

Quarterly Report

JUNE 2007



Resourceful Partnership

Aquila

Aquila Resources Limited

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HIGHLIGHTS

COAL

Isaac Plains Coal Mine

- Quarterly production of PCI and thermal coal for the project totals 246,112 tonnes.
- Action plan implemented to improve performance of Coal Handling and Preparation Plant.
- Disassembly and transportation of BE 1370W dragline to port of Galveston complete.

Belvedere Coal Underground Project

- CVRD completes \$17 million Exploration Study.
- Exploration Study evaluates conceptual longwall development options for the project, highlighting the potential production of 8-9mtpa of coking coal.
- CVRD gives notice of exercise of 51% purchase option to be settled by payment of USD45 million to each of Aquila Resources Limited and AMCI.
- Next phase of study activities to commence in the September Quarter.

Peak Downs East Underground Coal Project

- Stage 2 field exploration complete, indicating hard coking coal potential.
- Initial JORC resource estimate of 696 million tonnes.
- Stage 3 program (including seismic studies) to commence in the September Quarter.

Washpool Project

- Coal quality analysis ongoing following completion of field exploration program.
- Potential for open pittable resource of coking and thermal coal products.
- Additional targets on Wilpena and Mt Crocker identified, with drilling planned for the forthcoming Quarter.

IRON ORE

Pre-Feasibility Study

- Flora and fauna surveys progressing at the mine areas and transport corridor.
- Landscape and geo-heritage study commenced.
- First round of metallurgical testwork completed.
- Commencement of preliminary mine scheduling and blending analysis.

Exploration

- Initial JORC resource estimate totals 265.9mt including:
 - West Pilbara Iron Ore Project – 203.0mt @ 57.44% Fe;
 - Hardey Project – 62.9mt @ 61.33% Fe.
- Results from a broad spaced reconnaissance RC drill program completed at the Yalleen Project were received. Significant intercepts returned from the Robe Exit target include:
 - 12m at 57.15% Fe;
 - 14m at 56.66% Fe; and
 - 14m at 56.04% Fe.
- In fill RC drilling completed within the Mt Stuart Joint Venture at Kens Bore and northwest extensions to Catho Well CID.

CORPORATE

- Appointment of additional management personnel:
 - Chief Development Officer – Mr Russell Tipper;
 - General Counsel – Mr J Raymond Wood;
 - Exploration Manager – Northern Cape (South Africa) – Mr Deon Rossouw.
- Iron ore exploration offices established in the Limpopo and Northern Cape regions of South Africa.
- AMCI legal proceedings have progressed in connection with declarations sought regarding a Change in Control in respect of the Australian Premium Iron and Belvedere Coal Joint Ventures.
- Cash and liquid investments total approximately \$63.7 million at the end of the Quarter. This excludes the CVRD receivable of USD45 million which is due in the September Quarter.

ISAAC PLAINS COAL MINE

(Aquila Resources Limited 50%)

Commissioning

Commissioning and Practical Completion of the Coal Handling and Preparation Plant (CHPP) has been further delayed with interrupted and inconsistent CHPP performance during the period.

During the Quarter, a review was undertaken which resulted in the mine management team developing an appropriate action plan to achieve Commissioning and Practical Completion of the CHPP as soon as practicable.

Issues with CHPP performance primarily relate to the tailings dewatering circuit, specifically the belt filter press installation.

A solid bowl centrifuge has been temporarily installed to improve performance in the short term whilst a permanent dewatering solution is implemented. It is anticipated to take five months for more robust belt filter presses to be received on site and installed for operation.

In the interim, reject storage cells have been designed to manage tailings and will be constructed following receipt of the requisite environmental authority.

This is expected to alleviate the identified constraints to the throughput and eliminate interruption to production.



CHPP and Stockpiles

Operations

Operations during the Quarter were restricted by the CHPP performance. Coal mining operations (full year) were reduced to 65% of budget with CHPP feed at 63% of plan.

Whilst CHPP production rates have been inconsistent, the production of metallurgical and thermal coal products has been ongoing.



Mining at Isaac Plains Coal Mine N1 pit

Sales

Metallurgical coal shipments improved during the Quarter, totalling 246,112 tonnes.

Total sales of metallurgical and thermal products shipped during the financial year amount to 161kt metallurgical and 249kt thermal coal.

Semi soft/PCI sales totalling 640,000 tonnes are now confirmed for the year ending 30 June 2008 whilst 290,000 tonnes of thermal coal have been contracted. The mine is budgeting on 1.27 million tonnes of sales for the 2008 year.

Integrated Isaac Plains Coal Project (IIPP)

Disassembly of the BE 1370W dragline commenced in January and is now complete. The machine has been relocated to the Port of Galveston, Texas. The timing for relocation of the machine to Australia is under review with respect to CHPP performance and funding arrangements.

Preparation of the Environmental Impact Study is well advanced and is expected to be submitted in the September Quarter.



Final Disassembly of Dragline

BELVEDERE COAL UNDERGROUND PROJECT (Aquila Resources Limited 50%)

During the Quarter, Companhia Vale do Rio Doce (CVRD), completed its Exploration Study on the Belvedere Coal Underground Project, near Moura in the southern Bowen Basin region of Queensland.

The Exploration Study was commenced in July 2005 and involved expenditure of approximately A\$17 million on a program to assess the geological structure, coal resource, product quality and underground mining conditions of Belvedere, together with an investigation of the potential mining, processing and logistical requirements for the establishment of a multi-longwall mining operation, producing approximately 8-9mt per annum of hard coking and PCI coal.

As reported on 20 July 2007, CVRD has provided notice of exercise of its purchase option to acquire a 51% interest in the Belvedere Coal Joint Venture by payment of USD45 million each to subsidiaries of Aquila Resources Limited and American Metals and Coal Industries (AMCI), who currently hold equal shares in the Project. Settlement is expected in the September Quarter.

Under the terms of Belvedere Coal Joint Venture, CVRD will have further options to acquire the remaining 49% interest at fair market value.

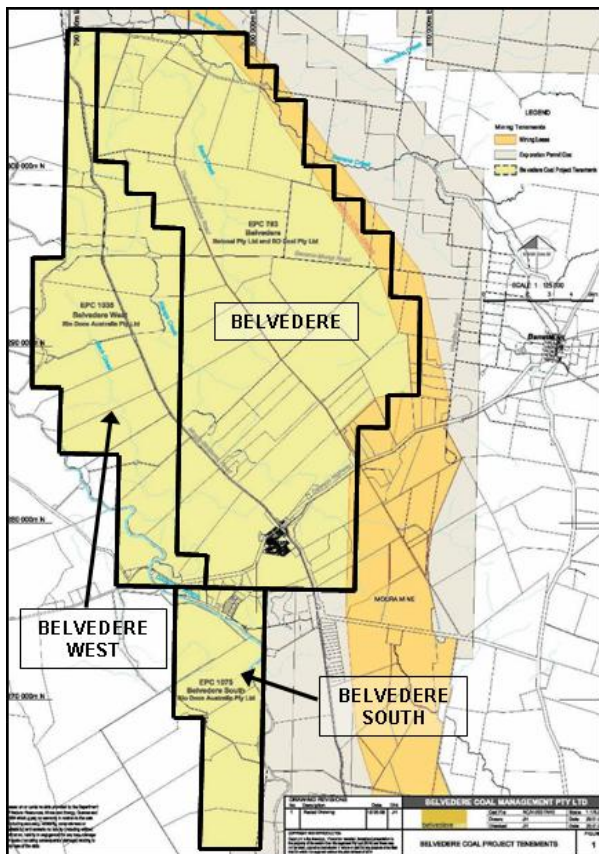


Figure 1: Belvedere Coal Underground Project

PEAK DOWNS EAST UNDERGROUND COAL PROJECT (Aquila Resources Limited 50%)

(Aquila Resources Limited 50%)

The Stage 2 drilling program was completed during the Quarter. Seismic work was delayed due to rain and is rescheduled for the September Quarter.

Initial Resource Estimate

An initial JORC resource statement was released on 20 June 2007 which also incorporated details for hard coking coal potential for at least part of the Peak Down East resource in all target seams. Table 1 summarises the resources of the Q, Harrow Creek Upper (HCU), Harrow Creek Lower (HCL) and Dysart seams in the area defined as the Peak Downs East northern resource area.

Table 1: Summary of In-Situ Resources by Seams (depths 150m to >600m)

Seam	Indicated Tonnes	Inferred Tonnes	Total Indicated & Inferred Tonnes
Q	11 Mt	85 Mt	96 Mt
Harrow Creek Upper	19 Mt	125 Mt	144 Mt
Harrow Creek Lower	45 Mt	240 Mt	285 Mt
Dysart	21 Mt	150 Mt	171 Mt
TOTAL	96 Mt	600 Mt	696 Mt

Product Quality

The coal quality test work has been ongoing during the last six months. Quality data updated during the period appears consistent with previous analysis.

Table 2 summarises previously reported product quality data for all target seams. The majority of the resource lies within the HCU and HCL seams.

Coking characteristics identified for the Harrow Creek seams show Gray King up to G6 for HCU and up to G8 for HCL. Both seams show some fluidity and dilatation. Crucible Swell Numbers (CSN) for HCU are in the range 7.5-8.5, with HCL slightly higher in the range of 8-8.5.

Coke strength after reaction (CSR) results for HCU remain in the range of 55-63 for HCU and 60-75 for HCL.

Table 2: Clean Coal Composite and Coke Oven Test Result Summary

Seam	BH No.	VM %	Product Ash %	Total Sulphur %	Phos %	CSN	CSR
Q Full seam *	795023C	23.3	9.2	0.67	0.005	9.0	57
HCU Full seam	795027C	17.7	8.5	0.58	0.037	8.0	61
HCL Plies 2-4**	795023C	17.9	10.2	0.54	0.013	8.0	66-71
DY Full seam	795027C	16.0	8.6	0.56	0.075	8.5	73

Note: Air dried basis *Primary product ** Working section-Plies 2-4 weighted average

Subsequent to the Quarter, the Peak Downs East Underground Project Concept Study was completed by IMC Mining Solutions. This study evaluated concepts for various continuous miner and longwall configurations. The study further indicates the potential in the northern resource area for the development of a hard coking coal longwall project producing between 4mtpa (single conventional longwall) and 7mtpa (2 longwalls) at estimated FOB costs of less than A\$60/product tonne.

As a result of the encouraging Concept Study the Stage 3 exploration program will be commenced in the September Quarter and will focus on further resource definition. This work will be carried out as part of the Peak Downs East Pre-Feasibility Study which is expected to be completed by 30 June 2008. Figure 2 shows the concept level panel layout for the proposed mining project.

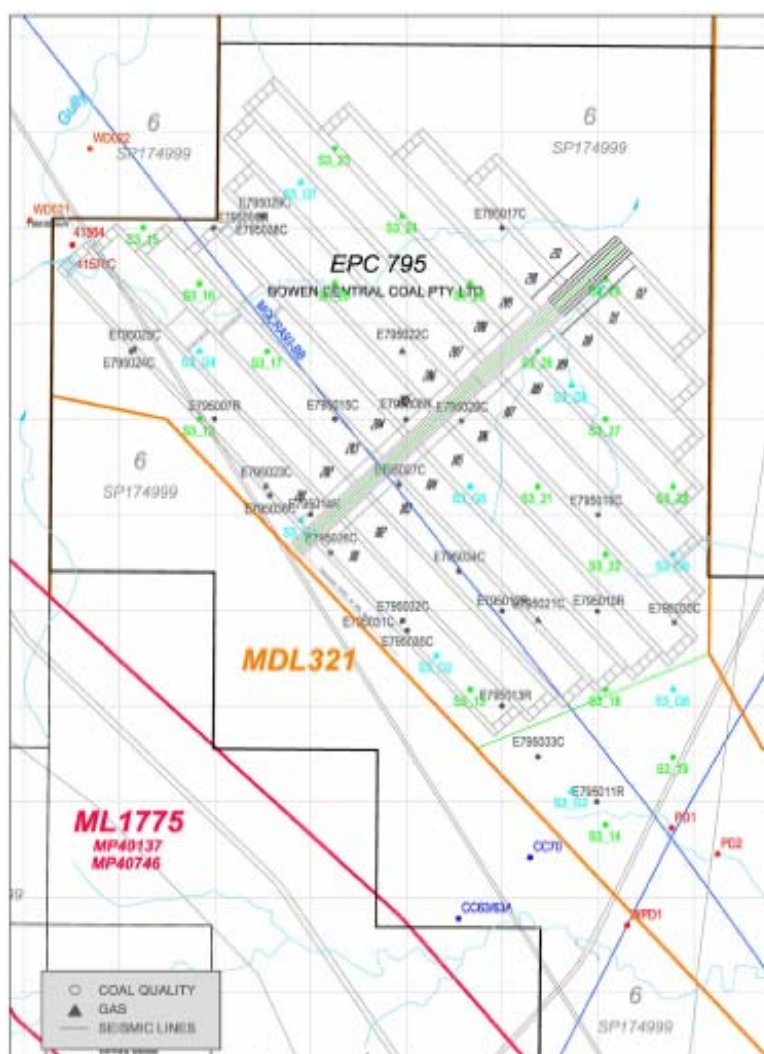


Figure 2: Typical Longwall Layout for the Peak Downs East Underground Coal Project (Concept Study)

BOWEN BASIN PROJECTS

(Aquila Resources Limited 100%)

Washpool and Mt Crocker Projects

Previous exploration field work phases are now complete. Coal quality analysis is currently in progress at the laboratory and is expected to be completed in the September Quarter.

Preliminary assessment of product and market opportunities is being undertaken.

Additional exploration targets will be drilled during the forthcoming exploration program on the Mt Crocker and Wilpena tenements. Due to the length of the project area (in excess of 50km from Wilpena in the north to the southern extent of Mt Crocker), this work is being carried out to further estimate the project centre of mass, prior to the evaluation of infrastructure options for either an integrated or standalone mining project.

MOÇAMBIQUE

(Aquila Resources Limited 100%)

With the government of Moçambique approving a 25-year mining contract for the development of the Moatize coal project by CVRD, the value of the Company's adjoining coal tenement holdings in the Moatize and Tete coal basins has been considerably enhanced. During the Quarter, a strategic review was initiated of the Company's projects in Moçambique.

BOTSWANA

(Aquila Resources Limited 100%)

The core drilling on the Western Mmamabula deposits during the Quarter confirmed the coal seam thicknesses that had been recorded on previous drilling campaigns in the 1980's and the results of this program are summarised in Table 3 below. The K and A seams are well developed on the West block in the central horst (WMA 1A) and the central graben (WMA 2A). The principal coal seam on the East block is the A seam. The K seam is intermittently developed on the East block and was not sampled in WMB 4A. The lowermost E seam is developed in both deposits, but has not always been intersected by the drilling.

Table 3: Western Mmamabula Core Drilling Results

Hole ID	Total Depth (m)	Coal Seam	From (m)	To (m)	Thickness (m)
Mmamabula – West block					
WMA 1A	176.73	K Seam	112.66	119.73	7.07
		A Seam	150.43	154.27	3.84
WMA 2A	236.8	un named	153.84	157.94	4.10
		K Seam	180.20	188.00	7.80
		un named	205.08	206.65	1.57
		A Seam	217.21	222.06	4.85
		E Seam	230.90	231.93	1.03
Mmamabula – East block					
WMB 4A	239.95	A Seam	208.60	215.82	7.22
		E Seam (U)	220.99	222.22	1.23
		E Seam (L)	223.01	224.18	1.17

The analytical and wash test results using a full range of sink/float fractions confirm the coal quality of the seams as determined on the earlier campaigns with improved results relating to the calorific values and yields recorded for the A seam on the West block.

IRON ORE

AUSTRALIAN PREMIUM IRON JOINT VENTURE

(Aquila Resources Limited 50%)

Pre-Feasibility Study

Selection of a port site was a key focus for API during the Quarter. As a result, Cape Preston and Dixon Island were selected as preferred options. API has been in discussion with other stakeholders in regards to these locations and has also participated in a consultative process with Worley Parsons who has been commissioned by Department of Industry and Resources (DoIR) to prepare a report on future infrastructure requirements at Cape Preston.

Field studies commenced during the Quarter as required for the regulatory approvals process. Flora surveys and vegetation mapping were undertaken across mining areas and at the nominated locations for a processing plant, camp and airstrip.

Fauna surveys also commenced including terrestrial trapping and the establishment of the troglofauna sampling program.

A field inspection was completed as part of a surface hydrology and flood study. The study will report initial modelled flood level estimates for drainages in the vicinity of the mines and planned infrastructure.

Progress was also made in a hydrogeological study which will report the prospectivity for locating adequate groundwater and propose a drilling program to identify and prove up supply. The presence of stygofauna in local aquifers will also be determined as part of this work.

The initial stage of a landscape and geo-heritage study was undertaken during June. The study is to evaluate the significance of landform and geological features represented by the deposits, as will be required by the Environmental Protection Authority (EPA).

Catho Well Deposit (cut-off grade >54% Fe, no Al₂O₃ cut-off applied)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	47.7	55.45	6.68	3.02	0.038	0.016	0.079	0.170	10.26
Inferred	20.3	55.23	7.15	3.24	0.037	0.016	0.071	0.161	9.83
Total	68.0	55.38	6.82	3.09	0.038	0.016	0.077	0.167	10.13

Cardo Bore East Deposit (cut-off grades >54% Fe and <4.0% Al₂O₃)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	30.6	59.32	4.60	3.43	0.076	0.016	0.065	0.109	6.59
Inferred	4.8	58.98	4.85	3.46	0.072	0.017	0.055	0.119	6.68
Total	35.4	59.27	4.63	3.44	0.075	0.016	0.064	0.110	6.60

The first round of metallurgical testwork was completed. The results confirmed that some gangue materials including alumina are associated with the iron in the pisolite structure and are reasonably uniform throughout the size fractions of the ore.

The next stage will include sinter tests on the ore and initial discussions were held with CSIRO who are being considered for the work. A combination of ore from bulk sampling and selected core drilling is planned to be used as source stock for the test program.

Consultants also began an initial analysis of possible mining scenarios intended to provide insight to likely blending requirements and overall iron ore specifications over time.

Initial Resource Statement

On 16 May 2007 the Company released an initial JORC resource estimate for the West Pilbara Iron Ore Project and the Hardey Project.

The Indicated and Inferred resource for the pisolitic channel iron deposits (CID's) of the West Pilbara Iron Ore Project totals 203.0mt at 57.44% Fe, comprising the Catho Well, Cardo Bore East, Upper Cane, Jewel and Cochrane deposits as detailed below:

IRON ORE

Upper Cane Deposit (cut-off grade >54% Fe, no Al₂O₃ cut-off applied)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	27.8	58.74	4.97	2.88	0.082	0.020	0.024	0.043	7.55
Inferred	31.5	58.76	5.02	2.98	0.075	0.019	0.021	0.050	7.50
Total	59.3	58.75	5.00	2.93	0.078	0.019	0.022	0.047	7.52

Jewel Deposit (cut-off grades >54% Fe and <4.4% Al₂O₃)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	14.4	56.87	5.78	3.52	0.057	0.026	0.023	0.057	8.95
Inferred	5.3	56.80	6.05	3.62	0.066	0.025	0.027	0.056	8.59
Total	19.7	56.85	5.85	3.55	0.059	0.026	0.024	0.057	8.85

Cochrane Deposit (cut-off grades >54% Fe and <4.2% Al₂O₃)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	20.7	57.90	5.05	3.59	0.079	0.020	0.012	0.115	7.91
Inferred									
Total	20.7	57.90	5.05	3.59	0.079	0.020	0.012	0.115	7.91

Total - Channel Iron Deposits

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	141.2	57.44	5.56	3.22	0.063	0.018	0.050	0.112	8.45
Inferred	61.9	57.45	5.79	3.16	0.062	0.018	0.041	0.092	8.30
Total	203.0	57.44	5.63	3.20	0.062	0.018	0.047	0.106	8.41

The Indicated and Inferred resource for the Hardey bedded iron deposit is 62.9mt at 61.33% Fe as follows:

Hardey Deposit (cut-off grade >58% Fe)

Resource Classification	Tonnage (Mt)	Average Grade							
		Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Indicated	19.8	61.24	3.66	2.66	0.128	0.011	0.063	0.069	5.69
Inferred	43.1	61.38	3.82	2.44	0.123	0.010	0.061	0.088	5.56
Total	62.9	61.33	3.77	2.51	0.125	0.010	0.062	0.082	5.60

Formation/ Domain	Resource Classification	Tonnage (Mt)	Average Grade							
			Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	Mn%	MgO%	LOI%
Brockman	Indicated	15.5	61.58	3.34	2.71	0.146	0.006	0.071	0.060	5.49
	Inferred	36.8	61.63	3.68	2.45	0.133	0.009	0.065	0.069	5.36
	Sub Total	52.3	61.62	3.58	2.52	0.137	0.008	0.067	0.066	5.40
Marra Mamba	Indicated	4.4	60.01	4.76	2.50	0.065	0.025	0.037	0.101	6.39
	Inferred	6.2	59.87	4.66	2.43	0.066	0.018	0.037	0.201	6.74
	Sub Total	10.6	59.93	4.70	2.45	0.066	0.021	0.037	0.160	6.59
TOTAL		62.9	61.33	3.77	2.51	0.125	0.010	0.062	0.082	5.60

Exploration

Exploration activity undertaken by API during the Quarter has concentrated on the Yalleen, Red Hill and Mt Stuart joint venture projects.

At the Yalleen Project a program of RC drilling was completed providing initial assessment along the edge of the Hamersley Range testing near surface resistive Hoist EM targets interpreted to

be potential channel iron deposits. Late in the Quarter, the drilling commenced at the Mt Stuart and Red Hill projects assessing the northern extensions of the Kens Bore and Catho Well CID.

Results have been received for the Yalleen Project program.

IRON ORE

WEST PILBARA – MT STUART PROJECT

(API 70%)

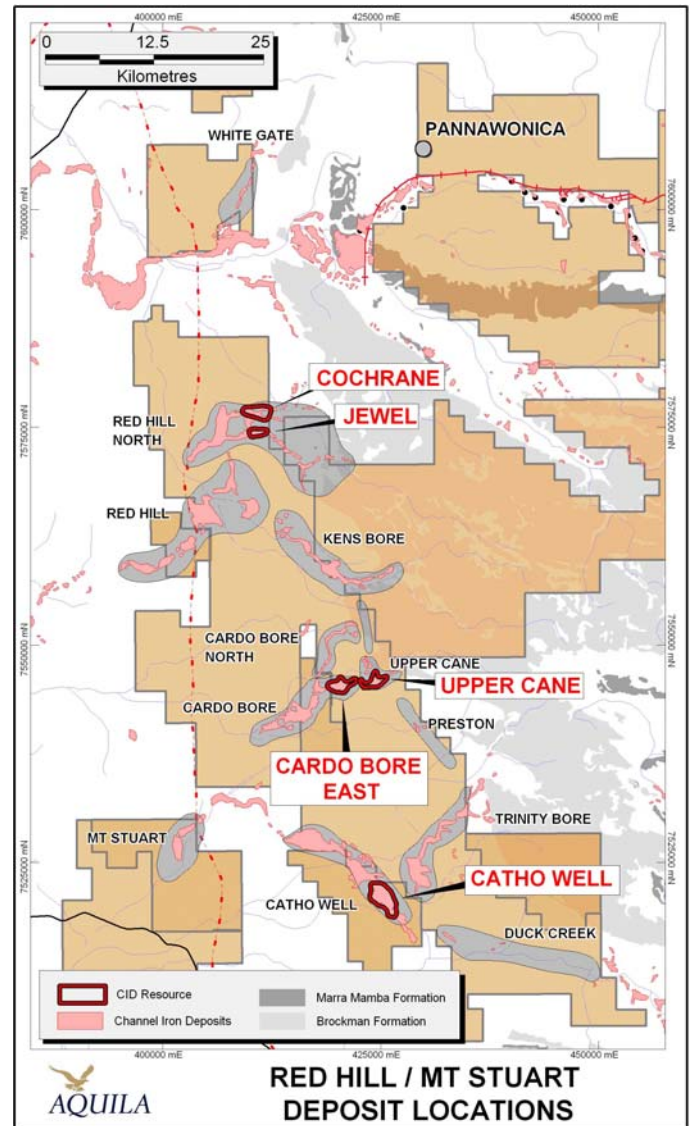
During the Quarter, a program of RC drilling commenced at Catho Well North and remains ongoing. A total of 11 holes for 326m have been completed to date, targeting the northwest extensions of the Catho Well CID.

Drilling encountered variable thicknesses of CID material with thickness generally increasing towards the southwest. Bedrock lithologies comprised mostly of turbiditic sediments and cherts of the Mount McGrath Formation were as shallow as 6m from surface along the northern margin of the mesa. The CID material tested was generally mixed material consisting of vitreous goethite, goethite and sometimes hematite rich pisolitic CID with interstitial clay zones.

Assay results are pending.



Typical landscape of the Red Hill – Mt Stuart area



IRON ORE

WEST PILBARA – RED HILL PROJECT

(API earning up to 80%)

Kens Bore

A program of in-fill RC drilling was completed at the northwest end of Ken's Bore. Drilling completed indicates the mineralised CID is dominantly comprised of goethitic to hematitic rich oolitic to massive CID and clay zones consistent with results from previous drilling.

A total of 45 holes for 1,460m have been completed to date. Additional drilling is required in the central zone to complete coverage and is scheduled for the next Quarter.

Assay results are pending.

Catho Well North

RC drilling has targeted the northwest extensions of the Catho Well resource.

A total of 18 holes for 524m have been completed to date. Assay results are pending.

Drilling encountered variable thicknesses of CID material with thickness generally increasing towards the southwest, the main Catho Well deposit. The CID material tested was generally mixed-zone material consisting of vitreous goethite, goethite and sometimes hematite rich pisolitic CID with interstitial clay zones.

Red Hill

During the Quarter, a total of 19 holes for 492m were completed.

RC drilling continued at the Red Hill prospect to test the various palaeodrainages which occur between the Kens Bore and Red Hill North deposits. The Red Hill CID's are generally thin and represent remnant isolated mesas which were originally part of a large drainage system sourced from Ken's Bore and/or Red Hill North. The deposits are mostly comprised of goethite-altered CID with substantial clay. Sporadic, minor haematite enrichment occurs towards the surface.

Assay results are pending.

Selected results from the Robe Exit prospect include:

Hole ID	From	To	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
YARC028	16	18	2 m @ 56.20% Fe	5.30	9.07	0.041	0.026	4.32
YARC031	8	20	12 m @ 57.15% Fe	3.13	5.39	0.035	0.017	9.32
YARC033	6	20	14 m @ 56.66% Fe	3.49	4.96	0.042	0.023	9.98
YARC034	6	14	8 m @ 57.50% Fe	4.22	4.30	0.047	0.022	8.67
YARC035	12	26	14 m @ 56.04% Fe	3.84	6.40	0.039	0.015	9.16

WEST PILBARA – YALLEEN PROJECT

(API earning 70%)

During the Quarter, work has concentrated on definition of known channel iron targets at the Kumina Creek and Robe Exit prospects and bedded iron mineralisation at the Bonham prospect.

Kumina Creek Prospect

A detailed gravity survey covering the Kumina Creek buried CID has been completed. Interpretation of results by Southern Geoscience concluded that "in a simple, qualitative sense, the gravity was clearly mapping the channel system reasonably well. However, it also tracks the plan position of the clay and basement units just as well".

At the preliminary stage, no meaningful comment was able to be made on how effective the gravity data will be in discriminating between the iron rich units, clay zones and basement, however the broader channel limits are defined sufficiently to optimise drill planning.

As a result of the success of the initial gravity survey, API has commissioned a larger survey over the Robe Exit prospect.

Robe Exit Prospect

RC drilling commenced at the Robe Exit prospect in May. A total of 12 holes were completed for 548m during the period. Drilling targeted the 3km south of the Kumina Creek prospect along the edge of the Hamersley Range to test a near surface resistive Hoist EM targets interpreted to be potential channel iron deposits. Drill holes were spaced at 1km centres toward the Robe Exit prospect located a further 6km south.

No CID material was logged in drill holes YARC26 – 30 located along the edge of the range.

In contrast, drill holes YARC31 – 37 intersected varying thicknesses of CID. YARC031 and YARC033 to YARC036 were drilled on or next-to outcropping CID. Thickness of the CID varied between 6m and 28m, starting at or within 6m from the surface, and is believed to represent the mixed and basal zones of the CID stratigraphic model.

YARC037, the north western limit of drilling completed, was strongly goethitic and confirmed the existence of a predicted buried, deep channel.

IRON ORE

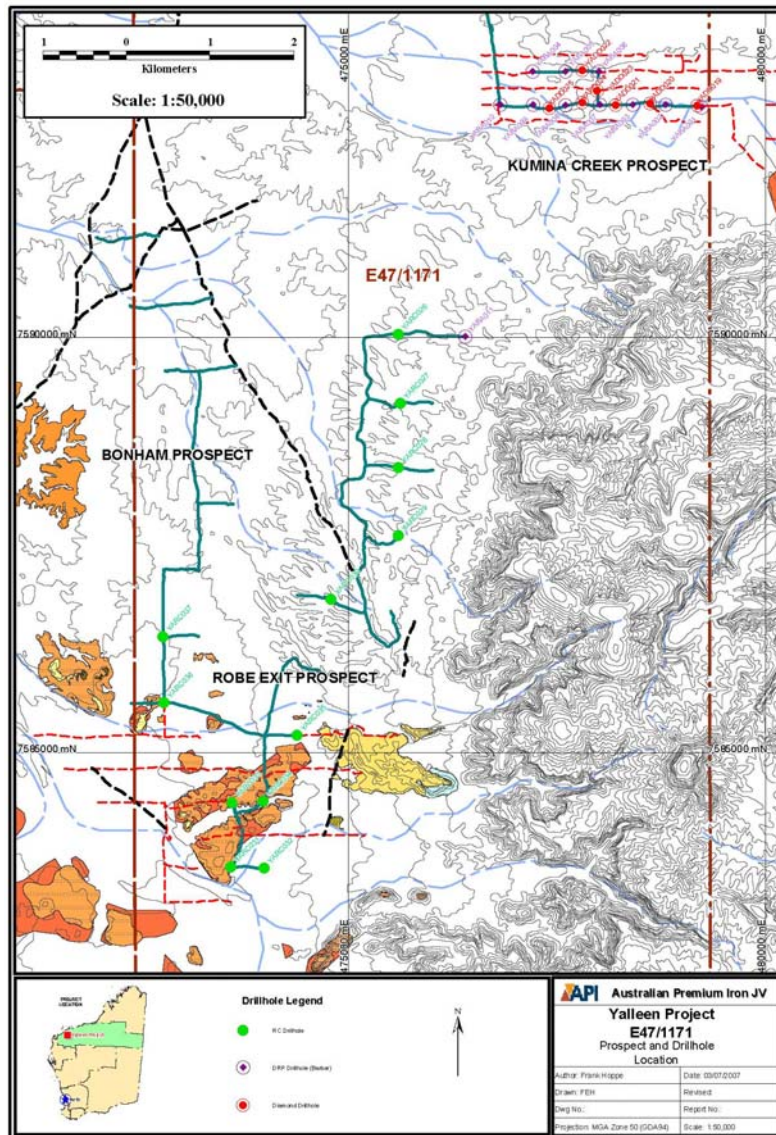
Geological Mapping

Detailed geological mapping was conducted at the Robe Exit prospect to validate a Landsat interpretation of the area and to identify the composition and stratigraphy of the isolated CID mesas flanking the Robe River.

From the geological mapping a better picture of the ancestral Robe River palaeodrainage system dimensions is able to be interpreted thus aiding planning of future exploration work. Mapping, together with data obtained from the gravity survey currently being carried out, will provide useful information in the planning of future drilling.

Bonham Prospect

At the Bonham prospect geological mapping was commenced to identify the distribution of goethitic cap, laterite and CID developed over Marra Mamba. Mapping has been completed on the east side of the Robe River. Mapping and surface rock chip sampling is continuing across the prospect area. RC drilling is planned to commence in the next Quarter.



IRON ORE

SOUTH AFRICA

THABAZIMBI JOINT VENTURE

(Aquila Resources Limited 74%)

Aquila Resources Limited and Rakana Consolidated Mining (Proprietary) Limited have formed the Thabazimbi Joint Venture to explore for and if successful, develop iron ore projects in South Africa.

During the Quarter, the Company established offices in the two regions of interest and has commenced the recruiting of key staff headed up by Mr Deon Rossouw as the Exploration Manager for Northern Cape and Mr Johann van Deventer as the Exploration Manager for the Thabazimbi Region.

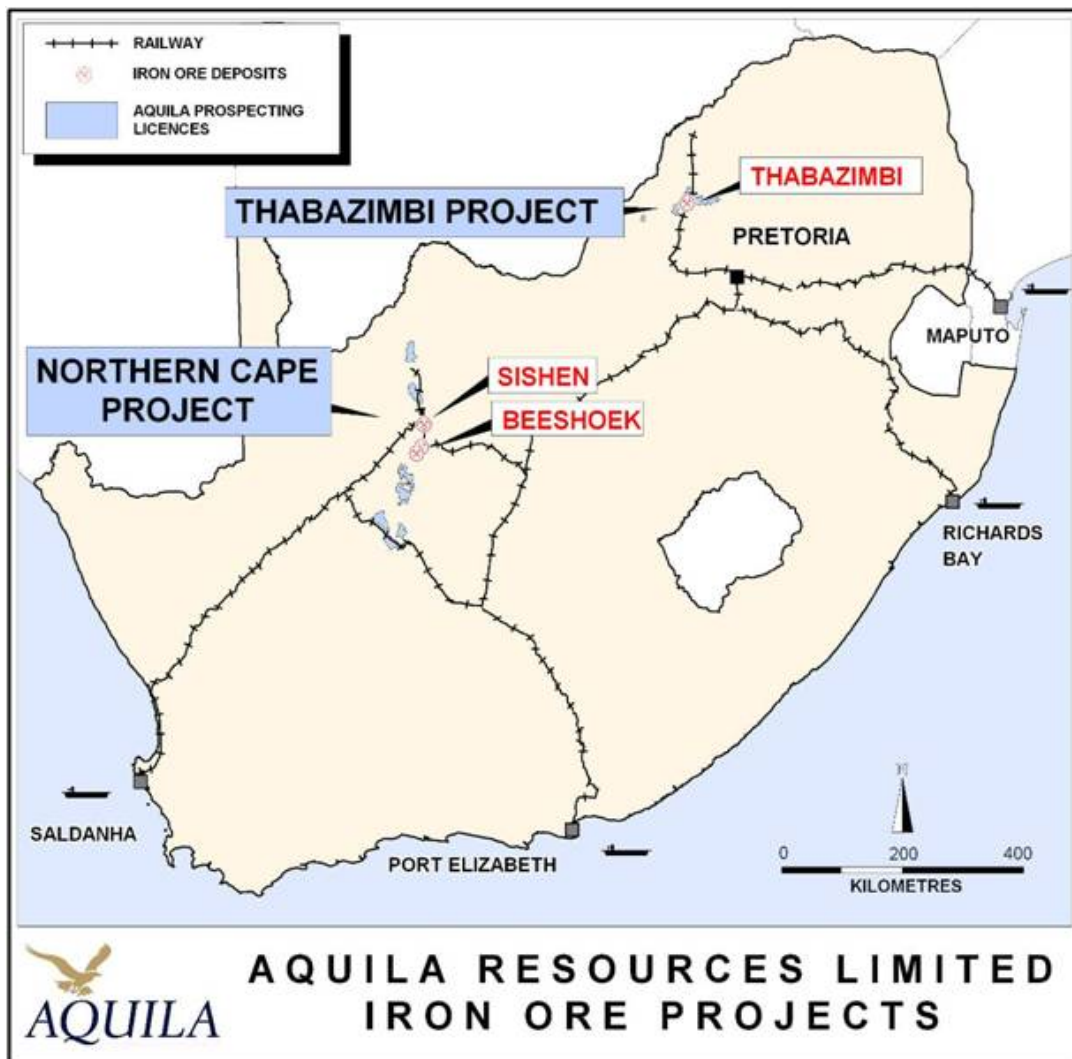
Northern Cape Province

A low level, detailed aeromagnetic survey was flown over the Avontuur prospecting licence. The tenement covers the projected northern extension of the Kalahari Manganese Field, where the target is manganese and iron mineralisation in the Hotazel

Iron Formation. Processing of data from the survey is underway while research into the results from previous exploration activities is being conducted. Flying will be continued to cover the Kathu prospecting right in the coming Quarter.

Limpopo Province

Council for Geoscience aeromagnetic data covering some 50% of the Thabazimbi prospecting licences have been processed and interpreted to aid in iron ore target definition. The remainder of the tenement area is scheduled to be flown by the Council later this year. Iron ore occurrences and partially defined bodies of mineralisation have been prioritised for early drill delineation and feasibility assessment, with drilling scheduled to commence once road access to the targets is established.



APPOINTMENT OF ADDITIONAL MANAGEMENT PERSONNEL

During the Quarter, the Company appointed the following personnel:

- (a) Russell Tipper: Chief Development Officer for Iron Ore

A former Project Director of the Hope Downs Iron Ore Project, Russell has over 30 years experience in iron ore operations, feasibility studies and mineral project evaluation, financing and development with Rio Tinto, Hope Downs Management Services, North Limited and Robe River Iron Associates.

- (b) J Raymond Wood: General Counsel

Formerly General Counsel (Commercial) of Hancock Prospecting, Ray will shortly commence with the Company and brings a wealth of experience relating to the legal and commercial structuring and management of iron ore projects, risk management and corporate governance.

- (c) Deon Rossouw: Exploration Manager - Northern Cape

In South Africa, Deon, who has gained significant experience in iron ore, manganese and base metals exploration with Kumba Iron Ore, will assume responsibility for overseeing the Company's iron ore exploration programs in the Northern Cape region.

ESTABLISHMENT OF EXPLORATION OFFICES IN SOUTH AFRICA

Following the grant of seven prospecting rights, covering approximately 3,400 sq km of highly prospective iron ore settings in South Africa, the Company is establishing exploration offices in the Limpopo and Northern Cape regions, from which it will manage the exploration programs for these areas.

For further information please contact:

Mr Tony Poli Executive Chairman

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The information in this announcement, insofar as it relates to Mineral Exploration activities, is based on information compiled by Geoffrey F Pigott who is a member of the Australian Institute of Geoscientists, and Stuart H Tuckey, who is a member of the Australian Institute of Mining and Metallurgy, and who have more than five years experience in the field of activity being reported on. Messrs Pigott and Tuckey are full-time employees of the Company. Messrs Pigott and Tuckey 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 Pigott and Mr Tuckey consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

LEGAL PROCEEDINGS: AMCI CHANGE IN CONTROL

Following commencement of legal proceedings between subsidiaries of Aquila Resources Limited and AMCI subsidiaries in relation to a Change in Control, the parties have consented to orders to have the dispute determined by the Supreme Court of Queensland and it is listed to commence on 16 August 2007 in Brisbane.

The Company is currently pursuing the matter to hearing, with a view to obtaining orders from the court to the effect that a Change in Control has occurred in relation to the AMCI subsidiaries in respect of the Australian Premium Iron and Belvedere Coal Joint Ventures, following a restructuring of the AMCI interests in these joint ventures, in conjunction with the sale of AMCI Holdings Australia Pty Ltd to CVRD on 26 February 2007.

If the Aquila subsidiaries are successful in this matter, they will re-affirm their contractual right to purchase the interests held by the AMCI subsidiaries in both the Australian Premium Iron and Belvedere Coal Joint Ventures, at a price to be determined by an independent expert as at the date of Change in Control, being 26 February 2007.

CASH RESERVES AND LIQUID INVESTMENTS

Cash reserves and liquid investments total approximately \$63.7 million at 30 June 2007. This excludes the CVRD receivable of USD45 million which is due in the September Quarter.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

AQUILA RESOURCES LIMITED

ACN or ARBN

81 092 002 769

Quarter ended ("current quarter")

JUNE 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	4,418	9,573
1.2 Payments for:		
(a) exploration and evaluation	(3,020)	(9,518)
(b) development	(2,255)	(16,752)
(c) production	(6,683)	(15,456)
(d) administration	(916)	(4,187)
1.3 Dividends received (settlement of EHM litigation)	-	14,000
1.4 Interest and other items of a similar nature received	646	3,352
1.5 Interest and other costs of finance paid	(1,146)	(1,704)
1.6 Income taxes paid	-	-
1.7 Other (Reimbursement of rail loop earthworks construction costs, inter-entity service charges)	279	7,856
Net operating cash flows	(8,677)	(12,836)
Cash flows relating to investing activities		
1.8 Payment for purchases of:		
(a) mineral properties	-	(1,320)
(b) equity investments	-	(8,277)
(c) other fixed assets	(171)	(832)
1.9 Proceeds from sale of:		
(a) mineral properties	-	-
(b) equity investments	-	867
(c) other fixed assets	-	1
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (payment for recoverable security deposits)	(1,487)	(1,487)
Net investing cash flows	(1,658)	(11,048)
1.13 Total operating and investing cash flows (carried forward)	(10,335)	(23,884)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(10,335)	(23,884)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	208	324
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	5,148
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	208	5,472
	Net increase (decrease) in cash held	(10,127)	(18,412)
1.20	Cash at beginning of quarter/year to date	44,311	52,596
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	34,184	34,184

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	170
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Management Fees, Directors' Fees	

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	20,648 ¹	20,648
3.2 Credit standby arrangements	12,852 ²	12,852

1 - Aquila's 50% interest in the Isaac Plains Coal Project A\$41.295m cash advance facility.

2 - Aquila's 50% interest in the Isaac Plains Coal Project A\$25.705m financial guarantee facility.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4,826
4.2 Development	1,950
Total	6,776

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,376	4,124
5.2 Deposits at call	31,808	40,187
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	34,184	44,311

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished reduced or lapsed	950R	Coal – Mozambique Relinquished	100%	0%
	1044R	Relinquished	100%	0%
6.2 Interests in mining tenements acquired or increased				

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 +Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	168,933,477	168,933,477		
7.4 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buy-backs	183,333	183,333	\$2.50 – See Note 7	\$2.50
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) increases through issues (b) decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	8,800,002	-	<i>Exercise price</i> See note 6.	<i>Expiry date</i> See note 6.
7.8 Issued during quarter	550,000	-	\$5.50	31 Aug 2010
7.9 Exercised during quarter	83,333		\$2.50	31 Dec 2008
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 July 2007

Director

Print name: Tony Poli

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6 Securities issued but not quoted as at 30 June 2007.

<u>Number Issued</u>	<u>Type</u>	<u>Expiry Date</u>
1,033,334	Options	31 December 2007
2,216,668	Options	31 December 2008
550,000	Options	31 August 2010
5,000,000	Options	31 December 2010
- 7 83,333 options were exercised during the quarter that converted to 183,333 ordinary shares as a result of the holder's entitlement to two separate bonus issues.