West Pilbara Iron Ore Project Resource Increases to 1.22Bt

Highlights

- Total JORC iron ore Resource now totals 1.22 billion tonnes
- 296Mt (32%) increase from the previous Mineral Resource Statement
- Significant potential to further expand Channel Iron Deposit, Detrital and Bedded Iron Deposit Mineral Resources

Aquila Resources Limited (ASX:AQA, “Aquila” or the “Company”) is pleased to report an update to the JORC Mineral Resource estimate for the West Pilbara Iron Ore Project (“the Project”) located in the Pilbara region of Western Australia. The Company has a fifty percent interest in the Project.

Resource Update

With the assistance of Golder Associates Pty Ltd (“Golder”), maiden Mineral Resource estimates have been completed for the Weckl (Detrital Iron Deposit “DID”) and Buckland Hills (Channel Iron Deposits “CID”) within the Mt Elvire Project, adding 296Mt to the previous JORC Resource Statement total of 927Mt, advised to the ASX on 1 November 2010, taking the total Mineral Resource inventory for the Project to 1,223 million tonnes.

Figure 1 – Weckl and Buckland Hills Deposit locations
The estimation process for both deposits is detailed in Attachment A. The details of the new Mineral Resources for Weckl and Buckland Hills are provided below.

### WECKL AND BUCKLAND HILLS DEPOSITS – INFERRED RESOURCES

<table>
<thead>
<tr>
<th></th>
<th>Tonnes Mt</th>
<th>Fe %</th>
<th>SiO₂ %</th>
<th>Al₂O₃ %</th>
<th>P %</th>
<th>S %</th>
<th>Mn %</th>
<th>MgO %</th>
<th>LOI %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weckl</td>
<td>101</td>
<td>54.4</td>
<td>11.94</td>
<td>3.60</td>
<td>0.080</td>
<td>0.021</td>
<td>0.025</td>
<td>0.050</td>
<td>5.76</td>
</tr>
<tr>
<td>Buckland Hills</td>
<td>149</td>
<td>57.0</td>
<td>7.01</td>
<td>2.41</td>
<td>0.135</td>
<td>0.010</td>
<td>0.096</td>
<td>0.058</td>
<td>8.28</td>
</tr>
<tr>
<td>Buckland Hills – Southeast</td>
<td>46</td>
<td>56.5</td>
<td>8.05</td>
<td>2.42</td>
<td>0.142</td>
<td>0.016</td>
<td>0.024</td>
<td>0.054</td>
<td>8.04</td>
</tr>
<tr>
<td>Total</td>
<td>296</td>
<td>56.0</td>
<td>8.85</td>
<td>2.82</td>
<td>0.117</td>
<td>0.015</td>
<td>0.061</td>
<td>0.055</td>
<td>7.38</td>
</tr>
</tbody>
</table>

* Cut-off of 50% Fe

**Table 1 – Resource estimates**

**Weckl**

The Weckl Deposit is the first area of mineralisation identified in the south-eastern area of the Mt Elvire Project. The Deposit is a Detrital Iron Deposit, comprising three narrow valleys incised into the Hamersley Range, referred to as “East”, “West” and “Central”.

![Figure 2 – Weckl Deposit drill hole location plan](image)

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

- A 50% Fe cut-off grade
- A minimum intercept width of 2m across two sections
- A maximum consecutive waste intercept of 2m across two sections.

Three dimensional models were constructed for the DID stratigraphy and mineralisation envelope. Figure 3 shows representative type sections from the Weckl deposit.
Figure 3 – Schematic sections at the Weckl Deposit, Sections A-A’, B-B’ and C-C’ western valley
Buckland Hills

The Buckland Hills Deposit is located in the western area of the Mt Elvire Project, 30km east of the proposed railway to be constructed for the Stage 1 development of the West Pilbara Iron Ore Project. This Deposit is contiguous with the Bungaroo South Deposit owned by Iron Ore Holdings Limited.

Figure 4 – Buckland Hills drill hole location plan for the Buckland Hills and Buckland Hills SE Deposits.

The Buckland Hills Deposit is comprised of two partially buried CID located within narrow valleys deeply incised into the Hamersley Range, referred to as “Buckland Hills” and “Buckland Hills South East” (Figure 4).

The base of the channel and mineralisation is up to 180 metres below the current surface. Three dimensional models were constructed for the CID stratigraphy and mineralised envelopes. Figure 6 shows representative type sections from the Buckland Hills Deposits.
Mineralised outlines were created using a combination of lithological and grade data. Hard boundaries were defined based on the following guidelines:

- A 50% Fe cut-off grade
- A minimum intercept width of 2m across two sections
- A maximum consecutive waste intercept of 2m across two sections
- High phosphorous mineralisation >0.120%P
- Low phosphorous mineralisation <0.120%P.

The Buckland Hills mineralisation comprises higher and lower phosphorous lenses. Mineralised lenses are thick and continuous over the length of the channel. The dominant mineralisation is high phosphorous (>0.120%P), with a low phosphorous lens (<0.120%P) occurring at the top and bottom of the high phosphorous zone.

**Additional Exploration Potential**

Exploration programmes are continuing to assess identified areas of iron mineralisation within the Mt Elvire Project. Figure 6 shows areas of mineralisation that are planned for exploration and may provide for future developments, utilising the initial rail and port infrastructure proposed for the Stage 1 development.

Following the completion of reverse circulation (RC) drilling at the Weckl Deposit, drilling has continued at the Farquhar prospect, downstream of the Weckl valleys. Initial results from the programme were released in the June 2011 Quarterly Report to the ASX. Better intercepts included (CID >25m above 54% Fe):

- 32m at 55.97% Fe from 26m in FQRC002;
- 28m in FQRC004 consisting of:
  - 18m at 55.67% Fe from surface, and
  - 10m at 57.15% Fe from 22m;
- 26m at 56.97% Fe from 14m in FQRC028;
- 76m in FQRC075 consisting of:
  - 16m at 56.42% Fe from surface, and
  - 60m at 57.44% Fe from 20m;
- 52m in FQRC076 consisting of:
  - 10m at 56.72% Fe from surface, and
  - 42m at 57.67% Fe from 22m;
- 64m at 57.54% Fe from 18m in FQRC081.

RC drilling has been completed at the Kumina Creek East prospect and an RC drilling programme is to commence on the Ward and Headon prospects. Following further access preparation and heritage surveys, other targets in Figure 6 will be explored during FY2012.
**West Pilbara Iron Ore Project – Stage 1 Development**

**Approvals**
Conditional approval of the Public Environmental Review (PER) for the mine and rail has been recommended by the EPA. Formal approval by the Minister for the Environment is expected in Q4 2011.

Public submissions have been received following the comment period for the PER for the proposed Port at Anketell Point. Responses are under preparation and are expected to be forwarded to the EPA early in Q4 2011.

Native Title negotiations have progressed well with formal proposals having been put to all parties on whose land mine and rail development is planned.

Discussions with the State regarding port proponency are continuing with a decision expected by year end.

**Project Managing Contractor**
The preferred Project Managing Contractor has been identified and is expected to be formally appointed to coordinate the development of the Project in the near future.

**Product Development**
Memoranda of Understanding (MoU) signed with steel mills from China, Korea, Japan and Taiwan, for the purpose of product testing, now total 40 MoU.

**Definitive Feasibility Study**
The Joint Venture is completing the Definitive Feasibility Study to support the funding of the Stage 1 development Project. The results of this study will be available early in Q4 2011.
Competent Person Statement

The information in this report that relates to the Weckl and Buckland Hills Mineral Resources was prepared under the supervision of Mr Stuart Tuckey and Mr James Farrell and the information in this release that relates to all other Mineral Resources was prepared under the supervision of Mr Stuart Tuckey, both of whom are members of the Australasian Institute of Mining and Metallurgy. Mr Tuckey is a full-time employee of the API Management Pty Ltd. Mr Farrell is a full-time employee of Golder Associates Pty Ltd. Mr Tuckey and Mr Farrell have sufficient experience that 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 and Mr Farrell consent to the inclusion in the report of the matters based on the information in the form and context which it appears.

Tony Poli
Executive Chairman

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Attachment A – Estimation Process

Mineralisation Interpretation

It should be noted that the criteria set out above for both the Weckl and Buckland Hills deposits acted as a
guideline only, cut-offs were relaxed in situations where geological continuity would be maintained.

Internal dilution has been kept to a minimum provided continuity of the mineralised envelopes could be
maintained. Zones of lower grade iron were incorporated into the mineralised envelopes if geological
continuity could not be maintained.

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

Golder completed all statistical and geo-statistical analysis for the deposits on drilling data 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
11 assay variables: Fe, SiO₂, Al₂O₃, P, S, Mn, MgO, CaO, K₂O, TiO₂ and LOI (LOI 1000°C).

Grade variography was completed for defined domains within the deposits to provide parameters for the
Ordinary Kriging method used for resource estimation.

Block Model

Block models were constructed for each deposit using parent and sub-cell blocks to match the mineralisation
envelopes. The mineralised envelopes were used to constrain the block model. Parent and sub-cell block
sizes used for each deposit are summarised in Table 2.

<table>
<thead>
<tr>
<th>Deposit</th>
<th>Parent Block Size</th>
<th>Sub-cell Block Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weckl</td>
<td>50m x 50m x 2m</td>
<td>10m x 10m x 1m</td>
</tr>
<tr>
<td>Buckland Hills</td>
<td>50m x 50m x 2m</td>
<td>10m x 10m x 1m</td>
</tr>
<tr>
<td>Buckland Hills South East</td>
<td>100m x 100m x 2m</td>
<td>20m x 20m x 1m</td>
</tr>
</tbody>
</table>

Table 2 – Resource model block sizes for the Weckl DID and Buckland Hills CID and Buckland Hills South East CID

Density

Density determinations were completed on HQ diamond core. Varying densities were applied to respective
modelled stratigraphic units for each deposit based on dry bulk density determinations, weathering intensity,
mineralisation type and the variability between deposit mineralogy. The densities applied to each deposit for
Mineral Resource estimation are shown in Table 3 for the Weckl Deposit and Table 4 for the Buckland Hills
Deposit.

<table>
<thead>
<tr>
<th>Weckl Density Data</th>
<th>Bulk Density (t/m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dsh (Silica + Hematite detrital)</td>
<td>2.80</td>
</tr>
<tr>
<td>Dhc/Dhe (Canga / Hematite detrital)</td>
<td>2.90</td>
</tr>
<tr>
<td>Dhy/Hc (Hydrated zone / hardcap)</td>
<td>2.70</td>
</tr>
</tbody>
</table>

Table 3 – Densities used in Mineral Resource estimation of the Weckl DID

<table>
<thead>
<tr>
<th>Buckland Hills Density Data</th>
<th>Bulk Density (t/m³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineralised Envelope</td>
<td>2.75</td>
</tr>
<tr>
<td>Cover – gravel / shingle</td>
<td>2.50</td>
</tr>
<tr>
<td>Waste – clay / mixed clay-CID</td>
<td>2.30</td>
</tr>
</tbody>
</table>

Table 4 – Densities used in Mineral Resource estimation of the Buckland Hills CID

Classification

The Mineral Resource estimates were classified by Golder Associates in accordance with the JORC Code,
2004. Both the Weckl and Buckland Hills Mineral Resource estimates have been classified in the Inferred
category.

Cut-off Grade

The Mineral Resource estimates are reported using a 50% 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