

Quarterly Report

September 2007



Resourceful Partnership

Aquila

Aquila Resources Limited

ABN: 81 092 002 769
Level 2, Aquila Centre
1 Preston Street,
Como WA 6152

Telephone: +61 8 9423 0111

Facsimile: +61 8 9423 0133

Email: mail@aquilaresources.com.au

Website: www.aquilaresources.com.au

HIGHLIGHTS

COAL

Isaac Plains Coal Mine

- Quarterly mining and CHPP operations in line with budget and port capacity.
- Initial semi-hard coking coal sales secured.
- Shipment of first Cape Size thermal coal cargo in September.
- Commencement of infrastructure design for proposed Isaac Plains South development.
- BE 1370 dragline to be relocated from Texas to Australia.

Belvedere Coal Underground Project

- CVRD exercises option to acquire 51% interest in the Belvedere Coal Joint Venture.
- Planning commences for exploration and mine development studies following settlement of CVRD transaction.

Peak Downs East Underground Coal Project

- Stage 3 exploration programme commenced.
- Budget of \$11m approved to complete pre-feasibility study by 30 June 2008.

Washpool Coal Project

- Coal quality analysis ongoing following completion of field exploration programme.
- Potential for open pitable resource of coking and thermal coal products.

Red Hill Coal Project

- Drilling commenced in September.
- Leichhardt and Vermont seams identified.
- Coal quality test programme in progress.

Moçambique Coal

- Sale of Moçambique coal exploration tenements for \$26m cash and 10 million fully paid ordinary shares in Riversdale Mining Limited.

Botswana Coal

- Joint Venture agreement signed with Jonah Capital Limited and Scharrig Mining Limited to accelerate exploration programmes and evaluate potential mine development options.

IRON ORE

Pre-Feasibility Study

- Development and exploration budget totalling \$32 million approved.
- Substantial progress made on baseline environmental surveys.
- Hydrology and hydro-geological assessments completed for the mine area.
- Analysis continues of Cape Preston and Dixon Island port options.
- Integrated owner and consultant team developing, scheduling and costing mine operating plans and related equipment.
- HWE Mining selected to mine sample pits during the evaluation period.

Resource Exploration

- RC drilling within the project areas continues to identify broad areas of high-grade CID up to 60% Fe with updated resource estimates to be undertaken early in 2008.
- Infill drilling at the Upper Cane deposit has improved the continuity of mineralised zones, linking the western and eastern resource blocks. Significant intercepts include;
 - 52m at 57.84%;
 - 50m at 58.69%;
 - 52m at 60.22% Fe;
 - 50m at 59.55% Fe; and
 - 50m at 59.37% Fe.
- Evaluation of the Kens Bore and Trinity Bore prospects, for which no resources have yet been calculated, continues to return thick intercepts of high-grade CID. Better results returned include;
 - Kens Bore
 - 34m at 58.72% Fe;
 - 30m at 56.97% Fe; and
 - 32m at 58.19% Fe.
 - Trinity Bore
 - 26m at 56.16% Fe;
 - 28m at 56.33% Fe; and
 - 26m at 56.32% Fe.
- Drilling recommenced at Kumina Creek and Robe Exit prospects.

CORPORATE

- Appointment of additional Director;
 - Mr Gordon Thomas Galt – Non-Executive.
- Appointment of Company Secretary;
 - Mr J Raymond Wood – Company Secretary.
- The Company appeals the decision of the Queensland Supreme Court regarding the Change in Control dispute with AMCI in respect of the Australian Premium Iron and Belvedere Coal Joint Ventures.
- Share Buy-back of up to 5 million ordinary shares announced subsequent to Quarter end.
- Substantial shareholding acquired in Helix Resources Limited.
- Cash and liquid investments total approximately \$179m.

ISAAC PLAINS COAL MINE

(Aquila Resources Limited 50%)

Operations

Coal mining and overburden operations for the Quarter were in line with budget.

Commissioning and Practical Completion of the Coal Handling and Preparation Plant (CHPP) was reported in the June Quarter. Following review of the issues delaying Practical Completion, an action plan has been implemented to manage the impacts of the tailings dewatering circuit on CHPP performance until new filters are retrofitted. This includes temporary installation of a solid bowl centrifuge and following receipt of environmental approvals, construction of fines recovery ponds to de-bottle neck the tailings dewatering circuit. Currently CHPP throughput has stabilized and is averaging approximately 5500 tonnes per shift. On this basis, the project is consistently delivering to the current sales plan and allocated port capacity.

It is expected that completion of the remedial work to the CHPP and achievement of the design outcomes will occur in early 2008 prior to additional port capacity being made available at the Dalrymple Bay Coal Terminal in the following financial year.



Isaac Plains Coal Mine Product Stacker



Isaac Plains Coal Mine

Sales

Total sales of metallurgical and thermal products shipped during the Quarter were 247,500 tonnes including 104,600 tonnes metallurgical and 142,900 tonnes thermal coal.

The mine secured its first semi hard coking coal sales in September and also shipped its first Cape Size cargo of thermal coal.



First Cape Size Cargo

Project Development

The Environmental Impact Statement for the Integrated Isaac Plains Coal Project was submitted to the Environmental Protection Authority during September and is expected to be publicly released in November.

Preparation of the Isaac Plains South mining lease application and supporting documents are well advanced and will be submitted in October.

Design work commenced during the Quarter for the Isaac Plains South civil and mining infrastructure. Accordingly, arrangements are being made to relocate the BE 1370 dragline from the Port of Galveston, Texas to Australia.



Dragline Components Ready For Final Cleaning and Transport

BELVEDERE COAL UNDERGROUND PROJECT *(Aquila Resources Limited 50% reducing to 24.5%)*

During the Quarter, CVRD provided notice of exercise of its option to acquire a 51% interest in the Belvedere Coal Joint Venture. This will result in the Company and AMCI each retaining a 24.5% interest in the joint venture as it progresses to the pre-feasibility study stage.

The parties are currently discussing the appropriate mechanisms to give effect to CVRD's purchase of a 51% venture interest in the Belvedere Coal Joint Venture.

On finalisation of CVRD's acquisition of the 51% interest, the joint venture will commence a pre-feasibility study on the Belvedere Coal Underground project.

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

Drilling for the Stage 3 work programme commenced during the period. A total of 921m was drilled with 2 rigs mobilized during the Quarter, including 891m of HQ core.

Geotechnical interpretation of the Stage 1 and 2 drill programmes was undertaken and a detailed quality control programme developed to ensure the correct process for ongoing interpretation of geophysical logs.

The gas testing programme has commenced, with the first 17 gas canister samples obtained from the initial Stage 3 drilling.

The Stage 2 coal quality programme is almost complete with some laboratory testing/reports and the geophysical backlog expected to be completed in October. The Stage 3 coal quality test work programme for the HQ core samples was awarded in September, with commencement of the 90mm (PQ) core programme during the forthcoming Quarter.

The 2-D seismic study was approximately 90% complete at the end of the reporting period with final reports expected shortly.

During the Quarter, the joint venture approved an \$11 million budget for the ensuing year.

BOWEN BASIN PROJECTS *(Aquila Resources Limited 100%)*

Washpool Coal Project

An additional two 100mm core holes were drilled at Washpool during the September for a (total of 93m) to provide additional coal quality information on the western flanks of the deposit where better yielding intersections were identified in the previous exploration programme.

The next stage of drilling at Washpool will be undertaken in order close drill spacing to a 1km grid, for completion of the initial resource statement.

Two additional targets will be drilled at Mt Crocker, south of the Washpool Coal project, as part of this programme.

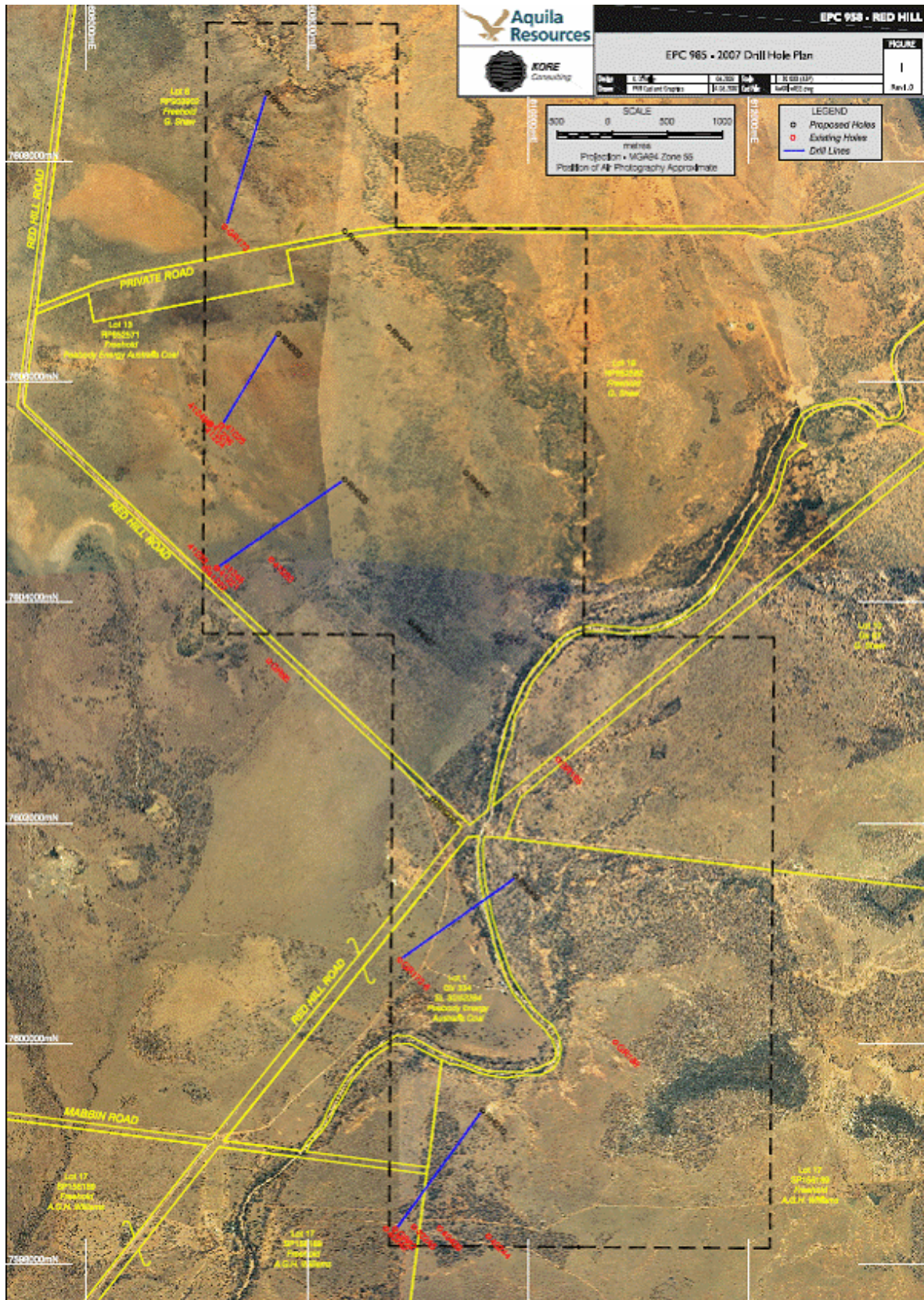
Red Hill Coal Project

The Red Hill Coal Project consists of three tenement areas to the east and west of BMA's Goonyella lease and a small area to the west of Lenton. The objective for the exploration programme was to identify the open cut and underground mining potential within the Rangal Coal Measures in the eastern project area.

The work programme undertaken in September comprised of open chip holes to a maximum depth of approximately 330m (total of 1128m). Based on this work and the existing open file data, both the Leichhardt and Vermont seams are present at depths ranging from 30m to 330m. Seam thicknesses were observed in the range of 2.0-3.0m.

Exploration drilling and coal quality testing are continuing at the project.

COAL



Red Hill Coal Project plan

COAL

MOÇAMBIQUE

(Aquila Resources Limited 100% - divested)

Following a strategic review of its Southern African exploration projects, it was decided to divest the Company's coal tenements in Moçambique. A sale agreement was concluded whereby Riversdale Mining Limited (Riversdale) acquired the tenements for consideration of A\$26 million cash and 10 million Riversdale fully paid shares.

The sale will allow the Company to reprioritise its activities to focus on the exploration and development of its iron ore and coal projects in South Africa and Botswana, respectively.

BOTSWANA

(Aquila Resources Limited 100% - reducing to 50%)

An incorporated joint venture has been created under a Shareholders Agreement to accelerate the commercialisation of the Company's coal projects in Botswana. Under the terms of the agreement, Jonah Capital Limited and Scharrig Mining Limited will earn a combined 50% interest in the projects. An initial interest of 16.67% will be earned by the payment of US\$5 million and the balance will be progressively earned by the expenditure of US\$10 million on a detailed programme of exploration, evaluation and preliminary mine development studies.

The drill intensive exploration programme is presently at the detailed planning stage and key technical personnel have been recruited to rapidly progress these activities.



AUSTRALIAN PREMIUM IRON JOINT VENTURE

(Aquila Resources Limited 50%)

Pre-Feasibility Study

Substantial progress in the baseline environmental surveys, required to prepare environmental approval documentation, has been achieved during the Quarter.

First phase flora surveys have been completed on the Cochrane, Jewel, Kens Bore, Cardo Bore East, Upper Cane and Catho Well deposits, and on several potential infrastructure areas. Approximately 30% of a proposed rail alignment from the mine areas to Cape Preston was also completed.

Terrestrial fauna surveys have been completed at the deposit areas and along the length of a rail corridor to Cape Preston. Sampling for subterranean fauna in the deposit areas is underway, with the first results expected shortly.

A survey of soil types and characteristics around the mine areas has been completed, as was the first phase survey of a landscape and geo-diversity study.

An initial surface hydrology study was completed for the mine areas, which provided valuable data for planning the location of ore haulage and processing infrastructure.

The initial hydro-geological assessment has been completed and an exploration programme designed to locate sufficient groundwater resources to support planned mining, haulage and processing operations, is scheduled to commence in the next Quarter.

Consultation has commenced with key government and non-government stakeholders.

The preparation of environmental approval documentation has also commenced and the documentation will be progressively updated as the results of environmental surveys come to hand and project definition continues.

Port consultants Maunsell AECOM continued their analysis of Cape Preston and Dixon Island. Both sites remain under consideration for either a transshipment or fixed berth facility to load cape size vessels.

Wave buoy and wave hindcasting data collection at Cape Preston has commenced. Dixon Island wave data is available from Port Walcott records.

Rail routes to both potential port locations were refined following the receipt of improved topographical information.

An integrated team has been established to develop viable operating plans and equipment selection for mining operations and to schedule and cost the options. This includes Golder Associates for mine scheduling and HWE Mining for mining methodology, equipment selection and costing. The team will work closely with API to develop an optimal solution to ensure a consistent and reliable supply of iron ore within specified quantity and quality constraints.

In addition, HWE Mining has been selected to complete a small pit during the pre-feasibility study evaluation period to provide bulk samples for metallurgical test work and to further evaluate proprietary surface mining technology in pisolitic iron ore. This technology offers an opportunity to greatly improve grade control and product sizing when compared with traditional drill and blast alternatives. Surface miner technology is now entering the production phase in Pilbara iron ore operations after a considerable period of research and development has confirmed the viability of the mining method in suitable applications. HWE Mining is at the forefront of this development.

The bulk sampling pit is part of the next phase of product development, along with a programme of selective core drilling across the deposits, which is planned to be completed in the forthcoming Quarter.

Exploration

Exploration undertaken during the Quarter has continued with the evaluation of major targets at the Mt Stuart, Red Hill and Yalleen joint venture projects. A total of 12,600m of RC drilling has been completed at the Catho Well North, Trinity Bore, Kens Bore prospects and the Upper Cane deposit.

Assay results received to date, from RC drilling completed in the Quarter, continue to highlight the significant resource potential of the West Pilbara Iron Ore Project.

Within the Yalleen Joint Venture tenements, planning for the recommencement of RC and diamond drill programmes was completed with drilling scheduled to recommence in November.

IRON ORE

WEST PILBARA – MT STUART IRON ORE JOINT VENTURE

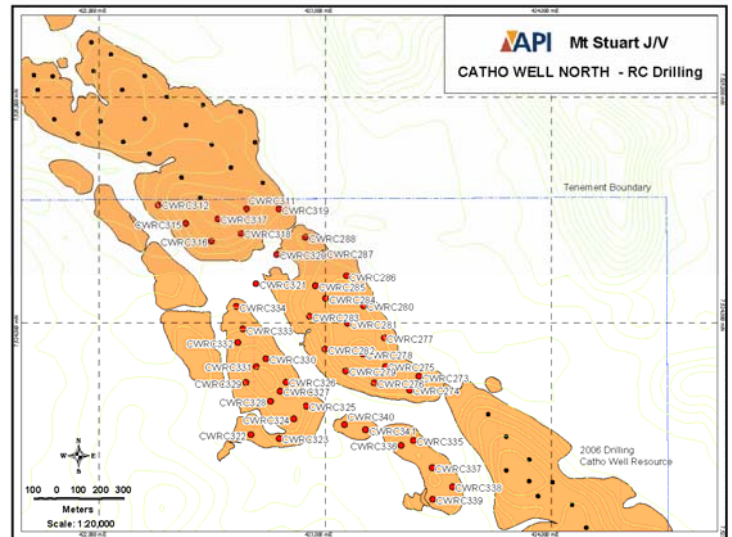
(API 70%)

RC drilling continued at the Catho Well North prospect during the Quarter. A total of 34 holes for 1,022m were completed, targeting the north-west extensions of the Catho Well channel iron deposits (CID).

During the Quarter, the Mt Stuart Iron Ore Joint Venture approved an exploration budget for the 2007/08 year of \$0.37 million.

Drilling encountered variable thicknesses of mineralised CID between 10 – 24m, extending over a channel length of 1.3 kilometres. The mineralised CID consists of vitreous goethite, goethite and rare haematite rich pisolites. The predominance of goethite and vitreous goethite result in iron grades ranging from 55% to +57%. Although clay bands are present within the CID, overall alumina grades are relatively low ranging between 2.1% to 3.0%. Both iron and alumina grades for the recent drilling are similar to the Catho Well resource grade published last Quarter.

A revision of the Catho Well resource will be finalised following the completion of additional RC drilling targeting the untested CIDs west of the recent drill programme.



Selected results from Catho Well North include:

Hole ID	From	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
CWRC281	10	10m @ 56.76 % Fe	2.51	5.82	0.040	0.017	9.43
CWRC282	6	12m @ 56.43 % Fe	2.14	5.90	0.042	0.018	10.00
CWRC283	0	20m @ 56.16 % Fe	2.85	6.35	0.039	0.016	9.75
CWRC284	10	16m @ 57.89 % Fe	2.34	4.05	0.042	0.024	10.12
CWRC285	6	20m @ 56.46 % Fe	2.72	5.39	0.042	0.020	10.12
CWRC311	18	22m @ 55.13 % Fe	3.26	6.35	0.050	0.016	10.64
CWRC312	8	16m @ 55.42 % Fe	2.72	6.79	0.033	0.016	10.30
CWRC315	8	12m @ 56.35 % Fe	2.45	5.87	0.042	0.020	10.21
CWRC316	16	10m @ 57.46 % Fe	2.16	4.91	0.038	0.019	10.14
CWRC317	20	12m @ 55.37 % Fe	3.00	6.82	0.040	0.021	10.25
CWRC318	26	14m @ 55.41 % Fe	3.07	5.66	0.039	0.014	10.74
CWRC324	2	22m @ 56.74 % Fe	2.45	4.68	0.041	0.013	10.58
CWRC325	0	24m @ 54.98 % Fe	2.64	6.63	0.035	0.018	10.54
CWRC326	4	18m @ 55.03 % Fe	2.37	5.66	0.036	0.016	11.12
CWRC327	8	18m @ 55.94 % Fe	2.60	5.20	0.039	0.017	11.09
CWRC328	2	16m @ 56.01 % Fe	2.46	4.77	0.040	0.015	11.25
CWRC329	0	12m @ 56.70 % Fe	2.61	5.54	0.036	0.014	11.18
CWRC331	6	12m @ 56.90 % Fe	2.27	4.47	0.040	0.028	11.78
CWRC332	0	14m @ 56.40 % Fe	2.18	6.66	0.031	0.023	11.01
CWRC335	2	10m @ 56.94 % Fe	1.81	5.68	0.047	0.015	11.36
CWRC338	0	10m @ 54.90 % Fe	2.14	8.21	0.039	0.018	11.08
CWRC338	18	10m @ 56.24 % Fe	2.24	4.71	0.030	0.008	11.92

WEST PILBARA – RED HILL IRON ORE JOINT VENTURE

(API 60%, earning up to 80%)

The exploration focus during the period has been on the continued assessment of the Kens Bore and Trinity Bore prospects and the infill drilling of the Upper Cane deposit. A total of 353 holes for 11,202m of RC drilling has been completed during the Quarter.

During the Quarter, the Red Hill Iron Ore Joint Venture approved an exploration and development budget for 2007/08 of \$25.96 million.

Upper Cane

On 16 May 2007, the Company released an initial resource totalling 59.3mt at 58.75% iron, 2.93% alumina and 5.00% silica. Following the release of the resource, a programme of infill drilling was planned in order to improve the continuity between the eastern and western resource blocks and lift the overall resource classification. During the Quarter, a total of 105 holes for 4,776m were completed.

Significant thicknesses of high-iron low-alumina CID continue to be returned across the deposit area. Iron grades are consistently greater than 58% and range up to 60.9%, whilst alumina grades average 3.00%. All results are consistent with earlier drilling programmes. Drilling has successfully established continuity between the western and eastern CID blocks, increasing the resource envelope.

A review of the geological model will be undertaken and a revised resource model prepared early in 2008.

Better intercepts returned from the recent drill programme are tabled below.

IRON ORE

Hole ID	From	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
UCRC082	0	30m @ 59.11 % Fe	3.06	3.73	0.085	0.028	9.49
UCRC084	0	34m @ 60.21 % Fe	2.86	3.29	0.075	0.023	7.90
UCRC085	2	32m @ 57.04 % Fe	3.67	6.30	0.083	0.034	8.46
UCRC086	10	28m @ 56.46 % Fe	3.32	6.50	0.113	0.012	8.88
UCRC088	2	36m @ 59.10 % Fe	2.87	4.27	0.106	0.018	7.85
UCRC089	0	52m @ 57.84 % Fe	3.10	5.12	0.132	0.010	8.14
UCRC091	2	38m @ 57.03 % Fe	2.93	7.85	0.077	0.012	6.94
UCRC092	0	34m @ 58.28 % Fe	3.19	6.27	0.062	0.015	6.70
UCRC096	0	32m @ 60.49 % Fe	2.92	2.87	0.059	0.049	7.31
UCRC097	0	34m @ 59.77 % Fe	3.21	3.38	0.055	0.050	7.43
UCRC098	0	50m @ 58.69 % Fe	3.02	5.10	0.086	0.020	7.28
UCRC100	0	32m @ 59.28 % Fe	2.89	5.01	0.054	0.021	6.75
UCRC101	0	44m @ 59.17 % Fe	3.40	4.17	0.068	0.027	7.20
UCRC102	0	48m @ 60.57 % Fe	3.08	2.94	0.066	0.029	6.85
UCRC103	0	28m @ 60.92 % Fe	2.49	3.50	0.057	0.022	6.31
UCRC104	0	30m @ 60.10 % Fe	2.69	4.11	0.054	0.021	6.67
UCRC105	0	26m @ 60.48 % Fe	2.38	3.85	0.055	0.021	6.75
UCRC106	0	44m @ 60.61 % Fe	2.78	3.54	0.061	0.018	6.57
UCRC107	0	32m @ 60.48 % Fe	2.89	3.68	0.055	0.029	6.67
UCRC108	0	48m @ 59.03 % Fe	3.04	5.00	0.096	0.018	7.02
UCRC109	0	42m @ 59.81 % Fe	2.92	4.47	0.058	0.020	6.65
UCRC110	0	34m @ 57.82 % Fe	3.21	5.21	0.088	0.021	8.58
UCRC113	0	28m @ 58.31 % Fe	3.06	6.20	0.079	0.025	6.67
UCRC139	0	28m @ 59.44 % Fe	2.34	5.36	0.098	0.017	6.65
UCRC141	0	40m @ 59.50 % Fe	3.36	4.54	0.064	0.036	6.60
UCRC146	2	28m @ 58.08 % Fe	3.21	6.09	0.073	0.019	7.15
UCRC147	0	34m @ 57.89 % Fe	2.96	5.97	0.091	0.020	7.79
UCRC150	0	28m @ 58.05 % Fe	3.16	5.04	0.087	0.018	8.16
UCRC151	0	34m @ 56.75 % Fe	3.37	6.51	0.083	0.023	7.68
UCRC152	2	36m @ 59.58 % Fe	3.57	3.51	0.062	0.039	7.02
UCRC153	0	26m @ 60.17 % Fe	2.73	3.45	0.069	0.025	7.12
UCRC154	0	46m @ 58.71 % Fe	3.13	5.24	0.063	0.021	6.88
UCRC155	0	42m @ 58.77 % Fe	3.51	4.73	0.069	0.020	7.15
UCRC156	0	26m @ 59.62 % Fe	2.75	4.98	0.057	0.020	6.43
UCRC157	0	26m @ 59.81 % Fe	2.55	4.68	0.058	0.021	6.70
UCRC162	0	28m @ 57.02 % Fe	3.12	7.43	0.087	0.011	7.06
UCRC164	2	40m @ 57.53 % Fe	3.10	5.20	0.116	0.012	8.60
UCRC165	6	30m @ 58.09 % Fe	2.84	5.52	0.104	0.017	7.90
UCRC178	2	26m @ 58.49 % Fe	2.90	4.75	0.097	0.024	8.26
UCRC179	0	26m @ 58.84 % Fe	3.06	4.20	0.094	0.038	8.05
UCRC180	0	36m @ 56.71 % Fe	3.61	6.57	0.077	0.016	8.18
UCRC182	0	32m @ 59.14 % Fe	3.05	3.65	0.083	0.046	8.26
UCRC183	0	38m @ 58.78 % Fe	3.42	4.70	0.079	0.040	7.35

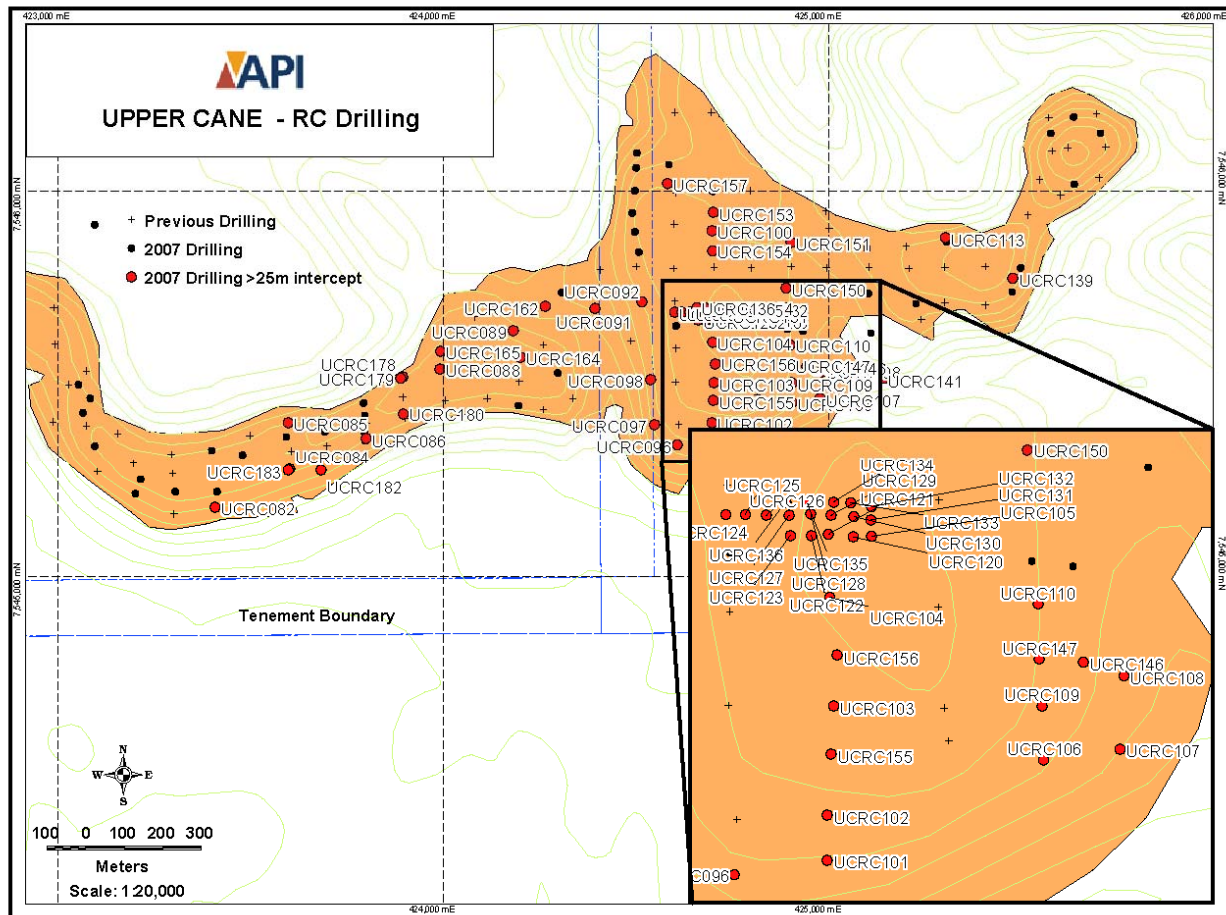
Upper Cane Bulk Sample

In addition to the infill programme, an area of close spaced drilling at 20m x 20m centres has been completed over a planned bulk sample site.

Results tabled below show consistent thickness of the mineralised CID and low variability in iron grades that consistently average above 59% from surface.

IRON ORE

Hole ID	From	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
UCRC120	0	52m @ 60.22 % Fe	2.82	3.85	0.078	0.016	6.86
UCRC121	0	50m @ 59.55 % Fe	2.92	4.44	0.075	0.018	7.00
UCRC122	0	50m @ 59.37 % Fe	2.91	4.60	0.087	0.018	7.04
UCRC123	0	46m @ 59.93 % Fe	2.94	4.12	0.066	0.015	6.80
UCRC124	0	28m @ 58.69 % Fe	3.07	5.55	0.062	0.022	7.00
UCRC125	0	32m @ 58.74 % Fe	2.99	5.19	0.066	0.019	7.47
UCRC126	0	26m @ 59.15 % Fe	2.69	4.95	0.065	0.021	7.33
UCRC127	0	34m @ 59.71 % Fe	2.84	4.08	0.068	0.018	7.24
UCRC128	0	38m @ 60.13 % Fe	2.83	4.29	0.069	0.017	6.40
UCRC129	0	48m @ 59.05 % Fe	2.98	4.51	0.101	0.017	7.33
UCRC130	0	26m @ 60.62 % Fe	2.47	3.94	0.058	0.021	6.60
UCRC131	0	28m @ 60.19 % Fe	2.52	4.36	0.053	0.019	6.66
UCRC132	0	48m @ 59.26 % Fe	3.18	4.84	0.076	0.017	6.73
UCRC133	0	32m @ 59.87 % Fe	2.62	3.87	0.078	0.020	7.32
UCRC134	0	42m @ 58.21 % Fe	3.51	5.24	0.082	0.019	7.43
UCRC135	0	26m @ 59.38 % Fe	2.87	4.94	0.059	0.022	6.68
UCRC136	0	42m @ 59.25 % Fe	3.27	4.45	0.081	0.019	7.07



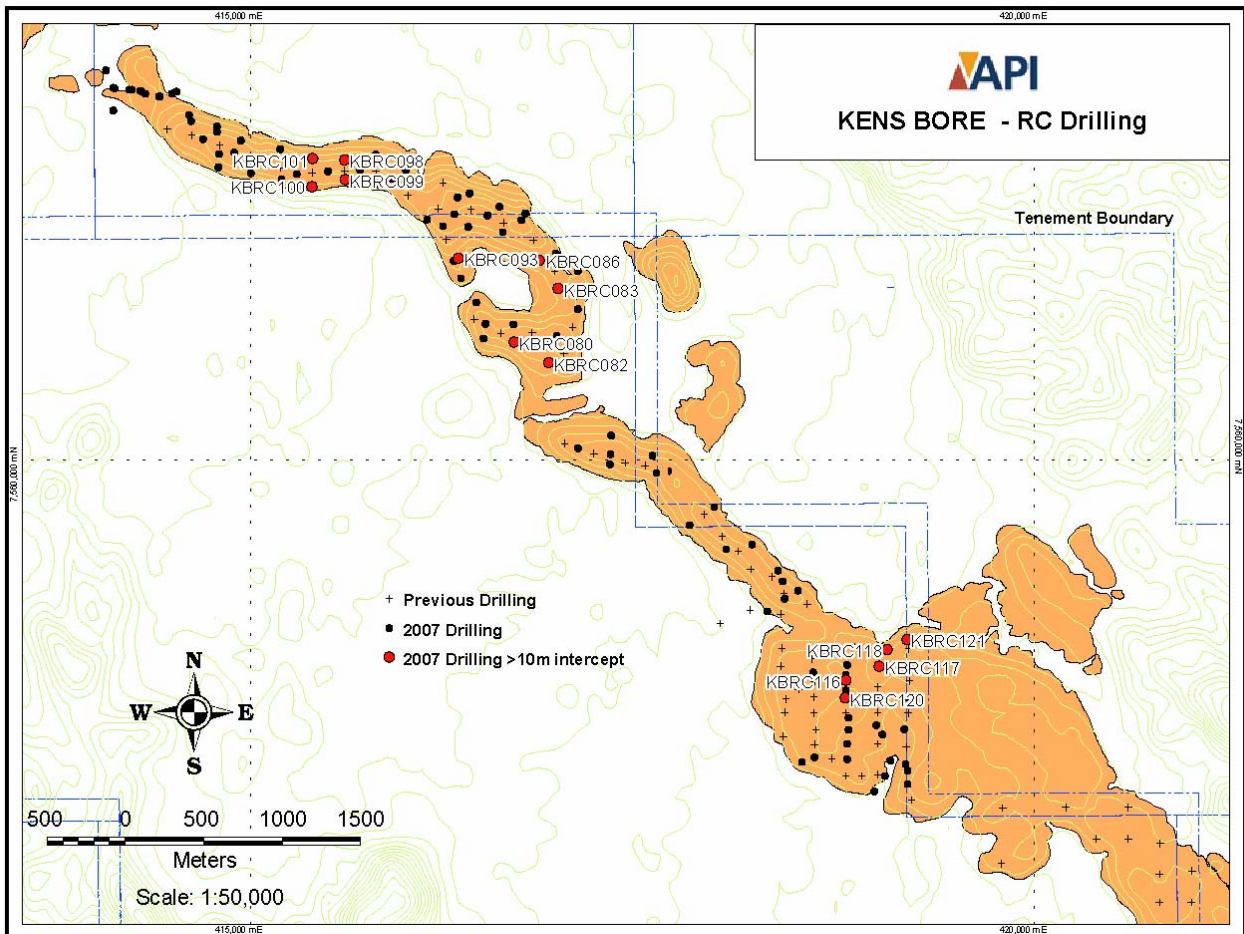
IRON ORE

Kens Bore

A follow-up programme of RC drilling has been completed on the north-west and central areas of the Kens Bore prospect following the encouraging results from the reconnaissance drilling previously reported. The infill programme covers 4 kilometres of mineralised CID, predominantly comprising goethitic to haematite rich oolitic to massive CID. A mix of high grade (>59% iron) and low grade

(<55% iron) CID has been intersected over the entire length of the CID with high grade zones up to 30m thick. The latest round of drilling has confirmed results from the initial drill programme and identified significantly deeper areas within the channel, up to 80m below the level of the surrounding plain, hosting well preserved haematitic CID. Assay results from the deeper CID are pending.

Clay zones occur throughout the CID, largely at identifiable paleo surfaces within the CID stratigraphy.



IRON ORE

While assay results have been received for approximately 50% of the holes completed, further results are pending. Selected results from Kens Bore received to date include:

Hole ID	From	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
KBRC080	0	12m @ 56.77 % Fe	3.70	4.73	0.090	0.018	10.53
KBRC082	0	18m @ 55.18 % Fe	3.78	5.73	0.099	0.023	12.09
KBRC083	2	12m @ 58.52 % Fe	3.47	4.00	0.066	0.030	9.41
KBRC086	0	12m @ 57.38 % Fe	3.85	4.81	0.061	0.020	9.91
KBRC093	0	14m @ 57.60 % Fe	3.51	4.62	0.080	0.018	9.93
KBRC098	14	18m @ 56.10 % Fe	3.87	6.00	0.066	0.015	9.44
KBRC099	12	16m @ 56.56 % Fe	4.17	5.90	0.081	0.024	8.33
KBRC100	12	18m @ 56.33 % Fe	3.71	5.33	0.055	0.019	9.68
KBRC101	10	16m @ 55.92 % Fe	3.74	5.47	0.043	0.023	10.00
KBRC116	20	26m @ 55.65 % Fe	4.28	7.64	0.084	0.008	7.70
KBRC117	18	34m @ 58.72 % Fe	3.21	4.54	0.083	0.010	7.76
KBRC118	20	28m @ 57.26 % Fe	4.05	5.27	0.069	0.013	8.19
KBRC120	22	30m @ 56.97 % Fe	3.76	6.11	0.105	0.010	7.92
KBRC121	20	32m @ 58.19 % Fe	3.69	4.59	0.080	0.013	8.11

The Kens Bore CID extends for over 9 kilometres in length and a full review of the drilling will be completed as soon as results are received.

Catho Well North

RC drilling completed during the Quarter tested the northern extensions of the Catho Well deposit. The north-western extension of the Catho Well CID continues into the Upper Cane prospect and has been tested over a strike of approximately 1 kilometre.

A total of 22 holes for 714m have been completed to date.

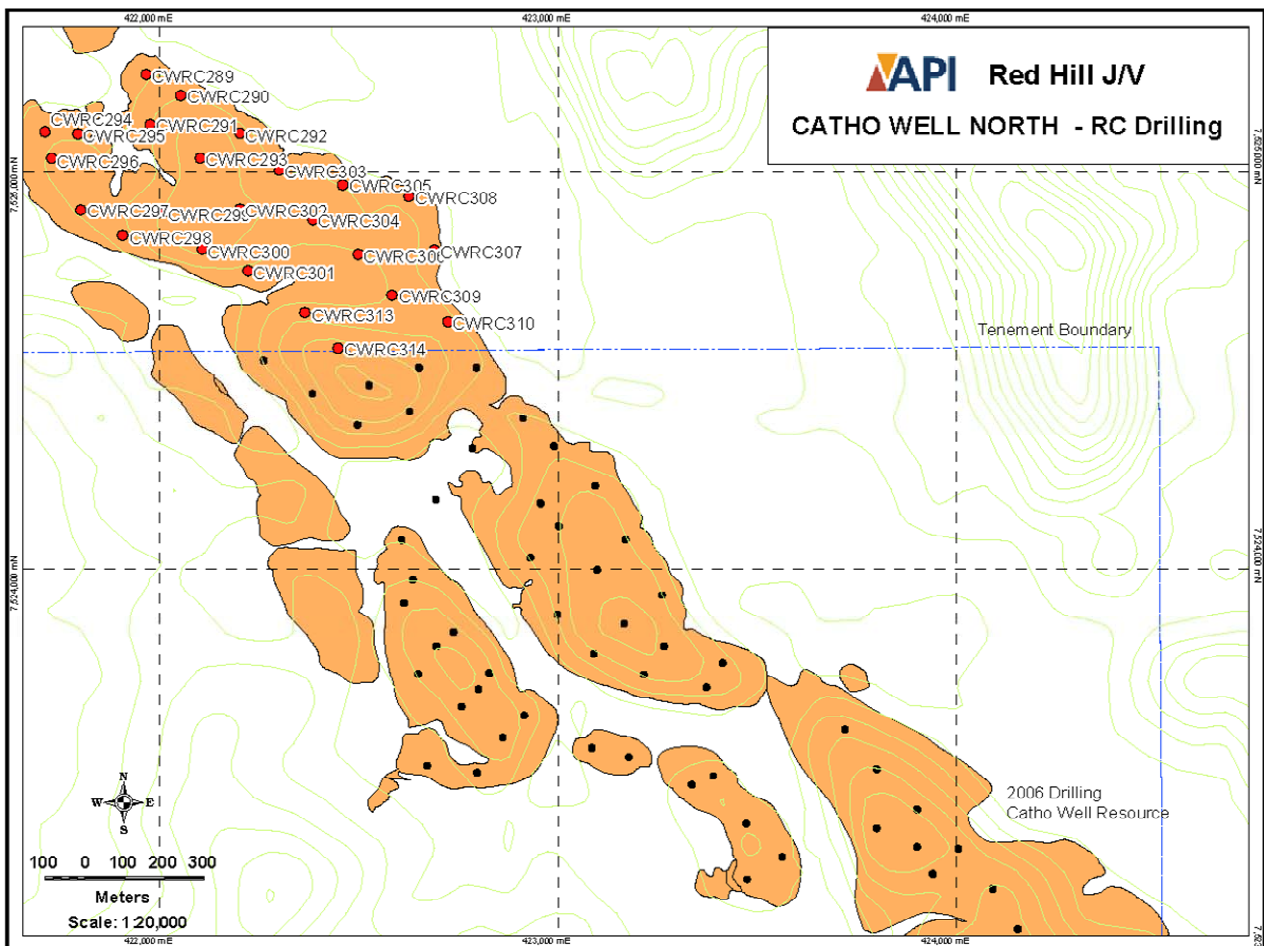
Selected results include:

Hole ID	From	Intercept	Al ₂ O ₃ %	SiO ₂ %	P%	S%	LOI%
CWRC291	12	12m @ 54.93 % Fe	2.75	8.13	0.039	0.017	9.80
CWRC294	6	10m @ 54.68 % Fe	2.74	7.41	0.041	0.024	10.42
CWRC295	18	16m @ 55.44 % Fe	2.75	5.84	0.043	0.009	11.21
CWRC299	10	10m @ 55.02 % Fe	3.02	7.57	0.039	0.019	9.88
CWRC300	16	12m @ 56.33 % Fe	2.25	6.54	0.036	0.018	9.87
CWRC301	0	14m @ 56.59 % Fe	2.42	6.07	0.033	0.019	9.61

IRON ORE

Drilling encountered variable thicknesses of CID material. The low alumina grades of <3% are consistent with the resource quality of the adjoining Catho Well deposit. The mineralised CID consists mainly of vitreous goethite and goethite and only minor haematitic pisolites have been observed within the CID.

A resource estimate will be completed for the Catho Well North area following a review of drilling data.



WEST PILBARA - YALLEEN IRON ORE JOINT VENTURE (API earning up to 70%)

During the Quarter, exploration has continued to advance on the Kumina Creek and Robe Exit CID targets and the Bonham bedded iron target.

Work commenced late in the Quarter on diamond pre-collars at Kumina Creek and is scheduled to continue next Quarter, incorporating a 70 hole diamond and RC drill programme, at Kumina Creek and Robe Exit respectively.

During the Quarter, the Yalleen Iron Ore Joint Venture approved an exploration budget for the 2007/08 year of \$2.27 million.

Robe Exit Prospect

Images from the gravity survey covering the Robe Exit prospect have been compared with recent geological mapping in the area, in order to assess the palaeodrainage architecture. The comparison shows a gravity low, centred on the main area of CID outcrop, indicating an area of possible ponding for the accumulation of CID material at the debouchment of the Robe River. RC drilling has been planned to evaluate the target.

IRON ORE

SOUTH AFRICA

THABAZIMBI JOINT VENTURE

(Aquila Resources Limited 74%)

Northern Cape Province

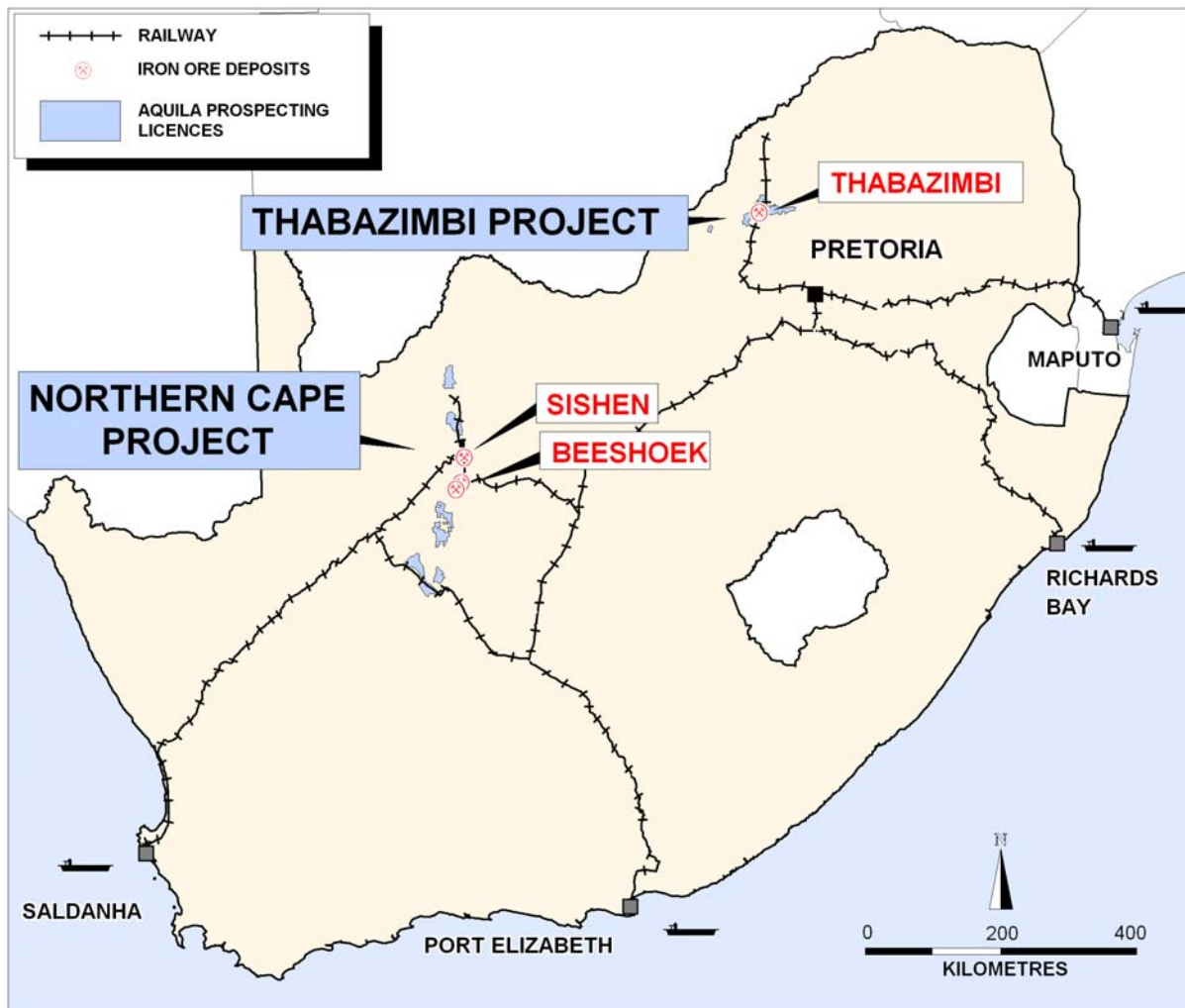
Manganese targets for drill investigation on Avontuur were identified from interpretation of aeromagnetic data and from an assessment of exploration and mining information on the adjoining Kalahari Manganese Field. Arrangements have been put in place for drilling to commence in the December Quarter.

A low level aeromagnetic survey was flown over the Kathu prospecting right. This tenement covers the prospective area that lies between the Sishen Iron Ore Mining Centre and the mines in the Kalahari Manganese Field. Processing of the newly acquired data has commenced, with interpretation and modelling of targets to follow shortly.

Limpopo (Thabazimbi) Province

The notarisation of the Klipgat and Rotterdam new order prospecting rights has allowed for on-ground exploration activity to be stepped up. Drill access roads are under construction into three of the highly ranked iron ore target settings and drill pads have been prepared at the first of the targets that will be evaluated, Geological mapping and sampling programmes have been conducted over selected target settings and will be ongoing.

Drilling to define the lateral and vertical dimensions of the mineralised zones is planned to commence early in the next Quarter.



APPOINTMENTS

(a) Gordon Galt: Non-executive Director

On 22 August 2007, the Company appointed Mr Gordon Galt as an additional Non-Executive Director to the Board. Mr Galt brings a wealth of industry experience together with a proven track record in the delivery of shareholder value. His career to date has included senior mineral resources roles across a wide range of commodities.

During the past ten years he has worked as the Managing Director of companies engaged in the development and operation of large resource projects. He has also spent a period in banking and is currently engaged in funds management and corporate advisory activities.

(b) J Raymond Wood: Company Secretary

Mr J. Raymond Wood - the Company's General Counsel, was appointed to the additional role of Company Secretary on and from 1 October 2007.

Ray has significant legal experience in the resources area, particularly iron ore, both as an in-house counsel and as a partner in a private legal practice.

Mr Howard Rae resigned as Company Secretary on 1 October 2007. Howard will focus on his continuing role as Chief Financial Officer during this period of expansion in the Company's activities.

COMPANY SHARE BUY-BACK OF UP TO 5 MILLION ORDINARY SHARES

The Company announced on 2 October 2007 that it would conduct an on-market share buy back of up to 5 million shares in the capital of the Company over the next six months.

For further information please contact:

Mr Tony Poli Executive Chairman

Telephone: (08) 9423 0111
Facsimile: (08) 9423 0133
Email: mail@aquilaresources.com.au
Visit us at: www.aquilaresources.com.au

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

The Supreme Court of Queensland at first instance, decided in September 2007 against the Company's argument that a "Change in Control" (as defined in the respective joint venture agreements), had occurred in respect of AMCI's participation in each of the Australian Premium Iron and Belvedere Coal Joint Ventures. The Company argued before the Court, that such a Change in Control had occurred, entitling it to purchase AMCI's interests in each of the joint ventures, at a value to be determined as at the date of the Change of Control.

Having reviewed with its legal team, Mr Justice Muir's decision at first instance, the Company engaged Allan Myers AO QC to act on its behalf and instructions were given to lodge an appeal against the decision. The notice of appeal has now been lodged and the matter is set down for hearing before the Queensland Court of Appeal on 26 November 2007.

COMPANY BECOMES A SUBSTANTIAL SHAREHOLDER OF HELIX RESOURCES LIMITED

The Company notified the ASX and Helix Resources Limited ("Helix") on 2 October 2007, that it had increased its shareholding in Helix, to approximately 6.42% by on market purchases of the shares of Helix during September 2007.

CASH RESERVES AND LIQUID INVESTMENTS

The Company had cash reserves and liquid investments of \$179m available to it at the end of September, inclusive of the \$US45 million receivable from CVRD, the US\$5 million receivable from Jonah Capital Limited/Scharrig Mining Limited, both of which are due in the December Quarter and the Company's shareholding in publicly listed companies including Riversdale Mining Limited.

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")

SEPTEMBER 2007

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	7,183	7,183
1.2 Payments for:		
(a) exploration and evaluation	(1,924)	(1,924)
(b) development	(1,553)	(1,553)
(c) production	(11,051)	(11,051)
(d) administration	(2,964)	(2,964)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	665	665
1.5 Interest and other costs of finance paid	(3)	(3)
1.6 Income taxes paid	-	-
1.7 Other (service charges)	169	169
Net operating cash flows	(9,478)	(9,478)
Cash flows relating to investing activities		
1.8 Payment for purchases of:		
(a) mineral properties	-	-
(b) equity investments	(3,535)	(3,535)
(c) other fixed assets	(42)	(42)
1.9 Proceeds from sale of:		
(a) mineral properties	26,000	26,000
(b) equity investments	722	722
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	23,145	23,145
1.13 Total operating and investing cash flows (carried forward)	13,667	13,667

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	13,667	13,667
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	167	167
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	167	167
	Net increase (decrease) in cash held	13,834	13,834
1.20	Cash at beginning of quarter/year to date	34,160	34,160
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	47,994	47,994

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	103
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
	10,000,000 shares in an ASX listed entity (Riversdale Mining Limited) with a market value of \$33,200,000 at the date of transaction (8 August 2007) were received as partial consideration for the sale of the consolidated entity's interest in its Moçambique exploration tenements during the quarter, together with A\$26,000,000 in cash consideration.
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 - Isaac Plains Coal Project cash advance facility.

2 - Isaac Plains Coal Project financial guarantee facility (Aquila's 50% interest only).

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	7,385
4.2 Development	3,730
Total	11,115

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	6,696	2,352
5.2 Deposits at call	41,298	31,808
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	47,994	34,160

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	E38/1745	Gold – Western Australia Relinquished	100%	0%
	E08/1459-I	Relinquished	100%	0%
		Coal – Mozambique		
	947R	Sold for cash and shares in listed entity	100%	0%
	935L	Sold for cash and shares in listed entity	100%	0%
	937L	Sold for cash and shares in listed entity	100%	0%
	945L	Sold for cash and shares in listed entity	100%	0%
	946L	Sold for cash and shares in listed entity	100%	0%
	948L	Sold for cash and shares in listed entity	100%	0%
	1242L	Sold for cash and shares in listed entity	100%	0%
6.2 Interests in mining tenements acquired or increased	LP/30/5/1/1/2/547	Iron Ore – South Africa Granted	0%	100%
	LP/30/5/1/1/2/613	Granted	0%	100%
	E47/1495	Iron Ore – Western Australia Granted	0%	100% ¹

1 – Tenement held under the Australian Premium Iron Joint Venture (Aquila -50%)

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	169,080,144	169,080,144		
7.4 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buy-backs	146,667	146,667	\$2.50 – See Note 7	\$2.50

Appendix 5B
Mining exploration entity quarterly report

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>	8,733,336	-	<i>Exercise price</i> See note 6.	<i>Expiry date</i> See note 6.
7.8	Issued during quarter				
7.9	Exercised during quarter	66,666		\$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: 23 October 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 September 2007.

<u>Number Issued</u>	<u>Type</u>	<u>Expiry Date</u>
1,033,334	Options	31 December 2007
2,150,002	Options	31 December 2008
550,000	Options	31 August 2010
5,000,000	Options	31 December 2010
- 7 66,666 options were exercised during the quarter that converted to 146,667 ordinary shares as a result of the holder's entitlement to two separate bonus issues.