RED HILL IRON Limited

ABN: 44 114 553 392

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08 September 2020

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

Financial Statements and Directors' Report

Attached is a copy of the Financial Statements and Directors' Report for the Company for the year ended 30 June 2020.

By authority of the Board

P C Ruttledge
Company Secretary

RED HILL IRON LIMITED

ABN 44 114 553 392

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2020

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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 2020.

DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are exploration for iron ore, gold and base metals. There has been no significant change in the Company's activity during the financial year.

DIVIDENDS

No dividends were paid during the year and the directors do not recommend the payment of a dividend.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

Red Hill Iron Ore Joint Venture

Red Hill Iron's 40% interest in the Red Hill Iron Ore Joint Venture (RHIOJV) located in the West Pilbara region of Western Australia remains subject to the vagaries of the market for iron ore and requires a transport option to the coast and onto ships. However, consistently higher iron ore prices and a more positive outlook for the market in modest grade, higher impurity iron ore, have enabled the project manager to intensify in-house research examining various concepts for the commencement of mining operations at Red Hill.

During the year, the project manager completed four scoping studies encompassing: the maximisation of resource utilisation whilst meeting recent market product quality targets; road and rail haulage methods utilising latest technology; capital impacts of alternative port locations; and investigation of development strategies able to comply with latest carbon dioxide emission guidelines. The manager and joint venture participants continue to analyse potential development options to achieve a viable path forward.

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 and the first sale of ore takes place. 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.

Pannawonica Project

Red Hill Iron commenced activities during the latter quarter of the year seeking the advancement of its100% owned Pannawonica Project which has low grade and relatively high aluminium and silica impurity. We understand there is a reasonable market for this quality ore and the 70 million tonne resource has very low stripping ratio and is conveniently located near the Karratha-Pannawonica bitumen road.

Red Hill Iron Gold & Non-Ferrous Exploration Project

Excluding the rights to iron ore, which are the subject of the RHIOJV, the Company owns all the mineral rights within the tenements whose area falls within the RHIOJV.

For some years Red Hill Iron has carried out modest gold and base metal exploration programs. With a view to accelerating the rate of exploration on these programs, Red Hill Iron has entered into discussions with API to investigate whether an agreement can be reached whereby API participates in the gold and base metal exploration. These discussions are ongoing.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the operating results and the issue of additional 5,295,213 ordinary fully paid shares arising from an entitlement offer, there were no significant changes in the state of affairs of the Company during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to balance date, on 10 July 2020, the Company issued 2,450,000 options to members of staff at no cost, exercisable at 25 cents on or before 30 June 2022.

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 2019 to 30 June 2020 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

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. Mr Pitt was appointed a director of Red Hill Iron Limited on its formation in June 2005 and assumed the position of executive chairman in December 2019, following the resignation of Mr Tomkinson from the position. He is also the executive chairman of Hampton Hill Mining NL (appointed a director in January 1997 and chairman in April 2012), and the non-executive chairman of Traka Resources Limited (appointed a director in July 2003 and chairman in December 2019). He holds the position of non-executive director at Red Metal Limited (appointed July 2003). Mr Pitt has held no other directorships of ASX listed companies during the last three financial years.

Non-executive Directors

Neil Tomkinson, LLB Hons

Mr Tomkinson is a non-executive director of the Company (appointed April 2008), having resigned from the position of executive chairman in December 2019. 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 Traka Resources Limited (appointed September 2003). He resigned as non-executive Chairman of Traka Resources Limited in December 2019. Mr Tomkinson 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Mr Okeby was appointed a non-executive director of Capricorn Metals Ltd on 8 July 2019. 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' 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
J N Pitt	12,832,783	-
N Tomkinson	8,862,286	-
G R Strong	1,573,139	-
D M Okeby	857,142	-

The relevant interest of Mr Tomkinson and Mr Pitt in the shares of the Company is their combined holding of 21,695,069 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
J N Pitt	10	10
N Tomkinson	10	10
G R Strong	10	10
D M Okeby	10	10

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.

AUDITED REMUNERATION REPORT (continued)

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

Remuneration is reviewed by the board on an annual basis having regard to performance and market competitiveness. The remuneration of executive personnel, other than the Chairman, is determined by the non-executive directors and the Chairman and comprises a base salary or fee based on the services provided and market rates of remuneration. The remuneration of the executive chairman is determined by the remainder of the board. All remuneration paid to key management personnel is valued at cost to the Company and expensed.

Non-executive directors

Fees paid to the non-executive directors for services as directors are determined by the board (within the overall limit set by shareholders) based on their level of responsibility and with reference to the general level of fees paid by companies of similar size and operations.

The Company operates with a small staff and a non-executive director can be called upon to undertake work for the Company in addition to his/her services as a director. Where this occurs the director may be remunerated for those additional services at market rates. Non-executive directors may be paid all travelling and other expenses properly incurred by them in the business of the Company.

Executives

The remuneration of the executive chairman, Mr J Pitt, 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:

		2020	**2019**	**2018**	**2017**	**2016**
Revenue and other income	$	33,556	7,982	18,168	14,117	5,223
Net loss	$	466,409	574,936	556,271	595,549	668,578
Loss per share	cents	0.81	1.05	1.02	1.20	1.35
Share price at year end	$	0.15	0.20	0.46	0.63	0.41

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:

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

AUDITED REMUNERATION REPORT (continued)

	Year	Short-term benefits Salary & fees $	Post-employment benefits Superannuation $	Total $	Performance related %
Executive directors					
J N Pitt (Chairman)	**2020**	**25,000**	**2,375**	**27,375**	**-**
	2019	25,000	2,375	27,375	-
Non-executive directors					
N Tomkinson	**2020**	**25,000**	**2,375**	**27,375**	**-**
	2019	25,000	2,375	27,375	-
G R Strong	**2020**	**5,375**	**25,000**	**30,375**	**-**
	2019	14,875	25,000	39,875	-
D M Okeby	**2020**	**25,000**	**2,375**	**27,375**	**-**
	2019	25,000	2,375	27,375	-
Total	**2020**	**80,375**	**32,125**	**112,500**	**-**
	2019	89,875	32,125	122,000	-

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

No part of the remuneration of the key management personnel is contingent upon the performance of the Company.

(c) Service agreements

Directors

Shareholders of the Company have approved the maximum fees payable in aggregate to the directors of the Company for their services as directors be set at $200,000 per annum. Each director of the Company is currently entitled to receive an annual fee of $25,000 plus statutory superannuation for their services as directors.

Non-executive directors

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

Executive chairman

There is no separate service agreement for the Chairman in respect of his executive duties as Executive Chairman. No fixed term or notice period applies and there is no provision for termination benefits.

(d) Share-based compensation

No options have been issued to, or exercised by, directors or any other key management personnel during the year ended 30 June 2020. No options are held by key management personnel and currently the Board does not anticipate that any share-based compensation will be issued to directors.

AUDITED REMUNERATION REPORT (continued)

(e) Equity held by key management personnel

The number of ordinary fully paid shares in the Company held directly and indirectly by the directors and other key management personnel, and any movements in these holdings over the year, is set out below:

	Balance 1 July 2019	Net changes	Balance 30 June 2020
Director			
J N Pitt	10,729,355	2,103,428	12,832,783
N Tomkinson	7,409,663	1,452,623	8,862,286
G R Strong	1,310,951	262,188	1,573,139
D M Okeby	714,285	142,857	857,142
	20,164,254	3,961,096	24,125,350

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 $87,475 (2019: $78,792) to Hampton Hill Mining NL, a listed company of which Mr Tomkinson and Mr Pitt are directors and shareholders, for rental of office space and provision of administration services. This agreement is at arms-length and on normal commercial terms and conditions.

Borrowings from directors

The Company has agreements with companies associated with directors Mr N Tomkinson and Mr J Pitt, whereby these companies have 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 2022, and is otherwise on normal commercial terms and conditions. The facility is to enable the Company to meet its ongoing working capital requirements.

During the financial year the Company drew down, and subsequently repaid, $200,000 on the loan facility, consisting of two loans of $100,000 each. Total interest incurred of $1,490 was also repaid.

No amount was drawn on the facility at balance date and no interest was outstanding.

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 2019 financial year at its Annual General Meeting (AGM). The Company did not receive any specific comments on its remuneration practices at the AGM or throughout that year.

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

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

The audited remuneration report ends here.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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	Exercise price of shares	Number under option	Percent vested
10 July 2020	30 June 2022	25 cents per share	2,450,000	100%

INSURANCE OF OFFICERS

During the financial year the Company paid an amount to insure all current directors and officers of the Company against certain liabilities which may be incurred by them whilst acting in their capacity as directors and officers of the Company other than conduct including a wilful breach of duty to the Company. In accordance with commercial practice the policy prohibits disclosure of the terms of the policy including the limit of liability and the amount of premium paid.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to any court pursuant to Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

AUDIT COMMITTEE

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

NON-AUDIT SERVICES

HLB Mann Judd (WA Partnership) (HLB), the Company's auditor, did not perform any non-audit services for the Company for the year ended 30 June 2020.

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 8 September 2020.

Mr J N Pitt

Chairman

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2020, 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
8 September 2020

B G McVeigh
Partner

hlb.com.au

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $	2019 $
Revenue from continuing operations	2	3,721	7,982
Other income	2	29,835	-
Exploration expenditure		(90,347)	(155,446)
Administration expenses	3	(409,618)	(427,472)
Loss before income tax		(466,409)	(574,936)
Income tax expense	4	-	-
Loss for the year		(466,409)	(574,936)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year attributable to the ordinary equity holders of the Company		(466,409)	(574,936)
Loss per share attributable to the ordinary equity holders of the Company		**cents**	**cents**
Basic and diluted loss per share	5	0.81	1.05

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 2020

	Note	2020 $	2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	651,167	126,237
Trade and other receivables	7	20,997	12,739
Total Current Assets		672,164	138,976
Non-Current Assets			
Exploration assets	8	10,008,025	10,008,025
Total Non-Current Assets		10,008,025	10,008,025
Total Assets		10,680,189	10,147,001
LIABILITIES			
Current Liabilities			
Trade and other payables	9	39,737	86,815
Total Current Liabilities		39,737	86,815
Total Liabilities		39,737	86,815
Net Assets		10,640,452	10,060,186
EQUITY			
Issued capital	10	28,081,923	27,035,248
Reserves	11	529,302	529,302
Accumulated losses		(17,970,773)	(17,504,364)
Total Equity		10,640,452	10,060,186

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 2020

	Issued capital	Share based payments reserve	Future value option reserve	Accumulated losses	Total equity
	$	$	$	$	$
2020					
Balance at 1 July 2019	27,035,248	243,532	285,770	(17,504,364)	10,060,186
Net loss for the year	-	-	-	(466,409)	(466,409)
Total comprehensive loss recognised during the year	-	-	-	(466,409)	(466,409)
Transactions with equity holders in their capacity as equity holders:					
Issue of ordinary fully paid shares, net of issue cost	1,046,675	-	-	-	1,046,675
Balance at 30 June 2020	28,081,923	243,532	285,770	(17,970,773)	10,640,452
2019					
Balance at 1 July 2018	27,035,248	243,532	285,770	(16,929,428)	10,635,122
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	27,035,248	243,532	285,770	(17,504,364)	10,060,186

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 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Payments to suppliers and employees		(432,664)	(427,353)
Payments for exploration expenditure		(108,137)	(136,297)
Government grants and tax incentives		17,901	-
Interest received		2,645	9,581
Interest paid		(1,490)	-
Net cash outflows from operating activities	12	(521,745)	(554,069)
Cash flows from investing activities			
Net cash flows from investing activities		-	-
Cash flows from financing activities			
Proceeds from borrowings		200,000	-
Repayment of borrowings		(200,000)	-
Proceeds from issue of shares		1,059,043	-
Payment for share issue costs		(12,368)	-
Net cash inflows from financing activities		1,046,675	-
Net increase/(decrease) in cash and cash equivalents		524,930	(554,069)
Cash and cash equivalents at the beginning of the year		126,237	680,306
Cash and cash equivalents at the end of the year	6	651,167	126,237

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 2020

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.

	2020 $	2019 $
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	672,164	138,976
Total assets	10,680,189	10,147,001
Reportable segment liabilities	1,362	19,151
Reconciliation of reportable segment liabilities:		
Reportable segment liabilities	1,362	19,151
Unallocated corporate liabilities	38,375	67,664
Total liabilities	39,737	86,815
Reportable segment loss	(90,347)	(155,446)
Reconciliation of reportable segment loss:		
Reportable segment loss	(90,347)	(155,446)
Other revenue	33,556	7,982
Unallocated corporate expenses	(409,618)	(427,472)
Loss before tax	(466,409)	(574,936)

NOTE 2 REVENUE

Revenue from continuing operations		
Interest income	3,721	7,982
Other income	29,835	-

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 income relates to the Government's Cash Flow Boost grant. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants are presented as Other income in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3 ADMINISTRATION EXPENSES	2020 $	2019 $
Loss before income tax includes the following specific administration expenses:		
Personnel expenses		
Salaries, directors fees and other employment expenses	125,430	119,770
Superannuation	9,600	9,643
	135,030	129,413
Less: Recharged to exploration expenditure	(672)	-
	134,358	129,413
Accounting fees	44,628	48,134
Administration services	54,502	59,114
Audit fees	19,550	25,558
Rental of office	68,561	70,265
Listing fees	15,168	30,258
Interest paid	1,490	-
Other	71,361	64,730
	409,618	427,472

Rental of office space is expensed to profit or loss as incurred as the Company has elected to utilise the exemption in paragraph 5 of AASB16 relating to short term leases. Refer Note 22.

NOTE 4 INCOME TAX

(a) Income tax benefit

	2020	2019
The components of income tax benefit comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

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

	2020	2019
Operating loss before income tax	(466,409)	(574,936)
Prima facie tax benefit at Australian rate of 30% (2019: 30%)	139,923	172,481
Adjusted for tax effect of the following amounts:		
Non-taxable items	10,830	1,137
Adjustment for change in tax rate	0	397,646
Tax benefit not brought to account	(150,753)	(571,264)
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 2020

NOTE 4 INCOME TAX (continued)

(c) Deferred tax assets and liabilities not brought to account	2020 $	2019 $
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% (2019: 30%), are made up as follows:		
On income tax account:		
Carried forward tax losses	8,095,415	7,943,440
Deductible temporary differences	3,450	4,350
Taxable temporary differences	(3,002,730)	(3,002,408)
Unrecognised net deferred tax assets	5,096,135	4,945,382

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	0.81	1.05
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	(466,409)	(574,936)
	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	57,339,348	54,582,936

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 2020

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

	2020 $	2019 $
Cash at bank and on hand	651,167	126,237

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

	2020 $	2019 $
Interest receivable	1,076	-
Other receivables	19,921	12,739
	20,997	12,739

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) and cash flow boost grant.

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

	2020 $	2019 $
Carrying amount	10,008,025	10,008,025

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

Exploration and evaluation expenditure is recorded at historical cost on an area of interest basis. Expenditure on acquisition of an area of interest is carried forward where rights to tenure of the area of interest are current and it is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale, or exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Exploration and evaluation expenditure incurred by the Company subsequent to acquisition is expensed as incurred. Once a decision to proceed to development has been taken, all further expenditure incurred relating to the area will be capitalised.

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	2020	2019
	$	$
Trade creditors and accruals	33,773	80,850
Employee entitlements	5,964	5,965
	39,737	86,815

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 of 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

59,878,149 (2019: 54,582,936) fully paid ordinary shares	28,081,923	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

	2020 Number of shares	2019 Number of shares	2020 $	2019 $
At 1 July	54,582,936	54,582,936	27,035,248	27,035,248
Shares issued during the year, net of costs	5,295,213	-	1,046,675	-
At 30 June	59,878,149	54,582,936	28,081,923	27,035,248

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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:

	2020 Number of options	2019 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
Options expiring	(950,000)	-			
At 30 June	-	950,000			
Vested and exercisable at 30 June	-	950,000			

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

NOTE 11 RESERVES

	2020 $	2019 $
Share based payments reserve	243,532	243,532
Future value option reserve	285,770	285,770
	529,302	529,302

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

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

NOTE 12 CASH FLOW INFORMATION

Reconciliation of loss after income tax with cash flow from operating activities	2020 $	2019 $
Loss after income tax	(466,409)	(574,936)
Change in operating assets and liabilities:		
(Increase)/decrease in debtors	(13,010)	1,599
(Decrease)/increase in creditors	(47,078)	17,043
Decrease in GST receivable	4,752	2,225
Net cash outflows from operating activities	(521,745)	(554,069)

Changes in liability arising from financing activities:

	2020	2019
Opening balance borrowings	-	-
Proceeds from borrowings	200,000	-
Repayment of borrowings	(200,000)	-
Non-cash flow movement in borrowings	-	-
Closing balance borrowings	-	-

There were no non-cash flows from investing activities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 13 CONTINGENCIES

Contingent liabilities

There are no contingent liabilities for termination benefits under service agreements with directors or executives at 30 June 2020.

The directors are not aware of any other contingent liabilities at 30 June 2020.

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 Industry Regulation and Safety 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	2020	2019
	$	$
	75,000	75,000

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:
Joshua Pitt
Neil Tomkinson
Garry Strong
Mark Okeby

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

Short-term employee benefits	80,375	89,875
Post-employment benefits	32,125	32,125
	112,500	122,000

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with director-related entities

Payments to related parties

During the financial year the Company paid $87,475 (2019: $78,792) to Hampton Hill Mining NL, a listed company of which Mr Tomkinson and Mr Pitt are directors and shareholders, for rental of office space and provision of administration services. This agreement is at arms-length and on normal commercial terms and conditions.

Borrowings from directors

The Company has agreements with companies associated with directors Mr Tomkinson and Mr Pitt, whereby these companies have 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 2022, and is otherwise on normal commercial terms and conditions. The facility is to enable the Company to meet its ongoing working capital requirements.

During the financial year the Company drew down, and subsequently repaid, $200,000 on the loan facility, consisting of two loans of $100,000 each. Total interest incurred of $1,490 was also repaid.

No amount was drawn on the facility at balance date and no interest was outstanding.

NOTE 16 MINERAL EXPLORATION AGREEMENTS

The Company has an interest in the following mineral exploration agreement as at 30 June 2020:

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 2020, including interest thereon, amounted to $32,281,961 – 2019: $30,223,266.

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, on 10 July 2020, the Company issued 2,450,000 options to members of staff at no cost, exercisable at 25 cents on or before 30 June 2020.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18 REMUNERATION OF AUDITORS	**2020**	**2019**
	$	**$**
Amounts received, or due and receivable, by HLB for:		
Auditing and review of the financial report of the Company	19,550	25,558
Other services	-	-
	19,550	25,558

NOTE 19 SHARE BASED PAYMENTS

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

The fair value of options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is determined using an option pricing model that takes into account the price, the term, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the unlisted options, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term.

During the current year 950,000 staff options expired. No options were issued during the current year.

The weighted average remaining contractual life of options outstanding at the end of the year was nil years (2019: 0.49 years). No options have been issued to or are held by directors.

NOTE 20 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates - impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of exploration and evaluation assets, and plant and equipment. Where an impairment trigger exists under the relevant standard, the recoverable amount of the asset is determined. The recoverable amount of the asset is the higher of its value in use and its fair value less costs to sell. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and fair value less cost to sell is determined using market rates.

Capitalisation of exploration and evaluation expenditure

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

NOTE 21 FINANCIAL RISK MANAGEMENT

The Company, in its normal course of business, is exposed to financial risks comprising market risk (essentially interest rate risk), credit risk and liquidity risk.

The directors have overall responsibility for the Company's management of these risks and seek to minimise these risks through ongoing monitoring and review of the adequacy of the risk management framework in relation to the risks encountered by the Company.

(a) Liquidity risk

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

(b) Credit risk

The Company does not have any significant exposure to credit risk. The minimal exposure to credit risk that could arise is from having its cash assets all deposited at one bank. Whilst the risk of the bank failing is considered minimal, the Company manages this exposure by ensuring its funds are deposited only with a major bank with high security ratings.

(c) Market risk

Interest rate risk

The Company's market risk exposure is to the Australian money market interest rates in respect of its cash assets and bank term deposit receivable. The risk is managed by monitoring the interest rate yield curve out to 180 days to ensure a balance is maintained between the liquidity of its cash assets and interest rate return.

The weighted average rate of interest to which the Company was exposed on its cash assets and bank term deposit receivable as at the year end was 0.89% (2019: 0.36%).

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	
	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$
Cash & cash equivalents	651,167	126,237				
Bank term deposit receivable	-	-				
Change in interest rate:						
- 0.5%			(3,256)	(631)	-	-
+0.5%			3,256	631	-	-

(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.

Going concern

Notwithstanding the fact that the Company incurred a net loss of $466,409 for the year ended 30 June 2020 and, at balance date, the Company's current assets exceeded current liabilities by just $632,427 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(f) Accounting standards and interpretations

New accounting standards and interpretations adopted

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 2019.

AASB16 Leases applies to the Company's lease of office space from 1 July 2019. AASB 16 Leases removes the classification of leases as either operating or finance leases for the lessee.

The Company has elected to utilise the exemption in paragraph 5 of AASB16 relating to short term leases with terms of 12 months or less and leases of low value assets. Consequently it does not recognise a right-of-use asset and corresponding lease liability in the Statement of Financial Position for its rental of office space. Lease payments on this asset are expensed to profit or loss as incurred.

Other than the above, there is no material impact of any other 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 2019.

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 2020

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 2020 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 2020.

This declaration is signed in accordance with a resolution of the Board of Directors on 8 September 2020 and is signed for and on behalf of the directors by:

Mr JN Pitt

Chairman

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2020, 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 2020 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(a) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Company'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
Carrying value of exploration and evaluation expenditure Note 8	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources,* the Company capitalises all acquisition expenditure and subsequently applies the cost model after recognition. Our audit focussed on the Company's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Company. We planned our work to address the audit risk that the capitalised expenditure might no longer meet the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: • We obtained an understanding of the key processes associated with management's review of the carrying values of each area of interest; • We considered the Directors' assessment of potential indicators of impairment; • We obtained evidence that the Company has current rights to tenure of its areas of interest; • We examined the exploration budget for the 2021 financial year and discussed with management the nature of planned ongoing activities; • We enquired with management, reviewed ASX announcements and reviewed minutes to ensure that the Company had not resolved to discontinue exploration and evaluation at any of its areas of interest; and • We examined the disclosers 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 financial report for the year ended 30 June 2020, 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 2020.

In our opinion, the Remuneration Report of Red Hill Iron Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

B G McVeigh
Partner

Perth, Western Australia
8 September 2020