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

Dear Sir/Madam

## DRILLING COMMENCES ON RED HILL IRON'S PANNAWONICA PROJECT

Red Hill Iron Limited has commenced drilling on its 100% owned Pannawonica Channel Iron Project. Red Hill Iron purchased the rights to CID's within this 150 square kilometre area in late 2009.

The initial drill program will target channel iron deposits (CID's) within the Whitegate prospect which has a total extent of six kilometres and will involve at least115 broad spaced reverse circulation holes.

Subject to completion of an Aboriginal Heritage Survey on the more southerly Redgate Prospect which extends over eight kilometres, the Company hopes to carry out a drill program there in the near future.

The Pannawonica Project covers two significant paleodrainage systems within which the delineation of extensive CID resources is the target. Modern CID exploration drilling has been limited to date 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 prospect areas.

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 nearby Red Hill Iron Ore Joint Venture (RHIOJV) in which Red Hill Iron has a 40% interest which will reduce to 20% upon first delivery of ore from the RHIOJV area to a customer.

Yours faithfully,

Neil Tomkinson Chairman