

30 April 2007

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

Dear Sir/Madam,

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2007

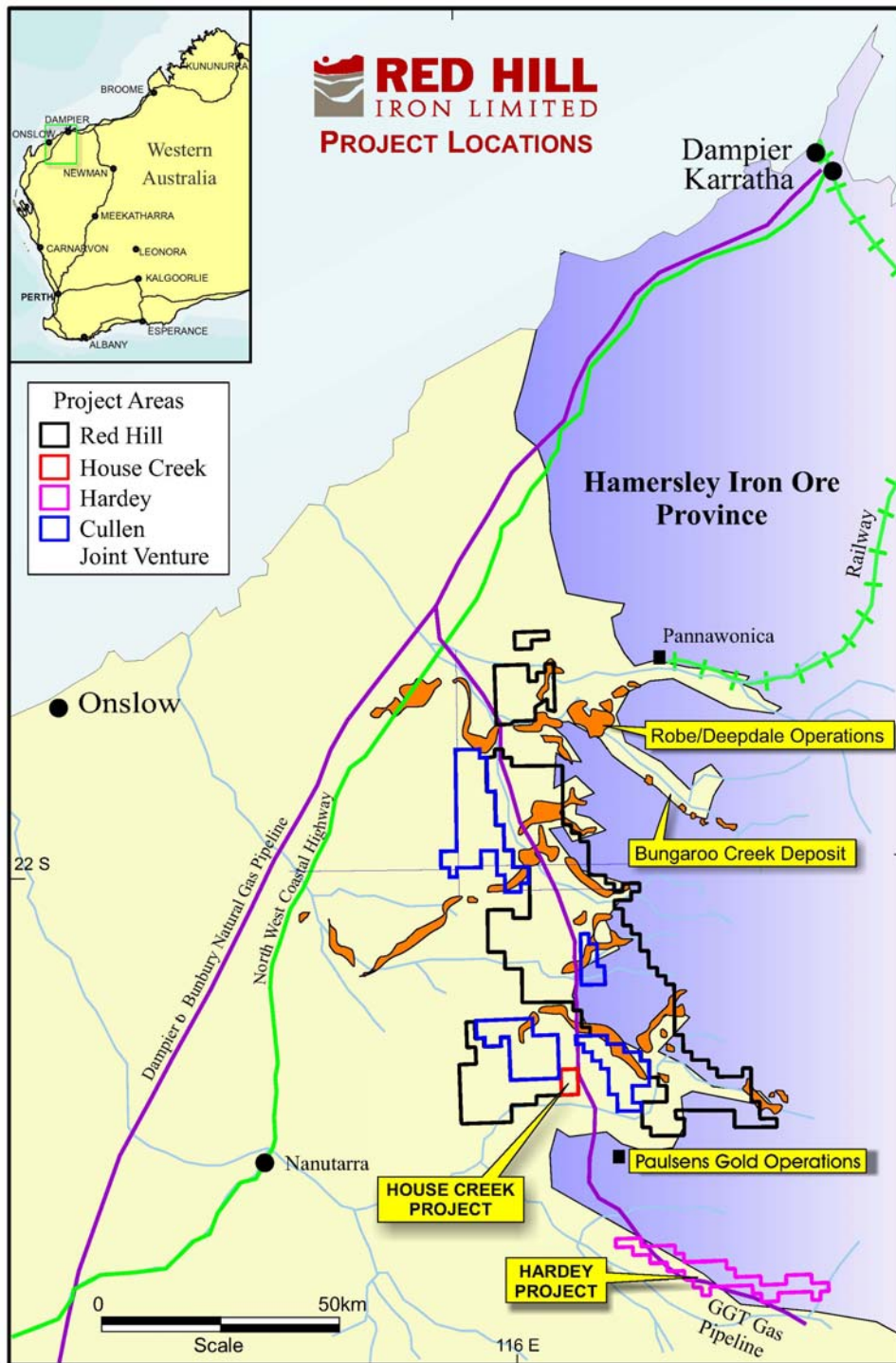
HIGHLIGHTS

Iron Ore

- Pre-feasibility Studies continued with the identification of two potential port sites, the determination of operating criteria and process plant design parameters, the commencement of the statutory approval program, and advancing of environmental surveys.
- Resource evaluation advanced significantly with initial CID estimates of resource tonnage and grades expected mid May.
- In excess of 250 drill holes planned for the next field program to commence shortly.

Non Ferrous

- Appraisal of all exploration results from the calendar 2006 non ferrous exploration program has determined an exciting set of gold and base metal targets for evaluation in the coming field season with a budget approved of \$2 million.
- The targets include some promising manganese soil geochemical anomalies and a nickel rich zone drilled within ultramafics.
- The Red Hill Iron's non ferrous project area has been increased by over 550 square kilometres to nearly 2,500 square kilometres through a new joint venture.



CORPORATE

Iron ore exploration continued on the Red Hill Project Area through the joint venture with Australian Premium Iron Joint Venture managed by API Management Pty Ltd (API) in which Red Hill Iron Limited (RHI) has a 40% interest and API 60%. API has elected to increase its interest to 80% by lending all RHI's project costs including any capital costs for mine development. These loans are to be refunded but only out of 80% of RHI's share of any future mine revenue. RHI has the right to convert its project interest to a 2% free on board royalty at any time up to the delivery of first ore to customers.

As previously advised, the Company completed a placement during the quarter of 5,882,353 shares, which is 15% of the Company's issued capital, to Aquila Resources Limited raising \$7.9 million. Aquila has a 50% interest in the Australian Premium Iron Joint Venture.

The Company also maintains an active non ferrous exploration effort within the Red Hill Project Area and surrounding region. API is excluded from any rights to non ferrous resources and is not involved. On the 10th April 2007, the Company entered into a joint venture with Cullen Resources Limited whereby it gained the right to earn a 70% interest over contiguous tenements by the expenditure of \$1,000,000 within 4 years. This joint venture expands the region controlled by RHI by a further 565 square kilometres and the Company tenement package is now of nearly 2,500 square kilometres extending from north of the Robe River southwards almost to the Paulsen's gold operations.

IRON ORE

PRE-FEASIBILITY STUDY

API, as project manager, is carrying out pre-feasibility studies for the potential development of mining infrastructure to mine, process, and transport ores from several iron ore deposits not all of which are located within the Red Hill Project Area.

The Port Options Study was received and two locations were identified as potential sites for an iron ore port facility. Twelve locations were initially considered, then progressively short listed in accordance with the selection criteria and a process of risk analysis. More detailed evaluation of the two preferred sites is progressing.

Transport corridors for each of the port locations have been determined by desk top study and these are being site inspected and assessed to minimise the possibility of serious civil issues arising during the definitive design stage. The transport corridors have been selected to suit both rail and road train possibilities.

Process plant basis for design and operating criteria were established to enable block models and flow diagrams to be prepared. Parameters were established for the run-of-mine plant feed, process plant product and port stockpiles and yards.

Planning was commenced to utilise a continuous surface miner to dig a bulk sample. The bulk sample will confirm the product sizing expected from the Red Hill Project Area and give a comparison of the quality of extracted primary ore to drill results.

The bulk sample will also provide an opportunity to study a continuous miner and improve understanding of its capability to selectively mine. The excavation will provide some insight as to the structure of clays in the ore and the definition of their boundary with the ore. These factors may assist with the decision for a wash plant and its size.

Metallurgical test work continued during the quarter with preliminary results indicating that some of the alumina is associated with the iron in the pisolites and is unable to be removed by washing.

The statutory approvals program commenced with environmental consultants conducting reconnaissance surveys of the potential mining areas and transport corridors. On the basis of the reconnaissance findings, detailed baseline flora and fauna monitoring programs are being designed. Field implementation will commence next quarter.

Meetings with various Government Departments took place throughout the quarter to clarify agency jurisdiction and to determine the options for project facilitation.

Key stakeholders have been identified for consultation as required under the environmental approval processes.

IRON ORE EXPLORATION

The focus of activity undertaken during the quarter has been the advancement of resource estimates for the channel iron deposits (CID's). Significant work has also been directed toward planning of the 2007 field program. API plans to continue the rapid assessment of targets and over 250 RC holes are anticipated to be drilled in the next phase.

The commencement of the 2007 field program has been delayed by approximately 4 weeks due to cyclone activity in March but will commence shortly.

NON FERROUS EXPLORATION

During the March quarter RHI assessed the geological, geochemical and geophysical data collected during 2006. Based on this work exploration programs for 2007 were formulated.

With completion of the large scale and expensive airborne geophysical programs, and the regional geochemical soil and RAB drilling programs well advanced, a greater proportion of exploration funds can now be devoted to drilling high quality exploration targets in the pursuit of making a significant gold and /or base metal discovery in 2007.

In addition to the gold and base metal prospects defined in the December 2006 Quarterly Report, the following features emerged from the ongoing data analysis:

NICKEL:

RAB hole BPW072, located 9 kilometres south east of the Red Hill pastoral homestead, intersected 20 metres of anomalous nickel mineralization which included 10 metres assaying 0.55% Nickel. This intersection occurred in ultramafic saprolite between 30 metres and 50 metres downhole beneath approximately 20 metres of gravel. Follow up aircore drilling is planned. It is interesting to note that ultramafic rocks were encountered in several regional rotary air blast drill holes in 2006.

MANGANESE:

The soil geochemical results for manganese have been processed resulting in the definition of anomalously high manganese values in residual soils over the Duck Creek Dolomite at Bloodwood and Jubilee, whilst the Seven Mile prospect, which is underlain by iron rich sediments belonging to the Ashburton Formation, also reports anomalously high manganese values. Areas of anomalism are defined by a manganese threshold value greater than 4,500 ppm, with up to 36,000 ppm (3.6%) manganese being recorded in soils.

There are strong geological similarities between the Red Hill Project Area and the Consolidated Minerals Limited Woodie Woodie manganese deposits, which occur in cavities in the Lower Proterozoic Carawine Dolomite in the East Pilbara region of Western Australia.

These anomalies will be investigated during the 2007 field program with the aim of defining their economic potential. Ongoing programs incorporate manganese as a target commodity.

Processing of the HoisTEM data by Vector Research has enhanced the temporal - spatial context and geological understanding of EM anomalies generated by this survey allowing RHI to better assess the anomalies and to plan follow up geochemical sampling programs and drill testing of selected conductive bodies.

Interpretation of the aeromagnetic/radiometric survey of the Red Hill Project Area is continuing and focus will move from the application of the aeromagnetics to enhance structural analysis to an appraisal of the radiometric data with a view to defining uranium targets.

EXPLORATION PROGRAMS FOR 2007

An exploration budget of \$1.94 million has been approved

The **Red Hill** and **Why Not** Copper Gold prospects will receive particular focus with over 9,000 metres of RC drilling, 18,000 metres of RAB drilling and 6,400 soil samples planned. The program will also provide for the extension of the regional geochemical coverage commenced last year and the specific testing of already defined electromagnetic anomalies and the existing and any new gold/base metal anomalies, follow up evaluation of the nickel and manganese targets, and initial testing of any uranium targets that may be defined from the planned review of radiometrics.

THE CULLEN RESOURCES LIMITED JOINT VENTURE

The Joint Venture involves tenements held by Cullen Resources Limited (Cullen) contiguous with the Red Hill Project Area. The JV excludes the iron ore rights, which remain the subject of a separate joint venture between Cullen and API.

The main target already defined by Cullen is the **Yanks Bore** prospect, where work by Cullen and other parties has defined a gold mineralised system extending over 25 kilometres. Limited drilling of part of this zone intersected a maximum value of 3 metres @ 2.4 grams per tonne gold, including one metre of 6.7 grams per tonne in altered dolomite.

Work on the Joint Venture will commence as soon as the historical data are assessed and programs formulated.

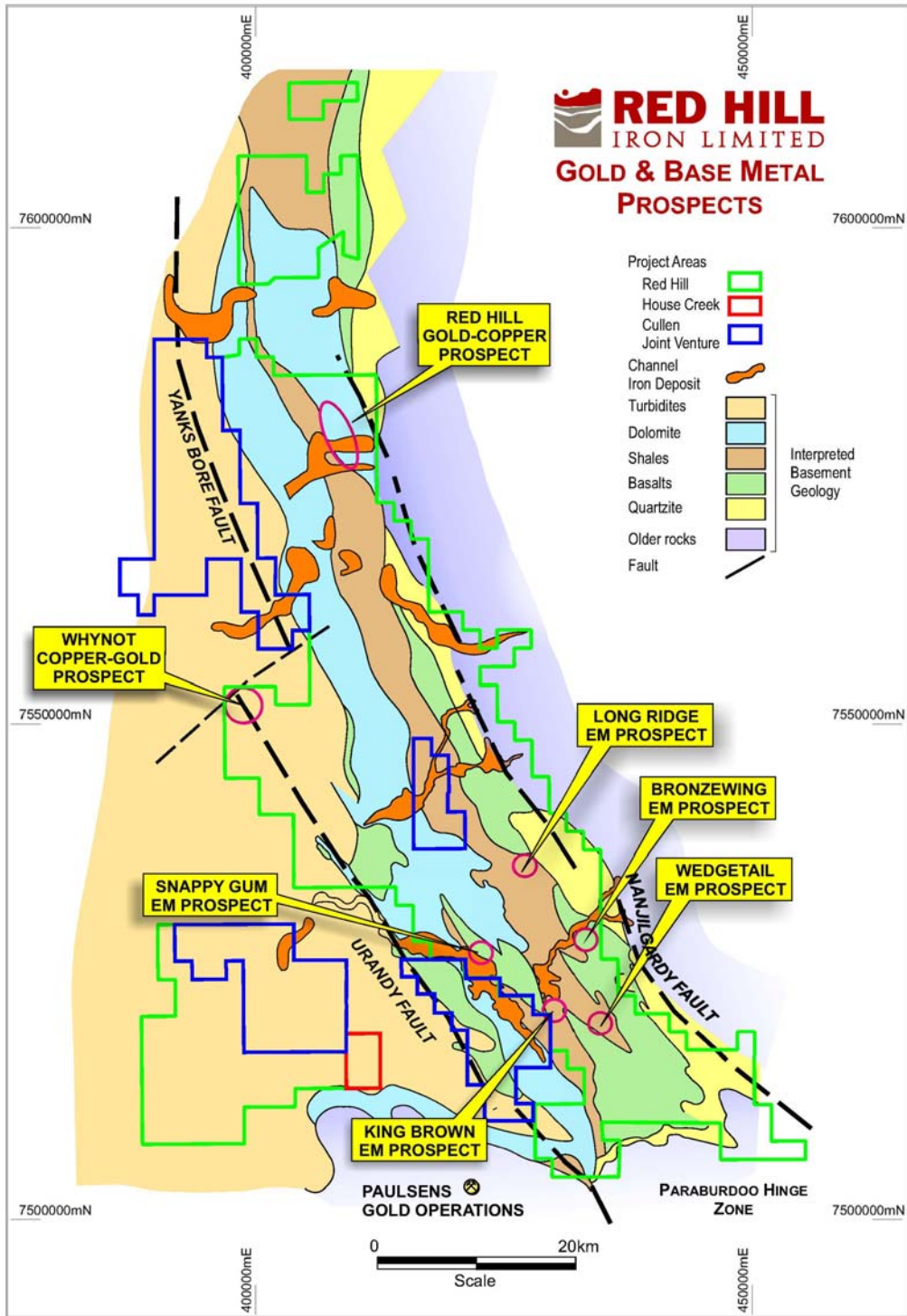
Yours faithfully

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.



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

RED HILL IRON LIMITED

ABN

44 114 553 392

Quarter ended ("current quarter")

31 March 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) Exploration & evaluation	(334)	(1,268)
(b) Development	-	-
(c) Production	-	-
(d) Administration	(78)	(219)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	58	185
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material): Receipts	-	-
Net Operating Cash Flows	(354)	(1,302)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(65)
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) Payment	-	-
Net investing cash flows	(3)	(65)
1.13 Total operating and investing cash flows (carried forward)	(357)	(1,367)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(357)	(1,367)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	8,107	8,107
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	8,107	8,107
Net increase (decrease) in cash held			
		7,750	6,740
1.20	Cash at beginning of quarter/year to date	2,118	3,128
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	9,868	9,868

Payments to directors of the entity and associates of the directors

Payments to 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	27
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.14 Proceeds from issue of shares relates to the placement of 5,882,353 ordinary shares to Aquila Steel Pty Ltd on 15 February 2007 and the exercise of 200,000 unlisted options in March 2007.

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

--

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

--

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	-
4.2 Development	-
Total	-

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	490	103
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	(58)
5.4 Term Deposit	-	-
5.5 Other (Bank accepted bills)	9,378	2,073
Total: cash at end of quarter (item 1.22)	9,868	2,118

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E08/1769 See Annexure A	Relinquished	100%	0%
6.2 Interests in mining tenements acquired or increased	P08/0508 P08/0509 P08/0510 P08/0511 P47/1271	Granted Granted Granted Granted Granted	0% 0% 0% 0% 0%	40% 40% 40% 40% 40%

Appendix 5B
Mining 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	39,415,686	26,082,353		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,882,353 200,000	5,882,353 200,000	\$1.3435 \$1.10	Fully Paid Fully Paid
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>	2,000,000 500,000 200,000	-	<i>Exercise price</i> 30 cents \$1.10 \$1.10	<i>Expiry date</i> 6 Dec 2008 28 Nov 2009 28 Nov 2009
7.8 Issued during quarter				
7.9 Exercised during quarter	200,000		\$1.10	28 Nov 2009
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Peter Rutledge

Sign here: (Company secretary)

Date: **30 April 2007**

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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.

====

Appendix 5B
Mining exploration entity quarterly report

Annexure A to Appendix 5B

During the quarter API Management Pty Ltd earned a 60% interest in the iron ore rights pertaining to the following tenements

Tenement reference	Interest at beginning of quarter	Interest at end of quarter
08/1227-I	100%	40%
E08/1283-I	100%	40%
E08/1289-I	100%	40%
E08/1293-I	100%	40%
E08/1294-I	100%	40%
E08/1295-I	100%	40%
E08/1301-I	100%	40%
E08/1430-I	100%	40%
E08/1473-I	100%	40%
ELA08/1503	100%	40%
ELA08/1514	100%	40%
E08/1516-I	100%	40%
E08/1537-I	100%	40%
E47/0982-I	100%	40%
E47/1141-I	100%	40%
ELA47/1693	100%	40%
PLA08/0508	100%	40%
PLA08/0509	100%	40%
PLA08/0510	100%	40%
PLA08/0511	100%	40%
PLA47/1271	100%	40%
MLA47/1346	100%	40%
MLA47/1347	100%	40%
MLA47/1348	100%	40%
MLA47/1349	100%	40%
MLA47/1350	100%	40%
MLA47/1351	100%	40%
MLA47/1352	100%	40%