

30 January 2012

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

Dear Sir/Madam

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

RED HILL IRON ORE JOINT VENTURE (RHIOJV) DEVELOPMENT

During the quarter the Manager of the Red Hill Iron Ore Joint Venture (RHIOJV) API Management Pty Ltd (API) delivered a draft Feasibility Study to the participants for their information and input. This Study which was received late in the quarter is another step towards development of an iron ore mining and export operation for Stage One of the West Pilbara Iron Ore Project (WPIOP) for which the RHIOJV will provide the major ore source.

A full Feasibility Study is expected to follow a decision by the WA State Government on the development of the proposed multi user port at Anketell Point in the Pilbara. This decision is expected during the March quarter.

API Management Pty Ltd has reported that Commonwealth environmental approval of the Stage 1 Mine and Rail proposal was issued during the Quarter on behalf of the Minister for Sustainability, Environment, Water, Population and Communities. State environmental approval of the Stage 1 Mine and Rail proposal was also issued during the Quarter.

The Anketell Port Section 43a Amendment of Proposal/Response to Submissions Report, to accommodate changes to the port layout, was published on 16 November, as requested by the Office of the Environmental Protection Authority (OEPA) and published as the Final PER under the Environment Protection and Biodiversity Conservation Act 1999 on 14 December 2011. The OEPA is undertaking a review of the Section 43a Amendment of Proposal/Response to Submissions Report, which is expected to be completed during the current quarter. Once satisfied that no further information is required, preparation of the EPA Report will commence.

The State Government's review of its overall ports policy and a decision on Anketell point coupled with ongoing delays to port and rail tenure processes are impacting on Project schedules and the RHIOJV Feasibility Study.

During the Quarter, mining lease applications were lodged for the RHIOJV mining areas. The mine exploration camp contract was executed and the Part V Environmental Protection Act 1986 Works Approval for the camp was granted in December 2011.

The mining team continued to refine grade simulation and grade variability models, process design and discrete event simulation models. Activities also included ground water aquifer modelling, mine scheduling and mine closure optimisation. The mining contractor selection process which included drafting the mine contract tender and scope was also commenced.

Safety policies and procedures were developed as part of the "Project Management Plan" (PMP) for the mining operations.

Progress was made in relation to heritage (archaeological and ethnographic) surveys which were focussed on areas planned for the installation of infrastructure. Native Title agreement negotiations (including preliminary drafting) continued with the affected Groups, Kuruma Marthudunera (KM) & Puttu Kunti Kurrama & Pinikura (PKKP).

EXPLORATION

No work was completed by the exploration team during the Quarter.

CORPORATE

Proceedings in the Supreme Court of Western Australia seeking a determination as to whether or not Red Hill Iron has rights to share in the ownership of the proposed rail and potential port facilities which are an integral component of the WPIOP Stage One project are ongoing.

The Kens Bore East reserves dispute remained unresolved at quarter's end despite lengthy negotiations.

Neil 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 2011

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	(2)	(7)
(b) development	-	-
(c) production	-	-
(d) administration	(223)	(417)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	51	92
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other receipts	-	-
Other payments (Security Deposits)	-	1
Net Operating Cash Flows	(174)	(331)
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	1
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	1
1.13 Total operating and investing cash flows (carried forward)	(173)	(330)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(173)	(330)
	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	(173)	(330)
1.20	Cash at beginning of quarter/year to date	2,906	3,063
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,733	2,733

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	20
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	220

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	37	31
5.2 Deposits at call	146	225
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	2,550	2,650
Total: cash at end of quarter (item 1.22)	2,733	2,906

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	None		
6.2 Interests in mining tenements acquired or increased	P08/0623	Granted	0%	100%

+ 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: **30 January 2012**

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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