

23 July 2014

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

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2014

CORPORATE OVERVIEW

On 6 June 2014, Baosteel Resources Australia Pty Ltd (BAO) joined with Aurizon Operations Limited (Aurizon) in making a takeover bid for Aquila Resources Limited (Aquila), the owner of 50% of API Management Pty Ltd (API), Red Hill Iron's fellow participant in the Red Hill Iron Ore Joint Venture (RHIOJV). The acquiring parties have since passed the 90% compulsory takeover threshold with successful completion of the takeover anticipated shortly. The takeover has demonstrated BAO's strong commitment to the RHIOJV and a mine development with rail and port infrastructure can now be anticipated with heightened confidence.

For Red Hill Iron this is a very significant occurrence as the RHIOJV contains most of the ore reserves of the West Pilbara Iron Ore Project (WPIOP) and is the key to opening up the Western Hub Channel Iron Deposit (CID) mineral resources for development, with export proposed through the establishment of a major port at Anketell Point. We now expect rapid progress with the RHIOJV as the participants rework the feasibility studies and set about preparing the project for a decision to go ahead.

RED HILL IRON ORE JOINT VENTURE - 40% RED HILL IRON

The RHIOJV is managed by API, which is owned in equal proportions by subsidiaries of Aquila and AMCI Incorporated. The RHIOJV is an integral component of the WPIOP plans to commence CID mining in the Western Hub of the West Pilbara.

Red Hill Iron's 40% interest will reduce to 20% upon first sales of ore from the RHIOJV area to customers. Red Hill Iron has no requirement to contribute to the cost of iron ore exploration or development until commercial production, with API being responsible for sole funding all such expenditure to that point. All such funds expended by API on Red Hill Iron's behalf are refundable with interest out of 80% of Red Hill Iron's future free project cash flow.

RHIOJV Reserves

The RHIOJV accounts for at least 289 million tonnes (at 57.3% Fe comprising Proved 106 million tonnes and Probable 183 million tonnes, as detailed in the Company's Quarterly Activities Report dated 31 January 2011) of the WPIOP's 445 million tonnes of total Ore Reserves (as announced by Aquila on 3 December 2010), which are the basis for moving the project forward. Nearly 20% of these total Ore Reserves lie within the Kens Bore East deposit, which is subject to a Supreme Court action initiated by Red Hill Iron, which, if successful, could enhance the RHIOJV Ore Reserves to over 370 million tonnes.

Definitive Feasibility Study

The Definitive Feasibility Study (DFS) for the WPIOP completed in 2010 will now be replaced by a new study, which will incorporate the base tariff rates to be negotiated with the proposed rail and port infrastructure provider, Aurizon, as well as an updated mine plan, an anticipated new reserve estimate and revised production rate figures. Provided the new DFS is positive and completed in the anticipated timetable, your board is confident that mining operations could commence in 2017 or early 2018.

Quarterly Operations Report

API has reported on quarterly progress as follows:-

HIGHLIGHTS

- *There were no significant safety incidents reported during the quarter;*
- *Exploration - 83 RC drill holes (for 4,008m) were completed;*
- *KM Native Title Agreement was executed (refer to separate announcement);*
- *PKKP Native Title Agreement execution process commenced;*
- *Compliance activities were carried out in respect of mine environmental approval and licence conditions;*
- *A program and budget for FY2014-15 was adopted;*

Additional detail is provided hereunder

EXPLORATION

Exploration work continued during the quarter targeting Channel Iron Deposits (CID) and included infill RC drilling, geological mapping and rock chip sampling across the Red Hill Iron Ore Joint Venture (RHIOJV) project area.

A total of 83 RC drill holes for 4,008m were completed with drilling targeting CID mineralisation formed by the alluvial and chemical deposition of iron rich sediments in palaeo-river channels. Assay results are pending.

RC drilling will continue across the RHIOJV project area next Quarter.

FEASIBILITY & COMPLIANCE

Environmental

A Groundwater Drawdown Monitoring Plan was completed and will be submitted to the Department of Parks and Wildlife in early July. A Northern Quoll Fauna Management Plan was sent for external peer review.

The status of RHIOJV land disturbed was reported to the DM on 30 June, in accord with a commitment by the Manager in an earlier request to extend the timeframe within which to complete rehabilitation works.

Land Management

The KM native title agreement was executed. The PKKP native title agreements have been part-executed by the PKKP Applicant with the PNTS (legal representatives) working towards obtaining the remaining applicant signatures.

Execution and lodgment of State Deeds to implement grant process for the Project Mining Leases is awaiting the execution of the PKKP agreements.

In respect of the mining rehabilitation fund, the Manager has now finalised and submitted disturbance data calculations for the 2013-14 reporting period to DMP. Extensions of term for various licences across the Project were lodged and approved.

PANNAWONICA IRON ORE PROJECT - 100% RED HILL IRON

The Pannawonica project has an Ore Reserve Estimate (JORC Code 2012) of 29.3 million tonnes grading 54% iron (Proved 4.1 million tonnes and Probable 25.1 million tonnes announced 14 April 2014) derived from two channel iron mesas containing a combined Mineral Resource in terms of JORC Code 2012 (including the Ore Reserves) of 62.5 million tonnes at 53.4% iron (announced 18 February 2014). The project has excellent logistics, being located within short trucking distance of the rail infrastructure that is expected to be constructed for the WPIOP mining operations and also being adjacent to the path of the haul road that has been designed for the anticipated Iron Ore Holdings Limited Bungaroo South iron ore mine.

The Company is advancing heritage activities and environmental studies to incorporate into a DFS. It is confident that a viable channel iron mining operation with annual production of around 4 million tonnes can be demonstrated following positive initial metallurgical and marketing studies. However, a decision on transportation elections will be required prior to the completion of a DFS.

THREE PEAK HILL HARD ROCK QUARRY

Conceptual pits have been designed on Red Hill Iron's mining lease application (M08/501) to establish the likely footprint of operations sufficiently large to provide material for road and other infrastructure construction. Heritage work is scheduled to restart this quarter.

Neil Tomkinson

Chairman

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13

Name of entity

RED HILL IRON LIMITED

ABN

44 114 553 392

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration & evaluation | (184) | (1,654) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (87) | (484) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 21 | 72 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | - | 33 |
| Net Operating Cash Flows | (250) | (2,033) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.9 Proceeds from sale of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | - | - |
| 1.13 Total operating and investing cash flows (carried forward) | (250) | (2,033) |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

| | | | |
|------|--|--------------|----------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (250) | (2,033) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (provide details if material) | - | - |
| | Net financing cash flows | - | - |
| | Net increase (decrease) in cash held | (250) | (2,033) |
| 1.20 | Cash at beginning of quarter/year to date | 1,181 | 2,964 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 931 | 931 |

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 71 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

| | |
|-----|-----------------------------|
| 1.7 | Refund of security deposits |
|-----|-----------------------------|

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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| |
|--|

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 223 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 143 |
| Total | 366 |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 47 | 26 |
| 5.2 Deposits at call | 84 | 155 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (Term Deposit) | 800 | 1,000 |
| Total: cash at end of quarter (item 1.22) | 931 | 1,181 |

Changes in interests in mining tenements and petroleum tenements

| | Tenement reference and location | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|--|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed | None | | |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased | M08/499 Granted M08/501 Granted M08/505 Granted | 0% 0% 0% | 100% 100% 100% |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|------|--|-------------------|---|--|
| 7.1 | Preference securities <i>(description)</i> | | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | |
| 7.3 | *Ordinary securities | 49,405,037 | 49,405,037 | Fully Paid |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | |
| 7.5 | *Convertible debt securities <i>(description)</i> | | | |
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | |
| 7.7 | Options <i>(description and conversion factor)</i> | 500,000 | <i>Exercise price</i> 98.75 cents | <i>Expiry date</i> 8 April 2016 |
| 7.8 | Issued during quarter | | | |
| 7.9 | Exercised during quarter | | | |
| 7.10 | Expired during quarter | | | |
| 7.11 | Debentures <i>(totals only)</i> | | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: **Peter Rutledge**
Company secretary

Date: **23 July 2014**

Print name: **Peter Rutledge**

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.

RED HILL IRON LIMITED
MINERAL TENEMENT INFORMATION (ASX Listing Rule 5.3.3)
For the quarter ending 30 June 2014

Mining tenements and beneficial interests held at quarter end, and their location:

| Tenement | Location | Registered Holding | Beneficial Interest |
|------------|------------------|--------------------|---------------------|
| E08/1227 | West Pilbara, WA | 40% | 40% |
| E08/1283 | West Pilbara, WA | 40% | 40% |
| E08/1289 | West Pilbara, WA | 40% | 40% |
| E08/1293 | West Pilbara, WA | 40% | 40% |
| E08/1294 | West Pilbara, WA | 40% | 40% |
| E08/1295 | West Pilbara, WA | 40% | 40% |
| E08/1430 | West Pilbara, WA | 40% | 40% |
| E08/1473 | West Pilbara, WA | 40% | 40% |
| E08/1516 | West Pilbara, WA | 40% | 40% |
| E08/1537 | West Pilbara, WA | 40% | 40% |
| E47/1141 | West Pilbara, WA | 40% | 40% |
| E47/1693 | West Pilbara, WA | 40% | 40% |
| E47/1280 | West Pilbara, WA | 0% | 40%* |
| E47/1283 | West Pilbara, WA | 0% | 40%* |
| MLA47/1472 | West Pilbara, WA | 40% | 40% |
| MLA08/483 | West Pilbara, WA | 40% | 40% |
| MLA08/484 | West Pilbara, WA | 40% | 40% |
| MLA08/485 | West Pilbara, WA | 40% | 40% |
| M08/499 | West Pilbara, WA | 100% | 100% |
| M08/500 | West Pilbara, WA | 100% | 100% |
| M08/501 | West Pilbara, WA | 100% | 100% |
| M08/505 | West Pilbara, WA | 100% | 100% |
| P08/623 | West Pilbara, WA | 100% | 100% |

*Subject of dispute

Mining tenements and beneficial interests acquired during the quarter, and their location:

| Tenement | Location | Registered Holding | Beneficial Interest |
|----------|------------------|--------------------|---------------------|
| M08/499 | West Pilbara, WA | 100% | 100% |
| M08/501 | West Pilbara, WA | 100% | 100% |
| M08/505 | West Pilbara, WA | 100% | 100% |

Mining tenements and beneficial interests disposed of during the quarter, and their location:

None

Key:

E: Exploration licence
M: Mining licence

P: Prospecting licence
MLA: Mining licence application