

31 July 2013

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

Dear Sir/Madam

**ACTIVITIES REPORT FOR THE QUARTER  
ENDED 30 JUNE 2013**

**SUMMARY OF ACTIVITIES**

Red Hill Iron (RHI) is an explorer and potential exporter of channel iron deposit (CID) ore from mining tenements located in the West Pilbara region.

RHI continued to progress activities related to Prefeasibility Studies at its wholly owned Pannawonica CID project. These included environmental studies, commencement of Native Title negotiations and infill drilling. Further studies were also carried out on RHI's proposed hard rock quarry which is situated close by.

Activities of the Red Hill Iron Ore Joint Venture (RHIOJV) have been restrained. This is due to the inability of the West Pilbara Iron Ore Project (WPIOP) participants to agree expenditures in relation to overall WPIOP activities, of which the RHIOJV is part, for the 2014 Financial Year (FY2014). This is clearly a frustrating time for all parties.

To assist shareholders in their appreciation of the current situation which may involve a reduction in the proposed RHIOJV FY2014 budget recently submitted by the RHIOJV manager, RHI sets out the following which is an extract from the Aquila Resources Limited (AQA) Quarterly Report for the period ending 30 June 2013 lodged recently with ASX:-

*"In relation to the budget for FY2014, Aquila Steel (a 100% subsidiary of AQA) supported the proposed budget recommended by the management company (API Management Pty Ltd) (subject to the addition and re-sequencing of certain works). This approach was not supported by the Company's joint venture partner, AMCI (IO) Pty Ltd, which is only prepared to approve minimum expenditure. The absence of agreement between the joint venture participants on the budget for FY2014 has resulted in minimum expenditure continuing to apply in FY2014. In addition, AMCI (IO) Pty Ltd has disputed the quantum of the minimum expenditure budget prepared by the management company, and is seeking to have that budget further reduced. Although Aquila continues to engage with AMCI (IO) Pty Ltd to seek a resolution, the issue currently remains unresolved".*

## **PANNAWONICA CID PROJECT**

RHI is undertaking Prefeasibility Studies on the CID resources of its Pannawonica Project situated approximately 30 kilometres east of the Northwest Coastal Highway and 100 kilometres south of Cape Preston East where there are third party plans for new port facilities. Construction of a new haul road to Cape Preston East to allow the proposed export of iron ore from the West Pilbara are the subject of detailed proposals by third parties. The board of RHI is encouraged by the current and planned infrastructure in the vicinity of its Pannawonica CID Project.

RHI is awaiting the granting of two Mining Lease applications 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 231 hole reverse circulation in-fill drill programme of 7,157 metres has been completed with the objective of converting these CID resources into a JORC compliant reserve category. An 8 hole metallurgical sample diamond drill program will commence shortly.

In tandem with these activities RHI has initiated Environmental Studies over the Mining Lease Applications. Negotiations with the Native Title claimants are also in train designed to achieve a Native Title Agreement, the completion of which should lead to the grant of the Mining Leases. Upon grant, the Mining Leases will be transferred to RHI on a 100% basis in accordance with the terms of the Agreement governing the 2009 purchase of CID rights by RHI.

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

This initiative has led to an application by the Company for M08/0501 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.

## **RHIOJV ACTIVITIES REPORT**

The Manager of the RHIOJV, API Management Pty Ltd, has provided the following report (which should be read in the light of the comments on budgetary restraint outlined earlier on the quarter's activities:-

- There were no significant safety incidents reported during the June quarter.
- Work to fulfil compliance obligations and related fieldwork under the existing environmental approvals continued.
- The Section 16 permit was granted and field work undertaken.
- Further Native Title representative level meetings (KM and PKKP) were held.
- Exploration work included geological mapping and rock chip sampling, planning for drilling in support of a beneficiation study, basalt quality assessment and rehabilitation reporting.
- The Manager issued a programme and budget for FY2013-14

## **FEASIBILITY & COMPLIANCE**

### **Environmental Compliance**

Work continued in order to ensure compliance with environmental obligations including those in relation to groundwater, surface water, fauna, vegetation and rehabilitation.

A strategy for progressive rehabilitation of disturbed ground associated with the bulk sample / trial mining pit (Upper Cane) and other activities was submitted to the Department of Mines and Petroleum (DMP) seeking an extension of time in which to complete the rehabilitation works to the 30 June 2014.

API finalised and submitted a revised Threatened Fauna Offset Strategy and associated Threatened Fauna Conservation Plan to the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC), which was subsequently approved. The plan is required under Condition 6 of Federal approval EPBC 2009/4706.

Data analysis of Northern Quoll images from motion detection cameras commenced. Baiting and re-setting of motion detection cameras continued. Baseline seasonal activity levels are required for reporting under Condition 4 of EPBC 2009/4706.

Deployment and retrieval of SM2 bat echo-location detection units was undertaken targeting quarterly activity levels of the Pilbara Leaf-nosed Bat as required for baseline activity levels for reporting under Condition 4 of EPBC 2009/4706.

Preparation of a report to describe the avoidance of the *Triodia* sp. Robe River priority ecological community (PEC) in project design (mine area) was progressed. The report is required to be submitted to the OEPA by November 2013 (Condition 7-2, MS881).

Weed management and monitoring protocols have been prepared. A risk assessment was completed for the range of weeds within and around the project area. The work will assist in demonstrating compliance with the conditions of clearing permits and Condition 10 of the State Ministerial approval MS881.

### **Land Management**

Work continued on the Cultural Heritage Management Plans and discussions at representative level (PNTS) regarding the Native Title agreements toward final working group meetings with the Kuruma Marthudunera (KM) & Puutu Kunti Kurrama & Pinikura (PKKP).

Fieldwork associated with the grant of the section 16 Permit was commenced in respect of applicable rock shelters within the current mine plan footprint. Work to fulfil the terms of the WPIOP Section 16 permit was interrupted in the last week of June by unseasonal heavy rain throughout the Pilbara. Nevertheless, the bulk of the Phase 1 work had been completed prior to the weather interruption. Excavation of the remaining rock shelters, all located within the Ken's Bore deposit, is yet to be completed.

Work continued to complete Heritage Information Submission Forms as now required by DAA.

Tenement related processes for mining leases and miscellaneous licenses continued.

## EXPLORATION

- Continuation of rock chip sampling and geological mapping programme.
- Completion and submission of a drill programme for a beneficiation testing programme.
- Completion of proposed drill sites and access tracks assessment.
- Continuation of drill hole rehabilitation programme.

### Details

#### *Red Hill (E08/1283)*

Exploration work at Red Hill focused on obtaining samples of CID material and mapping outcropping basement (Ashburton Formation). Approximately 300 samples were collected and a PoWE was submitted for a proposed drilling program for 17 holes in the south of the Licence.

#### *Red Hill (E08/1537)*

Work at E08/1537 involved sampling an identified Aster ferrous anomaly. Approximately 90 samples were collected as part of the mapping programme.

#### *Red Hill North (E08/1289)*

Reconnaissance of tracks and potential drill sites was carried out as part of a proposal for drill testing areas which may be favourable for beneficiation. The drill density and assay results at Stubbs did not allow for modelling or calculation of a potential resource at the completion of the drilling in 2006. The proposal being developed includes resurveying tracks, assessing logistics, assessing outcropping mineralisation, and planning beneficiation test work. Mineralisation modelling is based on a lower limit of 45 – 50% Fe, together with an assessment of SiO<sub>2</sub> and Al<sub>2</sub>O<sub>3</sub> content which may be amenable to removal. Geological mapping is ongoing to reconcile differences between datasets.

#### *White Gate (E08/1293)*

Pegging and flagging was completed as part of a drilling proposal and a PoWE submitted

#### *Red Hill North (E08/1289, E08/1294)*

A 26 RC drillhole programme was submitted for the Stubbs and Swearengen prospects. This will facilitate a beneficiation study to be completed on sub-grade material identified during the initial drill programme (2006-7). Further work is required to finalise the site sample protocol and plan the logistics of the work. Grading of access tracks will take place during the ensuing period owing to June rain creating a delay. A rock chip sampling programme was completed at Stubbs (Figure 1).

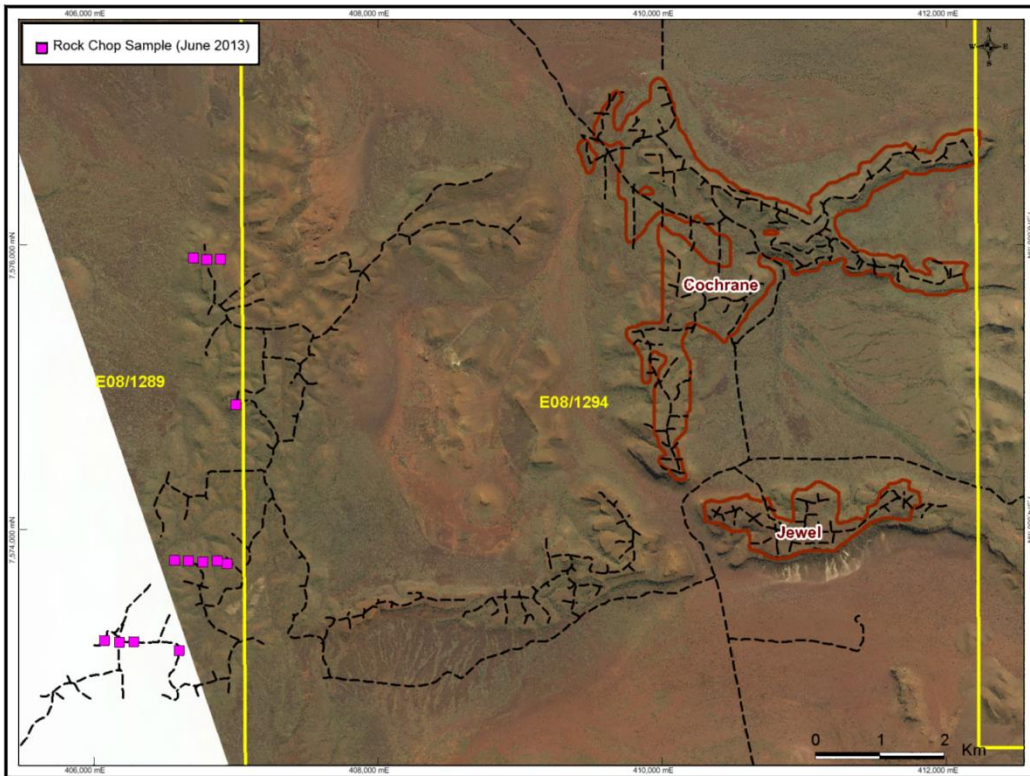


Figure 1 – Rock Chip Sample Locations at Stubbs

Rehabilitation work was undertaken at the following exploration prospects:

- Mulga Bore (E08/1289)
- Farnum (E08/1294)
- Swearengen (E08/1294)
- Stubbs (E08/1294/1289)

Rehabilitation work has assessed reverse circulation (RC) and diamond drill hole (DDH) pads for the presence of rubbish, PVC collar removal, presence of hydrocarbons and status of re-vegetation. Rehabilitation work involves visiting all drill pads and removing uncut collars and taking photos of drill pads and access routes to show the level of re-vegetation as part of meeting statutory obligations.

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 and oil and gas 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, 01/05/13

Name of entity

**RED HILL IRON LIMITED**

ABN

**44 114 553 392**

Quarter ended ("current quarter")

**30 June 2013**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation	(444)	(598)
(b) development	-	-
(c) production	-	-
(d) administration	(21)	(2,978)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	72
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(18)	(18)
<b>Net Operating Cash Flows</b>	<b>(468)</b>	<b>(3,522)</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>(468)</b>	<b>(3,522)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(468)	(3,522)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	4,310
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	1,000
1.17	Repayment of borrowings	-	(1,000)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	4,310
	<b>Net increase (decrease) in cash held</b>	(468)	788
1.20	Cash at beginning of quarter/year to date	3,430	2,174
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	2,962	2,962

**Payments to directors of the entity, associates of the directors, 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	94
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)	YTD 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. Administration outflows in the current quarter have been largely offset by the recovery of GST paid in the prior quarter in respect of the legal costs settlement paid in that quarter.
1.14	YTD Net proceeds of pro-rata entitlement share issue.
1.16&17	YTD 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	1,440
4.2 Development	-
4.3 Production	-
4.4 Administration	160
<b>Total</b>	<b>1,600</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	51	-
5.2 Deposits at call	611	438
5.3 Bank overdraft	-	(8)
5.4 Other (Term Deposit)	2,300	3,000
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,962</b>	<b>3,430</b>

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	<b>None</b>		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	<b>None</b>		

+ See chapter 19 for defined terms.



## Appendix 5B

### Mining exploration entity and oil and gas 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> (description)				
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>49,405,037</b>	<b>49,405,037</b>		<b>Fully Paid</b>
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>*Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	<b>500,000</b>		<i>Exercise price</i> <b>98.75 cents</b>	<i>Expiry date</i> <b>8 April 2016</b>
7.8 Issued during quarter	<b>500,000</b>		<b>98.75 cents</b>	<b>8 April 2016</b>
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				

+ 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: **31 July 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 and petroleum 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 or petroleum 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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+ See chapter 19 for defined terms.