

30 April 2012

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

Dear Sir/Madam

**ACTIVITIES REPORT FOR THE QUARTER
ENDED 31 MARCH 2012**

RED HILL IRON ORE JOINT VENTURE (RHIOJV) DEVELOPMENT

The Manager of the Red Hill Iron Ore Joint Venture (RHIOJV), API Management Pty Ltd (API)*, has reported the following activities during the quarter:

“ DEVELOPMENT

Stage 1

The manager continued work preparing the RHIOJV Feasibility Study. Confirmation of the basis for sales, revenue estimates and timing for feasibility study purposes has been sought from the APIJV Participants.

The mining team continued to revise and upgrade the life-of-mine schedule.

Following Environmental Approvals obtained in the preceding quarter, the Manager progressed with development of Management Plans and performance of conditions under the approvals. The Office of the Environmental Protection Authority (OEPA) has confirmed that the manner in which API had made all data and reports that contributed to the Ministerial approval of the Mine and Rail proposal publicly available has satisfied the requirement of the CEO of the OEPA, (as required by part of Condition 5-1 of Ministerial Statement 881) and that a Compliance Assessment Plan submitted by API met the requirements of conditions 4-1 and 4-2. Studies continued in relation to Flora and Vegetation, Fauna, Aquatic Systems, Subterranean Fauna and Rehabilitation and closure strategies.

Work to integrate the environmental management system into a consolidated and integrated Health, Safety, Environment and Social Management System based on conformance to ISO

14001, OHSAS 18001 (AS4801 synergy) and ISO 26001 (respectively) was further progressed.

As part of the formal section 31 'Right to Negotiate' process under the Native Title Act, submissions have been provided to the native title parties regarding the future grant of the Mining Leases. The native title parties have responded and have also provided submissions in relation to the future grant of the Mining Leases. The native title "notification" period concluded on 30 March and it would appear that no further claimant applicants have been made such as to be the subject of negotiations to be concluded.

A joint Native Title working group meeting was convened by API during March to discuss matters of heritage management important to both Kuruma Marthudunera (K&M) and Puutu Kunti Kurrama & Pinikura (PKKP). As Stage 1 of the West Pilbara Iron Ore Project straddles the boundary between these claims, it is important that a coordinated approach to heritage management in this area is agreed by all parties. Progress was made in relation to heritage (archaeological and ethnographic) surveys. Native Title agreement negotiations (including preliminary drafting) continued with the affected Groups.

The manager submitted a Works Approval application to the Department of Environment and Conservation (DEC) as required under Part V of the Environmental Protection Act 1986 (EP Act), for the life of project 1500 person putrescible landfill facility associated with the mine village on the 27 March 2012. The application will be approved subject to the granting of the Miscellaneous Licence under the Mining Act 1978. The facility will require an Operating Licence also obtained under Part V of the EP Act once certified as constructed in accord with the proposed design. Ground clearing at the new exploration camp site was completed whilst fabrication of buildings continued.

The Department of Water (DoW) issued API a 0.5GL/a groundwater abstraction licence for the proposed Mine Village (GWL174510) on 22 March 2012, following a favourable assessment of a hydrological assessment report and on the basis that there were no objections raised following public advertising.

The groundwater drilling program at Kens Bore and Cardo Bore East has been completed with all bores installed. Pump testing trials to determine bore capabilities have been completed at Kens Bore, with the pump testing trials at Cardo Bore East expected to be completed in the June Quarter 2012. Aquifer modeling is also expected during the June Quarter.

Market responses to the call for Expressions of Interest (EoI) in Mine Area Infrastructure have been received and further EoI assessment and contractor interviews are under way.

Environmental approval and additional tenure requirements for the Mine Access Road including borrow pits were finalised and incorporated into the design.

Grade variability drilling commenced at Kens Bore focusing on 25 x 25 metre density with 5,514 metres drilled. Once this programme is complete the rig will move on to 50 x 50 metre spacing with completion estimated during the June Quarter.

EXPLORATION

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

CORPORATE

Rail & Port

Proceedings in the Supreme Court of Western Australia seeking a determination as to whether or not Red Hill Iron has the right 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. A hearing commencing 23 July 2012 has now been agreed with seven days set aside for the trial of the matter.

Kens Bore East

Red Hill Iron has served a Writ on API in relation to proceedings commenced by RHI in the Supreme Court of Western Australia concerning the acquisition by API of an interest in exploration licence 47/1280 and exploration licence 47/1283 ("the Licences") from a third party in 2006.

RHI contends that this acquisition falls within the provisions of the Farm-in Agreement made on 29 November 2005 between the parties because part of the area covered by the Licences falls within the "Tenement Boundaries" as defined in the Farm-in Agreement. RHI's proceedings are based on the claim that API is obligated to offer its interest in the Licences (alternatively its interest in that portion of the Licences which falls within the Tenement Boundaries), to be held by API and RHI subject to the terms of the Farm-in Agreement and the Red Hill Iron Ore Joint Venture Agreement (RHIOJV Agreement) made between API and RHI on 10 January 2007.

The Licences cover the Ken's Bore East CID deposit which contains Measured, Indicated and Inferred Resources of 117 million tonnes of CID grading 57.6% Fe.**

Neil Tomkinson
Chairman

*API Management Pty Ltd is owned as to 50% by a wholly owned subsidiary of Aquila Resources Limited, an ASX listed company, and 50% by AMCI (IO) Pty Ltd a company controlled by AMCI International AG.

** As reported to the ASX by Aquila Resources Limited (AQA) on 1 November 2010

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 2012

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	(45)	(52)
(b) development	-	-
(c) production	-	-
(d) administration	(148)	(565)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	38	130
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	(155)	(486)
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
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	1
1.13 Total operating and investing cash flows (carried forward)	(155)	(485)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(155)	(485)
	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	(155)	(485)
1.20	Cash at beginning of quarter/year to date	2733	3,063
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,578	2,578

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	25,000
4.2 Development	-
4.3 Production	-
4.4 Administration	200,000
Total	225,000

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	43	37
5.2 Deposits at call	234	146
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	2,300	2,550
Total: cash at end of quarter (item 1.22)	2,577	2,733

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: **30 April 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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