for exploration expenditure		(136,297)	(150,588)
Interest received		9,581	27,531
		<hr/>	<hr/>
Net cash outflows from operating activities	12	(554,069)	(547,440)
Cash flows from investing activities			
Receipt of funds placed on bank term deposit		-	1,000,000
		<hr/>	<hr/>
Net cash inflows from investing activities		-	1,000,000
		<hr/>	<hr/>
Cash flows from financing activities			
Net cash flows from financing activities		-	-
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(554,069)	452,560
Cash and cash equivalents at the beginning of the year		680,306	227,746
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	6	126,237	680,306
		<hr/> <hr/>	<hr/> <hr/>

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 2019

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.

	2019	2018
	\$	\$
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	138,976	696,869
Total assets	10,147,001	10,704,894
Reportable segment liabilities	19,151	-
Reconciliation of reportable segment liabilities:		
Reportable segment liabilities	19,151	-
Unallocated corporate liabilities	67,664	69,772
Total liabilities	86,815	69,772
Reportable segment loss	(155,446)	(150,588)
Reconciliation of reportable segment loss:		
Reportable segment loss	(155,446)	(150,588)
Other revenue	7,982	18,168
Unallocated corporate expenses	(427,472)	(423,851)
Loss before tax	(574,936)	(556,271)

NOTE 2 REVENUE

Revenue from continuing operations

Interest income	7,982	18,168
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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 2019

NOTE 3 ADMINISTRATION EXPENSES

	2019	2018
	\$	\$
Loss before income tax includes the following specific administration expenses:		
Personnel expenses		
Salaries, directors fees and other employment expenses	119,770	117,726
Superannuation	9,643	9,614
	<u>129,413</u>	<u>127,340</u>
Less: Recharged to exploration expenditure	-	(495)
	<u>129,413</u>	<u>126,845</u>
Accounting fees	48,134	48,134
Administration services	59,114	59,114
Audit fees	25,558	21,973
Operating lease expense	70,265	71,283
Listing fees	30,258	32,730
Other	64,730	63,772
	<u>427,472</u>	<u>423,851</u>

NOTE 4 INCOME TAX

(a) Income tax benefit

The components of income tax benefit comprise:

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

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

Operating loss before income tax	(574,936)	(556,271)
Prima facie tax benefit at Australian rate of 30% (2018: 27.5%)	172,481	152,975
Adjusted for tax effect of the following amounts:		
Non-taxable items	1,137	1,042
Adjustment for change in tax rate	397,646	-
Tax benefit not brought to account	(571,264)	(154,017)
	<u>-</u>	<u>-</u>

Income tax benefit

The credit for current income tax benefit is based on the loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or substantively enacted by the balance date.

The Company does not satisfy all of the conditions to qualify as a base rate entity for the current year. Therefore, the full corporate tax rate of 30% applies for the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4 INCOME TAX (continued)

(c) Deferred tax assets and liabilities not brought to account	2019	2018
	\$	\$
The directors estimate that the potential deferred tax assets and liabilities carried forward but not brought to account at year end at the Australian corporate tax rate of 30% (2018: 27.5%) are made up as follows:		
On income tax account:		
Carried forward tax losses	7,943,440	7,123,327
Deductible temporary differences	4,350	3,438
Taxable temporary differences	<u>(3,002,408)</u>	<u>(2,752,647)</u>
Unrecognised net deferred tax assets	<u>4,945,382</u>	<u>4,374,118</u>

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	<u>1.05</u>	<u>1.02</u>
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	<u>(574,936)</u>	<u>(556,271)</u>
	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	<u>54,582,936</u>	<u>54,582,936</u>

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 2019

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

2019	2018
\$	\$

Cash at bank and on hand	126,237	680,306
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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

Interest receivable	-	1,599
Other	12,739	14,964
	12,739	16,563

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8 EXPLORATION ASSETS (continued)

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

	2019	2018
	\$	\$
Trade creditors and accruals	80,850	63,561
Employee entitlements	5,965	6,211
	<u>86,815</u>	<u>69,772</u>

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 (2018: 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.

(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

	2019 Number of shares	2018 Number of shares	2019 \$	2018 \$
At 1 July	54,582,936	54,582,936	27,035,248	27,035,248
No movement during the year	-	-	-	-
At 30 June	<u>54,582,936</u>	<u>54,582,936</u>	<u>27,035,248</u>	<u>27,035,248</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 10 ISSUED CAPITAL (continued)

(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:

	2019 Number of options	2018 Number of options	Grant date	Expiry date	Exercise price per share \$
At 1 July	950,000	950,000	24 Dec 2016	26 Dec 2019	0.54
No movement during the year	-	-			
At 30 June	950,000	950,000			
Vested and exercisable at 30 June	950,000	950,000			0.54

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

NOTE 11 RESERVES

	2019 \$	2018 \$
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

	2019 \$	2018 \$
Reconciliation of loss after income tax with cash flow from operating activities		
Loss after income tax	(574,936)	(556,271)
Change in operating assets and liabilities:		
Decrease in debtors	1,599	9,363
Increase/(decrease) in creditors	17,043	(1,890)
Decrease in GST receivable	2,225	1,358
Net cash outflows from operating activities	(554,069)	(547,440)

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 2019.

The directors are not aware of any other contingent liabilities at 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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	2019	2018
	\$	\$
	75,000	117,000

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

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

Short-term employee benefits	89,875	93,500
Post-employment benefits	32,125	34,500
	122,000	128,000

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 \$78,792 (2018: \$80,189) to Hampton Hill Mining NL, a listed company of which Mr Tomkinson and Mr Pitt are directors and shareholders, for sharing of office facilities and provision of 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 \$300,000 to the Company. This facility consists of two unsecured short term loans of up to \$150,000 each at an interest rate of 2.5% per annum, repayable by 1 October 2020, and is otherwise on normal commercial terms and conditions. The facility is to enable the Company to meet its ongoing working capital requirements.

Subsequent to the end of the financial year the Company drew down \$100,000 on the loan facility, consisting of two loans of \$50,000 each.

No amount was drawn on the facility at balance date and no interest was payable on the loans for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16 MINERAL EXPLORATION AGREEMENTS

The Company has an interest in the following mineral exploration agreement as at 30 June 2019:

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 2019, including interest thereon, amounted to \$28,831,371.

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

Subsequent to balance date, the Company drew down \$100,000 on the loan facility with director related entities.

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 18 REMUNERATION OF AUDITORS

	2019	2018
	\$	\$
Amounts received, or due and receivable, by HLB for:		
Auditing and review of the financial report of the Company	25,558	21,973
Other services	-	-
	25,558	21,973

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19 SHARE BASED PAYMENTS

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is 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 or expired during the current year.

The weighted average remaining contractual life of options outstanding at the end of the year was 0.49 years (2018: 1.49 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 21 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 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 0.36% (2018: 2.09%).

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	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Cash & cash equivalents	126,237	680,306				
Bank term deposit receivable	-	-				
Change in interest rate:						
- 0.5%			(631)	(3,402)	-	-
+ 0.5%			631	3,402	-	-

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 22 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

Notwithstanding the fact that the Company incurred a net loss of \$574,936 for the year ended 30 June 2019 and, at balance date, the Company's current assets exceeded current liabilities by just \$52,161, the financial statements have been prepared on the going concern basis of accounting, which assumes that the Company will be able to meet its commitments as and when they fall due. In arriving at this assumption, the directors recognise that the Company is dependent upon funding alternatives to meet these ongoing commitments, including capital raisings and/or the realisation of assets.

In the event that the Company does not achieve the matters as set out above, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore whether it will realise its assets and settle its liabilities in the normal course of business and at amounts stated in the financial statements.

(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 and annual 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

NOTE 22 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Accounting standards and interpretations

New accounting standards and interpretations adopted

The Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the reporting periods beginning on or after 1 July 2018.

As a result of this review the Company has, in the current year, applied AASB15 Revenue from Contracts with Customers and AASB 2016-5 Classification and Measurement of Share-Based Payment Transactions, both of which are effective for annual reporting periods beginning on or after 1 July 2018.

The directors have determined that there is no material impact for the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to accounting policies.

New accounting standards and interpretations in issue, not yet adopted

The Company has also reviewed all the new and revised Standards and Interpretations in issue, not yet adopted, that are relevant to the Company and effective for the current annual reporting period beginning on or after 1 July 2018.

As a result of this review, the directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue, not yet adopted, on the Company and therefore no material change is necessary to accounting policies.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2019

- 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 2019 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 2019.

This declaration is signed in accordance with a resolution of the Board of Directors on 10 September 2019 and is signed for and on behalf of the directors by:



Mr N Tomkinson
Chairman

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 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 22 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
<p>Exploration assets</p> <p>Reference to relevant note 8 in the financial statements</p> <p>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.</p> <p>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.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • 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 2020 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 2019, 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.

Report on the Remuneration Report

Opinion on the remuneration report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Red Hill Iron Limited for the year ended 30 June 2019 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

Perth, Western Australia
10 September 2019



B G McVeigh
Partner

SHAREHOLDER INFORMATION

AS AT 23 SEPTEMBER 2019

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	89	-
1,001 - 5,000	87	-
5,001 - 10,000	39	-
10,001 - 100,000	98	2
100,001 +	39	2
	352	4

UNMARKETABLE PARCEL

There are 117 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	18,139,018	33.23
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 23 SEPTEMBER 2019

TWENTY LARGEST SHAREHOLDERS

Shareholders	No of shares	%
1 Perth Capital Pty Ltd	10,602,035	19.42
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	4,638,845	8.50
6 Yandal Investments Pty Ltd	2,200,000	4.03
7 Zero Nominees Pty Ltd	1,955,000	3.58
8 Flexiplan Management Pty Ltd <Susan Thomas Super Fund A/c>	1,241,321	2.27
9 T D M Boddington	1,111,821	2.04
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 Fifty-First Y Pty Ltd <Clarkefarm Super Fund A/c>	667,142	1.22
13 J F G Phillips <J F G Phillips Family A/c>	429,280	0.79
14 M E l'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	241,523	0.44
20 Penmaen Limited	228,571	0.42
	<hr/>	
	48,602,881	89.05

MINERAL RESOURCES AND ORE RESERVES

AS AT 30 JUNE 2019

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 2019.

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

Project	JORC category	Mt	Fe (%)	SiO ₂ (%)	Al ₂ O 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 ₂ O 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 2019

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 2019

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

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

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

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

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

Comparison with previous year:

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.

MINERAL TENEMENT INFORMATION

AS AT 30 JUNE 2019

MINING TENEMENTS AND BENEFICIAL INTERESTS, 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%	
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



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