



ABN: 44 114 553 392

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28 April 2017

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

Dear Sir/Madam

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2017

Red Hill Iron's activities are concentrated on the West Pilbara area of Western Australia where it currently has interests in three projects:-

- The Red Hill Iron Ore Joint Venture (RHIOJV), a joint venture restricted to iron ore exploration and exploitation, in which the Company currently holds a 40% carried interest in substantial Channel Iron (CID) Mineral Resources and Ore Reserves with joint venturer API Management Pty Ltd, a management company for the API Joint Venture whose participants are Baosteel/Aurizon and AMCI/Posco;
- The West Pilbara Gold Project a joint venture with Chalice Gold Mines Limited (Chalice) in which Chalice may earn up to a 70% interest in gold and basemetal (non-ferrous) deposits;and
- The Pannawonica Project which is wholly owned by Red Hill Iron and encompasses CID deposits in the Pannawonica area.

Red Hill Iron reports on the above projects and activity during the quarter as follows:-

West Pilbara Gold Project (Chalice earning up to 70%)

The West Pilbara Gold Project is a farm-in and joint venture located in the highly prospective Ashburton Mineral Field in Western Australia's Pilbara region.

During the Quarter, a detailed desktop evaluation of all geological datasets carried out by Chalice identified five additional gold targets in addition to the previously identified Urandy, Ken's Bore and Derek's Bore gold prospects, and 7 base metal targets for follow-up.

A program of surface sampling was completed after the end of the quarter to follow-up on all gold targets and high-priority base metal targets. A total of 130 rock-chip samples were taken across 9 prospects. Some samples show strong surficial copper mineralisation consisting of malachite, chalcopyrite and chalcocite in hydrothermal breccia zones. Assay results are expected to be received over the next 2 weeks.

Results of earlier reconnaissance rock chip sampling completed at the Urandy, Ken's Bore and Derek's Bore's prospects have been evaluated. Results at Ken's Bore confirmed previous high grade surface gold grades. Follow up RC drilling is planned to test high grade surface mineralisation at depth. Rock chip results from altered fault breccia zones at Derek's Bore and Urandy returned weakly anomalous results. Whilst the gold values are of low tenor, the rock samples displayed encouraging alteration, characteristic of hydrothermal gold systems.

Red Hill Iron Ore Joint Venture (RHI interest 40%)

Highlights for the Quarter

- Exploration work continued during the Quarter with the completion of drill program planning for the 2017 field season
- Planned programmes and preliminary field activities have been delayed by the extended wet season

1. Background

API Management Pty Ltd (APIM) is the manager of two joint ventures: the APIJV between Aquila Steel Pty Ltd (Baosteel & Aurizon) and AMCI (IO) Pty Ltd (AMCI & Posco) and the RHIOJV between APIJV and Red Hill Iron. 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 current WPIOP development concept involves iron ore production of 40 million tonnes per annum (dry), transportation of the product via a new 250 km railway and export to Asian markets via a new deep-water port facility located at Anketell Point.

2. Exploration

Exploration work continued during the quarter with the completion of drill program planning for the 2017 field season. Drill pads and track refurbishment was completed at the Breccia Bedded Iron and Whitegate Channel Iron targets in preparation for RC drilling scheduled to commence next quarter. Planned programmes and preliminary field activities have been delayed by the extended wet season.

3. 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 applications for extensions of term and reporting obligations for work completed.

4. Environment

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

Environmental review documents in relation to the Cardo expanded mine footprint areas, Red Hill Creek West (RHIOJV) and Red Hill Creek (APIJV) were progressed. The draft Buckland Hills Mine and Transport Corridor environmental review document was completed at the end of February. The document was submitted to key Government decision making authorities for comment prior to final referral at the State and Commonwealth level. It was also submitted to Kuruma Marthudunera Aboriginal Corporation (KMAC). Comments are to be provided by State Regulators by 7 April and Commonwealth and KMAC by 13 April 2017.

WPIOP Major Project Facilitation Status was renewed from 31 December 2016 to 31 December 2019. The Commonwealth Minister for Infrastructure and Transport granted the extension on 20 March 2017.

5. RHIOJV Expenditure

Total RHIOJV expenditure for the March 2017 quarter totalled \$0.311M compared to the revised budget of \$0.42M with lower levels of activity and expenditure than budget in land management, environment and site support costs offset by higher exploration costs. The March quarter rates and rental charge includes a credit to correct a misallocation of tenement expenditure.

A breakdown of expenditure is set out in Table 1.

Table 1 – RHIOJV Expenditure

RHIOJV Expenditure Report
FY17 Actual & Forecast costs

| RHIOJV | Jan-17 | Feb-17 | Mar-17 | Q1 | Q2 | Q3 | Q4 | FY17 | FY17 | FY17 |
|--|---------------|----------------|----------------|------------------|------------------|----------------|------------------|------------------|------------------|-----------------|
| A\$ | Actual | Actual | Actual | Actual | Actual | Actual | Forecast | Act/Fast | Budget | Variance |
| RED HILL IRON ORE JOINT VENTURE | | | | | | | | | | |
| Exploration | 22,595 | 68,745 | 114,986 | 276,980 | 125,264 | 206,326 | 323,523 | 932,093 | 703,000 | (229,093) |
| Rates and Rental | 438 | 0 | (63,059) | 782,086 | 430,537 | (62,621) | 148,510 | 1,298,512 | 1,434,000 | 135,488 |
| TOTAL EXPLORATION | 23,033 | 68,745 | 51,927 | 1,059,066 | 555,801 | 143,705 | 472,032 | 2,230,604 | 2,137,000 | (93,604) |
| PROJECT SUPPORT | | | | | | | | | | |
| Study Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Land Management | 9,674 | 9,161 | 10,085 | 29,718 | 239,535 | 28,920 | 178,473 | 476,646 | 1,075,000 | 598,354 |
| Environment | 22,760 | 23,191 | 21,495 | 70,507 | 107,311 | 67,446 | 151,639 | 396,903 | 496,000 | 99,097 |
| Site Support, mine planning & testwork | 20,072 | 9,909 | 12,968 | 113,528 | 298,507 | 42,949 | 215,880 | 670,864 | 403,000 | (267,864) |
| TOTAL PROJECT SUPPORT COSTS | 52,507 | 42,260 | 44,548 | 213,753 | 645,354 | 139,315 | 545,991 | 1,544,413 | 1,974,000 | 429,587 |
| TOTAL | 75,540 | 111,005 | 96,475 | 1,272,819 | 1,201,155 | 283,020 | 1,018,024 | 3,775,017 | 4,111,000 | 335,983 |
| JV administration percentage | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| TOTAL JV ADMINISTRATION CHARGE | 7,554 | 11,100 | 9,648 | 127,282 | 120,115 | 28,302 | 101,802 | 377,502 | 411,100 | 33,598 |
| TOTAL INCLUDING ADMIN | 83,094 | 122,105 | 106,123 | 1,400,101 | 1,321,270 | 311,322 | 1,119,826 | 4,152,519 | 4,522,100 | 369,581 |

Pannawonica Project (RHI 100%)

The Company has initiated studies aimed at updating the potential for sale of the lower grade ore at Pannawonica to Chinese mills to replace local production which contains higher levels of pollutants. Dependent on iron ore prices such future sales may prove profitable.

Neil Tomkinson
Chairman

Competent Persons and Qualifying Persons Statement

The information in this report that relates to the Chalice managed 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.

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")

31 March 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (9) | (108) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | - | (3) |
| (e) administration and corporate costs | (62) | (317) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 1 |
| 1.5 Interest and other costs of finance paid | - | (6) |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (70) | (433) |

| | | |
|--|---|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |

Mining exploration entity and oil and gas exploration entity quarterly report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (9 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) | - | - |
| 2.6 | Net cash from / (used in) investing activities | - | - |

| | | | |
|-------------|---|------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | - | 1,968 |
| 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 | (5) | (11) |
| 3.5 | Proceeds from borrowings | - | 300 |
| 3.6 | Repayment of borrowings | - | (500) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | (5) | 1,757 |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,509 | 110 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (70) | (433) |
| 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) | (5) | 1,757 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 1,434 | 1,434 |

| 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 | 134 | 22 |
| 5.2 Call deposits | - | 1,487 |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details): Term Deposits | 1,300 | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,434 | 1,509 |

| 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 | 39 |
| 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 | 27 |
| 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 | |
| | |

Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <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 | - |
| 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. At quarter end, the full facility amount remains available for drawdown.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | 87 |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | - |
| 9.5 Administration and corporate costs | 124 |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | 210 |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | 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 | | |

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: **28 April 2017**

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 31 March 2017

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