

29 October 2009

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

Dear Sir/Madam

**ACTIVITIES REPORT FOR THE QUARTER  
ENDED 30 SEPTEMBER 2009**

**HIGHLIGHTS**

Steady progress continued through the quarter for the completion of a Definitive Feasibility Study during the first half of next calendar year.

Phase Two sinter testing was completed with very encouraging results

**CORPORATE**

The Red Hill Iron Ore Joint Venture (RHIOJV) is managed by API Management Pty Ltd (API), a company equally owned by Aquila Resources and AMCI Inc. API has other iron ore interests in the West Pilbara and is advancing these interests together with the RHIOJV as the West Pilbara Iron Ore Project (WPIOP). Currently the RHIOJV represents nearly 85% of the resources the subject of the current feasibility study managed by API and referred to as the West Pilbara Iron Ore Definitive Feasibility Study – Stage One.

Red Hill Iron Limited (RHI) holds a 40% interest in the RHIOJV which will reduce to 20% upon the project delivering first ore to customers. API is lending RHI all of its share of project costs repayable only out of future revenue surpluses. RHI had the additional option of being able to convert its project interest to a 2% FOB royalty at any time until first delivery of ore to customers.

## **RED HILL IRON ORE JOINT VENTURE**

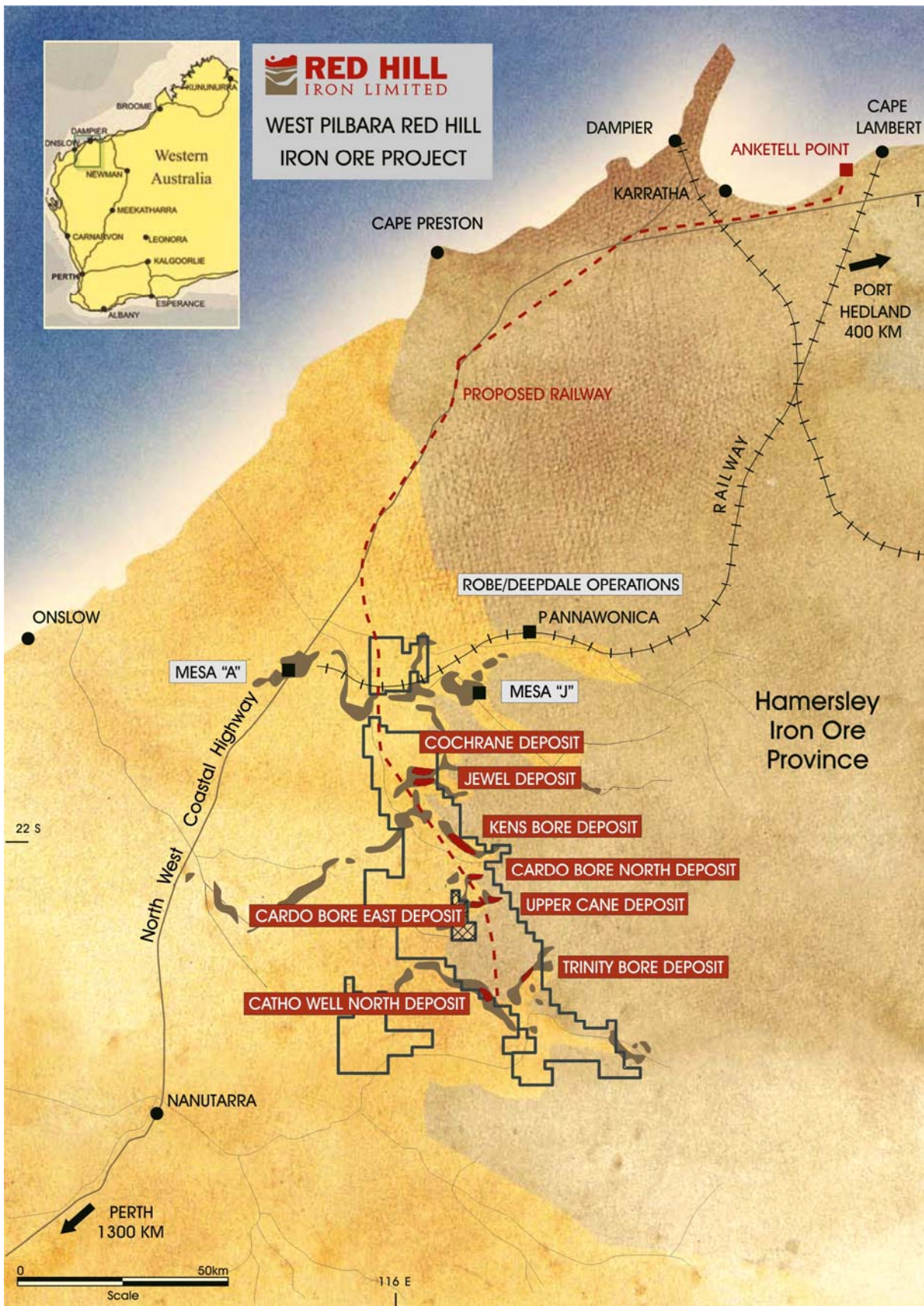
The Red Hill Iron Ore Joint Venture (RHIOJV) is advancing towards the completion of a Definitive Feasibility Study which envisages the blending of project channel iron ores with those of the adjacent Mt Stuart Joint Venture in which Red Hill Iron has no ownership. The intention is to produce a sustainable even blended product so that customer requirement for continuity of quality can be maintained throughout Stage One of the West Pilbara Iron Ore Project. It is anticipated that the RHIOJV will provide some 80% of the annual production which translates to an expectation of some 4.5 million tonnes as RHI's share of production for at least 13 years. Intense marketing studies are being carried out to ensure that this blended product will receive ready customer acceptance. Negotiations with the other product owners (Aquila Resources Ltd. and AMCI Inc.) are in train with a view to the establishment of an overall marketing arrangement for all iron ore produced by the RHIOJV.

The integrated management team which is responsible for the engineering and mine processing components of the Study was expanded during the quarter. The project Environmental Scoping Document was approved by the State Environmental Protection Authority (EPA) and work continued with the preparation of the Public Environmental Review (PER) for the proposed mine in accordance with that approval. Consultations with the relevant government and community stakeholders regarding the project plans and its potential impacts continued.

Exploration will continue with the intention of identifying additional CID resources .A review of the Kens Bore CID was undertaken during the quarter and a further 70 reverse circulation holes are planned which will allow the upgrade of resource status and may expand tonnage.

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 2009**

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) Exploration & evaluation	(166)	(166)
(b) Development	-	-
(c) Production	-	-
(d) Administration	(89)	(89)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	66	66
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material): Receipts	(2)	(2)
Payment – Security Deposit	-	-
<b>Net Operating Cash Flows</b>	<b>(191)</b>	<b>(191)</b>
<b>Cash flows related to investing activities</b>		
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	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(191)</b>	<b>(191)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

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1.13	Total operating and investing cash flows (brought forward)	(191)	(191)
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>(191)</b>	<b>(191)</b>
1.20	Cash at beginning of quarter/year to date	<b>7,660</b>	<b>7,660</b>
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>7,469</b>	<b>7,469</b>

**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	20
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	<b>100</b>
4.2 Development	-
<b>Total</b>	<b>100</b>

**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	<b>170</b>	<b>261</b>
5.2 Deposits at call	<b>499</b>	<b>399</b>
5.3 Bank overdraft	-	-
5.4 Term Deposit	<b>6,800</b>	<b>7,000</b>
5.5 Other (Bank accepted bills)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>7,469</b>	<b>7,660</b>

**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	<b>None</b>		
6.2	Interests in mining tenements acquired or increased	<b>None</b>		

**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 <b>Preference <sup>+</sup>securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	<b>41,715,686</b>	<b>41,715,686</b>		<b>Fully Paid</b>
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i> *	<b>200,000</b>	<b>-</b>	<b>Exercise price</b> <b>\$1.10</b>	<b>Expiry date</b> <b>28 Nov 2009</b>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

- **Note: these options have been exercised since the end of the quarter and an Appendix 3B was lodged in respect of related issue of 200,000 ordinary shares on 21 October 2009**

## 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: **29 October 2009**

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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