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31 October 2016

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

## **ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2016**

### **MAJOR INTERESTS OVERVIEW**

#### **New gold and base metal joint venture**

- During the quarter, Red Hill Iron announced a new joint venture agreement with Chalice Gold Mines Limited to investigate the gold and base metal potential of the Company's West Pilbara tenement package which encompasses the Red Hill Iron Ore Joint Venture's (RHIOJV) iron ore deposits in which the Company currently has a 40% interest and all "Other Minerals" to which Red Hill Iron has a 100% entitlement. The new joint venture terms give Chalice the right to earn up to 70% in Red Hill Iron's gold and base metals interests through expenditure of \$3M with an initial minimum commitment of \$500,000.

#### **Red Hill Iron Ore Joint Venture**

- Continued higher iron ore prices give rise to project development optimism.
- As previously reported the API joint venture participants are currently finalising a desktop study to consider an integrated rail and port infrastructure solution for WPIOP Stage 1 which envisages a 40 million tonne per year project production rate over 20 years sourcing the majority of CID ores from the RHIOJV.
- RHI currently retains a 40% interest in the RHIOJV, all costs of which are provided by joint venturer API Management Pty Ltd (API) until production commences at which point the Company may elect either to reduce its interest to a participating 19% or convert it to a 2% FOB Royalty on total RHIOJV production.

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## QUARTERLY ACTIVITIES

### 1 Gold and base metal exploration

Chalice Gold Mines Limited (Chalice) has supplied the following report on the recent Farm-in and Joint Venture Agreement which covers Red Hill Iron's tenements in the West Pilbara region of Western Australia:-

The joint venture area is significantly under-explored for gold and base metals. The recent Farm-in and Joint Venture with Chalice (ASX: CHN) covers Red Hill Iron's large block of tenements located in the highly prospective Ashburton Mineral Field in the Western Australia Pilbara region, which is located just 8km from the Paulsens Gold Mine, owned by Northern Star Resources (ASX: NST).

During the quarter, Red Hill Iron and Chalice entered into a binding agreement whereby Chalice may farm-in to all minerals other than iron ore and certain construction materials within Red Hill Iron's West Pilbara tenement block in which Red Hill Iron owns 100% of all mineral rights except for iron ore, which is the subject of the separate RHIOJV.

The project, now called the West Pilbara Gold Project (WPG), covers an area of 1,390km<sup>2</sup> (Figure 1) and is located approximately 160km south-southwest of Karratha.

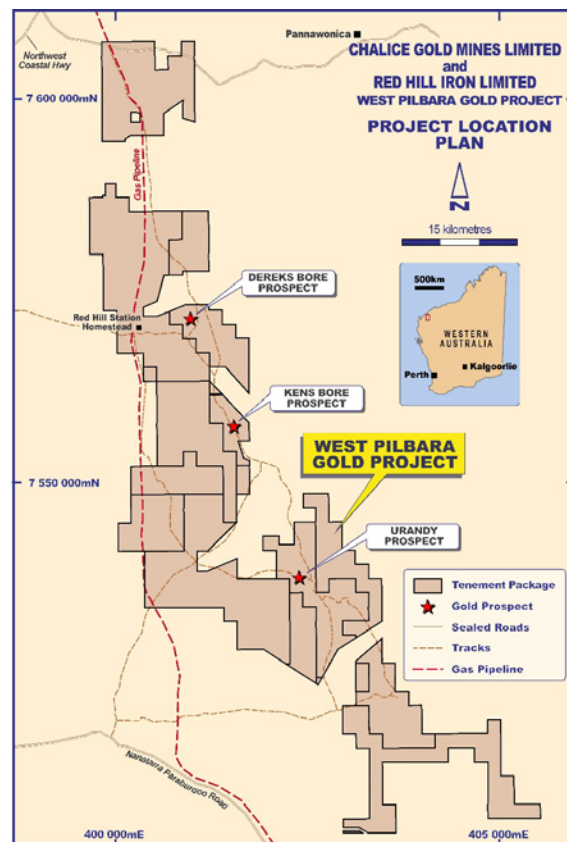


Figure 1. Location of West Pilbara Gold Project

The Project extends almost continuously some 90km north from the northern margin of the Wyloo Dome, an important regional geological feature which hosts the +3Moz Paulsens gold deposit, the Paulsens gold mine, which is owned and operated by successful mid-tier gold miner Northern Star Resources (ASX: NST), is located 8km south-west of the southern extent of the Project.

Chalice can earn up to 70% interest in the WPG Project by funding \$3 million worth of exploration with a minimum commitment of \$500,000 within the first 12 months. Chalice may spend an aggregate of \$1 million within the first two years (including the minimum commitment) to earn 51%, at which point Red Hill Iron has a one-off election to contribute to its 49% pro rata interest. If Red Hill Iron elects not to contribute, Chalice may then spend a further \$2 million to earn a further 19% within no set time period, or withdraw and retain no interest.

The WPG Project lies in the north-western sector of the Ashburton Basin and is dominated by volcanic and sedimentary successions comprising the Lower Wyloo Group. The eastern extent of the Project area is coincident with the western margin of the Hamersley Basin.

The contact between the two basins is referred to as the Paraburdoo Hinge Zone, defined by major fault/shear structures paralleling the contact (including the Nanjilgardy Shear), proximal to the multi-million ounce gold deposits at Paulsens and Mt Olympus. The west-north-west orientation of the Nanjilgardy Shear on the southern margin of the Hamersley Basin flexes north-north-west at the Wyloo Dome where similar defining structures, the Urandy Shear and Bitherabooga Shear, pass through the Project area (see Figure 2), creating a potentially fertile area for the development of gold deposits.

Exploration for gold and base metals across the Project has been carried out in various periods since the 1980s, with the most recent work undertaken by Red Hill Iron completed between 2006 and 2009. No gold or base metal exploration has been undertaken on the project since 2009.

Red Hill Iron identified a number of targets, primarily Carlin-style and vein/shear-hosted gold mineralisation through regional soils and RAB drill programs, many of which require further exploration. Of the prospects identified, Derek's Bore and Urandy are the most advanced, with Red Hill Iron completing widely spaced follow-up RC drilling at both prospects.

At the Urandy Prospect, RC drilling returned a best intercept of 9m at 4.52 g/t Au from 46m in drill hole RCW007 and 9m at 1.79 g/t Au from 14m in drill hole RCW006, the up-dip projection of the RCW007 mineralised zone. Drill sections 50m to the north and south of drill holes RCW006 and 007 returned intercepts of 5m at 0.2 g/t Au from 14m (RCW005) and 4m at 0.8 g/t Au from 41m (RCW009) respectively. *(RHI & CHN ASX release 21 September 2016)*

Gold mineralisation at Urandy is associated with a zone of strong silicification within sediments of the Mt McGrath Formation (Wyloo Group) adjacent to major structures associated with the Bitherabooga Fault / Shear zone. RC drilling has defined the mineralised zone over 100 metres to date with surface mapping identifying the extent of silicification to over 1 km.

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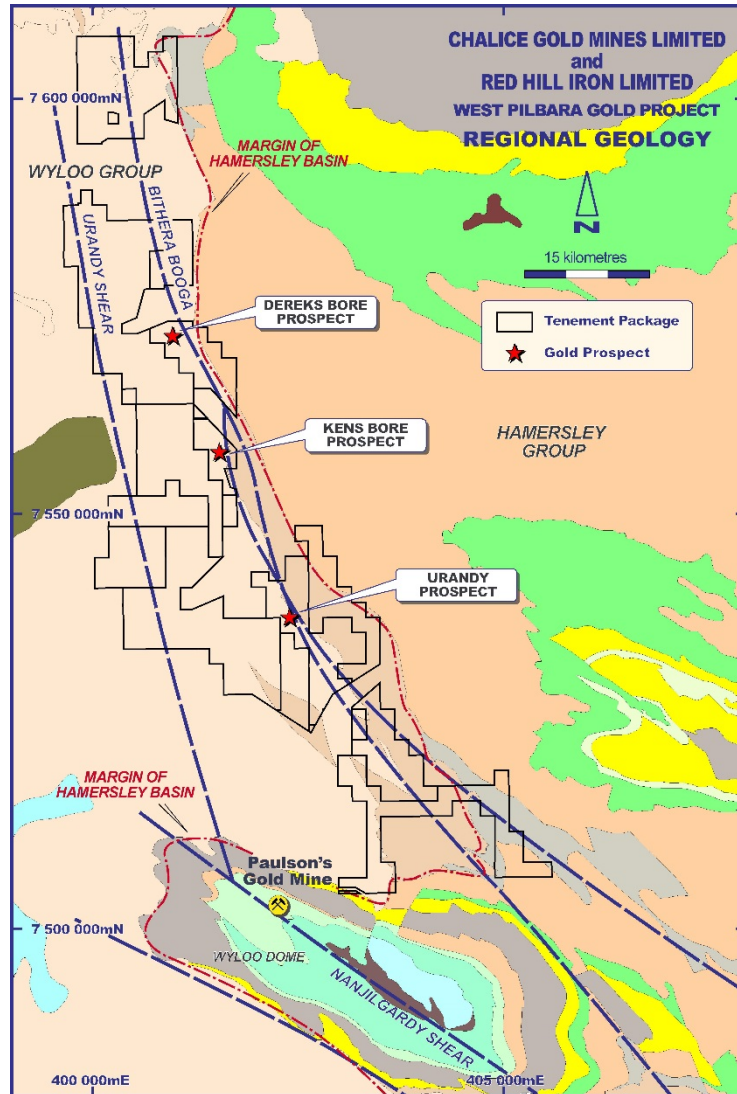


Figure 2. Regional geological setting

### Planned Exploration

Chalice advises that it plans to complete an analysis of all data and is undertaking field work on the identified targets including prospect-scale mapping and rock-chip sampling. Drill programs will follow the field mapping program at the earliest opportunity. The Urandy and Kens Bore prospects will be prioritised for follow-up RC drilling.

## 2 Red Hill Iron Ore Joint Venture

API has provided the following report on the RHIOJV activities for the quarter ended 30 September 2016:-

### Overview

- During the September Quarter geological and mineralisation modelling of the Trixie West and Cardo Bore West Deposits was completed in preparation for Mineral Resource Estimation. The Mineral Resource Estimate work is expected to be completed early next quarter with the result assisting West Pilbara Iron Ore Project (WPIOP) mine planning and optimisation work.
- Australian Premium Iron Joint Venture (APIJV) owners are finalising a desktop study to consider an integrated rail and port infrastructure solution.
- Areas of potential project value optimisation and enhancement will continue to be investigated over the balance of 2016. Key WPIOP approvals will also continue to be progressed.

### (i) Exploration

During the September Quarter geological and mineralisation modelling of the Trixie West and Cardo Bore West Deposits was completed in preparation for Mineral Resource Estimation. The Trixie West and Cardo Bore West Channel Iron Deposits (CID) are located within the RHIOJV project area.

The Trixie West and Cardo Bore West deposits are outcropping CID's that were formed by the alluvial and chemical deposition of iron rich sediments in palaeo-river channels. Modelling has incorporated all previous API drilling to date.

A total of 10 RC drill holes were completed for 472m drilled at the White Gate CID prospect. The infill RC drilling programme was designed to assist with improving the current geological and mineralisation model of the prospect. Assays are pending and will be reported next quarter.

Aerial RGBi imagery to 20cm resolution was flown over the broader WPIOP tenement area including all tenements within the RHIOJV Project. The imagery is currently being processed by Fugro with final processing to be completed next quarter.

### (ii) Future Work Programme

The Trixie West, Cardo Bore West and Red Hill Creek West Mineral Resource Estimate work is expected to be completed early next Quarter with the result assisting with WPIOP mine planning and optimisation work.

The recently acquired airborne imagery will be used for reviewing mineralisation targets, environmental monitoring and as a baseline for Mining Rehabilitation Fund (MRF) reporting.

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Planning for work to meet 2017 minimum tenement expenditure commitments will commence in the December quarter.

### **(iii) Tenure**

Heritage survey planning, including consultant engagement process continued during the period.

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

State Deeds confirming completion of Native Title process required to support the grant of Mining Lease applications covering deposits across the broader project area at Red Hill Creek West (RHIOJV), Red Hill Creek (APIJV) and Buckland Hills (APIJV) are in the process of being executed, with finalisation now expected in the December 2016 quarter.

### **(iv) Environment**

Environmental compliance activities including statutory reporting and a level of field compliance monitoring were maintained.

Finalisation of environmental review documents in relation to the Cardo expanded mine footprint areas and Red Hill Creek West (RHIOJV), Red Hill Creek (APIJV) were subject to the completion of a floristic assessment related to a priority ecological community that is now complete (October 2016). Results of the floristic assessment are being integrated into the environmental review document with additional technical information from other work related to fauna species recently elevated in conservation status.

Once finalised the formal referral documents (State and Commonwealth) with the environmental review document and appended supporting studies will be submitted to the Environmental Protection Authority under s38 of the Environmental Protection Act 1986 (State) and the Department of the Environment and Energy under the Environment Protection and Biodiversity Conservation Act 1999 (Commonwealth) managed under the assessment bilateral agreement. Final submission is scheduled for end of November 2016.

## **3 Pannawonica Project (RHI 100%)**

No further exploration work was carried out on this project during the quarter.

N Tomkinson  
Chairman

The information in this report that relates to the West Pilbara Gold Project is extracted from the ASX announcement lodged by Chalice and Red Hill Iron entitled "Chalice and Red Hill to explore highly prospective WA gold exploration opportunity through farm-in agreement over West Pilbara Gold Project" dated 20 September 2016.

#### Competent Persons and Qualifying Persons Statement

The information in this report that relates to Exploration Results in relation to the West Pilbara Gold Project is based on information compiled by Dr Kevin Frost BSc (Hons), PhD, who is a Member of the Australian Institute of Geoscientists. Dr Frost is a full-time employee of Chalice Gold Mines Limited and has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and is a Qualified Person under National Instrument 43-101 – 'Standards of Disclosure for Mineral Projects'. The Qualified Person has verified the data disclosed in this release, including sampling, analytical and test data underlying the information contained in this release. Dr Frost consents to the release of information in the form and context in which it appears here.

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## 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, 01/09/16

**Name of entity**

RED HILL IRON LIMITED

**ABN**

44 114 553 392

**Quarter ended ("current quarter")**

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(93)	(93)
(b) development	-	-
(c) production	-	-
(d) staff costs	(26)	(26)
(e) administration and corporate costs	(106)	(106)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(225)</b>	<b>(225)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

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## Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	200	200
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>200</b>	<b>200</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	110	110
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(225)	(225)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	200	200
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>85</b>	<b>85</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	7	27
5.2 Call deposits	78	83
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>85</b>	<b>110</b>

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	65
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
6.1 Director remuneration	53
Rent and administration paid to listed director related entity	12

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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## Mining exploration entity and oil and gas exploration entity quarterly report

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	900	400
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The loan facility of \$900,000 is an unsecured working capital facility provided by companies associated with two directors on normal commercial terms and conditions at an interest rate of 2.5% per annum – further details are set out in the 2016 Annual Report. \$500,000 remained undrawn at quarter end.

Since projected cash outflows in the next quarter exceed cash on hand, it is anticipated further funds will be drawn down in the next quarter.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Exploration and evaluation	18
9.2 Development	-
9.3 Production	-
9.4 Staff costs	28
9.5 Administration and corporate costs	77
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>123</b>

10. <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		None		
10.2 Interests in mining tenements and petroleum tenements acquired or increased		None		

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....  
(Company secretary)

Date: **31 October 2016**

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

## RED HILL IRON LIMITED

### MINERAL TENEMENT INFORMATION (ASX Listing Rule 5.3.3) For the quarter ended 30 September 2016

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

Tenement	Location	Registered Holding	Beneficial Interest	Note
E08/1227-I	West Pilbara, WA	40%	40%	1
E08/1283-I	West Pilbara, WA	40%	40%	1
E08/1289-I	West Pilbara, WA	40%	40%	1
E08/1293-I	West Pilbara, WA	40%	40%	1
E08/1294-I	West Pilbara, WA	40%	40%	1
E08/1295-I	West Pilbara, WA	40%	40%	1
E08/1430-I	West Pilbara, WA	40%	40%	1
E08/1473-I	West Pilbara, WA	40%	40%	1
E08/1516-I	West Pilbara, WA	40%	40%	1
E08/1537-I	West Pilbara, WA	40%	40%	1
E47/1141-I	West Pilbara, WA	40%	40%	1
E47/1693-I	West Pilbara, WA	40%	40%	1
M47/1472	West Pilbara, WA	40%	40%	1
M08/480-I	West Pilbara, WA	0%	40%	1
M08/483-I	West Pilbara, WA	40%	40%	1
M08/484-I	West Pilbara, WA	40%	40%	1
M08/485-I	West Pilbara, WA	40%	40%	1
MLA08/512	West Pilbara, WA	0%	40%	1
M08/499-I	West Pilbara, WA	100%	100%	
M08/500-I	West Pilbara, WA	100%	100%	
M08/501	West Pilbara, WA	100%	100%	
M08/505-I	West Pilbara, WA	100%	100%	
ELA08/2729	West Pilbara, WA	0%	100%	
ELA08/2730	West Pilbara, WA	0%	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:

None

Note 1: These tenements are held by the parties to the Red Hill Iron Ore Joint Venture.

Red Hill Iron's 40% beneficial interest relates to iron ore rights.

Red Hill Iron also has a 100% beneficial interest in all other minerals which occur within the Exploration Licences and Mining Leases.

Key:

E: Exploration Licence

ELA: Exploration Licence application

M: Mining Lease

MLA: Mining Lease application

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