

31 October 2008

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

Dear Sir/Madam

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

The Red Hill Iron Ore Joint Venture (RHIOJV) is managed by API Management Pty Ltd (API) and Red Hill Iron Ltd (RHI) currently has a 40% interest. API has elected to increase its interest to 80% by providing all of RHI's project costs, including all development costs relating to mining operations and associated facilities. All funds expended by API on RHI'S behalf are repayable by the remission to API of 80% of RHI's after-operating-cost share of any future mine revenue.

RHI 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. The Company also has the right at any time up to the first delivery of product to customers to convert its project interest to a 2% FOB royalty pertaining to the entire production of the project. Such election will automatically trigger the cancellation of all liability which RHI may have to API in relation to funds provided or interest accrued.

RHI has commissioned CSA Australia Pty Ltd to carry out an independent economic analysis of the current value of the Company's project interest. This exercise will include net present value determinations on various assumptions including a mining operation of 25 to 30 million tonnes per year and the delivery to customers via a dedicated 20% owned rail and port system. CSA will also analyse the differential value of mining of the same tonnage but delivering ore to customers using third party infrastructure such as the Robe River Iron Associates railway from their railhead adjacent to our project tenements to Cape Lambert port. The potential value of a 2% FOB royalty will also be considered so that the Company can better understand the benefits should it ever decide to exercise its option to exchange its project interest for a royalty.

IRON ORE RELATED TO THE WEST PILBARA IRON ORE JOINT VENTURE

Definitive Feasibility Studies (DFS) were commenced during the quarter by the West Pilbara Iron Ore Project participants under the management of API. The studies envisage the establishment of a new port and rail system and a Stage One production rate of 25 to 30 million tonnes per year. The project represents a major new resource development for the West Pilbara. The RHIOJV owns almost 80% of the CID resources the subject of this study. Intensive drilling campaigns have been initiated with the aim of expanding the 350 million tonnes of resources outlined to date and to enhance their JORC status.

A referral document was submitted to the EPA in September in relation to the project mine and infrastructure planning. Environmental work continued during the quarter gathering relevant data relating to flora, fauna, soil and landscapes, hydrology, noise and vibration, greenhouse and dust impacts.

There has been significant progress in the planning of mining infrastructure. Conceptual engineering design for the railway network to link the seven CID deposits which are the subject of the DFS, together with the train loadout facilities and crushing plants, is well advanced. This includes flowsheets for train loading rates and nominal equipment lists. Detailed mine scheduling work based on the quarterly mine schedule for the initial 15 years of projected mine life has reached a stage that allows the RHIOJV to commence the development of a production simulation model for determining the rate and order of material movement from the mine faces through the ROM pads to the train loadout facilities via crushing plants.



A test pit at the Upper Cane Deposit trialling the utilization of a surface mine leveller was commenced during the quarter. This exercise will provide a 36,000 tonne bulk sample which will be supplemented by the sinking of seven winzes at various localities to provide representative sample material from the profile of a broad cross section of the project CID resources. This programme will be completed early in the quarter ending March 2009 and the sampled ore will be utilized for further metallurgical testing and to provide representative product samples to prospective customers.

Metallurgical testing continued during the quarter and, while this work is far from complete, results to date are encouraging. Analysis of diamond drill core samples is underway to determine ore properties and material handling characteristics. A second round of sinter test work is planned to augment the successful first campaign at the CISRI facilities in Beijing, China.

Two further marketing visits were undertaken by API on behalf of the joint venture parties during the period to China and several meetings were held in Australia with potential Korean and Japanese customers. These activities will be ongoing and will be updated in subsequent quarterly reports as the parties firm up on potential long term buyers of iron ore.

Exploration and resource definition drilling was maintained at an intensive rate during the quarter with a total of 313 RC holes completed for 8,630 metres out of a total of over 1,500 RC holes budgeted to be completed by calendar year end. Diamond drilling for metallurgical sampling and RC correlation analysis was also carried out as well as drilling for hydrological studies.

The drilling during the quarter focussed on the Trinity Bore CID target to close up on the broad spaced 2007 drilling programme. This CID covers an extensive area of over 5 square kilometres and has the potential to add significant resource tonnes. No resources have as yet been defined or included from Trinity Bore in the stated project resource base. Drilling to date indicates that the CID is generally less than 12 metres thick to the south east however it tends to thicken to 20 metres to the north where its width is more constrained.

The drilling campaign will shortly move focus to the Kens Bore, Cardo Bore North and Red Hill North CID targets with the aim of increasing the confidence in existing resources and adding tonnage. Also, the joint venture will begin exploration for buried CID deposition at the new Mulga Bore target zone following the discovery by RHI of good quality iron mineralization up to 80 metres below plain level in drilling during 2007.

The joint venture expects to be in a position to announce an updated RHIOJV resource statement by the end of the March quarter 2009. Your board is hopeful that this will entail a substantial increase in project resources and is confident that the resources of the RHIOJV will become an increasingly dominant proportion of the total resources of Stage 1 of the API managed West Pilbara Iron Ore Joint Venture Project.

BASE METAL AND GOLD EXPLORATION

RAB-Aircore drilling of several specific targets was completed during the September Quarter include work at the following prospects:

Rose Bore Channel Iron: This prospect is located within the RHI - Cullen Resources Ltd joint venture tenements (RHI earning 70%). The target is interpreted to be an extension of Mesa F currently being explored for iron ore by Robe River Iron Associates. First pass Aircore drilling at 400 metre spacing across strike intersected up to 20 metres of CID mineralization with zones of up to 6 metres width grading up to 57.5% iron with a best intersection of 6 metres grading 56.5% iron. Infill RC drilling will now be required to locate the central axis of the channel and provide an indication of its economic significance.

Derek's Bore Gold: Anomalous gold values have been received from the RAB drilling of part of the Derek's Bore prospect where altered carbonate rocks underlain by an interpreted concealed intrusive body were targeted for Carlin style gold. Follow up one metre sampling of the anomalous five metre composite samples has been completed and the results are awaited.



Bloodwood Manganese: An initial programme of RAB-Aircore drilling of the manganese in soil anomaly on the western margin of the prospect area was completed. Results are yet to be fully compiled but manganese veining appeared widespread in both dolomitic and shale host rocks with minor zones exceeding 10% manganese. This tested area appears unlikely to contain economic resources, however contemporaneous geological mapping indicated that the Bloodwood area is a structural high and the presence of hydrothermal breccias in the dolomites indicates high fluid flow and provides encouragement for extending the manganese programme. Numerous pods of manganese replacing dolomite occur to the north and east of the area tested by drilling and there is strong geological evidence that non outcropping pods of manganese occur in the dolomites. A gravity survey has been completed over these areas to the north and east which has defined strong anomalies to be tested by RC drilling in the December Quarter, subject to heritage clearance.

Competent Person Statement

The information in this report 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.

Yours faithfully

Joshua Pitt
Director

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 September 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) Exploration & evaluation	(244)	(244)
(b) Development	-	-
(c) Production	-	-
(d) Administration	(84)	(84)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	221	221
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	(107)	(107)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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	-	-
1.13 Total operating and investing cash flows (carried forward)	(107)	(107)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(107)	(107)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	Net increase (decrease) in cash held	(107)	(107)
1.20	Cash at beginning of quarter/year to date	8,613	8,613
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	8,506	8,506

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	-
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	400
4.2 Development	-
Total	400

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	107	195
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Term Deposit	32	32
5.5 Other (Bank accepted bills)	8,367	8,386
Total: cash at end of quarter (item 1.22)	8,506	8,613

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	None		
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>				

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 October 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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