

16 May 2007

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

Dear Sir/Madam

Please find attached an announcement from Red Hill Iron Limited for immediate release to the market.

Yours faithfully



Graham Riley
Chairman

attach.

ASX ANNOUNCEMENT

Initial JORC Resource Estimate of 135 Million Tonnes of Iron Ore on Red Hill Iron Project Tenements

Red Hill Iron Limited ("Red Hill Iron") is pleased to announce the results of the initial JORC compliant iron ore resource estimate completed for four of the seven zones of Channel Iron Deposits ("CID") drill tested to date at the Red Hill Joint Venture Project located in the Pilbara region of Western Australia.

The Red Hill Project, located approximately 50 kilometres southwest of Pannawonica in the West Pilbara region of Western Australia, has been the major focus of the Company since its listing in February 2006. Red Hill Iron's West Pilbara tenements are subject to an iron ore specific exploration joint venture with API Management Pty Ltd ("API"), a company 50% owned by Aquila Resources Limited ("Aquila") and dedicated to the development of iron ore resources in the Pilbara. API has recently earned a 60% interest in the joint venture and elected to earn a further 20% 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 reported 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.

An extensive reverse circulation drilling program completed in 2006 evaluated seven CID targets, resulting in initial resource estimates being finalised for four deposits; Cardo Bore East, Upper Cane, Jewel and Cochrane.

The Indicated and Inferred Resource for the pisolitic CID contained at Cardo Bore East, Upper Cane, Jewel and Cochrane totals **135.0 Mt at 58.48% Fe with 0.075% P and 3.25% Al₂O₃**.

Golder Associates Pty Ltd was commissioned to complete these in-situ resource estimates, using a 54% Fe lower cut-off grade, and various Al₂O₃ cut-offs.

Resource statement (JORC compliant); Channel Iron Deposits – West Pilbara Iron Ore Project (Red Hill Joint Venture)

Total - Channel Iron Deposits

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	93.5	58.46	4.99	3.32	0.076	0.020	0.035	0.083	7.53
Inferred	41.6	58.53	5.13	3.12	0.074	0.020	0.026	0.059	7.55
Total	135.0	58.48	5.04	3.25	0.075	0.020	0.032	0.075	7.53

Several other zones of channel iron mineralisation were intersected during drilling in 2006, including **Ken's Bore; 48 metres at 58.67% Fe, 3.36% Al₂O₃** from 4 metres depth, and **38 metres at 59.99% Fe, 2.78%, Al₂O₃** from 8 metres depth, **Cardo Bore North; 14 metres @ 60.9%Fe, 2.39% Al₂O₃** from 18 metres depth and **12 metres @ 60.57% Fe, 2.66% Al₂O₃** from 22 metres depth, and **Trinity Bore; 24 metres @ 56.26% Fe** from 10 metres depth.

None of these other zones have yet been subject to resource estimation, and it is anticipated that this initial resource estimate will be increased with further drilling, and inclusion of other identified deposits.

Resources of Individual Deposits;

Cardo Bore East Deposit (cut-off grades >54% Fe and <4.0% Al₂O₃)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	30.6	59.32	4.60	3.43	0.076	0.016	0.065	0.109	6.59
Inferred	4.8	58.98	4.85	3.46	0.072	0.017	0.055	0.119	6.68
Total	35.4	59.27	4.63	3.44	0.075	0.016	0.064	0.110	6.60

Upper Cane Deposit (cut-off grade >54% Fe, no Al₂O₃ cut-off applied)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	27.8	58.74	4.97	2.88	0.082	0.020	0.024	0.043	7.55
Inferred	31.5	58.76	5.02	2.98	0.075	0.019	0.021	0.050	7.50
Total	59.3	58.75	5.00	2.93	0.078	0.019	0.022	0.047	7.52

Jewel Deposit (cut-off grades >54% Fe and <4.4% Al₂O₃)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	14.4	56.87	5.78	3.52	0.057	0.026	0.023	0.057	8.95
Inferred	5.3	56.80	6.05	3.62	0.066	0.025	0.027	0.056	8.59
Total	19.7	56.85	5.85	3.55	0.059	0.026	0.024	0.057	8.85

Cochrane Deposit (cut-off grades >54% Fe and <4.2% Al₂O₃)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	20.7	57.90	5.05	3.59	0.079	0.020	0.012	0.115	7.91
Inferred									
Total	20.7	57.90	5.05	3.59	0.079	0.020	0.012	0.115	7.91

Total Indicated and Inferred Resource- Channel Iron Deposits

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Total	135.0	58.48	5.04	3.25	0.075	0.020	0.032	0.075	7.53

The resources have similar iron grades to the pisolitic ores mined at Robe River and Yandicoogina. The average alumina (Al₂O₃) grade within the resource is at the upper end of the preferred range, however there is the opportunity to beneficiate and also to blend this resource with other resources in the area with lower alumina ores similar to the Upper Cane resource in order to manage potential product specifications.

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

"The initial JORC resource estimate of 135 million tonnes from the four channel iron deposits that are the subject of this study, gives a good level of confidence regarding the overall potential of the Red Hill project once the other identified deposits have been similarly assessed and included. The joint venture remains focussed on doing all the preliminary work to enable the project to move forward as quickly as possible."



Background

Red Hill Iron Limited made its trading debut on ASX on 14 February 2006, and controls 1,900 square kilometres of iron ore prospective tenements south of the Robe River-Pannawonica iron ore mining operations, including known Channel Iron Deposits ("CIDs"). Red Hill Iron has entered into a joint venture with API Management Pty Ltd, a company 50% owned by Aquila Resources Limited, to explore for iron ore on Red Hill Iron's West Pilbara tenements, which are also prospective for Carlin style and shear hosted gold deposits along with volcanic and sediment hosted base metal deposits.

Pre-Feasibility Study

The Australian Premium Iron Joint Venture (API) has commenced a Pre-Feasibility Study and is continuing the drill evaluation of channel iron deposits (CIDs) in the Red Hill Project. Australian Railroad Group has created a model of rail construction and operating data with conceptual pooling diagrams generated for a 150km rail line at potential mine production profiles of 10, 15 and 20 million tonnes per annum. A Port Options Study has been commissioned and advice has also been received on the capacity of road haulage at high tonnages. Consultants Evans & Peck were engaged to assist with management and coordination activities, together with environmental consultants Aquaterra, who will assist with the environmental approvals schedule. Preliminary discussions have been held with Biota (fauna) and Landcare Holdings (flora) to determine program requirements for land based flora and fauna surveys. In addition, a marine environment consultant has been selected to address marine impacts associated with the project. Calibre Engineering Consultants have been selected to prepare preliminary designs and estimates for infrastructure at the mine and port, excluding marine structures. Calibre partner Engenium will study transport corridors for road and rail options.

Joshua Pitt
Director
16 May 2007

For further information contact:
Joshua Pitt
(+61-8) 9481 8444

The information in this announcement that relates to Mineral Resources is based on information compiled by Mr Stuart H Tuckey, Dr Sia Khosrowshahi and Mr Jani Kalla who are members of the Australian Institute of Mining and Metallurgy. Mr Tuckey is full-time employee of Australian Premium Iron. Dr Khosrowshahi and Mr Kalla are employees of Golder Associates Pty Ltd. Messrs Tuckey, Khosrowshahi and Kalla have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tuckey, Dr Khosrowshahi and Mr Kalla consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.



