

29 July 2011

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

Dear Sir/Madam

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2011

THE RED HILL IRON ORE JOINT VENTURE (RHIOJV)

Significant progress was made during the quarter towards advancing the RHIOJV which will supply the majority of the ore comprised in Stage 1 of the API Joint Venture's West Pilbara Iron Ore Project.

The Project involves the establishment of mine, rail and port infrastructure that will initially be devoted to the movement of an anticipated 30 million tonnes per year of ore derived in great part from deposits controlled by the RHIOJV together with a lesser component of ore from the adjacent Mt Stuart Joint Venture tenements. This infrastructure will greatly enhance the development of iron ore resources throughout the entire West Pilbara.

Despite the need for resolution of the serious legal issues between the RHIOJV participants your board is confident that the Project is moving forward towards a development decision and that production could be achieved by late 2014 as scheduled.

The Manager of the RHIOJV, API Management Pty Ltd, has proposed a 2011-12 financial year budget of \$150 million dependent on completion of a Feasibility Study for the RHIOJV and an early Decision to Mine being made by the RHIOJV participants. The Budget is directed to the Manager's proposed development pathway and includes all infrastructure necessary for the mining component of project activities including access roads, a dedicated airstrip and the construction of an initial temporary fly camp followed by a permanent mine camp. These activities will complement major contemplated expenditure in relation to a rail link from the RHIOJV area and a proposed new port at Anketell Point.

Development

The Manager has provided the following information in relation to the quarterly activities. The comments pertain only to the activities on the RHIOJV project tenements:-

Engineering design work on mine area infrastructure progressed on mine and access roads, the airstrip, mine village bulk earthworks, pioneering works, accommodation facilities and haul roads.

A sterilization review of the Stage 1 mine and related infrastructure was undertaken and a project management plan was completed. The Phase 2 hydrological program reached 50% completion. Grade simulation models were reviewed and a desktop study of a grade variability test program was commenced. Detailed operational readiness planning commenced for geology, surveying, mine planning, assay laboratory and information & communications technology (ICT) services.

Further field investigations continued across the mine footprint to support approvals work related to current Government assessments and secondary approval requirements dealing with proposed footprint changes as a result of more detailed engineering and project optimization studies.

Native title negotiations continued and an active programme of community and stakeholder engagement was maintained. Aboriginal Heritage surveys continued across the planned footprint disturbance areas on the RHIOJV tenements.

Exploration

No fieldwork was completed by the exploration team during the quarter. A sterilization review of mine and infrastructure was completed. No sterilization work is required for iron ore within the proposed RHIOJV mining lease areas. The proposed budget for 2011-2012 includes an anticipated exploration expense of approximately \$800,000 the bulk of which is earmarked for further assessment of buried CIDs to the south of the Trinity Bore deposit and at Mulga Bore northwest of the Kens Bore deposit.

CORPORATE

Infrastructure

As previously reported Red Hill Iron has given notice to API Management Pty Ltd, its joint venturer, that Red Hill Iron considers itself to be entitled to a 40% share (reducing to 20% on first delivery of ore to customers) in any interest owned by API in all infrastructure including the proposed rail link to Anketell Point and the port itself. Whilst the parties have discussed the dispute since service of the formal Notice, to date no solution has been reached.

RHIOJV Project Feasibility Study

At a meeting of the participants in the RHIOJV which took place on 6 May 2011 the participants approved the preparation by the Manager of a study as to the feasibility of various options. Red Hill Iron advised the meeting before the vote was taken that it did not accept the study proposed by the Manager, as being a Feasibility Study as defined in the RHJOJV Joint Venture documentation as the scope of the study as proposed did not include an assessment of the cost of rail and port infrastructure as a RHIOJV asset. Notwithstanding this view being put forward the matter was put to the vote and the motion was passed with the API participants voting 60% in favour and Red Hill Iron voting 40% against.

Ken's Bore East

This dispute which concerns Red Hill Iron's contention that it is entitled to a 40% interest (reducing to 20% on first delivery of ore to customers) in all ore mined from the Kens Bore East deposit has been the subject of several rounds of negotiations between the participants in the RHIOJV without any agreement having been reached. Unless the parties can reach agreement in the near future Red Hill Iron has indicated that the dispute will be determined in court.

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")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(23)	(818)
(b) development	-	-
(c) production	-	-
(d) administration	(240)	(762)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	76	194
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other receipts	-	51
Other payments (Security Deposits)	(1)	(17)
Net Operating Cash Flows	(188)	(1,352)
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	24	24
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	24	24
1.13 Total operating and investing cash flows (carried forward)	(164)	(1,328)
1.13 Total operating and investing cash flows (brought forward)	(164)	(1,328)

+ 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		(164)	(1,328)
1.20	Cash at beginning of quarter/year to date	3,227	4,391
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,063	3,063

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'ooo
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	25
4.2 Development	-
4.3 Production	-
4.4 Administration	134
Total	159

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	20	38
5.2 Deposits at call	43	176
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	3,000	3,013
Total: cash at end of quarter (item 1.22)	3,063	3,227

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 July 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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