

31 January 2013

The Manager
Announcements
Company Announcements Office
ASX Limited
PO Box H224 Australia Square
SYDNEY NSW 2000

Dear Sir / Madam,

Non-renounceable Entitlement Offer – Prospectus

We attach a copy of the company's prospectus, lodged with the Australian Securities and Investments Commission, in respect of a non-renounceable pro-rata entitlement offer of shares.

Yours faithfully

Peter Rutledge
Company Secretary

RED HILL IRON LIMITED
ABN 44 114 553 392

PROSPECTUS
FOR AN ENTITLEMENT OFFER OF SHARES

DATED

31 JANUARY 2013

For a non-renounceable pro rata issue of up to 5,489,461 fully paid ordinary shares in Red Hill Iron Limited at a price of 80 cents each to all holders of ordinary shares in Red Hill Iron Limited as at 19 February 2013, on the basis of 1 share for every 8 shares held, to raise up to \$4,391,570 before costs.

IMPORTANT NOTICE TO ALL SUBSCRIBERS TO THE OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION
IT SHOULD BE READ IN ITS ENTIRETY

If you are in doubt as to the course you should follow,
or you need an informed opinion, you should consult your
stockbroker, solicitor, accountant or other professional
adviser immediately

Underwriter to the Offer

Euroz Securities Limited

CORPORATE DIRECTORY

Directors

Neil Tomkinson
Executive Chairman

Joshua Pitt
Non-executive Director

Garry Strong
Non-executive Director

Project Manager

Doug Stewart

Company Secretary

Peter Ruttledge

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Registered and Business Office

Level 2, 9 Havelock Street
West Perth WA 6005
Telephone: (08) 9481 8627
Facsimile: (08) 9481 8445
Email: redhillinfo@redhilliron.com.au
Website: www.redhilliron.com.au

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233
Email: registrar@securitytransfer.com.au

Home Exchange

Australian Securities Exchange
2 The Esplanade
Perth WA 6000

Red Hill Iron Limited (ABN 44 114 553 392) is a public listed company incorporated and domiciled in Australia

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SECTION 1 - EXPLANATION OF THE PROSPECTUS

This Prospectus is dated 31 January 2013. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission (“ASIC”) on that date. Neither the ASIC nor the Australian Securities Exchange (“ASX”) is responsible for the contents of this Prospectus.

This Prospectus is a transaction specific prospectus issued in accordance with Section 713 of the Corporations Act 2001, which allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus is therefore intended to be read in conjunction with publicly available information in relation to the Company which has been notified to the ASX; it does not include all information that would be included in a prospectus for an initial offering of securities of a company that is not already listed on the ASX. Accordingly, shareholders should read this Prospectus in its entirety and should also have regard to other publicly available information in relation to the Company before deciding whether to apply for securities under this Prospectus. Refer to Section 2.1 for further information in this regard.

The securities offered under this Prospectus are shares (the “New Shares”) in a class of shares that are listed for quotation on a stock market of the ASX.

No securities will be issued on the basis of this Prospectus after the Expiry Date which is 13 months after the date of this Prospectus.

All monetary amounts referred to in this Prospectus are expressed in Australian Dollars.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia (other than New Zealand) may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

SECTION 2 - INFORMATION AVAILABLE

2.1 Continuous Disclosure

Red Hill Iron Limited (“Red Hill” or “the Company”) is a “disclosing entity” for the purposes of Section 111AC of the Corporations Act 2001. As such, it is subject to regular reporting and disclosure obligations which require it to disclose to the ASX any information which it is, or becomes, aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

Disclosing entities are, pursuant to the Corporations Act 2001, required to issue a prospectus satisfying the test set out in Section 713 of the Corporations Act 2001 where the securities offered by the prospectus are quoted securities and the securities are in a class of securities that were quoted securities at all times in the twelve months before the issue of the prospectus.

The Company believes that it has complied with the general and specific requirements of the ASX (as applicable from time to time throughout the twelve months before the issue of this Prospectus) which require the Company to notify the ASX of information about specified events or matters as they arise for the purpose of the ASX making that information available to a stock market conducted by the ASX, and thereby keep the market fully informed.

The shares offered by this Prospectus are considered to be in a class of securities that have been enhanced disclosure securities at all times during the twelve months prior to the issue of this Prospectus.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an office of the ASIC.

Information that is already in the public domain has not been reported in this Prospectus other than that information which is considered necessary to make this Prospectus complete.

The Company will provide a copy of each of the following documents free of charge to any person who so requests during the application period under this Prospectus:

- (a) the Annual Financial Report for the Company for the year ended 30 June 2012; and
- (b) the following documents, being all the continuous disclosure notices used to notify the ASX of information relating to the Company during the period after lodgement of the Annual Financial Report referred to in (a) and before the lodgement of this Prospectus with ASIC:

| Lodgement Date | Headline/Description of Announcement |
|-----------------------|---|
| 25/10/12 | Notice of Annual General Meeting/Proxy Form |
| 25/10/12 | Annual Report to Shareholders |
| 31/10/12 | Quarterly Activities and Cashflow Report |
| 27/11/12 | Change of Director's Interest Notices x 2 |
| 27/11/12 | Change of Director's Interest Notice Correction |
| 30/11/12 | Chairman's address to AGM |
| 30/11/12 | Results of AGM |
| 21/12/12 | Change in Director's Interest Notices |
| 17/01/13 | Pannawonica Project – Mining Lease Applications |
| 31/01/13 | Quarterly Activities and Cashflow Report |

2.2 Effect of this Prospectus

When this Prospectus is forwarded to members of the Company they shall have been served with a prospectus for the purpose of the application for the allotment of and the issue of New Shares.

2.3 Website – Electronic Prospectus

This Prospectus will not be issued as an electronic Prospectus but a copy of the Prospectus excluding the Entitlement and Acceptance Form may be accessed and downloaded for general information purposes only from the Company's website on the internet at www.redhilliron.com.au .

SECTION 3 – SUMMARY OF THE OFFER AND TIMETABLE OF IMPORTANT DATES

3.1 The Entitlement Offer

Up to 5,489,461 fully paid ordinary shares in Red Hill are being offered at a price of 80 cents each to all holders of ordinary shares in the Company as at 19 February 2013 on the basis of 1 share for every 8 shares held, to raise up to \$4,391,570 before costs.

The issue is fully underwritten by Euroz Securities Limited.

3.2 Timetable of Important Dates

| | |
|--|------------------|
| Announcement of Entitlement Offer and application for quotation (Appendix 3B) | 31 January 2013 |
| Date of lodgement of Prospectus with ASIC and ASX | 31 January 2013 |
| Despatch of notice to shareholders containing Appendix 3B information | 4 February 2013 |
| Ex date - shares trade ex-entitlements | 13 February 2013 |
| Record Date for determining entitlements to New Shares | 19 February 2013 |
| Prospectus and Entitlement and Acceptance Form dispatched and Offer opens | 22 February 2013 |
| Offer closes - latest date for acceptances and payment in full | 8 March 2013 |
| Shares quoted on a deferred settlement basis | 12 March 2013 |
| Notify ASX of undersubscriptions | 14 March 2013 |
| Dispatch – shares entered in shareholders' holdings and deferred settlement ends | 19 March 2013 |

These dates are indicative only and may vary. The Company reserves the right to vary the date that the Entitlement Offer opens and closes without prior notice. This may impact on subsequent dates. Applicants are encouraged to apply as soon as possible after the Entitlement Offer opens as it may close earlier than the date specified. The Company reserves the right not to continue with the Entitlement Offer at any time before the allotment of New Shares to successful applicants.

SECTION 4 – CHAIRMAN'S LETTER

Dear Shareholder,

For the first time since listing on the ASX in February 2006, your Company is raising capital to meet its current obligations and fund future evaluation of its assets. Your directors have decided that existing shareholders should be given the opportunity to participate in raising additional capital through this entitlement offer.

In the past 7 years, your Company has participated in the discovery and evaluation of two significant iron ore assets located in the West Pilbara region of Western Australia.

Red Hill Iron Ore Joint Venture (RHIOJV)

Red Hill Iron's interest in the RHIOJV is currently 40% but will be subject to reduction to 20% on first sales of ore from the RHIOJV area to customers. The Company has no requirement to contribute to the cost of iron ore exploration or development until the RHIOJV commences commercial production. The Company's joint venture partner is responsible for sole funding all such expenditure to this point. Once commercial production commences and product is delivered to customers, the Company may choose either to participate in the joint venture at the 20% level or to convert its interest to a 2% FOB royalty on all RHIOJV production.

The RHIOJV has outlined Ore Reserves of 289 million tonnes @ 57.3% iron (Proved 106 million tonnes, Probable 183 million tonnes). These reserves may be expanded should legal proceedings initiated by Red Hill Iron against its joint venture partner

in relation to Kens Bore East CID result in a favourable outcome for Red Hill Iron. The Company contends that this deposit is not solely the property of its joint venture partner, but should form part of the RHIOJV.

These Ore Reserves, together with an additional 70 million tonnes of Ore Reserves to be contributed by another joint venture, in which Red Hill Iron has no interest, constitute the 445 million tonnes Ore Reserves of the West Pilbara Iron Ore Project (WPIOP) Stage One. The manager of the WPIOP is in the process of finalising a definitive feasibility study that contemplates mining and comingling of the ore to produce 30 million tonnes of iron ore per annum over 15 years for shipment via a planned rail link to a proposed port at Anketell Point.

A Feasibility Study presented by the manager to the RHIOJV participants in May 2012 envisaged the RHIOJV providing the majority of the ore for comingling. A Development Proposal arising from the Feasibility Study has still to be completed by the manager.

A decision on ownership and construction of the proposed port at Anketell Point has still to be made, and this, coupled with current uncertainty in iron ore prices and a dispute that has arisen between the joint owners of the manager of the WPIOP, may cause delays to the WPIOP Stage One.

Red Hill Iron retains the right to take its share of RHIOJV production and to market the resultant tonnage on its own behalf.

Pannawonica Project

Red Hill Iron owns 100% of the Pannawonica CID Project. Exploration to date has resulted in the delineation of 70 million tonnes of CID Inferred Resources grading 54.1% iron (4.8% alumina). Recent applications for two Mining Leases covering the areas of CID mineralisation at the Pannawonica Project completed the earning requirement under the 2009 Agreement by which Red Hill Iron acquired ownership of the area (refer Red Hill Iron ASX announcement on 17 January 2013).

The Company has commenced a Pre-feasibility Study on this project and, as an integral part of this study, is planning an infill drilling programme commencing in the first quarter of 2013 aimed at establishing JORC Compliant Ore Reserves. This drilling programme will also examine the potential for higher grade material.

The Pannawonica Project is situated approximately 30 kilometres east of the Northwest Coastal Highway and 100 kilometres south of Cape Preston East, where a new port with iron ore export facilities is being contemplated by third parties. The rail line servicing the Mesa A CID mine passes between the Company's two Mining Leases, and the proposed route for the WPIOP Stage One rail line lies within 10 kilometres of both Mining Leases. The Company is aware of a third party proposal to construct a new ore haul road passing in close proximity to the Pannawonica Project providing a link to a proposed new port at Cape Preston East. The Board of Red Hill Iron is encouraged by current and planned infrastructure in the area of the Pannawonica CID Project. It is not certain that any of the planned infrastructure will be put in place or whether Red Hill Iron would be able to secure access to any of these transport opportunities or alternatively develop its own transport solution. However, the Board believes that there is sufficient encouragement to warrant a timely further appraisal of the Pannawonica Project.

A significant proportion of the funds to be raised from this capital raising will be applied to further exploration and evaluation of this project.

As shareholders would be aware, the Company initiated proceedings in the Supreme Court of Western Australia against its RHIOJV partner aimed at seeking a determination as to whether or not Red Hill Iron had the right to share in the ownership of the proposed rail and port facilities that are an integral component of WPIOP Stage One. As announced in September 2012, the court dismissed Red Hill Iron's claim and awarded costs against the Company.

The Company has reached agreement, subject to execution of deeds of settlement, on the level of costs to be paid, with the settlement amount being \$2.05 million. Red Hill Iron accordingly has made a provision for this liability in its financial statements for the half year ended 31 December 2012. Cash reserves at 31 December amounted to \$1.37 million. The Company estimates that it has a requirement for up to \$1.0 million to complete the settlement of legal costs and meet short term expenses.

Pending closure of the Entitlement Offer, Red Hill Iron has entered into short term bridging finance agreements on normal commercial terms with companies associated with myself and Mr Joshua Pitt, as detailed in Section 8.1 of this Prospectus, to provide these funds.

The balance of the proposed \$4.4 million capital raising will be applied to costs associated with the Offer, evaluation of the Pannawonica CID Project, overseeing the Company's interest in the RHIOJV, pursuing the Company's legal case for the Kens Bore East deposit to be included in the RHIOJV, and administration of the Company over the next 12 to 18 months.

Entities associated with my fellow director, Mr Pitt, and I hold 23.5% of the issued shares of the Company and these entities will take up their full entitlements under this offer. As detailed in Section 6.5 of this Prospectus, Mr Pitt and I have agreed with the Underwriter to extend our support by sub-underwriting the majority of the issue. No sub-underwriting fee will be payable.

This capital raising represents an important step in Red Hill Iron's progress and accordingly I encourage all shareholders to read this Prospectus in full and give due consideration to taking up their entitlements. There is also provision for those who take up their full entitlements to apply for additional shares from any shortfall that may arise.

Neil Tomkinson
Chairman
31 January 2013

Compliance Statement

The information in this Prospectus that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Doug Stewart who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Stewart is a Consultant to the Company. Mr Stewart has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stewart consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears, and has not withdrawn this consent

SECTION 5 – PURPOSE AND EFFECT OF THE ENTITLEMENT OFFER

5.1 Purpose of the Entitlement Offer

The Entitlement Offer will raise funds for the following purposes:

- funding the Company's further exploration and evaluation of its Pannawonica Project, including infill drilling and pre-feasibility studies;
- undertaking a review of the Company's 100% owned non-ferrous metal interests on the RHIOJV tenements;
- repaying director related loans of up to \$1 million made in connection with the settlement of legal costs in relation to the judgement handed down in the proceedings in the Supreme Court of Western Australia on 12 September 2012 (the "Infrastructure Proceedings"), as more fully described in Sections 8.1 and 8.7;
- meeting the expenses of this Entitlement Offer;
- meeting the administration and running costs of the Company; and
- pursuing the Company's legal case associated with the Company's claim with regard to including Kens Bore East in the RHIOJV as described in Section 8.8.

The estimated allocation of funds to be raised is as follows:

| | |
|---|------------|
| | \$M |
| Pannawonica Project and other exploration and evaluation | 2.3 |
| Repaying director related loans – up to | 1.0 |
| Costs of this issue | 0.1 |
| Administration, including legal fees associated with Kens Bore East | <u>1.0</u> |
| Gross proceeds of the Entitlement Offer | <u>4.4</u> |

5.2 Effect of this Entitlement Offer on the Company's Capital Structure

The capital structure before and after the Entitlement Offer is presented below:

| ORDINARY SHARES- Fully paid | No of shares |
|------------------------------------|---------------------|
| On issue | 43,915,686 |
| New Shares | <u>5,489,461</u> |
| After this Issue | <u>49,405,147</u> |

5.3 Effect of this Entitlement Offer on the Company's Statement of Financial Position

The effect of the Entitlement Offer on the unaudited Statement of Financial Position of the Company as at 31 December 2012 is shown in the unaudited proforma post-issue Statement of Financial Position set out below based on the assumption that the Entitlement Offer was effective as at 31 December 2012, that the net proceeds after costs are \$4,306,000. The Unaudited Proforma Post Issue balance sheet has also been adjusted to reflect expected post balance date events being the payments of the settlement amount relating to the Infrastructure Proceedings described in Section 8.7 and the draw down and subsequent repayment in full of the Director related loans described in Section 8.1.

STATEMENT OF FINANCIAL POSITION

| | Unaudited 31 December 2012 \$ | Unaudited Proforma Post issue \$ |
|-----------------------------------|--|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 1,377,598 | 3,633,598 |
| Trade and other receivables | <u>124,320</u> | <u>124,320</u> |
| TOTAL CURRENT ASSETS | <u>1,501,918</u> | <u>3,757,918</u> |
| NON CURRENT ASSETS | | |
| Exploration and evaluation assets | 10,008,025 | 10,008,025 |
| Plant and equipment | <u>10,405</u> | <u>10,405</u> |
| TOTAL NON CURRENT ASSETS | <u>10,018,430</u> | <u>10,018,430</u> |
| TOTAL ASSETS | <u>11,520,348</u> | <u>13,776,348</u> |
| CURRENT LIABILITIES | | |
| Trade and other payables | 41,895 | 41,895 |
| Provision | <u>2,050,000</u> | <u>-</u> |
| TOTAL CURRENT LIABILITIES | <u>2,091,895</u> | <u>41,895</u> |
| TOTAL LIABILITIES | <u>2,091,895</u> | <u>41,895</u> |
| NET ASSETS | <u>9,428,453</u> | <u>13,734,453</u> |
| EQUITY | | |
| Issued capital | 20,776,519 | 25,082,519 |
| Reserves | 285,770 | 285,770 |
| Accumulated losses | <u>(11,633,836)</u> | <u>(11,633,836)</u> |
| TOTAL EQUITY | <u>9,428,453</u> | <u>13,734,453</u> |

SECTION 6 - DETAILS OF THE ENTITLEMENT OFFER

6.1 The Offer

This Prospectus invites all existing holders of ordinary shares in the Company to participate in a pro-rata non-renounceable Entitlement Offer of New Shares on the basis of 1 New Share for every 8 shares held on the Record Date at an issue price of 80 cents per New Share. Fractional entitlements will be disregarded through rounding down.

The Entitlement Offer will comprise up to 5,489,461 New Shares and will raise up to \$4,391,570 before costs (estimated to be approximately \$85,000). There is no minimum subscription.

6.2 No Rights Trading

Entitlements to New Shares pursuant to the Entitlement Offer are non-renounceable and accordingly there will be no rights trading on the ASX.

6.3 Opening and Closing Dates

The Entitlement Offer will open for receipt of acceptances at 10.00 am WST on **Friday 22 February 2013** and will close at 5.00 pm WST on **Friday 8 March 2013**, or such later date not exceeding 13 months from the date of this Prospectus as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives the ASX notice of the change at least 6 Business Days prior to the Closing Date.

6.4 Underwriting

The Offer is fully underwritten by Euroz Securities Limited.

A summary of the underwriting terms and conditions is set out in Section 6.17.

6.5 Directors' Support of the Offer, Sub-underwriting and Effect of Control and Dilution

Entities associated with two of the Company's Directors, Mr Neil Tomkinson and Mr Joshua Pitt, (together the "Director linked Sub-Underwriters") currently hold a 23.52% relevant interest in the shares of the Company, and have committed to take up their full entitlement under this Offer. These entities have reached agreement with the Underwriter to sub-underwrite the Offer to the extent of 4,239,461 New Shares. This sub-underwriting agreement, to which no fee will attach, is at arm's length and on normal commercial terms and conditions.

The Director linked Sub-Underwriters' present relevant interest and changes under several scenarios are set out in the table below and are based on the assumption that the Director linked Sub-Underwriters take up their full entitlement of Shares under each scenario. The table below assumes no shareholders apply for Additional Shares (defined below) under the Shortfall Facility.

| Event | Shares held by Director linked Sub-Underwriters | Voting power of Director linked Sub-Underwriters |
|------------------------------------|---|--|
| On issue of Prospectus | 10,328,845 | 23.52% |
| On completion of Entitlement Offer | | |
| Issue fully subscribed | 11,619,950 | 23.52% |
| Issue 75% subscribed | 12,679,815 | 25.66% |
| Issue 50% subscribed | 13,739,680 | 27.81% |
| Issue 23.52% subscribed * | 14,568,306 | 29.49% |

* i.e. the only subscription being the 23.52% entitlement take up by the Director linked Sub-underwriter.

The number of Shares held by the Director linked Sub-Underwriters and their voting power in the table above show the potential effect of the sub-underwriting of the Offer. However, it is considered unlikely that no Shareholders, other than the

Director linked Sub-Underwriters, will take up entitlements under the Offer. The sub-underwriting obligation and therefore voting power of the Director linked Sub-Underwriters will reduce by a corresponding amount for the amount of entitlements under the Offer taken up by the other Shareholders.

In addition, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 12.5% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders are set out in the table below:

| Holder | Holding as at Record date | % at Record Date | Entitlements under the Offer | Holdings if Offer not taken up | % post Offer |
|---------------|---------------------------|------------------|------------------------------|--------------------------------|--------------|
| Shareholder 1 | 10,000,000 | 22.8% | 1,250,000 | 10,000,000 | 20.2% |
| Shareholder 2 | 5,000,000 | 11.4% | 625,000 | 5,000,000 | 10.1% |
| Shareholder 3 | 1,500,000 | 3.4% | 187,500 | 1,500,000 | 3.0% |
| Shareholder 4 | 400,000 | 0.9% | 50,000 | 400,000 | 0.8% |
| Shareholder 5 | 50,000 | 0.1% | 6,250 | 50,000 | 0.1% |

Note: The dilutionary effect shown in the table represents the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Facility.

6.6 Share Market Trading

The latest available market sale price of the Company's shares on the ASX on the day immediately before the announcement of the terms of the Entitlement Offer was \$1.20 on 29 January 2013.

The highest and lowest recorded sale prices of the Company's shares during the three months immediately preceding the announcement of this issue and the respective dates of those sales were:

| | | | |
|----------------|--------|-------|-----------------|
| Highest price: | \$1.25 | Date: | 7 November 2012 |
| Lowest price: | \$1.05 | Date: | 24 January 2013 |

6.7 Entitlements and Acceptances

Your entitlement to New Shares is set out in the accompanying Entitlement and Acceptance Form.

The Entitlement Offer is non-renounceable and accordingly you may not dispose of any part of your entitlement.

You may:

- Accept your entitlement in full – refer below; or
- Accept part of your entitlement and allow the balance to lapse – refer below; or
- Not accept any of your entitlement and allow it to lapse – refer below.

Acceptance of Entitlement in Full

If you wish to accept your entitlement in full, you should complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form and submit your acceptance either electronically by BPAY® or together with a cheque by mail or hand delivery to reach the Company's Share Registry prior to the Offer closing on 8 March 2013. If you are using BPAY® please note, as set out below, that you will need to allow time for your acceptance and remittance to be processed by the banking system.

Partial Acceptance of Entitlement

If you wish to accept part of your entitlement, you should complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the Form for that part of your entitlement that you wish to accept and submit your acceptance either electronically by BPAY® or together with a cheque by mail or hand delivery to reach the Company's Share

Registry prior to the Offer closing on 8 March 2013. If you are using BPAY® please note, as set out below, that you will need to allow time for your acceptance and remittance to be processed by the banking system.

Non-Acceptance of Entitlement

If you do not wish to take up any part of your entitlement, you are not required to take any action.

Payment for Acceptances by cheque or BPAY®

Entitlements may be taken up by submitting the completed Entitlement and Acceptance Form together with your cheque or money order, made payable to "Red Hill Iron Limited – Rights Issue" and crossed "Not Negotiable", to the Company's Share Registry

by hand delivery at:
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

by mail at:
Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953

to be received **no later than 5pm WST on 8 March 2013**.

Alternatively, entitlements may be taken up electronically using BPAY®, in which case you are not required to return the Entitlement and Acceptance Form. You can simply make payment for the total number of shares accepted by using the Biller Code and the personalised Reference Number set out in your Entitlement and Acceptance Form. You must ensure that acceptance and payment by BPAY® is received **no later than 4pm WST on 8 March 2013**.

Instructions for payment using BPAY® are set out in your Entitlement and Acceptance Form. You should be aware that your own financial institution may impose earlier cut-off times with regard to electronic payments and you should therefore take this into consideration when making payment.

6.8 Additional Shares – Shortfall Facility

Entitlements not taken up will constitute the Shortfall and these shares may be issued and allotted at the discretion of the Directors.

If you take up your entitlement in full you may apply for additional shares (Additional Shares) to be issued to you from the Shortfall.

This can be done by completing the Additional Shares section of the Entitlement and Acceptance Form, in accordance with the instructions on the Form, and including the consideration for these Additional Shares with the payment for your entitlement shares. As set out in Section 6.7, payment can be made by cheque / money order accompanying the Entitlement and Acceptance Form, or by BPAY®.

The Directors will retain discretion in assessing the number and basis of allocation of Additional Shares applied for from the Shortfall. Priority will be given to applicants with existing shareholdings of less than 100,000 shares applying for up to 100,000 Additional Shares.

If the number of Additional Shares applied for and allotted is less than the number of shares in the Shortfall, the balance remaining will be taken up in accordance with the terms of the Underwriting Agreement.

If the number of Additional Shares applied for exceeds the number of shares in the Shortfall, the Directors will determine the basis of the scale-back of applications to determine the number of Additional Shares to be allotted.

Enquiries

If you have any queries regarding your Entitlement, Acceptance of your Entitlement or Application for Additional Shares, please contact the Share Registry by telephone on **08 9315 2333** (from New Zealand **+61 8 9315 2333**) or your stockbroker or professional adviser.

6.9 Issue and Allotment of New Shares

The New Shares are expected to be issued and allotted by no later than 19 March 2013. Until the issue and allotment of the New Shares under this Prospectus, the acceptance money will be held in trust in a separate bank account opened and maintained for that purpose only as required by the Corporations Act. Any interest earned on the acceptance money will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares takes place.

6.10 ASX Listing

The Company has made application to the ASX for the official quotation of the New Shares offered by this Prospectus. If approval is not granted by the ASX for the official quotation of the New Shares within three (3) months after the date of this Prospectus, the Company will not allot or issue any New Shares and will repay all application monies (where applicable) within the time prescribed under the Corporations Act 2001, without interest.

The fact that the ASX may grant official quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

6.11 CHESS System

The Company participates in the Clearing House Electronic Subregister System ("CHESS"). ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532 ("ASTC"), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESS, Shareholders will not receive certificates for their New Shares but will receive a statement of their holdings indicating the allotment of their New Shares pursuant to their acceptance of the offer made under this Prospectus.

Shareholders who are broker-sponsored will receive a CHESS statement from ASTC.

Shareholders registered under the Issuer Sponsored subregister will receive a statement from the Company's Share Registry.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any month in which the balance of their shareholding changes. Shareholders may also request a statement at any other time, although a charge may be made for this additional service.

6.12 Overseas Investors

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Given the small number of shareholders registered with overseas addresses other than New Zealand, the number and value of New Shares these shareholders would be offered and the cost of regulatory compliance in those overseas jurisdictions, it is not practicable to extend this offer to shareholders other than those with Australian and New Zealand registered addresses. Consequently no offer of entitlements will be made to shareholders with registered addresses outside Australia and New Zealand.

New Shares to which Eligible Shareholders who are not residents of Australia and New Zealand would otherwise be entitled will form part of the Shortfall.

New Zealand shareholders

The New Shares are being offered to existing shareholders of the Company with registered addresses in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

Shareholders resident in New Zealand should consult their professional advisers as to whether any government or other consents are required, or other formalities need to be observed, to enable them to accept their entitlements under this Offer.

6.13 No issue of New Shares after the Expiry Date

No New Shares will be issued on the basis of this Prospectus later than the Expiry Date.

6.14 Ranking of New Shares

The New Shares will rank equally in all respects with the Company's existing issued fully paid ordinary shares. The Company currently has 43,915,686 fully paid ordinary shares on issue.

6.15 Dividend Policy

As the Company is an exploration company the Directors have not considered it necessary to formulate a dividend policy. A dividend policy will become appropriate in the event of the development of a cash flow which leads to trading profits.

6.16 Taxation Implications

The Directors do not consider that it is appropriate to give shareholders advice regarding the taxation implications of applying for New Shares under the Entitlement Offer. Neither the Company nor its advisers or Directors accept any responsibility or liability for any taxation consequences to shareholders. Shareholders should therefore consult their professional tax adviser in relation to any taxation implications of the Entitlement Offer which may be relevant to them.

6.17 Underwriting Agreement

A summary of the underwriting agreement is set out below:

Underwriting Agreement Summary

The Company has entered into an underwriting agreement (**Underwriting Agreement**) with Euroz Securities Limited (ABN 23 089 314 983) (**Underwriter**).

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite all of the Shares offered pursuant to the Offer (**Underwritten Shares**) and, in consideration for these services, the Company has agreed to pay the Underwriter a fee of \$60,000.

The Company will also reimburse the Underwriter for all reasonable costs and expenses of and incidental to the Offer.

The obligations of the Underwriter to underwrite the Offer are subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events, including if:

- (a) (**Indices fall**): the S&P ASX 200 Index is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement; or
- (b) (**Prospectus**): the Company does not lodge the Prospectus on the Lodgement Date or the Prospectus or the Offer is withdrawn by the Company; or
- (c) (**No Listing Approval**): the Company fails to lodge an Appendix 3B in relation to the Underwritten Shares with ASX within 7 days of the Lodgement Date; or

- (d) **(Supplementary prospectus):**
- (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in clause (o)(iv) below, forms the view on reasonable grounds that a Supplementary Prospectus should be lodged with ASIC for any of the reasons referred to in Section 719 of the Corporations Act and the Company fails to lodge a Supplementary Prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a Supplementary Prospectus without the prior written agreement of the Underwriter.
- (e) **(Non-compliance with disclosure requirements):** it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
- (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (ii) the rights and liabilities attaching to the Underwritten Shares; or
- (f) **(Misleading Prospectus):** it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of Sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
- (g) **(Restriction on allotment):** the Company is prevented from allotting the Underwritten Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority; or
- (h) **(Withdrawal of consent to Prospectus):** any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- (i) **(ASIC application):** an application is made by ASIC for an order under Section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn; or
- (j) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under Section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under Section 739 of the Corporations Act; or
- (k) **(Takeovers Panel):** the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel; or
- (l) **(Hostilities):** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (m) **(Authorisation):** any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (n) **(Indictable offence):** a director or senior manager of a Relevant Company is charged with an indictable offence; or
- (o) **(Termination Events):** subject to any of the events below, in the reasonable opinion of the Underwriter reached in good faith, having or likely to have, or those events together have, or could reasonably be expected to have, a Material Adverse Effect or could give rise to a liability of the Underwriter under the Corporations Act:
- (i) **(Default):** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (ii) **(Incorrect or untrue representation):** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;

- (iii) (**Contravention of Constitution or Act**): a contravention by a Relevant Company of any provision of its Constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- (iv) (**Adverse change**): an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
- (v) (**Error in Due Diligence Results**): it transpires that any of the due diligence results or any part of the verification material relating to the Prospectus was false, misleading or deceptive or that there was an omission from them;
- (vi) (**Significant change**): a "new circumstance" as referred to in Section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
- (vii) (**Public statements**): without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Prospectus;
- (viii) (**Misleading information**): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (ix) (**Official Quotation qualified**): the official quotation for the Shares offered under the Prospectus is qualified or conditional other than as set out in the Underwriting Agreement;
- (x) (**Change in Act or policy**): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (xi) (**Prescribed Occurrence**): a Prescribed Occurrence occurs, other than as disclosed in the Prospectus;
- (xii) (**Suspension of debt payments**): the Company suspends payment of its debts generally;
- (xiii) (**Event of Insolvency**): an event of insolvency occurs in respect of a Relevant Company;
- (xiv) (**Judgment against a Relevant Company**): a judgment in an amount exceeding \$100,000.00 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (xv) (**Litigation**): litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced against any Relevant Company, other than any claims foreshadowed in the Prospectus;
- (xvi) (**Board and senior management composition**): there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the Underwritten Shares without the prior written consent of the Underwriter;
- (xvii) (**Change in shareholdings**): there is a material change in the major or controlling shareholdings of a Relevant Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (xviii) (**Timetable**): there is a delay in any specified date in the Timetable which is greater than 3 Business Days;
- (xix) (**Force Majeure**): a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (xx) (**Certain resolutions passed**): a Relevant Company passes or takes any steps to pass a resolution under Section 254N, Section 257A or Section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xxi) (**Capital Structure**): any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus;

- (xxii) **(Breach of Material Contracts):** any of the Company's material contracts is terminated or substantially modified;
- (xxiii) **(Investigation):** any person is appointed under any legislation in respect of companies to investigate the affairs of a Related Company; or
- (xxiv) **(Market Conditions):** a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

SECTION 7 – INVESTMENT CONSIDERATIONS - RISKS

The shares offered pursuant to this Prospectus are speculative.

The value of the Company's shares can and does fluctuate depending on various factors including the general economic conditions in Australia, world-wide prices of metals and minerals, increases in operating costs in the Company's areas of operation and non-Australian factors which influence the Australian share market.

The ownership of the Company's shares involves certain risks and shareholders in doubt should consult their stockbroker or financial adviser for advice. Factors which in the opinion of the Directors should be taken into account include:

Equity Markets

The price of shares quoted for trading by the ASX is impacted by various international and domestic factors. As the Company is listed on the ASX, its share price is subject to these numerous influences that may reflect both the trends in the share market and the share prices of individual companies.

Government

In Australia, where the Company operates, Government policies are subject to review and change from time to time and the Company relies upon Government agencies promptly and favourably dealing with applications and consents. Such matters are likely to be beyond the control of the Company. Changes in community attitudes on matters such as taxation, environment and landholder issues may bring about reviews and possible changes in government policies and regulations. Any such government action or inaction may limit or prohibit operations or require increased capital or operating expenditure and could adversely impact the Company's business.

Taxation

The Company is subject to various forms of taxation in Australia. There is an ongoing risk that changes to taxation legislation or the interpretation or enforcement of taxation laws or regulations may adversely impact revenues, and therefore the financial performance of the Company.

Economic Conditions and Project Delays

Domestic and global economic conditions may affect Company performance. Factors such as inflation, interest rates, prices and availability of critical supplies, such as gas, oil, power and water may delay operations and impact operating costs and may adversely affect the prospects of the Company. The Company's future possible revenue and share price can be affected by these factors all of which are beyond the control of the Company and its Directors.

Contractual and Other Legal Risks

All permits and contracts entered into by the Company are subject to interpretation. There is no guarantee that the Company will be able to enforce all its presumed rights under its permits and contracts. The introduction of new legislation or amendments to existing legislation or changes in regulation or administrative practices by governments, developments in existing common law or civil law, or the interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets and operations and therefore on the financial performance and share price of the Company.

Litigation Risk

Exposure to litigation brought by third parties such as joint venture participants, contractors, regulators, or employees could negatively impact on the Company and its operations and licences. Legal claims, if successful could adversely impact the profits or financial position of the Company.

Exploration and Appraisal Risk

Potential investors should understand that mineral projects are high-risk undertakings. The Company's future mineral production is dependent on replenishing proved reserves through successful exploration and development. There can be no assurance that exploration of the Company's tenements will result in economic mineral reserves. The estimated costs of the Company are based on certain assumptions. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

Reserve and Resource Estimates

Reserve and resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates may change, resulting in alterations to mining development plans which could, in turn, adversely affect the Company's operations.

Title Risks

Interests in tenements are governed by the granting of licences or leases by the appropriate government authorities. The conduct of operations and the steps involved in acquiring all licences and permits involve compliance with numerous procedures and formalities. It is not always possible to correctly interpret, or comply with, or obtain waivers from, all such requirements and it is not always clear whether requirements have been properly complied with, or that it is possible or practical to obtain evidence of compliance. In some cases, failure to follow such requirements or obtain relevant evidence may call into question the validity of the titles.

West Pilbara Iron Ore Project

The proposed Stage 1 development of the WPIOP, of which production from the RHIOJV is planned to form an integral part, envisages the development of a railway line to and port at Anketell Point, the government approvals for, and financing of which are uncertain.

Pannawonica Project

The potential for development of the Company's wholly owned Pannawonica project depends on the outcome of further exploration drilling, pre-feasibility and feasibility studies.

Speculative Nature of Investment

This list of risk factors is not exhaustive of the risks faced by the Company or by investors in the Company. Potential investors should also have regard to the Company's prior publications and announcements. The above factors, and others not referred to specifically above, may in the future materially affect the financial performance of the Company and the value of the shares offered under this document. Potential investors should treat the investment in the Company as speculative and should consult their stockbroker or professional advisers before deciding whether to apply for shares.

SECTION 8 - ADDITIONAL INFORMATION

8.1 Interests of Directors

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or its promotion of the Entitlement Offer; or
- (c) the Entitlement Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash or shares or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her or any company or firm with which the Director is associated in connection with the formation or promotion of the Company or offer of the securities.

Directors' Shareholdings

Directors' interests in the share capital of the Company as at the date of this Prospectus are shown below:

| Director | Ordinary Shares Fully Paid | Percentage |
|-------------|-------------------------------|------------|
| N Tomkinson | 3,972,197 | 9.05% |
| J N Pitt | 6,356,648 | 14.47% |
| G R Strong | 1,143,946 | 2.60% |

The relevant interest of Mr Tomkinson and Mr Pitt in the shares of the Company is their combined holding of 10,328,845 ordinary shares (23.52%).

Directors' Remuneration

Details relating to the remuneration of Directors are set out in the Remuneration Report section of the Directors' Report and Note 14 of the Notes to the Financial Statements in the Company's 2012 Annual Financial Report lodged with the ASX on 28 September 2012. There have been no changes to the level of Directors' remuneration since that date.

Directors' Sub-underwriting

As set out in Section 6.5, entities associated with Mr Tomkinson and Mr Pitt have agreed with the Underwriter to sub-underwrite the offer to the extent of 4,239,461 New Shares. The sub-underwriting agreement, to which no fee attaches, is on normal commercial terms and conditions.

Director related loans

The Company has entered into agreements with companies associated with Directors Mr Neil Tomkinson and Mr Joshua Pitt whereby those companies will advance up to \$1 million to allow settlement of third party costs associated with Infrastructure Proceedings described in Section 8.7 and meet short term working capital requirements of the Company..

The loans, which represent unsecured short term bridging finance bear interest at 4.5% per annum and are otherwise on normal commercial terms and conditions. The loans are repayable within 7 days of closure of this offer or 3 months from date of first draw down, whichever is the sooner. No amounts have been drawn down as at the date of this Prospectus. First drawdown is expected to occur within the next two weeks once deeds of settlement in respect of the costs settlement have been finalised.

8.2 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Entitlement Offer; or
- (c) the Entitlement Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash or shares or otherwise) have been paid or agreed to be paid to any expert, or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or offer of the securities.

8.3 Consent

BDO Audit (WA) Pty Ltd ("BDO") consents to being named in this Prospectus in relation to an offer of shares in the Company for subscription, and any electronic version of the Prospectus. BDO consents to the inclusion of references to it in this Prospectus as auditors of the Company in the form and context in which those references are included. BDO has not made any statement in the Prospectus or any statement on which a statement made in the Prospectus is based other than as set out above. This consent has not been withdrawn prior to the lodgement of the Prospectus with ASIC.

Euroz Securities Limited ("Euroz") consents to being named in this Prospectus in relation to an offer of shares in the Company for subscription, and any electronic version of the Prospectus. Euroz consents to the inclusion of references to it in this Prospectus as the Underwriter of the Offer in the form and context in which those references are included. Euroz has not made any statement in the Prospectus or any statement on which a statement made in the Prospectus is based other than as set out above. This consent has not been withdrawn prior to the lodgement of the prospectus with ASIC.

8.4 Substantial Shareholders

As at the date of this Prospectus the following substantial shareholdings have been notified to the Company:

| Name | Shares Held | % of Issued Capital |
|---|-------------|---------------------|
| Wythenshawe Pty Ltd , Glyde Street Nominees Pty Ltd and Warramboe Holdings Pty Ltd – companies associated with directors N Tomkinson and J N Pitt | 10,328,845 | 23.52% |
| Aquila Resources Limited and associates | 8,752,229 | 19.93% |
| Brisbane Investments I Ltd and Brisbane Investments II Ltd | 4,051,210 | 9.22% |
| Acorn Capital Limited | 3,171,212 | 7.22% |

8.5 Rights Attaching To Shares

Details of the rights attaching to the Company's shares are set out in Note 12 of the Notes to the Financial Statements in the Company's 2012 Annual Financial Report lodged with the ASX on 28 September 2012, and in the Constitution of the Company, a copy of which can be inspected at the Company's registered office at Level 2, 9 Havelock Street, West Perth during normal business hours.

8.6 Corporate Governance

The Company has adopted comprehensive corporate governance policies. These policies are set out in the Company's 2012 Annual Report.

8.7 Settlement of Infrastructure Proceedings

On 13 August 2011 the Company announced that it had initiated proceedings in the Supreme Court of Western Australia against its RHIOJV partner seeking a determination on the Company's claimed right to share in the ownership of the proposed rail and port facilities that form an integral part of the WPIOP Stage One.

In September 2012 the Court dismissed Red Hill Iron's claim and awarded cost against the Company.

The process of determining the level of costs to be paid ensued and, as reported in the Company's quarterly report issued on 31 January 2013, a settlement amount of \$2.05 million has been agreed subject to execution of formal deeds of settlement between the parties.

8.8 Legal Proceedings – Kens Bore East

The Company has initiated legal proceedings in the Supreme Court of Western Australia against its joint venture partner in the RHIOJV claiming that the Kens Bore East CID currently held by its joint venture partner is an asset of the RHIOJV. No date has been set down for a hearing.

SECTION 9 - DIRECTORS' RESPONSIBILITY STATEMENT AND CONSENTS

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that no statements made by the Directors in this Prospectus are misleading or deceptive and that, in respect of any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that the persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or, to the Directors knowledge, are not likely to withdraw such consent before any issue of New Shares pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Signed in accordance with a resolution of the Directors.

N Tomkinson
Chairman
Dated 31 January 2013

SECTION 10 - GLOSSARY OF DEFINED TERMS

“**ASIC**” means the Australian Securities & Investments Commission;

“**ASTC**” means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532;

“**ASX**” means ASX Limited as operator of the Australian Securities Exchange;

“**Board**” means the Board of Directors of the Company;

“**Business Day**” means Monday to Friday inclusive except New Year’s Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that the ASX declares is not a business day;

“**CHESS**” means the ASX’s Clearing House Electronic Sub Register System;

“**Closing Date**” means 5.00pm WST on 8 March 2013 or such other date as may apply under terms hereof;

“**Company**” or “**Red Hill**” means Red Hill Iron Limited ABN 44 114 553 392;

“**Corporations Act**” means the Corporations Act 2001 (Cth) as amended from time to time;

“**Directors**” means the directors of the Company;

“**Director linked Sub-underwriters**” means entities associated with two of the Company’s Directors, Mr Neil Tomkinson and Mr Joshua Pitt, which are sub-underwriting the Offer to the extent of 4,239,461 shares.

“**Entitlement**” means the entitlement of an Existing Shareholder to apply for New Shares under the Entitlement Offer;

“**Entitlement Offer**” or “**Offer**” means the non-renounceable pro-rata issue pursuant to this Prospectus, of up to 5,489,461 New Shares on the basis of one New Share for every eight Shares held on the Record Date, at an issue price of 80 cents per New Share, to raise up to \$4,391,570 before expenses of the Issue;

“**Entitlement and Acceptance Form**” or “**Form**” means the personalised Entitlement and Acceptance Form accompanying this Prospectus;

“**Ex Date**” means 13 February 2013 being the date from which Shares trade without the Entitlement;

“**Existing Shareholder**” or “**Eligible Shareholder**” means those shareholders of the Company whose details appear on the Company’s register of shareholders at the Record Date or who are entitled to participate in the Entitlement Offer under the Listing Rules or other ASX requirements;

“**Expiry Date**” is the date 13 months after the date of this Prospectus;

“**Issue**” means the issue of New Shares pursuant to this Prospectus;

“**Listing Rules**” means the Listing Rules of ASX;

“**Lodgement Date**” means 31 January 2013;

“**Material Adverse Effect**” means:

- (a) a material adverse effect on the Offer or on the subsequent market for the Underwritten Shares (including, without limitation, a material adverse effect on a decision of an investor to invest in Underwritten Shares); or
- (b) a material adverse effect on the condition, trading or financial position and performance, profits and losses, results, prospects, business or operations of the Company and its subsidiaries taken as a whole;

“**New Shares**” means the Shares to be issued pursuant to this Prospectus;

“**Offer**” means the offer of New Shares pursuant to this Prospectus;

“**Official Quotation**” means official quotation by ASX in accordance with the Listing Rules;

“Opening Date” means 10.00am WST on 22 February 2013 or such other date as may apply under the terms hereof;

“Prescribed Occurrence” means:

- (a) a Relevant Company converting all or any of its shares into a larger or smaller number of shares;
- (b) a Relevant Company resolving to reduce its share capital in any way;
- (c) a Relevant Company:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under Section 257D or 257E of the Corporations Act;
- (f) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares or any other securities, or agreeing to make such an issue or grant such an option (other than pursuant to the Offer or conversion of any Options) or as previously notified to the Underwriter prior to the date of this Agreement;
- (g) a Relevant Company issuing, or agreeing to issue, convertible notes;
- (h) a Relevant Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property (other than as previously discussed with the Underwriter);
- (i) a Relevant Company charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (j) a Relevant Company resolving that it be wound up;
- (k) the appointment of a liquidator or provisional liquidator of a Relevant Company;
- (l) the making of an order by a court for the winding up of a Relevant Company;
- (m) an administrator of a Relevant Company, being appointed under Section 436A, 436B or 436C of the Corporations Act;
- (n) a Relevant Company executing a deed of company arrangement; or
- (o) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company.

“Prospectus” means this prospectus dated 31 January 2013;

“Record Date” means 5.00pm WST on 19 February 2013;

“Relevant Company” means the Company and each of its subsidiaries;

“Share Registry” means Security Transfer Registrars Pty Ltd;

“Section” means a section of this Prospectus;

“Share” means a fully paid ordinary share in the capital of the Company;

“Shareholder” means a registered holder of Shares as at the Record Date;

“Shortfall” means the New Shares forming Entitlements, or parts of Entitlements, not accepted by Existing Shareholders;

“Shortfall Notice Deadline Date” means 14 March 2013;

“Underwriter” means Euroz Securities Limited ABN 23 089 314 983;

“Underwriting Agreement” means the underwriting agreement between the Company and the Underwriter summarised in section 6.17;

“Underwritten Shares” means all of the shares offered pursuant to the Offer underwritten pursuant to the Underwriting Agreement;

“WST” means Australian Western Standard Time;

“\$” means Australian dollars unless otherwise stated.