

24 November 2009

Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

THE PANNAWONICA PROJECT

RED HILL IRON PURCHASES PILBARA CID EXPLORATION RIGHTS

Red Hill Iron Limited has entered into an agreement with Zanthus Pty Ltd, a company associated with well known prospecting identity, Mr Mark Creasy, which provides the opportunity for Red Hill Iron to add to its West Pilbara iron ore inventory. The Company currently holds a 40% interest (reducing to 20%) in the 422 million tonne CID Red Hill Iron Ore Joint Venture Project which is contiguous with this new project area.

The Agreement which is subject to Ministerial approval gives Red Hill Iron the rights to all the channel iron deposits (CIDs) that may be defined within the Pannawonica Project area which comprises a 150 square kilometre portion of granted Exploration Licence 08/1685 owned by Zanthus (see attached plan).

The consideration for the arrangement involves the issue to Zanthus of 2 million ordinary fully paid shares in Red Hill Iron Limited resulting in Mr Creasy becoming a significant Red Hill Iron shareholder. The Company will also pay Zanthus \$2 million.

The Pannawonica Project covers two significant paleodrainage systems within which the delineation of extensive CID resources is the target. The southern system, which extends over eight kilometres, is known as the Redgate Prospect while the northern system which has a total extent of six kilometres is known as the Whitegate Prospect.

The Company will commence a major exploration effort as soon as a Permit of Work is granted. The first phase of exploration will involve broad spaced reverse circulation drilling of the two main paleodrainage systems to outline potential CID resources. While modern CID exploration drilling has been limited to the extreme south east portion of the

Redgate Prospect, recent mapping and reconnaissance surface sampling has revealed strong evidence for the occurrence of substantial CID resources within these two extensive paleodrainage systems.

Access to the Pannawonica Project is particularly good via a major bitumen road and well maintained station roads. The project has the benefit of being close to both the Robe River Associates Pannawonica railway and the railway which is proposed to service the Red Hill Iron Ore Joint Venture.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Neil Tomkinson". The signature is written in a cursive, flowing style.

Neil Tomkinson
Chairman

