

29 October 2010

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

Dear Sir/Madam

## **ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

### **HIGHLIGHTS**

- A most encouraging updated Red Hill Iron Ore Joint Venture (RHIOJV) CID Mineral Resources estimate received showing a 12% increase to 472 Mt with Measured plus Indicated Resources increasing by 109 Mt.
- First pass drilling at Red Hill Iron's wholly owned Pannawonica Project, located approximately 15 kilometres from the Pannawonica operations of Robe River Iron Associates, completed with Inferred Mineral Resources of the Whitegate and Redgate CID mesas calculated at plus 100 Mt of modest grade CID ore.
- A three hole diamond drill program at the Redgate CID system to commence early November to obtain material for metallurgical testing aimed at determining the viability of upgrading the iron content of the ore by removing some of the alumina and silica rich clay content.
- Finalisation of the RHIOJV project Feasibility Study is expected to be achieved shortly. Work has commenced to incorporate the updated Mineral Resources estimate into the study with revised mine planning and schedules to be run prior to completion of financial modelling.
- The Mine PER public review period closed 16 August and a response to the received submissions is due to be lodged by the end of October.

**Red Hill Iron suggests that persons wishing to make a complete assessment of the Company and its assets should combine a reading of this report with the Company's recently lodged 2010 Annual Report and Financial Statements and the Updated RHIOJV Resource Estimate released to the ASX on 29 October.**

## RED HILL IRON ORE JOINT VENTURE (RHI 40% reducing to 20%)

### MINERAL RESOURCES

After quarter's end the manager of the RHIOJV, API Management Pty Ltd, released an Updated Resource Estimate (released to ASX by Red Hill Iron on 29 October) which increased the joint venture's overall CID Mineral Resource inventory by 50 Mt to 472 Mt including an increase in Measured plus Indicated Resources of 109 Mt. This is a further significant milestone in the RHIOJV story which Red Hill Iron acknowledges reflects the high quality work being carried out by the exploration team at API. The revised Mineral Resource Estimates, which have been classified by Golder Associates in accordance with the JORC Code 2004, are tabulated below:-

Joint Venture	JORC Classification	Mt	Fe %	P %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	S %	Mn %	MgO %	LOI %
Red Hill JV	Measured	125	57.7	0.084	5.36	3.37	0.014	0.030	0.087	8.06
	Indicated	285	56.4	0.071	6.22	3.83	0.019	0.030	0.100	8.68
	Inferred	62	55.6	0.070	6.57	4.15	0.020	0.029	0.108	9.01
	<b>TOTAL</b>	<b>472</b>	<b>56.6</b>	<b>0.074</b>	<b>6.03</b>	<b>3.75</b>	<b>0.018</b>	<b>0.030</b>	<b>0.098</b>	<b>8.56</b>

Note: A cut off grade of 53% Fe was utilised

### DEVELOPMENT

The Updated Resource Estimate will be incorporated into the RHIOJV Feasibility Study. Updated resource modelling will be incorporated into the broader West Pilbara Iron Ore Project mine plan and mining schedule of which the RHIOJV Project is a major component. The resultant RHIOJV mining schedule will form the basis of the financial evaluation to be included in the Feasibility Study.

### Engineering and Mining

During the September quarter, progress was made on the optimisation of the mine central processing facilities, finalising the mine water management study and technical specifications for the mine power station. The capital and operating cost estimates have been completed and will be included in the Feasibility Study.

### Native Title / Heritage

API has progressed discussions with the Pilbara Native Title Service (PNTS) as representatives of the KM (Kuruma Marthudunera) and PKKP (Puutu Kunti Kurrama & Pinikura) Claimant Groups in preparation for commencing Native Title negotiations with the Groups. A project information session with the PNTS legal team is planned for the next quarter to initiate formal negotiations.

General consultation has continued regarding the scope of the project with indigenous stakeholder information sessions planned to ensure the wider indigenous community is informed of the project.

Heritage surveys have continued in order to identify sites within the proposed infrastructure areas and resource outlines.

## Environment

The public release period for the Mine Public Environmental Review (PER) closed on 16 August and collated submissions were received from the Office of the Environmental Protection Authority (OEPA) on 23 August. Ten submissions were lodged, primarily from regulatory agencies.

Several submissions focussed on the potential impacts to troglofauna and native vegetation. Other submissions related to native fauna, groundwater, Indigenous heritage and geodiversity matters. A response to these submissions has been substantially completed and will be submitted to the OEPA in October.

Separate comment was also received from the Federal Department of Sustainability, Environment, Water, Population and Communities (DSEWPC - formerly DEWHA) and will also be responded to in the December quarter.

The assessment of the PER is on track for the receipt of environmental approval by mid 2011.

API commenced planning and preparation of *Works Approvals* applications (a secondary approval under Part V of the *Environmental Protection Act 1986*). It is expected that a package of works approval applications will be drafted by the end of October.

## EXPLORATION

Exploration activity on the RHIOJV continued during the September Quarter and focused on finalising an Updated Resource Estimate which incorporated the results of new drilling at the Kens Bore Deposit.

Better results (intercepts >20m) received from drilling at Kens Bore include:

- 30m @ 56.35% Fe, 4.32% Al<sub>2</sub>O<sub>3</sub>, 6.25% SiO<sub>2</sub>, 0.075% P, 0.016% S, 8.16% LOI from 6m in KBRC661
- 22m @ 56.90% Fe, 3.9% Al<sub>2</sub>O<sub>3</sub>, 5.21% SiO<sub>2</sub>, 0.082% P, 0.012% S, 9.04% LOI from 20m in KBRC663
- 30m @ 56.07% Fe, 4.41% Al<sub>2</sub>O<sub>3</sub>, 6.76% SiO<sub>2</sub>, 0.057% P, 0.016% S, 8.12% LOI from surface in KBRC664
- 32m @ 56.42% Fe, 4.07% Al<sub>2</sub>O<sub>3</sub>, 7.29% SiO<sub>2</sub>, 0.075% P, 0.012% S, 7.46% LOI from 4m in KBRC670

All intercepts were calculated for greater than 54% Fe cut off.

Assay results continue to confirm thicknesses of up to 40m of high grade CID. Geology encountered during the drilling programme indicates a CID profile that is composed of an upper goethitic hardcap layer that varies in thickness from 4 to 14m. Underlying the hardcap zone is a mixed clay/mineralised zone that is approximately 20 to 35m thick. The mixed zone has a clayey upper zone that grades into a rich red/purple friable hematite lower zone.

## **THE PANNAWONICA PROJECT (RHI 100%)**

### **REDGATE**

Assay results from the first pass RC drilling of the Redgate CID system were received during the quarter.

Whilst the results are encouraging, it is recognised that metallurgical testing of the mineralisation holds the key to producing a saleable product for the market. To this end, metallurgical testing has commenced and an initial examination of the CID material derived from reverse circulation drill chips is underway at the AMMTEC metallurgical laboratory. Although not as precise as using diamond drill core, electron microscope scanning of the iron mineralisation will give a first indication of the location and nature of alumina and silica content.

A three hole diamond core drilling program will commence early November to provide material for detailed metallurgical test work aimed at upgrading the iron content of the ore and also enabling specific gravity calculations. The results of the metallurgical testing will assist in determining the direction of further work on the project.

The necessary Government approvals have been obtained for the metallurgical test drilling and the potential infill RC drilling of the Redgate CID which would be necessary to enhance the Inferred Resource status for inclusion in any future mine feasibility study.

Geological interpretation of both CID systems indicates a series of variable sinuous higher grade zones of plus 52% iron content occurring within a lower grade envelope. Minor laterally and vertically variable clay bands are present throughout the CID.

### **WHITEGATE**

The necessary Government approvals have been obtained for infill RC drilling of the Whitegate CID. This work is contingent on the results of metallurgical testing referred to above.

Analytical results of the three additional RC drill holes into the northern part of the Whitegate CID system were received during the quarter.

### **RESOURCE ESTIMATIONS**

RHI has calculated an **Inferred Mineral Resource** using a range of iron cut-off grades as presented in the attached table. The resource figures quoted in the table reflect the level of knowledge available to RHI at the date of this report having due regard to the broad spacing of the drill traverses and an assumed Specific Gravity of 2.7 which is based on the reported specific gravity of similar CID mineralized systems in the region. The information presented should be read in that context.

<b>PANNAWONICA PROJECT</b>					
<b>INFERRED MINERAL RESOURCES</b>					
<b>WHITEGATE</b>					
Fe Cut-off %	Fe%	Al2O3%	P%	SiO2%	Tonnes 000 @ SG 2.7
47.64	52.3	4.6	0.06	10.2	23,100
50	52.8	4.6	0.06	9.6	20,500
52	53.8	4.3	0.07	9.0	13,000
<b>REDGATE</b>					
Fe Cut-off %	Fe%	Al2O3%	P%	SiO2%	Tonnes 000 @ SG 2.7
48	51.6	5.7	0.04	10.2	114,400
50	53.2	5.2	0.05	9.4	84,900
52	54.2	4.9	0.05	8.4	57,500

Competent Person Statements

**RHIOJV Resource Estimate**

The information in this report that relates to the Catho Well North, Cardo Bore East, Cardo Bore North, Cochrane, Jewel, Kens Bore, Trinity Bore and Upper Cane Mineral Resources was prepared under the supervision of Mr Stuart Tuckey and Mr Richard Gaze who are members of the Australasian Institute of Mining and Metallurgy. Mr Tuckey is full-time employee of the API Management Pty Ltd. Mr Gaze is a full-time employee of Golder Associates Pty Ltd. Mr Tuckey and Mr Gaze have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'

**Exploration results of the Pannawonica Project**

The information in this report that relates to the PANNAWONICA PROJECT is based on information compiled by Mr Tim Boddington, who is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of Red Hill Iron Limited. 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'.

N Tomkinson  
Chairman