

31 January 2011

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

Dear Sir/Madam

## **ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2010**

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

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

The Operator of the Red Hill Iron Ore Joint Venture (RHIOJV), API Management Pty Ltd, has supplied an estimated Reserve Figure for the RHIOJV of 289 Mt at 57.3% Fe of Proven and Probable Reserves. This figure does not include substantial Ore Reserves at Kens Bore East which Red Hill Iron contends are an asset of the RHIOJV and should be included in the RHIOJV Reserve Estimate. Ownership of the Kens Bore East Ore Reserves is currently the subject of a Dispute between the joint venture parties.

Red Hill Iron does not accept the Reserve Estimate which has been supplied as final, pending resolution of the Dispute relating to the Reserves contained at Kens Bore East .

A Feasibility Study of the West Pilbara Iron Ore Project (WPIOP) Stage 1 has been completed by API Management Pty Ltd subject to certain conditions. The WPIOP joint venture parties, Aquila Steel Pty Ltd and AMCI(IO) Pty Ltd, have voted to proceed with the development of a mine. Any development of a mine by the WPIOP will be dependent on similar decisions being made by the participants in the RHIOJV and the Mt Stuart Joint Venture after the presentation of Feasibility Studies.

Red Hill Iron has a 40% carried interest in the RHIOJV reducing to 20% upon commencement of first production.

API Management Pty Ltd has supplied the following quarterly report:-

## “ DEVELOPMENT

Steady progress continued through the quarter in pursuing the necessary approvals and preparing data for the completion of a Feasibility Study during the first quarter of 2011.

### Mining

ORElogy, an independent mine planning consultancy, has completed a Reserve estimate for the Red Hill Iron Ore Joint Venture. The Ore Reserve has been prepared in accordance with the Australasian JORC 2004 (Joint Ore Reserves Committee) code. The Ore Reserve has been classified as Proven and Probable based on the Measured and Indicated Mineral Resource classifications respectively. Inferred Mineral Resources have not been included in the Ore Reserve estimation.

The Ore Reserve Estimate attributable to the Red Hill Iron Ore Joint Venture (RHIOJV) is detailed in Table 1.

<b>Product</b>	<b>Category</b>	<b>Tonnes Mt</b>	<b>Fe %</b>	<b>Al2O3 %</b>	<b>SiO2 %</b>	<b>P %</b>	<b>LOI %</b>
Product 1	Proven	88	58.40	3.17	5.01	0.085	7.73
	Probable	153	57.37	3.50	5.54	0.069	8.31
	<b>Total</b>	<b>241</b>	<b>57.74</b>	<b>3.38</b>	<b>5.35</b>	<b>0.075</b>	<b>8.10</b>
Product 2	Proven	18	55.15	3.94	6.75	0.089	9.58
	Probable	30	55.18	3.93	7.20	0.091	9.12
	<b>Total</b>	<b>48</b>	<b>55.17</b>	<b>3.93</b>	<b>7.03</b>	<b>0.090</b>	<b>9.29</b>
<b>TOTAL</b>	Proven	106	57.84	3.30	5.30	0.086	8.04
	Probable	183	57.01	3.57	5.82	0.072	8.44
	<b>Total</b>	<b>289</b>	<b>57.31</b>	<b>3.47</b>	<b>5.63</b>	<b>0.077</b>	<b>8.30</b>

**Table 1 – RHIOJV Ore Reserve Estimate**

The Ore Reserve has been estimated by incorporating all deposits within the WPIOP – Stage 1 development area in order to achieve the targeted blended product grade specifications. The attributable RHIOJV Ore Reserve represents 65% of the total WPIOP – Stage 1 Proven and Probable Reserve. The RHIOJV Ore Reserve has been derived from the channel iron deposits at Jewel, Cochrane, Cardo Bore North, Cardo Bore East, Upper Cane, Kens Bore, Catho Well North and Trinity Bore.

The Ore Reserve is reported as 2 products;

- Product 1 representing the main production stream maintaining an average 57.21% Fe throughout the life of the WPIOP - Stage 1 mining operations, and;

- Product 2, a lower grade product stockpiled throughout the mining operation and shipped following the completion of Product 1 Ore sales based on an annual average product grade of 55.00% Fe.

A two product stream was modelled in order to maximise the Ore Reserve.

The RHIOJV Ore Reserve Estimate has been reported as the Ore produced and contributing to the production of the WPIOP – Stage 1 blended products. Variation between the RHIOJV Ore Reserve grades reported above and the Product 1 and 2 specifications has resulted from the separation of Ore contributed by others.

### Engineering and Mining

Work schedules were developed, validated and reviewed. The project contracting strategy and execution plan was updated. A central processing facility (CPF) optimisation and location study was completed. The land access strategy for the mine access road, airstrip and accommodation was finalised.

### Native Title / Heritage

Preparatory discussions were undertaken with representative native title groups to commence formal native title negotiations in 2011. Heritage surveys in the mine area continued.

### Environment

The public review of the PER describing the mine was completed during the quarter and a full response to public submissions submitted to the State Office of the Environmental Protection Authority (OEPA). The OEPA accepted the response and commenced assessment of the proposal, with a report of its assessment expected during the first quarter of 2011.

Environmental surveys to provide baseline data were maintained and a suite of management plans drafted. Applications for a number of secondary environmental approvals to be submitted in 2011 were also progressed during the quarter.

Consultations with the relevant government and community stakeholders regarding the project plans and its potential impacts continued.

### EXPLORATION

Re-modelling of the RHIOJV deposits Cochrane, Jewel, Catho Well North, Cardo Bore East, Cardo Bore North, Upper Cane, Trinity Bore and Kens Bore has been completed and a revised resource estimate was finalised by Golder Associates Pty Ltd. The RHIOJV CID mineral resource totals 472Mt @ 56.64% Fe.

JORC Classification	Mt	Fe %	P %	SiO2 %	Al2O3 %	S %	Mn %	MgO %	LOI %
Measured	125	57.74	0.084	5.36	3.37	0.014	0.030	0.087	8.06
Indicated	285	56.38	0.071	6.22	3.83	0.019	0.030	0.100	8.68
Inferred	62	55.64	0.070	6.57	4.15	0.020	0.029	0.108	9.01
<b>TOTAL</b>	<b>472</b>	<b>56.64</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>

*Table 2 – RHIOJV Mineral Resource Estimate*

Figure 1 shows the location of these deposits.

### RHIOJV Revised Resource Estimate

Deposit	Category	Tonnes	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	S	LOI	Mn	MgO
		Mt	%	%	%	%	%	%	%	%
Catho Well North	Measured	-	-	-	-	-	-	-	-	-
	Indicated	5	55.20	7.37	2.82	0.038	0.018	9.87	0.089	0.19
	Inferred	1	54.90	7.06	2.81	0.038	0.020	10.40	0.108	0.28
	<b>Total</b>	6	55.14	7.31	2.82	0.038	0.018	9.98	0.093	0.21
Cardo Bore East	Measured	-	-	-	-	-	-	-	-	-
	Indicated	39	58.12	5.22	3.86	0.073	0.015	7.04	0.057	0.12
	Inferred	10	56.97	5.69	4.09	0.067	0.020	7.95	0.037	0.11
	<b>Total</b>	49	57.89	5.31	3.90	0.072	0.016	7.22	0.053	0.12
Cardo Bore North	Measured	-	-	-	-	-	-	-	-	-
	Indicated	5	56.85	5.91	4.04	0.070	0.023	8.13	0.028	0.05
	Inferred	3	56.59	6.01	4.06	0.076	0.028	8.37	0.021	0.04
	<b>Total</b>	8	56.75	5.95	4.05	0.072	0.024	8.22	0.025	0.04
Cochrane	Measured	-	-	-	-	-	-	-	-	-
	Indicated	35	57.03	5.62	4.04	0.080	0.021	8.09	0.013	0.11
	Inferred	10	56.25	6.54	4.30	0.068	0.019	7.97	0.020	0.13
	<b>Total</b>	45	56.85	5.83	4.10	0.077	0.020	8.07	0.015	0.12
Jewel	Measured	-	-	-	-	-	-	-	-	-
	Indicated	21	56.25	6.06	3.93	0.060	0.024	9.07	0.025	0.06
	Inferred	3	56.48	6.22	3.59	0.062	0.025	8.94	0.022	0.06
	<b>Total</b>	24	56.28	6.08	3.88	0.061	0.024	9.05	0.024	0.06
Kens Bore	Measured	70	56.82	5.73	3.71	0.091	0.010	8.58	0.037	0.12
	Indicated	68	57.07	5.43	3.61	0.074	0.015	8.75	0.018	0.10
	Inferred	15	55.20	6.57	4.08	0.079	0.013	9.65	0.034	0.12
	<b>Total</b>	153	56.78	5.68	3.70	0.082	0.014	8.76	0.028	0.11
Trinity Bore	Measured	-	-	-	-	-	-	-	-	-
	Indicated	88	54.79	7.33	4.01	0.062	0.022	9.70	0.028	0.11
	Inferred	17	54.52	7.18	4.41	0.062	0.025	9.88	0.025	0.10
	<b>Total</b>	105	54.75	7.30	4.08	0.062	0.022	9.72	0.028	0.11
Upper Cane	Measured	55	58.90	4.88	2.94	0.074	0.020	7.40	0.021	0.04
	Indicated	24	56.73	6.81	3.51	0.095	0.017	7.79	0.040	0.07
	Inferred	3	56.21	6.91	3.80	0.106	0.017	8.09	0.027	0.07

Deposit	Category	Tonnes	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	S	LOI	Mn	MgO
		Mt	%	%	%	%	%	%	%	%
	<b>Total</b>	82	58.16	5.52	3.14	0.082	0.020	7.54	0.027	0.05
<b>TOTAL</b>	Measured	125	57.74	5.36	3.37	0.084	0.014	8.06	0.030	0.087
	Indicated	285	56.38	6.22	3.83	0.071	0.019	8.68	0.030	0.100
	Inferred	62	55.64	6.57	4.15	0.070	0.020	9.01	0.029	0.108
	<b>TOTAL</b>	<b>472</b>	<b>56.64</b>	<b>6.03</b>	<b>3.75</b>	<b>0.074</b>	<b>0.018</b>	<b>8.56</b>	<b>0.030</b>	<b>0.098</b>

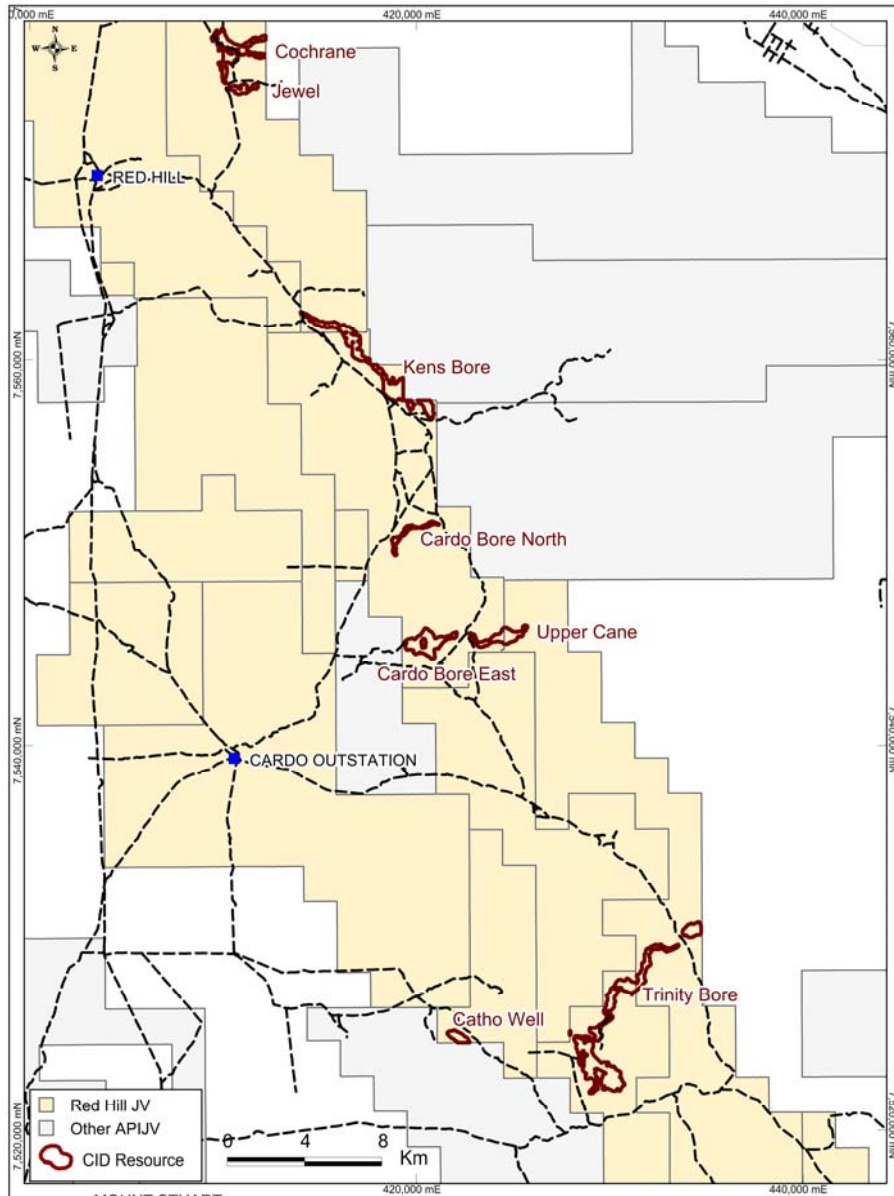
*In situ resource estimates at each deposit used a 53% Fe cut.*

**Table 3 – RHIOJV Mineral Resource Estimate – by Deposit**

*Estimates are based on:*

Deposit	Density by CID Stratigraphy									
	Ore			Waste						
	Zpw	Zph	Zpm	Zpw	Zph	Zpm	Zpb	Zpc	JK	Bsm
<b>Cardo Bore East</b>	2.95	2.80	2.80	2.95	2.80	2.75	2.70	2.70	2.70	2.70
<b>Cardo Bore North</b>	2.95	2.80	2.80	2.95	2.80	2.75	2.70	2.70	2.70	2.70
<b>Catho Well North</b>	2.95	2.95	2.85	2.90	2.85	2.70	2.70	2.70	2.70	2.70
<b>Cochrane</b>	2.85	2.70	2.70	2.85	2.70	2.65	2.70	2.70	2.70	2.70
<b>Jewel</b>	2.85	2.70	2.70	2.85	2.70	2.56	2.70	2.70	2.70	2.70
<b>Kens Bore</b>	2.90	2.85	2.80	2.90	2.85	2.75	2.70	2.70	2.70	2.70
<b>Trinity Bore</b>	2.95	2.80	2.80	2.90	2.85	2.70	2.70	2.70	2.70	2.70
<b>Upper Cane</b>	2.95	2.85	2.80	2.95	2.85	2.75	2.70	2.70	2.70	2.70

**Table 4 – RHIOJV Density by CID Stratigraphy**



**Figure 1 Deposit Locations**

**Competent Person Statements**

**Reserves**

The information in this release that relates to Ore Reserves is based on information compiled by Mr Steve Craig, Managing Director of ORElogy (Mining Consultants). Mr Craig is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity 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 Craig consents to the inclusion of the matters based on his information in the form and context in which it appears in this release.

**Resource Statement**

*This mineral resource statement has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC, 2004). Measured, Indicated and Inferred Mineral Resources have been identified.*

*The Catho Well North, Cardo Bore East, Cardo Bore North, Cochrane, Jewel, Kens Bore, Trinity Bore and Upper Cane estimates are based on data compiled by Stuart Tuckey and Richard Gaze. Both are members of the Australasian Institute of Mining and Metallurgy and have appropriate experience in the evaluation of such deposits. Stuart Tuckey is a full time employee of API Management Pty Ltd and Richard Gaze is a full time employee of Golders Associates Pty Ltd.”*

**PANNAWONICA PROJECT**

Red Hill Iron has completed a rigorous metallurgical testing program using composited samples from selected material from the Pannawonica Project channel iron deposits. The intent of the testwork was to establish whether some or all of the deposits were amenable to upgrade of iron and reduction of alumina and silica by wet scrubbing.

The samples selected for the testwork were sourced from three strategically located diamond drill holes on the Redgate CID (see Figure A) with high silica, high alumina and average grade iron. These holes were completed early in the quarter and provided 127 metres of PQ sized core from which the testwork samples were selected. A total of 23 composites were created using 96 metres of the core. The samples were then submitted to AMMTEC Metallurgical Laboratories in Perth for analysis.

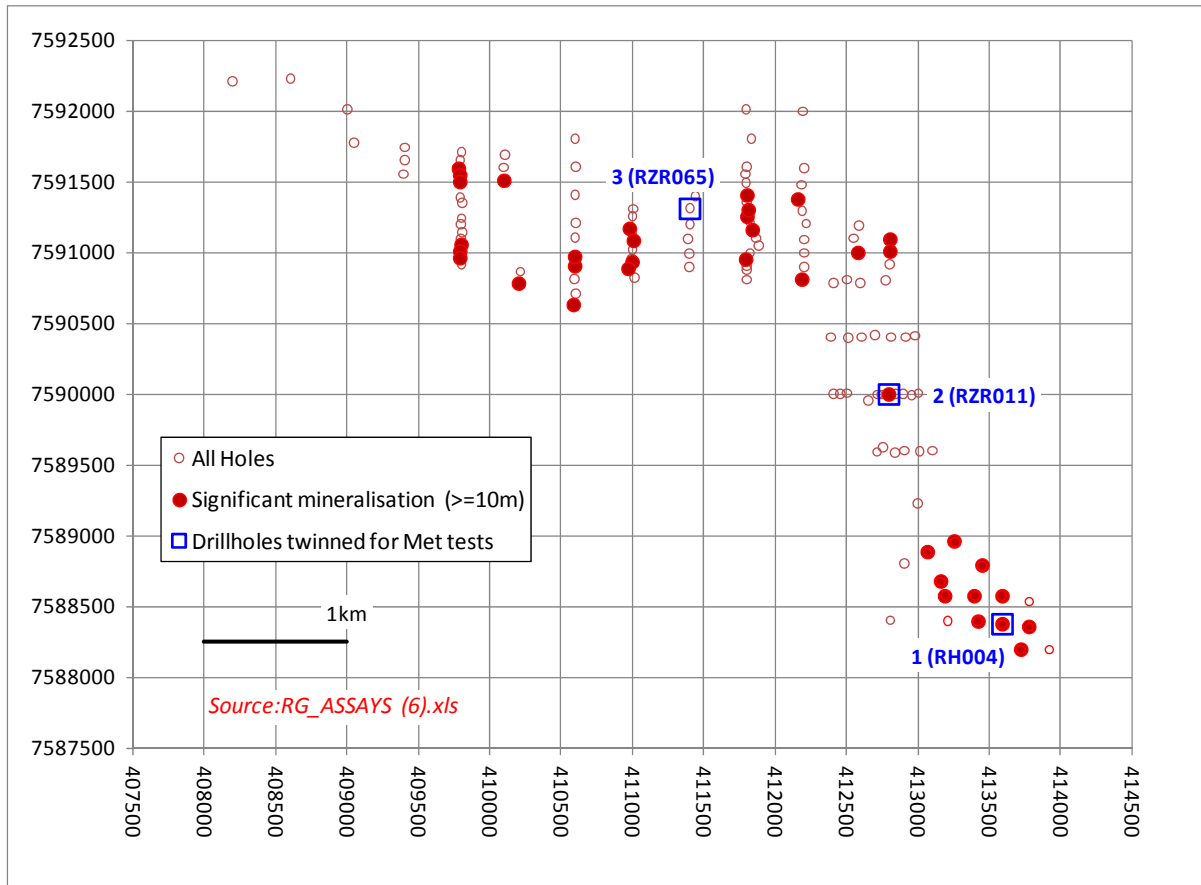
The testwork concluded that conventional scrubbing is largely ineffective for upgrading the bulk of the Pannawonica ore. There is however some scope to address the upgrading of the higher grade portions of the CID and further work on limited higher grade material is being considered.

The AMMTEC test program focussed on wet processing by scrubbing and wet screening to remove any discrete clay material from the ore.

Samples were subjected to the following tests:

- Ore physical tests – Core in-situ Density determinations,
- Drop tower & mixer conditioning,
- Head assays determinations,
- Scrubbing & crushing to <10 mm fines,
- Wet size analysis [assay of fractions] of fines.

Figure A: REDGATE Drillhole locations



**Competent Person Statement**

***Exploration results of the Pannawonica Project***

*The information in this announcement that relates to the PANNAWONICA PROJECT section of this report is based on information compiled by Mr Doug Stewart, who is a Member of The Australasian Institute of Mining and Metallurgy and is an employee of Red Hill Iron Limited. Mr Stewart 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



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**RED HILL IRON LIMITED**

ABN

**44 114 553 392**

Quarter ended ("current quarter")

**31 December 2010**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (.6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(181)	(660)
(b) development	-	-
(c) production	-	-
(d) administration	(231)	(390)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	46
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	50	51
Other (Security Deposit)	(16)	(16)
<b>Net Operating Cash Flows</b>	<b>(364)</b>	<b>(969)</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)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(364)</b>	<b>(969)</b>
1.13 Total operating and investing cash flows (brought forward)	<b>(364)</b>	<b>(969)</b>

+ See chapter 19 for defined terms.

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

<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>(364)</b>	<b>(696)</b>
1.20	Cash at beginning of quarter/year to date	<b>3,786</b>	<b>4,391</b>
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>3,422</b>	<b>3,422</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	27
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

+ See chapter 19 for defined terms.

### 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	-
4.3 Production	-
4.4 Administration	<b>135</b>
<b>Total</b>	<b>235</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>344</b>	<b>716</b>
5.2 Deposits at call	<b>52</b>	<b>51</b>
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	<b>3,026</b>	<b>3,019</b>
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,422</b>	<b>3,786</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>		

+ See chapter 19 for defined terms.

**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				
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				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## 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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: **Peter Rutledge**  
Company secretary

Date: **31 January 2011**

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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