

July 5: **Aquila Resources** has announced positive results from the DFS of stage 1 of the West Pilbara iron ore project in which the company holds a 50% interest. The DFS is based on a 282 km railway to an independent port development at Anketell Point. A work program for 2010/11 and a budget of about \$400 million has been prepared for the approval of the project participants. The project is scheduled for the September quarter 2010.

The project has a substantial presence in the Pilbara region, with access to roughly 9,400 km² of tenement area either granted or under application. It has an established Measured, Indicated and Inferred resource of 742 Mt (JORC).

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.

Market support for the proposed product has been strong with 32 MoU 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 also signed a Memorandum of Understanding with **China Development Bank** (CDB), to pursue mutually beneficial opportunities for the funding of, and investment in the project. The strong support of **Baosteel**, 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.

Operating costs for the project are forecast to be \$19.48/t FOB at 30 Mt/y production, excluding State royalties, with production due to commence late in 2013. This cost structure would generate average annual project earnings before interest, tax, depreciation and amortisation of roughly \$1.8 billion.

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 Mt from the 501 Mt of channel iron resource within the stage 1 development area, with an estimated 12 years production.

Whilst initial exploration has focused on some 2,570 km² of tenement area, there remains a further 6,840 km² 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. About \$15 million has been proposed for exploration activities in 2010/11. www.aquilaresources.com.au