

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

31 October 2017

## **ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2017**

Red Hill Iron (RHI or the Company) is a ferrous metals gold and base metals explorer whose activities are concentrated on the West Pilbara area of Western Australia. The Company's current interests are:-

- the Red Hill Iron Ore Joint Venture (RHIOJV) - an iron ore joint venture, in which the Company currently holds a 40% carried interest convertible at RHI's election to a 19% participating interest at commencement of production or a 2% FOB Royalty. The joint venture, which is managed by API Management Pty Ltd (APIM), the management company of the API Joint Venture (participants Baosteel/Aurizon and AMCI/Posco) has identified substantial Channel Iron Deposit (CID) Mineral Resources and Ore Reserves;
- the West Pilbara Gold Project in joint venture with Chalice Gold Mines Limited (Chalice). The area of this joint venture is encompassed by the area of the RHIOJV (the activities of which are restricted to iron ore exploration and development). Chalice may earn up to a 70% interest in any gold and basemetal (non-ferrous) deposits discovered within the joint venture area; and
- the Pannawonica Project located in the Pannawonica area which is wholly owned by RHI and encompasses two CID deposits and a commercial hard rock resource.

RHI 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 the subject of a farm-in and joint venture agreement and is located in the highly prospective Ashburton Mineral Field in Western Australia's Pilbara region. Chalice has supplied the following report on activity during the quarter:-

*The 2,271km<sup>2</sup> West Pilbara Project is located approximately 160km south-southwest of Karratha and has contiguous coverage of 90km of strike of prospective geology along the contact between the Ashburton and Hamersley Basins, referred to as the Paraburdoo Hinge Zone and defined by regional fault/shear zones.*

*The region is under-explored for both gold and base metals and the south-west boundary of the property is approximately 8km from Northern Star Resources' (ASX: NST) multi-million-ounce Paulsens gold mine. The project is subject to a farm-in and joint venture agreement whereby Chalice can earn up to a 51% interest in the non-iron rights from Red Hill Iron Limited (ASX: RHI) (and up to 70% if Red Hill Iron elects not to contribute at this stage).*

*Chalice has commenced a new Reverse Circulation (RC) and Aircore (AC) drilling program at the West Pilbara Gold Project. The drill program has been designed to follow-up on gold targets at Wyloo East, Urandy, Kens Bore and Derek's Bore and on copper targets at Red Hill and Wyloo West (Figure 1).*

*Drill programs have been planned following a review of the encouraging gold and copper rock chip results previously reported (see ASX Quarterly Activities Report dated 31 July 2017) and the completion of gradient array Induced Polarisation (IP) geophysical surveys at the Red Hill, Derek's Bore and Wyloo West prospects. A total of up to 4,000m of aircore and 3,500m of RC drilling will be completed.*

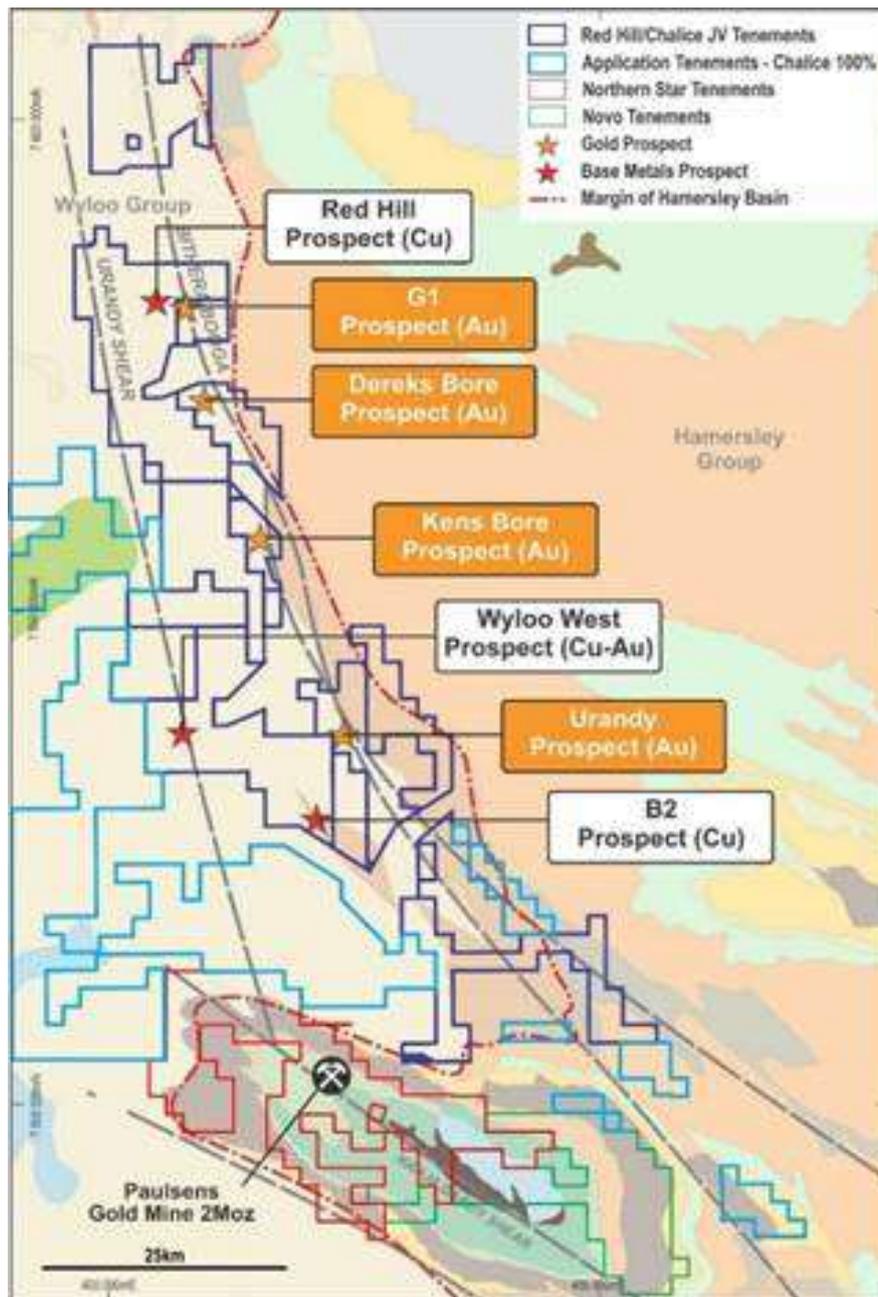
*Gradient array IP surveys (25.8 line km) have been completed across two copper targets (Red Hill and Wyloo West) and one gold target (Derek's Bore) to follow up high-grade surficial copper and gold results in rock chips. Higher grade rock chip results hosted within hydrothermal quartz breccias at Red Hill and Wyloo West typically range between 1 and 10% Cu with a maximum result of 29% Cu from the Red Hill prospect, while surface gold in brecciated rock chips at Derek's Bore peak at 9.48g/t Au and 12.3 g/t Au at Kens Bore.*

*Several priority IP chargeability anomalies (>25 mv/V) have been defined at the Red Hill prospect and will be the focus of systematic RC drilling to further assess these anomalies. Several lower priority (< 15 mv/V) IP chargeability targets have been identified at the Wyloo West prospect and will be the focus of systematic AC and/or RC drilling as an initial test of the anomalies.*

*No significant chargeability targets were identified at Derek's Bore, although the anomalous rock chip results are coincidental with a well-defined zone of low chargeability – the significance of which remains uncertain but may be caused by alteration. A small RC program is designed to further assess this target.*

*First-pass RC drilling has also been planned at the Ken's Bore prospect, which hosts high-grade gold in limonitic rock chips up to 12.3 g/t Au within a well-defined (250 x 250m) gold-in-soil anomaly.*

*In addition to the targeted RC drill programs described above, regional AC programs (240 holes) are proposed along the greater Wyloo West and Urandy gold trends and the B2 copper + zinc trend. These programs are regional in nature with the primary objective of mapping the regional stratigraphy and vectoring into additional areas of geological and geochemical interest.*



**Figure 1: West Pilbara Project Location, Tenure and Geology Map**

**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.

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

APIM has supplied the following report on activity during the quarter:-

### **Highlights for the Quarter**

- *Heritage survey planning during the quarter included continuing the consultant engagement process and conducting of a liaison meeting with Claimants.*
- *Total RHIOJV expenditure for the September 2017 quarter totalled \$1.82M compared to the budget of \$1.72M*

### **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 Limited. 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 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**

*No exploration activity occurred on RHIOJV tenements during the September Quarter.*

*Cardo Camp remained open and support was provided to RHIOJV / Chalice Gold exploration activities.*

### **3. Tenure**

*Heritage survey planning included continued consultant engagement processes and the conducting of a liaison meeting during the period.*

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

*Consultation with Red Hill Iron during the quarter covered various matters facilitating Red Hill / Chalice JV activities.*

*By notice of 10 July 2017 from API to Red Hill Iron, E08/1473 was excluded from the RHIOJV. In addition, Survey of Mining Leases, including Red Hill Creek West, was initiated and completed.*

### **4. Environment**

*Environmental compliance activities including statutory reporting and field compliance monitoring were maintained. Preparation of environmental review documents in relation to the Cardo expanded mine footprint areas, Red Hill Creek West (RHIOJV) and Red Hill Creek (APIJV) was progressed.*

## 5. RHIOJV Expenditure

Total RHIOJV expenditure for the September 2017 quarter totalled \$1.82M compared to the budget of \$1.72M with timing of rates and rental payments leading to budget overspend. This was offset by minimal exploration activity and expenditure in the quarter.

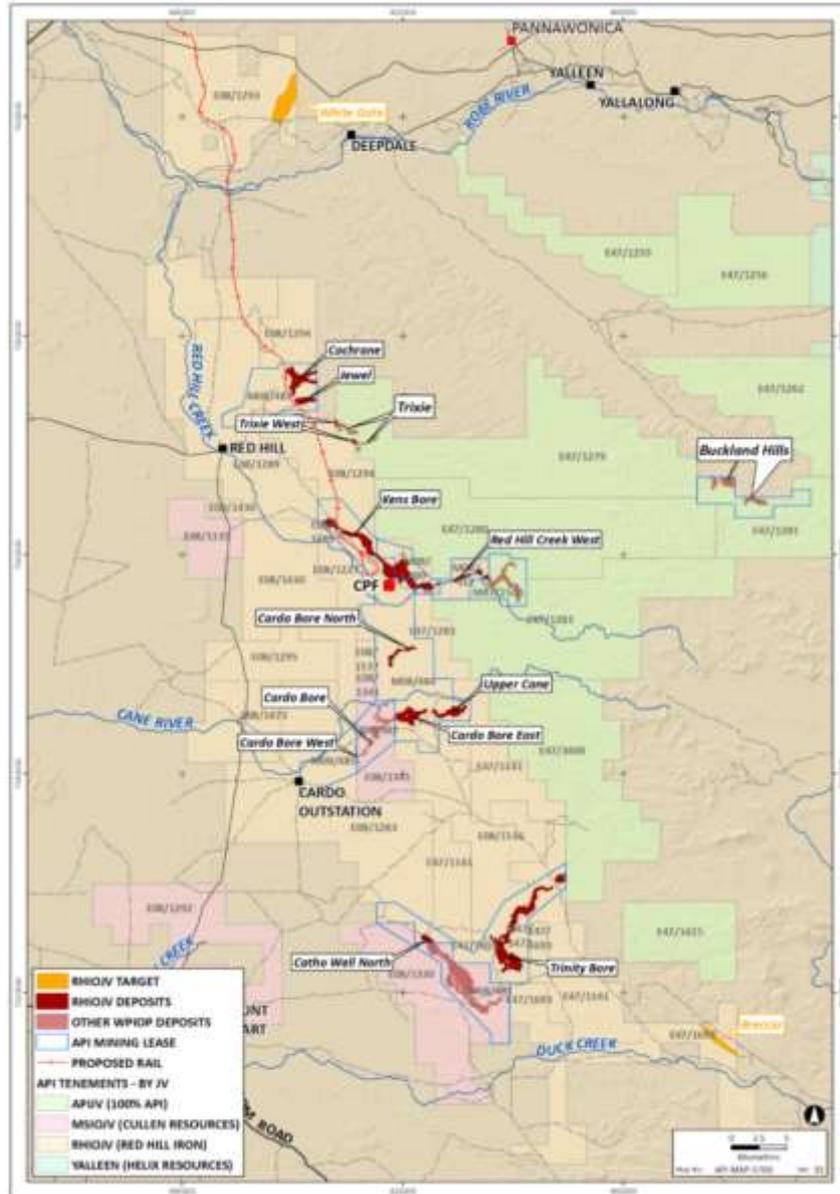


Figure 2: Location Plan

### Pannawonica Project (RHI 100%)

The Company is maintaining the Mining Leases covering this Project as it awaits a rise in the price of lower grade ore and the provision of transport to a port by third parties.. The Company's hard rock resource at Three Peak Hill is postulated to be used by future developers of road and rail infrastructure in the area.

Neil Tomkinson  
Chairman

## 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 2017

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	(6)	(6)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(117)	(117)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	13
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>(110)</b>	<b>(110)</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	-	-

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
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>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	-	-
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>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	1,228	1,228
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(110)	(110)
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)	-	-
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>1,118</b>	<b>1,118</b>

5. <b>Reconciliation of cash and cash equivalents</b> 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	118	28
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details): Term Deposits	1,000	1,200
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,118</b>	<b>1,228</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	44
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	32
Rent and administration paid to listed director related entity	12

7. <b>Payments to related entities of the entity and their associates</b>	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

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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 2017 Annual Report. The facility has expired subsequent to the quarter end.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	23
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	107
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>130</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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: **31 October 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 30 September 2017**

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

<b>Tenement</b>	<b>Location</b>	<b>Registered Holding</b>	<b>Beneficial Interest</b>	<b>Note</b>
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
M08/512	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