

20 March 2006

**Company Announcements Office
Australian Stock Exchange Limited
PO Box H224 Australia Square
Sydney 2000**

Dear Sir / Madam

Exploration Update

We attach an update on the exploration activities of Red Hill Iron Limited.

Yours faithfully

Joshua Pitt
Director

RED HILL IRON LIMITED

EXPLORATION UPDATE

- **Encouraging initial CID drilling results from Cardo Bore East**
- **Further CID drilling to commence shortly**
- **200 hole RAB/aircore drilling of gold targets planned to commence in May**
- **40,000 line kilometre aeromagnetic survey commissioned**

Red Hill Iron Limited ("Red Hill Iron") controls a large package of tenements in the West Pilbara region of Western Australia. The tenements include known Channel Iron Deposits ("CIDs") associated with Tertiary aged river channels south of the Robe River-Pannawonica iron ore mining operations as well as targets prospective for gold and base metals.

The tenements are subject to an iron-ore-specific exploration joint venture with Australian Premium Iron ("API"), a joint venture between Aquila Resources Limited and US coal miner AMCI.

Red Hill Iron has rapidly advanced its regional gold and base metal appraisal with the refinement of photo imaging interpretations and the correlation of past data sets. It has commissioned a detailed aeromagnetic survey which will cover the entire Project Area at 100 metre line spacings to commence in April. This will greatly enhance structural interpretations and gold and base metal targeting. A RAB/aircore drilling program of 200 holes has been commissioned to commence in May that will provide initial bedrock testing of selected gold targets. Field work will commence shortly with a view to planning early electromagnetic and RC drill testing of priority base metal targets.

Iron ore exploration of the Project Area managed by API commenced in late 2005 with rock chip sampling of exposed CID mineralisation at the Catho Well North and Cardo Bore East targets. Selective rock chip sampling on traverses not less than 500 metres apart returned iron grades up to 57.6% Fe at Cardo Bore East and 58.3% Fe at Catho Well North. For reference, grades at the Robe River and Yandi CID mining operations are reported to be in the range 57% to 58% Fe.

API has completed a preliminary program of 14 RC holes (534 metres) at the Cardo Bore East target in December 2005, with holes drilled generally 300 to 500 metres apart over the mesa. The program was designed to provide a better understanding of the regolith and the geological characteristics of the CID mineralisation. Further drilling is now required before any interpretation of quality or tonnage potential of the Cardo Bore East target can be made. Results received from the preliminary programme are encouraging with the thickness of CID intersected between 15 and 20 metres with iron assaying between 56.6% and 60.3%.

RC drill intercepts from Cardo Bore East include (intercepts > 8.0m in width at >54% Fe):

	From	To	Intercept	Fe %	Al ₂ O ₃ %	SiO ₂ %	Mn %	P %	S %	LOI %
CARDO BORE										
CBRC041	23	39	16 m @ 56.65 % Fe	56.65	4.37	7.75	0.02	0.08	0.02	6.18
CBRC042	15	35	20 m @ 59.52 % Fe	59.52	3.38	4.15	0.02	0.06	0.01	6.89
CBRC043	14	33	19 m @ 59.20 % Fe	59.20	3.29	4.4	0.02	0.07	0.01	7.11
CBRC045	22	39	17 m @ 60.25 % Fe	60.25	2.97	3.03	0.43	0.07	0.01	6.6
CBRC047	12	30	18 m @ 59.61 % Fe	59.61	3.26	4.55	0.07	0.09	0.01	6.12
CBRC048	15	25	10 m @ 58.48 % Fe	58.48	4.04	4.85	0.02	0.06	0.02	6.47
	28	33	5 m @ 58.84 % Fe	58.84	3.68	4.69	0.02	0.07	0.01	6.66
CBRC049	24	34	10 m @ 56.32 % Fe	56.32	4.78	5.89	0.04	0.1	0.01	7.76

All the above drill holes intersected low grade (+50% Fe) CID from surface, with higher grade mineralisation averaging greater than 59% Fe intersected deeper in the profile. The base of the channel in this locality is approximately 40 metres below surface, significantly lower than the surrounding plain level. Elsewhere along the mesa, bedrock was intersected between 17 and 34 metres down hole.

Planning for additional drilling in the area to confirm the geometry of the main channel and its extent is in progress.

API is currently advancing a number of other CID targets based on extensive outcrops of Tertiary Robe Pisolite.

The information in this announcement, insofar as it relates to iron ore exploration activities, is based on information compiled by Stuart H Tuckey, who is a member of the Australian Institute of Mining and Metallurgy, and who has more than five years experience in the field of activity being reported on. Mr Tuckey is a full-time employee of API Management Pty Ltd. Mr Tuckey 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 of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tuckey consents to the inclusion in the report of the above matters, based on their information in the form and context in which it appears.

