RED HILL IRON LIMITED
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23 October 2007

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

Dear Sir/Madam,

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2007

HIGHLIGHTS

IRON ORE

Pre-Feasibility Study

- Development and exploration budget totalling $25.96 million approved.
- Substantial progress made on baseline environmental surveys.
- Hydrology and hydro-geological assessments completed for the mine area.
- Analysis of Cape Preston and Dixon Island continues for potential port locations.
- Integrated team of API and consultants developing, scheduling and costing mine operating plans and related equipment.
- HWE Mining selected to mine sample pits during the PFS evaluation period.

Exploration

- RC drilling continues to identify broad areas of high-grade CID up to 60% iron with updated resource calculations anticipated in the first quarter of 2008.
- Infill drilling at the **Upper Cane** deposit has improved the continuity of mineralised zones which will impact on the previously announced initial tonnage calculations of 59.3 million tonnes of indicated and inferred resources. Better results returned from the infill programme include:
  - 52 metres at 57.84% Fe, 3.10% Al_2O_3, 5.12% SiO_2, 0.132% P, 0.010% S and 8.14% LOI from surface in UPRC089,
  - 50 metres at 58.69% Fe, 3.02% Al_2O_3, 5.10% SiO_2, 0.086% P, 0.020% S and 7.28% LOI from surface in UPRC098,
  - 52 metres at 60.22% Fe, 2.82% Al_2O_3, 3.85% SiO_2, 0.078% P, 0.016% S and 6.86% LOI from surface in UPRC120,
  - 50 metres at 59.55% Fe, 2.92% Al_2O_3, 4.44% SiO_2, 0.075% P, 0.018% S and 7.00% LOI from surface in UPRC121 and;
  - 50 metres at 59.37% Fe, 2.91% Al_2O_3, 4.60% SiO_2, 0.087% P, 0.018% S and 7.04% LOI from surface in UPRC122.

- Evaluation of the **Kens Bore** and **Trinity Bore** prospects, for which no resources have yet been calculated, continues to return thick intercepts of high-grade CID. Better results returned include:

Kens Bore

- 34 metres at 58.72% Fe, 3.21% Al_2O_3, 5.39% SiO_2, 0.083% P, 0.010% S and 7.76% LOI from 18 metres in KBRC117,
- 30 metres at 56.97% Fe, 3.76% Al_2O_3, 6.11% SiO_2, 0.105% P, 0.010% S and 7.92% LOI from 22 metres in KBRC120,
- 32 metres at 58.19% Fe, 3.69% Al_2O_3, 4.59% SiO_2, 0.080% P, 0.013% S and 8.11% LOI from 20 metres in KBRC121.

Trinity Bore

- 26 metres at 56.16% Fe, 3.78% Al_2O_3, 6.44% SiO_2, 0.105% P, 0.026% S and 8.56% LOI from 4 metres in TBRC148,
- 28 metres at 56.33% Fe, 3.61% Al_2O_3, 6.36% SiO_2, 0.042% P, 0.022% S and 9.50% LOI from 4 metres in TBRC154,
- 26 metres at 56.32% Fe, 3.45% Al_2O_3 ,4.60% SiO_2, 0.139% P, 0.016% S and 10.67% LOI from 6 metres in TBRC163

IRON ORE

PRE FEASIBILITY STUDY

During the quarter, API advised the Joint Venture that it has approved an exploration and development budget for 2007/08 of $25.96 million.

Substantial progress in the baseline environmental surveys, required to prepare environmental approval documentation, has been achieved during the quarter.

First phase flora surveys have been completed on the Cochrane, Jewel, Kens Bore, Cardo Bore East and Upper Cane deposits, and on several potential infrastructure areas. Approximately 30% of a proposed rail alignment from the mine areas to Cape Preston was also completed.

Terrestrial fauna surveys have been completed at the deposit areas and along the length of a rail corridor to Cape Preston. Sampling for subterranean fauna in the deposit areas is underway, with the first results expected in late October 2007.

A survey of soil types and characteristics around the mine areas has been completed, as was the first phase survey of a Landscape and Geo-diversity study.

An initial surface hydrology study was completed for the mine areas, which provided valuable data for planning the location of ore haulage and processing infrastructure.

An initial hydro-geological assessment has been completed and an exploration programme designed to locate sufficient groundwater resources to support planned mining, haulage and processing operations. The exploration programme is scheduled to commence in the next quarter.

Consultation with key government and non-government stakeholders continued during the quarter.

The preparation of environmental approval documentation also commenced. The documentation will be progressively updated as the results of environmental surveys come to hand and project definition continues.

Port consultants Maunsell AECOM continued their analysis of Cape Preston and Dixon Island. Both sites remain under consideration for either a transhipment or fixed berth facility to load cape size vessels.

Wave buoy and wave hindcasting data collection at Cape Preston has commenced. Dixon Island wave data is available from Port Walcott records.

Rail routes to both potential port locations were refined following the receipt of improved topographical information.

An integrated team has been established to develop viable operating plans and equipment selection for mining operations and to schedule and cost the options. This includes Golder Associates for mine

scheduling and HWE Mining for mining methodology, equipment selection and costing. The team will work closely with API to develop an optimal solution to supply a consistent and reliable supply of iron ore within specified quantity and quality constraints.

In addition, HWE Mining has been selected to complete a small pit to provide bulk samples for metallurgical test work and to further evaluate proprietary surface mining technology in pisolitic iron ore. This technology offers an opportunity to greatly improve grade control and product sizing when compared with traditional drill and blast alternatives. Surface miner technology is now entering the production phase in Pilbara iron ore operations after a considerable period of research and development has confirmed the viability of the mining method in suitable applications. HWE Mining is at the forefront of this development.

The bulk sampling is part of the next phase of product development, along with a program of selective core drilling across the deposits, which is planned to be completed during the next quarter.

EXPLORATION

The exploration focus during the period has been on the continued assessment of the Kens Bore ,Trinity Bore and Catho Well North prospects and the infill drilling of the Upper Cane deposit. A total of 353 holes for 11,202 metres of RC drilling has been completed during the quarter.

Assay results received during the quarter continue to highlight the significant resource potential of the project and updated resource calculations incorporating the results of the extensive 2007 drilling will be completed in the first quarter 2008.

Upper Cane

On 16th May 2007, the Company released an initial resource totalling 59.3 million tonnes at 58.75% iron, 2.93% alumina and 5.00% silica. Following the release of the resource, a programme of infill drilling was planned in order to improve the continuity between the eastern and western resource blocks and lift the overall resource classification. During the quarter, a total of 105 holes for 4,776 metres were completed.

Significant thicknesses of high-iron low-alumina CID continue to be returned across the deposit area. Iron grades are consistently greater than 58% and range up to 60.9%, whilst alumina grades average 3.00%. All results are consistent with earlier drill results. Drilling has successfully established continuity between the western and eastern CID blocks with UCRC086 which returned 28 metres at 56.86% iron - increasing the resource envelope.

A review of the geological model will be undertaken and a revised resource model prepared early in 2008.

Better intercepts returned from the recent drill programme are tabled below.

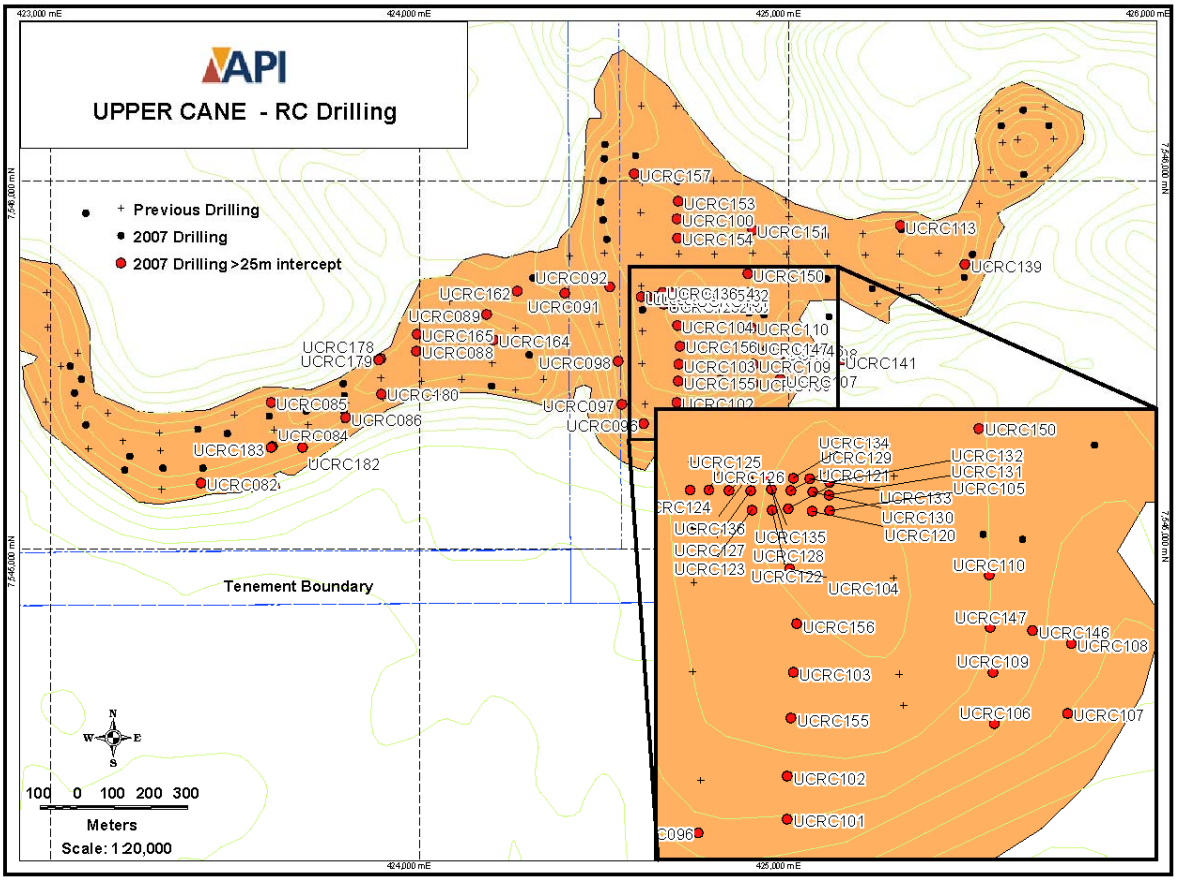
Hole ID	East	North	From	Intercept	Al2O3%	SiO2%	P%	S%	LOI%
UPPER CANE - RED HILL IRON (>30m thickness)									
UCRC082	423409	7545178	0	30.00 m @ 59.11 % Fe	3.06	3.73	0.085	0.028	9.49
UCRC084	423603	7545278	0	34.00 m @ 60.21 % Fe	2.86	3.29	0.075	0.023	7.90
UCRC085	423598	7545403	2	32.00 m @ 57.04 % Fe	3.67	6.30	0.083	0.034	8.46
UCRC086	423798	7545358	10	28.00 m @ 56.46 % Fe	3.32	6.50	0.113	0.012	8.88
UCRC088	423990	7545540	2	36.00 m @ 59.10 % Fe	2.87	4.27	0.106	0.018	7.85
UCRC089	424183	7545640	0	52.00 m @ 57.84 % Fe	3.10	5.12	0.132	0.010	8.14
UCRC091	424393	7545697	2	38.00 m @ 57.03 % Fe	2.93	7.85	0.077	0.012	6.94
UCRC092	424515	7545716	0	34.00 m @ 58.28 % Fe	3.19	6.27	0.062	0.015	6.70
UCRC096	424604	7545345	0	32.00 m @ 60.49 % Fe	2.92	2.87	0.059	0.049	7.31
UCRC097	424551	7545395	0	34.00 m @ 59.77 % Fe	3.21	3.38	0.055	0.050	7.43
UCRC098	424538	7545513	0	50.00 m @ 58.69 % Fe	3.02	5.10	0.086	0.020	7.28
UCRC100	424698	7545898	0	32.00 m @ 59.28 % Fe	2.89	5.01	0.054	0.021	6.75
UCRC101	424697	7545355	0	44.00 m @ 59.17 % Fe	3.40	4.17	0.068	0.027	7.20
UCRC102	424698	7545399	0	48.00 m @ 60.57 % Fe	3.08	2.94	0.066	0.029	6.85
UCRC103	424699	7545501	0	28.00 m @ 60.92 % Fe	2.49	3.50	0.057	0.022	6.31
UCRC104	424698	7545607	0	30.00 m @ 60.10 % Fe	2.69	4.11	0.054	0.021	6.67
UCRC105	424742	7545665	0	26.00 m @ 60.48 % Fe	2.38	3.85	0.055	0.021	6.75
UCRC106	424907	7545454	0	44.00 m @ 60.61 % Fe	2.78	3.54	0.061	0.018	6.57
UCRC107	424979	7545463	0	32.00 m @ 60.48 % Fe	2.89	3.68	0.055	0.029	6.67
UCRC108	424985	7545536	0	48.00 m @ 59.03 % Fe	3.04	5.00	0.096	0.018	7.02
UCRC109	424901	7545503	0	42.00 m @ 59.81 % Fe	2.92	4.47	0.058	0.020	6.65
UCRC110	424898	7545601	0	34.00 m @ 57.82 % Fe	3.21	5.21	0.088	0.021	8.58
UCRC113	425302	7545880	0	28.00 m @ 58.31 % Fe	3.06	6.20	0.079	0.025	6.67
UCRC139	425478	7545777	0	28.00 m @ 59.44 % Fe	2.34	5.36	0.098	0.017	6.65
UCRC141	425144	7545519	0	40.00 m @ 59.50 % Fe	3.36	4.54	0.064	0.036	6.60
UCRC146	424943	7545546	2	28.00 m @ 58.08 % Fe	3.21	6.09	0.073	0.019	7.15
UCRC147	424897	7545550	0	34.00 m @ 57.89 % Fe	2.96	5.97	0.091	0.020	7.79
UCRC150	424888	7545749	0	28.00 m @ 58.05 % Fe	3.16	5.04	0.087	0.018	8.16
UCRC151	424899	7545865	0	34.00 m @ 56.75 % Fe	3.37	6.51	0.083	0.023	7.68
UCRC152	424806	7545395	2	36.00 m @ 59.58 % Fe	3.57	3.51	0.062	0.039	7.02
UCRC153	424698	7545945	0	26.00 m @ 60.17 % Fe	2.73	3.45	0.069	0.025	7.12
UCRC154	424698	7545847	0	46.00 m @ 58.71 % Fe	3.13	5.24	0.063	0.021	6.88
UCRC155	424703	7545459	0	42.00 m @ 58.77 % Fe	3.51	4.73	0.069	0.020	7.15
UCRC156	424706	7545551	0	26.00 m @ 59.62 % Fe	2.75	4.98	0.057	0.020	6.43
UCRC157	424579	7546018	0	26.00 m @ 59.81 % Fe	2.55	4.68	0.058	0.021	6.70
UCRC162	424265	7545700	0	28.00 m @ 57.02 % Fe	3.12	7.43	0.087	0.011	7.06
UCRC164	424202	7545575	2	40.00 m @ 57.53 % Fe	3.10	5.20	0.116	0.012	8.60
UCRC165	423993	7545586	6	30.00 m @ 58.09 % Fe	2.84	5.52	0.104	0.017	7.90
UCRC178	423898	7545520	2	26.00 m @ 58.49 % Fe	2.90	4.75	0.097	0.024	8.26
UCRC179	423898	7545516	0	26.00 m @ 58.84 % Fe	3.06	4.20	0.094	0.038	8.05
UCRC180	423898	7545424	0	36.00 m @ 56.71 % Fe	3.61	6.57	0.077	0.016	8.18
UCRC182	423683	7545276	0	32.00 m @ 59.14 % Fe	3.05	3.65	0.083	0.046	8.26
UCRC183	423599	7545275	0	38.00 m @ 58.78 % Fe	3.42	4.70	0.079	0.040	7.35

Upper Cane Bulk Sample

In addition to the infill programme, an area of close spaced drilling at 20 x 20 metre centres has been completed over a planned bulk sample site.

Results tabled below show consistent thickness of the mineralised CID and low variability in iron grades that consistently average above 59% iron from surface.

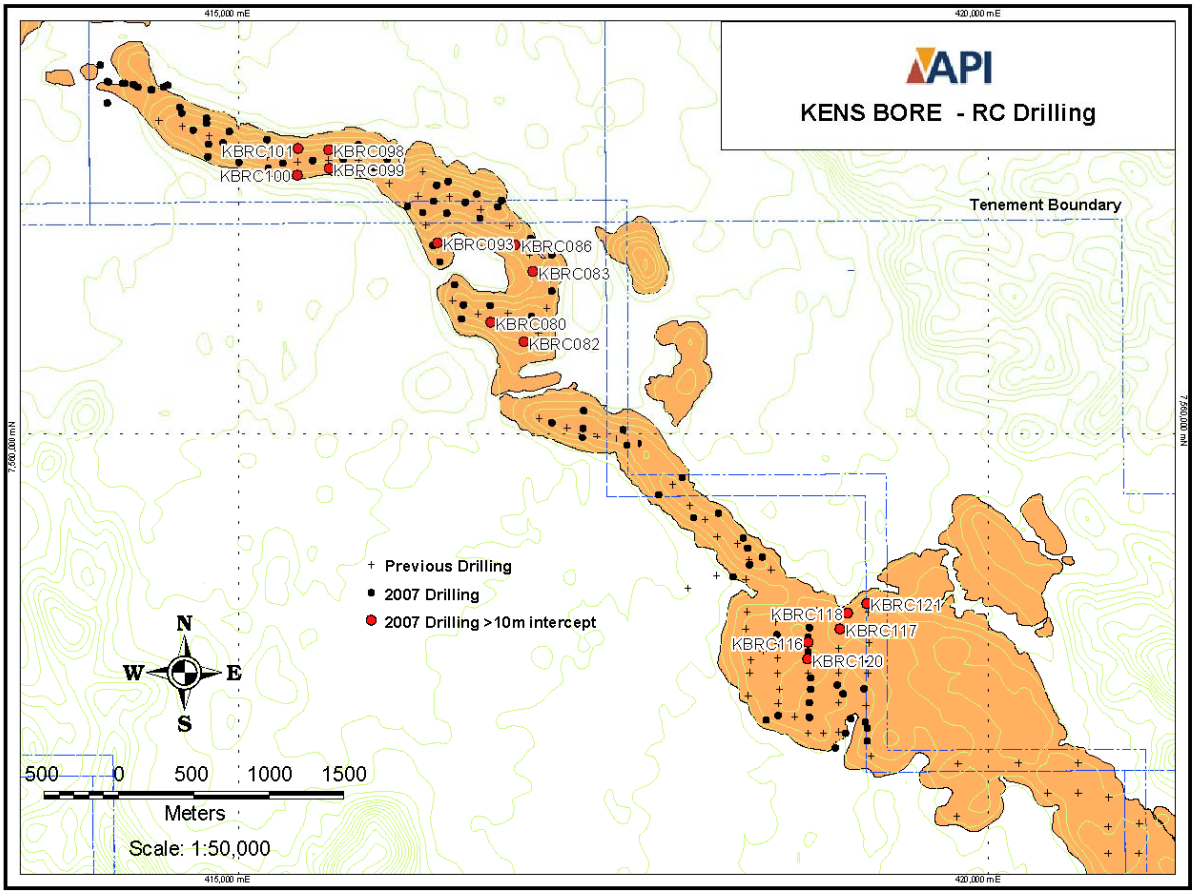
Hole ID	East	North	From	Intercept	Al2O3%	SiO2%	P%	S%	LOI%
Upper Cane - Close Spaced Drilling Programme (20 x 20m)									
UCRC120	424726	7545663	0	52.00 m @ 60.22 % Fe	2.82	3.85	0.078	0.016	6.86
UCRC121	424698	7545665	0	50.00 m @ 59.55 % Fe	2.92	4.44	0.075	0.018	7.00
UCRC122	424682	7545664	0	50.00 m @ 59.37 % Fe	2.91	4.60	0.087	0.018	7.04
UCRC123	424664	7545664	0	46.00 m @ 59.93 % Fe	2.94	4.12	0.066	0.015	6.80
UCRC124	424603	7545688	0	28.00 m @ 58.69 % Fe	3.07	5.55	0.062	0.022	7.00
UCRC125	424617	7545688	0	32.00 m @ 58.74 % Fe	2.99	5.19	0.066	0.019	7.47
UCRC126	424634	7545688	0	26.00 m @ 59.15 % Fe	2.69	4.95	0.065	0.021	7.33
UCRC127	424656	7545687	0	34.00 m @ 59.71 % Fe	2.84	4.08	0.068	0.018	7.24
UCRC128	424682	7545691	0	38.00 m @ 60.13 % Fe	2.83	4.29	0.069	0.017	6.40
UCRC129	424701	7545682	0	48.00 m @ 59.05 % Fe	2.98	4.51	0.101	0.017	7.33
UCRC130	424724	7545680	0	26.00 m @ 60.62 % Fe	2.47	3.94	0.058	0.021	6.60
UCRC131	424740	7545679	0	28.00 m @ 60.19 % Fe	2.52	4.36	0.053	0.019	6.66
UCRC132	424738	7545692	0	48.00 m @ 59.26 % Fe	3.18	4.84	0.076	0.017	6.73
UCRC133	424725	7545691	0	32.00 m @ 59.87 % Fe	2.62	3.87	0.078	0.020	7.32
UCRC134	424706	7545697	0	42.00 m @ 58.21 % Fe	3.51	5.24	0.082	0.019	7.43
UCRC135	424676	7545699	0	26.00 m @ 59.38 % Fe	2.87	4.94	0.059	0.022	6.68
UCRC136	424658	7545701	0	42.00 m @ 59.25 % Fe	3.27	4.45	0.081	0.019	7.07



Kens Bore

A follow-up programme of RC drilling has been completed on the north-west and central areas of the Kens Bore prospect following the encouraging results from the reconnaissance drilling previously reported. The infill programme covers 4 kilometres of mineralised CID, predominantly comprising goethitic to haematite rich oolitic to massive CID. A mix of high (>59% iron) and low grade (<55% iron) CID has been intersected over the entire length of the CID with high grade zones up to 30 metres thick. The latest round of drilling has confirmed results from the initial drill programme and identified significantly deeper areas within the channel, up to 80 metres below the level of the surrounding plain, hosting well preserved haematitic CID. Assay results from the deeper CID are pending.

Clay zones occur throughout the CID, largely at identifiable paleo surfaces within the CID stratigraphy.



Assay results have been received for only approximately 50% of the holes completed. Better results for assays received to date include:

Hole ID	East	North	From	Intercept	Al2O3%	SiO2%	P%	S%	LOI%
KENS BORE - RED HILL IRON									
KBRC080	416681	7560754	0	12.00 m @ 56.77 % Fe	3.70	4.73	0.090	0.018	10.53
KBRC082	416906	7560623	0	18.00 m @ 55.18 % Fe	3.78	5.73	0.099	0.023	12.09
KBRC083	416959	7561090	2	12.00 m @ 58.52 % Fe	3.47	4.00	0.066	0.030	9.41
KBRC086	416845	7561271	0	12.00 m @ 57.38 % Fe	3.85	4.81	0.061	0.020	9.91
KBRC093	416328	7561281	0	14.00 m @ 57.60 % Fe	3.51	4.62	0.080	0.018	9.93
KBRC098	415603	7561906	14	18.00 m @ 56.10 % Fe	3.87	6.00	0.066	0.015	9.44
KBRC099	415606	7561781	12	16.00 m @ 56.56 % Fe	4.17	5.90	0.081	0.024	8.33
KBRC100	415396	7561732	12	18.00 m @ 56.33 % Fe	3.71	5.33	0.055	0.019	9.68
KBRC101	415403	7561918	10	16.00 m @ 55.92 % Fe	3.74	5.47	0.043	0.023	10.00
KBRC116	418801	7558610	20	26.00 m @ 55.65 % Fe	4.28	7.64	0.084	0.008	7.70
KBRC117	419017	7558697	18	34.00 m @ 58.72 % Fe	3.21	4.54	0.083	0.010	7.76
KBRC118	419060	7558803	20	28.00 m @ 57.26 % Fe	4.05	5.27	0.069	0.013	8.19
KBRC120	418796	7558501	22	30.00 m @ 56.97 % Fe	3.76	6.11	0.105	0.010	7.92
KBRC121	419188	7558865	20	32.00 m @ 58.19 % Fe	3.69	4.59	0.080	0.013	8.11

A full review of the drilling will be completed as soon as results are received.

Catho Well North

The north-western extension of the Catho Well CID continues into the Red Hill Joint Venture Area over a strike of approximately one kilometre .The greater portion of this CID is subject to a joint venture between API and Cullen Resources Limited in which Red Hill Iron has no interest.

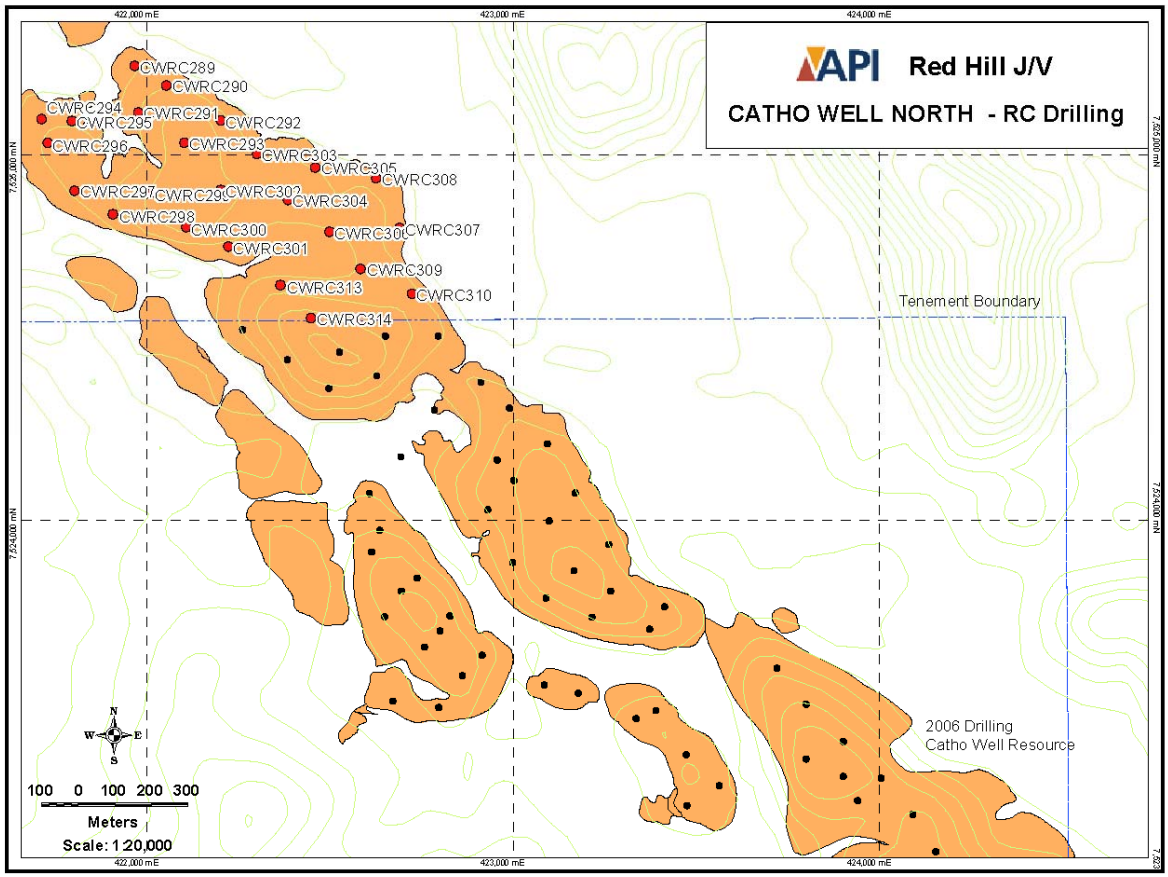
A total of 22 holes for 714 metres have been completed within the north-western extension to date.

Better results returned include:

Hole ID	East	North	From	Intercept	Al2O3%	SiO2%	P%	S%	LOI%
CATHO WELL NORTH - RED HILL JOINT VENTURE									
CWRC291	421982	7525113	12	12.00 m @ 54.93 % Fe	2.75	8.13	0.039	0.017	9.80
CWRC294	421712	7525096	6	10.00 m @ 54.68 % Fe	2.74	7.41	0.041	0.024	10.42
CWRC295	421796	7525092	18	16.00 m @ 55.44 % Fe	2.75	5.84	0.043	0.009	11.21
CWRC299	422006	7524894	10	10.00 m @ 55.02 % Fe	3.02	7.57	0.039	0.019	9.88
CWRC300	422107	7524797	16	12.00 m @ 56.33 % Fe	2.25	6.54	0.036	0.018	9.87
CWRC301	422223	7524751	0	14.00 m @ 56.59 % Fe	2.42	6.07	0.033	0.019	9.61

Drilling encountered variable thicknesses of CID material. The low alumina grades of <3% are consistent with the resource quality of the adjoining Catho Well deposit. The mineralised CID consists mainly of vitreous goethite and goethite. Only minor haematitic pisolites have been observed within the CID.

A resource estimate will be completed for the Catho Well North area following a review of drilling data.



GOLD & BASE METAL EXPLORATION

Red Hill Iron Limited continued gold and base metal exploration over the Red Hill Project Area in which API has no interest as well as over the adjacent Cullen gold and base metal joint venture area. This resulted in the following work being completed:

- Collection of 3,338 soil geochemical samples from the Project Area;
- Drilling of 211 RAB - aircore holes for 7,125 metres of drilling, thus completing the systematic regional bedrock drilling program.
- An IP survey conducted over the gold mineralised Hunter Zone of the Cullen joint venture area.
- Systematic field evaluation of TEM targets defined by the 2006 HoisTEM survey.

The regional soil sampling program is ongoing, and should be completed during the December quarter. Only a small percentage of geochemical results have been received to date.

The regional RAB-aircore drilling was completed during the quarter. Only a small percentage of geochemical results have been received to date. Further RAB - aircore drilling will target specific gold and base metal targets derived from combinations of geological geochemical and geophysical data. A large proportion of this work will be aimed at drill testing TEM targets.

The RC drilling rig booked to drill the Red Hill gold - copper targets has been delayed until November.

A dipole – dipole Induced Polarisation survey was completed over an 11 kilometre by 2 kilometre section of the Hunter Zone, a key part of the Cullen joint venture area. The data are currently being processed and interpreted. Preliminary interpretation indicates a linear chargeable feature, corresponding to the Urandy shear zone, over 11 kilometres of strike length, with several discrete more chargeable bodies occurring within it. Drill testing of IP targets will be conducted in 2008.

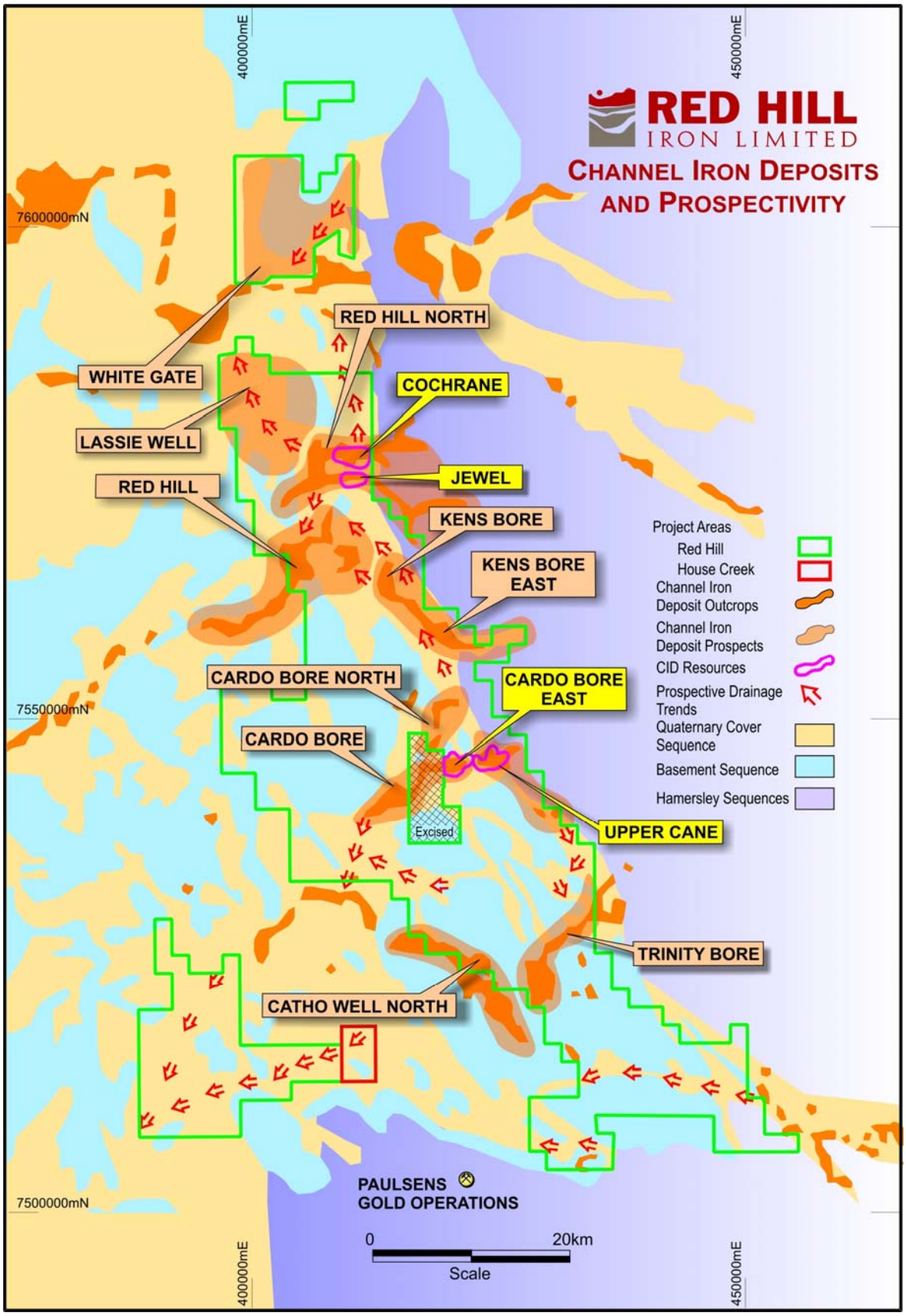
Yours faithfully

G R Strong
Director

COMPLIANCE STATEMENT

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.

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.


RED HILL
IRON LIMITED
CHANNEL IRON DEPOSITS
AND PROSPECTIVITY
400000mE
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WHITE GATE
RED HILL NORTH
COCHRANE
LASSIE WELL
JEWEL
RED HILL
KENS BORE
KENS BORE EAST
CARDO BORE NORTH
CARDO BORE EAST
CARDO BORE
Excised
UPPER CANE
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CATHO WELL NORTH
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Scale
Project Areas
Red Hill
House Creek
Channel Iron Deposit Outcrops
Channel Iron Deposit Prospects
CID Resources
Prospective Drainage Trends
Quaternary Cover Sequence
Basement Sequence
Hamersley Sequences