

29 April 2013

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

Dear Sir/Madam

## **ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2013**

### **SUMMARY OF ACTIVITIES**

During the period under review Red Hill Iron (RHI) concentrated on the further enhancement of CID resources at its 100% owned Pannawonica Project and commenced work on a proposed hard rock quarry situated within its Red Hill tenements

The Company's 1:8 entitlement offer of 5,489,351 ordinary fully paid shares at a price of 80 cents each closed during the quarter with acceptances of 3,574,939 shares (a 65% acceptance rate) leaving a shortfall of 1,914,412 shares. Additional applications for 935,143 of the shortfall shares were received from existing shareholders. The remaining shortfall of 979,269 shares (representing 18% of the issue) was taken up by the underwriters. The total capital raised from the issue was \$4,391,481 before costs.

Activities of the Red Hill Iron Ore Joint Venture (RHIOJV) have been restrained. This is due to the decision of API Management Pty Ltd to reduce expenditures significantly in relation to all West Pilbara Iron Ore Project (WPIOP) activities, of which the RHIOJV is part, until after 30 June 2013.

### **PANNAWONICA CID PROJECT**

The Pannawonica Project is situated approximately 30 kilometres east of the Northwest Coastal Highway and 100 kilometres south of Cape Preston East where the construction of a new port with iron ore export facilities is the subject of detailed proposals by third parties. The Company is also aware of a proposed new ore haul road passing in close proximity to the Pannawonica Project that would provide a potential link to Cape Preston East

The board of RHI is encouraged by the current and planned infrastructure in the area of Pannawonica CID Project. The rail line servicing the Mesa A CID mine passes between the Pannawonica Mining Lease Applications and the proposed route for the WPIOP Stage One rail line lies within 10 kilometres of both.

As reported last quarter, applications have been made for two Mining Leases to secure the 70 million tonnes of Inferred CID Mineral Resources grading 54.1% iron (4.8% alumina) that were outlined by the Company's 2010 drilling campaign. A Heritage Survey was recently carried out for a proposed in-fill drill programme the aim of which is to convert these CID resources into the reserve category. This work is part of a Pre-feasibility Study which has now commenced. Dependant on confirmation of approval of the work program by the Native Title claimants, RHI will commence a 230 hole reverse circulation infill drilling programme and an 8 hole metallurgical sample diamond drill program.

In tandem with these activities RHI has initiated Environmental Studies over the Mining Lease Applications. It will shortly commence negotiations with the Native Title claimants with a view to formulating an overarching Native Title Agreement with them, the completion of which should lead to the grant of the Mining Leases. Upon grant, the leases will be transferred to RHI in accordance with the terms of the 2009 Purchase Agreement.

RHI has commenced investigations aimed at exploiting the non-ferrous resources within the RHIOJV project area noting the scarcity of such resources in the region. The RHIOJV is restricted to iron ore found on the tenements in the RHIOJV area with RHI retaining rights to all other minerals.

This initiative has led to an application by the Company for a mining lease within exploration licence E08/1293, covering a large feldspar porphyry occurrence and testing of the material for the potential use as road metal and railway ballast has commenced.

RHI has also moved to secure third party funding for further evaluation of the gold potential within the project area.

## **RHIOJV ACTIVITIES REPORT**

The Manager of the RHIOJV, API Management Pty Ltd, has provided the following report on the quarter's activities:-

- *Transition from feasibility into development has slowed due to the status of the broader West Pilbara Iron Ore Project (WPIOP)*  
*Compliance obligations and necessary fieldwork under the existing environmental approvals continued.*
- *S16 permit application lodged.*
- *PKKP & KM Native Title negotiations progressed - representative-level meetings held.*
- *Continued mine planning activity.*

## **FEASIBILITY & COMPLIANCE**

*A Compliance Assessment Report (condition 4 of Ministerial Statement 881) was submitted to the Office of the Environmental Protection Authority (OEPA) Compliance Branch Manager on 1 March 2013.*

*Groundwater levels were collected in March from bores in the WPIOP Stage 1 mining areas. The data supports groundwater modelling required for the H3 Hydrological Assessment to be submitted to the DoW in support of the groundwater abstraction licence application.*

*Fauna surveys were completed, targeting minimum baseline monitoring requirements for Pilbara Leaf-nosed Bats and Northern Quolls required by condition 4 of the federal environmental approval (EPBC Act 2009/4706).*

*The Manager attended a Pilbara biodiversity threat workshop (11-13 March) at the request of CSIRO, the Department of Environment and Conservation (DEC) and Department of Sustainability, Environment, Water, Population and Communities (DSEWPaC). The workshop reviewed threats and mitigation actions to threatened State and National significant flora and fauna found in WA. The outcomes are linked to offset strategies and actions that may be implemented to improve the conservation outcomes of key threatened species in WA.*

*A review of current planned pit disturbance against the permitted removal of the *Triodia* sp. Robe River Priority Ecological Community was initiated. The Manager is conditioned to limit disturbance to this community to 282 hectares across the WPIOP Stage 1 area (Ministerial Statement 881, condition 7) and is required to demonstrate to the OEPA by November 2013 how the design of the project will minimise impacts to this ecological community. There have been adjustments to proposed mine pit boundaries as a result of iterations in mine planning since the proposal was set by Ministerial Statement 881.*

*The application for the Section 16 permit was lodged in March and the Manager is awaiting grant / outcome. In advance of the permit being granted, work has commenced on planning and initial recording activities. In particular, a thorough assessment of potential research targets is being made to confirm the scope of work required. This will ensure that the majority of the work can be completed this financial year.*

*Two representative-level meetings were held in early and mid-March to continue the native title negotiation process with the PKKP & KM Peoples. Meetings with the full PKKP & KM negotiation teams are planned for April 2013 and May 2013, with final authorization meetings likely to occur before the end of the current financial year.*

*Pit and stage design work has been completed for all deposits and data updated into block models.*

*The Kens Bore and Cardo Bore East hydrogeology models, scenario analysis and draft reporting have been completed and are under review.*

*The modelling results have been used to update the mine water balance, and provide estimates for total excess dewatering volumes.*

*During the quarter the timeframe relating to the development of required infrastructure assets for the WPIOP was slowed when the Australian Premium Iron Joint Venture Participants agreed to maintain the WPIOP on minimum expenditure for the remainder of the 2012-13 financial year. As the RHIOJV project is assumed to be developed as part of the broader WPIOP, its development timeframe, including completion of a new Mining Reserve, is aligned with that of the WPIOP.*

## **EXPLORATION**

*Planning was undertaken to ensure minimum expenditure is met. Work planned includes geological mapping and rock chip sampling, geological-mineralisation-stratigraphic validation and rehabilitation reporting.*

API has stated the RHIOJV Ore Reserves at 289 million tonnes @ 57.3% iron (Proved 106 million tonnes, Probable 183 million tonnes). This reserve statement may be significantly expanded should current legal proceedings between RHI and API over ownership of tenements that secure the ore reserves of the Kens Bore East CID deposit result in a favourable outcome for RHI. RHI contends that these tenements fall within the RHIOJV Project Area and as such form part of the RHIOJV.

Neil Tomkinson

Chairman

### ***Compliance Statement***

*The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Doug Stewart who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Stewart is a Consultant to the Company. Mr Stewart has sufficient experience which is relevant to the style of mineralisation and type of deposit 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 this report of the matters based on his information in the form and context in which it appears, and has not withdrawn this consent.*

# 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 2013**

### 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	(77)	(154)
(b) development	-	-
(c) production	-	-
(d) administration	(2,191)	(2,957)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	57
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other receipts	-	-
Other payments (Security Deposits)	-	-
<b>Net Operating Cash Flows</b>	<b>(2,257)</b>	<b>(3,054)</b>
<b>Cash flows related to investing activities</b>		
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	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,257)</b>	<b>(3,054)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,257)	(3,054)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	4,310	4,310
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,000	1,000
1.17	Repayment of borrowings	(1,000)	(1,000)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>4,310</b>	<b>4,310</b>
	<b>Net increase (decrease) in cash held</b>	<b>2,053</b>	<b>1,256</b>
1.20	Cash at beginning of quarter/year to date	1,377	2,174
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>3,430</b>	<b>3,430</b>

**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	75
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.2 (d)	Administration costs include costs associated with settlement of legal costs (\$2,05M) arising from the Company's Supreme Court proceedings instituted against a joint venture partner.
1.14	Net proceeds of pro-rata entitlement share issue.
1.16&17	Short term financing facility prior to conclusion of pro-rata entitlement issue.

**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

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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

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+ 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	<b>310</b>
4.2 Development	-
4.3 Production	-
4.4 Administration	<b>90</b>
<b>Total</b>	<b>400</b>

### 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	<b>(8)</b>	<b>34</b>
5.2 Deposits at call	<b>438</b>	<b>543</b>
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	<b>3,000</b>	<b>800</b>
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,430</b>	<b>1,377</b>

### 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	<b>None</b>		
6.2	Interests in mining tenements acquired or increased	<b>None</b>		

+ 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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	<b>43,915,686</b>	<b>43,915,686</b>		<b>Fully Paid</b>
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	<b>5,489,351</b>	<b>5,489,351</b>	<b>80 cents</b>	<b>Fully Paid</b>
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <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 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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 April 2013**

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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