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Company Announcements Office Australian Stock Exchange PO Box H224, Australia Square Sydney NSW 2000

Dear Sir/Madam

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2006

HIGHLIGHTS

- Further encouraging Channel Iron Deposit ("CID") drilling results from CARDO BORE EAST, CARDO BORE NORTH, and RED HILL NORTH prospects.
- Airborne EM survey covering most of the southern Project Area completed. A number of discrete late time conductors have been defined.
- Soil geochemical surveys of the northern outcrop areas have commenced with encouraging gold and copper geochemical anomalism over part of the Pryde Well Red Hill Copper prospect.
- Field investigations of areas of interest resulted in the location of several areas with potential for copper mineralisation similar to the unconformity related copper oxide mineralisation of the Mt Isa Belt, and further confirmed the gold and base metal prospectivity of the Red Hill Iron Project Area.

Red Hill Iron Limited ("Red Hill Iron") controls a large package of tenements in the West Pilbara region of Western Australia. Known Channel Iron Deposits associated with Tertiary aged river channels south of the Robe River-Pannawonica iron ore mining operation occur on the tenements which also have potential for gold and base metals.

Red Hill Iron Limited – API Management Pty Limited ("API") Joint Venture:

The Red Hill Iron Project tenements are subject to an iron-ore-specific exploration joint venture with API, a company 50% owned by Aquila Resources Limited. API may earn an 80% equity in the iron ore rights by providing all exploration costs and lending Red Hill Iron all of its proportion of any future development costs repayable only out of mine cash flow. API have expended in excess of \$1,700,000 to 30 June 2006.

IRON ORE

During the Quarter a total of 232 holes for 12,486 metres were completed over the Red Hill project area, details of which are as follows:

Prospect	No. of Holes	Hole ID	Metres
Cardo Bore	26	CBRC053-074, 133-136	1,164
Cardo Bore North	44	CBRC089-132	2,272
Ken's Bore	13	KBRC001-013	684
Red Hill North	149	RNRC001-149	8,366
Total	232		12,486

At Cardo Bore East results received from the initial drill programme returned intercepts between 15 metres and 20 metres with iron (Fe) ranging from between 56.6% to 60.3%. An infill programme of RC drilling has been completed reducing drill hole spacing down to 200 metres x 200 metres.

Hole ID	From	То	Intercept	Al ₂ 0 ₃ %	Si0 ₂ %	P%	S%	LOI%
CBRC053	0	18	18.00 m @ 60.02% Fe	2.65	3.65	0.08	0.02	7.35
CBRC054	14	36	22.00 m @ 56.59% Fe	3.88	5.85	0.08	0.01	8.73
CBRC055	18	30	12.00 m @ 55.67% Fe	5.02	8.04	0.08	0.02	6.72
CBRC056	18	36	18.00 m @ 58.53% Fe	3.77	4.45	0.05	0.02	7.49
CBRC060	16	26	10.00 m @ 60.96% Fe	3.06	3.47	0.06	0.02	5.60
CBRC067	22	38	16.00 m @ 58.98% Fe	3.13	3.98	0.13	0.01	7.29
CBRC068	26	42	16.00 m @ 57.97% Fe	3.55	4.51	0.14	0.01	8.00

The infill programme has confirmed a significant zone of channel iron mineralisation (+56% Fe) over 2.5 kilometre in length and ranging from 250 metres to 1000 metres in width. Additional drilling is currently in progress to close off the channel limits.

At Cardo Bore North, located 3 kilometres north-west of Cardo Bore East, a initial programme of RC drilling has been completed along the spine of the mesa. Drill holes are centred at 100 metre to 200 metre intervals along the 6 kilometre length of the CID. Two areas represented in the table below by CBRC111-115 and CBRC121-127, have returned encouraging intersections of channel iron mineralisation. Drill holes completed between

the two areas intersected CID material with higher clay content, potentially reflecting the margin of the channel. Mineralised zones have been returned from generally greater than 15 metres down hole. Additional drilling is planned to test the position of the main channel.

Hole ID	From	То	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
CBRC102	16	26	10.00 m @ 58.80% Fe	3.09	4.68	0.11	0.02	7.41
CBRC111	22	38	16.00 m @ 58.35% Fe	3.59	5.52	0.09	0.03	6.84
CBRC112	18	32	14.00 m @ 60.90% Fe	2.39	3.15	0.07	0.02	6.99
CBRC113	22	34	12.00 m @ 60.57% Fe	2.66	3.40	0.07	0.02	7.00
CBRC114	22	34	12.00 m @ 58.93% Fe	2.79	5.09	0.09	0.02	7.42
CBRC115	24	34	10.00 m @ 57.10% Fe	3.42	6.54	0.08	0.01	7.73
CBRC121	24	38	14.00 m @ 57.77% Fe	3.59	6.18	0.08	0.02	7.09
CBRC122	28	38	10.00 m @ 57.78% Fe	3.44	6.23	0.09	0.02	6.68
CBRC123	30	40	10.00 m @ 57.72% Fe	3.71	5.85	0.09	0.02	6.96
CBRC124	30	40	10.00 m @ 57.78% Fe	3.67	5.29	0.08	0.01	7.77
CBRC127	28	38	10.00 m @ 55.08% Fe	4.68	6.45	0.06	0.02	9.21

Table 2: Selected RC drill intercepts from Cardo Bore North

The Red Hill North project covers a large area and has been subdivided into 5 prospects, namely Jewel, Cochrane, Farnum, Swearengen and Stubbs. First pass RC drilling has been completed over all prospects at 200 metre x 400 metre centres.

Significant zones of mineralisation have been returned from the Jewel and Cochrane prospects. Results received to date include drill holes RNRC001-025 and RNRC041-071.

Hole ID	From	То	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
RNRC041	0	2	2.00 m @ 57.40% Fe	2.44	5.84	0.02	0.02	9.14
	28	50	22.00 m @ 55.35% Fe	4.74	6.33	0.07	0.02	9.21
RNRC042	0	2	2.00 m @ 54.50% Fe	3.23	9.57	0.03	0.03	9.02
	30	44	14.00 M @ 54.30% Fe	4.93	8.25	0.07	0.02	8.54
RNRC043	32	54	22.00 m @ 56.70% Fe	4.30	4.67	0.08	0.02	9.41
RNRC044	32	52	20.00 m @ 57.07% Fe	4.26	4.78	0.07	0.02	8.76
RNRC045	28	56	28.00 m @ 57.76% Fe	3.67	4.87	0.09	0.01	8.30
RNRC046	32	52	20.00 m @ 56.48% Fe	4.30	5.47	0.07	0.02	8.85
RNRC049	0	12	12.00 M @ 54.33% Fe	4.42	6.40	0.03	0.02	11.13
	24	44	20.00 m @ 58.65% Fe	2.83	4.70	0.06	0.03	8.28
RNRC053	24	38	14.00 M @ 57.20% Fe	3.49	5.68	0.06	0.02	8.57
RNRC054	16	26	10.00 m @ 57.96% Fe	2.18	7.04	0.07	0.04	7.67
RNRC056	12	32	20.00 M @ 58.16% Fe	3.04	4.31	0.11	0.02	8.27
RNRC057	14	34	20.00 M @ 58.01% Fe	2.90	4.84	0.11	0.02	8.73
RNRC060	12	26	14.00 M @ 57.00% Fe	4.01	5.14	0.09	0.02	8.63
RNRC061	4	14	10.00 m @ 56.10% Fe	4.98	5.72	0.06	0.03	8.35
RNRC062	26	40	14.00 M @ 58.76% Fe	3.93	4.56	0.05	0.02	6.94
RNRC063	20	36	16.00 m @ 58.16% Fe	4.11	4.68	0.06	0.02	7.44

 Table 3: Selected RC drill intercepts from Red Hill North

GOLD AND BASE METALS

In addition to the occurrence of CIDs the Project tenements cover an extensive area of the Paraburdoo Hinge Zone (PHZ), which is prospective for shear hosted and Carlin style epithermal Gold, volcanogenic Copper-Zinc, unconformity related copper oxide and stratiform Zinc-Lead base metal mineralisation. Red Hill Iron is exploring the PHZ in its own right for gold and base metals.

An airborne EM (hoisTem) survey totalling 2540 line kilometres, and covering most of the southern Project Area, was flown during the June Quarter. The preliminary results are highly encouraging, with a number of discrete late time conductive targets being defined in the prospective Mt McGrath Formation and, to a lesser extent, in the Cheela Springs Basalt. The possible presence of a blind hitherto unknown channel iron deposit in the east of the area is also being investigated. Analysis and interpretation of the data are ongoing.

The process of systematic investigation of areas of interest arising from desk studies commenced during the period. This resulted in the definition of several areas worthy of further work, including an area of subtle surface copper mineralisation over approximately 40,000 square metres close to an unconformity in the central west of the area. Soil and rock chip sampling geochemical sampling over this area will be undertaken in the September Quarter.

In addition an intense alteration system indicating potential for gold mineralisation was located in the Duck Creek Dolomite in the south of the Project Area. Soil geochemical sampling of outcrop and shallow subcrop areas plus a 121 hole RAB/aircore drilling program of areas under cover, will be undertaken in the September Quarter.

The detailed aeromagnetic/radiometric survey is approximately two thirds complete. Flying has been suspended due to cattle mustering activities in the area. The survey is now due for completion in September. It covers the entire Project Area at 100 metre line spacing, and will enhance geological - structural targeting for gold, base metals and channel iron ore deposits. Radiometric anomalies located by the survey will be tested for uranium.

The IP surveys planned for the May quarter were delayed by the unavailability of a geophysical contractor. These surveys will be undertaken in the September Quarter.

Soil sampling of prospective areas of outcrop is ongoing. To date approximately 600 samples have been collected. Results received from the northern half of the Pryde Well prospect show that the multi – element soil geochemistry is working well, with significant gold – arsenic - antimony and copper anomalism in the Duck Creek Dolomite and Mt McGrath Formation.

Yours faithfully

G R Strong Director

COMPLIANCE STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Tim Boddington who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Boddington is a full-time employee of the company. Mr Boddington has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Boddington consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this announcement, insofar as it relates to iron ore exploration activities, is based on information compiled by Stuart H Tuckey, who is a member of the Australian Institute of Mining and Metallurgy, and who has more than five years experience in the field of activity being reported on. Mr Tuckey is a full-time employee of API Management Pty Ltd. Mr Tuckey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tuckey consents to the inclusion in the report of the above matters, based on their information in the form and context in which it appears.

