

ASX ANNOUNCEMENT

SHARE ISSUE, PRE-FEASIBILITY PROGRESS AND DRILLING RESULTS

Further to the announcement of 10 January, Red Hill Iron Limited confirms that it has issued 5,882,353 ordinary fully paid shares in Red Hill Iron to Aquila Steel Pty Ltd ("Aquila"), a wholly owned subsidiary of Aquila Resources Limited. The placement was effected in accordance with the terms detailed in that announcement at a price of 134.35 cents per share and has raised \$7.9 million.

An Appendix 3B applying for listing of the shares is attached.

Red Hill Iron has a joint venture with API Management Pty Ltd ("API"), a company 50% owned by Aquila, for the exploration and development of iron ore resources at Red Hill, in the West Pilbara region of WA. API has recently earned a 60% interest in the joint venture and elected to earn a further 20% interest by lending Red Hill Iron all its exploration costs and any future development capital costs. Red Hill Iron retains an option to convert its ultimate 20% project interest, at any time up to first delivery of product, to a 2% FOB royalty.

As foreshadowed in the Company's Quarterly Report, API has commenced a pre-feasibility study on iron production from the Red Hill projects, including the commissioning of a Port Options Study, and models of rail construction and operating data.

Drilling at Red Hill during 2006 revealed some exciting channel iron deposits, and continues to intersect thick zones of high-grade channel iron mineralisation, including the newly discovered Upper Cane prospect, as set out in the accompanying table of results (previously included in the last Quarterly Report).

From the Upper Cane prospect

Hole ID	From	To	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
UCRC004	0	26	26m @ 59.62% Fe	2.18	5.45	0.102	0.019	6.31
UCRC008	2	24	22m @ 60.27% Fe	1.91	3.17	0.097	0.022	0.00
UCRC012	0	46	46m @ 58.8% Fe	3.20	5.47	0.064	0.014	0.00
UCRC016	0	26	26m @ 60.22% Fe	2.53	4.15	0.058	0.022	6.60
UCRC021	0	38	38m @ 58.46% Fe	3.56	4.55	0.069	0.020	7.75
UCRC025	4	26	22m @ 59.86% Fe	2.60	3.47	0.075	0.015	7.86
UCRC028	0	40	40m @ 57.56% Fe	3.47	4.75	0.088	0.034	8.72
UCRC041	0	36	36m @ 57.93% Fe	2.66	6.30	0.114	0.021	7.59
UCRC045	0	24	24m @ 60.24% Fe	2.58	3.68	0.076	0.030	7.28
UCRC047	0	34	34m @ 59.55% Fe	2.99	3.76	0.068	0.022	7.77
UCRC050	0	28	28m @ 60.16% Fe	2.55	4.49	0.059	0.021	6.51
UCRC052	0	52	52m @ 58.61% Fe	3.35	4.88	0.094	0.013	7.35
UCRC053	0	44	44m @ 59.44% Fe	3.06	4.80	0.075	0.015	6.79
UCRC057	0	28	28m @ 60.5% Fe	2.69	3.90	0.064	0.016	6.55
UCRC059	2	32	30m @ 59.31% Fe	3.01	3.79	0.061	0.019	7.96
UCRC064	6	38	32m @ 60.16% Fe	2.92	3.17	0.089	0.019	7.46
UCRC068	0	38	38m @ 58.28% Fe	3.28	4.48	0.087	0.028	8.40
UCRC071	2	28	26m @ 57.8% Fe	3.17	5.30	0.087	0.012	8.39
UCRC075	0	24	24m @ 59.29% Fe	3.24	3.59	0.075	0.031	7.98

From the Ken's Bore prospect

Hole ID	From	To	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
KBRC020	16	36	20m @ 56.51% Fe	3.84	5.33	0.066	0.015	9.35
KBRC035	20	50	30m @ 59.04% Fe	3.13	4.23	0.089	0.010	7.73
KBRC041	4	52	48m @ 58.67% Fe	3.36	3.91	0.077	0.007	8.45
KBRC047	24	56	32m @ 58.74% Fe	3.22	4.18	0.084	0.009	8.03
KBRC048	30	50	20m @ 58.85% Fe	2.97	4.90	0.082	0.010	7.62
KBRC050	42	74	32m @ 56.69% Fe	3.28	6.22	0.191	0.010	8.60
KBRC052	8	46	38m @ 59.99% Fe	2.78	3.24	0.075	0.007	7.71
KBRC054	8	44	36m @ 59.44% Fe	2.90	3.66	0.076	0.013	8.06

Commenting on the latest results, Red Hill Iron's Chairman said:

"The impressive results from the latest drilling have provided a continuation of an expanding resource with high grade near-surface mineralisation in significant widths. A resource calculation is currently under way, and a conceptual study of potential mine production profiles of up to 20 million tonnes, as previously noted, has been commissioned."

COMPLIANCE STATEMENT

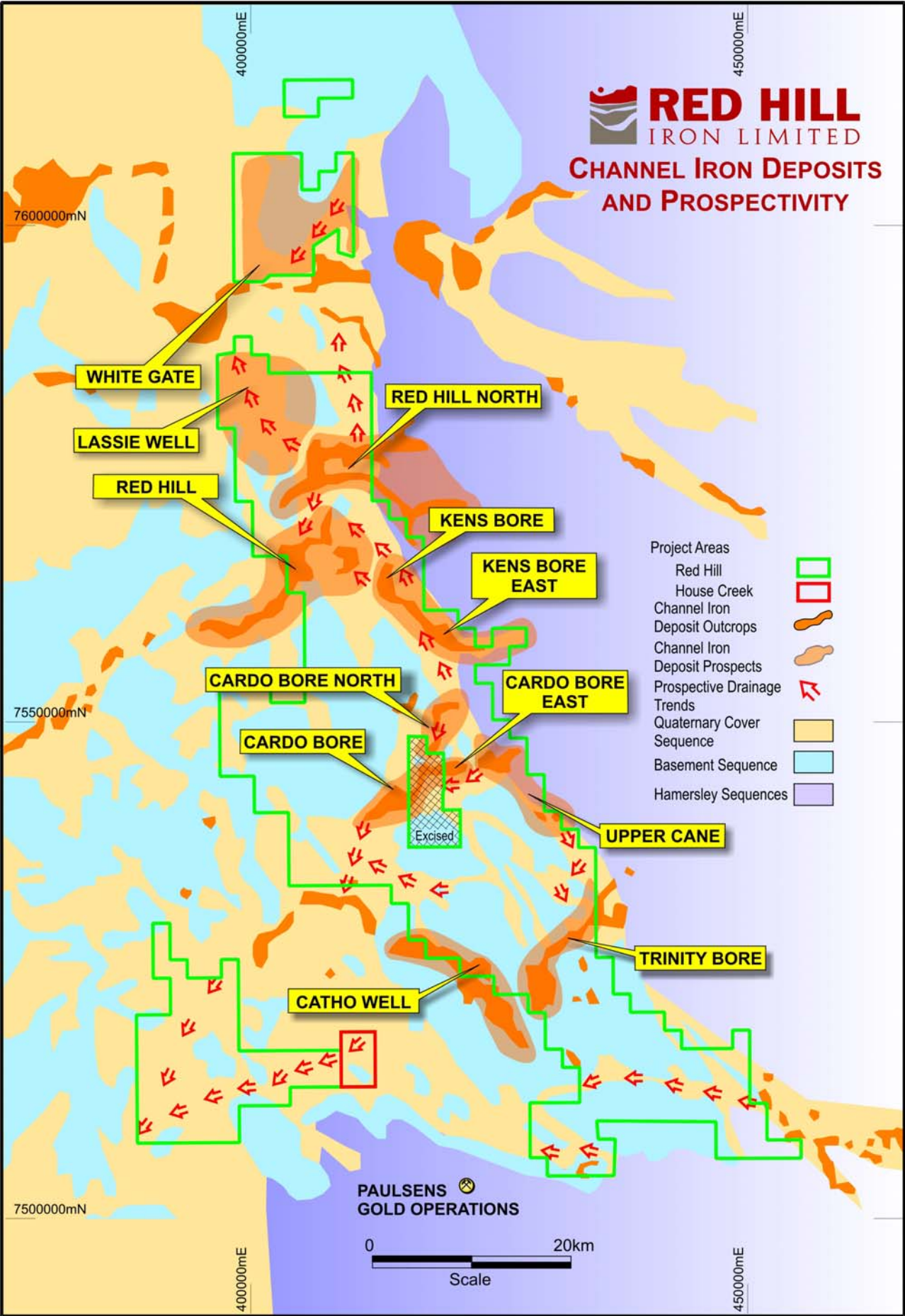
The information in this announcement, insofar as it relates to iron ore exploration activities, is based on information compiled by Stuart H Tuckey, who is a member of the Australian Institute of Mining and Metallurgy, and who has more than five years experience in the field of activity being reported on. Mr Tuckey is a full-time employee of API Management Pty Ltd. 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 above matters, based on their information in the form and context in which it appears.

Graham Riley
 Chairman

16 February 2007

For further information contact:

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002.

Name of entity

RED HILL IRON LIMITED

ABN

44 114 553 392

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|-----------------------------------|
| 1 | +Class of +securities issued or to be issued | Ordinary Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 5,882,353 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully Paid Ordinary Shares |

+ See chapter 19 for defined terms.

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New issue announcement

<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>				
<p>5 Issue price or consideration</p>	<p>134.35 cents per share</p>				
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Proceeds from the new issue to be used for the company's gold and base metal exploration and general working capital</p>				
<p>7 Dates of entering ⁺securities into uncertificated holdings or despatch of certificates</p>	<p>15 February 2007</p>				
<p>8 Number and ⁺class of all ⁺securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Number</th> <th style="text-align: left;">⁺Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">27,242,353</td> <td style="text-align: center;">Ordinary Shares fully paid</td> </tr> </tbody> </table>	Number	⁺ Class	27,242,353	Ordinary Shares fully paid
Number	⁺ Class				
27,242,353	Ordinary Shares fully paid				

+ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	11,973,333	Ordinary shares fully paid
	2,000,000	Employee Options 30c 7 Dec 08
	500,000	Employee Options \$1.10 28 Nov 09
	200,000	Consultant Options \$1.10 28 Nov 09
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No dividend policy is currently in place since the company has been involved only in exploration	

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	N/A
12 Is the issue renounceable or non-renounceable?	N/A
13 Ratio in which the +securities will be offered	N/A
14 +Class of +securities to which the offer relates	N/A
15 +Record date to determine entitlements	N/A
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17 Policy for deciding entitlements in relation to fractions	N/A
18 Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19 Closing date for receipt of acceptances or renunciations	N/A

+ See chapter 19 for defined terms.

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20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	N/A
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

- 32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)? **N/A**
- 33 ⁺Despatch date **N/A**

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities **N/A**
(If the additional securities do not form a new class, go to 43)

Tick to indicate you are providing the information or documents

- 35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional ⁺securities

(now go to 43)

⁺ See chapter 19 for defined terms.

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New issue announcement

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought **N/A**

39 Class of +securities for which quotation is sought **N/A**

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

N/A

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now **N/A**

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)	N/A	

(now go to 43)

+ See chapter 19 for defined terms.

All entities
Fees

43 Payment method (tick one)

Payment on invoice

Electronic payment made

Note: Payment may be made electronically if Appendix 3B is given to ASX electronically at the same time.

Periodic payment as agreed with the home branch has been arranged

Note: Arrangements can be made for employee incentive schemes that involve frequent issues of securities.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- ~~If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.~~

+ See chapter 19 for defined terms.

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- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: **Peter Rutledge** Date: **16 February 2007**
(~~Director~~/Company secretary)

Print name: **PETER C RUTTLEDGE**

+ See chapter 19 for defined terms.