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30 January 2008

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

Dear Sir/Madam

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2007

HIGHLIGHTS

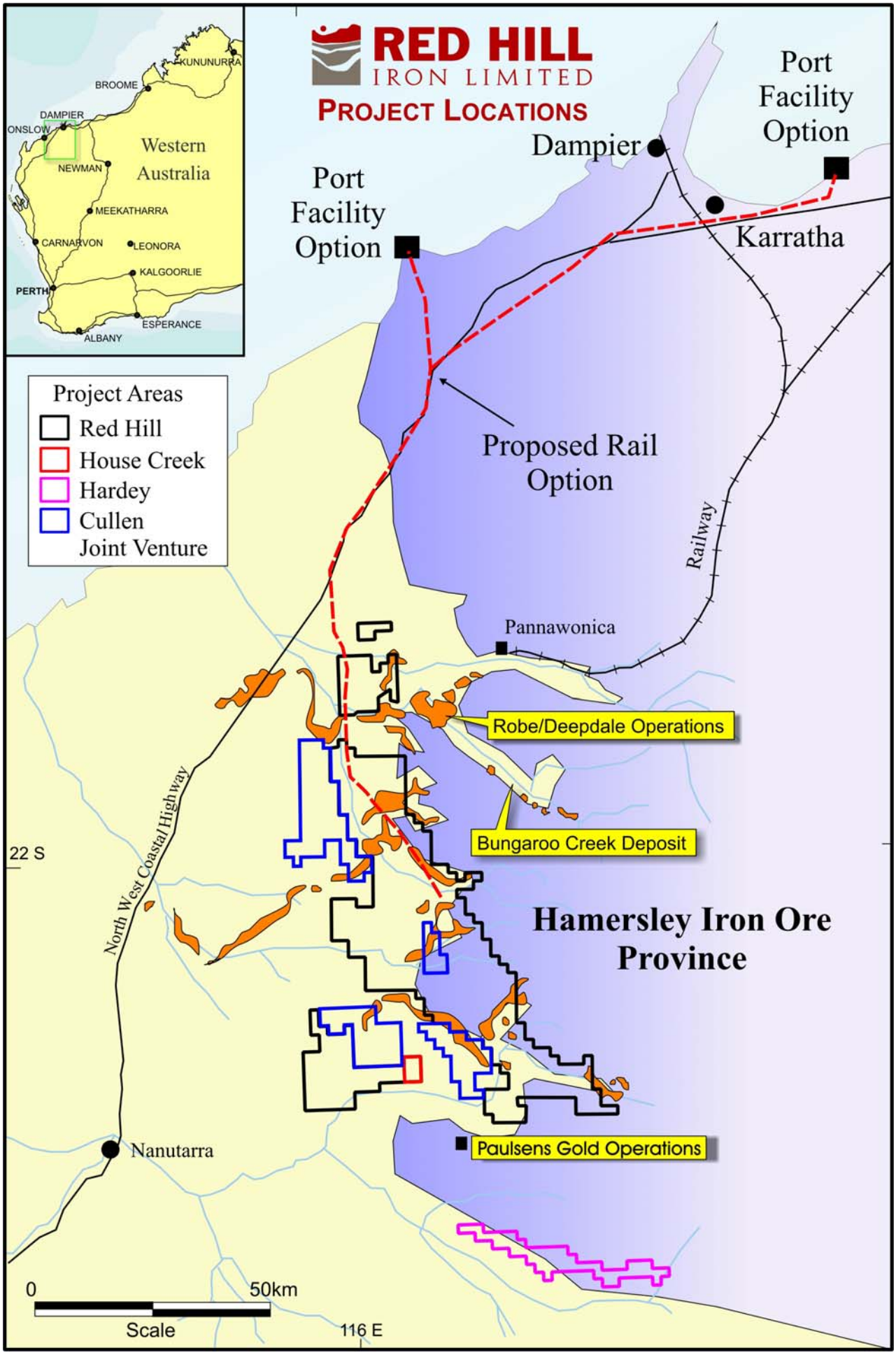
IRON ORE

Pre-Feasibility Study

- Port access discussions continue with other potential users of Cape Preston or Dixon Island and government
- First phase environmental studies virtually completed
- Groundwater exploration commenced
- Sinter test work programme established with CISRI in Beijing
- Mine scheduling underway to optimise resource development

Exploration

- RC and diamond drilling programmes continue to test Channel Iron Deposits (CID).
- Drill intercepts from the Kens Bore continues to add to the potential of the prospect. Thick mineralised intercepts averaging 55.0% to 59.0% iron continue to be returned across the central and southern areas of the prospect. Better results returned include:
  - Hole KBRC126 - 36 metres at 58.69% iron
  - Hole KBRC127 - 30 metres at 59.44% iron
  - Hole KBRC132 - 34 metres at 56.88% iron
- Reassessment of the Upper Cane resource model commenced following completion of the infill RC drill programme detailed in the September Quarterly report.
- Re-modelling of the Catho Well North deposit is in progress.
- Geological interpretation and resource modelling of the western half of the Kens Bore prospect commenced following receipt of final assays from an infill RC drill programme.
- Resource estimates for the Upper Cane Deposit, and Catho Well, Kens Bore and Trinity Bore prospects will be finalised in first quarter 2008.


RED HILL
IRON LIMITED
PROJECT LOCATIONS
KUNUNURRA
BROOME
DAMPIER
ONSLOW
Western
Australia
NEWMAN
MEEKATHARRA
CARNARVON
LEONORA
KALGOORLIE
PERTH
ESPERANCE
ALBANY
Project Areas
Red Hill
House Creek
Hardey
Cullen
Joint Venture
Port
Facility
Option
Dampier
Port
Facility
Option
Karratha
Proposed Rail
Option
Railway
Pannawonica
Robe/Deepdale Operations
Bungaroo Creek Deposit
North West Coastal Highway
22 S
Hamersley Iron Ore
Province
Nanutarra
Paulsens Gold Operations
0
50km
Scale
116 E

IRON ORE

Iron ore exploration and resource assessment, together with pre-feasibility studies, continued on the Red Hill Iron 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 repaid out of 80% of RHI's share of any future mine revenue unless RHI opts to convert its interest in the project to a 2% free-on-board royalty at any time up to the delivery of first ore to customers.

Pre-Feasibility Study

Development effort for the period was focused on resolving port location. The preferred port remains Cape Preston with Dixon Island area the alternate. Discussions were held with relevant parties and government departments to promote the project requirements and to seek assistance to secure access. Briefing meetings with government and negotiations with other potential users of the port will continue.

First phase environmental surveys on potential mine areas, infrastructure areas and rail corridors to both Cape Preston and the Dixon Island port options have been substantially completed during the quarter. Reports from the 2007 fieldwork are being prepared and will form the basis for environmental documentation planned to be submitted to Government early in 2008 to initiate environmental approval processes. The reports will also assist in the planning for required second phase environmental surveys, to occur primarily in the first half of 2008.

Sampling has confirmed the presence of troglobitic fauna in and around the orebodies. Comprehensive data on the distribution and abundance of troglobitic fauna will be required by Government for environmental assessment and to this end a second phase of field sampling is underway.

A programme of groundwater exploration commenced during the Quarter and will extend into the first half of 2008. The objectives of the programme are to locate viable mine groundwater supplies, install monitoring bores for stygofauna sampling and provide some data for early assessment of potential orebody dewatering requirements.

Marine environmental monitoring was commenced offshore from Dixon Island. These data will provide for an advanced start to the permitting processes in the event the Dixon Island locality is selected as the final port option.

Consultation with stakeholders continued over the last three months. In particular, meetings were held with other possible users of port facilities at Cape Preston and Dixon Island. This has lead, at this early stage, to data sharing arrangements with other parties, reducing the need for API to undertake some environmental surveys.

The definition of infrastructure at the mine area was progressed, with suitable potential locations identified for an airstrip, accommodation village, processing plant, ore stockpiles, rail loop and ore haulage corridors. More detailed design of the infrastructure and refinement of haulage alignments is in progress and further consultation with landholders is planned before the development footprint is finalised.

Metallurgical testing of ore continued during the Quarter. Further diamond drill core samples were received for evaluation and a programme to evaluate the sinter performance of ore commenced. Negotiations were conducted with the Central Iron & Steel Research Institute (CISRI) in Beijing who will perform the initial round of sinter testwork. Good progress was also made in a programme utilising CSIRO to investigate a technique of rapid, detailed mineralogical analysis of drill chip and

core samples. A bulk sample programme is planned for the first half of 2008 to provide further material for metallurgical testwork and analysis.

Detailed mine scheduling commenced to assist in optimising resource development. An initial mine schedule, defined on a monthly basis to achieve selected ore volume and quality specifications, has provided valuable insight into mine pit designs, mining methodologies, waste dump management and ore haulage logistics. Mine scheduling is iterative and will be repeated over following months as various extraction and processing scenarios are examined and new resource information becomes available.

Ore storage, transfer and shiploading facilities for direct vessel loading and transshipment options have been detailed to suit both Cape Preston and Dixon Island port locations. Process flow diagrams have been prepared and preliminary engineering on marine structures was completed during the Quarter.

Exploration

Exploration undertaken by API has continued with the evaluation of major targets. A total of 838 metres of RC and 1,163.6 metres of diamond drilling were completed during the quarter.

Assay results outstanding at completion of the September quarter and for drilling completed in the current quarter continue to highlight the significant resource potential of the Project.

The exploration focus during the period has been on the completion of diamond drilling as part of the metalllurgical testwork programme. An additional 27 holes for 1,163.6 metres of PQ diamond core were completed at all identified and potential resource areas. In addition significant progress was made with the finalisation and checking of data prior to the commencement of remodelling of the Upper Cane resource and initial interpretation and modelling of the Kens Bore and Trinity Bore CID's. The re-interpretation of the Upper Cane deposit has been completed and passed to Golder Associates for the completion of the resource estimation process.

Upper Cane

The geological model for the Upper Cane deposit has been reviewed following the completion of an extensive programme of infill drilling. A total of 183 RC drill holes have been completed at Upper Cane, 105 of which were completed in the September quarter.

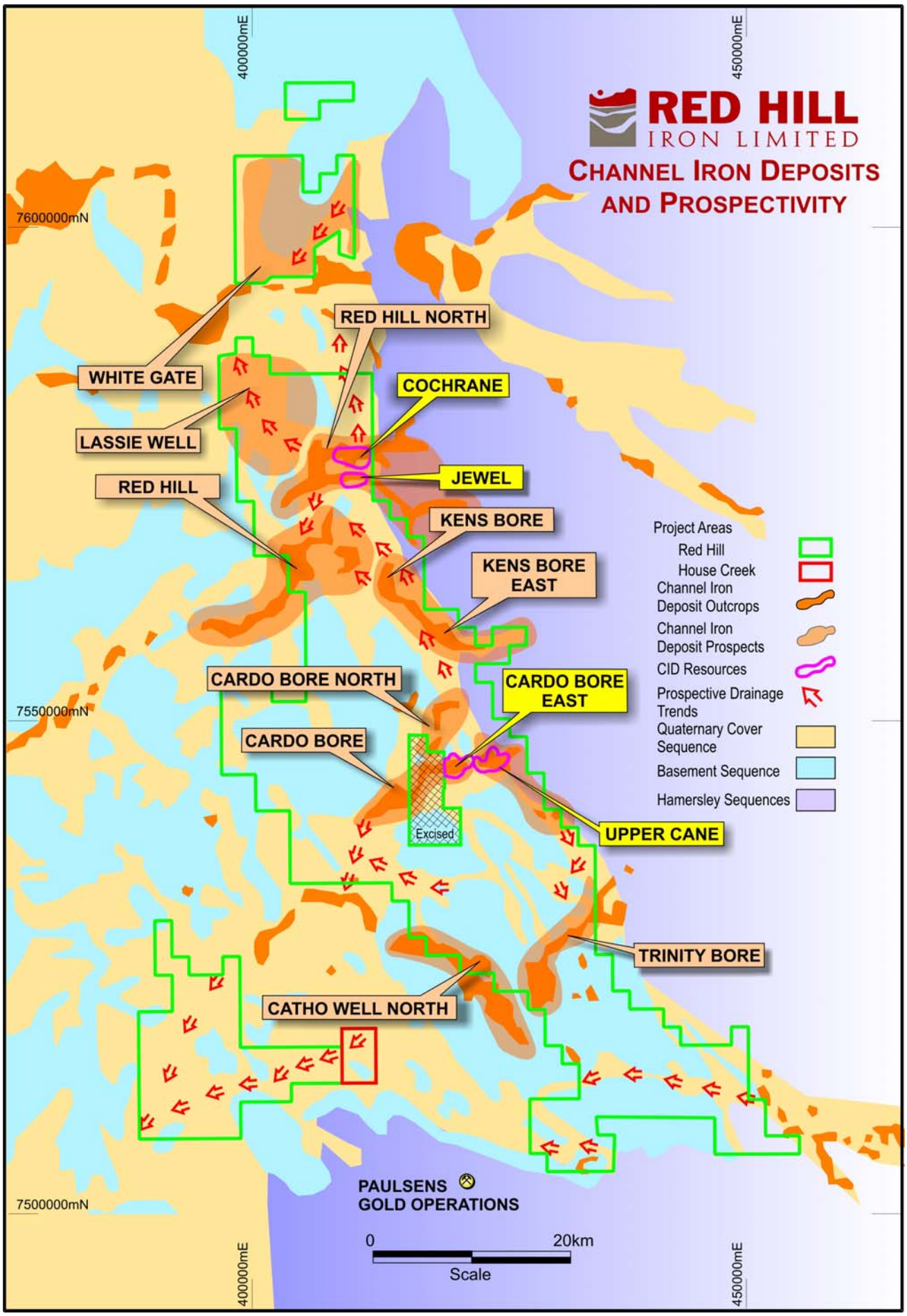
A revised geological model is interpreted defining a single continuous zone over a channel length of 3.1 kilometres and significantly improves the initial interpretation which consisted of two zones, the eastern and western zones, separated by a poorly drilled area covering approximately 400 metres. Results from recent drilling in the area indicate the mineralised CID is continuous and up to 52 metres thick.

The revised resource estimate is scheduled for completion in March 2008.

Kens Bore

Results from the in-fill RC drilling programme completed on the north-west and central areas of the Kens Bore prospect were received during the quarter. The infill drill programme covered 10 kilometres of mineralised CID, predominantly comprising goethitic to hematite 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 higher grade zones up to 30 metres thick.

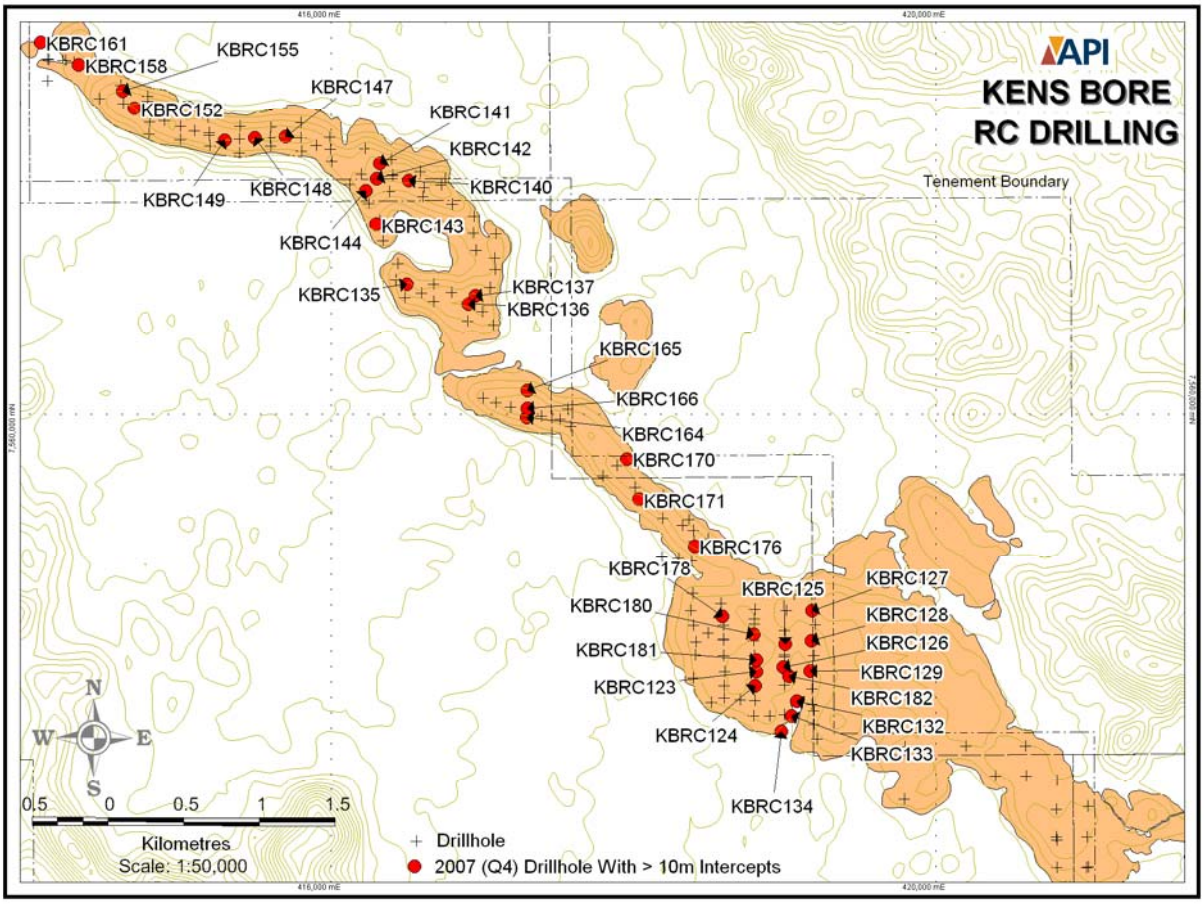
The infill programme has confirmed results from the initial drilling programme and identified significantly deeper areas within the channel, up to 80 metres below the level of the surrounding plain, hosting well preserved hematite rich CID. Drill hole KBRC132 returned 34 metres at 56.88% iron from 50 metres depth. The full significance of the thickness and depth of the CID sequence below the surrounding plain level is being assessed however it highlights a number of potential targets that may host CID at deeper levels within the project.


RED HILL
IRON LIMITED
CHANNEL IRON DEPOSITS
AND PROSPECTIVITY
400000mE
450000mE
7600000mN
7550000mN
7500000mN
WHITE GATE
LASSIE WELL
RED HILL NORTH
COCHRANE
JEWEL
RED HILL
KENS BORE
KENS BORE EAST
CARDO BORE NORTH
CARDO BORE EAST
CARDO BORE
Excised
UPPER CANE
TRINITY BORE
CATHO WELL NORTH
PAULSENS
GOLD OPERATIONS
0
20km
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

Assay results were received for drill holes KBRC122 to KBRC183 during the quarter. Better results for assays received to date in respect of Ken's Bore include the following:

Hole ID	E_UTM	N_UTM	From (mtrs)	Intercept	Al2O3 %	SiO2 %	P%	S%	LOI%
KBRC123	418813.9	7558294.3	34.00	16.00 m @ 56.60 % Fe	3.48	5.49	0.162	0.007	9.02
KBRC124	418806.5	7558203.3	30.00	14.00 m @ 57.44 % Fe	3.16	5.72	0.103	0.006	8.07
KBRC125	419003.8	7558479.5	36.00	18.00 m @ 56.19 % Fe	3.70	6.06	0.115	0.010	8.92
KBRC126	418992.9	7558323.1	46.00	36.00 m @ 58.69 % Fe	3.05	4.58	0.203	0.011	7.20
KBRC127	419182.0	7558698.4	20.00	30.00 m @ 59.44 % Fe	2.94	3.91	0.067	0.019	7.52
KBRC128	419178.0	7558498.2	24.00	24.00 m @ 56.57 % Fe	3.73	6.28	0.097	0.017	8.20
KBRC129	419169.4	7558299.1	24.00	28.00 m @ 55.31 % Fe	4.34	7.05	0.098	0.016	8.60
KBRC132	419080.3	7558098.9	50.00	34.00 m @ 56.88 % Fe	4.28	6.96	0.100	0.007	6.61
KBRC133	419046.8	7558003.7	34.00	24.00 m @ 57.63 % Fe	3.97	5.66	0.083	0.009	7.26
KBRC134	418979.5	7557902.5	26.00	16.00 m @ 58.35 % Fe	3.61	4.57	0.068	0.009	7.72
KBRC135	416501.6	7560865.6	0.00	12.00 m @ 56.55 % Fe	3.76	5.43	0.075	0.023	9.21
KBRC136	416910.3	7560732.9	2.00	16.00 m @ 55.27 % Fe	3.52	4.49	0.106	0.029	11.35
KBRC137	416954.7	7560790.3	0.00	16.00 m @ 55.35 % Fe	3.97	4.98	0.102	0.024	11.02
KBRC140	416514.1	7561551.5	24.00	12.00 m @ 56.50 % Fe	4.38	4.01	0.047	0.015	10.13
KBRC141	416323.1	7561666.5	0.00	10.00 m @ 56.16 % Fe	4.36	5.86	0.052	0.023	8.59
KBRC142	416303.1	7561562.9	0.00	10.00 m @ 56.34 % Fe	3.47	4.93	0.066	0.018	9.30
KBRC143	416298.5	7561264.5	0.00	10.00 m @ 57.30 % Fe	3.94	4.86	0.074	0.017	8.44
KBRC144	416230.0	7561483.0	0.00	10.00 m @ 57.46 % Fe	3.50	4.49	0.071	0.017	8.60
KBRC147	415701.8	7561842.1	20.00	10.00 m @ 54.44 % Fe	3.71	8.83	0.056	0.019	8.72
KBRC148	415498.6	7561834.4	14.00	10.00 m @ 58.80 % Fe	3.75	4.68	0.077	0.022	6.88
KBRC149	415297.4	7561817.3	20.00	10.00 m @ 56.98 % Fe	4.27	5.06	0.078	0.017	8.39
KBRC152	414700.7	7562034.9	22.00	12.00 m @ 55.52 % Fe	4.60	5.51	0.052	0.018	9.96
KBRC155	414624.0	7562149.3	20.00	14.00 m @ 55.41 % Fe	4.54	6.58	0.064	0.014	8.90
KBRC158	414330.3	7562324.5	8.00	10.00 m @ 55.84 % Fe	3.93	5.72	0.044	0.016	9.75
KBRC161	414080.5	7562473.4	10.00	10.00 m @ 54.64 % Fe	4.45	6.88	0.035	0.015	9.55
KBRC164	417295.0	7559978.4	0.00	12.00 m @ 56.17 % Fe	4.39	5.38	0.080	0.023	9.41
KBRC165	417300.2	7560158.0	32.00	10.00 m @ 55.86 % Fe	4.02	6.04	0.131	0.006	9.41
KBRC166	417299.6	7560039.0	0.00	14.00 m @ 57.97 % Fe	3.34	4.98	0.077	0.024	8.26
KBRC170	417957.8	7559704.9	26.00	12.00 m @ 56.72 % Fe	4.33	4.73	0.107	0.010	9.17
KBRC171	418036.5	7559438.3	28.00	10.00 m @ 56.58 % Fe	4.32	5.05	0.110	0.010	9.10
KBRC176	418406.2	7559124.3	34.00	10.00 m @ 56.88 % Fe	3.56	5.82	0.075	0.008	8.53
KBRC178	418589.3	7558657.7	34.00	12.00 m @ 57.30 % Fe	3.66	6.39	0.080	0.009	7.28
KBRC180	418795.9	7558542.8	34.00	18.00 m @ 56.93 % Fe	3.43	6.10	0.097	0.009	8.40
KBRC181	418813.0	7558372.5	36.00	10.00 m @ 58.74 % Fe	2.58	5.05	0.099	0.011	7.77
KBRC182	419030.8	7558266.3	40.00	28.00 m @ 57.13 % Fe	3.52	6.24	0.137	0.009	7.61

The infill drill programme has established good continuity to the mineralised CID over approximately 6 kilometres of the channel length that has been in-filled to date. An initial resource estimate on the area is scheduled for completion by March 2008.



Catho Well North

RC drilling of the Catho Well North prospect extending over a strike length of approximately one kilometre was completed during the September quarter.

Selected results previously reported include:

- 16 metres at 55.44% Fe, 2.75% Al_2O_3, 5.84% SiO_2, 0.043% P, 0.009% S and 11.21% LOI from 18 metres in CWRC295,
- 14 metres at 56.59% Fe, 2.42% Al_2O_3, 6.07% SiO_2, 0.033% P, 0.019% S and 9.61% LOI from surface in CWRC301.

The low alumina grades of <3% are consistent with the grades obtained during resource modelling of the adjoining Catho Well deposit of Cullen Resources Limited and API. .

Trinity Bore

The southern end of Trinity Bore was further drill tested to close the drill spacing to a nominal 200m x 200m. A total of 34 RC drill holes (TBRC164 to TBRC197) were completed for 838 metres of drilling.

Drill holes intersected mainly massive CID which has been strongly overprinted by weathering (hardcap zone). These zones are extremely vuggy and are dominated by vitreous and ochreous goethite mineralogy. Better intercepts reported from the drilling at Trinity Bore were as follows:

Hole ID	E_UTM	N_UTM	From (mtrs)	Intercept	Al2O3 %	SiO2 %	P%	S%	LOI%
TBRC164	430608.0	7522697.0	0.00	6.00 m @ 58.63 % Fe	2.13	5.06	0.032	0.018	8.89
TBRC165	430400.0	7522702.0	0.00	10.00 m @ 55.16 % Fe	2.58	8.08	0.035	0.016	10.01
TBRC170	430499.0	7523098.0	0.00	6.00 m @ 56.93 % Fe	3.07	5.69	0.03	0.024	9.14
TBRC179	428707.0	7523096.0	0.00	6.00 m @ 54.97 % Fe	5.12	5.7	0.025	0.024	9.94
TBRC188	429806.0	7523493.0	0.00	6.00 m @ 55.27 % Fe	2.67	8.87	0.026	0.016	8.74
TBRC193	428791.0	7523490.0	0.00	6.00 m @ 56.43 % Fe	3.44	6.4	0.036	0.018	9.18
TBRC194	428723.0	7523506.0	0.00	6.00 m @ 56.33 % Fe	4.37	4.92	0.041	0.018	9.76

GOLD & BASE METAL EXPLORATION

During the December Quarter exploration for gold and base metals over the Red Hill Project Area continued. This resulted in the following work being completed:

- Collection of 2,240 soil and stream sediment geochemical samples;
- Collection of 177 one metre follow–up samples of elevated gold values obtained from 5 metre composite samples of RAB drilling at the Red Hill Gold and Why Not Copper – Gold Prospects.
- Reverse circulation (RC) drilling of the soil geochemical – IP chargeability anomaly and blind IP chargeability anomalies at the Red Hill Gold Prospect, with 14 holes being drilled for a total of 3,376 metres.

The regional soil sampling program has been completed, but delays in receiving analytical results mean that data interpretation will be delayed.

Follow – up sampling of elevated gold values intersected during the regional RAB drilling continues to return interesting results, with a peak value of 0.7 ppm being returned from a bottom of hole sample at the southern extension of the Red Hill Gold prospect. This hole is part of a cluster of 5 holes containing anomalous gold values lying within the Red Hill – Derek's Bore Trend. This trend is a 20 kilometre long zone containing anomalous gold geochemistry, areas of hydrothermal alteration, and structural complexity, in the lower part of the Paraburdoo Hinge Zone.

Given the size of the system and the broad hole spacing (infill holes 200 metres by 200 metres around anomalous 800 metre by 800 metre spaced regional holes), these results are sufficiently encouraging to justify follow up RC drilling on 100 metre centres around existing holes with anomalous gold values. This is planned for the second and third quarters of 2008.

Four metre composite sample assays from the recent RC drilling programme of the Red Hill Gold prospect IP chargeability anomaly and gold, arsenic, antimony soil geochemical anomaly did not return any economic gold intersections, with a maximum value of 0.3 ppm being recorded. Whilst

confirming the presence of a Carlin style alteration system the results of the drilling are disappointing. The remaining drill holes testing the blind chargeability anomalies elsewhere on the prospect did not record any significant assays. The results will be collated and a review conducted.

Red Hill Iron Limited – Cullen Resources Limited Joint Venture (RHI earning 70%)

Processing of the data from the dipole – dipole Induced Polarisation survey, completed over part of the Hunter Zone in the previous quarter, has defined two discrete anomalies. RC drilling is planned to test the anomalies in the second quarter of 2008.

Regional first pass soil and stream sediment sampling has been completed over areas of interest. Results are pending.

A fence of RAB drill holes testing the Urandy Shear zone near RC drill holes, drilled previously by Cullen Resources, and containing anomalous gold values, did not intersect anything of significance.

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.