

7 November 2011

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

Dear Sir/Madam

## **COMPANY UPDATE**

Attached is a copy of a presentation to be made to financial institutions updating them on the company's activities.

Yours faithfully

P.C.Ruttledge  
Company Secretary



**RED HILL IRON**  
Limited

# **RED HILL IRON**

## **Update**

**November 2011**

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ABN: 44 114 553 392

- **The WPIO Project size is substantial**
  - *RHI has ~5 mtpa of the ~30mtpa project*
- **Product is direct-ship haematite,**
  - *Tested and in demand,*
- **Infrastructure is well-founded**
  - *Part of a new 350 mtpa port,*
- **Red Hill Iron is Free Carried until production then contributes from RHI share of net cash flow.**
  - *Protected from funding risk*

**READY TO GO**

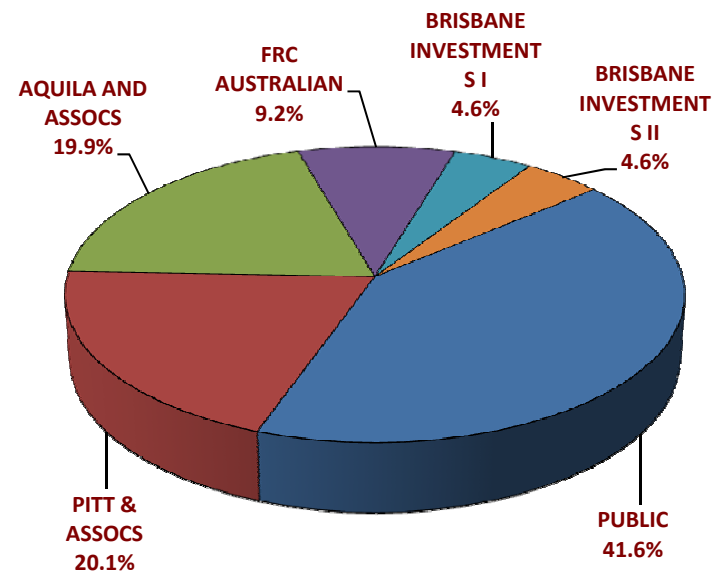
Listed Ordinary shares on issue:	43,915,686
<b>ASX Code:</b>	<b>RHI</b>
Options:	Nil
<b>Share Price</b>	<b>03-Nov-11 2.15</b>
Cash on hand	\$3m
<b>Mkt Cap</b>	<b>\$94m</b>
<b>Directors / Senior Management</b>	
Neil Tomkinson (Exec. Chairman)	
Joshua Pitt (Non Exec. Director)	
Garry Strong (Non Exec. Director)	
Peter Rutledge (Secretary)	
Doug Stewart (Project Manager)	

<http://www.redhilliron.com.au/>

### Structure

RHI SHAREHOLDING	30 Sep 11
PUBLIC	41.6%
PITT & ASSOCS	20.1%
AQUILA AND ASSOCS	19.9%
FRC AUSTRALIAN	9.2%
BRISBANE INVESTMENTS I	4.6%
BRISBANE INVESTMENTS II	4.6%
<b>Total Shares</b>	<b>43,915,686</b>

### Substantial Shareholders Sept 2011

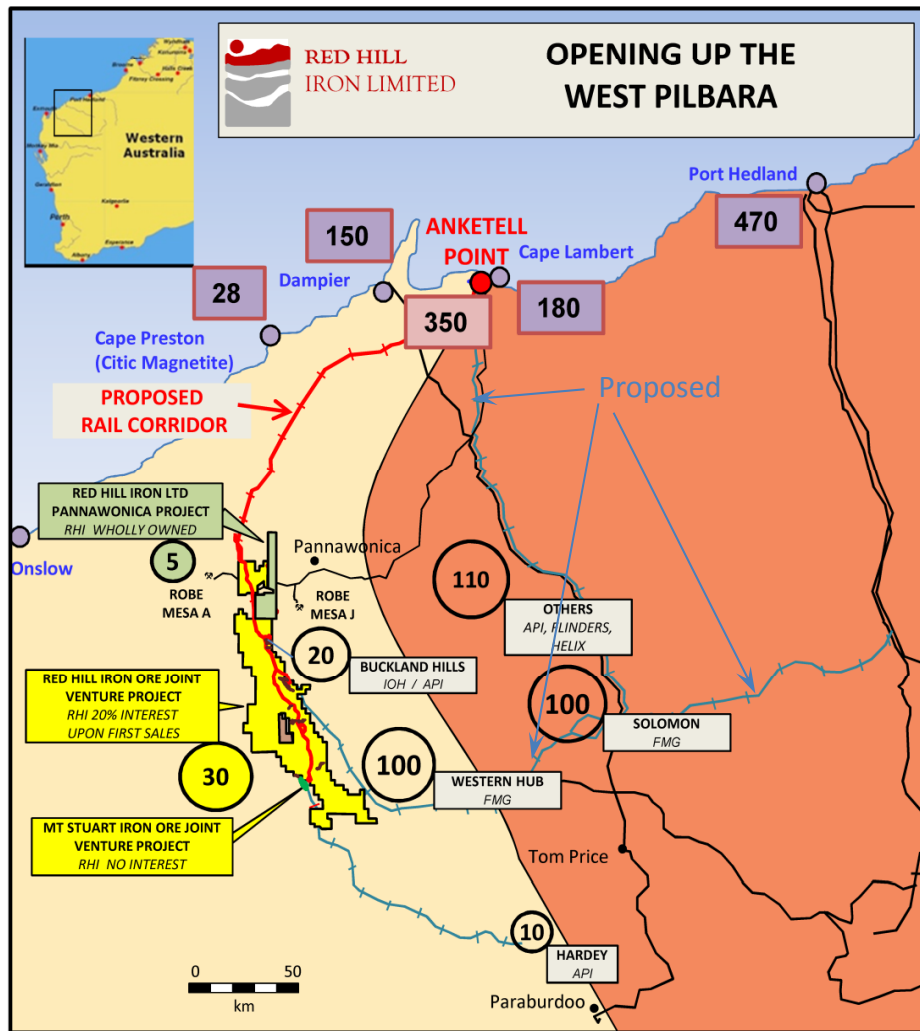


# SHARE PRICE

ASX: RHI



# THE WEST PILBARA OPPORTUNITY

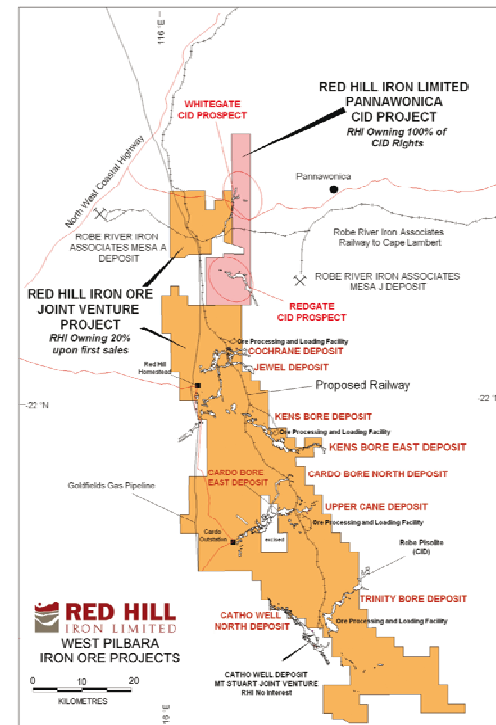


**40** ANTICIPATED ANNUAL PRODUCTION (MILLION TONNES)

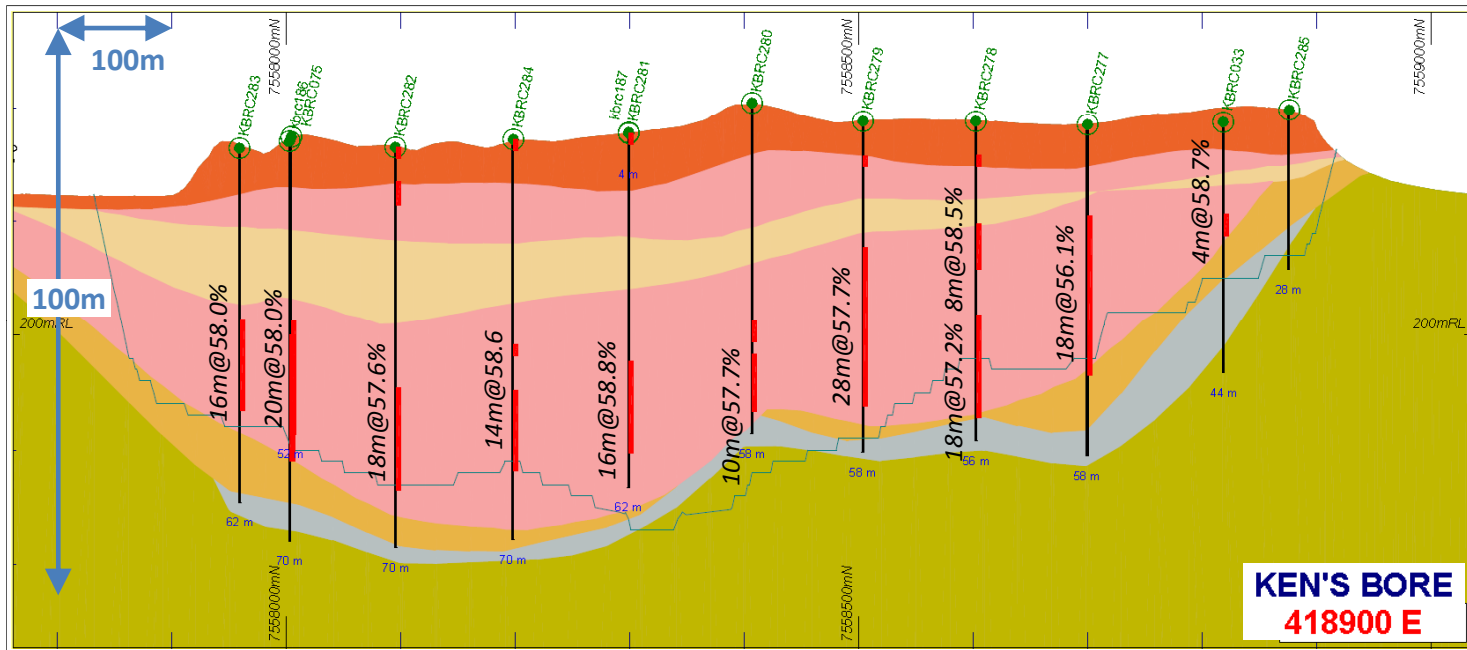
**350** ANTICIPATED ANNUAL SHIPPING TONNAGE (MILLION TONNES)

Anketell Port will unlock several very significant iron ore projects in the West Pilbara.

- +350 Mtpa potential iron ore export
- As well as the RHIOJV, projects held by FMG, IOH, API and others stand to benefit



# CID – SIMPLE, LOW RISK



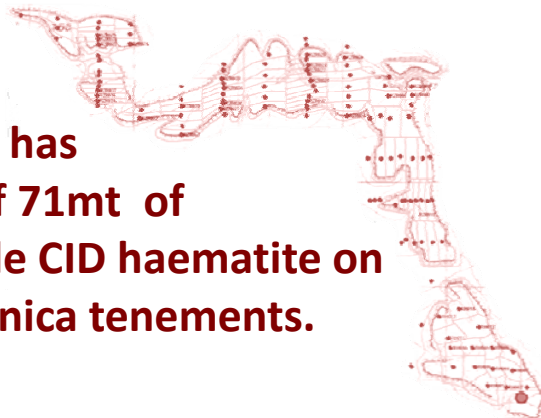
- Channel Iron Deposits are in Mesas and have a low strip ratio
- The Resource is predictable
- Dry Mining
- Several Sources for blending
- Conventional Direct Ship Ore



# RESOURCES AND RESERVES

## PANNAWONICA

Red Hill Iron has Resources of 71mt of modest grade CID haematite on its Pannawonica tenements.

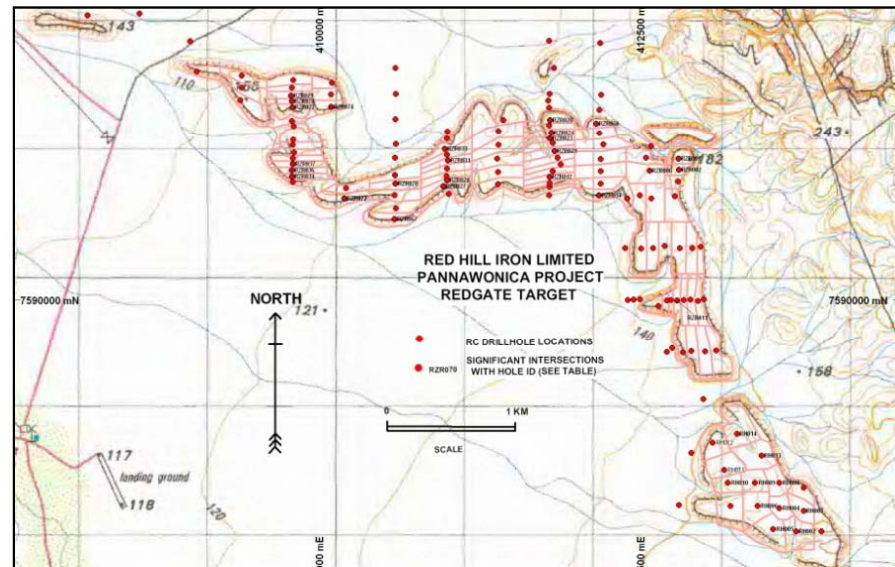


PANNAWONICA PROJECT INFERRED MINERAL RESOURCES						
Cut-off Fe%	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub> %	P%	SiO <sub>2</sub> %	
48	137	51.7	5.5	0.04	10.2	
50	106	53.1	5.1	0.05	9.4	
52	71	54.1	4.8	0.05	8.5	

Source: RHI 29 Oct 2010

In 2010 RHI completed sufficient wide-spaced drilling on its 100% owned Pannawonica prospect to outline 71 million tonnes of CID haematite mineralisation at 54.1% Fe. This assumed a cutoff grade of 52% Fe.

Despite its modest grade this is considered strategically important material since it is well situated relative to Infrastructure.



# RESOURCES AND RESERVES

## RHIOJV

RESOURCES					
Stage 1 WPIOP RESOURCE					
	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%
01-Nov-10	687	56.6	6.1	3.7	0.07

Source: ASX: AQA 01 Nov 2010

Includes Mt Stuart (98mt) and KBE (117mt)

RHIOJV RESOURCE - Excluding KBE*					
	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%
04-Nov-10	472	56.7	6.0	3.8	0.07

Source: ASX: RHI 04 Nov 2010

Excludes Mt Stuart and KBE

RHI 20% is 94mt

RHIOJV RESOURCE - Including KBE*					
	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%
04-Nov-10	589	56.8	5.9	3.8	0.07

Source: ASX: RHI 04 Nov 2010

This excludes Mt Stuart and includes KBE.

RHI 20% is 118mt

Resources are Measure+Indic+Inferred:

Reserves are Proved+Probable

Total RHI Resource					
Project	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%
RHIOJV - Excl KBE	94	56.7	6.0	3.8	0.07
Pannawonica*	71	54.1	4.8	8.5	0.05
<b>Total Excl KBE</b>	<b>165</b>	<b>55.6</b>	<b>5.5</b>	<b>5.8</b>	<b>0.06</b>
Source: ASX: RHI 04 Nov 2010					
RHIOJV Incl KBE*	118	56.8	5.9	3.8	0.07
Pannawonica**	71	54.1	4.8	8.5	0.05
<b>Total Incl KBE</b>	<b>189</b>	<b>55.8</b>	<b>5.5</b>	<b>5.5</b>	<b>0.06</b>

Source: RHI Calc \*\* At 52% Fe Cutoff (Inferred only)

RESERVES					
Stage 1 WPIOP RESERVE					
	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%
03-Dec-10	445	57.1	5.8	3.4	0.07

Source: AQA:ASX 03 Dec '10

Includes Mt Stuart and KBE

RHIOJV RESERVE - Excluding KBE*					
	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%
31-Jan-11	289	57.3	3.5	5.6	0.08

Source: ASX: RHI Jan '11

API excluded KBE. This was disputed by RHI.

RHI 20% is 58mt

RHIOJV RESERVE - Including KBE*					
	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%
31-Jan-11	375	57.5	3.5	5.5	0.08

Source: RHI Calc

This excludes Mt Stuart and includes KBE.

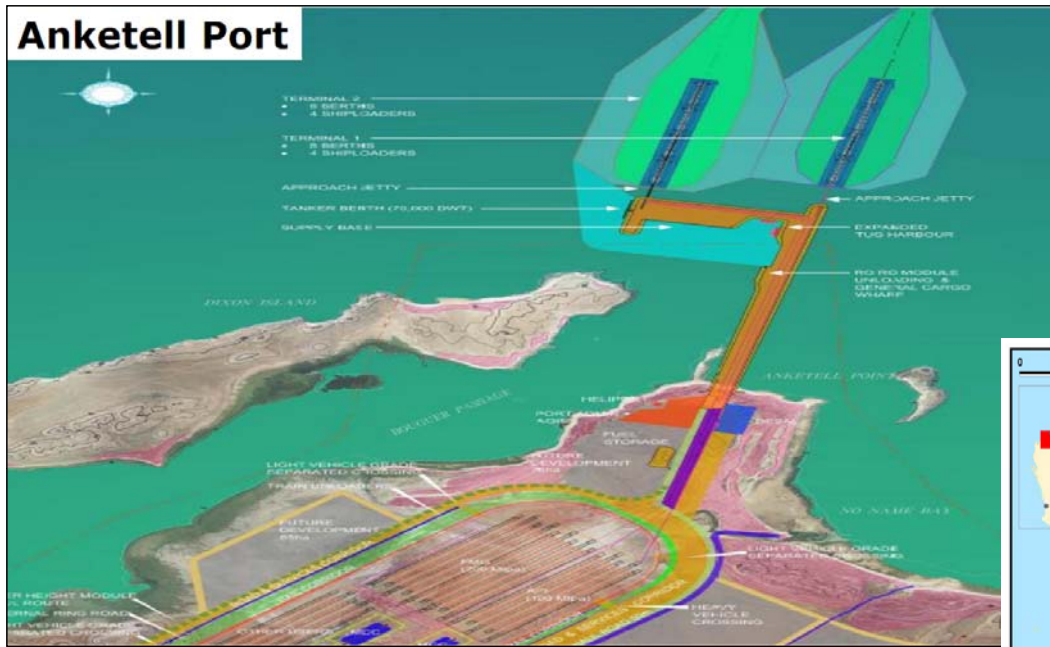
RHI 20%	Mt	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %	P%
<b>RHIOJV<sup>1</sup></b>	<b>75</b>	<b>57.5</b>	<b>3.5</b>	<b>5.5</b>	<b>0.08</b>

**RED HILL IRON HAS:  
189 Mt of CID RESOURCES<sup>1,2</sup>  
75 Mt of CID RESERVES<sup>1</sup>**

\*RHI is in dispute over the Ownership of KBE.

<sup>1</sup> Assumes 20% of KBE    <sup>2</sup> Incl. Pannawonica

# PORT AND RAIL DEVELOPMENT



The Port Master Plan has objectives to develop an open access, multi-user, 350 Mtpa capacity bulk commodity export port, with an industrial area and a corridor for transport and services to accommodate a range of users and different mineral commodities.

The Master Plan provides for efficient use of land access to water in an environmentally acceptable layout.

Source: Aquila Resources Sep '11

# PROJECT IS WELL ADVANCED

## Approvals

### Environmental – EPA Recommend Approval

- Primary Approvals expected to be granted by Q4 2011
- Preparatory work for secondary approvals underway
- The EPA has recommended conditional approval for Stage 1 mine and rail.

### Native Title – advanced discussions

- Native Title negotiations are progressing, with financial terms being discussed.
- Mine and Rail agreements expected to be signed Q4 2011
- Port negotiations scheduled for completion late 2011

### Aboriginal Heritage – nearing completion

- Heritage surveys are well advanced for mine and rail
- Submissions being readied for Ministerial approval

### Mine Development – Project Plan approved

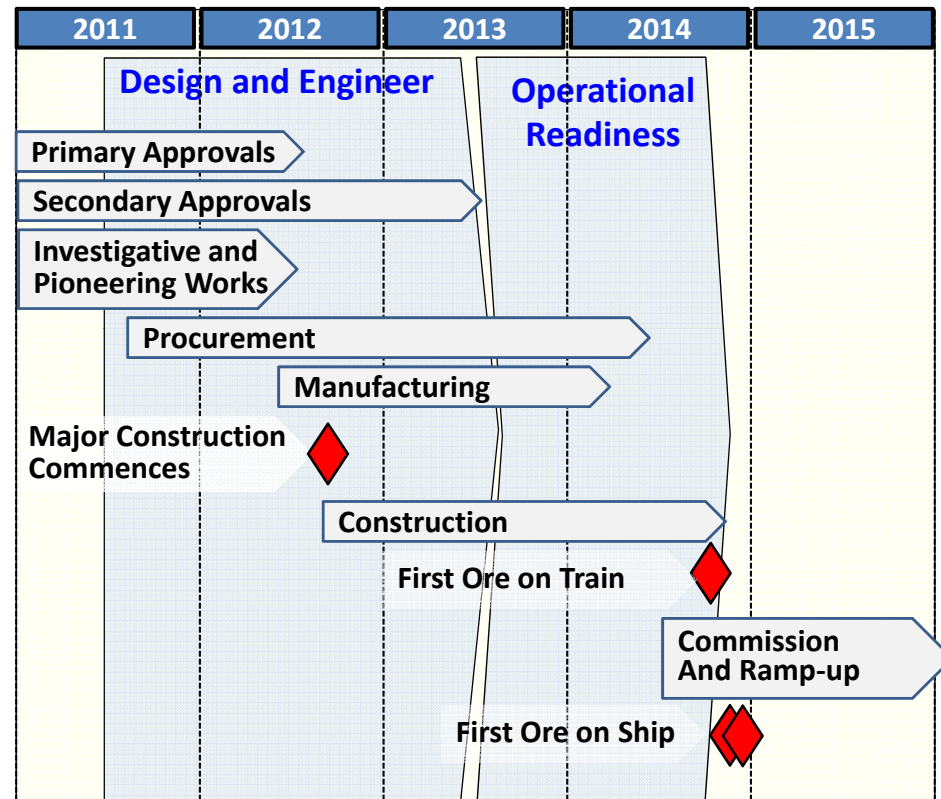
- The Department of Mines has approved the Stage 1 Project Management Plan for the construction and operation of the mines.

## Project Issues

### The Anketell Port Redesigned

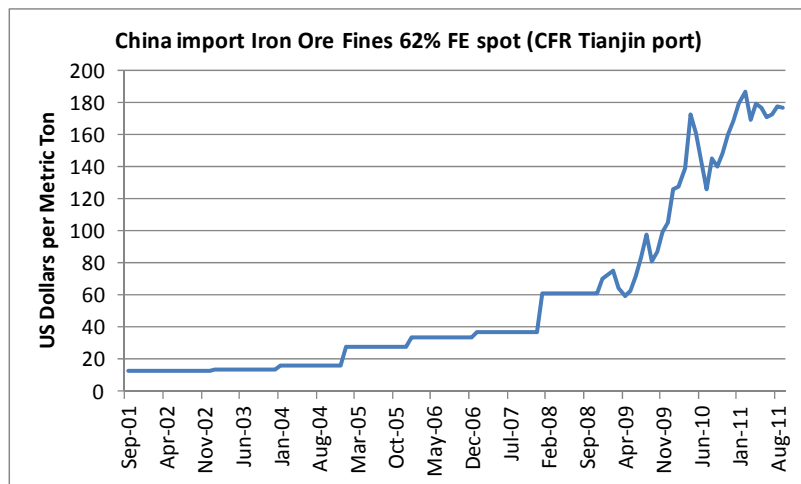
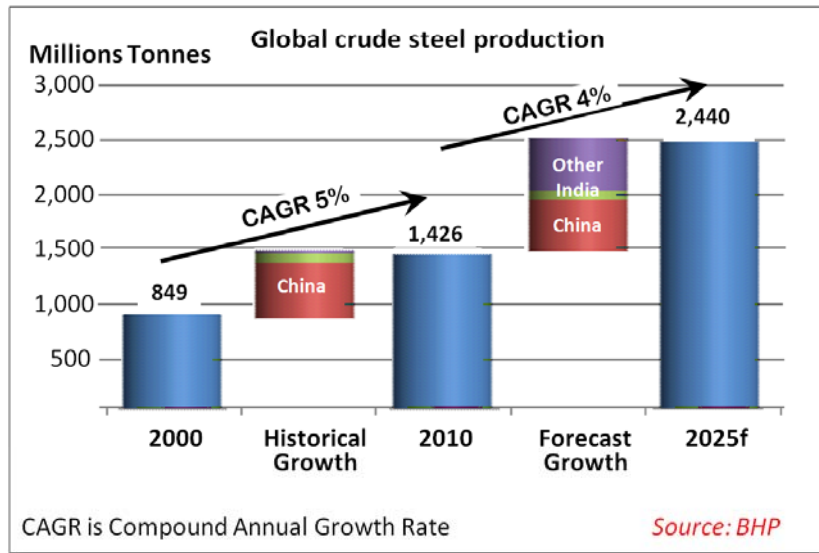
- The layout has been aligned with the Dampier Port Authority Master Plan.

### Stage 1 Definitive Feasibility Study Dec Qtr '11

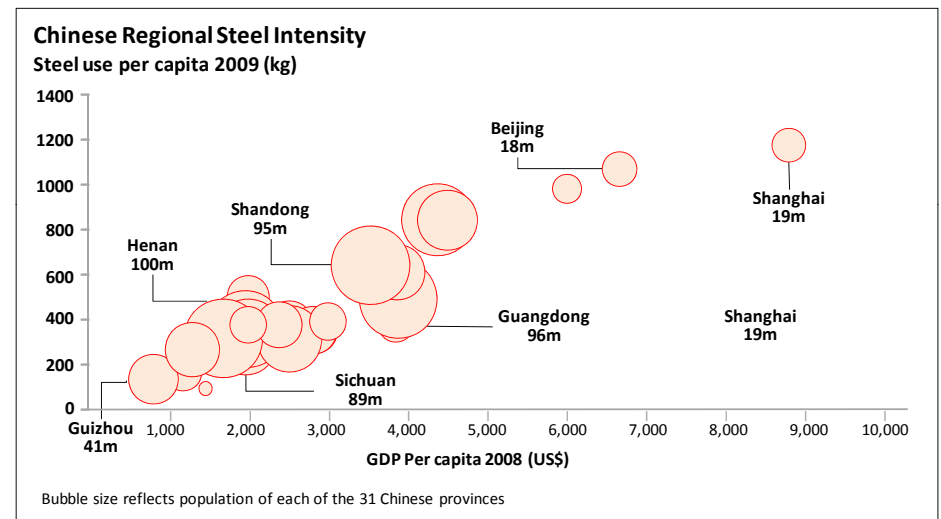


Source: Aquila Resources Sep '11

# DEMAND FOR IRON ORE REMAINS STRONG



Many Large Chinese provinces are just beginning to climb the steel intensity curve.



Despite slowing, the Compound Annual Growth Rate is still expected to result in an increasing demand for steel.

China remains the biggest user and its domestic grades have fallen. Demand is expected to be greater than supply from seaborne trade.

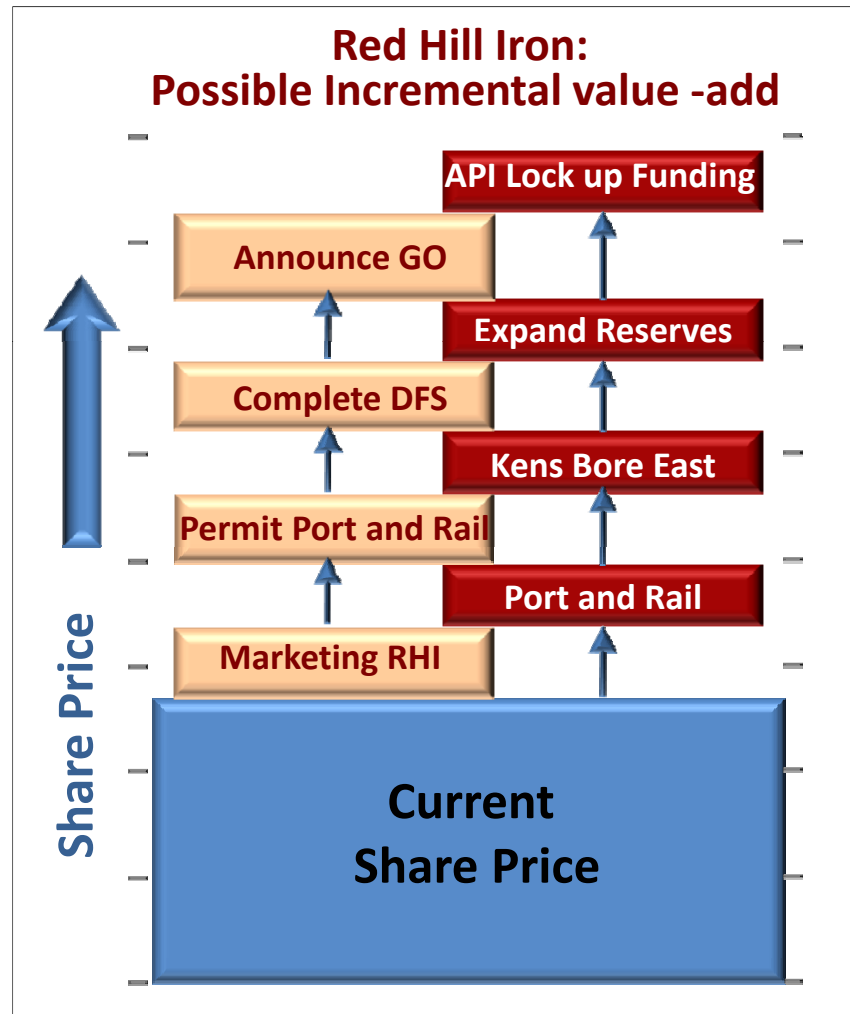
Source: BHP, Rio Sept '11

## RED HILL IRON – Pathway to Re-rating

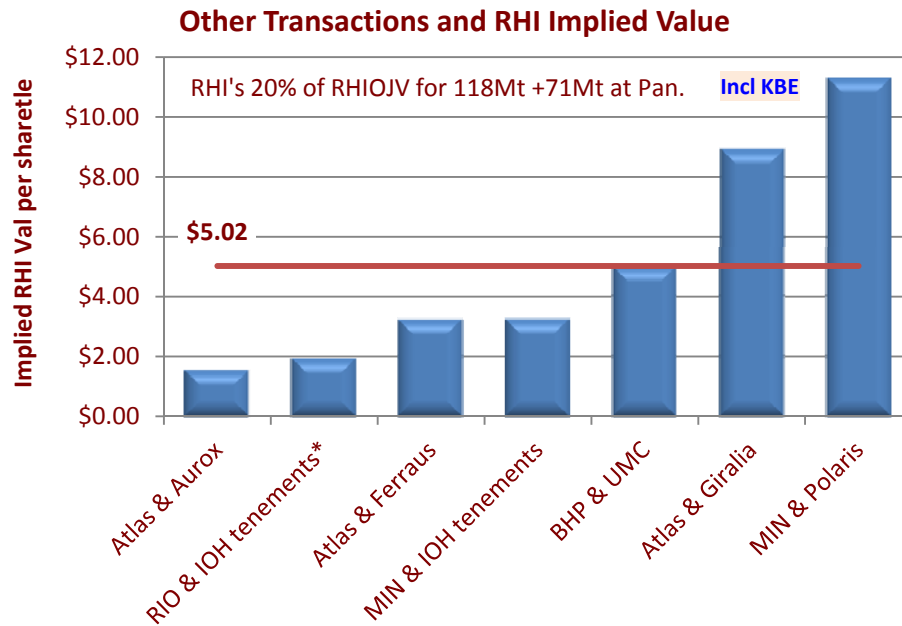
We anticipate that as the project progresses into production there may be several incremental value-add occasions.

These represent the de-risking of the project.

Important value-adds like Port Approval, Native Title agreements and successful outcomes from legal challenges may happen in close order.



## IMPLIED VALUE OF RHI - Transaction Based -



Based on contained Fe units, recent transactions imply a value for Red Hill Iron of between \$1.50 and \$11.30 per share with an average of \$5.00 per share.

Transaction	Mt	Fe%	Contained Fe Units	Purchase price 100% Basis	Implied value \$/Fe Unit	Implied RHI value	Implied RHI Val per share
Atlas & Aurox	456	45.0%	205	\$131	\$0.64	\$68	\$1.54
RIO & IOH tenements*	106	58.6%	62	\$50	\$0.80	\$85	\$1.93
Atlas & Ferraus	331	56.7%	188	\$253	\$1.35	\$142	\$3.23
MIN & IOH tenements	55	56.7%	31	\$42	\$1.35	\$142	\$3.24
BHP & UMC	158	58.3%	92	\$192	\$2.08	\$219	\$5.00
Atlas & Giralia	398	56.1%	223	\$828	\$3.71	\$391	\$8.91
MIN & Polaris	51	58.0%	29	\$139	\$4.71	\$496	\$11.29
<b>Average</b>	<b>222</b>	<b>53.4%</b>	<b>119</b>		<b>\$2.09</b>	<b>\$220</b>	<b>\$5.02</b>
<b>RHI Total Incl KBE</b>	<b>189</b>	<b>55.8%</b>	<b>105</b>				<b>\$5.02</b>

RHI's 20% of RHIOJV Resources for 118Mt +71Mt at Pannawonica

\*Estimate as it includes a 2% royalty

Source: Navigo Advisors, RHI Nov '11

## RED HILL IRON'S EDGE

✓ **Project Size is substantial:**

RHI has a stake in the West Pilbara Iron Ore Project which has 445 Mt of ore reserves and will ship >30 mtpa ore. In addition, RHI has a 100% owned CID resource nearby.

✓ **Product is appropriate**

Ore is direct shipping haematite ,has been rigorously tested and is in demand

✓ **Infrastructure is well-founded:**

The new port at Anketell which will unlock a new Iron Ore province is planned to ship over 350 Mtpa from its shared facilities.

✓ **The Project is low risk and ready to go:**

AQA has announced a conditional decision to mine and is currently waiting on final approvals and is seeking funding. Since there is no unique/new technology the whole process is low risk. Studies are close to completion.

✓ **RHI is Free Carried until production then contributes from its share of net cash flow.**

API is responsible for all Project funding until 1<sup>st</sup> delivery of ore when it will have earned 80% interest. RHI will then hold a 20% interest and will be required to repay its 20% share of the costs (together with interest) out of 80% of it's share of project net cash flow.

Up to the point of first product delivery RHI has the right to elect to exchange its project interest for a 2% FOB royalty over total project production which would cancel the requirement to repay debt.

It is anticipated that RHI will be entitled to over 5 million tonnes per annum of ore.



# COMPETENT PERSON STATEMENT

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## *Competent Person Statement*

*The information in this presentation is based on information compiled by Mr Doug Stewart, who is a Fellow 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'. Mr Stewart consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



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Limited

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## **Update**

**November 2011**