

29 April 2011

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

Dear Sir/Madam

**ACTIVITIES REPORT FOR THE QUARTER
ENDED 31 MARCH 2011**

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

The Operator of the Red Hill Iron Ore Joint Venture (RHIOJV), API Management Pty Ltd, has been working during the quarter to provide the RHIOJV participants with details of a proposed Development which is a precursor to a decision to carry out a Feasibility Study. The participants are involved in continuing discussions which it is hoped will lead to agreement on the scope of the Feasibility Study.

The RHIOJV is the subject of two Dispute Notices issued by Red Hill Iron Limited (RHI) details of which have been the subject of earlier Releases.

The first in time involves RHI's contention that the Kens Bore East Ore Reserves which were excluded from the RHIOJV Reserve Estimate supplied to RHI in the last quarter are an asset of the RHIOJV and should be included in the RHIOJV Reserve Estimate. Negotiations between the participants are ongoing in relation to this issue.

Secondly, RHI has recently issued a Dispute Notice in relation to the assessment and potential development of mine site and port and rail infrastructure options for the mining production and transport of product including from the Tenement Area of the RHIOJV through a proposed new port at Anketell Point. It is RHI's contention that its Participating Interest in this infrastructure will be 40% of any interest in such infrastructure held by API or any related corporation of API until delivery of ore to customers when it will reduce to 20%. RHI's contribution to capital necessary for the construction of such infrastructure including the port will in accordance with

the provisions of the RHIOJV be covered by a loan from API repayable over time out of 80% of RHI's share of proceeds of sales of ore.

One of the shareholders in API Management Pty Ltd, Aquila Resources Limited, today issued a Quarterly Report containing (in part) the following information which though relevant to RHI and its interest in the RHIOJV should be read in context with the two Disputes detailed above and their potential resolution and outcome. RHI gives no assurance of the accuracy of the information:

“A Definitive Feasibility Study for the Stage 1 development of the West Pilbara Iron Ore Project (the Project), updating the feasibility study announced to the ASX in July 2010, is nearing completion and will be provided in the June Quarter 2011.

The final version of the Response to Submissions for the Stage 1 Mine and Rail Public Environmental Review (PER) was submitted to the Office of the Environmental Protection Authority (OEPA) on 21 February 2011 incorporating a status update on heritage surveys for the Project. Further data has also been provided to assist the OEPA in finalising the EPA Bulletin, which outlines its recommendations to the Minister for the Environment.

As a result of ongoing obligations and commitments as outlined in current approval documentation, further field investigations have continued across the whole of the mine, rail and port development footprint to support further approvals work. This is related to current Government assessments and secondary approval requirements and deals with proposed footprint changes as a result of more detailed engineering and project optimisation studies.

Discussions have been held with officers from the Commonwealth Department for Sustainability, Environment, Water, Population and Communities in relation to Commonwealth approvals focused on matters of National Environmental Significance. The approval process for Commonwealth Environmental Approval, which will follow the approval of the State Minister for Environment, is currently forecast for the September Quarter 2011. The 10 week public assessment period of the Anketell Point Port PER (published on 20 December 2010) closed on 28 February 2011. All public submissions have been received, with work now underway to respond to the matters raised.

A detailed tendering process has identified Project Managing Contractors (PMC) suitable for the control of the construction of the Project. A decision to award the PMC will be made in the June Quarter 2011. Mobilisation will commence following approvals and successful contract negotiations. Adverse weather has hampered offshore geotechnical drilling early in the Quarter, with the programme 89% complete at the end of the Quarter.

The next phase of geotechnical investigations along the rail alignment will proceed following completion of necessary heritage surveys.

Native title negotiations have commenced with the representative native title groups covering mine and rail areas, with negotiation budgets and protocols being discussed.”

The RHIOJV provides the majority of the resources the subject of the Definitive Feasibility Study for the Stage 1 development of the West Pilbara Iron Ore Project which is managed by API Management Pty Ltd on behalf of Aquila Steel Pty Ltd and AMCI (IO) Pty Ltd.

PANNAWONICA PROJECT

No further work was carried out on this Project during the quarter.

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 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (.9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(135)	(795)
(b) development	-	-
(c) production	-	-
(d) administration	(132)	(522)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	71	118
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	51
Other (Security Deposit)	1	(16)
Net Operating Cash Flows	(195)	(1,164)
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)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(195)	(1,164)
1.13 Total operating and investing cash flows (brought forward)	(195)	(1,164)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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		(195)	(1,164)
1.20	Cash at beginning of quarter/year to date	3,422	4,391
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,227	3,227

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	50
4.2 Development	-
4.3 Production	-
4.4 Administration	175
Total	184

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	38	95
5.2 Deposits at call	176	52
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	3,013	3,275
Total: cash at end of quarter (item 1.22)	3,227	3,422

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		

+ 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 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	43,915,686	43,915,686		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>			<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 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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: **29 April 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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