

Washpool Hard Coking Coal Project Feasibility Study Completed

Highlights:

- **Project Feasibility Study confirms the technical and economic feasibility of the Washpool Hard Coking Coal Project.**
- **The Feasibility Study proposes a 4Mtpa open cut mining operation producing 1.6Mtpa hard coking coal over a 25 year life of mine.**
- **Capital expenditure is estimated at \$320 million which includes provisions for EPCM (\$51 million) and contingency (\$42 million).**
- **Operating Costs of approximately \$106 per tonne FOB (excluding royalty).**
- **Investment evaluation of the mine indicates Net Present Value of \$364 million, with an Internal Rate of Return of 30%.**
- **Cultural Heritage Investigation and Management Agreement for Project area executed with the endorsed Indigenous Party, the Kangoulu People.**
- **Final Terms of Reference for the Environmental Impact Statement published.**
- **Resource and Reserves Statements were released in May 2010;**
 - **Measured, Indicated & Inferred Resource of 185.5Mt.**
 - **Proved and Probable Reserves of 108.3Mt.**
- **Project progresses to Definitive Feasibility Study stage.**

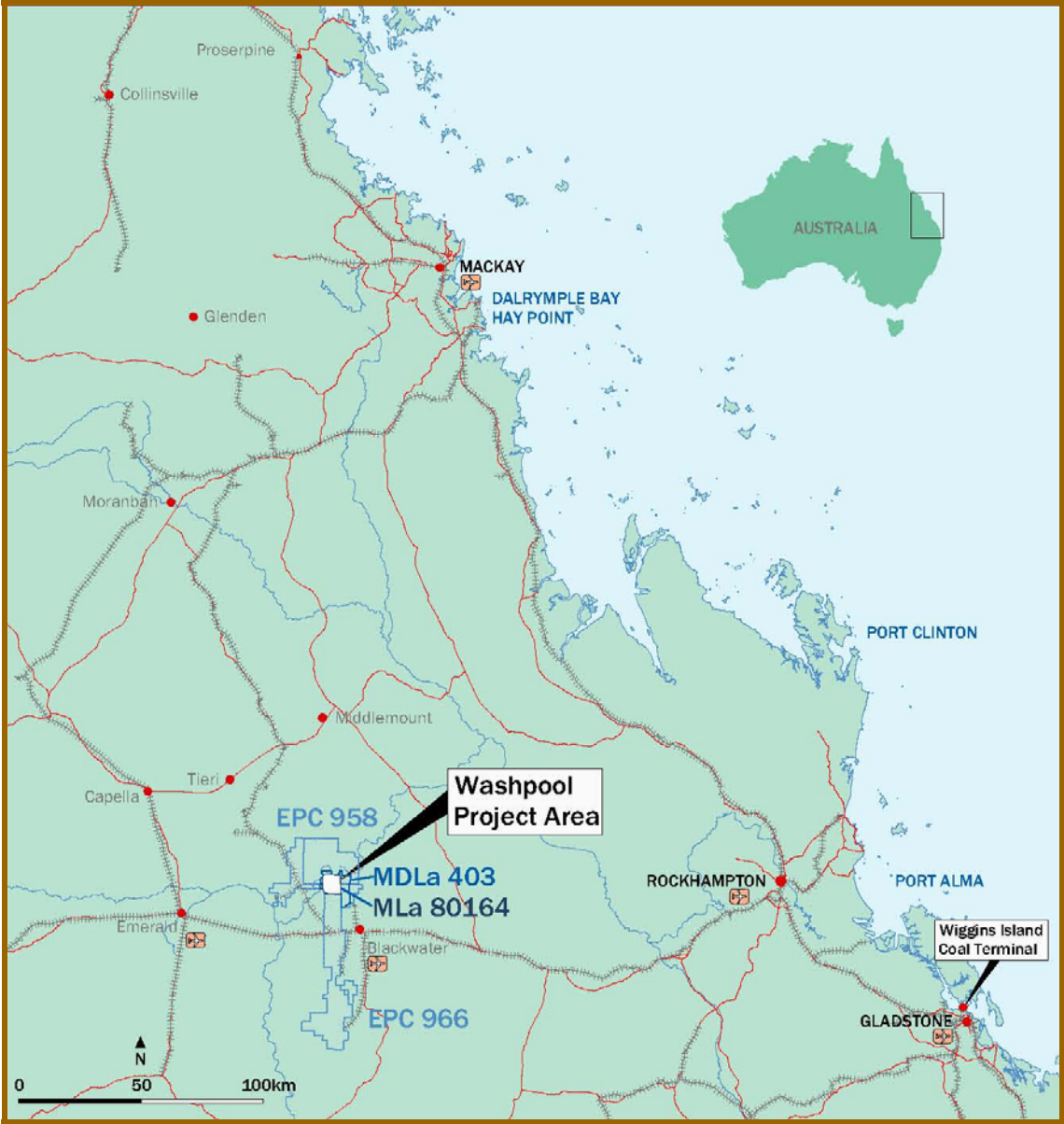


Aquila Resources Limited (ASX:AQA “the Company” or “Aquila”) is pleased to announce that Washpool Coal Pty Ltd, a wholly owned subsidiary of Aquila Resources Limited, has completed the Feasibility Study for the Washpool Hard Coking Coal Project, which confirms the technical and economic viability of the Project.

The Project is located in the Bowen Basin in Central Queensland, approximately 260km West of Rockhampton and 24km North West of Blackwater. It lies to the immediate West of the Curragh mining operation and to the East of the Ensham Mine. The Feasibility Study proposes an open cut operation mining 4Mtpa of run of mine (“ROM”) coal, to produce 1.6Mtpa of high rank hard coking coal over a mine life of 25 years, with the coal to be exported through the proposed Wiggins Island Coal Terminal in Gladstone.

This study commenced following completion of the initial concept stage in June 2009. The work that has been completed, is based on exploration programs undertaken between July 2009 and February 2010, which included both drilling and coal quality coring work and the associated technical testing. In addition, a series of engineering studies have been undertaken to produce capital and operating cost estimates for the Project.

Subject to statutory approvals and completion of further technical studies, construction of the mine could commence in 2012 with first coal mined early in calendar 2013.



Washpool Hard Coking Coal Project Regional Plan

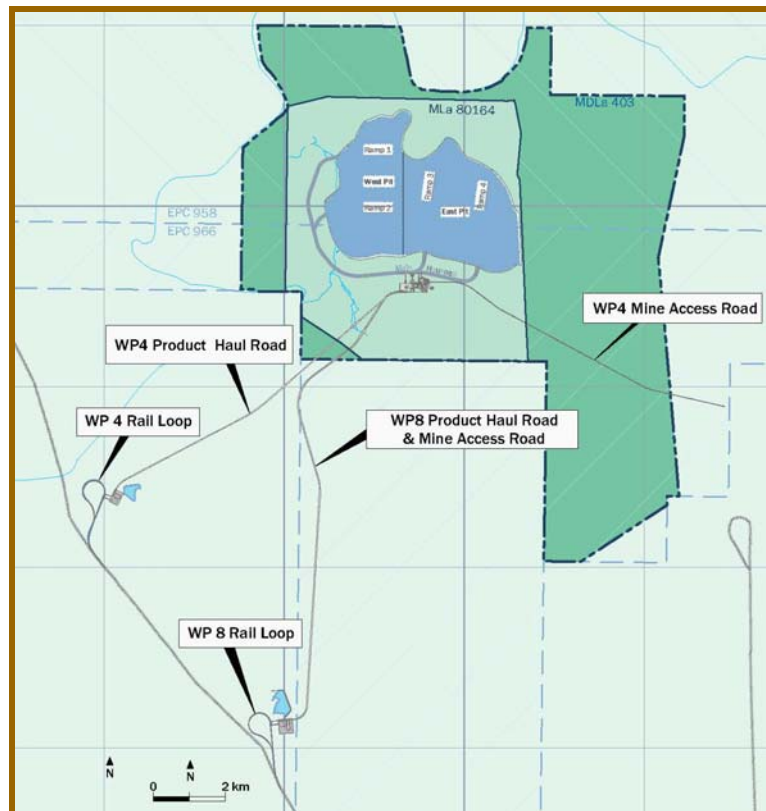
Capital Costs

The outcomes of the Feasibility Study, indicate that the Project can be developed for a capital cost of \$320M, which includes provisions for EPCM and contingency costs.

Capital Summary	Base Case
Coal Handling Preparation Plant	53
Surface Infrastructure	136
Power	23
Pre-production	15
EPCM	51
Subtotal	278
Contingency	42
Total	320

Notes:

- The surface infrastructure costs include the establishment of all coal handling, coal preparation, site rail logistics requirements and buildings and roads for the mine.
- The base case assumes that the overburden is stripped using cast, doze and excavate methodology. The option of utilising a dragline from year two will be carried into the Definitive Feasibility Study for further evaluation and if implemented will impact on the capital and operating costs.
- The base case also considers two options for the rail loop location, which will be carried into the Definitive Feasibility Study for further evaluation. Both options would connect directly into the Blackwater system.
- Appropriate contingency allowances have been applied for this level of study of the Project.



Washpool Hard Coking Coal Mine Layout

Operating Costs

Results of the Study confirm that the mine can produce coal for approximately \$106 per tonne (FOB operating cost, excluding royalties, over the first ten years) and the mine has a life of 25 years, although potential additional resource in the south east area of the mine where further drilling is planned, may allow for a mine life in excess of 25 years.

Operating Costs	Cost per Prod t
Mining and Processing Costs	87
Rail and Port Costs	19
Total	106

Investment Evaluation

The investment evaluation of the mine revealed a Net Present Value of \$364million at a discount rate of 10%, and an Internal Rate of Return of 30%. Revenue assumptions were based on an independent marketing evaluation, where coal prices were discounted against the forward prediction for hard coking coal price, so that the long-term assumption used in the evaluation was a coal price of US\$144/t. The long term exchange rate assumption of AU\$1 = US\$0.72 was based on ANZ forward predictions.

Technical and Engineering Studies

The Feasibility Study contains both technical reports (covering the technical requirements to mine the hard coking coal from the open cut mine) and engineering studies (covering surface infrastructure, coal handling and preparation, and logistics). In addition to the Washpool Coal team, work has been undertaken by consultants and contractors experienced in Bowen Basin operations and the development of capital and operating cost estimates for these types of projects. These capital and operating cost estimates have been used to develop the project valuation.

Area	Service Provider
Coal Handling Preparation Plant	AusTagg
Surface Infrastructure	Sinclair Knight Merz
Power	Minecraft / Hill Michael
Mining Options Study	Xenith Consulting
Mining Reserves Statement	Xenith Consulting
Coal Quality	David Hornsby
Marketing Study	MinAxis
Environment	Sinclair Knight Merz

Updated Resource and Reserves Statement

Work completed by the Company during the Feasibility Study phase, which was released in May 2010, resulted in the total resource identified increasing to 185.5Mt, as follows:

Measured Million Tonnes Mt	Indicated Mt	Total measured and indicated Mt	Inferred Mt	Total Measured Indicated & Inferred Mt
108.8	23.9	132.7	52.7	185.5

The initial Reserves Statement compiled by Xenith Consulting Pty Ltd, which was released at the same time, shows Proved and Probable Reserves as set out in the table below, giving an overall mine life of up to 25years.

Proved ROM Coal (Kt)	Probable ROM Coal (Kt)	Total ROM Coal (Kt)	Proved Marketable Coal (Kt)	Probable Marketable Coal (Kt)	Total Marketable Coal (Kt)
94,743	13,517	108,260	34,078	5,000	39,078

Exploration potential still exists in the balance of the Washpool and Mt Crocker Exploration leases surrounding the Project area.

Coal Quality

The Washpool product will be a hard coking coal with very strong coking properties and a higher than specification ash. Whilst the market acceptability of higher ash coking coal is growing, the marketing strategy for the Project will be to target end users with a view to developing blends with weaker low ash coking coals.

Parameter	Unit	Typical
Total Moisture (ar)	%	12
Ash	%	15
Volatile Matter	%	20.5
Total Sulphur	%	0.56
Phosphorus	%	0.036
CSN		>9
Max. Fluidity (average)	dd/min	1000
Coke Strength After Reaction (CSR)		63
Coke Reactivity Index (CRI)		26
Gray King Coke Type		G9
R _o max	%	1.35
Total Vitrinite	%	84

Regulatory Approvals

Milestones achieved within the Feasibility Study phase, include:

- Lodgement of the Mining Lease application;
- Commencing the Environmental Impact Statement, finalising the Terms of Reference, and conducting all the baseline studies; and
- Executing a Cultural Heritage Investigation Management Agreement with the endorsed Indigenous Party, the Kangoulu People.

Project Logistics

Washpool Coal Pty Ltd is a foundation shareholder of WICET Holdings Pty Ltd which has the exclusive mandate from the Queensland Government to develop the Wiggins Island Coal Terminal in Gladstone. The Washpool Hard Coking Coal Project has qualified for Stage 1 of the terminal and the Company intends to continue its support for the WICET feasibility study through to the terminal achieving financial close.

In addition, the Company is negotiating for capacity for both above rail and below rail services.

Summary of Study Outcomes

The Feasibility Study confirms the status of the Washpool Hard Coking Coal Project area as a major coking coal resource and provides confirmation that this resource is economically recoverable with open cut mining methods.

The Study recommends progression to the Definitive Feasibility Study stage.

Tony Poli **Executive Chairman**

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

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The information in this announcement that relates to the Resource Statement has been based on information compiled by Mr Rod Doyle, who is a full-time employee of Aquila Resources Limited. He is a qualified geologist (BSc Geology UOW 1978 and MappSc UNSW 1988) with some 30 years' experience in coal geology, coal mining and resource evaluation. He is a member of the Australasian Institute of Mining and Metallurgy and qualifies as a Competent Person under the JORC Code. Mr Doyle holds shares in Aquila Resources Limited.

The Reserves Statement was prepared by Mr Ross Haupt who is a director of Xenith Consulting Pty Ltd. He holds a Bachelor Degree in Mining Engineering from the University of Queensland with over 25 years' experience in the open cut coal mining industry and substantial experience in mining operations. Ross Haupt is a Member of the Australasian Institute of Mining and Metallurgy and as such qualifies as a Competent Person under the JORC Code.

Mr Doyle and Mr Haupt consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.