

30 July 2010

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

Dear Sir/Madam

### **West Pilbara Iron Ore Project - Clarification**

On 5 July 2010 Aquila Resources Limited (AQA) released details of a Definitive Feasibility Study (“DFS”) for a 30 Mtpa 1<sup>st</sup> Stage iron ore project in the West Pilbara (“the Project”), which was prepared by API Management Pty Ltd (API).

On 8 July 2010 Red Hill Iron Limited (RHI) released a statement informing shareholders of the pertinent items in the AQA DFS Release which were applicable to RHI and the Red Hill Iron Ore Joint Venture (RHIOJV) in which RHI currently holds a 40% interest.

On 28 July 2010 AQA announced a Clarification of their 5 July Release. In order that shareholders can be as fully informed as RHI itself, the Company attaches a copy of the text of the AQA Release of 28 July 2010.

RHI will continue to keep the market informed as information flows from API, the manager of the RHIOJV; a request has been made of API to supply any further detail which may be material.

Yours faithfully

Neil Tomkinson  
Chairman

West Pilbara Iron Ore Project – Clarification

Aquila Resources Limited (ASX:AQA “Aquila” or “the Company”) wishes to clarify a number of matters in its Australian Securities Exchange (“ASX”) release of 5 July 2010 relating to the West Pilbara Iron Ore Project (“5 July Release”).

Due to the status of the assessments and studies of the Resources that have been carried out to date by the Australian Premium Iron Joint Venture Manager (“API”), the document which was referred to as a “Definitive Feasibility Study” in the 5 July Release should more properly be referred to as a “Feasibility Study”. This study was based on the current Resource estimate for the Stage 1 Development of the West Pilbara Iron Ore Project, detailed in the following table.

Deposit	Category	Tonnes Mt	Fe %	SiO2 %	Al2O3 %	P %	S %	LOI %
<b>Mt Stuart Joint Venture - WPIOP - Stage 1 (API hold 70%)</b>								
Catho Well	Measured	0						
	Indicated	55	55.40	6.67	3.00	0.037	0.016	10.32
	Inferred	24	55.20	7.06	3.18	0.036	0.016	9.99
	<b>Total</b>	<b>79</b>	<b>55.34</b>	<b>6.79</b>	<b>3.06</b>	<b>0.037</b>	<b>0.016</b>	<b>10.22</b>
<b>Red Hill Joint Venture - WPIOP - Stage 1 (API earning 80%)</b>								
Catho Well North	Measured	0						
	Indicated	0						
	Inferred	6	55.20	7.44	2.81	0.033	0.014	9.87
	<b>Total</b>	<b>6</b>	<b>55.20</b>	<b>7.44</b>	<b>2.81</b>	<b>0.033</b>	<b>0.014</b>	<b>9.87</b>
<b>Cardo Bore East</b>								
Catho Bore East	Measured	0						
	Indicated	39	58.77	4.87	3.65	0.076	0.015	6.80
	Inferred	6	58.43	5.05	3.66	0.074	0.016	7.04
	<b>Total</b>	<b>45</b>	<b>58.72</b>	<b>4.89</b>	<b>3.65</b>	<b>0.076</b>	<b>0.015</b>	<b>6.83</b>
<b>Cardo Bore North</b>								
Catho Bore North	Measured	0						
	Indicated	3	57.89	5.60	3.55	0.079	0.020	7.43
	Inferred	3	57.40	5.52	3.69	0.078	0.026	8.12
	<b>Total</b>	<b>6</b>	<b>57.63</b>	<b>5.56</b>	<b>3.62</b>	<b>0.078</b>	<b>0.023</b>	<b>7.78</b>
<b>Cochrane</b>								
Catho Cochrane	Measured	0						
	Indicated	33	57.31	5.34	4.01	0.078	0.022	8.04
	Inferred	0	0.00	0.00	0.00	0.000	0.000	0.00
	<b>Total</b>	<b>33</b>	<b>57.31</b>	<b>5.34</b>	<b>4.01</b>	<b>0.078</b>	<b>0.022</b>	<b>8.04</b>
<b>Jewel</b>								
Catho Jewel	Measured	0						
	Indicated	23	56.51	5.85	3.86	0.061	0.024	9.00
	Inferred	6	56.28	6.10	4.06	0.069	0.023	8.89
	<b>Total</b>	<b>28</b>	<b>56.46</b>	<b>5.90</b>	<b>3.90</b>	<b>0.063</b>	<b>0.024</b>	<b>8.98</b>
<b>Kens Bore</b>								
Catho Kens Bore	Measured	0						
	Indicated	51	56.01	6.42	3.93	0.090	0.010	8.83

	Inferred	68	57.00	5.28	3.71	0.075	0.012	8.88
	<b>Total</b>	<b>119</b>	<b>56.58</b>	<b>5.77</b>	<b>3.81</b>	<b>0.081</b>	<b>0.011</b>	<b>8.86</b>
<b>Trinity Bore</b>								
	Measured	19	55.73	6.00	3.85	0.098	0.018	9.73
	Indicated	55	54.53	7.88	3.79	0.047	0.022	9.70
	Inferred	33	54.12	8.08	4.03	0.057	0.023	9.74
	<b>Total</b>	<b>107</b>	<b>54.62</b>	<b>7.61</b>	<b>3.87</b>	<b>0.059</b>	<b>0.022</b>	<b>9.72</b>
<b>Upper Cane</b>								
	Measured	56	58.17	5.49	3.16	0.080	0.018	7.60
	Indicated	23	57.83	5.95	3.25	0.076	0.019	7.41
	Inferred	0	0.00	0.00	0.00	0.000	0.000	0.00
	<b>Total</b>	<b>79</b>	<b>58.07</b>	<b>5.63</b>	<b>3.19</b>	<b>0.079</b>	<b>0.018</b>	<b>7.55</b>
<b>Red Hill Joint Venture</b>								
	Measured	75	57.56	5.62	3.34	0.085	0.018	8.14
	Indicated	226	56.57	6.24	3.78	0.071	0.018	8.43
	Inferred	121	56.17	6.18	3.77	0.068	0.016	9.06
	<b>Total</b>	<b>422</b>	<b>56.63</b>	<b>6.11</b>	<b>3.70</b>	<b>0.072</b>	<b>0.017</b>	<b>8.56</b>
<b>WPIOP -Stage 1 CID</b>								
	Measured	75	57.56	5.62	3.34	0.085	0.018	8.14
	Indicated	281	56.34	6.32	3.63	0.064	0.018	8.80
	Inferred	146	56.01	6.32	3.67	0.062	0.016	9.21
	<b>Total</b>	<b>501</b>	<b>56.43</b>	<b>6.22</b>	<b>3.60</b>	<b>0.067</b>	<b>0.017</b>	<b>8.82</b>

As a result of further drilling at Kens Bore, work is currently being undertaken by Golder Associates Pty Ltd to prepare an updated Resource Statement. The results of the further drilling have been previously released to the market in the Company's Quarterly Reports from June 2009 to March 2010. Once that updated Resource Statement has been completed, Orelogy Pty Ltd will then re-optimize the pit shells and prepare an updated mine schedule and a maiden Reserve Statement. This is anticipated to be completed later this year.

The Company will then make an ASX release of the updated Resource Statement and Reserve Statement, along with an economic evaluation of the West Pilbara Iron Ore Project. Until that time, and in light of the above, no investment decision should be made based on the net present value (NPV), the internal rate of return (IRR) and average annual Project EBITDA which were referred to in the 5 July Release.

The 5 July Release also referred on page 5 to the amount of 352Mt as "a Mineable Resource". This term is not a defined term for the purposes of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). The Company did not intend to imply that the term "Mineable Resource" is such a defined term nor that a JORC Code compliant Reserve had been determined as at the time of the 5 July Release.

As noted in the 5 July Release, further development of the West Pilbara Iron Ore Project remains conditional on a development decision by the Project Participants, relevant statutory approvals (including infrastructure related approvals) and securing the necessary funding.

## Tony Poli

### Executive Chairman

#### Competent Person Statement

The information in this announcement that relates to the Trinity Bore, Kumina Creek and Robe Exit Mineral Resources is based on information compiled by Mr Stuart H Tuckey. The information in this announcement that relates to the Catho Well, Catho Well North, Cardo Bore East, Cardo Bore North, Cochrane, Jewel, Kens Bore, Upper Cane and Hardey Mineral Resources is based on information compiled by Mr Stuart H Tuckey, Dr Sia Khosrowshahi and Mr Jani Kalla who are members of the Australian Institute of Mining and Metallurgy. Mr Tuckey is a full-time employee of API Management Pty Ltd. Dr Khosrowshahi and Mr Kalla are employees of Golder Associates Pty Ltd. Messers Tuckey, Khosrowshahi and Kalla have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tuckey, Dr Khosrowshahi and Mr Kalla consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.