

30 January 2009

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

Dear Sir/Madam

**ACTIVITIES REPORT FOR THE QUARTER
ENDED 31 DECEMBER 2008**

RED HILL IRON ORE JOINT VENTURE

Red Hill Iron Limited is an iron ore, base metal and gold explorer in the Pilbara region of Western Australia. The Company's major asset is a 40% interest in the Red Hill Iron Ore Joint Venture (RHIOJV) which is managed by API Management Pty Ltd (API) which owns the remaining 60% interest in the joint venture assets.

API has elected to increase its interest to 80% by providing all of Red Hill Iron's project costs, including all development costs relating to mining and associated facilities. All funds provided by API on Red Hill Iron's behalf are repayable from 80% of Red Hill Iron's after-operating-cost share of any future mine revenue. Red Hill Iron has the right at any time up to the first delivery of ore to customers to convert its interest to a 2% FOB royalty thereby cancelling all liability it may have to API in relation to funds provided and interest accrued in relation to exploration and development.

Since the end of the quarter to which this report relates one of the API participants Aquila Steel Pty Ltd (a wholly owned subsidiary of Aquila Resources Limited) has commenced proceedings in the Supreme Court of Western Australia seeking a declaration as to the enforceability of certain provisions of the API Joint Venture Agreement which relate to the dispute resolution provisions of that Agreement.

Apparently Aquila Steel and its fellow API joint venturer AMCI (IO) Pty Ltd (a subsidiary of AMCI Inc.) have been unable to agree to progress the Definitive Feasibility Study (DFS) for the Project on the basis of the Project Manager's recommended preferred port option (Anketell).

Red Hill Iron has requested clarification from the Manager as to effect which the disagreement between Aquila Steel and AMCI (IO) may have on the ongoing work under the DFS during the current quarter and has been advised that DFS work under the RHIOJV is continuing in the following areas:-

- Mine area – Infrastructure - Engineering
- Mine area – Environmental Approvals & Consultation
- Mine area – rail
- Mining & Product Development – Mining & Metallurgy
- Marketing

Transport options;

- New port and rail
Decisions are awaited from the API JV Management Committee (AQA & AMCI) before being able to receive estimates of the timing for transport inputs into the WPIOP – Stage 1 DFS, assuming a new port and rail system is built.
- Existing rail
Awaiting a response to enquiries made of Rio Tinto in relation to infrastructure servicing the West Pilbara region.

The current estimate for issue of the DFS is toward the end of calendar 2009; however, this requires a prompt decision from the API JV on the selection of a port option and/or positive response from Rio Tinto.

There has been no change to the Exploration Programme as provided for the 2008-2009 financial year.

Reserves Estimation is continuing.

The following is the report on activities during the quarter ending 31 December 2008:-

DEVELOPMENT

The DFS for the project continued during the period with substantial progress made in the mining & metallurgy area as the bulk sample excavation (incorporating the trial of a surface miner) was completed. Engineering was progressed for the mine areas, product development work continued, environmental surveys and required approvals were advanced and marketing activities were pursued.



Surface miner at Upper Cane

Engineering

Development of process flow diagrams and associated equipment listings for the planned mine-site primary and secondary sizing systems continued. Engineering project plans, schedules, specifications and procedures were further advanced.

Environmental and Consultation

The Environmental Protection Authority set a level of environmental assessment on the project mine elements at Public Environmental Review.

Work continued during the period gathering relevant environmental data relating to flora and vegetation, fauna, soil and landscapes, hydrology, noise and vibration, greenhouse and dust impacts.

The groundwater exploration program was progressed and consultation with stakeholders of the project continued during the period.

Mining and Metallurgy

A bulk ore sample from the Upper Cane deposit was completed during the quarter delivering approximately 22,000 tonnes of iron ore. This work entailed the trial utilisation of a surface miner/terrain leveller and is being supplemented by a winzing program which commenced during the period. Several winzes will be constructed to gain representative sample material from the profile of deposits across the mine area. The ore from the bulk sample program is being processed at a pilot plant in Perth and will be utilised for further metallurgical testwork. In particular, forecast production grade samples will be prepared for prospective steel mill customers. Sample material was delivered for crushing trials.

During the quarter results were received from close spaced RC drilling (5 metres x 5 metres) completed at the Upper Cane bulk sample area. Drilling was completed as part of a study to determine optimum mining and grade control methods. Results are consistent with resource drilling completed with grades of 59.00% to 61.00% iron from Upper Cane.



Winze head frame as established at Red Hill

Marketing

API representatives continued to visit prospective customer steel mills in China, Japan and South Korea.

A number of Memoranda of Understanding have been executed with steel mills, agreeing the process for independent testwork and ore evaluation, with a view to providing Letters of Intent to purchase once the Project is in production.

The steel mills continue to provide strong encouragement for the development of the Project on the basis of its potential volume and independence of existing dominant producers.

Value in Use (VIU) software, provided by consultants, together with the results of the initial CISRI sinter testwork, has demonstrated the ability to cost effectively substitute ore from the joint venture area for existing steel mill feed components. This work will be refined following further stages of sinter testwork.

EXPLORATION

Trinity Bore Prospect

RC and diamond drilling was completed at the Trinity Bore prospect, with drilling targeted as infill of the programmes completed in 2006/2007. A Mineral Resource of 35 million tonnes at 56.19% iron was previously released for the northern extent of the Trinity Bore prospect. At Trinity, the mineralised Channel Iron Deposit (CID) is generally less than 12 metres in thickness, requiring relatively close spaced drilling (on 100 metre centres) to provide sufficient data for further resource estimates to be completed. Better results received during the period include;

- 26 metres at 56.30% Fe, 3.79% Al₂O₃, 4.76% SiO₂, 0.127% P, 0.017% S and 9.97% LOI from 2 metres in TBDD006;
- 30 metres at 56.48% Fe, 3.648% Al₂O₃, 5.45% SiO₂, 0.051% P, 0.024% S and 9.57% LOI from 4 metres in TBRC264;
- 22 metres at 56.02% Fe, 4.19% Al₂O₃, 5.74% SiO₂, 0.055% P, 0.028% S and 9.44% LOI from 6 metres in TBRC276;
- 22 metres at 56.06% Fe, 3.48% Al₂O₃, 5.25% SiO₂, 0.109% P, 0.024% S and 10.34% LOI from 6 metres in TBRC286; and
- 20 metres at 57.17% Fe, 3.61% Al₂O₃, 4.82% SiO₂, 0.146% P, 0.021% S and 8.93% LOI from surface in TBRC369.

The mineralised CID, at the south east end is generally less than 12 metres thick and is characterised by a broad mesa approximately 2 kilometres wide. As the channel becomes constrained to the north the CID profile thickens to over 20 metres.

Cardo Bore North Prospect

Results have been received from RC drilling reported last quarter at the Cardo Bore North prospect. A Mineral Resource of 5.5 million tonnes at 57.63% iron has previously been reported for the prospect, with the latest drilling adding in-fill data to the higher grade zones determined from the drilling programs conducted in 2006/2007. Better results include:

Hole_ID	East	North	From	To	Intercept	Al ₂ O ₃ %	SiO ₂ %	P %	S %	LOI %
CBRC314	419267.6	7550946.1	28	38	10.00 m @ 54.76 % Fe	3.97	9.29	0.078	0.031	7.92
CBRC315	419402.8	7551044.0	26	38	12.00 m @ 59.75 % Fe	2.82	4.24	0.088	0.025	7.26
CBRC316	419602.0	7551202.0	4	10	6.00 m @ 54.97 % Fe	5.02	5.83	0.031	0.034	10.17
CBRC317	419601.3	7551246.4	6	12	6.00 m @ 55.00 % Fe	4.90	5.79	0.036	0.023	10.26
			26	34	8.00 m @ 57.70 % Fe	3.41	5.67	0.071	0.049	7.90
CBRC319	419704.7	7551286.4	4	10	6.00 m @ 56.03 % Fe	4.72	5.81	0.039	0.05	8.97
			22	32	10.00 m @ 59.92 % Fe	2.90	3.42	0.068	0.035	7.59
CBRC324	420001.2	7551302.3	2	8	6.00 m @ 54.80 % Fe	5.48	5.99	0.027	0.026	9.59

The Cardo Bore North prospect is characterised by a mesa extending some 30 metres above the surrounding land surface. It has been drilled over a length of 3.5 kilometres and is up to 400 metres in width. Iron mineralisation within the palaeochannel occurs as layers (up to 12 metres in width) separated by distinct clay zones, with up to 3 CID zones.

Ken's Bore Prospect

RC drilling was commenced at Ken's Bore in order to investigate previously untested areas and to close the current drillhole density to a nominal 100 metre spacing. During the quarter, a total of 86 RC drill holes were completed for 4,732 metres. Better results received to date include:

- 22 metres at 58.91% Fe, 3.16% Al₂O₃, 4.70% SiO₂, 0.081% P, 0.016% S and 7.22% LOI from 34 metres in KBRC186, and
- 20 metres at 57.77% Fe, 3.858% Al₂O₃, 5.91% SiO₂, 0.093% P, 0.012% S and 6.80% LOI from 38 metres in KBRC188.

Mulga Bore Prospect

Drilling commenced at the Mulga Bore prospect located immediately to the north north-west of the Ken's Bore prospect. Initial drilling indicates the potential for buried CID and/or detrital ore adjacent to the Ken's Bore resource. Drill holes completed to date are located approximately 1 kilometre north north west of the Ken's Bore resource and intersected iron mineralisation beneath outcropping CID (MBRC003, MBRC005 and MBRC006) indicating a minimum width of approximately 100 metres.

The outcropping CID was highly denatured and dominated by clay zones. Approximately 6 to 8 metres of potentially high grade CID was intersected in each hole at about 20 metres depth. The extent of iron ore mineralisation encountered in the RC drill holes is yet to be determined, however it indicates a remnant buried CID associated with the Ken's Bore palaeo-drainage system.

Red Hill Iron Limited Independent Economic Analysis

CSA Australia Pty Ltd (CSA) continued with the economic analysis of the current value of the Company's interest in the Project. This study includes net present value determinations on various assumptions including a mining operation of 25 to 30 million tonnes per annum, and the delivery to customers via a dedicated 20% owned port and rail system. The study includes consideration of the potential use of third party infrastructure for ore transportation, such as the Robe River Iron Associates Pannawonica-Cape Lambert railway and port system.

The potential value of a 2% FOB royalty is also under consideration so that the Company can better understand the benefits should it decide to exercise its option to exchange its project interest for a royalty.

GOLD & BASE METAL EXPLORATION

During the December Quarter the following drilling was completed within the Red Hill Project Area:

- 978 metres of RAB Aircore drilling, thus completing the 2008 reconnaissance drilling program.
- 3,433 metres of RC drilling were completed at the Derek's Bore and Red Hill South gold targets, and Gossan Hill, Framboid Hill, S Bend and Lead Gossan base metal targets.

Derek's Bore

Follow up one metre sampling of the anomalously high gold values obtained from the five metre composite samples confirmed those results, and a follow up program of overlapping fences of RC drill holes was conducted.

Seven holes for 707 metres of follow up angled RC drill holes tested the most anomalous of these holes at 50 metre by 100 metre intervals. Alteration veining and sulphide mineralisation were observed in all drill holes. Results are pending.

Red Hill South

Due to the intense and deep weathering profile at Red Hill South four check RC holes were drilled to confirm the best of the anomalous gold values intersected in the previous RAB drilling. The best of these intersections, hosted by strongly weathered and veined dolerite, was then tested over a distance of 160 metres by two angle RC drill holes. The first hole, drilled from east to west, intersected strong alteration and veining with minor sulfides and epithermal textures over 10 metres within a 36 metre zone of strongly weathered veined and altered shale and chert. The second hole was abandoned in swelling clays but did intersect 19 metres of strongly weathered and veined dolerite at the bottom of the hole. Results are pending.

Bloodwood

The remaining results from the reconnaissance RAB–aircore drill testing of the manganese in soil anomaly recorded an area of manganese mineralisation. A cluster of three holes, located in the central sector, recorded composite manganese values greater than 5 metres @ 10% manganese, the best intersection being 15 metres @ 15.3% manganese, within an area measuring approximately 1,500 metres by 300 metres. The manganese occurs in strongly weathered siltstones and shales. Further work is required to determine the significance of this area.

The area of the gravity survey completed in the September Quarter is located approximately 3 kilometres to the north west of this area. Due to delays in the approvals process the RC drilling program planned to test the more significant of the gravity features was not completed, and is now planned for the June Quarter.

In addition a cluster of three holes located in the south western sector recorded elevated gold values in altered sulfidic carbonate rocks, with up to 243 ppb Au over 5 metres in one hole. Further work is required to determine the significance of these values.

Mt Stuart

The results of the broad spaced reconnaissance RAB drilling of the conceptual structural gold target overlain by transported overburden at Mt Stuart were received during the quarter. Several holes intersected elevated gold values that will require follow up in the 2009 season.

No significant gold base or base metal results were recorded from the remaining targets drilled during the September and December quarters.

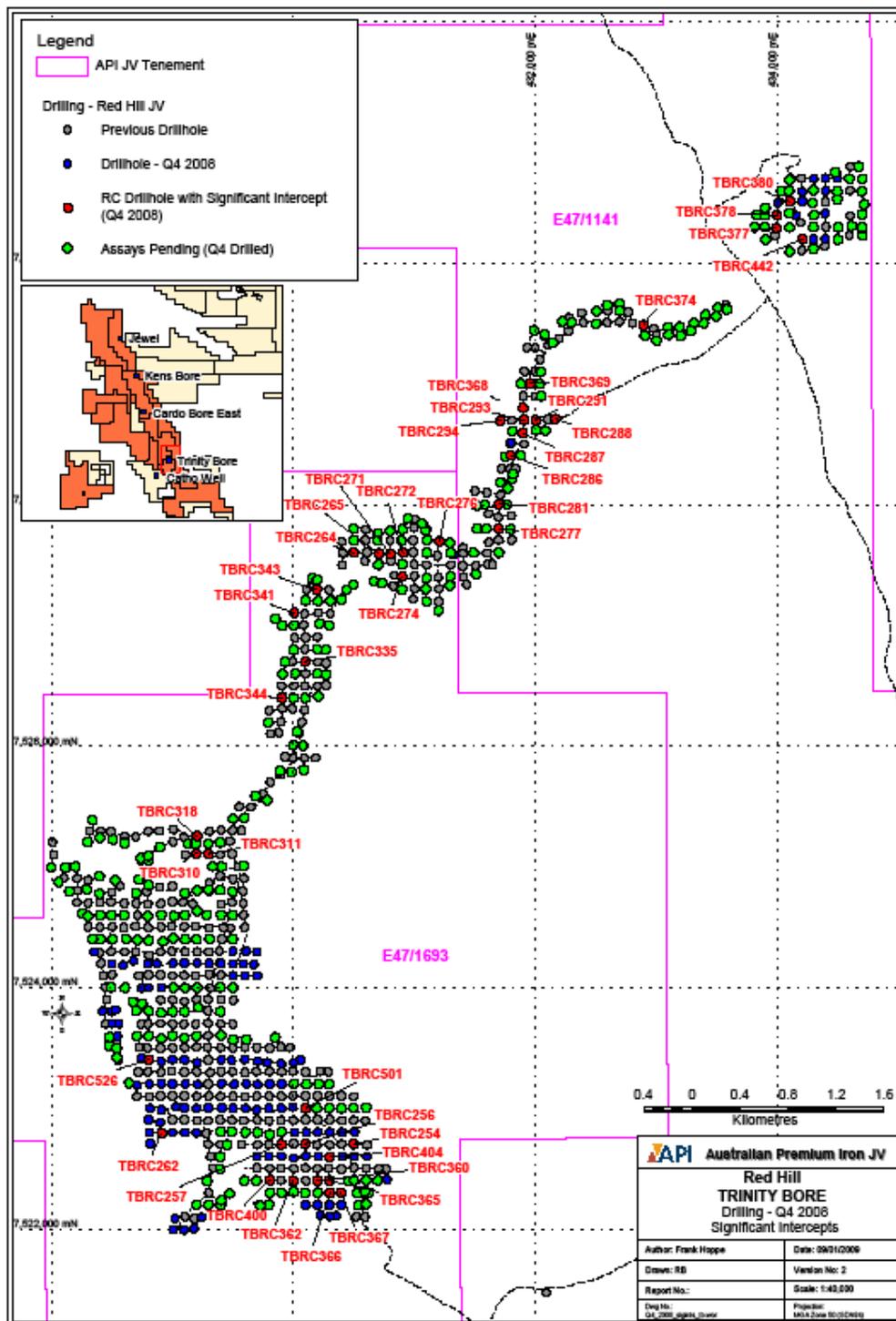
Yours faithfully,

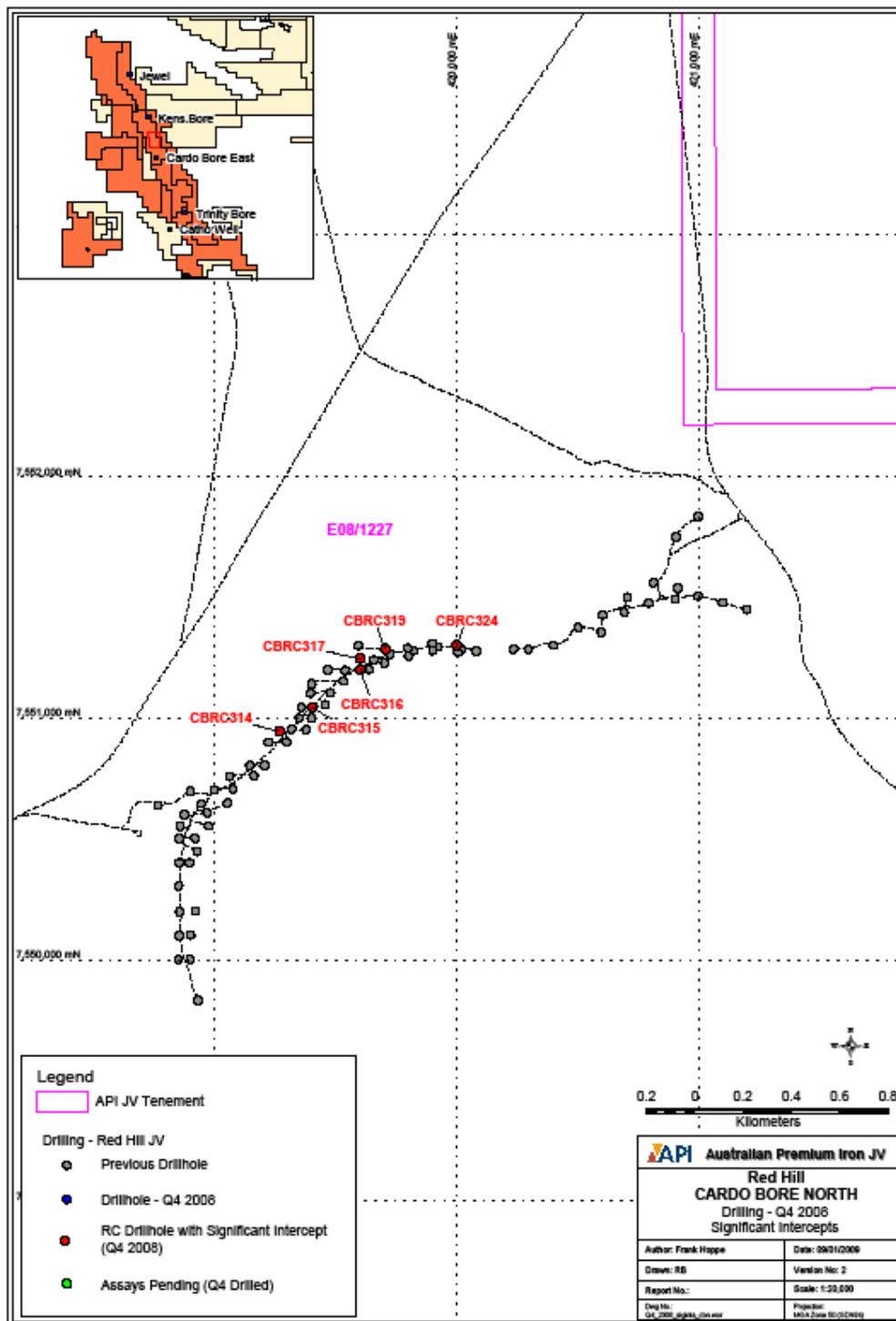
Neil Tomkinson
Chairman

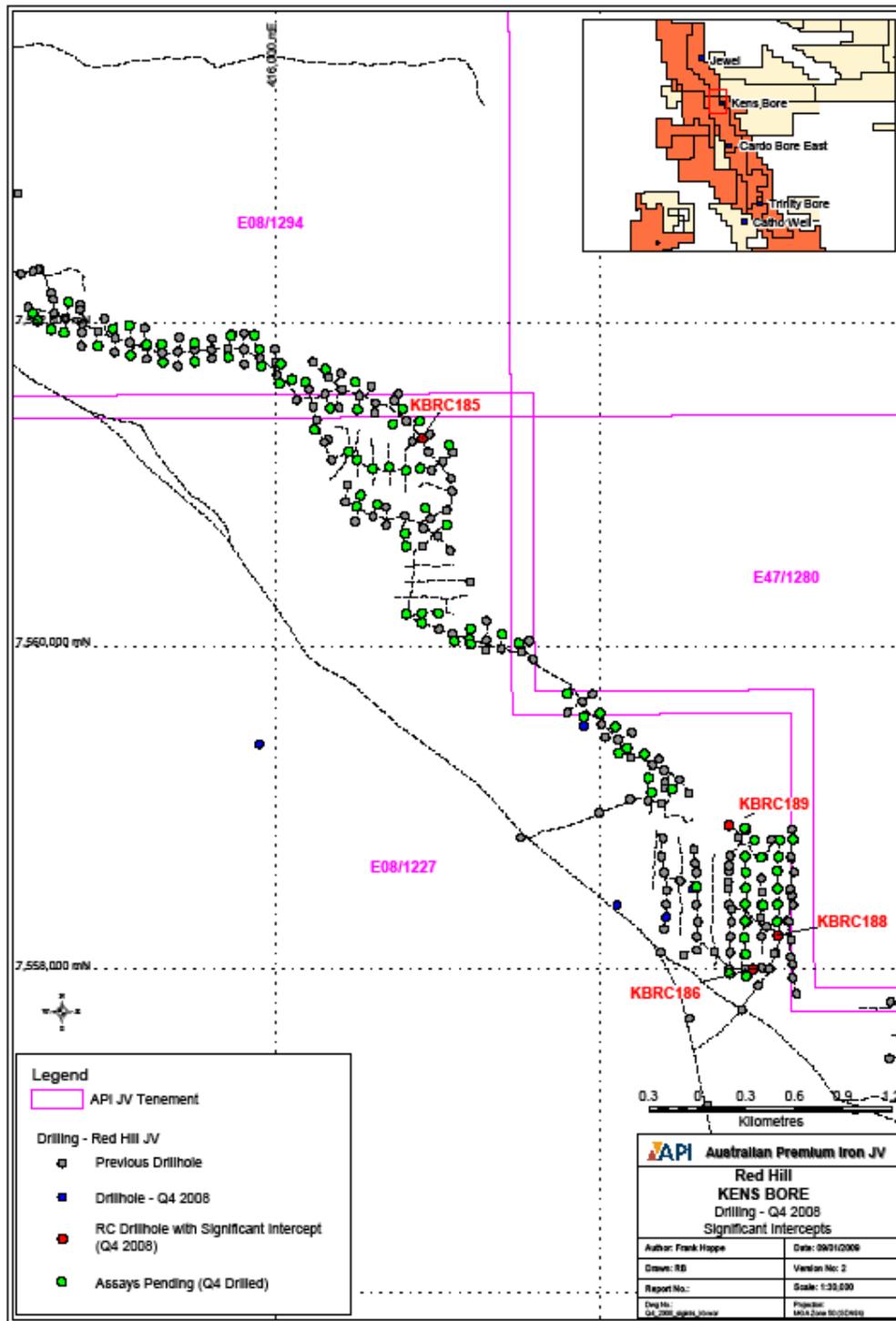
Competent Person Statement

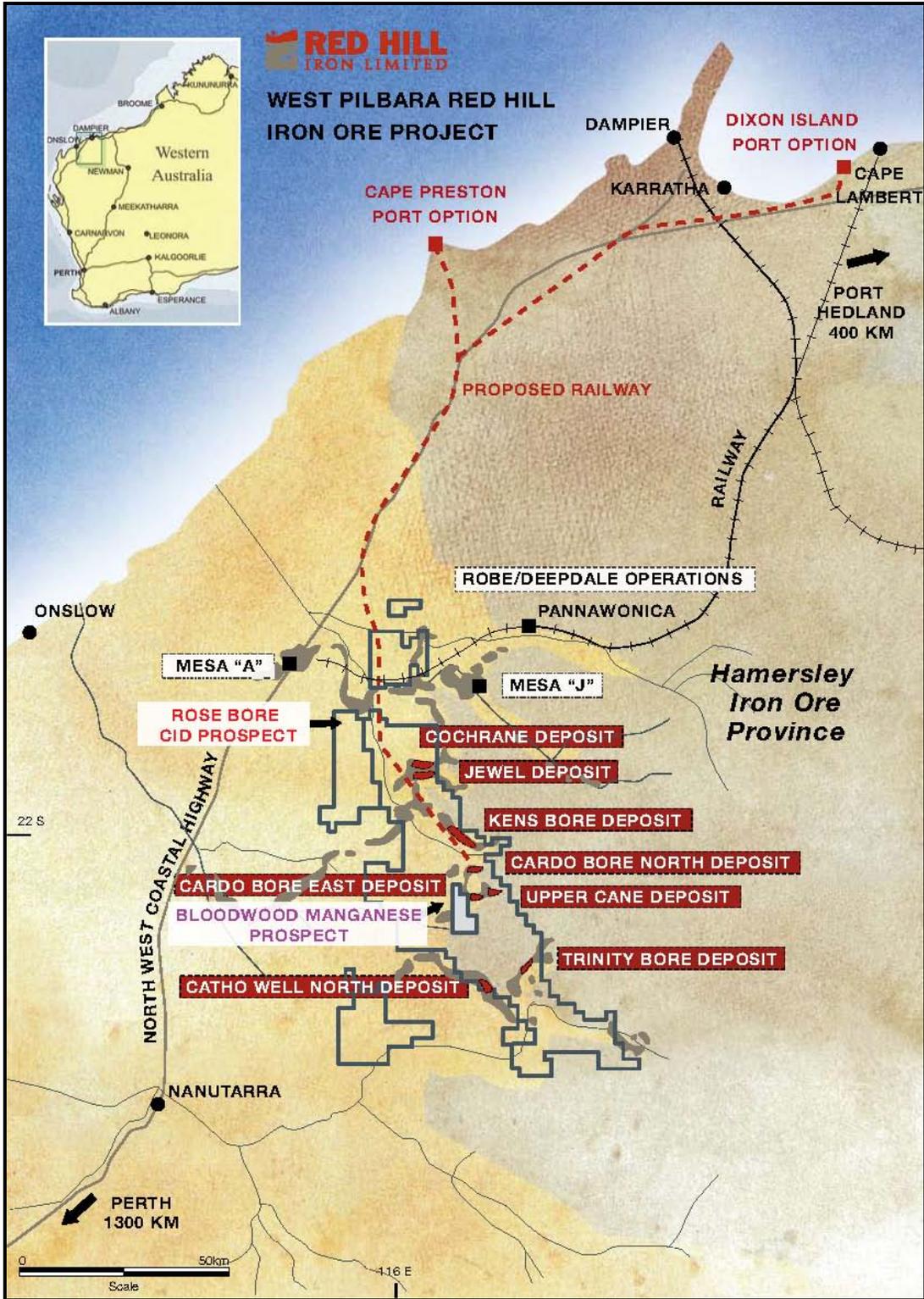
The information in this announcement that relates to Iron Ore Exploration results is based on information compiled by Mr Stuart H Tuckey who is a member of the Australian Institute of Mining and Metallurgy. Mr Tuckey is full-time employee of Australian Premium Iron. Mr Tuckey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tuckey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report under the title Gold and Base Metal Exploration was compiled by Mr Tim Boddington who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Boddington is a fulltime employee of the company. Mr Boddington has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Boddington consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.









Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

RED HILL IRON LIMITED

ABN

44 114 553 392

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) Exploration & evaluation	(738)	(982)
(b) Development	-	-
(c) Production	-	-
(d) Administration	(166)	(250)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	142	363
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material): Receipts	33	33
Net Operating Cash Flows	(792)	(836)
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) Payment	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(792)	(836)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(729)	(836)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	298	298
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	298	298
Net increase (decrease) in cash held			
		(431)	(538)
1.20	Cash at beginning of quarter/year to date	8,506	8,613
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	8,075	8,075

Payments to directors of the entity and associates of the directors

Payments to 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	40
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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 involve cash flows

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

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	75
4.2 Development	-
Total	75

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	123	107
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Term Deposit	2,032	32
5.5 Other (Bank accepted bills)	5,920	8,386
Total: cash at end of quarter (item 1.22)	8,075	8,506

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	None		
6.2	Interests in mining tenements acquired or increased	None		

Appendix 5B
Mining 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	41,715,686	41,715,686		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,000,000	1,000,000	\$0.30	Fully Paid
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>	200,000	-	<i>Exercise price</i> \$1.10	<i>Expiry date</i> 28 Nov 2009
7.8 Issued during quarter				
7.9 Exercised during quarter	1,000,000	-	\$0.30	6 Dec 2008
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Peter Rutledge

Sign here: (Company secretary)

Date: **30 January 2009**

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 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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