

31 July 2008

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

Dear Sir/Madam

**ACTIVITIES REPORT FOR THE QUARTER
ENDED 30 JUNE 2008**

HIGHLIGHTS

IRON ORE

- Pre-feasibility Study indicates technical and financial viability of a 25 million tonne per annum 15 year iron ore project as Stage 1 of a new iron ore venture, the West Pilbara Iron Ore Project (WPIOP)
- Capital expenditure is estimated at US\$3.9 billion for dedicated project facilities, including provisions for EPCM, contingency and Owners' costs
- Subject to approvals, construction could commence Q2 2010 with first shipments in 2012
- API Management Pty Ltd the manager of the Red Hill Iron Ore Joint Venture (RHIOJV) has submitted a programme and budget which envisages that the project proceeds into a definitive feasibility study.

GOLD AND BASEMETALS

- Red Hill Iron to begin the testing of its 100% owned Bloodwood Manganese target defined by soil sampling over 2 by 3 kilometres with values up to 28%.

IRON ORE

At 25 to 30 million tonnes per annum and a capital cost of around US\$3.9 billion, the West Pilbara Iron Ore Project – Stage 1 (RHIOJV supplying 80% of product) will be one of the largest greenfield iron ore project developments undertaken in Western Australia.

The Stage 1 mining area is comprised of a series of mesa type channel iron deposits (CID), located across an axis of approximately 60 kilometres in an area 50 kilometres to the south-west of Pannawonica in Western Australia's Pilbara region. These deposits form a resource base of approximately 430 million tonnes (RHIOJV 350 million tonnes) of direct shipping iron ore with further exploration planned for the second half of 2008.

During the quarter, the RHIOJV completed a pre-feasibility study (PFS) for the development of a mining operation and associated facilities intended to be the first stage of the WPIOP. A definitive feasibility study (DFS) has now been proposed with the aim of achieving first production in 2012. Stage 1 will provide the necessary infrastructure and initial iron ore deliveries for the WPIOP to commence production.

RHI has no equity in interests in iron ore that participants in the WPIOP hold outside the RHIOJV tenements.

The RHIOJV is managed by API Management Pty Ltd (API) and Red Hill currently has a 40% participating interest in the joint venture. API has elected to increase its interest in the joint venture to 80% by lending Red Hill Iron all its project costs, including all capital costs for the development of a mining operation and associated facilities. These loans are to be repaid out of 80% of Red Hill Iron's share of any future mine revenue.

Red Hill Iron has the right, at the time a development decision is taken, to elect to sell its interest in the project to its joint venture partners. If the Company elects not to sell its interest, it has the right, at any time up to the delivery of first ore to customers, to convert its interest in the project to a 2% free-on-board royalty.

DEFINITIVE FEASIBILITY STUDY

The DFS for Stage 1 is expected to be completed by June 2009 based on the establishment of a direct ship iron ore project producing 30 million tonnes per annum, the upper level of production envisaged in the PFS. The DFS will support financing initiatives and provide the RHIOJV participants with information necessary to make their respective investment decisions.

The DFS submitted by API does not include studies on rail and port options which API proposes to pursue independently of the RHIOJV. Red Hill has notified API that it does not agree with API's proposal. Discussions on the matter are ongoing.

As part of the transition into the DFS phase during the quarter, communications continued to be maintained with Government agencies and other stakeholders to promote the project and to ensure that port requirements are accommodated in Government planning and decision making regarding port development on the Pilbara coast.

A process for selecting preferred engineering consultants for the DFS phase was completed during the period with contractual arrangements with each successful consultant due to be finalised during August 2008.

The second phase of environmental surveys continued during the quarter across many fronts.

Preliminary studies of processing and rail loading options for the DFS were progressed during the period. The completed studies will delineate flow sheets and materials handling requirements for the various processing plant locations. A specialist consultant has been appointed to assist with simulation modelling, production scheduling and supply chain modelling for the DFS. An experienced Senior Mine Planning Engineer was employed during the period to take over the scheduling and blending development project work and to assist with DFS mine planning. To date this work has been undertaken by consultants.

Metallurgical testing was progressed during the period. Consultants continued the analysis of diamond drill core samples obtained from the ore-bodies in a programme that will extend into the next quarter. Initial test results on the Stage 1 project ores and benchmark ores conducted at the China Iron & Steel Research Institute (CISRI) show no major differences in sinter performance between the two. Metallurgical evaluation of the sinter is ongoing with the final report expected during August 2008. Future test work requirements will be determined during meetings with CISRI. The final Phase 1 report on the identification of locked versus free clay using assay data has been received from CSIRO. The scope of Phase 2 work is being developed by CSIRO and will be reviewed along with Phase 1 report before any further work is undertaken.

The current diamond drill core programme at AMMTEC has progressed well with 10% of the assay data from the drop tests and conditioning being reported and will progressively become available.

An application to obtain a bulk ore sample of approximately 36,000 tonnes from the Upper Cane deposit has been approved. Mobilisation will commence once ethnographic surveys have been completed.

IRON ORE EXPLORATION

Exploration during the period focused on the review of CID targets within the project area. CID targets have been identified for in-fill and step-out drilling. Significant drill programmes are planned at Trinity Bore South, Kens Bore North and Red Hill North. (Figure 1)

The Trinity Bore South CID target represents the southern continuation of the Trinity Bore resource. The CID covers an area of approximately 6 square kilometres. Initial RC drilling completed in 2007 returned mineralized CID (>54% iron) intercepts up to 14 metres thick. Infill RC drilling has been planned at 100 x 100 metre centres to fully evaluate the prospect.

The Kens Bore North target is a buried CID and represents the continuation of the Kens Bore resource. Isolated outcropping CID and radiometric data identify the paleochannel extending over 7 kilometres to the northwest at which point the Kens Bore channel merges with the Red Hill North paleochannel system. A broad spaced drill programme is planned to test the length of the channel.

The review of the initial Red Hill North drilling to the west of the Jewel and Cochrane deposits highlighted a number of areas for follow up. Initial drilling at approximately 400 metre centres completed in 2007 identified broad zones of low-grade (+52% iron) along the length of the CID's. Drilling has been planned to infill prioritized areas at 200 x 100 metre centres.

In total over 30,000 metres of drilling has been planned and is scheduled to commence in the September quarter.

GOLD AND BASE METAL EXPLORATION

Revised exploration programs and budgets for testing gold and base metals, with particular focus on newly recognized iron and manganese targets were finalised and approved during the June Quarter.

Significant delays caused by Land Access issues prevented the commencement of drilling in the June Quarter. This situation is expected to be resolved in the near future.

Limited field work consisted of checks of target areas and soil sampling of selected airborne EM conductors. The results of this work are being evaluated.

In the September Quarter it is expected that the following targets will be tested by RAB Aircore drilling:

- The **Bloodwood** manganese in soil anomaly, 2 kilometre wide by 3 kilometre long (ranging from 7% to 28% manganese), supported by rock chip sampling (up to 58% Mn). This occurs in manganiferous carbonate rocks and shales, and appears to be similar to the Woodie Woodie style of manganese mineralisation;
- The 1.8 by 2.5 kilometre **Rose Bore CID target**, located in the RHI - Cullen Resources JV ground (RHI earning 70%);
- The **Wandiona** airborne EM conductor, supported by anomalous zinc in soil and rock chip sampling;
- Two gold targets, generated by regional soil sampling, at **Dereks Bore** and **Urandy**.

Pending the availability of drill rigs, it is expected that further exploration targets will be drilled in the December Quarter using an RC drill rig.

Yours faithfully,

Neil Tomkinson
Chairman

Competent Person Statements

The information in this announcement that relates to Iron Ore Exploration results is based on information compiled by Mr Stuart H Tuckey who is a member of the Australian Institute of Mining and Metallurgy. Mr Tuckey is full-time employee of Australian Premium Iron. 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 matters based on his information in the form and context in which it appears.

The information in this report under the title Gold and Base Metal Exploration was compiled by Mr Tim Boddington who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Boddington is a fulltime employee of the company. Mr Boddington has sufficient experience which is relevant to the style of mineralisation and types of deposits 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.

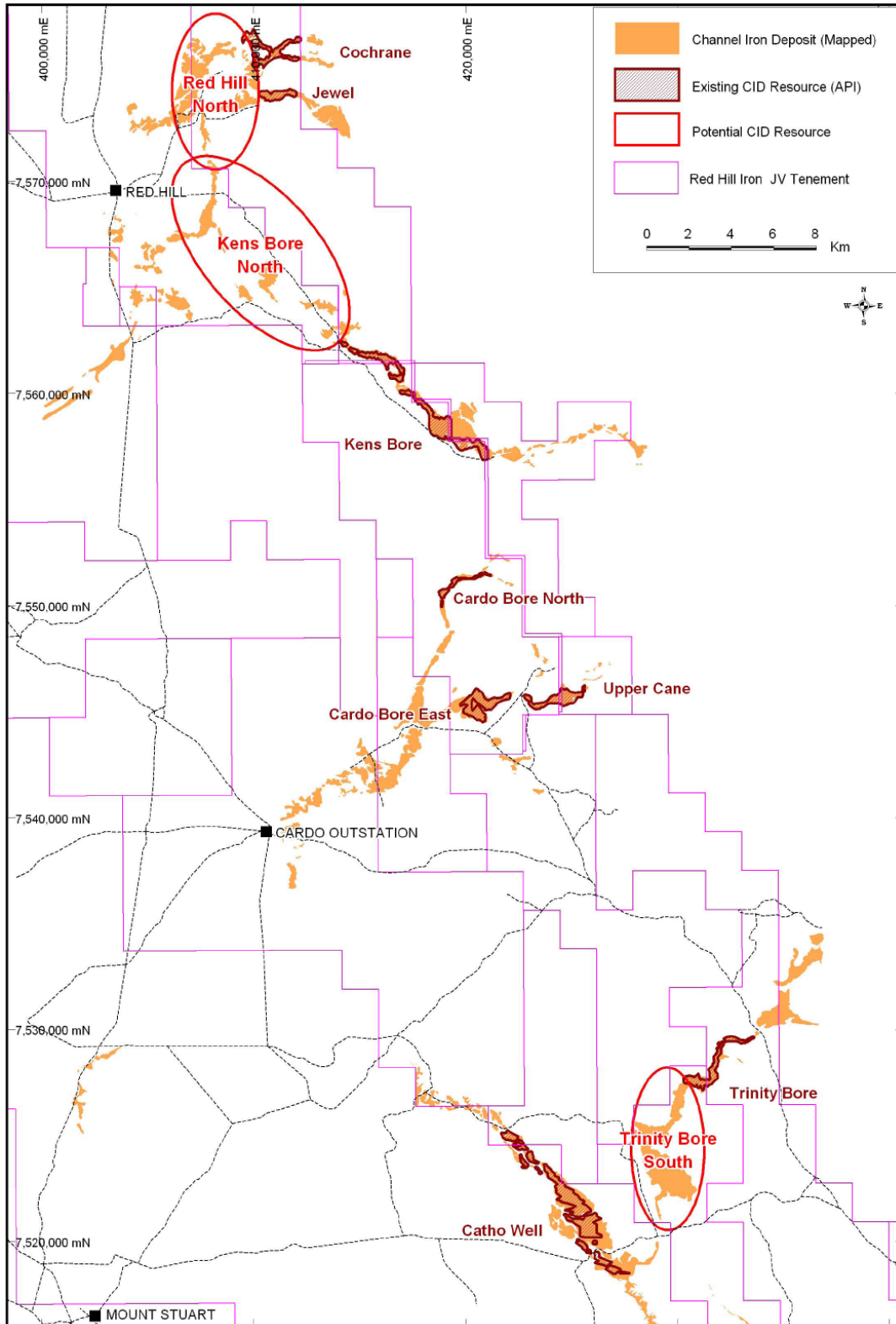
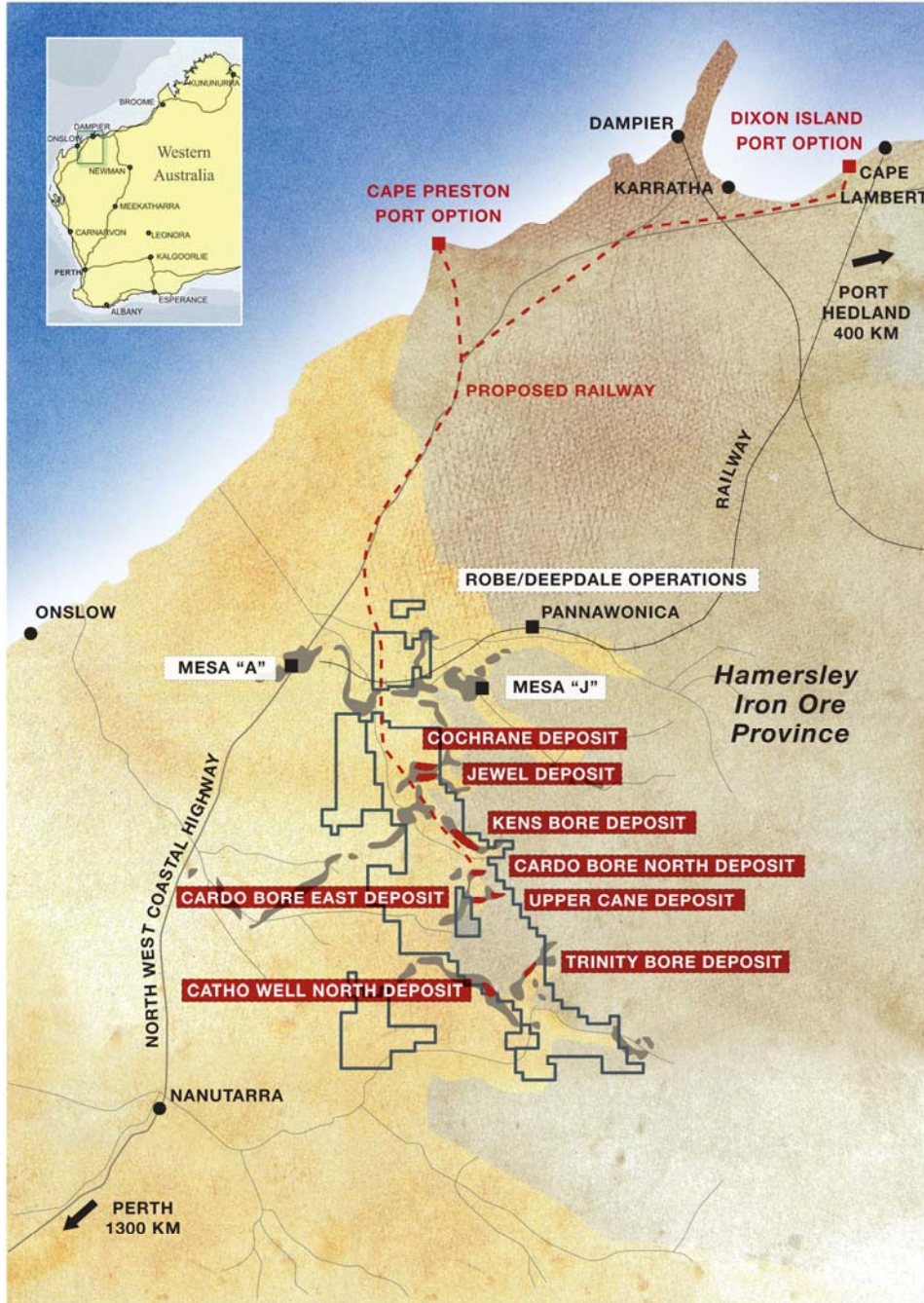


Figure 1: Target Location Plan for the Red Hill Joint Venture



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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")

30 June 2008

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	(106)	(1,580)
(b) Development	-	-
(c) Production	-	-
(d) Administration	(76)	(386)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	101	562
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	(81)	(1,404)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(17)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	9
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)	(8)
1.13 Total operating and investing cash flows (carried forward)	(84)	(1,412)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(84)	(1,412)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	620
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	-	620
	Net increase (decrease) in cash held	(84)	(792)
1.20	Cash at beginning of quarter/year to date	8,697	9,405
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	8,613	8,613

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	21
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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	250
4.2 Development	-
Total	250

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	195	516
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Term Deposit	32	32
5.5 Other (Bank accepted bills)	8,386	8,149
Total: cash at end of quarter (item 1.22)	8,613	8,697

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	E08/1636	Relinquished	100%	0%
6.2 Interests in mining tenements acquired or increased	None			

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	40,715,686	40,715,686*		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>	1,000,000 200,000	- -	<i>Exercise price</i> \$0.30 \$1.10	<i>Expiry date</i> 6 Dec 2008 28 Nov 2009
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>				

*13,333,333 Ordinary shares were released from escrow during the quarter

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: **31 July 2008**

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.

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