

31 July 2015

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

## **ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2015**

### **Corporate Commentary**

Red Hill Iron Limited (RHI) is a participant in the Red Hill Iron Ore Joint Venture (RHIOJV), which is planning the development of a Channel Iron Deposit (CID) mining operation as part of the West Pilbara Iron Ore Project using a new rail and port connection, the construction of which is the subject of a Feasibility Study by Aurizon Limited.

RHI also owns the nearby Pannawonica Project where it has defined a Mineral Resource of 62.5 million tonnes assaying 53.4% iron (ASX announcement 18 February 2014). This project awaits improved iron ore markets before being advanced.

Whilst current market conditions remain depressed, shareholders are reminded that RHI has no direct exposure to the iron ore price at the moment, although the RHIOJV Feasibility Study currently underway will address future potential metal prices.

The Company has no debt and is carried at the 40% level for all RHIOJV costs until production commences.

At commencement of production, RHI can elect:

either to reduce its participating interest in the RHIOJV to 19% and repay the RHIOJV project carry costs incurred to that date out of 80% of its share of free cash flow;

or to exchange its 40% RHIOJV interest for a 2% FOB Royalty on 100% of RHIOJV production, in which event there is no liability to repay the project carry costs incurred to that date.

## RHIOJV

API Management Pty Ltd, the manager of the RHIOJV, has provided the following report on the RHIOJV activities over the past quarter:

### 1. Background

API Management Pty Ltd (APIM) is the manager of three joint ventures: Australian Premium Iron JV (APIJV) between Aquila/Baosteel, AMCI and Posco; Red Hill Iron Ore JV (RHIOJV) between APIJV and Red Hill Iron Limited and the Mount Stuart Iron Ore JV (MSIOJV) between APIJV and Cullen Exploration Pty Ltd. These joint ventures hold the iron ore rights over a number of deposits that form part of the West Pilbara Iron Ore Project (WPIOP), located in the northern part of Western Australia.

The WPIOP concept involves iron ore production of 40 million tonnes per annum (dry), transportation of the ore via a new 250 km railway and export to Asian markets via a new deep-water port facility located at Anketell Point. APIM is currently conducting mine and market feasibility studies for the potential development of the WPIOP. Feasibility studies relating to rail and port components of the WPIOP are being undertaken by project partner – Aurizon - a well-established logistics operator across Australia.

### 2. Feasibility Study

RHIOJV Feasibility Study activities have been scheduled to maintain alignment with the West Pilbara Infrastructure (WPI) project (which is being managed by Aurizon) and the broader WPIOP. A draft RHIOJV Feasibility Study is now scheduled for delivery by mid-2016. The RHIOJV Feasibility Study is being completed on the basis that RHIOJV ore will be crushed, screened and blended with ore from other WPIOP Stage 1 deposits and sales agreements will be entered into with respect to the participants' share of such blended ore.

### 3. Exploration

Exploration work continued during the quarter with the completion of the revised Mineral Resource estimate for nine Channel Iron Deposits (CIDs) within the RHIOJV project area (Figure 1). The RHIOJV Mineral Resource estimate now totals 813 Mt at 56.5% Fe (Table 1). *[RHI ASX Announcement 26 June 2015]*.

The updated Mineral Resource Statement includes the maiden resource estimate for the Red Hill Creek West CID and updates to eight CIDs (Cochrane, Jewel, Kens Bore (incorporating Kens Bore East), Cardo Bore North, Cardo Bore East, Upper Cane, Catho Well North and Trinity Bore) located within the RHIOJV (API earning 81%).

The RHIOJV Mineral Resource has increased by 223 Mt which is attributed to;

- reduction in the reporting cut-off grade from 53% Fe to 52% Fe (53 Mt);
- discovery and reporting of the maiden resource estimate for the Red Hill Creek West deposit (28 Mt);
- drill-out of the eastern extension to the Kens Bore deposit (107 Mt); and
- revision of the Jewel and Cochrane geological and mineralisation models as a result of additional drilling (23 Mt).

Additional RC and diamond drilling and improvements to the geological model, bulk density assignment and detailed mapping, has increased the confidence in resource definition and

classification criteria (JORC 2012) and resulted in an increase in the Indicated and Measured resource categories.

Refer to the separate advice provided by the Manager, “RHIOJV Mineral Resource Estimate Increase” dated 23 June 2015, for further details relating to the Mineral Resource estimates.

Table 1. WPIOP - Stage 1 – RHIOJV - Mineral Resource estimate (52% Fe cut-off)

	Classification (JORC, 2012)	Mt	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI %	P %
WPIOP – Stage 1 - RHIOJV	Measured	247	57.2	5.67	3.69	8.13	0.079
	Indicated	460	56.3	6.30	3.84	8.62	0.071
	Inferred	107	55.2	6.80	4.17	9.31	0.066
	TOTAL	813	56.5	6.18	3.84	8.56	0.073

A quality assurance and quality control (QAQC) review of RC drilling assay data from all WPIOP Stage 1 deposits, including data from the RHIOJV deposits, commenced.

#### 4. Mine Planning

Mine planning continued in respect of the RHIOJV deposits as part of the broader WPIOP. Updated mine schedule development continued from the mine plan models. Preliminary Whittle optimisations, mine designs and mine plans were prepared ahead of mine schedules.

Removal of the southern rail extension and shuttle train from the proposed WPIOP infrastructure solution has resulted in re-optimisation of WPIOP mine plans and re-sequencing of pit development.

Hydrogeological aquifer pump testing work was commenced at Kens Bore. Metallurgical testwork continued with results suggesting very limited potential for product upgrade via wet scrubbing and removal of a specific size fraction.

Work will continue next quarter focusing on completing an Ore Reserve update (JORC 2012) for the WPIOP (of which RHIOJV will form a component).

#### 5. Engineering

Feasibility activities undertaken during the quarter included ongoing design work and engagement with potential contractors for key elements of the WPIOP development and operation. This work is focused on deriving updated capital and operating cost estimates for input into the feasibility study.

#### 6. Tenure

Heritage surveys continued on achieving coverage of future disturbance areas with a focus on the Trinity Bore area, which remains to be completed. Programmes were temporarily delayed due to significant rainfall and cultural observances.

Execution and first tranche community support payments for a native title group land access agreement were committed for RHIOJV (and subsequently paid in early July).

## 7. Environment

Environmental compliance activities including surveys and baseline monitoring were maintained.

### Competent Person Statement

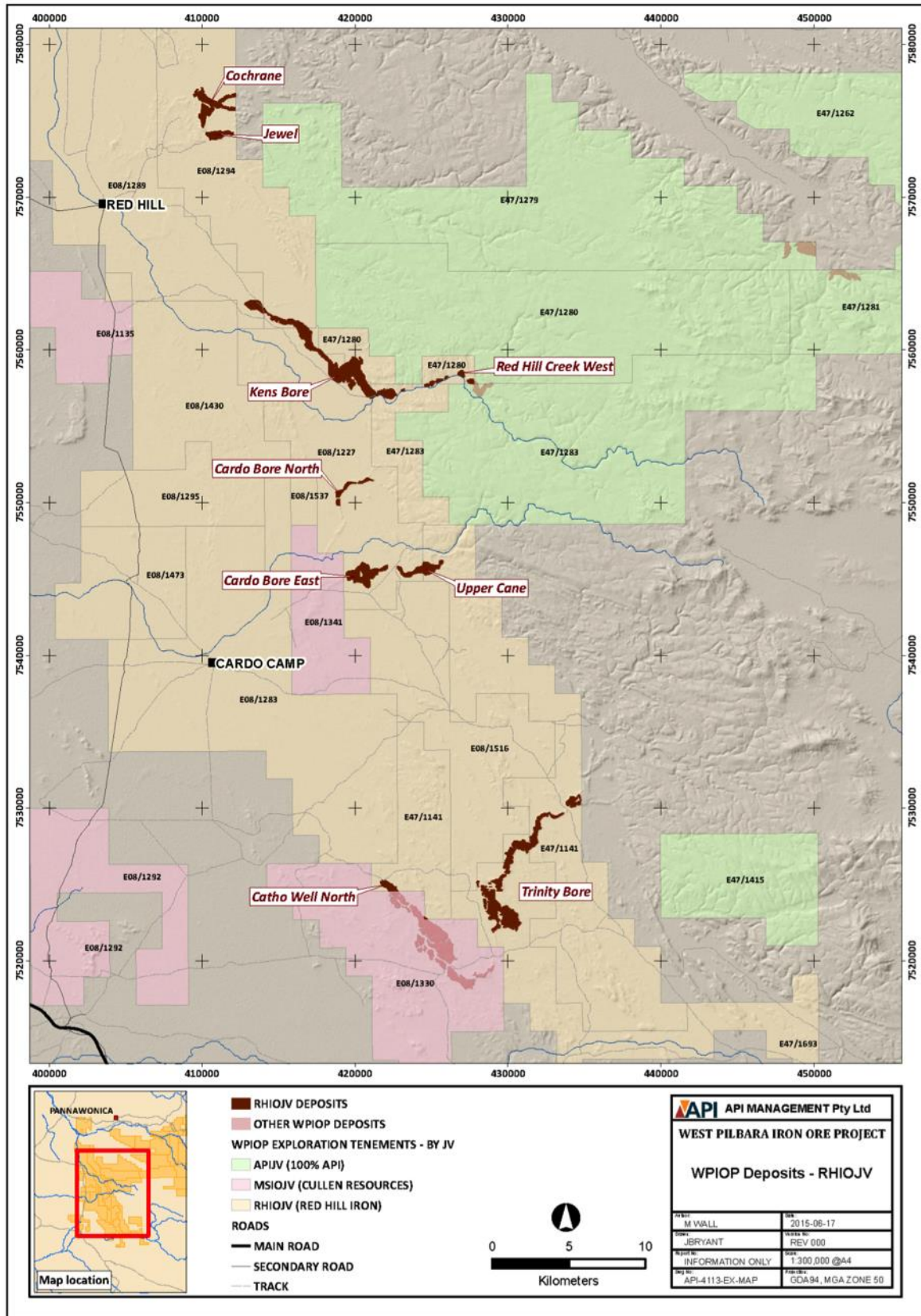
The Competent Person responsible for the geological interpretation and the drill hole data used for the resource estimation is Mr Stuart Tuckey who is a full-time employee of API Management Pty Ltd, and Member of the Australasian Institute of Mining and Metallurgy. Stuart Tuckey has sufficient relevant experience to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 Edition).

The information in this statement which relates to Mineral Resources is based on information compiled by Mr Richard Gaze who is a full-time employee of Golder Associates Pty Ltd, and Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy. Richard Gaze has sufficient relevant experience to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 Edition)."

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Neil Tomkinson  
Chairman

Figure 1 – Location Plan



## 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 2015**

#### 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	(68)	(463)
(b) development	-	-
(c) production	-	-
(d) administration	(165)	(601)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	24
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	324	641
<b>Net Operating Cash Flows</b>	<b>95</b>	<b>(399)</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>95</b>	<b>(399)</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)	95	(399)
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>95</b>	<b>(399)</b>
1.20	Cash at beginning of quarter/year to date	437	931
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>532</b>	<b>532</b>

**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	57
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**1.7 Other comprises the receipt of Research & Development incentives during the first and fourth quarters of \$231,000 (2013) and \$324,000 (2014) respectively, as well as refunds of security deposits of \$85,000.**

**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 affect cash flows

N/A

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

N/A

+ 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	131
4.2 Development	-
4.3 Production	-
4.4 Administration	155
<b>Total</b>	<b>286</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	35	28
5.2 Deposits at call	97	109
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	400	300
<b>Total: cash at end of quarter (item 1.22)</b>	<b>532</b>	<b>437</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>EA08/2729 EA08/2730 Application Application</b>	<b>0% 0%</b>	<b>100% 100%</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> <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>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> <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>	<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				
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 Ruttledge**  
Company secretary

Date: **31 July 2015**

Print name: **Peter Ruttledge**

## 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.

**RED HILL IRON LIMITED**  
**MINERAL TENEMENT INFORMATION (ASX Listing Rule 5.3.3)**  
**For the quarter ended 30 June 2015**

**Mining tenements and beneficial interests held at quarter end, and their location:**

Tenement	Location	Registered Holding		Beneficial Interest	
		Before	After	Before	After
E08/1227-I	West Pilbara, WA	40%	40%	40%	40%
E08/1283-I	West Pilbara, WA	40%	40%	40%	40%
E08/1289-I	West Pilbara, WA	40%	40%	40%	40%
E08/1293-I	West Pilbara, WA	40%	40%	40%	40%
E08/1294-I	West Pilbara, WA	40%	40%	40%	40%
E08/1295-I	West Pilbara, WA	40%	40%	40%	40%
E08/1430-I	West Pilbara, WA	40%	40%	40%	40%
E08/1473-I	West Pilbara, WA	40%	40%	40%	40%
E08/1516-I	West Pilbara, WA	40%	40%	40%	40%
E08/1537-I	West Pilbara, WA	40%	40%	40%	40%
E47/1141-I	West Pilbara, WA	40%	40%	40%	40%
E47/1693-I	West Pilbara, WA	40%	40%	40%	40%
E47/1280	West Pilbara, WA	0%	40%*	40%*	40%*
E47/1283	West Pilbara, WA	0%	40%*	40%*	40%*
MLA47/1472	West Pilbara, WA	40%	40%	40%	40%
MLA08/483-I	West Pilbara, WA	40%	40%	40%	40%
MLA08/484-I	West Pilbara, WA	40%	40%	40%	40%
MLA08/485-I	West Pilbara, WA	40%	40%	40%	40%
M08/499-I	West Pilbara, WA	100%	100%	100%	100%
M08/500-I	West Pilbara, WA	100%	100%	100%	100%
M08/501	West Pilbara, WA	100%	100%	100%	100%
M08/505-I	West Pilbara, WA	100%	100%	100%	100%
P08/623-I	West Pilbara, WA	100%	100%	100%	100%
EA08/2729	West Pilbara, WA	0%	100%	100%	100%
EA08/2730	West Pilbara, WA	0%	100%	100%	100%

\*Subject of dispute

**Mining tenements and beneficial interests acquired during the quarter, and their location:**

Tenement	Location	Registered Holding		Beneficial Interest	
		Before	After	Before	After
EA08/2729	West Pilbara, WA	0%	100%	0%	100%
EA08/2730	West Pilbara, WA	0%	100%	0%	100%

**Mining tenements and beneficial interests disposed of during the quarter, and their location:**

None

**Key:**

E:	Exploration licence	P:	Prospecting licence
EA:	Exploration licence application	MLA:	Mining lease application
M:	Mining lease		