

6 May 2008

WEST PILBARA - RED HILL PROJECT PRE-FEASIBILITY STUDY **DELIVERS POSITIVE RESULT**

Highlights:

- PFS confirms technical and financial viability of a 25 million tonne per annum (Mtpa) iron ore project in the West Pilbara
- Capital expenditure is estimated at US\$3.9 billion for dedicated Project facilities, including provisions for EPCM, contingency and Owners' costs
- Sensitivity analyses indicate that the Project is capable of producing 30Mtpa with marginal increases in capital expenditure
- PFS recommends construction of 160km of new rail and a new deep water port facility at Cape Preston, subject to commercial agreement with other parties with interests in this port
- Operating costs of around US\$20 per tonne Free On Board (FOB), including royalties, at 25Mtpa
- EBITDA of the total project is US\$1.3 billion at 30Mtpa using expected 2008 iron ore prices
- Subject to approvals, construction could commence Q1 2010 with first shipments in 2012

Red Hill Iron Limited (Red Hill Iron) is pleased to announce the receipt of a Pre-Feasibility Study (PFS) recently completed by API Management Pty Ltd (API), the Manager of the Red Hill Iron Ore Joint Venture (RHIOJV). The RHIOJV commenced in late 2005 and completion of the PFS is a major milestone in its progression. The PFS has focused on the selection of preferred port options, development of the iron product, definition of infrastructure at proposed mine areas and development of mine-to-port transport corridors. Red Hill Iron understands that the Manager is presently formulating work programs and budgets and will shortly propose that the RHIOJV proceed to approve a more definitive Bankable Feasibility Study.

The PFS relates to Stage 1 of iron ore development in the West Pilbara under the management of API and assumes a 15 year mining operation. This stage involves only the RHIOJV resources together with the resources of an adjacent tenement containing the Catho Well channel iron deposits (CIDs) of which Red Hill Iron has no share of ownership. The EBITDA and other economic factors concluded by the Study therefore reflect values that do not pertain solely to the RHIOJV participants. However, approximately 85% of the resources to be mined in Stage 1 are from the RHIOJV area and these average a higher iron grade than the Catho Well CIDs. Additionally, the planned rail head will be within the RHIOJV area which is closer to the planned port facilities.

The PFS has confirmed the technical and financial viability of a development based on a 25 Mtpa iron ore operation, with 160km of new railway to a new open-access, deep-water port facility at Cape Preston. Sensitivity analyses indicate that the Project is capable of producing 30Mtpa with marginal increases in capital expenditure.

The RHIOJV assets are currently owned as to API JV 60% and Red Hill Iron 40%. The API JV may earn a further 20% interest by providing all further costs associated with development including all costs up to and including project completion. Red Hill Iron's 20% share of these costs is repayable out of 80% of the revenues which it receives from the proposed mining and exporting operations. Any decision to mine requires the unanimous vote of both the API JV and Red Hill Iron. Should either party vote against development then the other party would have the right to buy out the negative voting party and thence proceed with development. Red Hill Iron also has the right to elect to exchange its 20% project interest for a 2% FOB royalty at any time up to first delivery of ores to customers which could become a critical election should capital costs, or anticipated operating costs and project revenues negatively affect project economics.

Capital Expenditure

Area	Capital Cost (US\$'000)
Mine Processing and Infrastructure	781
Railway and Rolling Stock	822
Port Processing, Materials Handling, Jetty & Wharf, Dredging and Ancillaries	1,262
Total Direct Costs	2,865
EPCM	429
Contingency	564
Owners' Costs	86
Total Costs	3,944

Approximately US\$1.7 billion of the estimated capital expenditure for the Project is incurred to install the railway, ore wharf and channel for such a facility. Significant opportunities exist to either minimise capital expenditure or maximise the utilisation of such infrastructure through joint development, third party use and increased throughput from the Project.

Operating Costs

Operating costs for the Project are forecast to be US\$19.36 per tonne FOB at full production, including royalties, with production due to commence in 2012, subject to approvals.

This would generate earnings before interest, depreciation and amortisation ("EBITDA") of around US\$1.3 billion at expected 2008 prices.

Area	Operating Cost (US\$ per tonne)
Mining & Processing	8.58
Rail	2.26
Port Processing & Handling	3.79
Administration & Marketing	0.57
Royalties	4.16
Total Costs	19.36

Consultants and contractors, experienced with Pilbara iron ore facilities and operations, have been utilised to develop the capital and operating cost estimates. The following table lists those parties by area or discipline. Key reports were also subjected to peer reviews by independent consultants. An exchange rate of US95 cents to the A\$ has been used for both the capital and operating cost estimates.

Area/Discipline	Service Providers
Geology	Golder & Associates
Mining	Golder, Minserve, HWE – Leighton, Brambles
Product Development	Ammtec, CSIRO, CISRI, Intellection, N L Poetschka, ProMet
Mine Process Plant	Calibre
Mine Infrastructure	Calibre
Rail Transport	Calibre, Engenium
Port	Maunsell AECOM
Port Infrastructure	Maunsell AECOM
Power Supply	Tenet
Communications	Titan
Environment	Aquaterra, Biota Environmental Services, Western Botanical, D C Blandford & Associates, Maunsell AECOM

Subject to approvals, construction of the Project could commence in early 2010 with first shipments in 2012. The pathway toward production outlined in the PFS includes the proposed submission of an Environmental Impact Assessment by the fourth quarter of 2008, with a more definitive Bankable Feasibility Study due to be completed in the second quarter of 2009.

The total Mineral Resource inventory for the RHIOJV stands at **350.2 million tonnes at 57.2% iron.**

RHIOJV- TOTAL WEST PILBARA CHANNEL IRON RESOURCE										
Deposit	Category	Tonnes	Fe	SiO2	Al2O3	P	S	LOI	Mn	MgO
		000t	%	%	%	%	%	%	%	%
TOTAL	Measured	56,056	58.17	5.49	3.16	0.080	0.018	7.60	0.02	0.05
	Indicated	186,732	57.14	5.75	3.78	0.077	0.017	8.13	0.04	0.09
	Inferred	107,393	56.81	5.48	3.69	0.076	0.014	8.98	0.03	0.10
	Total	350,182	57.20	5.63	3.65	0.077	0.016	8.31	0.03	0.09

Neil Tomkinson
Chairman

Competent Person Statement

The information in this announcement that relates to Mineral Resources within the Red Hill Iron Ore Joint Venture area 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 API Management Pty Ltd, whilst 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 this announcement of the matters based on their information in the form and context in which it appears.

