

10 January 2007

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

Dear Sir/Madam

SHARE PLACEMENT

Red Hill Iron Limited ("RHI") is pleased to announce that it has entered into a share subscription agreement with Aquila Steel Pty Ltd ("Aquila"), a wholly owned subsidiary of Aquila Resources Limited, whereby Aquila will take up the right of API Management Pty Limited ("API") established pursuant to the terms of the Red Hill Iron Ore Project Farm-in Agreement, executed on 29 November 2005, to subscribe for 5,882,353 ordinary fully paid shares in RHI ("the Subscription Right") being such number of RHI shares as after their issue will represent 15% of RHI's issued share capital.

The agreement was entered into following a request from Aquila that it be entitled to take up the Subscription Right in lieu of API which holds the Subscription Right under the terms of the Farm-In Agreement. API is 50% owned by Aquila.

The 5,882,353 shares to be issued under the terms of the subscription agreement exceed 15% of the current issued capital of RHI and the Company will therefore seek a waiver from the Australian Stock Exchange ("ASX") to the provisions of Listing Rule 7.1 on the basis that the Subscription Right was disclosed in the RHI IPO prospectus. In the event that the ASX does not grant a waiver, the Company will proceed to issue 4,300,000 shares under Listing Rule 7.1 and will subsequently seek shareholder approval for the issue of the balance of the shares.

The issue price has been determined in accordance with the provisions of the Red Hill Iron Ore Project Farm-in Agreement as 134.35 cents per share. An issue of the full 5,882,353 shares will result in RHI raising \$7.9 million in new capital and in Aquila Steel Pty Ltd being the second largest individual shareholder in the Company.

The shares will not be issued before 15 February 2007 in order to comply with the secondary trading provisions of the Corporations Act. Application will be made to list the shares issued and they will rank equally with the existing ordinary fully paid shares on issue.

Yours faithfully

J N Pitt
Director