

29 January 2010

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

Dear Sir/Madam

**ACTIVITIES REPORT FOR THE QUARTER  
ENDED 31 DECEMBER 2009**

**HIGHLIGHTS**

- **Engineering studies for the Definitive Feasibility Study pertaining to the Red Hill Iron Ore Joint Venture planned for completion in April now 85% complete.**
- **Purchase completed of the channel iron ore rights of the Pannawonica Project securing 100% ownership of extensive prospective mesas.**
- **Heritage surveys completed over the Whitegate prospect of the Pannawonica Project and drilling planned to commence shortly.**

**CORPORATE**

Red Hill Iron Limited (RHI) has made substantial progress with its plans to become a diversified producer from channel iron deposits in the Robe River region of the Western Pilbara. This region has an expanding infrastructure and is highly prospective for large tonnage, low stripping ratio CID resources. The region is relatively well located in relation to potential port facilities and could be serviced by either of two rail systems in the event that the railway for the Red Hill Iron Ore Joint Venture is constructed.

The Company completed the purchase of the CID rights to a 150 square kilometre portion of exploration licence E08/1685 from Zanthus Resources Pty Ltd, a company owned by well known mining identity, Mr Mark Creasy. The agreement, which has now received Ministerial approval, involved the payment of \$2 million and the issue of 2 million Red Hill Iron Limited fully paid shares.

As previously reported, Red Hill Iron and our joint venture partner, API Management Pty Ltd, have areas of disagreement with the interpretation of aspects of the RHIOJV Agreements. These largely involve matters relating to ownership of the port and rail facilities that will be required for

transshipment of product, and ownership rights to potential CID resources adjacent to the Kens Bore deposit.

Red Hill Iron, Aquila Resources Ltd and AMCI Holdings Inc have not yet reached agreement on arrangements for marketing of project product (which is outside the scope of the RHIOJV). In the meantime API, on the behalf of the parties, continues to research marketing opportunities. Red Hill Iron is responsible for 20% of these activities, which are not covered by the free carry phase of the RHIOJV.

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

The project continued to be advanced through market evaluation, mine planning and mine engineering. DFS engineering works progressed to 85% complete and moved into the estimation phase during the period.

### **Mine Infrastructure Engineering**

The Integrated Management Team has commenced preparation of cost estimates for mine infrastructure. Mine engineering work included earthworks and drainage designs, interface planning and process control.

Work continued on optimising the mining and ore blending schedule.

### **Environment and Consultation**

A draft Project Environmental Report for the mine was submitted to the Office of the Environmental Protection Authority in December 2009 as well as other relevant government agencies and community stakeholders for review. The review period is expected to take six weeks.

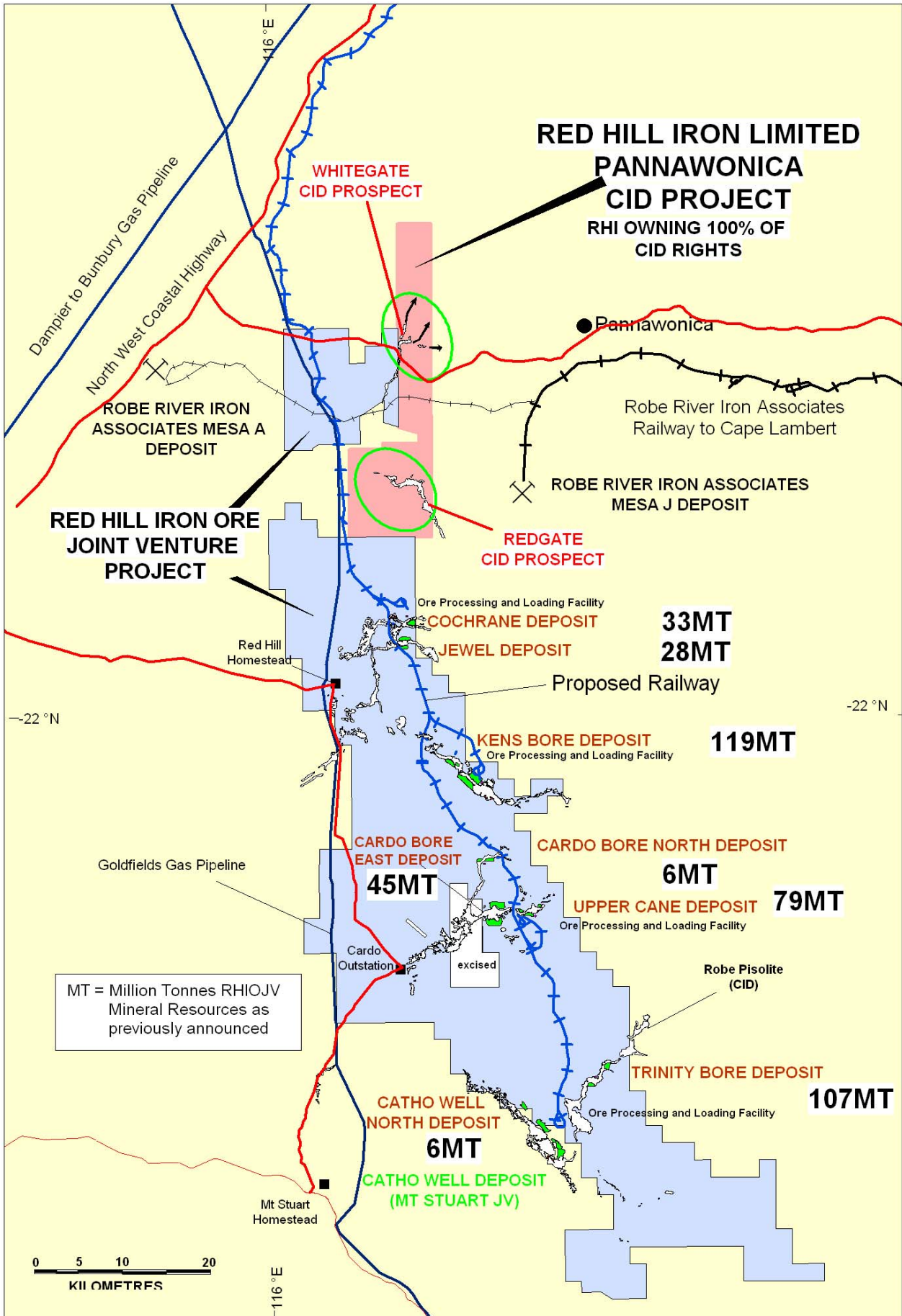
A programme of consultation regarding the Project continued with relevant government and community stakeholders.

### **Mining and Metallurgy**

The encouraging results from the Phase 2 sinter test-work that indicated the potential to substitute the Project CID product (termed WPF) in the sinter feed of some Chinese Steel mills were communicated to steel mills.

Further consignments of WPF samples were delivered to potential customers for evaluation.

**Plan 1 Regional Map**



## EXPLORATION

### Kens Bore Deposit

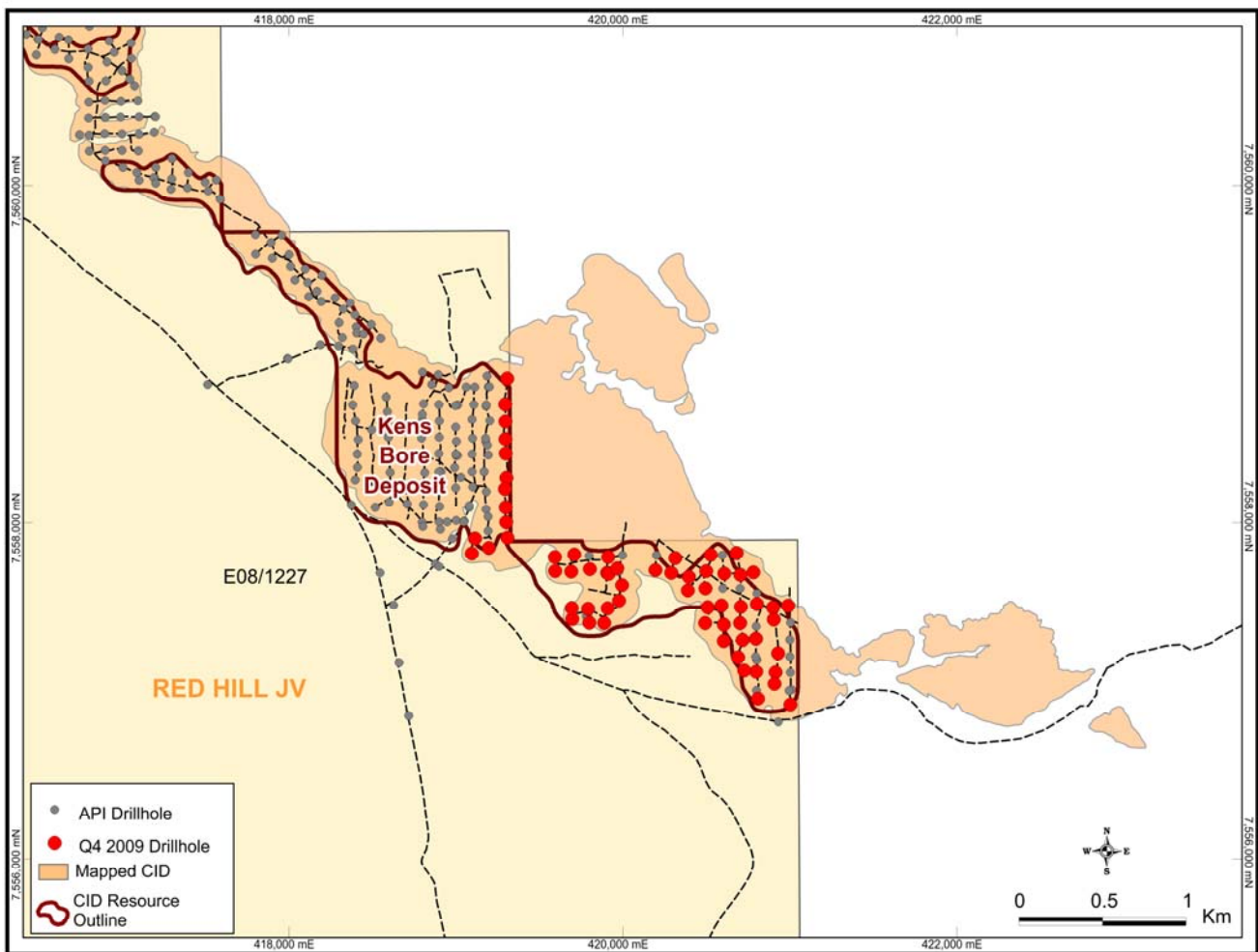
Drilling commenced at the Kens Bore deposit with the aim of improving the overall confidence in the resource estimate and increasing the Measured and Indicated components of the resource estimate. A total of 64 reverse circulation holes were drilled for 3,065 metres during the Quarter increasing the drill hole density to a nominal 100 metre by 100 metre spacing (See Fig 1).

Drilling indicates a narrow hardcap zone of CID up to 10 metres thick occurs along the southern margin of the Kens Bore mesa with CID lithologies thickening and deepening towards the north. Assay results remain pending for all drilling.

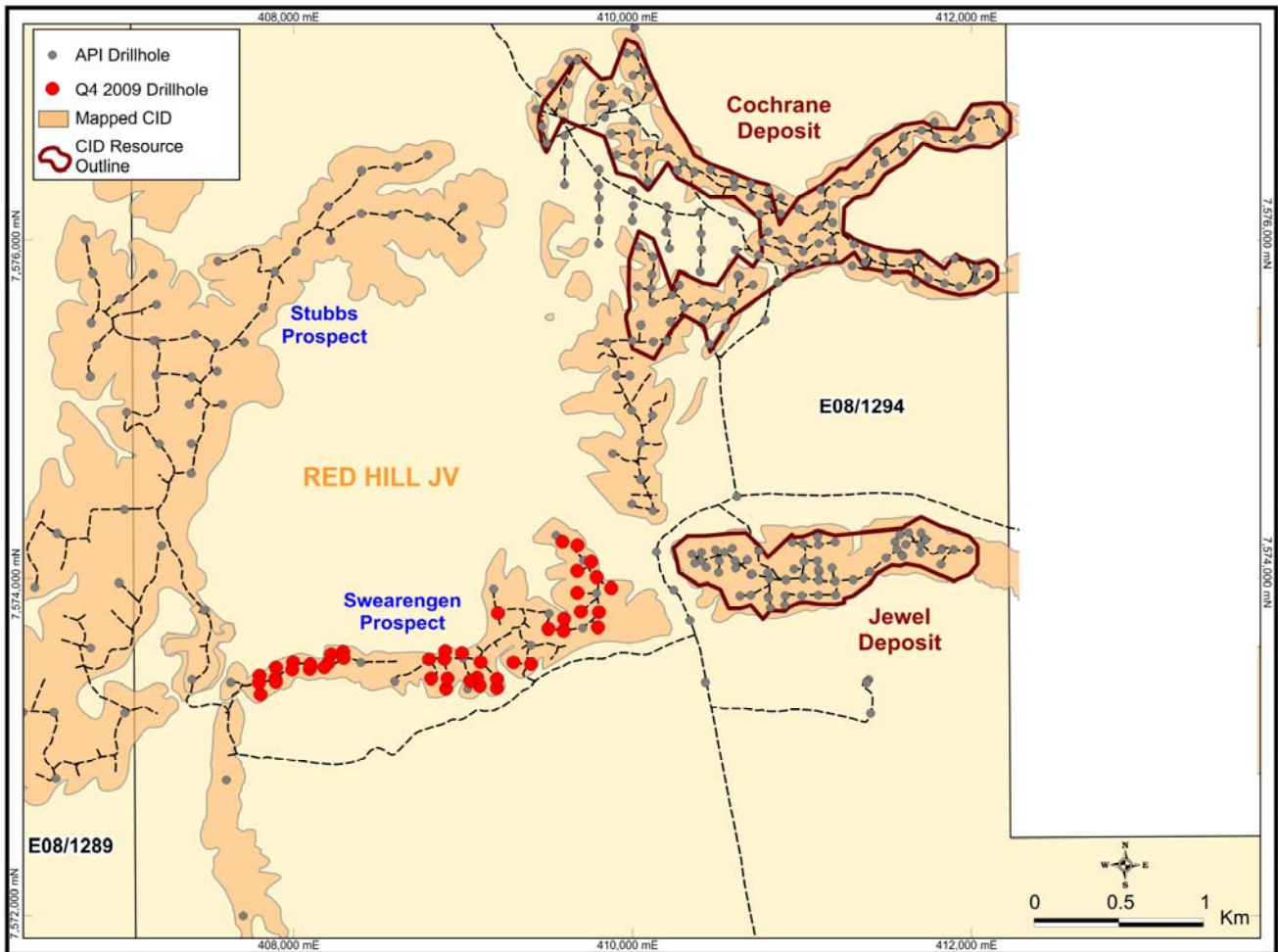
### Swearengen Prospect

At the Swearengen prospect a total of 44 reverse circulation holes were drilled for 1,959 metres during the Quarter (See Figure 2). The drilling programme was incomplete at Quarter end and will re-commence in early 2010. Assay results are awaited and will be reported in the March Quarter.

**Figure 1 Drilling Locations at Kens Bore**



**Figure 2 Drilling Locations at Swearngen**



## **Competent Person Statement**

### ***Exploration Results***

*The information in this report that relates to the Red Hill Iron Ore Joint Venture exploration results is based on information compiled by Mr Stuart Tuckey, who is a Member of The Australasian Institute of Mining and Metallurgy and 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stuart 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 PANNAWONICA PROJECT**

The Pannawonica Project is located in the West Pilbara, approximately 15 kilometres from the Pannawonica operations of Robe River Iron Associates (Plan 1).

The Pannawonica Project consists of two significant Channel Iron Deposit (CID) systems termed Whitegate and Redgate prospects. The combined exposed strike length of these systems is approximately 14 kilometres. There is potential for additional concealed CID at the western extremity of the Redgate prospect where it merges with the Robe River flood plain, as well as along the margins of parts of both systems.

Reconnaissance rock chip sampling was conducted over exposed parts of both prospects. The majority of the samples at Redgate are mixed CID or overbank material but the results have confirmed the presence of ore grade CID with alumina values that appear to compare favourably to surface sampling over known deposits in the region.

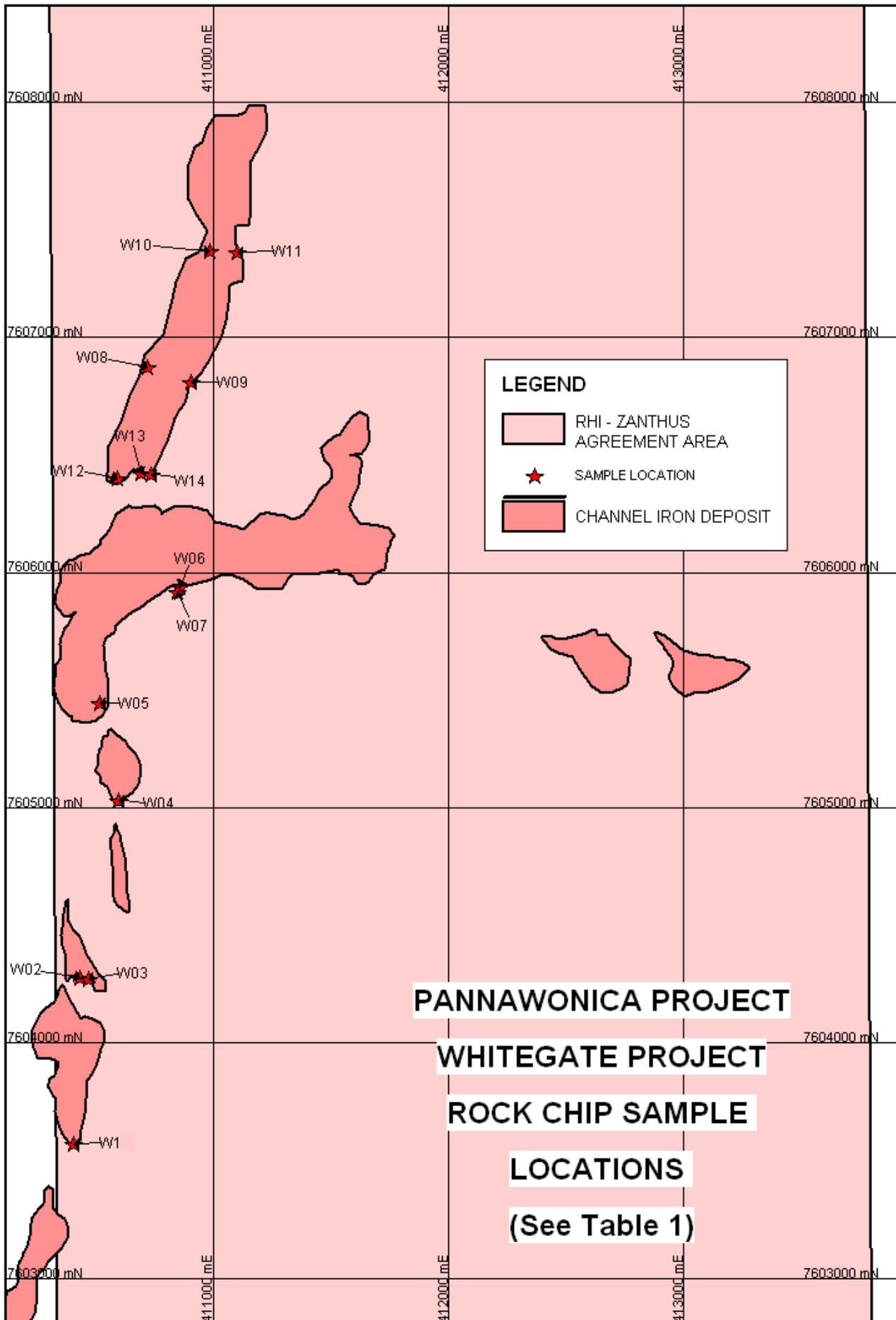


**Table 1 Reconnaissance Rock Chip Sampling Results**

Sample number	Iron %	Alumina %	Phosphorus %	Silica	Description
	Fus/XRFm	Fus/XRFm	Fus/XRFm	Fus/XRFm	
<b>Whitegate</b>					
<b>W01</b>	<b>58.4</b>	<b>3.0</b>	<b>0.04</b>	<b>2.8</b>	<b>Hm rich channel</b>
<b>W02</b>	<b>58.9</b>	<b>2.5</b>	<b>0.03</b>	<b>3.3</b>	<b>Hm rich channel</b>
<b>W03</b>	<b>57.4</b>	<b>4.8</b>	<b>0.05</b>	<b>4.6</b>	<b>Hm rich channel</b>
<b>W04</b>	<b>59.2</b>	<b>2.8</b>	<b>0.04</b>	<b>2.9</b>	<b>Hm rich channel</b>
W05	43.8	4.6	0.10	20.9	Overbank
<b>W06</b>	<b>55.3</b>	<b>5.2</b>	<b>0.05</b>	<b>5.8</b>	<b>Hm rich channel</b>
<b>W07</b>	<b>60.1</b>	<b>2.9</b>	<b>0.05</b>	<b>3.2</b>	<b>Hm rich channel</b>
<b>W08</b>	<b>60.3</b>	<b>2.9</b>	<b>0.05</b>	<b>3.8</b>	<b>Hm rich channel</b>
W09	50.7	4.9	0.05	14.3	Mixed
<b>W10</b>	<b>58.3</b>	<b>3.6</b>	<b>0.10</b>	<b>4.1</b>	<b>Hm rich channel</b>
<b>W11</b>	<b>58.5</b>	<b>4.0</b>	<b>0.06</b>	<b>4.7</b>	<b>Hm rich channel</b>
<b>W12</b>	<b>57.7</b>	<b>4.1</b>	<b>0.05</b>	<b>5.6</b>	<b>Hm rich channel</b>
<b>W13</b>	<b>60.4</b>	<b>3.3</b>	<b>0.07</b>	<b>2.9</b>	<b>Hm rich channel</b>
<b>W14</b>	<b>57.0</b>	<b>3.8</b>	<b>0.06</b>	<b>3.8</b>	<b>Hm rich channel</b>
<b>Redgate</b>					
<b>R01</b>	<b>57.9</b>	<b>3.7</b>	<b>0.03</b>	<b>5.5</b>	<b>Hm rich channel</b>
R02	54.0	5.8	0.02	5.9	Mixed
RO3	54.4	2.4	0.02	8.2	Mixed
RO4	53.8	7.1	0.03	5.5	Mixed
<b>RO5</b>	<b>55.2</b>	<b>3.6</b>	<b>0.06</b>	<b>4.7</b>	<b>Hm rich channel</b>
<b>RO6</b>	<b>56.7</b>	<b>4.8</b>	<b>0.07</b>	<b>6.0</b>	<b>Hm rich channel</b>
RO7	53.3	4.7	0.05	10.7	Mixed
<b>RO8</b>	<b>57.9</b>	<b>4.7</b>	<b>0.06</b>	<b>4.1</b>	<b>Hm rich channel</b>
RO9	55.3	4.6	0.05	6.4	Mixed
R10	46.2	8.5	0.09	13.3	Overbank
R11	42.7	5.7	0.05	23.0	Overbank
R12	53.0	5.5	0.04	8.2	Mixed
<b>R13</b>	<b>54.7</b>	<b>5.7</b>	<b>0.05</b>	<b>5.5</b>	<b>Hm rich channel</b>
R14	51.7	4.5	0.03	11.5	Mixed
<b>R15</b>	<b>56.2</b>	<b>3.7</b>	<b>0.07</b>	<b>5.6</b>	<b>Hm rich channel</b>
<b>R16</b>	<b>58.0</b>	<b>1.9</b>	<b>0.03</b>	<b>6.3</b>	<b>Hm rich channel</b>

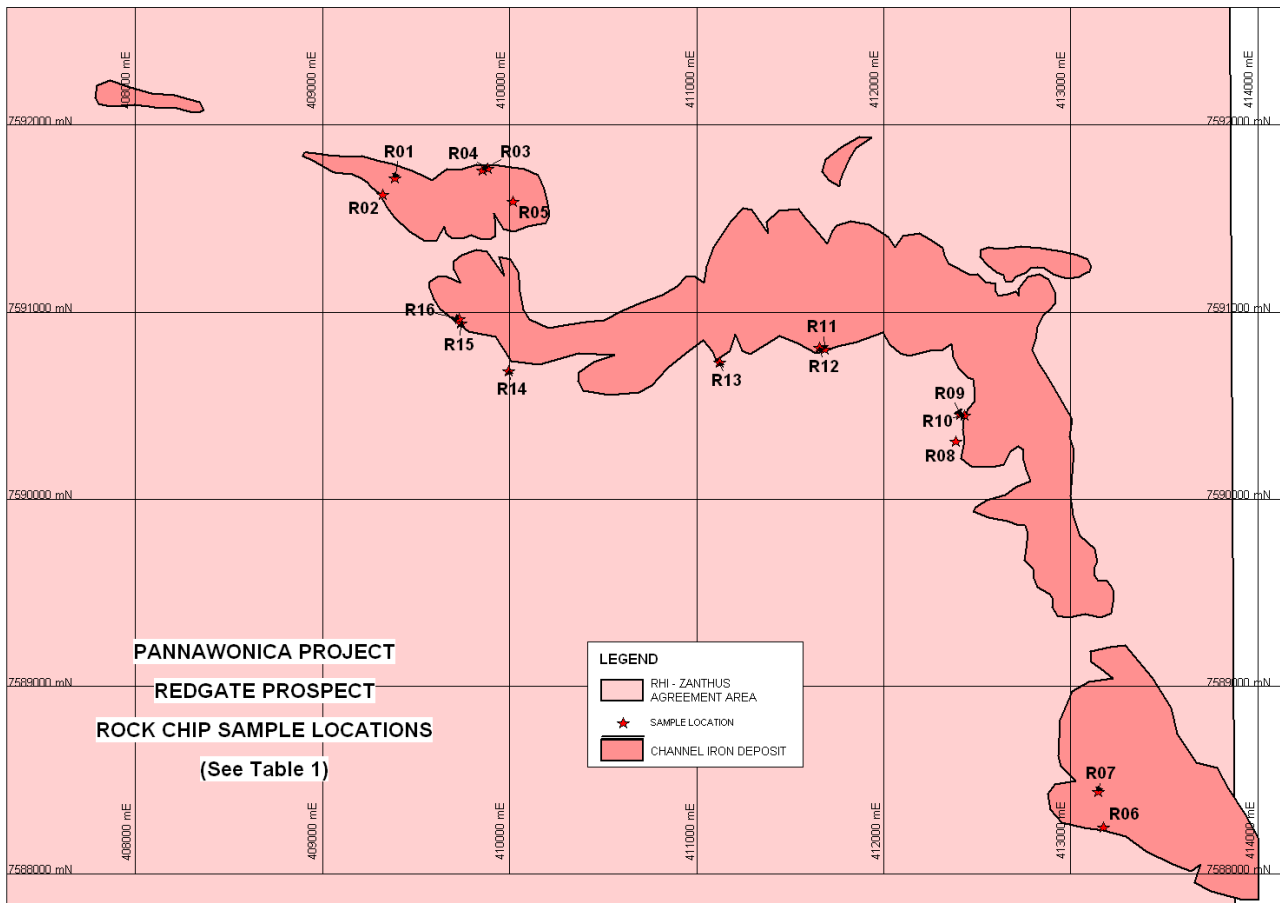
The Whitegate CID (See Plan 2) consists of a series of mesas occurring over a strike length of 5.5 kilometres, with widths of up to 350 metres. It extends south south-westerly for a further 4 kilometres within the RHIOJV project area where it is referred to as the White Well CID. The exposed upper part of the Whitewell CID is generally comprised of hematite rich pisoid CID with abundant wood fragments containing up to 60.4% Fe with encouraging alumina levels (See Table 1).

**Plan 2**



The Redgate CID (See Plan 3) occurs over a strike length of 8.5 kilometres with widths of up to 750 metres. It abuts the northern margin of the RHIOJV project area, some 15 kilometres north of the nearest RHIOJV CID resources. The upper portion of the mesa profile along the southern and central parts of this system appears to be dominated by lower grade stratified overbank material. However, in places, hematitic pisoid rich CID is observed lower in the profile and these outcrops provide the better sampling results. The western part of the system appears to contain more surface or near surface hematitic pisoid rich CID from which sampling has returned iron assays approaching 58% with good alumina levels (Table 1).

### Plan 3



An initial reverse circulation drilling program of approximately 150 holes has been designed to outline the resource potential of the Whitegate CID system. It will focus on locating high grade channels within the system which will later be drilled in greater detail to define resources.

The necessary approval process to allow this work to proceed is well under way. The Heritage Survey has been completed and the Programme of Work approved. Site preparation is expected to be completed in February and drilling expected to commence in March, weather permitting.

A second phase of drilling will follow shortly after the Redgate prospect. It is expected that the Redgate Heritage Survey will be conducted in February and it is hoped that approval of the Programme of Work will be granted during the March Quarter. This CID system is considerably larger than Whitegate and will require extensive drilling to locate and then define any high grade channel deposits that occur beneath the overbank material.



### **Competent Person Statement**

*The information in this announcement that relates to Pannawonica Project 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")

**31 December 2009**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) Exploration & evaluation	(63)	(229)
(b) Development	-	-
(c) Production	-	-
(d) Administration	(146)	(235)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	70
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material): Receipts	-	(2)
Payment – Security Deposit	-	-
<b>Net Operating Cash Flows</b>	<b>(205)</b>	<b>(396)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(500)	(500)
(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>(500)</b>	<b>(500)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(705)</b>	<b>(896)</b>

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

1.13	Total operating and investing cash flows (brought forward)	(705)	(896)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	203	203
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>203</b>	<b>203</b>
	<b>Net increase (decrease) in cash held</b>	<b>(502)</b>	<b>(693)</b>
1.20	Cash at beginning of quarter/year to date	7,469	7,660
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>6,967</b>	<b>6,967</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

**Payment for purchases of prospects: \$500,000 of the \$2,000,000 cash component of the consideration for the acquisition of exploration rights on the Pannawonica project has been paid and the balance of \$1,500,000 will be paid next quarter.**

**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

**Part of the consideration for the acquisition of exploration rights on the Pannawonica project was the issue of 2,000,000 ordinary shares in the company on 22 December 2009.**

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

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### 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>650</b>
4.2 Development	-
<b>Total</b>	<b>650</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>57</b>	<b>170</b>
5.2 Deposits at call	<b>110</b>	<b>499</b>
5.3 Bank overdraft	-	-
5.4 Term Deposit	<b>6,800</b>	<b>6,800</b>
5.5 Other (Bank accepted bills)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>6,967</b>	<b>7,469</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>E08/1514</b>	<b>Relinquished</b>	<b>40%</b>	<b>0%</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 +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>43,915,686</b>	<b>43,915,686</b>		<b>Fully Paid</b>
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	<b>200,000</b> <b>2,000,000</b>	<b>200,000</b> <b>2,000,000</b>	<b>\$1.10</b> <b>\$3.75</b>	<b>Fully Paid</b> <b>Fully Paid</b>
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> *	-	-	<i>Exercise price</i> -	<i>Expiry date</i> -
7.8 Issued during quarter				
7.9 Exercised during quarter	<b>200,000</b>	<b>200,000</b>	<b>\$1.10</b>	<b>28 Nov 2009</b>
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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: **29 January 2010**

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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