

12 December 2008

Company Announcements

ASX Limited

Level 10, 20 Bond Street

Sydney NSW 2000

Dear Sir / Madam

SHAREHOLDER UPDATE
FOLLOWING THE ANNOUNCEMENT ON 5 DECEMBER 2008 BY AQUILA
RESOURCES LIMITED WITH REGARDS TO THE RECOMMENDED PORT SELECTION
FOR THE SHIPPING OF RED HILL IRON ORE JOINT VENTURE PRODUCTION

Red Hill Iron Ltd (RHI) owns a 40% interest in the Red Hill Iron Ore Joint Venture (RHIOJV), reducing in certain circumstances to 20%. Currently the greater majority of the CID resources which comprise Stage 1 of the West Pilbara Iron Ore Project (WPIOP) are owned by the RHIOJV participants and consequently, the choice, availability and cost of port facilities for export of product is of critical importance to your Company.

In its recent announcement Aquila Resources Limited (Aquila) stated that the Manager of the WPIOP had recommended Anketell Point, directly west of Cape Lambert, as the preferred port site for the shipping of project iron ore ahead of Cape Preston and Onslow. This recommendation awaits the approval of the WPIOP participants -being Aquila and AMCI Inc. (AMCI).

Red Hill Iron Limited (RHI) recognises that it is not a WPIOP participant and has very little influence on decisions made by that joint venture. However, as detailed in earlier releases, your Company has, through its legal advisers, informed the WPIOP participants that it believes it has a contractual right to share in the studies pertaining to rail and port selection and consequently to a 20% ownership interest in any subsequent rail and port development. This assertion has to date been rejected by the WPIOP participants.

An alternative to establishing new port and rail facilities may be the use of the Robe River Iron Associates railway and Port Lambert facilities. The railhead to those facilities lies adjacent to the Red Hill project area. The sharing of these facilities may prove a superior option and would be in line with the recent decision requiring owners of such assets to allow third party use on commercial terms.

It is not at all certain that the WPIOP participants will accept the recommendation of the WPIOP Manager and proceed with the Anketell Point port study. However, should such a decision be taken, then Red Hill Iron will review its position in relation to seeking a court order aimed at ensuring its right to participate as a part owner of those facilities. In considering such a step, the Directors of Red Hill Iron will take into consideration not only the strong legal advice received to date but also the dramatically changed economics of the iron ore export business.

For information purposes we attach a copy of the Release to ASX made by Aquila Resources Limited on 5 December 2008.

Yours faithfully,

Neil Tomkinson
Chairman

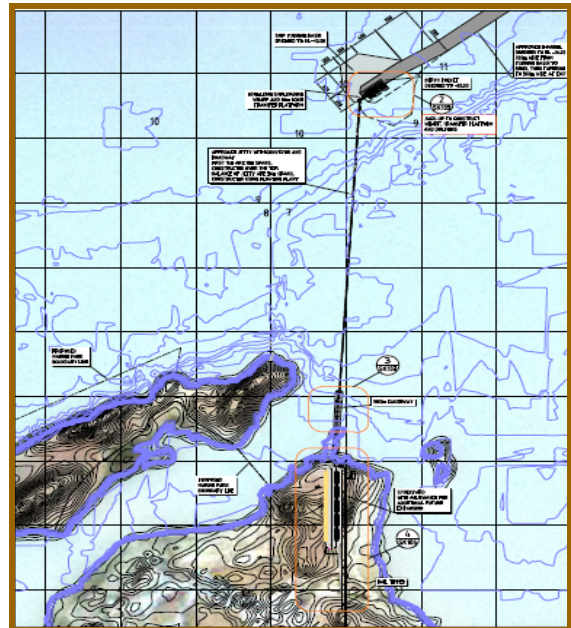
West Pilbara Iron Ore Project Recommends Anketell Point as Preferred Port

Carbon steel resources producer and developer, Aquila Resources Limited (ASX:AQA "Aquila" or "the Company") is pleased to announce that Anketell Point, directly west of Cape Lambert, has been recommended by the project manager as the preferred port site for the West Pilbara Iron Ore Project ("the Project"), being developed by its 50% owned Australian Premium Iron Joint Venture ("API JV").

The selection of a preferred port site, which is subject to joint venture approval, is a significant development for the project and will allow the project team to focus all technical, commercial and environmental studies on that site. It will also allow for a clear mine, rail and port development proposal to be submitted to the EPA for environmental approvals.



Anketell Point Channel west of Cape Lambert



Anketell Point Stockyard and Jetty

The recommendation is based on an exhaustive review of the three port options which has been undertaken since the Pre-Feasibility assessment of the Project. The three ports considered were Anketell Point (previously referred to as Dixon Island), Cape Preston and Onslow, with Cape Preston originally preferred in the Pre-Feasibility Study.

The review has included seismic surveys undertaken over the channel and jetty alignments at each port, to refine the geotechnical assumptions that underpin the cost and construction duration estimates of dredging and jetty piling. These surveys, as well as the revision of original design concepts and timelines, have allowed the reassessment of the comparative values of each port option, to reach a position where a recommendation could be made.

Further, subject to joint venture approval, it will allow the project team to pursue options to identify potential co-developers or users of that port site, with the initial goal of minimising capital expenditure by sharing the development of the facilities. Failing that outcome, the joint venture could seek to maximise the volume of ore handled by the new port facilities to optimise the return on investment.

Revision of the capital and operating cost estimates and development schedule will be undertaken during the Definitive Feasibility Study currently under way and due for completion in mid 2009.

Tony Poli
Executive Chairman

For further information regarding this announcement, please contact Tony Poli.

Telephone: (08) 9423 0111
Facsimile: (08) 9423 0133
Email address: mail@aquilaresources.com.au
Visit us at: www.aquilaresources.com.au