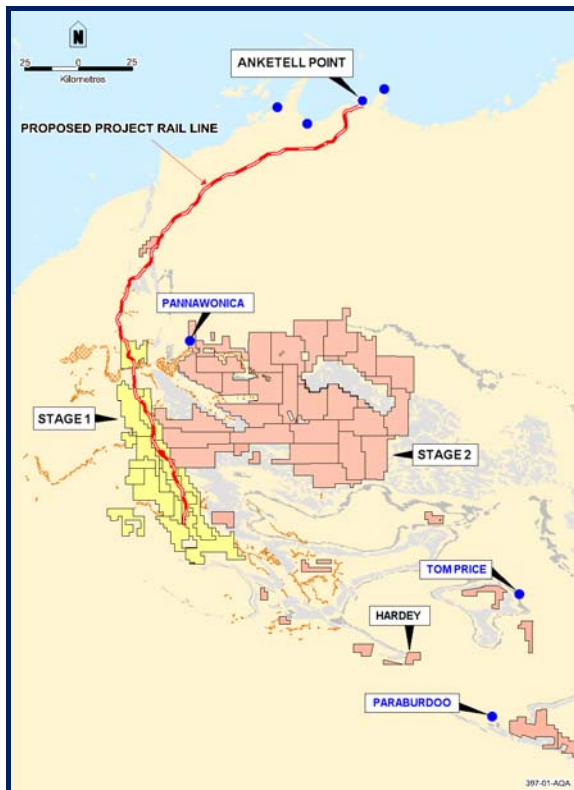


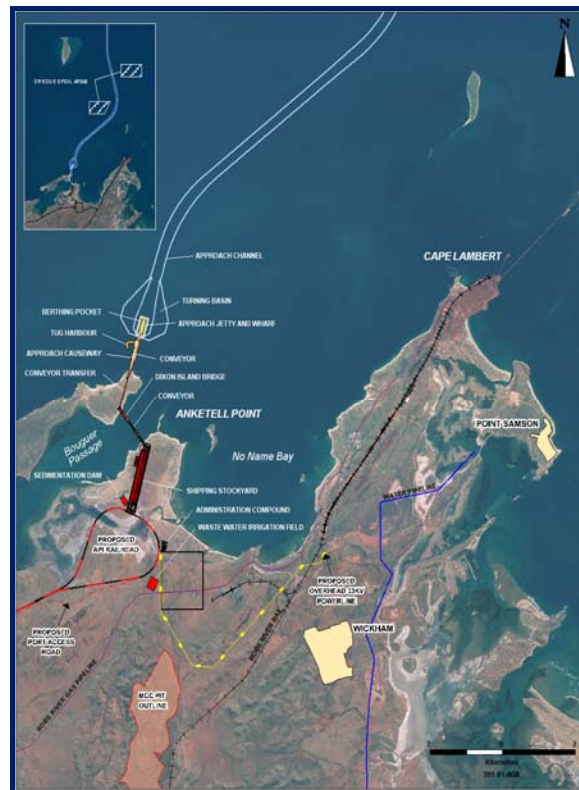
West Pilbara Iron Ore Project Definitive Feasibility Study

Highlights

- Definitive Feasibility Study (“DFS”) reports technical and financial viability of a 30Mtpa 1st Stage iron ore project in the West Pilbara
- The DFS estimates an NPV₁₀ of \$2.2 billion and an IRR of 16.4%
- Capital expenditure is estimated at \$5.77 billion, including ePCM and contingency costs
- Operating costs of \$19.48 per tonne FOB, excluding royalties, at 30Mtpa
- Average annual Project EBITDA of \$1.8 billion at 30Mtpa using iron ore prices and exchange rates as forecast by ©Metalitics Iron Ore Briefing Service
- DFS recommends construction of a 30Mtpa mine, 282km of new rail and a new deep water port facility at Anketell Point, which has collectively been granted Major Project Facilitation status by the Federal Government whilst the port development was recently approved as a multi-user facility by the State Government
- Development decision by the Project Participants is scheduled for the September Quarter 2010
- Subject to statutory approvals and funding, construction could commence in the March Quarter 2012 with first shipments early in Calendar 2014



Proposed Stage 1 Railway Route



Proposed Stage 1 Port Development

Carbon steel materials producer and developer, Aquila Resources Limited (ASX:AQA "Aquila" or "the Company") is pleased to announce positive results from the Definitive Feasibility Study ("DFS") of Stage 1 of the West Pilbara Iron Ore Project ("the Project"), in which the Company holds a 50% interest.

Development Decision

The DFS builds on the Pre-Feasibility Study ("PFS") released to the ASX in May 2008 and is based on a 282km railway to an independent port development at Anketell Point.

A Work Program for 2010/11 and a Budget of approximately \$400 million has been prepared for the approval of the Project Participants. The Work Program and Budget is based on a positive decision to develop the Project, the timing of which is scheduled for the September Quarter 2010.

The Company is considering the findings of the DFS, with the assistance of external consultants to review the DFS report.

The Mine and Rail Public Environmental Review has been released for public comment and a Public Environmental Review document for the port development will be submitted this month to the Environmental Protection Authority for approval for public release. Subject to statutory and Participant approvals, construction of Stage 1 of the Project could commence in the March Quarter 2012, with first shipments in the March Quarter 2014.

Capital Expenditure

Area	Capital Cost (\$'000)
Mine, Processing and Infrastructure	1,863
Railway and Rolling Stock	1,695
Port Materials Handling, Jetty & Wharf, Dredging and Infrastructure	1,368
Total Direct Costs	4,926
ePCM	319
Contingency	529
Total Costs	5,774

The capital cost estimate has been assembled by engineering consultants experienced in Pilbara construction, with the major contractors including:

Infrastructure	-	Worley Parsons
Rail Facilities	-	Calibre/Engenium
Marine Facilities	-	Aecom

A significant number of other consultants have been involved in the estimate of capital expenditure and many suppliers have provided estimates for the equipment and facilities.

Capital Reduction and Optimisation Opportunities

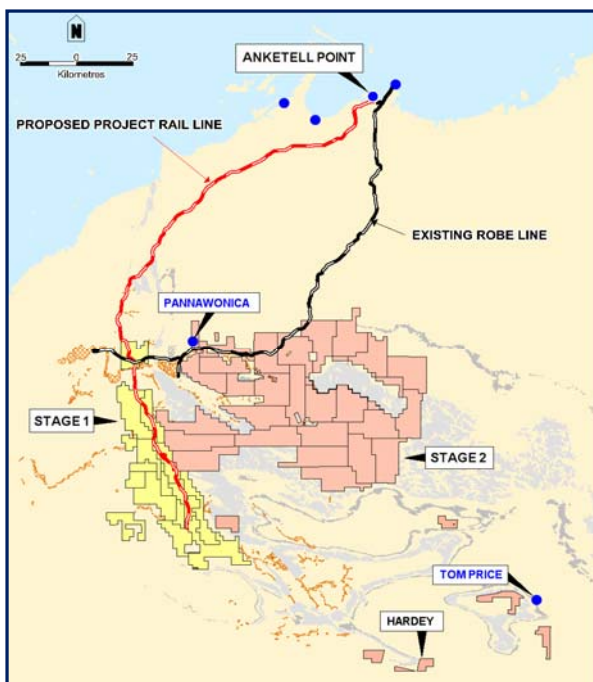
Port

Whilst there are significant opportunities for the port development to be expanded to cater for third parties, such as Fortescue Metals Group and China Metallurgical Corporation (MCC), the DFS is based and costed on a dedicated port facility for the Project. Should additional parties join with the Project, in developing Anketell Port, the Project's contribution to the capital expenditure for the port would likely be reduced.

The bulk of the estimated capital expenditure for the port facilities for the Project, such as the stockyards, causeway, ore wharf, ship loader and channel, have the capacity for higher throughput, with relatively low, capital intensity expansions. Significant opportunities exist to maximise the utilisation of such infrastructure through joint development, third party use and increased throughput from other Project Resources.

Rail

Similarly, should other third parties choose to utilise the proposed Project railway, connecting to the port facilities at Anketell Point, further revenues would be available to the Project. The Project also has other exploration potential, such as the Hardey Iron Ore Project, which could lead to developments that would use the Stage 1 infrastructure.



A Pre-Feasibility Study for a 10Mtpa operation at the Hardey Deposit is 26% complete and will be completed during the December Quarter 2010. It will be based on utilising the Project rail and port infrastructure.

The development of the Hardey Deposit could increase the volume of ore to be railed to and shipped from Anketell Port by 10Mtpa.

The recent ruling by the Australian Competition Tribunal, regarding the Declaration of the Robe Railway line by the Federal Treasurer, will be evaluated for the use of this line for the initial Project development.

Subject to any appeal of the ruling and the negotiation of suitable terms of access with the Robe Participants, use of the Robe Railway would result in a deferral of capital expenditure on the Project's railway.

Mine

The Company will also examine opportunities to lease capital equipment and/or to use appropriate contractors, who would bring their own equipment to provide services such as mining and rail haulage on an operating cost basis. The option of contract mining could reduce capital expenditure by as much as \$400 million.

Operating Costs

Operating costs for the Project are forecast to be \$19.48 per tonne FOB at 30Mtpa production, excluding State royalties, with production due to commence late in 2013, subject to statutory and Participant approvals.

This cost structure would generate average annual Project earnings before interest, tax, depreciation and amortisation ("EBITDA") of approximately \$1.8 billion (using nominal iron ore prices and exchange rates estimated by ©Metalitics Iron Ore Briefing) at production levels of 30Mtpa.

Area	Operating Cost* (\$ per tonne)
Mining	10.32
Processing	2.25
Rail Operations	3.34
Port Operations	3.57
Total Costs	19.48

* Administration costs apportioned

Financial Evaluation

The capital expenditure estimate was developed from supplier quotations and costs benchmarked against current Pilbara experience. The contingency provision resulted from Monte Carlo analysis of the outputs of extensive risk analysis by the Project team and engineering consultants experienced in Pilbara developments.

Operating costs were developed from first principles, using supplier specifications and Pilbara benchmarks. The low operating costs can be primarily attributed to low overburden ratios and no requirement for ore beneficiation.

Revenues were estimated using forecast nominal benchmark iron ore prices and exchange rates provided in a commissioned marketing report by ©Metalytics Iron Ore Briefing Service. They represent a view of continued strong demand for iron ore, and steel raw materials in general, with a consequently strong Australian dollar. A typical Channel Iron discount has been applied to arrive at forecast prices for West Pilbara Fines as listed in the following table.

Year ending 30 June	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020+
Nominal FOB Price (US\$/dmu)	142.10	190.74	211.84	220.08	210.45	179.80	156.62	163.27	178.46	168.58	142.73
Exchange Rate (US\$)	0.88	0.89	0.92	0.90	0.85	0.82	0.80	0.81	0.82	0.81	0.79

Source: ©Metalytics 2010: Iron Ore Briefing Service (22/6/2010)

The Mineral Resources Rent Tax has not been included as its impact has yet to be evaluated. It will be considered once the details of that tax are better understood.

The Project cash flows were subjected to discounted cash flow analysis using a nominal after tax discount factor of 10%. A residual value for the rail and port infrastructure, post the depletion of the Stage 1 Resources, has been included using a Depreciated Optimised Replacement Cost (DORC). The NPV₁₀ was estimated at \$2.2 billion with an IRR of 16.4%.

Resources

The Project has a substantial presence in the Pilbara region, with access to approximately 9,400km² of tenement area either granted or under application. It has an established Measured, Indicated and Inferred Resource of 742 million tonnes (JORC). A breakdown of those Resources into Channel Iron and Bedded Deposits is contained in the following table.

Summary of Channel Iron Resources

WEST PILBARA IRON ORE PROJECT – TOTAL CHANNEL IRON RESOURCES									
Resource Classification	Tonnes Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %	Mn %	MgO %
Measured	74.89	57.56	5.62	3.34	0.085	0.018	8.14	0.02	0.07
Indicated	328.54	56.47	5.27	3.71	0.060	0.016	8.51	0.06	0.11
Inferred	182.25	56.23	6.12	3.70	0.062	0.016	9.08	0.04	0.11
Total	585.68	56.54	6.08	3.62	0.066	0.017	8.78	0.04	0.11

Summary of Bedded Iron Resources

WEST PILBARA IRON PROJECT – HARDEY BEDDED IRON DEPOSIT									
Resource Classification	Tonnes Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %	Mn %	MgO %
Measured	55.31	61.83	3.31	2.43	0.143	0.006	5.33	0.077	0.054
Indicated	59.63	61.44	3.76	2.45	0.133	0.008	5.36	0.079	0.051
Inferred	41.14	61.05	3.98	2.46	0.123	0.009	5.67	0.084	0.050
Total	156.08	61.47	3.66	2.45	0.134	0.007	5.43	0.080	0.052

The DFS has investigated the development of the Channel Iron Deposits in the western margin of the Project's tenement area. The development of the Bedded Iron Deposit at Hardey is currently the subject of a PFS, while Channel Iron Deposits on other tenements will be the subject of separate future studies.

The mine plan developed in the DFS has identified a Mineable Resource of 352 million tonnes from the 501 million tonnes of Channel Iron Resource within the Stage 1 development area, with an estimated 12 years production from this Mineable Resource.

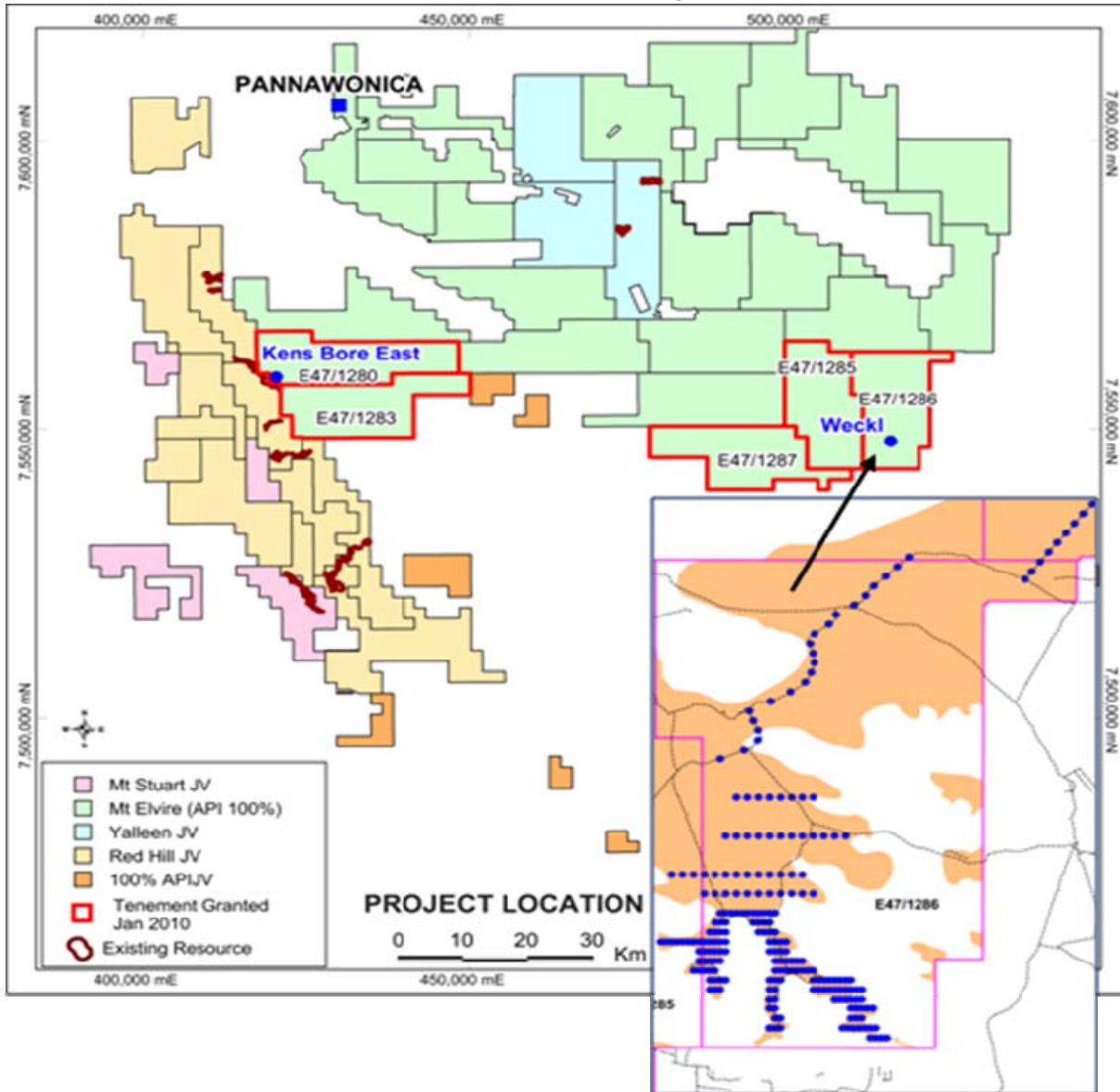
Future Work

Whilst initial exploration has focused on some 2,570km² of tenement area, there remains a further 6,840km² which is highly prospective for both Channel Iron and Bedded Iron deposits. The potential exists to discover significant additional resources to allow increased throughput on the infrastructure installed for Stage 1. Approximately \$15 million has been proposed for exploration activities in 2010/11.

Sites have been prepared for a major drilling campaign on the Weckl Prospect in the south-eastern tenements of the Mt Elvire Project. This program will commence this Financial Year and target both Channel Iron and Detrital formations evident on this Prospect. The location of this prospect is contained in the following figure.

The Weckl Prospect is adjacent to a previously announced prospect of Fortescue Metals Group (Serenity). Investigations are underway to connect this prospective precinct to the rail and port infrastructure proposed for Stage 1 of the West Pilbara Project.

Location of Weckl Prospect



Project Funding

Market support for the proposed product has been strong with 32 Memoranda of Understanding signed with Chinese, Japanese and Korean steel mills. All test work to date has indicated potential for up to 20% of sinter feed to be made up of Project ore, while maintaining current sinter productivity and quality.

The Company has recently signed a Memorandum of Understanding with China Development Bank Corporation (“CDB”), to pursue mutually beneficial opportunities for the funding of, and investment in the Project. The strong support of Baosteel Group Corporation, a 15% shareholder of Aquila, together with that of CDB and other international banks, provides the basis for the Company to commence the process of securing funding for its share of the Project.

Competent Person Statement

The information in this report that relates to the Hardey, Trinity Bore, Kumina Creek and Robe Exit Mineral Resources is based on information compiled by Mr Stuart H Tuckey. The information in this report that relates to the Catho Well, Catho Well North, Cardo Bore East, Cardo Bore North, Cochrane, Jewel, Kens Bore and Upper Cane Mineral Resources is based on information compiled by Mr Stuart H Tuckey, Dr Sia Khosrowshahi and Mr Jani Kalla who are members of the Australasian Institute of Mining and Metallurgy. Mr Tuckey is full-time employee of the API Management Pty Ltd. Dr Khosrowshahi and Mr Kalla are full-time 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 that the information appears.

**Tony Poli
Executive Chairman**

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

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