

12 June 2012

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

Dear Sir/Madam

API Management Pty Ltd (“API”) the Manager of the Red Hill Iron Ore Joint Venture (“RHIOJV”) delivered a Feasibility Study (“FS”) to the RHIOJV Participants on 15 May 2012 which contains extensive and material detailed information on technical and financial matters.

RHI, which does not necessarily accept the conclusions reached in the FS, is carrying out a detailed review with the assistance of independent consultants and has expressed to API a wish to discuss the results of its review prior to any decision by the RHIOJV Management Committee on a proposal for development. It is understood that these discussions will take place shortly.

The Manager provided the RHIOJV participants with the following information in the FS:-

- 1.1 The FS confirms the technical and economic viability of the RHIOJV Project at an average 19 million tonnes per annum of iron ore for approximately 16 years.
- 1.2 The FS estimates substantial net present value (at a 10% nominal discount rate) for the RHIOJV of \$725 million should the RHIOJV reach an agreement on the "Commingling Equivalent" option set out in the FS.
- 1.3 The FS provides clear average Life of Mine Operating costs to the “mine gate”, estimated at \$22.1(nominal) per dry metric tonne excluding royalties.
- 1.4 The FS states that the RHIOJV Ore Reserve estimate is 289Mt at an average grade of 57.3% Fe with an average strip ratio of 1.29:1 (waste:ore).
- 1.5 The FS is based on a standard drill and blast, load and haul approach typical of CID ores in the Pilbara region.
- 1.6 The FS confirms that mining environmental approval was obtained in November 2011 (with conditions). API is working closely with Government departments to meet requirements and have all other necessary approvals in place in line with the project schedule.
- 1.7 The FS estimates that sales based under a Mine Gate sale structure or Commingling Equivalent structure could be achieved with first sales from Q4 2015.
- 1.8 The FS states that the estimated WPIOP-Stage 1 mining operations workforce is around 500. The RHIOJV mining operation will be integrated with the broader WPIOP-Stage 1 and mine planning and mining activity for the RHIOJV will be undertaken by the Manager in an integrated manner.

Attributable operating costs of the RHIOJV will benefit from economies of scale (for example by utilising a shared airstrip, accommodation village and power plant as well as a single mining contractor across all deposits) as well as through resource maximisation.

- 1.9 The FS contains an execution profile which foresees the commencement of development activities during 2012 to achieve first sales in Q4 2015. The WPIOP-Stage 1 execution strategy (which includes the RHIOJV) involves an Owners Team and Project Management Contractor. A Contracting and Procurement Plan is in place and engineering standards have been drafted. Construction risks have been identified and mitigation strategies developed. “

Red Hill Iron voted against preparation of the FS because it does not accept that as proposed it is a “Feasibility Study” as defined in the RHIOJV Agreement. However, API (as participant in the RHIOJV) voted in favour of the scope for the FS and, in accordance with the relevant provisions of the RHIOJV agreement, the motion to conduct the FS pursuant to the scope tabled by the Manager was duly carried.

The proposed scope of the FS did not include an assessment of the cost of rail and port infrastructure as an RHIOJV asset and instead assumed that ore mined from the RHIOJV mines will be transported using rail and port infrastructure owned by the API Joint Venture.* API disagrees with Red Hill Iron's position regarding the ownership of the port and rail infrastructure and this matter is currently the subject of legal proceedings.

Red Hill Iron owns a 40% interest (reducing to 20% on commencement of commercial production) in the RHIOJV. The FS contemplates production of a total of 289Mt of iron ore over a 16 year life.** The RHIOJV accounts for a proportion of the reserves to be mined in the first Stage of the proposed West Pilbara Iron Ore Project.

Red Hill Iron also currently retains the right to market its share of RHIOJV ore without electing to participate in either a “mine gate” sale or commingling. Similarly, Red Hill Iron notes API may elect to market its share of the RHIOJV ore independently of the RHIOJV.

At any time prior to the date of commencement of commercial production RHI may elect to convert its interest in the RHIOJV to a 2% FOB Royalty on all ore produced and sold from the area of the RHIOJV tenements.

Neil Tomkinson
Chairman

* The ownership of the proposed port and rail infrastructure is the subject of legal proceedings commenced by Red Hill Iron against API.

** the total production contemplated by the Study does not include Reserves identified at Kens Bore East deposit in which Red Hill Iron claims a 20% interest. This claim is also the subject of proceedings commenced by Red Hill Iron against API.