

West Pilbara Iron Ore Project Resource Increases to 927Mt

Highlights

- **Total JORC iron ore Resource now totals 927Mt**
- **185Mt (37%) increase from the previous Stage 1 development Resource**
- **87% of the Stage 1 development Resource is now categorised as Measured or Indicated**
- **Significant potential to further expand Channel Iron Deposit (CID), Detrital (DID) and Bedded Iron Deposit (BID) Resources**

Aquila Resources Limited (“Aquila” or the “Company”) is pleased to report an update to the JORC Resource 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 percent interest.

Stage 1 Development Area

With the assistance of Golder Associates Pty Ltd (“Golder”), Mineral Resource estimates have been completed for the Kens Bore East Deposit within the Mt Elvire Project (API JV 100%) and updates to the eight Channel Iron Deposits located within the Red Hill Joint Venture (API JV 60%, earning 80%) and Mt Stuart Joint Venture (API JV 70%). The updated Mineral Resource estimates completed for Cardo Bore East, Cardo Bore North, Catho Well, Cochrane, Jewel, Kens Bore, Trinity Bore and Upper Cane are based on infill and extension drilling, revised stratigraphic interpretations and improved density and topographic information. The estimation process is detailed in Attachment A. The Mineral Resource estimates are detailed in Attachment B and the location of these deposits is shown in Figure 1.

The Kens Bore East Mineral Resource estimate has not previously been included within the WPIOP – Stage 1 Resource Statements.

The updated Mineral Resource estimate represents an increase of 186Mt over the previous total CID resource within the Stage 1 Development area. The increase was derived from Kens Bore (34Mt), Kens Bore East (117Mt), Catho Well (19Mt) and Cochrane (12Mt).

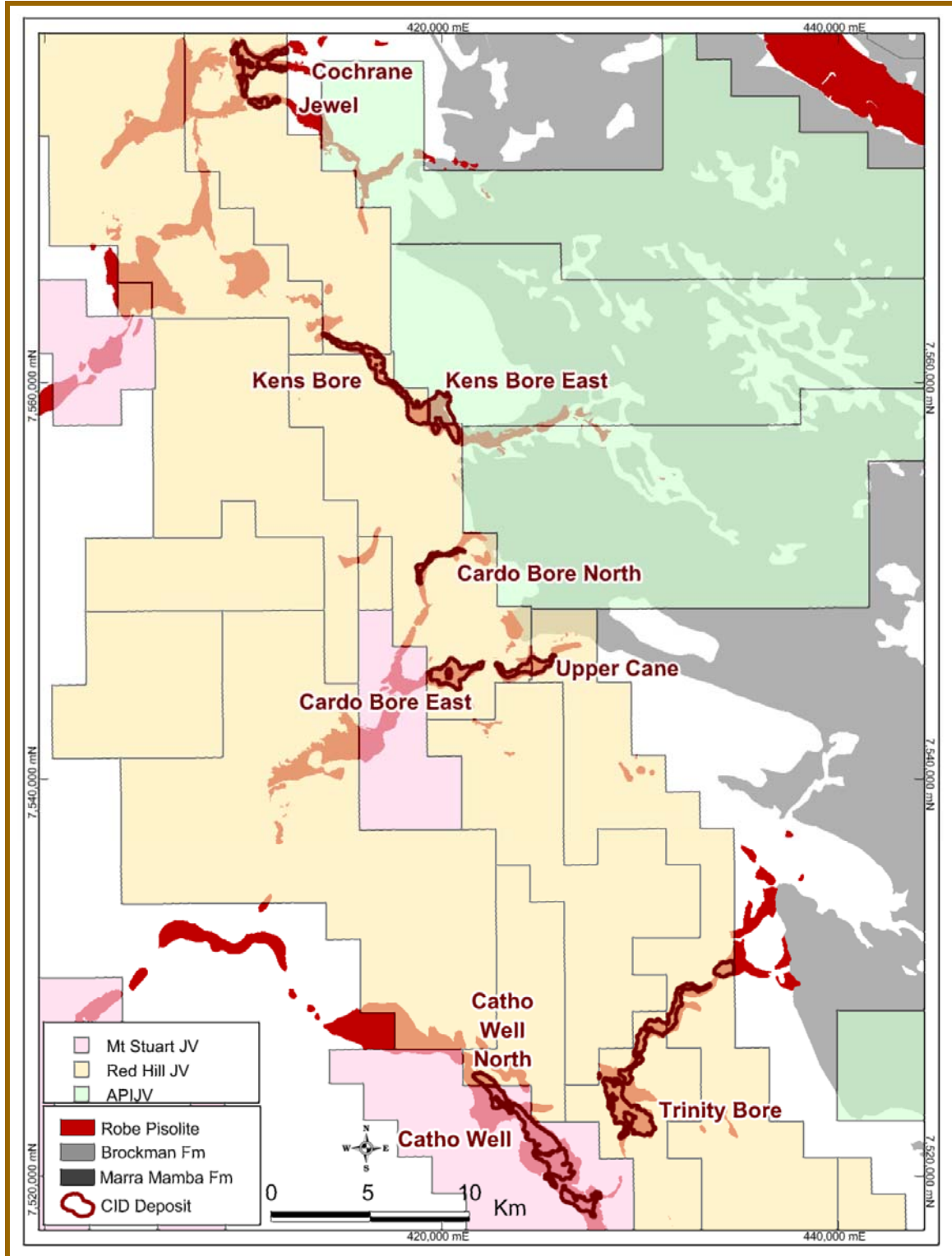
With the increase in the above Resources, the iron ore Resource for the Stage 1 development of the West Pilbara Iron Ore Project now stands at 687Mt comprising:

WEST PILBARA IRON ORE PROJECT – STAGE 1 CHANNEL IRON RESOURCES									
Resource Classifications	Tonnes Mt	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	S %	Mn %	MgO %	LOI %
Measured	209	57.8	0.079	5.29	3.56	0.013	0.029	0.082	7.95
Indicated	392	56.2	0.065	6.30	3.69	0.018	0.038	0.113	8.94
Inferred	86	55.4	0.061	6.85	3.86	0.019	0.049	0.136	9.38
Total	687	56.6	0.069	6.06	3.67	0.017	0.037	0.106	8.69

The increase in the Mineral Resource at Kens Bore and Kens Bore East is attributable to extension drilling. The increase in the Catho Well Mineral Resource is attributable to the inclusion of a lower grade (+52% Fe) mineralised envelope and the reporting of the resource estimate at a 53% Fe cut-off (previously 54% Fe). The Cochrane Mineral Resource has increased following the drilling of an extension to the CID mineralised envelope into the adjoining Farnum prospect.

A Competent Person's Statement is contained within the report from Golder containing the Mineral Resources estimates.

Figure 1 – Stage 1 Development Deposit Locations



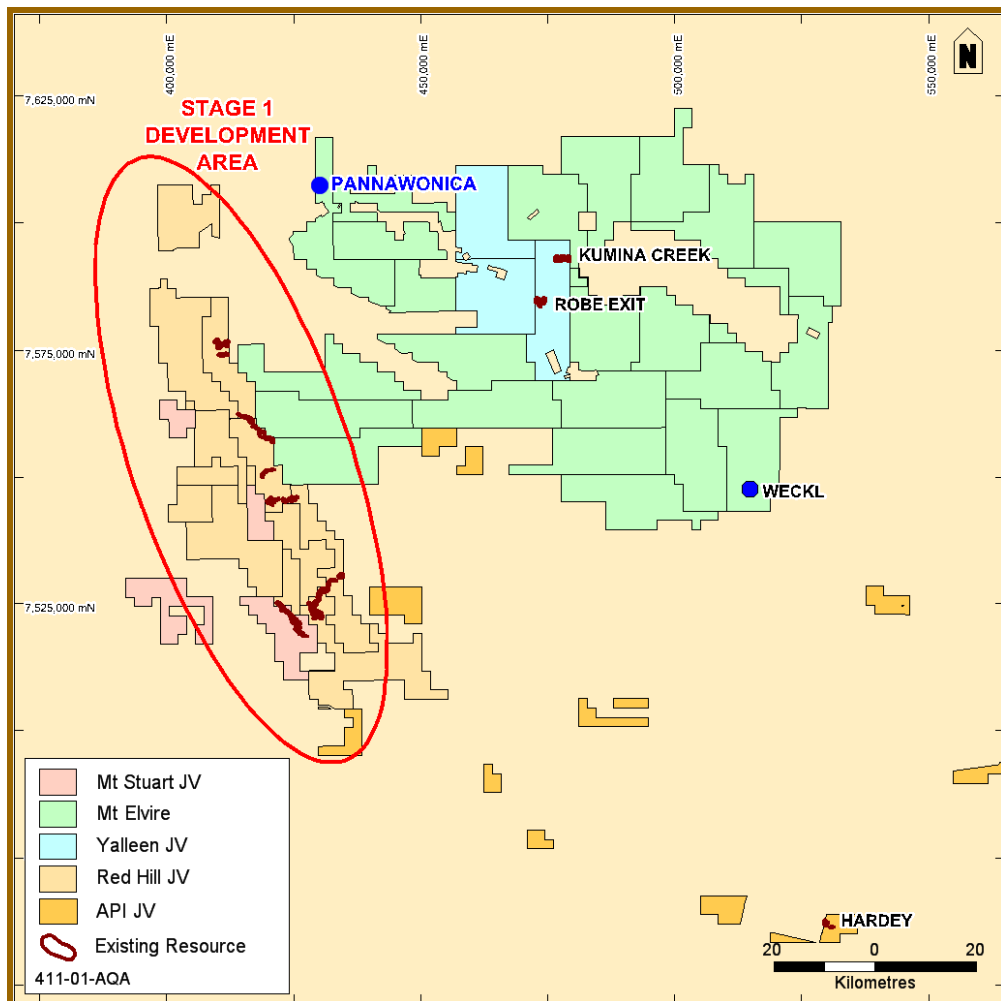
Additional Development Potential

The tables below detail the additional Resource available to the Project for future development, utilising the rail and port infrastructure proposed for the Stage 1 development. This Resource, contained in the Deposits of Kumina Creek, Robe Exit and Hardey, have been previously released to the ASX.

WEST PILBARA IRON ORE PROJECT – STAGE 2 CHANNEL IRON RESOURCES									
Resource Classifications	Tonnes Mt	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	S %	Mn %	MgO %	LOI %
Indicated	48	57.3	0.058	5.27	3.71	0.016	0.06	0.12	8.56
Inferred	36	57.1	0.061	5.28	3.81	0.015	0.06	0.11	8.56
Total	84	57.2	0.060	5.28	3.75	0.016	0.06	0.11	8.56
WEST PILBARA IRON ORE PROJECT – HARDEY BEDDED IRON RESOURCES									
Resource Classifications	Tonnes Mt	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	S %	Mn %	MgO %	LOI %
Measured	55	61.8	0.143	3.31	2.43	0.006	0.077	0.054	5.33
Indicated	60	61.4	0.133	3.76	2.45	0.008	0.079	0.051	5.36
Inferred	41	61.1	0.123	3.98	2.46	0.009	0.084	0.050	5.67
Total	156	61.5	0.134	3.66	2.45	0.007	0.080	0.052	5.43

The location of these deposits is shown in Figure 2.

Figure 2 – Deposit Locations



Future Project Potential

Detrital and channel iron mineralisation has been identified to the east of the Stage 1 development area at a number of prospects in the South East Mt Elvire Project. Following promising results from mapping and surface sampling at the Weckl Prospect (see Figure 2), a drilling program has been initiated.

The RC drilling program commenced with 232 holes completed by the end of September 2010 for 8,596m drilled. Better results (intercepts >20m) received from the RC drilling program have included:

- 22m @ 56.94% Fe from 18m in WKRC025;
- 24m @ 56.64% Fe from 10m in WKRC059;
- 24m @ 61.68% Fe from surface in WKRC068;
- 22m @ 56.58% Fe from 8m in WKRC069;
- 20m @ 58.92% Fe from 10m in WKRC070;
- 20m @ 55.86% Fe from 14m in WKRC075;
- 30m @ 56.73% Fe from 14m in WKRC076.

All intercepts were calculated for greater than 52% Fe cut.

Initial drilling was designed to test for detrital material and CID within major drainages. Drilling was conducted at 400m spacing and intersected a broad section of the valley. On average, 30m of detrital material was intersected through the centre of the valley, reducing to 10m along the edges. The mineralisation encountered to date is an immature detrital varying in iron grade from <50 to 60% Fe, with relatively high silica and low to moderate alumina. Better quality mineralisation is located in the upper drainages.

These results at the Weckl Prospect support the potential for growth in the overall Project Resource to be exploited utilising the proposed rail and port infrastructure for the Stage 1 development of the West Pilbara Iron Ore Project.

Stage 1 Development

Approvals

The Public Environmental Review (PER) for the Mine and Rail has completed its public review period and responses are being prepared for the comments received during that process. 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 during the December 2010 Quarter.

The Project's consultation program continued, with meetings held with the relevant government and community stakeholders.

Mining

A new mining schedule will be developed from the updated Resource Statement for the Project. A maiden Reserves Statement for the Stage 1 development mining areas, based on the new mining schedule, will be issued during the December Quarter 2010.

Product Development

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

Competent Person Statements

The information in this release that relates to the Catho Well Catho Well North, Cardo Bore East, Cardo Bore North, Cochrane, Jewel, Kens Bore, Kens Bore East, Trinity Bore and Upper Cane Mineral Resources was prepared under the supervision of Mr Stuart Tuckey and Mr Richard Gaze who are members of the Australasian Institute of Mining and Metallurgy. Mr Tuckey is full-time employee of the API Management Pty Ltd. Mr Gaze is a full-time employee of Golder Associates Pty Ltd. Mr Tuckey and Mr Gaze 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'.

The information in this release that relates to exploration results is based on information compiled by Mr Stuart Tuckey, who is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of API Management Pty Ltd. Mr Tuckey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which 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 Stuart Tuckey consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

Tony Poli
Executive Chairman

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Attachment A – Estimation Process

Geological Interpretation

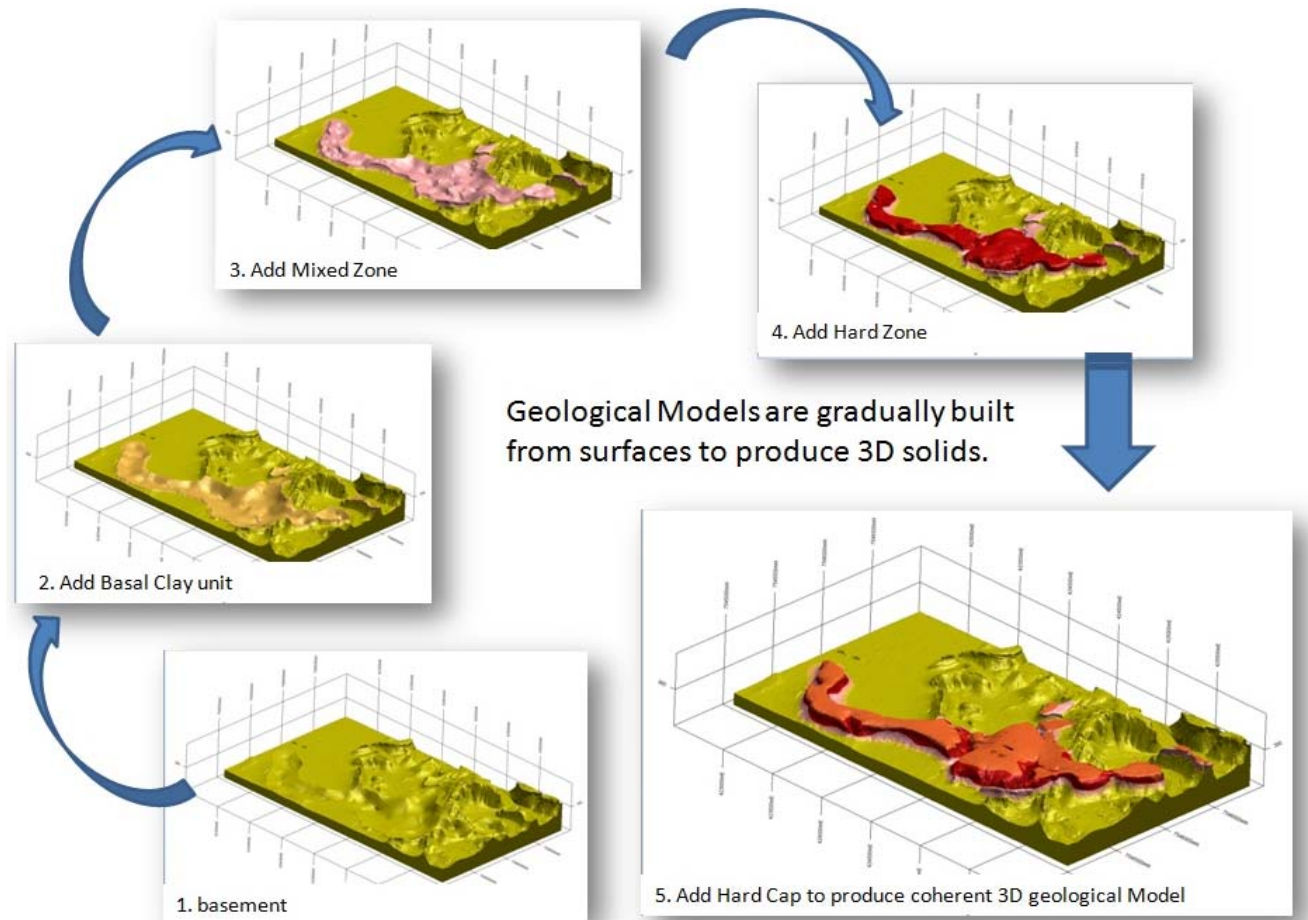
A three-dimensional geological interpretation has been completed for all deposits. The improved interpretation is based on increased drill density and extent of drilling at the Catho Well, Kens Bore, Cochrane and Upper Cane deposits and improved mineralisation surface and density mapping, based on bulk sample pits and shafts, at the Catho Well, Kens Bore, Trinity Bore and Upper Cane deposits.

The key mineralisation-stratigraphic units identified and modelled for the WPIOP deposits include:

- Hardcap CID (Zpw)
- Hard Zone CID (Zph)
- Clay Zone (Zpc)
- Mixed Zone CID (Zpm)
- Basal Clay Zone (Zpb)
- Basal Conglomerate or Gravel (JK)
- Basement (BSM)

Solid 3D geological models for each of the seven stratigraphic units listed above were created based on drill hole and mapping data. The geological model was used to constrain the mineralisation and assign material density. Figure 1 shows an example of the construction of the Upper Cane geological model.

Figure 1 – The Geological Modelling Process



Mineralisation Interpretation

Mineralised outlines were created using a combination of lithological and grade data. Hard boundaries were defined based on the following guidelines:

- Fe% lower cut-off (
- Table 1 summarises the Fe% lower cuts for each deposit);
- A minimum intercept width of 2m across two sections;
- A maximum consecutive waste intercept of 2m across two sections.

Table 1 - WPIOP Cut-Off Grades for definition of the mineralised envelopes

Deposit	Fe Cut-off %
Catho Well / Catho Well North	52 & 54
Cardo Bore East	54
Cardo Bore North	54
Cochrane	54
Jewel	54
Ken's Bore / Kens Bore East	54
Trinity Bore	52
Upper Cane	54

It should be noted that the criteria set out above acted as a guideline only, as cut-offs were relaxed in situations where geological continuity would be maintained. Mineralisation was dominated by stratigraphic unit.

Internal dilution has been kept to a minimum provided continuity of the mineralised envelopes could be maintained. Zones of lower grade, ranging 50-52% Fe, were incorporated into the mineralised envelopes if geological continuity could not be maintained.

Mineralised envelopes were constrained by topography and the CID stratigraphy – geological model.

Statistical and geo-statistical analysis was carried out on drilling data that was constrained to the mineralisation and modelled stratigraphic units. For statistical data analysis, drilling data was composited to 2m down-hole lengths. Analysis was based on eight assay variables: Fe, SiO₂, Al₂O₃, P, S, Mn, MgO and LOI (LOI 1000°C). Directional grade variography was completed for all domains in all the deposits, to provide parameters for the Ordinary Kriging method used for resource estimation.

Block Model

The Block model was constructed using a parent block size of 25m x 25m x 2m and sub-block cell size of 5m x 5m x 2m. The mineralised envelope was used to constrain the block model.

Density

Density determinations were completed by AMMTEC and SGS on PQ diamond core and by API on samples retrieved from shafts sunk for the collection of bulk sample. A total of 556 density measurements have been recorded for the stratigraphic units modelled. 384 determinations were from within the mineralised envelopes modelled.

Varying densities were applied to respective modelled stratigraphic units for each deposit based on dry bulk density determinations, weathering intensity, ore type and the variability between deposit mineralogy. The densities applied to each deposit for Mineral Resource Estimation are shown in Table 2.

Table 2 - Densities for Deposits within the WPIOP area and used in Mineral Resource estimations

Deposit	Density by Stratigraphic Unit									
	Ore			Waste						
	Zpw	Zph	Zpm	Zpw	Zph	Zpm	Zpb	Zpc	JK	Bsm
Cardo Bore East	2.95	2.80	2.80	2.95	2.80	2.75	2.70	2.70	2.70	2.70
Cardo Bore North	2.95	2.80	2.80	2.95	2.80	2.75	2.70	2.70	2.70	2.70
Catho Well	2.95	2.95	2.85	2.90	2.85	2.70	2.70	2.70	2.70	2.70
Cochrane	2.85	2.70	2.70	2.85	2.70	2.65	2.70	2.70	2.70	2.70
Jewel	2.85	2.70	2.70	2.85	2.70	2.56	2.70	2.70	2.70	2.70
Kens Bore	2.90	2.85	2.80	2.90	2.85	2.75	2.70	2.70	2.70	2.70
Trinity Bore	2.95	2.80	2.80	2.90	2.85	2.70	2.70	2.70	2.70	2.70
Upper Cane	2.95	2.85	2.80	2.95	2.85	2.75	2.70	2.70	2.70	2.70

Classification

The Mineral Resource estimates were classified by Golder Associates in accordance with the JORC Code, 2004. The classification approach was both quantitative and qualitative. Quantitatively, the classification is based on estimation performance. Qualitatively, the approach used adjustments based on geological confidence taking into consideration the drill hole spacing, confidence in the geological interpretation / continuity and representativeness of the available assay data.

Measured, Indicated and Inferred categories have been defined.

Cut-off Grades

The Mineral Resource estimates are reported using a 53% Fe cut-off grade.

Reporting

The Mineral Resource estimates have been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).

Attachment B – API West Pilbara Iron Ore Project – Stage 1 Mineral Resource Estimates*

Deposit	Joint Venture	JORC Classification	Mt	Fe %	P %	SiO ₂ %	Al ₂ O ₃ %	S %	Mn %	MgO %	LOI %
Ken's Bore East	API Mt Elvire	Measured	82	57.9	0.072	5.16	3.83	0.020	0.025	0.072	7.72
		Indicated	34	57.2	0.075	5.70	3.68	0.014	0.020	0.079	8.33
		Inferred	1	55.1	0.061	7.87	5.29	0.017	0.025	0.078	7.37
			117	57.6	0.073	5.34	3.80	0.015	0.024	0.074	7.90
Catho Well	Mt Stuart JV	Measured	2	55.1	0.041	6.61	3.64	0.020	0.058	0.208	9.99
		Indicated	73	55.1	0.037	6.91	3.16	0.016	0.079	0.178	10.26
		Inferred	23	54.6	0.037	7.53	3.10	0.015	0.102	0.209	10.40
			98	55.0	0.037	7.05	3.15	0.016	0.084	0.186	10.29
Cardo Bore East	Red Hill JV	Measured									
		Indicated	39	58.1	0.073	5.22	3.86	0.015	0.057	0.116	7.04
		Inferred	10	57.0	0.067	5.69	4.09	0.020	0.037	0.111	7.95
			49	57.9	0.072	5.31	3.90	0.016	0.053	0.115	7.22
Cardo Bore North	Red Hill JV	Measured									
		Indicated	5	56.9	0.070	5.91	4.04	0.023	0.028	0.046	8.13
		Inferred	3	56.6	0.076	6.01	4.06	0.028	0.021	0.042	8.37
			8	56.8	0.072	5.95	4.05	0.024	0.025	0.044	8.22
Catho Well North	Red Hill JV	Measured									
		Indicated	5	55.2	0.038	7.37	2.82	0.018	0.089	0.190	9.87
		Inferred	1	54.9	0.038	7.06	2.81	0.020	0.108	0.277	10.40
			6	55.1	0.038	7.31	2.82	0.018	0.093	0.208	9.98
Cochrane	Red Hill JV	Measured									
		Indicated	35	57.0	0.080	5.62	4.04	0.021	0.013	0.114	8.09
		Inferred	10	56.3	0.068	6.54	4.30	0.019	0.020	0.130	7.97
			45	56.9	0.077	5.83	4.10	0.020	0.015	0.118	8.07
Jewel	Red Hill JV	Measured									
		Indicated	21	56.3	0.060	6.06	3.93	0.024	0.025	0.062	9.07
		Inferred	3	56.5	0.062	6.22	3.59	0.025	0.022	0.057	8.94
			24	56.3	0.061	6.08	3.88	0.024	0.024	0.061	9.05
Ken's Bore	Red Hill JV	Measured	70	56.8	0.091	5.73	3.71	0.010	0.037	0.120	8.58
		Indicated	68	57.1	0.074	5.43	3.61	0.015	0.018	0.098	8.75
		Inferred	15	55.2	0.079	6.57	4.08	0.013	0.034	0.120	9.65
			153	56.8	0.082	5.68	3.70	0.014	0.028	0.110	8.76
Trinity Bore	Red Hill JV	Measured									
		Indicated	88	54.8	0.062	7.33	4.01	0.022	0.028	0.106	9.70
		Inferred	17	54.5	0.062	7.18	4.41	0.025	0.025	0.098	9.88
			105	54.8	0.062	7.30	4.08	0.022	0.028	0.105	9.72
Upper Cane	Red Hill JV	Measured	55	58.9	0.074	4.88	2.94	0.020	0.021	0.044	7.40
		Indicated	24	56.7	0.095	6.81	3.51	0.017	0.040	0.068	7.79
		Inferred	3	56.2	0.106	6.91	3.80	0.017	0.027	0.074	8.09
			82	58.2	0.082	5.52	3.14	0.020	0.027	0.052	7.54
All	Combined	Measured	209	57.8	0.079	5.29	3.56	0.013	0.029	0.082	7.95
		Indicated	392	56.2	0.065	6.30	3.69	0.018	0.038	0.113	8.94
		Inferred	86	55.4	0.061	6.85	3.86	0.019	0.049	0.136	9.38
			687	56.6	0.069	6.06	3.67	0.017	0.037	0.106	8.69

* All Mineral Resource estimates are reported at a 53% Fe cut-off