

3 December 2010

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

Dear Sir/Madam

**Red Hill Iron Ore Joint Venture –
Maiden Reserve announced for West Pilbara Iron Ore Project Stage 1**

We attach a copy of an announcement released earlier today by Aquila Resources Limited announcing a maiden reserve for the West Pilbara Iron Ore Project of 445 Mt Proven and Probable Reserves.

A large proportion of the Mineral Resources from which these Reserves have been derived are attributable to the Red Hill Iron Ore Joint Venture (“RHIOJV”).

The Company expects to have a more detailed assessment of the Reserves as they affect the RHIOJV shortly, whereupon it will release that information.

Yours faithfully

Neil Tomkinson
Chairman

West Pilbara Iron Ore Project Maiden Reserve of 445Mt

Highlights

- **Maiden JORC Ore Reserve estimate for the Stage 1 development of 445Mt of Proven and Probable Reserves**
- **This Proved and Probable Reserve represents 74% of the Stage 1 development Measured and Indicated Resource**
- **Overburden to Ore ratio reduced from 1.85:1 to 1.13:1**
- **Mine schedule completed for 15 years of production at 30Mtpa**
- **Significant Pilbara footprint of 8,500km² tenements provides the opportunity to identify further Resources and thus extend the mine life and/or increase the throughput of the Project**

Aquila Resources Limited (“Aquila” or the “Company”) is pleased to report the maiden JORC Ore Reserve estimate for the West Pilbara Iron Ore Project (“the Project”) located in the Pilbara region of Western Australia. The Project is managed by the Australian Premium Iron Joint Venture (“API JV”), in which the Company has a fifty per cent interest.

The Project is a green-field, Pilbara iron ore development of a 30Mtpa mining operation based on the above Reserves, with the construction of a new 282km railway to connect the mining operation with a new port development at Anketell Point, just to the west of Cape Lambert.

Stage 1 Reserves

ORElogy, an independent mine planning consultancy firm based in Perth, Western Australia, was retained to prepare a Reserve estimate for the West Pilbara Iron Ore Project.

An Ore Reserve statement is provided in Table 1. This Reserve has been prepared in accordance with the rules and regulations of Australasian JORC 2004 (Joint Ore Reserves Committee) Code. Ore Reserves can be classified as either Proven or Probable. A Proven Ore Reserve is the economically mineable part of a Measured Mineral Resource, while a Probable Ore Reserve is the economically mineable part of an Indicated Mineral Resource. Ore Reserves cannot be derived from an Inferred Mineral Resource.

Table 1 – Stage 1 Ore Reserve Estimate

Product	Category	Tonnes Mt	Fe %	Al ₂ O ₃ %	SiO ₂ %	P %	LOI %
Product 1	Proven	145.2	58.40	3.29	4.87	0.08	7.77
	Probable	244.1	56.71	3.41	5.96	0.06	8.86
	Total	389.3	57.34	3.37	5.55	0.07	8.45
Product 2	Proven	20.5	55.09	3.96	6.81	0.09	9.58
	Probable	35.3	55.05	3.95	7.35	0.09	9.16
	Total	55.8	55.07	3.96	7.15	0.09	9.31
TOTAL	Proven	165.7	57.99	3.38	5.11	0.08	7.99
	Probable	279.4	56.50	3.48	6.13	0.06	8.90
	Total	445.1	57.05	3.44	5.75	0.07	8.56
	Waste	504.0					

Attachment A summarises the main criteria used by ORElogy to develop this Reserve. To fully utilise the Resource, the potential for a second product was investigated based on a minimum (secondary) product grade of 55%. Consequently, the Reserve is split into 2 distinct products, with Product 1 being the predominant ore production for the life of the Stage 1 mining operations and Product 2 being a lower grade product which is stockpiled and rehandled at the end of Stage 1 mining operations.

Studies

The new pit designs have resulted in a waste removal requirement of 504Mt, resulting in an overburden to ore ratio of 1.13 to 1. This has resulted from the advent of Product 2, which was previously waste, and the reduction of waste removal at Kens Bore Deposit following the addition of the contiguous Kens Bore East Deposit.

The feasibility study for the Project will now be updated for the inclusion of this maiden Reserve and the underlying mine schedule, as well as additional work undertaken since the completion of the study report that issued in July of this year. It is anticipated that the reduction in the overburden to ore ratio will have a favourable effect on the mining cost per tonne of product and the mobile equipment fleet capital expenditure.

Stage 1 Development

Approvals

The Public Environmental Review (PER) for the Mine and Rail has completed its public review period and responses have been prepared for the comments received during that process and submitted to the Environmental Protection Authority. Government approvals remain on schedule to be forthcoming in the September Quarter 2011.

The revised PER document for the proposed Port has been accepted by the Environmental Protection Authority as suitable for public release. Subject to approval from the federal Department of Sustainability, Environment, Water, Population and Communities, this PER will be released for public comment before the end of this year.

With all necessary participant and statutory approvals expected by the March Quarter 2012, a two year construction program would enable the first ore to be loaded on a ship by mid 2014.

Product Development

Three new Memoranda of Understanding (MoU) have been signed with steel mills, taking the total to 35 MoU with Asian steel mills.

Stage 1 Reserve Parameters

The Ore Reserve statement in Table 1 has taken into account the following parameters:

- Updated resource block models for all deposits. These resource estimates utilise the most up-to-date information;
- Mining Study version 5 information, which was completed early 2010. This includes current mining methods, costs, recovery and geotechnical information;
- A review of all pit optimisations using the above information;
- Re-designed ultimate pits for each resource;
- Mineable reserves using only measured and indicated ore; and
- A life-of-mine schedule that meets the product specification requirements in a practical and achievable manner, throughout the life of the operation.

Whittle 4X pit optimisation software was used to generate optimal shells which are 3D shapes that serve as guides for pit and stage design. A stage is defined as an independent mining area within a given ultimate pit design. In general, the reason to create stages is for scheduling purposes, such as to delay waste mining, to achieve a certain grade blend target, to phase in particular locations in a controlled manner, to undertake backfill operations or other operational imperatives. The pit design and optimisation criteria are detailed in Tables 2 and 3.

Table 2 – Pit Design Criteria

Design Item	Unit	Value
Batter Angle	deg	65
Batter Height	m	16
Berm Width	m	4
Max Inter-ramp Distance	m	No Limit
Overall Slope Angle	deg	54.4
Ramp / Haulroad Width	m	37
Ramp / Haulroad Driving Surface	m	27
Ramp / Haulroad Gradient	ratio	1 in 10
Minimum distance pit edge – lease boundary	m	30

Table 3 – Pit Optimisation Input Parameters

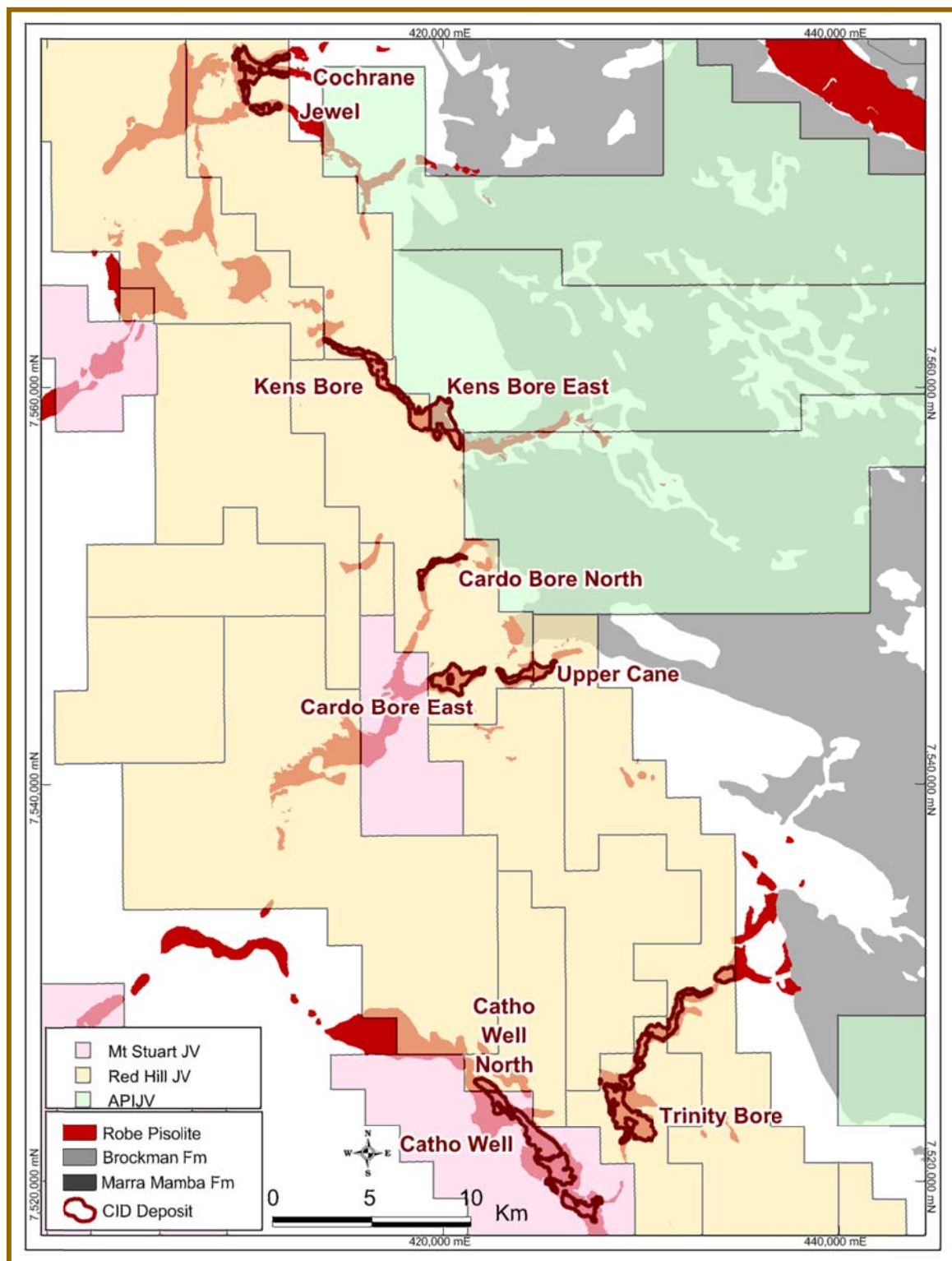
Optimisation Parameter	Unit	Value
Revenue Primary Product	A\$/t product	84.24
Revenue Secondary Product	A\$/t product	60.47
Mining costs	A\$/t mined	2.78
Processing & Logistics costs	A\$/t product	11.88
Overall Slope Angle	Deg	55
Mining Losses	%	9.5
Dilution	%	0
Metallurgical Recovery	%	100
Discount Rate	%	10
Resource Classes	#	Measured & Indicated

Mine scheduling was undertaken using evORElution scheduling software, with the aim to confirm the ability to produce 30Mtpa of primary product from the new pit designs. The scheduling is based on annual reporting periods and the following scheduling philosophy:

- The project is split into 3 distinct areas that is, north (Cochrane and Jewel), central (Kens Bore, Cardo Bore North, Cardo Bore East and Upper Cane) and south (Trinity Bore and Catho Well Bore);
- Ore is mined from each of the northern and southern regions at the average grade of each of the regions. Ore from the central pits is mined at such a rate and from the appropriate locations to ensure a consistent overall grade of the ore is maintained during the course of each year and over the life of the mine;
- Once mining in the pits has been completed, the rehandle of stockpiled second product will commence; and
- All stockpiled ores are transported to the Central Processing Facility.

Figure 1 shows the location of the Deposits that comprise this maiden Reserve.

Figure 1 – Stage 1 Development Deposit Locations



Competent Person Statements

The information in this release that relates to Ore Reserves is based on information compiled by Mr Steve Craig, Managing Director of ORElogy (Mining Consultants). Mr Craig is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity 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 Craig consents to the inclusion of the matters based on his information in the form and context in which it appears in this release.

Tony Poli
Executive Chairman

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

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Attachment A – Ore Reserve Criteria

ESTIMATION AND REPORTING OF ORE RESERVES	
Mineral Resource Estimate for Conversion to Ore Reserves	The resource estimate was prepared by Golder & Associates Pty Ltd in September 2010.
Study Status	Australian Premium Iron Management Pty Ltd (API) has completed a feasibility study which has determined that the mine plan is technically achievable and economically viable and that all modifying factors have been considered.
Cut-off Parameters	The applied cut-off grades have been described in detail and account for all of the relevant parameters.
Mining & Metallurgical Factors	<p>The resource was optimised using WHITTLE pit optimisation software. The results were checked and validated and provide the basis for mine design. Detailed staged and ultimate designs were developed on this basis.</p> <p>The choice and nature of mining method is based on using large open pit mining equipment. This method is considered appropriate for the style of mineralisation and has been applied to other similar operations in the area.</p> <p>All geotechnical parameters have been supplied by API and include design criteria for batter and overall slopes which have been included as part of the mine design process.</p> <p>All other modifying parameters including mine dilution, mining recovery, minimum mining widths have been carefully calculated based on ore body geometry, mining methods and bench heights.</p> <p>The capital and operating costs have been estimated by Worley Parsons and have been used during the pit optimisation process which provides the basis for detailed mine design.</p>
Marketing assessments	<p>Metal prices have been provided by API and have been derived from marketing research.</p> <p>A state royalty of 5.625% has been used to derive a net price for optimisation purposes.</p> <p>Detailed marketing assessments have been undertaken which support consumption trends and other factors which will affect future supply and demand.</p>
Other	All other factors including risk assessments, environmental studies, legal, social and governmental issues have been accounted for and are described in the API FS..
Classification	The Ore Reserve estimate is based only on Measured and Indicated ore.
Audits/Reviews	No audits have been completed at this stage.
Relative accuracy	This Feasibility study has being completed to a level of accuracy of $\pm 15\%$. An ore reserve of 445.1 Mt at a grade of 57.05% Fe at a strip ratio of 1.13:1 has been derived from the eight West Pilbara iron ore resources.