

Freehills

Fax

Notice of Initial Substantial Holder Acquisition of shares in Red Hill Iron Limited (ASX: RHI)

From Baden Furphy 26 March 2008
Phone +61 3 9288 1234
Fax +61 3 9288 1567

Pages 26

To Company Announcements Manager
ASX Limited
Fax 1900 999 279

Dear Sir/Madam

We act for AMCI Investments Pty Ltd and Australian Coal Inter Holdings (NL) IA B.V.

We attach a Notice of Initial Substantial Holder (Form 603) in respect of the acquisition of shares in Red Hill Iron Limited by the above entities.

Yours faithfully


for **Baden Furphy**
Partner
Freehills

If you are not the intended recipient:

- please phone the sender immediately (reverse charges)
- you must not disclose or use the information

101 Collins Street Melbourne VIC 3000 Australia
Telephone +61 3 9288 1234 Facsimile +61 3 9288 1567
www.freehills.com

Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme Red Hill Iron Limited

ACN/ARSN 114 553 392

1. Details of substantial holder (1)

Name First Reserve GP X, Inc., First Reserve GP X, LP, First Reserve Fund X, LP and each of their subsidiaries, including FRC AMCI Intermediate B.V. and Australian Coal Inter Holdings (NL) IA B.V. (ARBN 124 942 678) (ACIH Group) Hans Mende, Fritz Kundrun and AMCI International AG and its subsidiaries, including AMCI Investments Pty Ltd (ACN 112 315 661) (AMCI Group)

ACN/ARSN (if applicable) _____

The holder became a substantial holder on 20/03/2008

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary	7,065,365	7,065,365	17.83%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
FRC AMCI Intermediate B.V.	Registered holder of shares	211,016 ordinary shares
AMCI Investments Pty Ltd	Registered holder of shares	211,016 ordinary shares
Australian Coal Inter Holdings (NL) IA B.V.	Relevant interest in shares pursuant to share acquisition agreement dated 20 March 2008, a copy of which is attached as Annexure A	3,321,667 ordinary shares
AMCI Investments Pty Ltd	Relevant interest in shares pursuant to share acquisition agreement dated 20 March 2008, a copy of which is attached as Annexure B	3,321,666 ordinary shares

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
FRC AMCI Intermediate B.V.	FRC AMCI Intermediate B.V.	FRC AMCI Intermediate B.V.	211,016 ordinary shares
AMCI Investments Pty Ltd	AMCI Investments Pty Ltd	AMCI Investments Pty Ltd	211,016 ordinary shares
Australian Coal Inter Holdings (NL) IA B.V.	Giralia Resources NL	Australian Coal Inter Holdings (NL) IA B.V. (subject to the terms of the share acquisition agreement attached as Annexure A)	3,321,667 ordinary shares
AMCI Investments Pty Ltd	Giralia Resources NL	AMCI Investments Pty Ltd (subject to the terms of the share acquisition agreement attached as Annexure B)	3,321,666 ordinary shares

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
AMCI Investments Pty Ltd	11/12/07	\$3.509 per share		19,929 ordinary shares
FRC AMCI Intermediate B.V.	11/12/07	\$3.509 per share		19,929 ordinary shares
AMCI Investments Pty Ltd	24/01/08	\$3.989 per share		104,655 ordinary shares
FRC AMCI Intermediate B.V.	24/01/08	\$3.989 per share		104,654 ordinary shares
AMCI Investments Pty Ltd	17/03/08	\$5.251 per share		27,837 ordinary shares
FRC AMCI Intermediate B.V.	17/03/08	\$5.251 per share		27,838 ordinary shares
AMCI Investments Pty Ltd	19/03/08	\$5.064 per share		58,595 ordinary shares
FRC AMCI Intermediate B.V.	19/03/08	\$5.064 per share		58,595 ordinary shares
Australian Coal Inter Holdings (NL) IA B.V.	Agreement executed on 20/03/08 (see Annexure A)	\$7.00 per share		2,000,000 ordinary shares
Australian Coal Inter Holdings (NL) IA B.V.	Agreement executed on 20/03/08 (see Annexure A)	Refer clauses 3.4 and 4.4 of Annexure A		Option to acquire 1,321,667 ordinary shares
AMCI Investments Pty Ltd	Agreement executed on 20/03/08 (see Annexure B)	\$7.00 per share		2,000,000 ordinary shares
AMCI Investments Pty Ltd	Agreement executed on 20/03/08 (see Annexure B)	Refer clauses 3.4 and 4.4 of Annexure B		Option to acquire 1,321,666 ordinary shares

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
Australian Coal Inter Holdings (NL) IA B.V. and AMCI Investments Pty Ltd	Australian Coal Inter Holdings (NL) IA B.V. and AMCI Investments Pty Ltd are associates of each other in respect of Red Hill Iron Limited pursuant to section 12(2)(c) of the Corporations Act.
FRC AMCI Intermediate B.V. and AMCI Investments Pty Ltd	FRC AMCI Intermediate B.V. and AMCI Investments Pty Ltd are associates of each other in respect of Red Hill Iron Limited pursuant to section 12(2)(c) of the Corporations Act.
ACIH Group	Each member of the ACIH Group is an associate of Australian Coal Inter Holdings (NL) IA B.V. and FRC AMCI Intermediate B.V. pursuant to section 12(2)(a) of the Corporations Act.
AMCI Group	Each member of the AMCI Group is an associate of AMCI Investments Pty Ltd pursuant to section 12(2)(a) of the Corporations Act.

7. Addresses

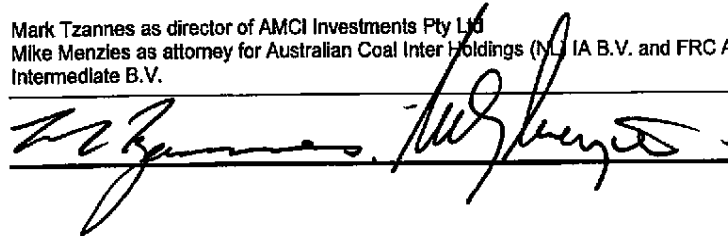
The addresses of persons named in this form are as follows:

Name	Address
Australian Coal Inter Holdings (NL) IA B.V.	Fred Roeskestraat 123, 1076EE Amsterdam, The Netherlands
FRC AMCI Intermediate B.V.	Fred Roeskestraat 123, 1076EE Amsterdam, The Netherlands
AMCI Investments Pty Ltd	Level 8, 123 Eagle Street, Brisbane QLD 4000

Signature

print name Mark Tzannes as director of AMCI Investments Pty Ltd
 Mike Menzies as attorney for Australian Coal Inter Holdings (N.L.) IA B.V. and FRC AMCI
 Intermediate B.V.

sign here



date 26/03/2008

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

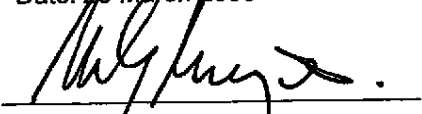
See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
- (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

This is Annexure A of 11 pages referred to in ASIC Form 603 – Notice of initial substantial holder



Mark Tzannes

Date: 26 March 2008



Mike Menzies

Date: 26 March 2008



20 March 2008

Australian Coal Inter Holdings (NL) IA B.V.

Fred Roeskestraat 123
1076EE Amsterdam
The Netherlands

Dear Sirs

Sale of Red Hill Iron shares

1 Introduction

This letter sets out the terms on which Giralia Resources NL (**Giralia**) may sell and Australian Coal Inter Holdings (NL) IA B.V. (**Purchaser**) may buy, a total of 3,321,667 fully paid ordinary shares (the **Shares**) in Red Hill Iron Limited (**Red Hill**).

2 Initial Shares

2.1 General

Giralia agrees to sell, and Purchaser agrees to buy, 2,000,000 of the Shares (the **Initial Shares**) in accordance with this clause 2.

2.2 Purchase Price

The purchase price payable by Purchaser to Giralia for the Initial Shares is AUD\$7.00 per Initial Share.

2.3 Date of completion

Completion of the sale and purchase of the Initial Shares will occur **14 Business Days** after the date of this agreement.

2.4 Steps on completion

On completion of the sale and purchase of the Initial Shares:



PO Box 1665, West Perth WA 6872 Level 2, 33 Ord Street, West Perth WA 6005
Email: info@giralia.com.au Web: www.giralia.com.au
Tel: (+61-8) 9481 4440 Fax: (+61-8) 9321 0070

3 One-off Put Option

- (a) Purchaser must:
- (1) buy the Initial Shares (or procure that its nominee does so); and
 - (2) pay to Giralia AUD\$14,000,000 as the purchase price for the Initial Shares by way of bank cheque, electronic funds transfer or other form acceptable to Giralia; and
- (b) Giralia must:
- (1) sell the Initial Shares to Purchaser (or its nominee); and
 - (2) deliver to Purchaser (or its nominee) a duly executed transfer in respect of the Initial Shares, and any other document reasonably required by Purchaser to secure the transfer of the legal and beneficial ownership of the Initial Shares to Purchaser (or its nominee).

2.5 Inter-conditionality

Completion of the sale and purchase of the Initial Shares is subject to completion occurring simultaneously in respect of the sale and purchase of the initial shares under an agreement between Giralia and AMCI Investments Pty Ltd dated on or about the date of this agreement (the **AMCI Agreement**).

3 One-off Put Option

3.1 General

Purchaser irrevocably grants Giralia an option (**One-off Put Option**) to sell 1,321,667 of the Shares (the **Option Shares**) on the terms set out in this clause 3.

3.2 Exercise Period

- (a) Giralia may only exercise the One-off Put Option between 9am and 11.59pm on 1 July 2008.
- (b) The One-off Put Option will lapse if it is not exercised by 11.59pm on 1 July 2008.
- (c) For the avoidance of doubt, Giralia is not obliged to exercise the One-off Put Option.
- (d) Giralia may not exercise the One-off Put Option if, prior to the exercise, Purchaser has exercised the Call Option (as defined in clause 4 below).
- (e) Giralia may only exercise the One-off Put Option if it exercises the one-off put option under the AMCI Agreement on the same day.

3 One-off Put Option

3.3 Method and effect of exercise

- (a) The One-off Put Option may be exercised by Giralia providing to Purchaser a notice in writing within the exercise period specified in clause 3.2 confirming that Giralia wishes to exercise the One-off Put Option.
- (b) Giralia may exercise the One-off Put Option only once in respect of all of the Option Shares.
- (c) If Giralia delivers a notice under clause 3.3(a) then Purchaser, as buyer, and Giralia, as seller, are (subject to clause 5) immediately bound under a contract for the sale and purchase of the Option Shares.

3.4 Exercise Price

The exercise price in respect of the One-off Put Option is AUD\$7.00 per Option Share.

3.5 Date of completion of the sale and purchase of Option Shares

If the One-off Put Option is exercised, completion of the sale and purchase of the Option Shares will occur on the later of:

- (a) 14 Business Days after Giralia gives notice to Purchaser under clause 3.3(a); and
- (b) 2 Business Days after the date Purchaser obtains approval under clause 5 to acquire all the Option Shares.

3.6 Steps on Completion

On completion of the sale and purchase of the Option Shares:

- (a) Purchaser must:
 - (1) buy the Option Shares (or procure that its nominee does so); and
 - (2) pay to Giralia the purchase price for the Option Shares, being AUD\$9,251,669, by way of bank cheque, electronic funds transfer or other form acceptable to Giralia; and
- (b) Giralia must:
 - (1) sell the Option Shares to Purchaser (or its nominee); and
 - (2) deliver to Purchaser (or its nominee) a duly executed transfer in respect of the Option Shares, and any other document reasonably required by Purchaser to secure the transfer of the legal and beneficial ownership of the Option Shares to Purchaser (or its nominee).

3.7 Interconditionality

Completion of the sale and purchase of the Option Shares is subject to completion occurring simultaneously in respect of the sale and purchase of the "option shares" under the AMCI Agreement.

4 Put and Call Options

4.1 General

- (a) Giralia irrevocably grants Purchaser an option (**Call Option**) to acquire the Option Shares on the terms set out in this clause 4.
- (b) Purchaser irrevocably grants Giralia an option (**Put Option**) to sell the Option Shares on the terms set out in this clause 4.

4.2 Exercise Period

- (a) Purchaser may exercise the Call Option during the period:
 - (1) commencing on the earlier of a Takeover Event (as defined below) and 2 July 2008; and
 - (2) ending on 30 June 2009,

(the **Call Option Exercise Period**).
- (b) Subject to this clause, a Takeover Event means the public announcement of any of the following:
 - (1) a takeover bid for shares in Red Hill;
 - (2) a scheme of arrangement for the acquisition of shares in Red Hill;
 - (3) a merger with Red Hill; or
 - (4) any other transaction which, if implemented, will result in a party acquiring a relevant interest in more than 25% of the voting shares in Red Hill, acquiring control of Red Hill or acquiring ownership or control of all or a majority of its business or assets,

but does not include a Takeover Event where the acquirer of the shares, assets or control (as applicable) is the Purchaser, AMCI Investments Pty Ltd, First Reserve Corporation or a related body corporate of any of those parties or any entity ultimately controlled by one or more of the Controllers (as that term is defined in clause 8(b)).

In this clause "relevant interest", "related body corporate" and "voting shares" have the same meaning as in the Corporations Act.
- (c) Giralia may exercise the Put Option during the period:
 - (1) commencing on 2 July 2008; and
 - (2) ending on 30 June 2009,

(the **Put Option Exercise Period**).
- (d) The Call Option may not be exercised if, before the date of exercise:
 - (1) the One-off Put Option has been exercised; or

4 Put and Call Options

- (2) the Put Option has been exercised.
- (e) The Call Option may only be exercised if AMCI Investments Pty Ltd exercises the call option under the AMCI Agreement on the same day.
- (f) The Put Option may not be exercised if, before the date of exercise:
 - (1) the One-off Put Option has been exercised; or
 - (2) the Call Option has been exercised.
- (g) The Put Option may only be exercised if Giralia exercises the put option under the AMCI Agreement on the same day.
- (h) For the avoidance of doubt:
 - (1) Purchaser is not obliged to exercise the Call Option; and
 - (2) Giralia is not obliged to exercise the Put Option.

4.3 Method and effect of exercise

- (a) The Call Option may be exercised by Purchaser providing to Giralia at any time within the Call Option Exercise Period a notice in writing confirming that Purchaser wishes to exercise the Call Option.
- (b) The Put Option may be exercised by Giralia providing to Purchaser at any time within the Put Option Exercise Period a notice in writing confirming that Giralia wishes to exercise the Put Option.
- (c) Purchaser may exercise the Call Option only once in respect of all of the Option Shares.
- (d) Giralia may exercise the Put Option only once in respect of all of the Option Shares.
- (e) When Purchaser provides a notice under clause 4.3(a), or Giralia provides a notice under clause 4.3(b) (as applicable), then Purchaser, as buyer, and Giralia, as seller, are (subject to clause 5) immediately bound under a contract for the sale and purchase of the Option Shares.

4.4 Exercise Price

- (a) If Purchaser exercises the Call Option on or after 2 July 2008, or Giralia exercises the Put Option, the exercise price will (subject to clause 6) be the volume weighted average trading price of Red Hill fully paid ordinary shares on the Australian Securities Exchange Limited (ASX) in the last 20 trading days on which trading in Red Hill fully paid ordinary shares occurred on the ASX prior to (but excluding) the date on which Purchaser gives a notice in accordance with clause 4.3(a) or Giralia gives a notice in accordance with clause 4.3(b) (as applicable).
- (b) If Purchaser exercises the Call Option on or before 1 July 2008 following a Takeover Event, the exercise price will (subject to clause 6) be AUD\$7.00 per Option Share.

4.5 Date of completion of the sale and purchase of Option Shares

If the Call Option or the Put Option is exercised, completion of the sale and purchase of the Option Shares will occur on the later of:

- (a) 14 Business Days after Purchaser gives notice to Giralia under clause 4.3(a) or Giralia gives notice to Purchaser under clause 4.3(b) (as applicable); and
- (b) 2 Business Days after the date Purchaser obtains approval under clause 5 to acquire all the Option Shares.

4.6 Steps on Completion

On completion of the sale and purchase of the Option Shares:

- (a) Purchaser must:
 - (1) buy the Option Shares (or procure that its nominee does so); and
 - (2) pay to Giralia the purchase price for the Option Shares, being the exercise price determined under clause 4.4 multiplied by the number of Option Shares, by way of bank cheque, electronic funds transfer or other form acceptable to Giralia; and
- (b) Giralia must:
 - (1) sell the Option Shares to Purchaser (or its nominee); and
 - (2) deliver to Purchaser (or its nominee) a duly executed transfer in respect of the Option Shares, and any other document reasonably required by Purchaser to secure the transfer of the legal and beneficial ownership of the Option Shares to Purchaser (or its nominee).

4.7 Interconditionality

Completion of the sale and purchase of the Option Shares is subject to completion occurring simultaneously in respect of the sale and purchase of the option shares under the AMCI Agreement.

5 FIRB

- (a) On exercise of the One-off Put Option, the Call Option or the Put Option (as applicable) the obligation of Giralia to sell, and the obligation of Purchaser to buy, 720,000 of the Option Shares (the **FIRB Shares**) under the contract referred to in clause 3.3(c) or 4.3(e) (as applicable) is conditional on Purchaser obtaining the Treasurer's approval, under the Foreign Acquisitions and Takeovers Act 1975 (**FATA**), to the acquisition by Purchaser of those Option Shares. This condition will not be applicable if Purchaser has obtained approval of the acquisition under the FATA prior to exercise of the One-off Put Option, Call Option or Put Option (as applicable).
- (b) Purchaser must use reasonable endeavours to obtain the approval referred to in clause 5(a) as soon as is reasonably practicable after the One-off Put Option, Call Option or Put

6 Reorganisation

Option is exercised. This obligation will not apply if Purchaser has obtained the approval prior to the exercise of the One-off Put Option, Call Option or Put Option (as applicable).

6 Reorganisation

- (a) For the purposes of this clause 6, **Reorganisation** means any one or more of the following:
- (1) any distribution of cash or securities by way of a return of capital by Red Hill;
 - (2) any bonus issue or rights issue by Red Hill;
 - (3) any share split, consolidation or other similar action in respect of the share capital of Red Hill; and
 - (4) any other reorganisation, recapitalisation, reclassification or similar event with respect to the share capital of Red Hill.
- (b) If there is any Reorganisation which affects Red Hill prior to completion of the sale and purchase of any of the Option Shares, the number of Option Shares or the exercise price (as appropriate) will be adjusted in accordance with the ASX Listing Rules or generally accepted market practice to account for the effect of the Reorganisation on the share capital of Red Hill or the value of Option Shares. The adjustment may, where appropriate, take account of the effect of:
- (1) any payments received by Giralia from Red Hill in respect of the Option Shares;
 - (2) any subscription amount paid by Giralia for additional shares in Red Hill, that are referable to the Option Shares, under a rights issue conducted by Red Hill; and
 - (3) any additional shares or other securities in Red Hill acquired by Giralia that are referable to the Option Shares and that may also be sold to Purchaser on completion of the transfer of the Option Shares.

7 Negative pledge and voting

7.1 Negative pledge

Giralia must not sell, dispose of or encumber any of the Shares other than in accordance with this agreement.

7.2 Voting

- (a) Subject to this clause, from the date of completion of the acquisition of the Initial Shares under clause 2.4 of this agreement until Purchaser (or its nominee) completes the acquisition of the Option Shares, Giralia:

8 Representations of Purchaser

- (1) appoints Purchaser as its exclusive attorney to exercise all rights attaching to the Option Shares (including the right to vote the Option Shares and to requisition a meeting of members of Red Hill); and
 - (2) must not itself exercise any rights attaching to the Option Shares, and must not itself attend any meeting of the members of Red Hill.
- (b) Purchaser's rights under clause 7.2(a) in respect of the FIRB Shares are conditional on and subject to Purchaser obtaining approval under the FATA to acquire those rights.
 - (c) Purchaser indemnifies Giralia from all liability arising out of the any action taken by Purchaser in reliance on its rights under clause 7.2(a).
 - (d) The rights of Purchaser under this clause will end on 1 July 2009 if the One-Off Put Option, the Call Option or the Put Option (as applicable) is not exercised on or before 30 June 2009 or this agreement is otherwise terminated before that date.

8 Representations of Purchaser

Purchaser represents, on the date of this agreement, and on the completion date of each sale of Shares, that:

- (a) (subject to clause 5 in the context of the Option Shares) it has the power to acquire the Shares and all approvals and authorities that may be required to permit Purchaser to enter into and perform this agreement have been obtained and remain valid and subsisting; and
- (b) Purchaser is ultimately controlled by one or more of Hans Mende, Fritz Kundrun or First Reserve Fund X, L.P. (the **Controllers**).

9 Warranties of Giralia

Giralia represents, on the date of this agreement, and on the completion date of each sale of Shares, that:

- (a) it has the power to sell the Shares and all approvals and authorities that may be required to permit Giralia to enter into and perform this agreement have been obtained and remain valid and subsisting; and
- (b) the Shares are, and will at completion be, free from all liens, charges and other encumbrances.

10 Governing Law and Jurisdiction

This agreement is governed by the laws of Western Australia and the parties agree to submit to the non-exclusive jurisdiction of the courts of that State.

11 General

- (a) A notice, consent or other communication under this agreement is only effective if it is:
- (1) in writing, signed by or on behalf of the party giving it;
 - (2) addressed to the party to whom it is to be given; and
 - (3) either:
 - (A) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that party's address; or
 - (B) sent by fax to that party's fax number and the machine from which it is sent produces a report that states that it was sent in full.
- (b) A notice, consent or other communication that complies with this clause is regarded as given and received:
- (1) if it is delivered or sent by fax at the time of transmission by the sender; and
 - (2) if it is sent by mail:
 - (A) within Australia - 3 Business Days after posting; or
 - (B) to or from a place outside Australia - 5 Business Days after posting.
- (c) The parties' fax numbers for the purposes of this agreement are:
 Giralia: (08) 9321 0070
 Purchaser: +31 (20) 577 1188
- (d) In this agreement, a reference to time is a reference to time in Perth, Western Australia.
- (e) In this agreement, **Business Day** means a day on which banks are open for business in Brisbane and Perth, excluding a Saturday, Sunday or public holiday.

12 Assignment

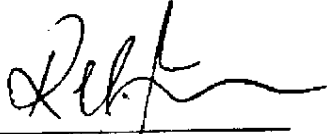
Neither party may assign its rights under this agreement without the consent of the other party.

However, Purchaser may, by notice to Giralia, nominate a company that is ultimately controlled by one or more of the Controllers as the entity to which Giralia must transfer all or any of the Shares.

* * * *

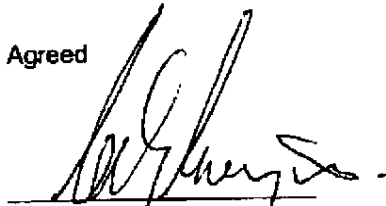
Please confirm your agreement by signing this letter where indicated below.

Yours faithfully



For and on behalf of Giralia Resources NL

Agreed



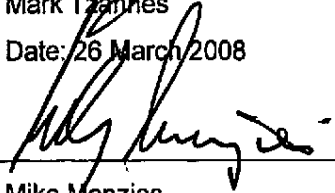
For and on behalf of Australian Coal Inter Holdings (NL) IA B.V.

This is Annexure B of 11 pages referred to in ASIC Form 603 – Notice of initial substantial holder



Mark Tzanrries

Date: 26 March 2008



Mike Menzies

Date: 26 March 2008



20 March 2008

AMCI Investments Pty Ltd
Level 8
123 Eagle Street
BRISBANE QLD 4000

Dear Sirs

Sale of Red Hill Iron shares

1 Introduction

This letter sets out the terms on which Giralia Resources NL (**Giralia**) may sell and AMCI Investments Pty Ltd (**Purchaser**) may buy, a total of 3,321,666 fully paid ordinary shares (the **Shares**) in Red Hill Iron Limited (**Red Hill**).

2 Initial Shares

2.1 General

Giralia agrees to sell, and Purchaser agrees to buy, 2,000,000 of the Shares (the **Initial Shares**) in accordance with this clause 2.

2.2 Purchase Price

The purchase price payable by Purchaser to Giralia for the Initial Shares is AUD\$7.00 per Initial Share.

2.3 Date of completion

Completion of the sale and purchase of the Initial Shares will occur 14 Business Days after the date of this agreement.

2.4 Steps on completion

On completion of the sale and purchase of the Initial Shares:



3.005099594.8

PO Box 1665, West Perth WA 6872 Level 2, 33 Ord Street, West Perth WA 6005
Email: info@giralia.com.au Web: www.giralia.com.au
Tel: (+61-8) 9481 4440 Fax: (+61-8) 9321 0070

3 One-off Put Option

- (a) Purchaser must:
- (1) buy the Initial Shares (or procure that its nominee does so); and
 - (2) pay to Giralia AUD\$14,000,000 as the purchase price for the Initial Shares by way of bank cheque, electronic funds transfer or other form acceptable to Giralia; and
- (b) Giralia must:
- (1) sell the Initial Shares to Purchaser (or its nominee); and
 - (2) deliver to Purchaser (or its nominee) a duly executed transfer in respect of the Initial Shares, and any other document reasonably required by Purchaser to secure the transfer of the legal and beneficial ownership of the Initial Shares to Purchaser (or its nominee).

2.5 Inter-conditionality

Completion of the sale and purchase of the Initial Shares is subject to completion occurring simultaneously in respect of the sale and purchase of the initial shares under an agreement between Giralia and Australian Coal Inter Holdings (NL) IA B.V. dated on or about the date of this agreement (the **ACIH Agreement**).

3 One-off Put Option

3.1 General

Purchaser irrevocably grants Giralia an option (**One-off Put Option**) to sell 1,321,666 of the Shares (the **Option Shares**) on the terms set out in this clause 3.

3.2 Exercise Period

- (a) Giralia may only exercise the One-off Put Option between 9am and 11.59pm on 1 July 2008.
- (b) The One-off Put Option will lapse if it is not exercised by 11.59pm on 1 July 2008.
- (c) For the avoidance of doubt, Giralia is not obliged to exercise the One-off Put Option.
- (d) Giralia may not exercise the One-off Put Option if, prior to the exercise, Purchaser has exercised the Call Option (as defined in clause 4 below).
- (e) Giralia may only exercise the One-off Put Option if it exercises the one-off put option under the ACIH Agreement on the same day.

3 One-off Put Option

3.3 Method and effect of exercise

- (a) The One-off Put Option may be exercised by Giralia providing to Purchaser a notice in writing within the exercise period specified in clause 3.2 confirming that Giralia wishes to exercise the One-off Put Option.
- (b) Giralia may exercise the One-off Put Option only once in respect of all of the Option Shares.
- (c) If Giralia delivers a notice under clause 3.3(a) then Purchaser, as buyer, and Giralia, as seller, are (subject to clause 5) immediately bound under a contract for the sale and purchase of the Option Shares.

3.4 Exercise Price

The exercise price in respect of the One-off Put Option is AUD\$7.00 per Option Share.

3.5 Date of completion of the sale and purchase of Option Shares

If the One-off Put Option is exercised, completion of the sale and purchase of the Option Shares will occur on the later of:

- (a) 14 Business Days after Giralia gives notice to Purchaser under clause 3.3(a); and
- (b) 2 Business Days after the date Purchaser obtains approval under clause 5 to acquire all the Option Shares.

3.6 Steps on Completion

On completion of the sale and purchase of the Option Shares:

- (a) Purchaser must:
 - (1) buy the Option Shares (or procure that its nominee does so); and
 - (2) pay to Giralia the purchase price for the Option Shares, being AUD\$9,251,662, by way of bank cheque, electronic funds transfer or other form acceptable to Giralia; and
- (b) Giralia must:
 - (1) sell the Option Shares to Purchaser (or its nominee); and
 - (2) deliver to Purchaser (or its nominee) a duly executed transfer in respect of the Option Shares, and any other document reasonably required by Purchaser to secure the transfer of the legal and beneficial ownership of the Option Shares to Purchaser (or its nominee).

3.7 Interconditionality

Completion of the sale and purchase of the Option Shares is subject to completion occurring simultaneously in respect of the sale and purchase of the "option shares" under the ACIH Agreement.

4 Put and Call Options

4.1 General

- (a) Giralia irrevocably grants Purchaser an option (**Call Option**) to acquire the Option Shares on the terms set out in this clause 4.
- (b) Purchaser irrevocably grants Giralia an option (**Put Option**) to sell the Option Shares on the terms set out in this clause 4.

4.2 Exercise Period

- (a) Purchaser may exercise the Call Option during the period:
 - (1) commencing on the earlier of a Takeover Event (as defined below) and 2 July 2008; and
 - (2) ending on 30 June 2009,(the **Call Option Exercise Period**).
- (b) Subject to this clause, a Takeover Event means the public announcement of any of the following:
 - (1) a takeover bid for shares in Red Hill;
 - (2) a scheme of arrangement for the acquisition of shares in Red Hill;
 - (3) a merger with Red Hill; or
 - (4) any other transaction which, if implemented, will result in a party acquiring a relevant interest in more than 25% of the voting shares in Red Hill, acquiring control of Red Hill or acquiring ownership or control of all or a majority of its business or assets,

but does not include a Takeover Event where the acquirer of the shares, assets or control (as applicable) is the Purchaser, AMCI Investments Pty Ltd, First Reserve Corporation or a related body corporate of any of those parties or any entity ultimately controlled by one or more of the Controllers (as that term is defined in clause 8(b)).

In this clause "relevant interest", "related body corporate" and "voting shares" have the same meaning as in the Corporations Act.

- (c) Giralia may exercise the Put Option during the period:
 - (1) commencing on 2 July 2008; and
 - (2) ending on 30 June 2009,(the **Put Option Exercise Period**).
- (d) The Call Option may not be exercised if, before the date of exercise:
 - (1) the One-off Put Option has been exercised; or

4 Put and Call Options

- (2) the Put Option has been exercised.
- (e) The Call Option may only be exercised if ACIH exercises the call option under the ACIH Agreement on the same day.
- (f) The Put Option may not be exercised if, before the date of exercise:
 - (1) the One-off Put Option has been exercised; or
 - (2) the Call Option has been exercised.
- (g) The Put Option may only be exercised if Giralia exercises the put option under the ACIH Agreement on the same day.
- (h) For the avoidance of doubt:
 - (1) Purchaser is not obliged to exercise the Call Option; and
 - (2) Giralia is not obliged to exercise the Put Option.

4.3 Method and effect of exercise

- (a) The Call Option may be exercised by Purchaser providing to Giralia at any time within the Call Option Exercise Period a notice in writing confirming that Purchaser wishes to exercise the Call Option.
- (b) The Put Option may be exercised by Giralia providing to Purchaser at any time within the Put Option Exercise Period a notice in writing confirming that Giralia wishes to exercise the Put Option.
- (c) Purchaser may exercise the Call Option only once in respect of all of the Option Shares.
- (d) Giralia may exercise the Put Option only once in respect of all of the Option Shares.
- (e) When Purchaser provides a notice under clause 4.3(a), or Giralia provides a notice under clause 4.3(b) (as applicable), then Purchaser, as buyer, and Giralia, as seller, are (subject to clause 5) immediately bound under a contract for the sale and purchase of the Option Shares.

4.4 Exercise Price

- (a) If Purchaser exercises the Call Option on or after 2 July 2008, or Giralia exercises the Put Option, the exercise price will (subject to clause 6) be the volume weighted average trading price of Red Hill fully paid ordinary shares on the Australian Securities Exchange Limited (**ASX**) in the last 20 trading days on which trading in Red Hill fully paid ordinary shares occurred on the ASX prior to (but excluding) the date on which Purchaser gives a notice in accordance with clause 4.3(a) or Giralia gives a notice in accordance with clause 4.3(b) (as applicable).
- (b) If Purchaser exercises the Call Option on or before 1 July 2008 following a Takeover Event, the exercise price will (subject to clause 6) be AUD\$7.00 per Option Share.

4.5 Date of completion of the sale and purchase of Option Shares

If the Call Option or the Put Option is exercised, completion of the sale and purchase of the Option Shares will occur on the later of:

- (a) 14 Business Days after Purchaser gives notice to Giralia under clause 4.3(a) or Giralia gives notice to Purchaser under clause 4.3(b) (as applicable); and
- (b) 2 Business Days after the date Purchaser obtains approval under clause 5 to acquire all the Option Shares.

4.6 Steps on Completion

On completion of the sale and purchase of the Option Shares:

- (a) Purchaser must:
 - (1) buy the Option Shares (or procure that its nominee does so); and
 - (2) pay to Giralla the purchase price for the Option Shares, being the exercise price determined under clause 4.4 multiplied by the number of Option Shares, by way of bank cheque, electronic funds transfer or other form acceptable to Giralia; and
- (b) Giralla must:
 - (1) sell the Option Shares to Purchaser (or its nominee); and
 - (2) deliver to Purchaser (or its nominee) a duly executed transfer in respect of the Option Shares, and any other document reasonably required by Purchaser to secure the transfer of the legal and beneficial ownership of the Option Shares to Purchaser (or its nominee).

4.7 Interconditionality

Completion of the sale and purchase of the Option Shares is subject to completion occurring simultaneously in respect of the sale and purchase of the option shares under the ACIH Agreement.

5 FIRB

- (a) On exercise of the One-off Put Option, the Call Option or the Put Option (as applicable) the obligation of Giralla to sell, and the obligation of Purchaser to buy, 720,000 of the Option Shares (the **FIRB Shares**) under the contract referred to in clause 3.3(c) or 4.3(e) (as applicable) is conditional on Purchaser obtaining the Treasurer's approval, under the Foreign Acquisitions and Takeovers Act 1975 (**FATA**), to the acquisition by Purchaser of those Option Shares. This condition will not be applicable if Purchaser has obtained approval of the acquisition under the FATA prior to exercise of the One-off Put Option, Call Option or Put Option (as applicable).
- (b) Purchaser must use reasonable endeavours to obtain the approval referred to in clause 5(a) as soon as is reasonably practicable after the One-off Put Option, Call Option or Put

6 Reorganisation

Option is exercised. This obligation will not apply if Purchaser has obtained the approval prior to the exercise of the One-off Put Option, Call Option or Put Option (as applicable).

6 Reorganisation

- (a) For the purposes of this clause 6, **Reorganisation** means any one or more of the following:
- (1) any distribution of cash or securities by way of a return of capital by Red Hill;
 - (2) any bonus issue or rights issue by Red Hill;
 - (3) any share split, consolidation or other similar action in respect of the share capital of Red Hill; and
 - (4) any other reorganisation, recapitalisation, reclassification or similar event with respect to the share capital of Red Hill.
- (b) If there is any Reorganisation which affects Red Hill prior to completion of the sale and purchase of any of the Option Shares, the number of Option Shares or the exercise price (as appropriate) will be adjusted in accordance with the ASX Listing Rules or generally accepted market practice to account for the effect of the Reorganisation on the share capital of Red Hill or the value of Option Shares. The adjustment may, where appropriate, take account of the effect of:
- (1) any payments received by Giralia from Red Hill in respect of the Option Shares;
 - (2) any subscription amount paid by Giralia for additional shares in Red Hill, that are referable to the Option Shares, under a rights issue conducted by Red Hill; and
 - (3) any additional shares or other securities in Red Hill acquired by Giralia that are referable to the Option Shares and that may also be sold to Purchaser on completion of the transfer of the Option Shares.

7 Negative pledge and voting

7.1 Negative pledge

Giralia must not sell, dispose of or encumber any of the Shares other than in accordance with this agreement.

7.2 Voting

- (a) Subject to this clause, from the date of completion of the acquisition of the Initial Shares under clause 2.4 of this agreement until Purchaser (or its nominee) completes the acquisition of the Option Shares, Giralia:

8 Representations of Purchaser

- (1) appoints Purchaser as its exclusive attorney to exercise all rights attaching to the Option Shares (including the right to vote the Option Shares and to requisition a meeting of members of Red Hill); and
 - (2) must not itself exercise any rights attaching to the Option Shares, and must not itself attend any meeting of the members of Red Hill.
- (b) Purchaser's rights under clause 7.2(a) in respect of the FIRB Shares are conditional on and subject to Purchaser obtaining approval under the FATA to acquire those rights.
 - (c) Purchaser indemnifies Giralia from all liability arising out of the any action taken by Purchaser in reliance on its rights under clause 7.2(a).
 - (d) The rights of Purchaser under this clause will end on 1 July 2009 if the One-Off Put Option, the Call Option or the Put Option (as applicable) is not exercised on or before 30 June 2009 or this agreement is otherwise terminated before that date.

8 Representations of Purchaser

Purchaser represents, on the date of this agreement, and on the completion date of each sale of Shares, that:

- (a) (subject to clause 5 in the context of the Option Shares) it has the power to acquire the Shares and all approvals and authorities that may be required to permit Purchaser to enter into and perform this agreement have been obtained and remain valid and subsisting; and
- (b) Purchaser is ultimately controlled by one or more of Hans Mende, Fritz Kundrun or AMCI International AG (the **Controllers**).

9 Warranties of Giralia

Giralia represents, on the date of this agreement, and on the completion date of each sale of Shares, that:

- (a) it has the power to sell the Shares and all approvals and authorities that may be required to permit Giralia to enter into and perform this agreement have been obtained and remain valid and subsisting; and
- (b) the Shares are, and will at completion be, free from all liens, charges and other encumbrances.

10 Governing Law and Jurisdiction

This agreement is governed by the laws of Western Australia and the parties agree to submit to the non-exclusive jurisdiction of the courts of that State.

11 General

- (a) A notice, consent or other communication under this agreement is only effective if it is:
- (1) in writing, signed by or on behalf of the party giving it;
 - (2) addressed to the party to whom it is to be given; and
 - (3) either:
 - (A) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that party's address; or
 - (B) sent by fax to that party's fax number and the machine from which it is sent produces a report that states that it was sent in full.
- (b) A notice, consent or other communication that complies with this clause is regarded as given and received:
- (1) if it is delivered or sent by fax at the time of transmission by the sender; and
 - (2) if it is sent by mail:
 - (A) within Australia - 3 Business Days after posting; or
 - (B) to or from a place outside Australia - 5 Business Days after posting.
- (c) The parties' fax numbers for the purposes of this agreement are:
 Giralia: (08) 9321 0070
 Purchaser: (07) 3210 1779
- (d) In this agreement, a reference to time is a reference to time in Perth, Western Australia.
- (e) In this agreement, **Business Day** means a day on which banks are open for business in Brisbane and Perth, excluding a Saturday, Sunday or public holiday.

12 Assignment


Neither party may assign its rights under this agreement without the consent of the other party.

However, Purchaser may, by notice to Giralia, nominate a company that is ultimately controlled by one or more of the Controllers as the entity to which Giralia must transfer all or any of the Shares.

* * * *


Please confirm your agreement by signing this letter where indicated below.

Yours faithfully



For and on behalf of Giralia Resources NL

Agreed



For and on behalf of AMCI Investments Pty Ltd