

3 March 2017

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

Dear Sir/Madam

**Interim Financial Report for the half-year ended 31 December 2016**

Attached is the Red Hill Iron Limited Interim Financial Report for the half-year ended 31 December 2016.

Yours faithfully

P C Rutledge

Company Secretary

# **RED HILL IRON LIMITED**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED**

**31 DECEMBER 2016**

**ABN 44 114 553 392**

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# RED HILL IRON LIMITED

## DIRECTORS' REPORT

The directors of Red Hill Iron Limited (Red Hill Iron or the Company) submit their report for the half year ended 31 December 2016.

## DIRECTORS

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

Mr Neil Tomkinson	Executive Chairman
Mr Joshua Pitt	Non Executive Director
Mr Mark Okeby	Non Executive Director
Mr Garry Strong	Non Executive Director

## REVIEW AND RESULTS OF OPERATIONS

The Company's operating loss for the half year ended 31 December 2016 was \$359,286 (2015: \$345,527).

### Red Hill Iron Ore Joint Venture (RHIOJV)

The RHIOJV is part of the overall planned development of the West Pilbara Iron Ore Project (WPIOP), the participants in which are Aquila Resources, POSCO and AMCI Inc. The WPIOP involves proposed iron ore production of 40 million tonnes per annum of CID ores over 20 years from several deposits, with the majority tonnes sourced from the RHIOJV.

Red Hill Iron currently retains a 40% interest in the RHIOJV, all the costs of which are provided by joint venturer API Management Pty Ltd (wholly owned by the participants in the WPIOP) until production commences, at which point the Company may elect to either reduce its interest to a participating 19% or convert it to a 2% FOB Royalty on total RHIOJV production.

Recent exploration has added further Mineral Resources to the RHIOJV tenements at the Trixie West, Cardo Bore West and Red Hill Creek Channel Iron Deposits. The overall increase of 3 million tonnes in the Mineral Resource estimate takes total Mineral Resources from 813Mt (RHI ASX announcement 26 June 2015) to 816Mt (RHI ASX announcement 24 November 2016).

The WPIOP joint venture participants are progressing a desktop study to consider an integrated rail and port infrastructure solution for the joint ventures in which they have interests.

### West Pilbara Gold and Base Metal Joint Venture

In the second half of the year the West Pilbara Gold Project, located in the highly prospective Ashburton Mineral Field in the Western Australia Pilbara region, was created as a farm-in and joint venture with Chalice Gold Mines Limited (Chalice).

During the final quarter, a reconnaissance program of geological mapping and rock chip sampling was completed by Chalice at the Urandy, Kens Bore and Dereks Bore prospects and sampling results have confirmed localized gold in quartz veining and broader areas of low-level surface gold anomalism associated with major regional NNW and ENE trending structures. Chalice is currently reviewing the results of the recent field sampling, geological mapping and historic soil sampling programs.

### Corporate

Late in 2016 Red Hill Iron announced a non-renounceable entitlement offer on a 1 for 7 basis of up to 7,057,862 fully paid ordinary shares at a price of 38 cents each. The offer closed with acceptances of 5,177,899 shares representing a successful acceptance rate of 73%. The issue raised \$1,967,601 before costs, allowing the Company to repay loans from director related entities and providing the necessary capital for the Company to maintain its exploration interests and meet ongoing administration and operating costs for the foreseeable future.

## AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors.



**Neil Tomkinson**  
**Executive Chairman**  
Perth, 3 March 2017

# RED HILL IRON LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 \$	31 December 2015 \$
Revenue from continuing operations	2	218	3,426
Exploration expenditure		(84,626)	(102,897)
Administration expenses	3	<u>(274,878)</u>	<u>(246,056)</u>
<b>Loss before income tax</b>		(359,286)	(345,527)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss for the half year after tax</b>		(359,286)	(345,527)
<b>Other comprehensive income for the half year</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive loss for the half year attributable to the equity holders of the Company</b>		<u>(359,286)</u>	<u>(345,527)</u>
<b>Loss per share attributable to the ordinary equity holders of the Company</b>			
Basic and diluted loss per share		(0.72) cents	(0.70) cents

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

# RED HILL IRON LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31 December 2016 \$	30 June 2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,510,395	109,770
Trade and other receivables		<u>13,075</u>	<u>11,053</u>
Total Current Assets		<u>1,523,470</u>	<u>120,823</u>
<b>Non Current Assets</b>			
Exploration assets		<u>10,008,025</u>	<u>10,008,025</u>
Total Non Current Assets		<u>10,008,025</u>	<u>10,008,025</u>
Total Assets		<u>11,531,495</u>	<u>10,128,848</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	4	95,770	157,088
Borrowings		<u>-</u>	<u>200,000</u>
Total Current Liabilities		<u>95,770</u>	<u>357,088</u>
Total Liabilities		<u>95,770</u>	<u>357,088</u>
<b>Net Assets</b>		<u>11,435,725</u>	<u>9,771,760</u>
<b>EQUITY</b>			
Issued Capital	5	27,043,317	25,086,598
Reserves	6	529,302	462,770
Accumulated losses		<u>(16,136,894)</u>	<u>(15,777,608)</u>
<b>Total Equity</b>		<u>11,435,725</u>	<u>9,771,760</u>

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

# RED HILL IRON LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Issued Capital \$	Share Based Payments Reserve \$	Exercised Options Reserve \$	Accumulated Losses \$	Total Equity \$
<b>2016</b>					
Balance at 1 July 2016	25,086,598	177,000	285,770	(15,777,608)	9,771,760
Comprehensive Income:					
Net loss for the half year	-	-	-	(359,286)	(359,286)
Total comprehensive loss for the half year	-	-	-	(359,286)	(359,286)
Transactions with equity holders in their capacity as equity holders:					
Issue of ordinary fully paid shares net of issue cost	1,956,719	-	-	-	1,956,719
Share based payments	-	66,532	-	-	66,532
<b>Balance at 31 December 2016</b>	<b>27,043,317</b>	<b>243,532</b>	<b>285,770</b>	<b>(16,136,894)</b>	<b>11,435,725</b>
<b>2015</b>					
Balance at 1 July 2015	25,086,598	177,000	285,770	(15,109,030)	10,440,338
Comprehensive Income:					
Net loss for the half year	-	-	-	(345,527)	(345,527)
Total comprehensive loss for the half year	-	-	-	(345,527)	(345,527)
Transactions with equity holders in their capacity as equity holders	-	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>25,086,598</b>	<b>177,000</b>	<b>285,770</b>	<b>(15,454,557)</b>	<b>10,094,811</b>

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

# RED HILL IRON LIMITED

## STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	31 December 2016	31 December 2015
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(256,196)	(261,225)
Payments for exploration expenditure	(98,992)	(98,639)
Interest received	218	5,231
Interest paid	(5,832)	-
	<u>(360,802)</u>	<u>(354,633)</u>
<b>Cash flows from investing activities</b>	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	300,000	-
Repayment of borrowings	(500,000)	-
Proceeds from issue of shares	1,967,601	-
Payment for share issue costs	(6,174)	-
	<u>1,761,427</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,400,625	(354,633)
Cash and cash equivalents at the beginning of the half year	<u>109,770</u>	<u>532,112</u>
<b>Cash and cash equivalents at the end of the half year</b>	<u>1,510,395</u>	<u>177,479</u>

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

# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

### NOTE 1 – SEGMENT INFORMATION

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

	<b>31 December 2016</b>	<b>30 June 2016</b>
	\$	\$
Reportable segment assets	<u>10,008,025</u>	<u>10,008,025</u>
Reportable segment liabilities	<u>50,315</u>	<u>64,682</u>
Reconciliation of reportable segment liabilities:		
Reportable segment liabilities	50,315	64,682
Unallocated corporate liabilities	<u>45,455</u>	<u>292,406</u>
Total liabilities	<u>95,770</u>	<u>357,088</u>

	<b>31 December 2016</b>	<b>31 December 2015</b>
	\$	\$
Reportable segment loss	<u>(84,626)</u>	<u>(102,897)</u>
Reconciliation of reportable segment loss:		
Reportable segment loss	(84,626)	(102,897)
Other revenue	218	3,426
Unallocated corporate expenses	<u>(274,878)</u>	<u>(246,056)</u>
Loss before tax	<u>(359,286)</u>	<u>(345,527)</u>

### NOTE 2 – REVENUE

#### Revenue from continuing operations

Interest income	<u>218</u>	<u>3,426</u>
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# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

### NOTE 3 – ADMINISTRATION EXPENSES

	31 December 2016	31 December 2015
	\$	\$
<b>Loss before income tax includes the following specific administration expenses:</b>		
Personnel expenses		
Salaries, directors' fees and associated expenses	64,563	87,654
Superannuation	4,798	6,869
Share based payments	66,532	-
Less: Disclosed as exploration expenditure	<u>(138)</u>	<u>(21,863)</u>
	135,755	72,660
Depreciation	-	52
Other administration expenses		
Accounting fees	21,942	26,186
Administration services	28,867	30,240
Audit Fees	7,146	9,423
Company secretarial	20,189	21,150
Legal fees	-	1,000
Operating lease expense	41,686	45,877
Other	<u>19,293</u>	<u>39,468</u>
	<u>274,878</u>	<u>246,056</u>

### NOTE 4 – TRADE AND OTHER PAYABLES

	31 December 2016	30 June 2016
	\$	\$
Trade creditors and accruals	89,765	144,091
Employee entitlements	<u>6,005</u>	<u>12,997</u>
	<u>95,770</u>	<u>157,088</u>

### NOTE 5 – ISSUED CAPITAL

#### (a) Ordinary Shares Fully Paid

	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	No of Shares	No of Shares	\$	\$
<b>At 1 July</b>	49,405,037	49,405,037	25,086,598	25,086,598
Issue of ordinary fully paid shares	5,177,899	-	1,967,601	-
Less cost of share issue	<u>-</u>	<u>-</u>	<u>(10,882)</u>	<u>-</u>
<b>At 31 December</b>	<u>54,582,936</u>	<u>49,405,037</u>	<u>27,043,317</u>	<u>25,086,598</u>

# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

### (b) Share options -unlisted

	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	No of Options	No of Options	\$	\$
At 1 July	-	500,000	177,000	177,000
Issue of options	950,000	-	66,532	-
<b>At 31 December</b>	<b>950,000</b>	<b>500,000</b>	<b>243,532</b>	<b>177,000</b>

No options expired during the half year ended 31 December 2016.

### NOTE 6 – RESERVES

	31 December 2016	30 June 2016
	\$	\$
Share based payment reserve	243,532	177,000
Future value option reserve	285,770	285,770
	<u>529,302</u>	<u>462,770</u>

### NOTE 7 – SHARE BASED PAYMENTS

The Company from time to time issues options to management personnel and other staff members on terms set out in the Company's Employee Share Option Plan. Refer to the 30 June 2016 financial report for more details.

During the half year ended 31 December 2016 950,000 options were issued to staff following director approval.

The assessed fair value, and hence the cost to the Company, of the options granted during the half year to 31 December 2016 was \$66,532. The fair value has been calculated as at the date of grant using the Black-Scholes model for the valuation of all options. The assumptions used in arriving at the value of the options issued are set out below:

	Staff Options
No of options granted	950,000
Issue date	27 December 2016
Expiry date	26 December 2017
Exercise price per share	54 cents
Expected average life of the options	3 years
Underlying security spot price at time of grant	54 cents
Risk free interest rate	2.07%
Expected volatility	16.7%

# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

### NOTE 8 – COMMITMENTS FOR EXPENDITURE

In order to maintain the mineral tenements in which the Company and other parties are involved, the Company is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. There has been no material change to these commitments since the last reporting date of 30 June 2016.

### NOTE 9 – RELATED PARTY TRANSACTIONS

During the half year, the working capital loan facility from companies associated with directors Mr Tomkinson and Mr Pitt was increased to \$900,000, consisting of two loans of up to \$450,000 each, repayable by 15 October 2017. This facility was drawn down to \$500,000 before being repaid in full, including interest accrued at 2.5% per annum from the Company's proceeds of the entitlement share issue. As at the date of this report no amount is drawn down on the facility which remains in place.

All other arrangements with related parties, details of which are set out in the financial report for the year ended 30 June 2016, continue to be in place.

### NOTE 10 – EVENTS OCCURRING AFTER BALANCE DATE

To the best of the directors' knowledge and belief, there have been no material items, transactions or events subsequent to 31 December 2016 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in these statements.

### NOTE 11 – CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities at 31 December 2016 other than that relating to mineral exploration agreements as noted in the 30 June 2016 annual report.

### NOTE 12 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Red Hill Iron is a public company, incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

#### Statement of compliance and basis of preparation

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

The half year financial statements do not include all notes of the type normally included within the annual financial statements. It cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements and should be read in conjunction with the annual financial report of Red Hill Iron Limited as at 30 June 2016.

It is also recommended that the half year financial statements be considered together with any public announcements made by Red Hill Iron during the half year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

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

#### Accounting policies and methods of computation

The accounting policies and methods of computation adopted in the preparation of the half year financial statements are consistent with those adopted and disclosed in the Company's financial statements for the year ended 30 June 2016 and the corresponding half year reporting period.

#### 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.

# RED HILL IRON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

### **Adoption of new and revised standards**

#### *Standards and Interpretations applicable to 31 December 2016*

In the half-year ended 31 December 2016, 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 half-year reporting periods beginning on or after 1 July 2016.

As a result of this review, 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.

#### *Standards and Interpretations in issue, not yet adopted, applicable to 31 December 2016*

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 half-year reporting periods beginning on or after 1 January 2017.

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.

# RED HILL IRON LIMITED

## DIRECTORS' DECLARATION FOR THE HALF YEAR ENDED 31 DECEMBER 2016

In the opinion of the directors of the Company:

1. the accompanying financial statements and notes, as set out in this Interim Financial Report, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory reporting requirements; and
  - (b) give a true and fair view of the Company's financial position as at 31 December 2016 and of the performance for the half year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the directors made pursuant to section 303(5) of the Corporations Act 2001.



**Neil Tomkinson**  
**Executive Chairman**  
Perth, 3 March 2017

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Red Hill Iron Limited

### **Report on the Condensed Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Red Hill Iron Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' responsibility for the half-year financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

**HLB Mann Judd**  
**Chartered Accountants**

A handwritten signature in black ink that reads 'B G McVeigh'.

**B G McVeigh**  
**Partner**

**Perth, Western Australia**  
**3 March 2017**

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Red Hill Iron Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia  
3 March 2017

**B G McVeigh**  
Partner