

3 January 2007

The Manager  
Company Announcement Office  
Australian Stock Exchange Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**ASX ANNOUNCEMENT  
RED HILL IRON ORE PROJECT**

Red Hill Iron Limited is pleased to announce that API Management Pty Ltd ("API") has given notice that it has expended in excess of \$4 million on the exploration for channel iron deposits at the Red Hill Iron Ore Project located near Pannawonica in the West Pilbara of Western Australia.

The \$4 million expenditure completes the requirement for API to earn a 60% interest in the Project. This expenditure was reached ahead of expectation due to an increased rate of drilling during the last quarter. Past intersections included 48 metres at 58.67% iron with 3.36% alumina, 3.91% silica from 4 metres depth. The joint venture now plans to move ahead rapidly with resource calculations and scoping studies.

API has also made an election in accordance with the Red Hill Iron Joint Venture Agreement to earn a further 20% interest in the Project, to bring their total holding to 80%, by funding all project costs including any capital costs for mine development. Red Hill Iron Limited will be required to repay such costs together with interest but only out of 80% of its share of any future mine revenue. Red Hill Iron also has the right to convert its project interest to a 2% free-on-board royalty at any time up to the first delivery of iron ore to customers.

Yours faithfully



Graham Riley  
Chairman