

17 October 2014

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

Dear Sir,

Red Hill Iron Ore Joint Venture - Revised 2014/2015 Programme & Budget adopted

Red Hill Iron Limited (RHI) announces that the participants in the Red Hill Iron Ore Joint Venture (RHIOJV), API Management Pty Ltd (API) and Red Hill Iron Limited (RHI), have agreed to adopt a revised \$9.8 million programme and budget governing the activities of the RHIOJV for the period ending 30 June 2015.

Focusing on delivery of a 2015 RHIOJV Feasibility Study designed to enable the joint venture parties to consider a development decision, the revised programme will comprise:-

- Updated Mineral Resource estimates (JORC 2012) including an updated Ore Reserve estimate (JORC 2012) with an envisaged mine life of 16 years
- A current market-based capital cost estimate which will comprise mine area capex, project management costs and owners' and pre-production costs
- A current market-based operating cost estimate including updated mining costs on a third party operating basis
- A Project Schedule, and
- Updated revenue estimates.

Key assumptions for completion during the Study period, upon which the Study will rely, are:-

- Execution of all necessary Native Title Agreements
- Native Title Obligations met
- All Mining Lease Applications granted during the current financial year
- Existing mine environmental approvals maintained
- Certainty of infrastructure delivery, in accordance with recently announced studies being carried out by Aurizon Holdings Limited (Aurizon), improves during the budget period.

These activities are a welcome return to the RHIOJV participants' intent to progress the development of the joint venture resources in the near term. RHI is pleased to be sharing in these activities at the 40% level with API, which currently has a 60% interest and provides all budgeted costs in accordance with the terms of the RHIOJV.

If the Feasibility Study recommends development and the parties vote in favour of such, RHI will be able to assess the future cost and profitability of the mining, treatment and transport operations before it is required to decide whether to take part in the exporting of iron ore from the RHIOJV at the 20% level, repaying 20% of previous costs out of 80% of its free cash flow from the Project, or to convert its 40% interest to a 2% FOB Royalty payable in respect of 100% of RHIOJV production.

Yours faithfully,

Neil Tomkinson
Chairman