

29 October 2015

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

**ACTIVITIES REPORT FOR THE QUARTER
ENDED 30 SEPTEMBER 2015**

Red Hill Iron Limited (RHI) is a 40% 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 (WPIOP). The WPIOP Stage 1 envisages a 40 million tonne per year production rate over 20 years sourcing the majority of CID ores from the RHIOJV and using new rail and port infrastructure (Refer RHI Annual Report 2015 for ownership and project details).

During the Quarter, scoping evaluation work continued with the expectation that a decision as to whether or not to proceed with a Definitive Feasibility Study will be made prior to the end of the calendar year.

Late in the Quarter, RHI received an Ore Reserve Update Report from the project managers, API Management Pty Ltd, which states a new total WPIOP Stage1 Proved and Probable Ore Reserve of 780 million tonnes contained within a Mineral Resource of 1,218 million tonnes. Approximately two thirds of both these resources and the reserves from which they are derived are owned by the RHIOJV (Refer the WPIOP Ore Reserve Update Report released 16 September 2015). That Report also contains a Proposed Mining Schedule which, if implemented and RHI elects to remain a project participant, would result in RHI having an annual share of production of approximately 6 million tonnes for the first 5 years of mine life tapering somewhat thereafter.

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.

RHIOJV

API Management Pty Ltd, the manager of the RHIOJV, has provided their report on the RHIOJV activities over the past quarter, as set out in Annexure 1.

Yours faithfully,

Neil Tomkinson
Chairman

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MANAGEMENT PTY LIMITED

Red Hill Iron Ore Joint Venture
Quarterly Activity Report
September Quarter 2015

Issued: 27 October 2015

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Highlights

- An updated Ore Reserve estimate of 537Mt at 57.2% Fe for the Red Hill Iron Ore Joint Venture (**RHIOJV**) was reported (and released to the ASX on 16 September 2015), representing an 86% increase on the previous estimate of 289Mt at 57.3% Fe.
- The updated RHIOJV Ore Reserves form part of an updated Ore Reserve estimate for Stage 1 of the broader West Pilbara Iron Ore Project (**WPIOP**) of 780Mt at an average product grade of 57.2% Fe.
- Feasibility work on the development of the RHIOJV as part of the proposed 40Mtpa development of Stage 1 of the broader WPIOP continued with a draft feasibility study targeted for delivery in mid 2016.
- Feasibility activities on the broader WPIOP during the quarter included mine schedule development, substantial engagement with contractors to provide updated capital and operating cost estimates, the planning and advancement of key project approvals and the signing of Letters of Intent with potential customers in relation to product offtake.
- Planning was undertaken for drilling the Swearengen deposit in the December 2015 quarter.
- Total RHIOJV expenditure for the quarter totalled \$2.8M compared to budget of \$4.1M due to the rescheduling of exploration drilling activity.

1. Background

API Management Pty Ltd (**APIM**) is the manager of three joint ventures: the Australian Premium Iron JV (**APIJV**) between Aquila Steel Pty Ltd (Baosteel & Aurizon) and AMCI (IO) Pty Ltd (AMCI & Posco); the 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 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.

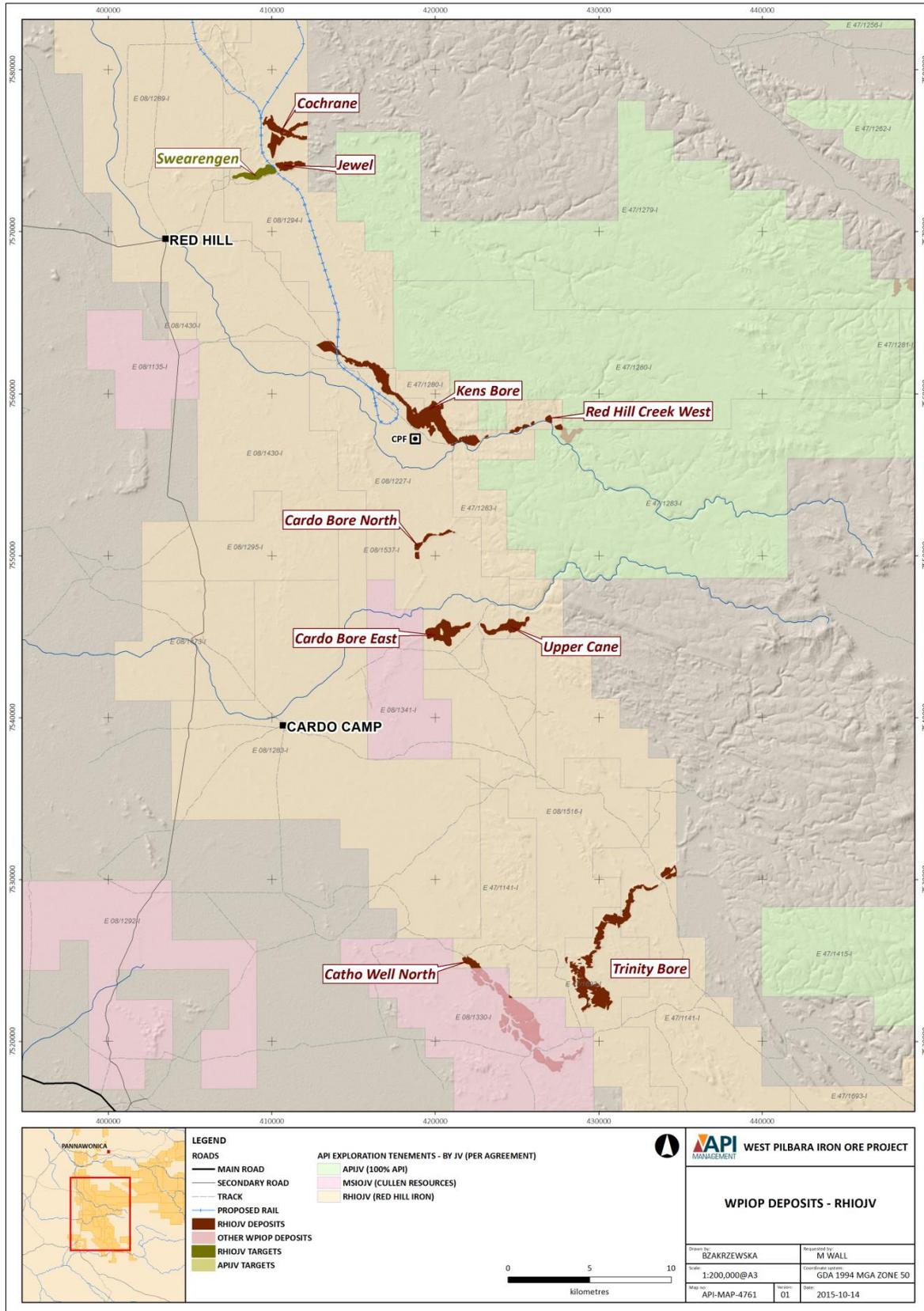
2. Exploration

Exploration work continued during the quarter with the planning of an infill and extensional RC drilling program for the Swearengen Channel Iron Deposit (**CID**) located within the RHIOJV project area (Figure 1). The Swearengen CID is located immediately to the west of the Jewel deposit and as with the other WPIOP CIDs consists of mineralisation formed by the alluvial and chemical deposition of iron rich sediments in palaeo-river channels.

The drill programme planning has focussed on areas where mineralisation remains open or limited drilling has been completed. Drilling is expected to commence during the December quarter, which would then be followed by Mineral Resource estimation work on the drilled areas. The Swearengen drilling forms part of a broader drilling program across the WPIOP.

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Figure 1 – Location Plan



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3. RHIOJV Feasibility Study

RHIOJV Feasibility Study activities have been scheduled to maintain alignment with the broader WPIOP, which is comprised of Feasibilities Studies on the West Pilbara Mine Project (**WPMP**) (which is being undertaken by the APIJV) and the West Pilbara Infrastructure Project (**WPIP**) (which is being undertaken by Aurizon). A draft RHIOJV Feasibility Study is 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.

Details on key Feasibility Study activities during the quarter for both the RHIOJV and broader WPIOP are set out in following sections.

4. Mine Planning

An updated Ore Reserve estimate of 537Mt at 57.2% Fe for the RHIOJV (see Table 1 below) was reported on 14 September 2015, representing an 86% increase on the previous estimate of 289Mt at 57.3% Fe. The increased Ore Reserves followed a successful exploration program which identified additional Mineral Resources (as announced June 2015) and the inclusion of the Ken's Bore CID area in the RHIOJV.

Table 1: Updated Ore Reserve Estimate (JORC Code 2012) for the RHIOJV

Product	Category	Mt (dry)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Product 1 (WPF1)	Proved	189	58.0	5.2	3.5	0.08	7.8
	Probable	266	57.6	5.4	3.5	0.07	8.2
	Total Ore	455	57.8	5.3	3.5	0.08	8.0
Product 2 (WPF2)	Proved	19	54.3	7.8	4.6	0.08	9.1
	Probable	63	54.3	7.9	4.3	0.06	9.4
	Total Ore	82	54.3	7.9	4.4	0.07	9.3
TOTAL (WPF1 + WPF2)	Proved	208	57.7	5.5	3.6	0.08	7.9
	Probable	329	57.0	5.9	3.7	0.07	8.4
	Total Ore	537	57.2	5.7	3.6	0.07	8.2

The updated RHIOJV Ore Reserve estimate represents 69% of an updated Ore Reserve estimate for Stage 1 of the broader West Pilbara Iron Ore Project (WPIOP) of 780Mt at an average product grade of 57.2%.

Table 2: Updated Ore Reserve Estimate (JORC Code 2012) for the WPIOP Stage 1

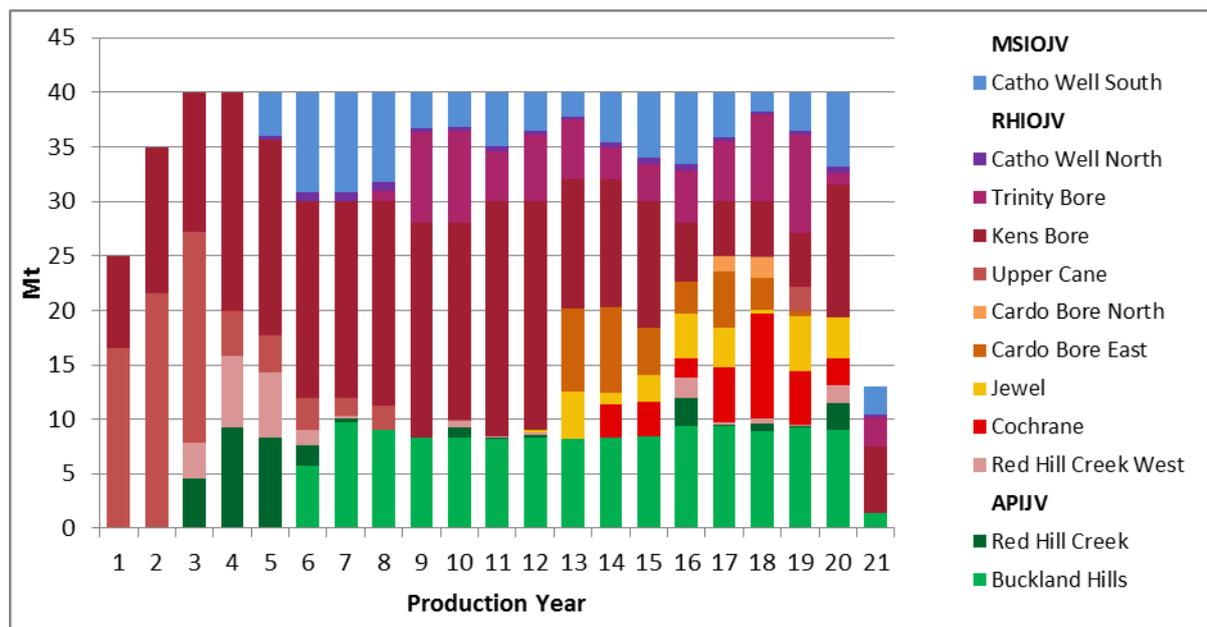
Product	Category	Mt (dry)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
TOTAL (WPF1 + WPF2)	Proved	220	57.6	5.5	3.6	0.08	7.9
	Probable	560	57.0	6.1	3.2	0.08	8.5
	Total Ore	780	57.2	5.9	3.3	0.08	8.4

Full details and assumptions on the updated Ore Reserve estimate are set out in the original Ore Reserve update letter (and accompanying reports) that was released to the ASX by Red Hill Iron Ltd on 16 September 2015

The Ore Reserve estimate followed significant mining study work, and included consideration of geotechnical analysis, mining method and dilution, pit design and optimisation, processing and marketing factors, water management, drill and blast methods, equipment selection and optimisation, haulage, scheduling, product blending and cost estimation.

The increased WPIOP Stage 1 Ore Reserve supports a mine schedule for an initial 20 year mine life including 18 years at 40Mtpa product after a 2 year ramp-up period. The updated mine schedule by deposit (and joint venture) is in Figure 2 below:

Figure 2: Proposed WPIOP Stage 1 Mine Schedule – by Deposit (and JV)



The updated proposed mine schedule involves a staged approach to the mining of the deposits in different WPIOP – Stage 1 areas, with the main Central Area deposits (Kens Bore, Red Hill Creek and Upper Cane) deposits, which are located closest to the proposed site for the central processing facility (CPF), commencing first. The Southern Area deposits (Catho Well and Trinity Bore) and Buckland Hills deposits are then scheduled to start in years 5 and 6 respectively, with Northern Area deposits (Cochrane and Jewel) being introduced in year 12. This approach defers higher ore haulage costs and capital for haul road development.

Under the revised mine plans and schedule, the Life-of-mine waste to ore ratio for RHIOJV has reduced to 0.79:1 (and 0.75:1 for the broader WPIOP).

During the quarter, pump test results at Kens Bore were received and have been incorporated into updated hydro models to estimate dewatering volumes and aquifer drawdown levels.

WPMP mining studies also continued with good responses received to contract mining and road haulage Expression of Interest (EOI) packages. Evaluation of a short list for the next Request for Quotation (RFQ) phase continues. The development of a draft mining services agreement and a road haulage agreement, which will form the basis of the RFQ packages, was progressed. The RFQ responses will then be used to derive updated mining and haulage capital and operating cost estimates for the RHIOJV and broader WPIOP Feasibility Study.

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5. Engineering (for Broader WPIOP)

Feasibility activities for the broader WPMP undertaken by the APIJV during the quarter included ongoing engineering design work and engagement with potential contractors for key elements of the WPMP development and operation. This work is focused on deriving cost estimates for the project.

In particular, two shortlisted contractors for an Early Contractor Involvement (**ECI**) phase for the Central Processing Plant (**CPF**) continued with technical design and documentation work, with both undertaking market pricing for equipment and cost estimating activities. Both contractors are approximately 70% complete overall with forecast completion of the ECI phase work during the December 2015 quarter.

Cost estimates from potential contractors for other works packages (non-process infrastructure and pioneering works) for the WPMP are also being received ahead of a shortlisting and EPC contractor selection process during late 2015 and early 2016.

Separately, Aurizon continues to advance the Feasibility Study on the WPIOP (rail and port), with substantial engagement with contractors for cost estimation purposes.

6. Tenure

In relation to the existing Mining Lease applications for the WPIOP Stage 1 deposits (except Red Creek West, Red Hill Creek and Buckland Hills – see below), State Deeds supplementary to Land Access Agreements with KM and PKKP Native Title Groups were submitted to the DMP following execution by the respective Tenement holder parties. Once execution by the State is complete, the Mining Leases will be granted (expected during the December 2015 quarter).

New Mining Lease applications covering deposits at Red Hill Creek West (RHIOJV), Red Hill Creek (APIJV) and Buckland Hills (APIJV) and General Purpose Lease applications for infrastructure development (waste dumps) adjacent to the Kens Bore (RHIOJV) and Kens Bore East Mining Leases (RHIOJV) were pegged and then lodged with DMP. Following lodgement, a request was made to the DMP for Native Title Act statutory processes to be run in parallel with Mining Act processes to expedite, where possible, timing of grant to align with project schedule.

Heritage surveys continued during the quarter with a focus on achieving coverage of future disturbance areas. Heritage survey work on the Trinity Bore area continues to be delayed and will be progressed as soon as the relevant representatives are available for fieldwork.

Processes to maintain tenements across the broader project area were completed, including lodgement of required extensions of term and reporting obligations for work completed.

7. Environment

Environmental compliance activities including surveys and baseline monitoring were maintained.

Meetings occurred with the Department of Water, Department of Parks and Wildlife and Office of the Environmental Protection Authority as part of the consultation to progress environmental approval applications for the Red Hill Creek West (RHIOJV), Red Hill Creek (APIJV) and Buckland Hills (APIJV) deposits.

Ongoing field programmes and data analysis were undertaken during the quarter to support the advancement of the environmental approval applications for expanded mine footprint areas across the WPIOP Stage 1 deposits (including all of the RHIOJV deposits) following the recent Ore Reserve estimate increases. These applications are targeted for lodgement in the December 2015 quarter.

8. Commercial

Work continued on progressing the tenement transfer and other detailed agreements that follow on from the May 2015 Red Hill Deed of Settlement and Release, including an amended RHIOJV Joint Venture Agreement.

Negotiations also continued with Aurizon in relation to an Information Sharing Agreement between the various participants in the WPIOP and Aurizon.

9. Marketing (for broader WPIOP)

In relation to marketing, it is noted that it is envisaged the RHIOJV participants will sell their ore to the APIJV participants on a net-back price basis after processing. The product marketing activities reported below are undertaken by the APIJV and are outside the scope of the RHIOJV but are reported for general project update purposes.

APIJV continued engagement with potential customers for WPIOP ore products, notably Asian steel mills and trading groups. Letters of Intent were entered into with several groups as a precursor to future offtake agreements. Further value in use work and customer sinter testwork was also undertaken.

10. RHIOJV Expenditure

Total RHIOJV expenditure for the September 2015 quarter totalled \$2.8M compared to budget of \$4.1M. The lower expenditure is largely due to the re-scheduling of planned exploration drilling activity. A detailed breakdown of the expenditure will be provided in the separate expenditure report.

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 mineralization 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.

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 mineralization 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.

The information in this letter that relates to the WPIOP Ore Reserve estimate is based on information compiled and reviewed by Ms Kate Sommerville, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Ms Sommerville is a full time employee of AMC Consultants Pty Ltd. Ms Sommerville has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code 2012.

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 September 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(54)	(54)
(b) development	-	-
(c) production	-	-
(d) administration	(118)	(118)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(169)	(169)
Cash flows related to investing activities		
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)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(169)	(169)

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

1.13	Total operating and investing cash flows (brought forward)	(169)	(169)
	Cash flows related to financing activities		
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(169)	(169)
1.20	Cash at beginning of quarter/year to date	532	532
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	363	363

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	42
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

3.1 The loan facility is an unsecured working capital facility provided by companies associated with two directors on normal commercial terms and conditions – further details are set out in the 2015 Annual Report

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	500,000	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	81
4.2 Development	-
4.3 Production	-
4.4 Administration	117
Total	198

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	13	35
5.2 Deposits at call	50	97
5.3 Bank overdraft	-	-
5.4 Other (Term Deposit)	300	400
Total: cash at end of quarter (item 1.22)	363	532

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	P08/623-I Relinquished prospecting licence	100%	0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

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

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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 October 2015**

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 **Financing facilities available** (item 3.1) In August 2015 agreements were entered into with companies associated with directors to obtain an unsecured loan facility, on normal commercial terms, to enable the Company to meet its ongoing working capital requirements. As at the 30 September 2015 no part of these facilities were drawn down.
- 3 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.
- 4 **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.
- 5 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.
- 6 **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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RED HILL IRON LIMITED
MINERAL TENEMENT INFORMATION (ASX Listing Rule 5.3.3)
For the quarter ended 30 September 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%
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%
EA08/2729	West Pilbara, WA	0%	100%	100%	100%
EA08/2730	West Pilbara, WA	0%	100%	100%	100%

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

None

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

Tenement	Location	Registered Holding		Beneficial Interest	
		Before	After	Before	After
P08/623-I	West Pilbara, WA	100%	0%	100%	0%

Key:

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

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