

Quarterly Report

June 2009



Resourceful Partnership

Aquila

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HIGHLIGHTS

COAL

Isaac Plains Coal Mine

- Isaac Plains operations moved a total of 6.16Mbcm of overburden in the Quarter representing a record and a 229% increase on the previous Quarter.
- Isaac Plains produced a record 883Kt of run of mine (ROM) coal in the Quarter representing a 258% increase on the previous Quarter.
- Isaac Plains coal sales for the Quarter were 297,156 tonnes (consisting of 110,647 tonnes of semi hard coking coal and 186,509 tonnes of thermal coal), in line with sales in the previous Quarter.
- Isaac Plains sees strong renewed interest in coal demand with all coal to be produced in calendar 2009 now sold.

Eagle Downs Coal Project

- Eagle Downs Feasibility Study nearing completion and will be released during the September Quarter.

Belvedere Coal Project

- During this Quarter, work continued on the conduct of the Pre-Feasibility programme, which is due for completion during the first Quarter of 2010.
- Exploration continued at Belvedere during the Quarter with up to 5 drill rigs on site.
- Two additional Mining Lease applications were submitted during the Quarter.
- The EIS process has commenced.

Washpool Coal Project

- The Project Concept Study and Quality Report for the Washpool Coal Project were completed, indicating a robust financial outcome with no fatal flaws.

Red Hill Coal Project

- A revised Resource statement of 83.4Mt was announced after a geological study of the target Leichhardt seam was completed. In addition, a further potential resource of 72.5Mt was identified, which will be subject to a drilling programme during the December Quarter 2009.

Asenjo Energy Coal Project

- Barlow Jonker has submitted an encouraging assessment of the long term demand for thermal coal for export and domestic consumption in southern Africa.
- ERM has been requested to scope the Environmental Impact Study for the Project.
- Marston has been selected to conduct a Pre-Feasibility Study into the development of the Project.

IRON ORE

West Pilbara Iron Ore Project

- A material upgrade of the total iron ore Resource statement for the Project to 648.6Mt, comprising 585.7Mt of channel iron and 62.9Mt of bedded ore.
- Definitive Feasibility Study work continues with the completion of an extensive programme of offshore geotechnical and seismic investigation at Anketell Point.
- Referral of Anketell Point to the EPA was submitted during the Quarter.
- Cooperation Agreement signed with Fortescue Metals Group to study the potential for the joint development of Anketell Point, providing opportunities for reductions in both capital and operating costs.
- Civil and mechanical engineering studies continued during the Quarter for mine crushing, stockpiling and trail loading modelling.
- Final sizing and assay data have been completed and blending has commenced in preparation of the first customer samples, to be dispatched during the September Quarter 2009.
- Approval of a \$96.6M Budget for the completion of the **30Mtpa** West Pilbara Iron Ore Project Definitive Feasibility Study and further study of an additional **10Mtpa** of Bedded Iron products from the Hardey Project.
- Memoranda of Understanding have now been signed with nine Chinese, Japanese and Korean steel mills to undertake testing of the Project product with a view to securing Letters of Intent for off-take, with several more pending.

HIGHLIGHTS

- Drilling highlights for the period include:

Hardey Project – Bedded Iron

- 140m at 63.66% Fe from 2m in HARC133;
- 102m at 63.69% Fe from surface in HARC156;
- 88m at 64.09% Fe from 4m in HARC105; and
- 84m at 62.98% Fe from 16m in HARC160.

Kens Bore Deposit – Channel Iron

- 24m at 57.02% Fe from 8m in KBRC259;
- 26m at 56.77% Fe from surface in KBRC297;
- 22m at 57.05% Fe from surface in KBRC293;
- 22m at 57.20% Fe from 8m in KBRC295.

Thabazimbi Iron Ore Project

- Drilling of the first hole at the Meletse Iron Ore Project was completed during the period. Drilling intersected the following very encouraging high grade mineralisation:
 - 4m at 58.2% Fe from 118.9m;
 - 18m at 66.6% Fe from 128.0m; and
 - 7m at 68.2% Fe from 197.6m.
- The ore intercept thickness and grade correlate well with the outcrops of iron ore.
- As a result of the high grade assays received from the first hole, a second drill rig has been commissioned in order to accelerate progress and will test the continuity of Target 1 to approximately 200m down dip.

MANGANESE

Avontuur Manganese Project

- The Company has pre-qualified with Transnet Freight Rail, the South African government railway company, to participate in an Expansion Study for the Port Elizabeth export corridor, the major transport route for the export of manganese.
- Mineralogical studies on high grade manganese ore within the Gravenhage Manganese Resource have identified a manganese mineral assemblage similar to that at the nearby high grade Wessels mine.
- Exploration programmes were prepared late in the Quarter for drilling to commence in the next Quarter.
- Historic drilling, previously conducted south of the Gravenhage Manganese Resource, which will be drill tested by the Company in the September Quarter, had intersected the following high grade results:
 - 2.3m at 46.7% Mn from 199m;
 - 2.5m at 43.2% Mn from 213m; and
 - 2.7m at 48.4% Mn from 218m.

CORPORATE

- Cash and liquid investments total approximately \$102.8 million at the end of the Quarter.
- Aquila wins court case against AMCI in respect of the dispute resolution clause in the API Joint Venture Agreement.
- Aquila implements new employee Share Option Plan to incentivise and retain staff.
- Employment of Mr Rod Doyle as Exploration Manager – Coal, located in the Company's Queensland office.

COAL

ISAAC PLAINS COAL MINE

(Aquila Resources Limited 50%)

The Isaac Plains Coal Mine is an operating open cut coal mine, located east of Moranbah in the Bowen Basin region in Central Queensland, producing 2Mtpa of run of mine (ROM) coal. The products are metallurgical and thermal coals, which are exported through the Dalrymple Bay Coal Terminal (DBCT).

Production

The Isaac Plains Coal Mine achieved record production results in the final Quarter of the year in both overburden removal and ROM coal production. This resulted from a consolidation of performance of the new contract mining fleet, after its establishment in the previous Quarter. The mine produced coal from the existing N1, N2 and S1 pits and also saw the establishment of box cuts in the S2 and S3 pits. This resulted in a small reduction in yield from the previous Quarter, due to the planned processing of oxidised coal.

Results achieved include:

- A total of 6.16Mbcm of overburden were moved in the Quarter representing a 229% increase on the previous Quarter;
- A total of 16.5Mbcm were moved over the full year, against a budget of 16.3Mbcm;
- A total of 882.6Kt of ROM coal were produced in the Quarter, representing a 258% increase on the previous Quarter; and

- A total of 1.984Mt of ROM coal were produced for the full year, against a mine environmental approval of 2Mt. The Environmental Impact Statement (EIS) that has been submitted to the EPA incorporates an increase in production limits to facilitate an expansion of production to 3.8Mtpa ROM coal over the next two years.

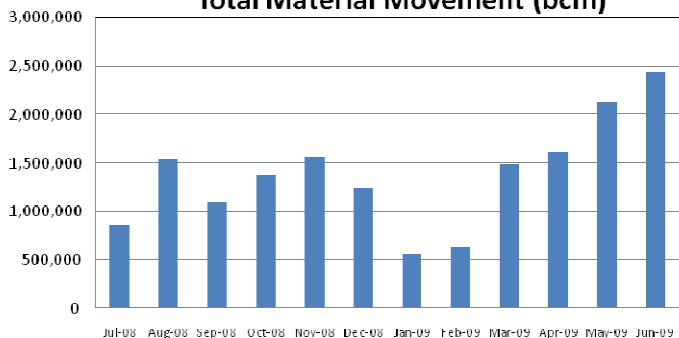
Significant progress includes:

- A lost time injury frequency rate for Isaac Plains Mine at the end of the Quarter of 7, comprising 1 lost time injury in May;
- No environmental incidents in the Quarter;
- Negotiations are well advanced to consolidate all site production contractors into a single mine contract. Expressions of interest have been received. The contractor selection process is underway with the intention to award the contract in August 2009.

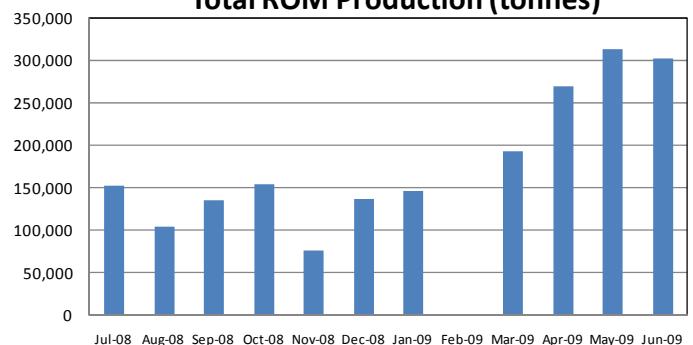
Coal Sales

Coal sales for the Quarter were 297,156 tonnes (consisting of 110,647 tonnes of semi hard coking coal and 186,509 tonnes of thermal coal), in line with sales in the previous Quarter. These sales were achieved in April and May. Sales scheduled for June were delayed due to congestion at DBCT. Three shipments scheduled for June, totalling 169Kt (77Kt semi hard coking coal, 20Kt PCI and 72Kt thermal), were shipped in July, which would otherwise have delivered a strong quarterly sales performance. At the end of June, the ship queue at DBCT had increased to 42 ships, reflecting the increased demand that is returning to the market.

Isaac Plains Coal Mine
Total Material Movement (bcm)



Isaac Plains Coal Mine
Total ROM Production (tonnes)

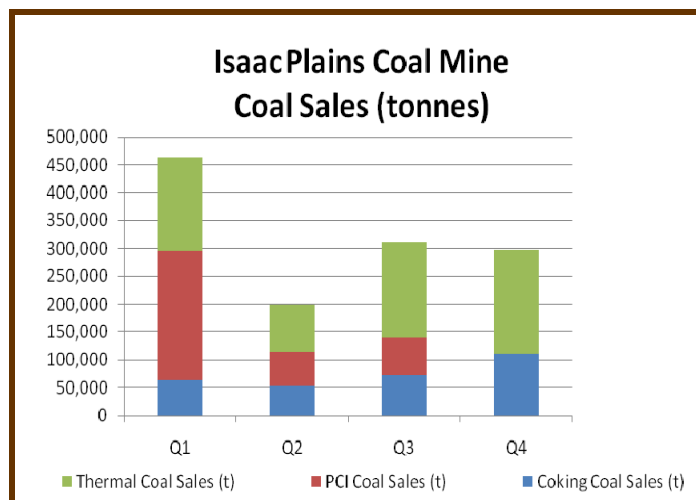


COAL

The decreased demand for PCI coal, which was associated with the global financial crisis, resulted in no PCI sales this Quarter. Volume was still achieved through semi hard coking coal and thermal sales, whilst a strengthening in the PCI market has seen forward sales of PCI for the balance of this calendar year.

During the Quarter, the Company successfully negotiated three of the five outstanding “carry over” tonnage contracts for the Japanese financial year ended 31 March 2009, whilst talks are continuing over the outstanding contracts.

Significantly, at the end of this Quarter, forward sales have been contracted for all mine production for the remainder of calendar 2009.



Sales (tonnes)	Q1	Q2	Q3	Q4	Total Year
Coking Coal Sales (t)	63,443	53,799	71,564	110,647	299,453
PCI Coal Sales (t)	232,222	61,389	67,998	0	361,609
Thermal Coal Sales (t)	167,680	84,126	171,370	186,509	609,685
Total Coal Sales (t)	463,345	199,314	310,932	297,156	1,270,747



Isaac Plains Coal Mine – Product Coal Stockpiles at the Mine

COAL

EAGLE DOWNS COAL PROJECT

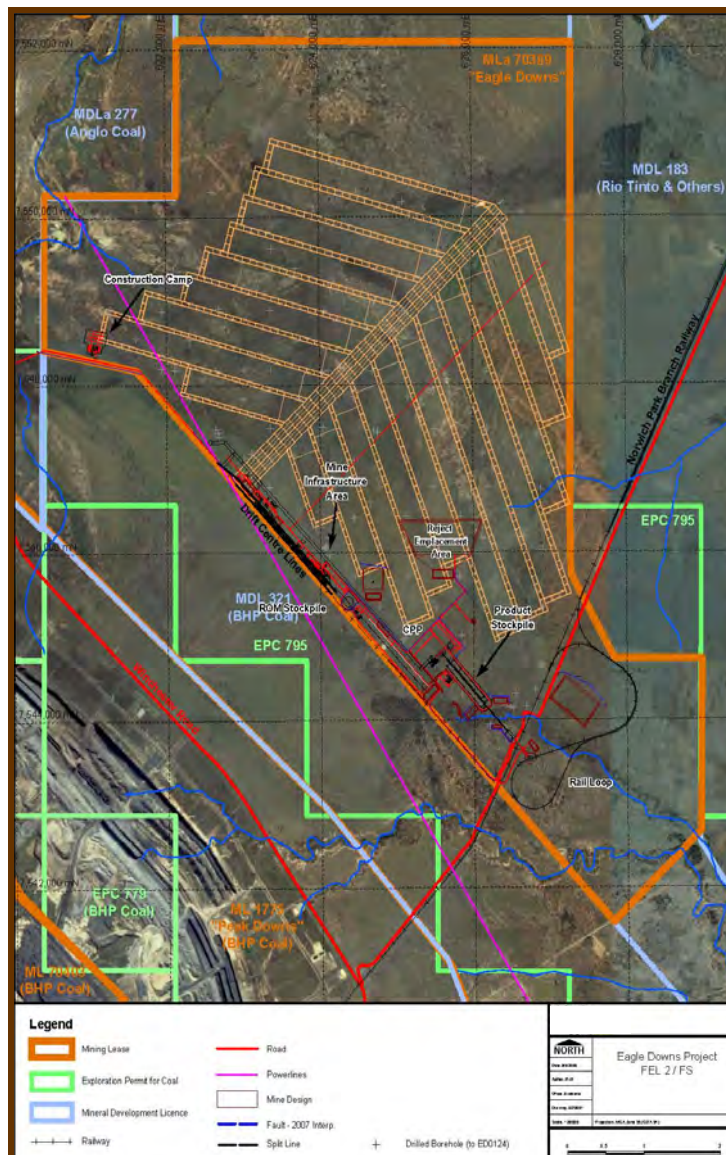
(Aquila Resources Limited 50%)

The Eagle Downs Coal Project is a proposed underground longwall coal mine which, when in production, will produce up to 7Mtpa of hard coking coal. It is located to the south of Moranbah in the Bowen Basin region in Central Queensland and immediately adjacent to and down dip of BMA's producing Peak Downs Mine. It is scheduled to commence underground development in 2012 with longwall production expected in 2014. It is planned to export the coal through the Abbot Point Coal Terminal.

Work on the Eagle Downs Coal Project in this Quarter saw the completion of the exploration programme and outstanding technical studies. The exploration equipment was demobilised at the end of the Quarter. The Project Feasibility Study continues to be progressed and will be released during the next Quarter.

The Project Feasibility Report will include:

- Engineering studies and revised costings for the mine valuation, including:
 - Surface and underground infrastructure design by Sinclair Knight Mertz; and
 - Coal processing plant design by Ausenco;
- A further revised Resource statement and estimation of mine Reserves;
- Mine planning, technical evaluation and production scheduling, including:
 - Mine design and scheduling reports by International Mining Consultants, Sibra Pty Ltd and Runge Limited;
 - Mining technical reports by Simtars (safety in mines testing research station), GeoGas and Dr Roy Moreby; and
- Quality and marketing evaluation of the products.



Eagle Downs Coal Project

COAL

BELVEDERE COAL PROJECT

(Aquila Resources Limited 24.5%)

The Belvedere Coal Project is a proposed underground longwall coal mine which, when in production, will produce up to 9Mtpa of hard coking coal. It is located to the north of Moura in the southern Bowen Basin region in Central Queensland and immediately adjacent to and down dip of Anglo's Dawson Mine. It is planned to export the coal through the proposed Wiggins Island Coal Terminal at Gladstone.

During this Quarter, work continued on the preparation of the Pre-Feasibility Report, which is due for completion during the first Quarter calendar 2010. Exploration continued at Belvedere during the Quarter with up to 5 drill rigs on site. Evaluation of the 3D seismic programme was completed with the provision of the detailed interpretation and reconciliation of the acquisition data, acquired in the previous six months. This information is being used to build the geological data base on which the mine planning and resource modelling will be based for the Project area.

The applications for two additional Mining Leases were submitted to complete coverage of the total Project area, bringing to 8 the total mining lease applications. A number of petroleum leases have also been applied for in the Project area to complement the mining lease applications. The EIS process has commenced with the award of the tender to Hansen and Bailey for the completion of this work.

A programme for the financial year was approved and involves drilling, seismic and technical work to produce the Project Pre-Feasibility Report, in the first Quarter of 2010.

Vale Purchase Options to acquire the Company's interest in the Belvedere Coal Project commence in December 2009.

WASHPool COAL PROJECT

(Aquila Resources Limited 100%)

The Washpool Coal Project is a proposed open cut coal mine which, when in production, will produce up to 1.6Mtpa of hard coking coal. It is located between the Ensham and Curragh producing coal mines in the Bowen Basin region in Central Queensland. It is planned to export the coal through the proposed Wiggins Island Coal Terminal at Gladstone.

Work on the Washpool Coal Project in this Quarter culminated in the release of the Washpool Coal Project Conceptual Mine Study and detailed Quality Report. These reports represent the completion of the initial exploration work and the technical studies that were undertaken on this Project.

The Conceptual Study identified the following:

- A Resource of 138Mt of hard coking coal, which can be mined by open cut methods;
- No Project fatal flaws;
- A mine life of at least 18 years; and
- A robust financial valuation to justify progressing the Project into Feasibility Study.



Washpool Coal Project Topography

RED HILL COAL PROJECT

(Aquila Resources Limited 100%)

During the Quarter, a revised Resource Statement was released for the Red Hill Coal Project, which is located to the east of BMA's Goonyella Riverside mine and is associated with the western crop line of the Rangal Coal Measures in the Bowen Basin. A revised resource of 83.4Mt was released to the ASX on 27 April 2009 after a geological study of the target Leichhardt seam was completed. In addition, a further potential resource of 72.5Mt was identified, which will be the subject of a drilling programme to be undertaken in the December Quarter 2009.

ASENJO ENERGY COAL PROJECT

(Aquila Resources Limited 50%)

Barlow Jonker completed a market study that identified the potential markets for thermal coal from the Asenjo Joint Venture. These include the supply of coal to metallurgical processes in southern Africa, the supply of coal to proximate power stations or to Eskom of South Africa, or the supply of coal to export markets. The latter will be conditional on the development of rail and port infrastructure being planned for this region.

Marston International Pty Ltd has been contracted to undertake a Pre-Feasibility Study into the development of operations on the Dukwe tenement in the north of Botswana. Environmental Resources Management has been commissioned to scope an Environmental Impact Study for such a development.

IRON ORE

AUSTRALIAN PREMIUM IRON JOINT VENTURE (Aquila Resources Limited 50%)

DEVELOPMENT

West Pilbara Iron Ore Project – Stage 1 Definitive Feasibility Study (DFS) works continued during the period, with significant advancement of the Project port site at Anketell Point. An extensive programme of offshore geotechnical drilling and seismic investigation has been completed.

Late in the Quarter, a Cooperation Agreement was executed with Fortescue Metals Group Limited, to investigate the potential benefits of jointly developing the Anketell Port. Cooperation with FMG has the potential to significantly reduce both the capital and operating costs of the Project port, in addition to assisting presentation to government of a port plan that has considered the needs of present and future iron ore producers.

Progress continued in the areas of mine, rail and port engineering definition, marketing, approvals (with the referral of the Project port proposal to the EPA), as well as mining and product development.

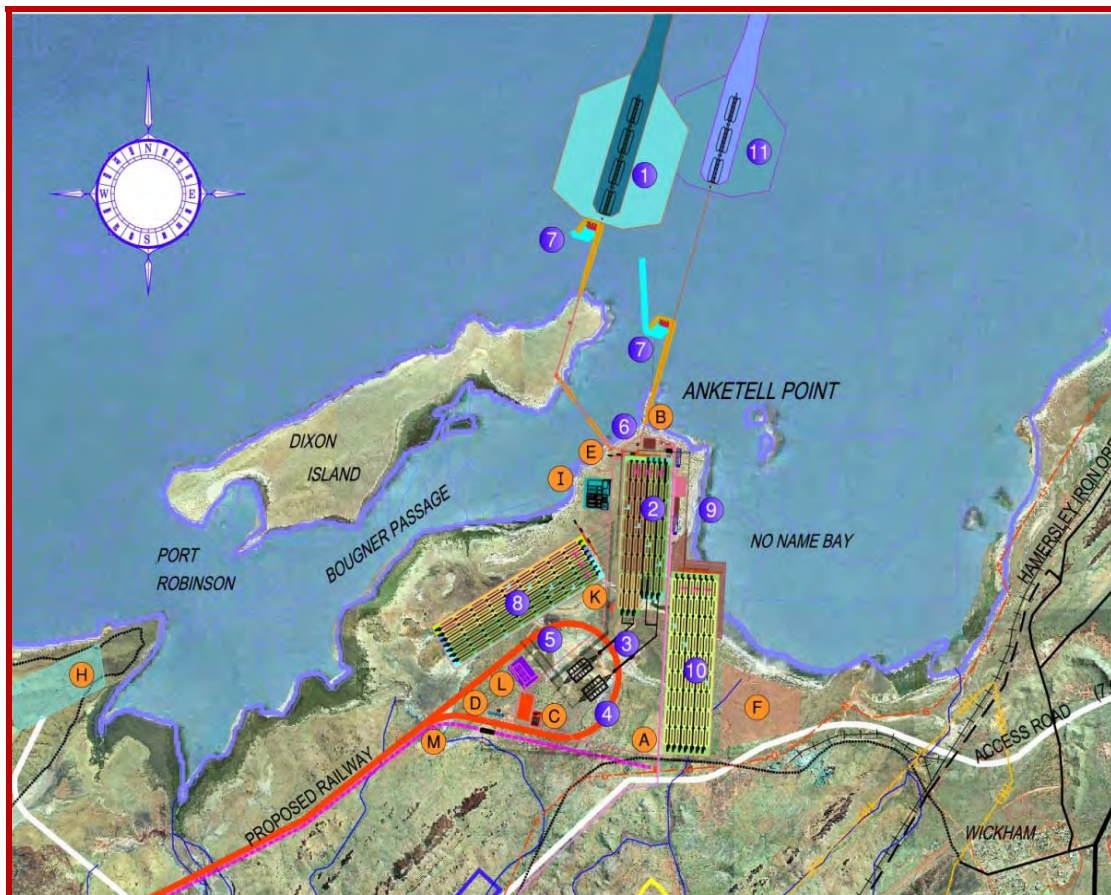
An Order of Magnitude (OoM) Study on the Hardey Project commenced during the Quarter, examining a production rate of up to 10Mtpa of bedded ore products. The OoM Study is forecast to be completed early in the next Quarter.

The proposed Approved Programme and Budget for the Australian Premium Iron Joint Venture for the 2009-10 financial year, entailing expenditure of up to \$96.6M, was approved by the participants. The Approved Programme includes completion of the **30Mtpa** Stage 1 DFS by April 2010, provides for further study of the **10Mtpa** Hardey Project, as well as providing for substantial iron ore exploration activity.

Port

Offshore geotechnical drilling and seismic investigations undertaken during the period have identified that the wharf location may be enhanced by locating it further inshore. The major impacts include reduced jetty length and cost, a reduction in the planned schedule, but an increase in dredging quantities. Conceptual development of a port with an ultimate capacity of 350Mtpa (see Figure 1), based on a fully utilised channel, was advanced for the purpose of engagement with third parties interested in joint port development.

Figure 1 – Anketell Point DFS Conceptual Port Layout



IRON ORE

Engineering

Civil and mechanical engineering studies continued for mine crushing, stockpiling and train-loading. The central facility and mine infrastructure layout model was progressed, along with the mine area hydrology programme. Mine power and fuel supply option studies were advanced. Rail mainline alignment modelling and rail loop design continued. Train operations modelling and rail condition monitoring studies were also undertaken.

Environmental and Stakeholder Consultation

The completion of the offshore geotechnical drilling was a critical path activity for the approvals process, as it provided core samples from the planned channel centre-line for analysis and dredge plume modelling.

A proposal to develop a deepwater port at Anketell Point was referred to the Environmental Protection Authority. A decision on the level of assessment of the proposal is expected by mid August 2009.

Work continued on the gathering of relevant environmental data relating to marine environments, flora and vegetation, fauna, soil and landscapes, hydrology, noise and vibration, greenhouse and dust impacts.

The consultation programme has continued with relevant stakeholders.

Mining and Product Development

The winze programme, which included blast pattern analysis to assess the effect on product sizing, was completed during May 2009. Final sizing and assay data has been completed and blending has commenced in preparation of the first customer samples, to be dispatched during the September Quarter 2009.

Mine scheduling analysis has advanced, as various ore extraction and processing scenarios were examined.

Marketing

Marketing has progressed considerably during the Quarter, with the signing of the 9th Memorandum of Understanding with steel mills in China, Japan and Korea to facilitate evaluation of the Project product.

These non-binding agreements outline the process for independent and joint testwork and evaluation of the ore, with a view to eventually securing Letters of Intent to purchase ore, once the Project is in production.

The Marketing team continued with its planned visits to potential customers during the Quarter, to develop the steel mills' interest in the Project, to better understand the requirements of the steel mills and to progress the process of entering into formal commercial relationships.

The steel mills visited continue to provide strong encouragement for the development of the Project, on the basis of its potential volume and independence of existing dominant producers.

EXPLORATION

Stage 1

A revised JORC Resource statement for the Trinity Bore deposit was released by the Company to the ASX on 24 April 2009.

With the increase in the Trinity Bore Resource, the West Pilbara Iron Ore Project – Stage 1 Channel Iron Resources (CID) now stand at 501.4Mt at 56.43% Fe.

In addition, the West Pilbara Iron Ore Project has a further Resource of 62.9Mt of Bedded Iron in the Hardey deposit.



Exploration Drilling

Stage 2

An initial JORC Resource Statement for the CID in the Kumina Creek and Robe Exit deposits was released by the Company to the ASX on 24 April 2009. A total CID Resource of 84.3Mt at 57.19% Fe was identified within those deposits.

IRON ORE

West Pilbara Iron Ore JORC Resources

WEST PILBARA IRON ORE PROJECT – STAGE 1 – TOTAL CHANNEL IRON RESOURCES									
Resource Classifications	Tonnes Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %	Mn %	MgO %
Measured	74.88	57.56	5.62	3.34	0.085	0.018	8.14	0.02	0.07
Indicated	280.67	56.34	6.32	3.63	0.064	0.018	8.80	0.04	0.12
Inferred	145.82	56.01	6.32	3.67	0.062	0.016	9.21	0.04	0.11
Total	501.38	56.43	6.22	3.60	0.067	0.017	8.82	0.04	0.11

Includes Trinity Bore

WEST PILBARA IRON ORE PROJECT – HARDEY BEDDED IRON DEPOSIT									
Resource Classifications	Tonnes Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %	Mn %	MgO %
Indicated	19.8	61.24	3.66	2.66	0.128	0.011	5.69	0.063	0.069
Inferred	43.1	61.38	3.82	2.44	0.123	0.010	5.56	0.061	0.088
Total	62.9	61.33	3.77	2.51	0.125	0.010	5.60	0.062	0.082

WEST PILBARA IRON ORE PROJECT – STAGE 2 – CHANNEL IRON RESOURCES									
Resource Classification	Tonnes Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	S %	LOI %	Mn %	MgO %
Kumina Creek Deposit									
Indicated	34.96	57.53	5.18	3.70	0.060	0.015	8.24	0.06	0.11
Inferred	23.61	57.53	5.19	3.77	0.060	0.015	8.15	0.07	0.11
Sub-Total	58.57	57.53	5.18	3.73	0.060	0.015	8.20	0.06	0.11
Robe Exit Deposit									
Indicated	12.91	56.50	5.52	3.74	0.053	0.018	9.41	0.05	0.14
Inferred	12.82	56.32	5.45	3.89	0.064	0.016	9.31	0.03	0.11
Sub-Total	25.73	56.41	5.49	3.81	0.058	0.017	9.36	0.04	0.12
Total Resource – CID									
Indicated	47.87	57.25	5.27	3.71	0.058	0.016	8.56	0.06	0.12
Inferred	36.43	57.10	5.28	3.81	0.061	0.015	8.56	0.06	0.11
Total	84.30	57.19	5.28	3.75	0.060	0.016	8.56	0.06	0.11

Exploration activity continued during the Quarter with further RC drilling on the Kens Bore and Mulga Bore prospects, and the mapping and drill evaluation of extensions to the Hardey Bedded Iron deposit.

Hardey Project – Bedded Iron

Exploration during the Quarter has primarily focussed on extending the Bedded Iron Resource (BID) at the Hardey prospect. During the Quarter, a total of 63 RC drill holes for 7,282m were completed.

Results received from both RC drilling and field mapping have extended the area of identified BID mineralisation east of the existing Dales Gorge Resource.

Better results (intercepts >60m) received during the Quarter from this extension of the Dales Gorge programme include:

- 140m* at 63.66% Fe, 1.27% Al₂O₃, 2.14% SiO₂, 0.121% P, 0.008% S and 4.98% LOI from 2m in HARC133;

IRON ORE

- 102m* at 63.69% Fe, 1.64% Al₂O₃, 2.05% SiO₂, 0.130% P, 0.006% S and 4.59% LOI from surface in HARC156;
- 88m* at 64.09% Fe, 1.31% Al₂O₃, 2.01% SiO₂, 0.132% P, 0.003% S and 4.54% LOI from 4m in HARC105;
- 84m* at 62.98% Fe, 2.49% Al₂O₃, 2.92% SiO₂, 0.127% P, 0.002% S and 4.03% LOI from 16m in HARC160;
- 80m at 60.06% Fe, 3.25% Al₂O₃, 4.05% SiO₂, 0.166% P, 0.012% S and 6.16% LOI from 6m in HARC130;
- 70m at 63.79% Fe, 1.08% Al₂O₃, 3.00% SiO₂, 0.111% P, 0.006% S and 4.23% LOI from surface in HARC132;
- 70m at 61.89% Fe, 2.22% Al₂O₃, 3.19% SiO₂, 0.177% P, 0.006% S and 5.38% LOI from 2m in HARC155;
- 66m at 62.42% Fe, 2.70% Al₂O₃, 2.92% SiO₂, 0.151% P, 0.010% S and 4.44% LOI from 10m in HARC153; and

- 60m at 62.30% Fe, 2.16% Al₂O₃, 2.97% SiO₂, 0.151% P, 0.006% S and 5.20% LOI from 52m in HARC131.

* Intercept widths may not reflect the true width of mineralised zones.

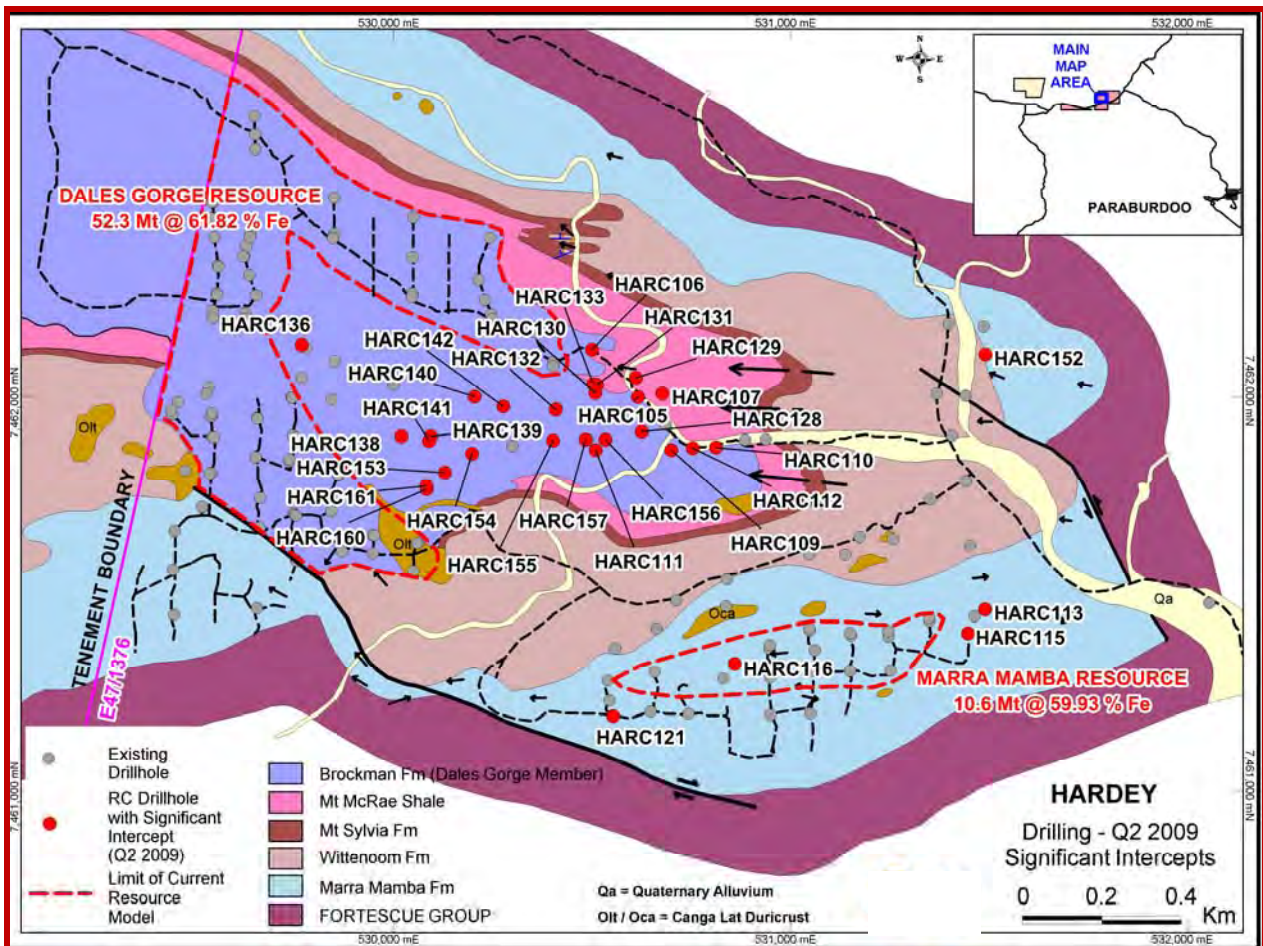
Figure 2 shows the location of these drill holes.

Exposed geology presents a structurally complex zone within the fold closure of the Hardey Syncline. Drilling indicates that tight isoclinal folding (within the fold closure) has thickened the outcropping mineralised Dales Gorge Member within the nose of the Hardey Syncline.

Detailed geological mapping is in progress, in conjunction with the RC drilling programme. Thrust repetition is interpreted as explaining the considerable widths of hematite-goethite mineralisation encountered in the RC drillholes. Mapping also supports an extension of mineralisation to the east of the existing Dales Gorge Resource.

The results to date have encouraged a more aggressive drilling campaign, with the aim of delineating the southern and northern extent of mineralisation adjacent to the central area.

Figure 2 – Hardey Drill Hole Locations



IRON ORE

Kens Bore – Channel Iron

An RC infill programme was completed at the Kens Bore deposit, with a total of 10 drill holes for 648m. Infill drilling of two topographic lows has defined CID in quantities and grade that will increase the current Resource. There is minimal alluvial cover above the CID in these areas, with most mineralisation starting from surface.

Better results (intercepts >20m) received during the Quarter from the infill drilling at Kens Bore include:

- 24m at 57.02% Fe, 3.55% Al₂O₃, 4.63% SiO₂, 0.10% P, 0.01% S and 9.54% LOI from 8m in KBRC259;
- 26m at 56.77% Fe, 3.51% Al₂O₃, 5.77% SiO₂, 0.08% P, 0.02% S and 8.78% LOI from surface in KBRC297;
- 22m at 57.05% Fe, 3.28% Al₂O₃, 5.03% SiO₂, 0.09% P, 0.02% S and 9.20% LOI from surface in KBRC293; and
- 22m at 57.20% Fe, 3.52% Al₂O₃, 5.02% SiO₂, 0.08% P, 0.02% S and 8.99% LOI from 8m in KBRC295.

The results are consistent with previous drilling and define an extensive area of CID mineralisation outside of the current Resource boundary (Figure 3).

Mulga Bore – Channel Iron

RC drilling at the Mulga Bore prospect has continued, to assess outcropping CID and potential detrital CID. Broad spaced drilling was completed to assess the quality of the CID (Figure 3), with the completion of 21 drill holes for 1,024m during the Quarter.

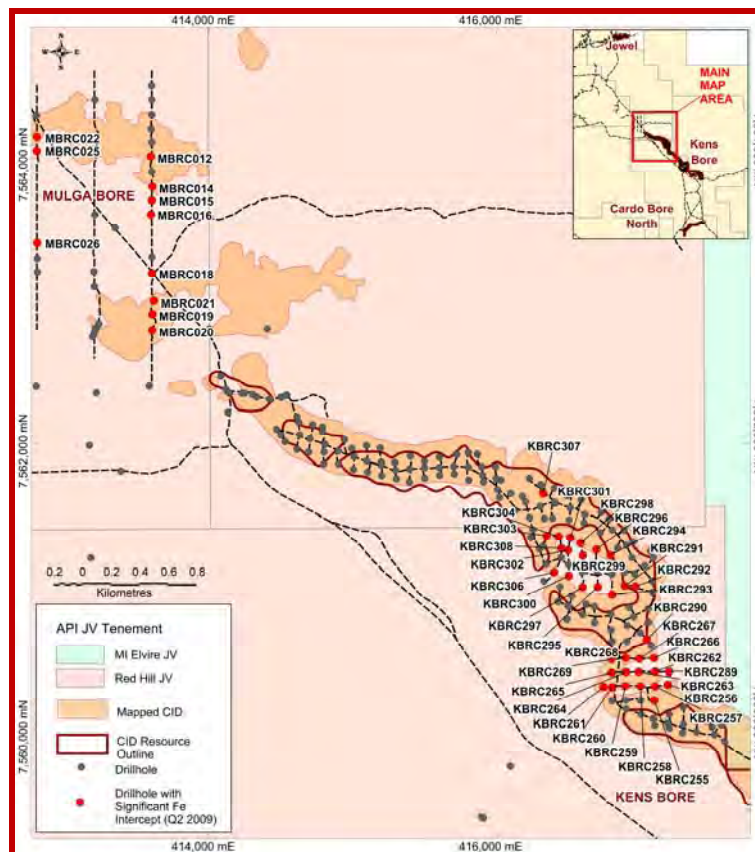
Results returned from drill holes at Mulga Bore indicate a buried NW extension to the Kens Bore deposit. The anomalous drillholes extend the Kens Bore CID mineralisation in the order of 1.2 km. Further infill drilling is required to determine the full extent of the CID mineralisation.

Better results (intercepts >10m) received during the Quarter from drilling completed at the Mulga Bore prospect include:

- 14m at 57.07% Fe, 3.49% Al₂O₃, 5.10% SiO₂, 0.04% P, 0.01% S and 9.09% LOI from 32m in MBRC019;
- 14m at 56.96% Fe, 3.74% Al₂O₃, 5.00% SiO₂, 0.05% P, 0.01% S and 9.34% LOI from 30m in MBRC020; and
- 12m at 56.12% Fe, 3.86% Al₂O₃, 5.87% SiO₂, 0.04% P, 0.01% S and 9.63% LOI from 28m in MBRC021.

Work during the following Quarter will focus on heritage surveys and an RC drilling programme at the Upper Cane deposit.

Figure 3 – Kens Bore and Mulga Bore Drill Hole Locations



IRON ORE

SOUTH AFRICA

THABAZIMBI IRON ORE PROJECT

(Aquila Resources Limited 74%)

Limpopo Province

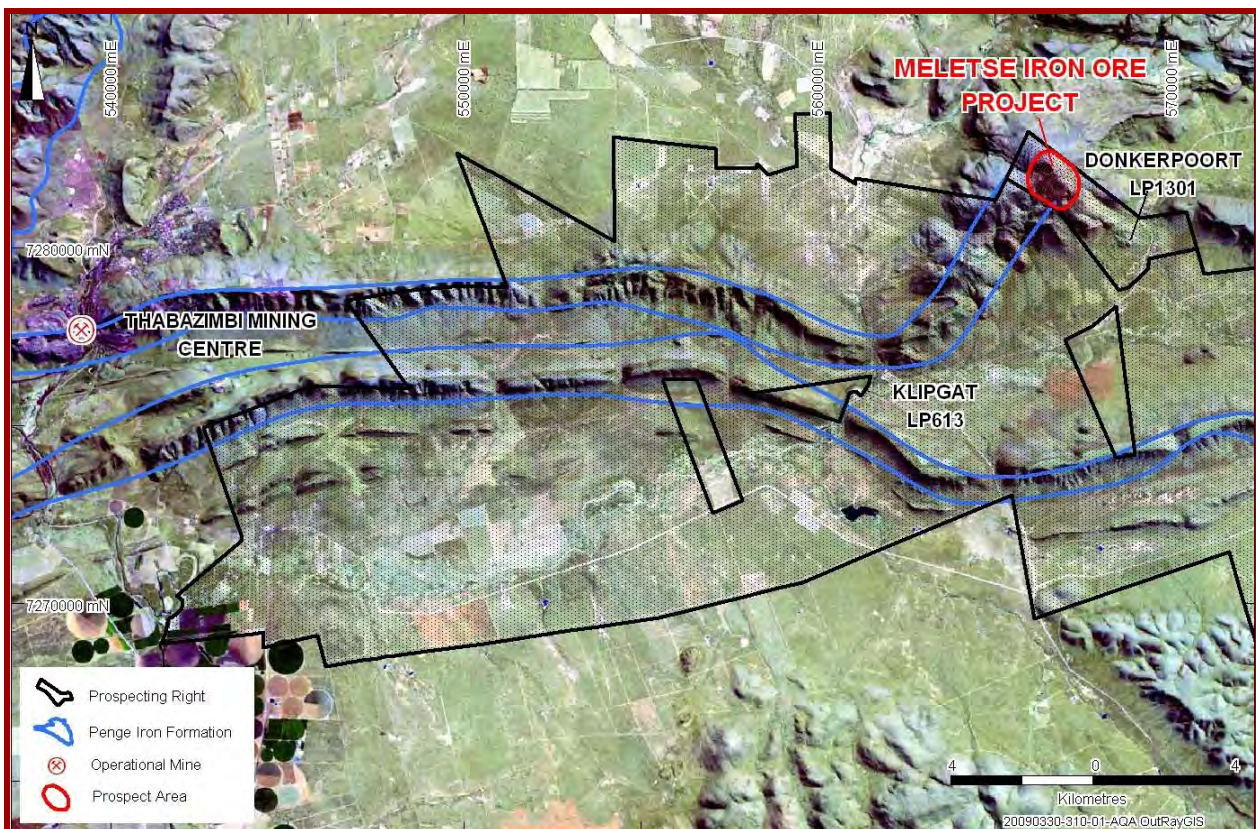
Exploration activities continued at the Meletse Iron Ore Project (Figure 4) during the Quarter. The first diamond drill hole at Target 1 (Figure 5) was completed with encouraging high grade assay results including:

- 3.8m at 58.2% Fe, 12.6% SiO₂, 1.5% Al₂O₃, 0.02% P, 0.02% K₂O, 1.0% LOI from 118.9m.
- 17.8m at 66.6% Fe, 2.7% SiO₂, 0.6% Al₂O₃, 0.03% P, 0.05% K₂O, 0.4% LOI from 128m.
- 6.9m at 68.23% Fe, 2.3% % SiO₂, 0.2% Al₂O₃, 0.02% P, 0.1% K₂O, 0.2% LOI from 197.6m.

Figure 6 and Table 1 show the drill cross section and details of the first diamond drill hole intercept analysis.

The second diamond drill hole is in progress and, given the significant result from the first hole, a second Percussion/RC drill rig has been mobilised to site. Exploration for the next Quarter includes an acceleration of the drill assessment of Target 1 at the Meletse Iron Ore Project, with a drill programme comprising two RC or diamond drillholes on 50m sections across Target 1. This drill programme will test the continuity and grade of multiple iron ore lenses up to 20m thick, down to a dip projection of 200m from outcrop. The results of this drilling programme will allow the calculation of an initial JORC Resource Statement by the end of the December Quarter 2009.

Figure 4 – Meletse Iron Ore Project



IRON ORE

Figure 5 – Geology of the Meletse Iron Ore Project

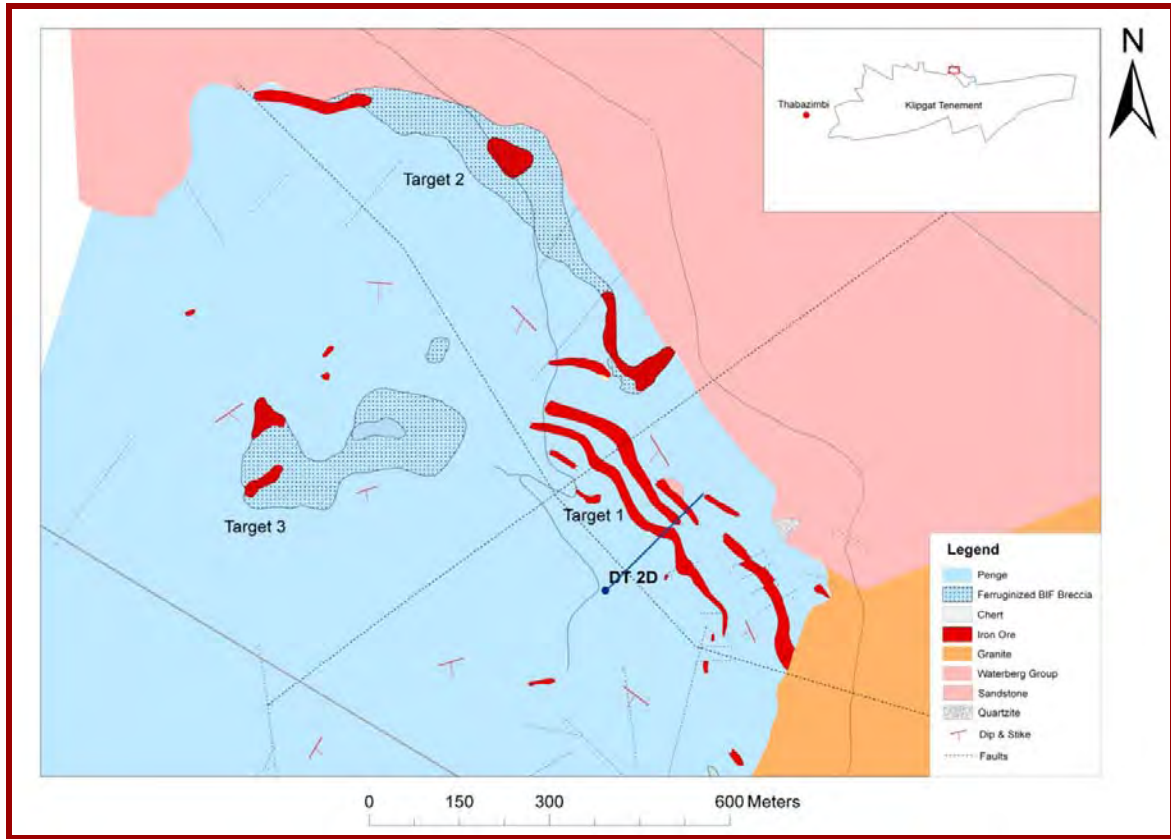
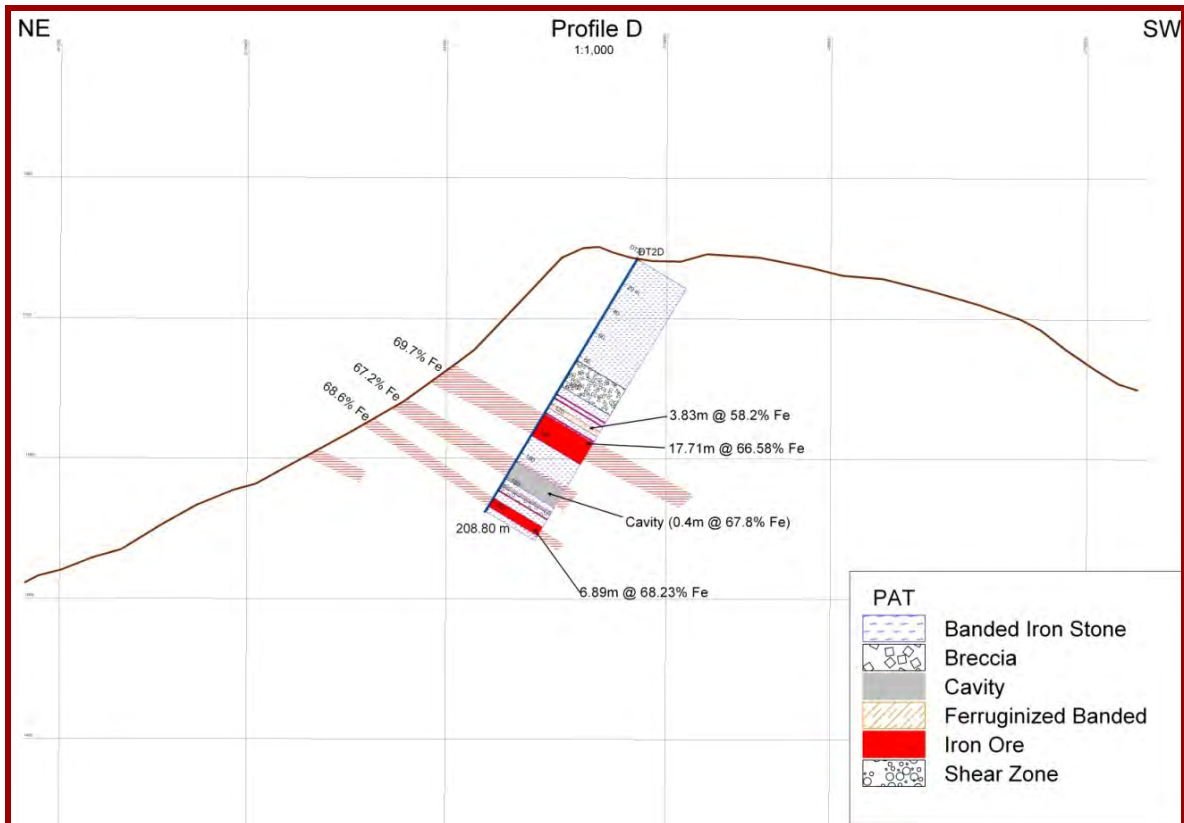


Figure 6 – Geological profile of the first drill hole



IRON ORE

Table 1 – Meletse Iron Ore Project – Drill Hole Analysis

DT2D : 27° 39' 37.7"E (Longitude); 24°34' 44.6" (Latitude) Azimuth 048°, Declination -60°										
From (m)	To (m)	Interval (m)	Fe (%)	SiO ₂ (%)	K ₂ O (%)	Al ₂ O ₃ (%)	MnO (%)	MgO (%)	P (%)	LOI (%)
118.93	122.76	3.83	58.17	12.63	0.02	1.51	0.05	0.02	0.02	1.00
128.04	145.79	17.75	66.58	2.67	0.05	0.59	0.03	0.03	0.03	0.39
167.31	172.91	5.60	No Sample – Cavity – Possible Ore Zone B							
172.91	173.31	0.40	67.80	1.16	<0.10	0.44	1.81	0.02	0.01	0.58
173.31	181.62	8.31	No Sample – Cavity- Possible Ore Zone B							
181.62	185.40	3.78	34.65	51.59	<0.1	0.35	0.24	0.02	0.02	0.32
185.40	186.27	0.87	59.54	14.15	<0.1	0.689	1.583	0.017	0.025	0.83
186.27	187.27	1.00	42.25	38.50	<0.1	0.566	0.279	0.023	0.015	0.61
187.27	191.07	3.80	43.07	38.37	<0.1	0.34	0.05	0.02	0.01	0.19
191.07	191.60	0.53	69.90	0.61	<0.1	0.31	0.26	0.03	0.02	0.32
191.60	197.64	6.04	37.64	45.41	<0.1	0.28	0.06	0.03	0.02	0.28
197.64	204.53	6.89	68.23	2.34	<0.1	0.18	0.04	0.02	0.02	0.20
204.53	208.80*	4.27	45.36	35.21	<0.1	0.16	0.02	0.02	0.01	0.15

* End of Hole

MANGANESE

SOUTH AFRICA

AVONTUUR MANGANESE PROJECT

(Aquila Resources Limited 74%)

Work completed during the Quarter included mineralogical studies on the manganese bearing minerals within the Gravenhage Manganese Resource, geological review and preparation of the next phase of exploration.

Figure 7 – Avontuur Manganese Project, Northern Cape South Africa



Gravenhage Resource

The inaugural Inferred Resource Statement for Gravenhage was calculated to be 32.5Mt grading 39.9% Manganese.

A mineralogical study was completed on ten manganese bearing drill-core intersections from the Gravenhage and Eersbegint resources by Mintek of South Africa. X-ray diffraction and scanning electron microscope analysis has identified the presence of manganese bearing minerals such as manganite, bixbyite, braunite, hausmannite and jacobsite.

The samples from Gravenhage were described by Mintek as massive to near massive samples of high grade manganese ore, with a composition similar to that of the ore from Samancor's Wessels high grade manganese mine, located within the Kalahari Manganese Field, approximately 30km south of the Gravenhage Manganese Resource.

Exploration drilling and ground geophysical programmes have been prepared for the Gravenhage Manganese Resource and two other promising locations within the Avontuur tenement. At Gravenhage, a programme of diamond drilling comprising 30 drill holes will target the high grade blocks (1 – 4) of the Resource area, with the objective of upgrading the quality and quantity of the Gravenhage Manganese Resource (Figure 8). The drill programme will commence early in August 2009, with two diamond drill rigs and one percussion/RC drill rig.

At two other locations south of the Gravenhage Manganese Resource (Figure 9), ground gravity surveys, followed up by exploration drill programmes, will target manganese mineralisation at shallow depths near the basin edge and follow up high-grade intercepts from historic drilling. Historic drill holes have intersected encouraging, high grade manganese mineralisation as follows:

- HK2 intercepted 2.3m at 46.7% Mn from 199m,
- HK8 intercepted 2.5m at 43.2% Mn from 213m; and
- HK1 intercepted 2.7m at 48.4% Mn from 218m.

MANGANESE

Figure 8 – Gravenhage Manganese Resource

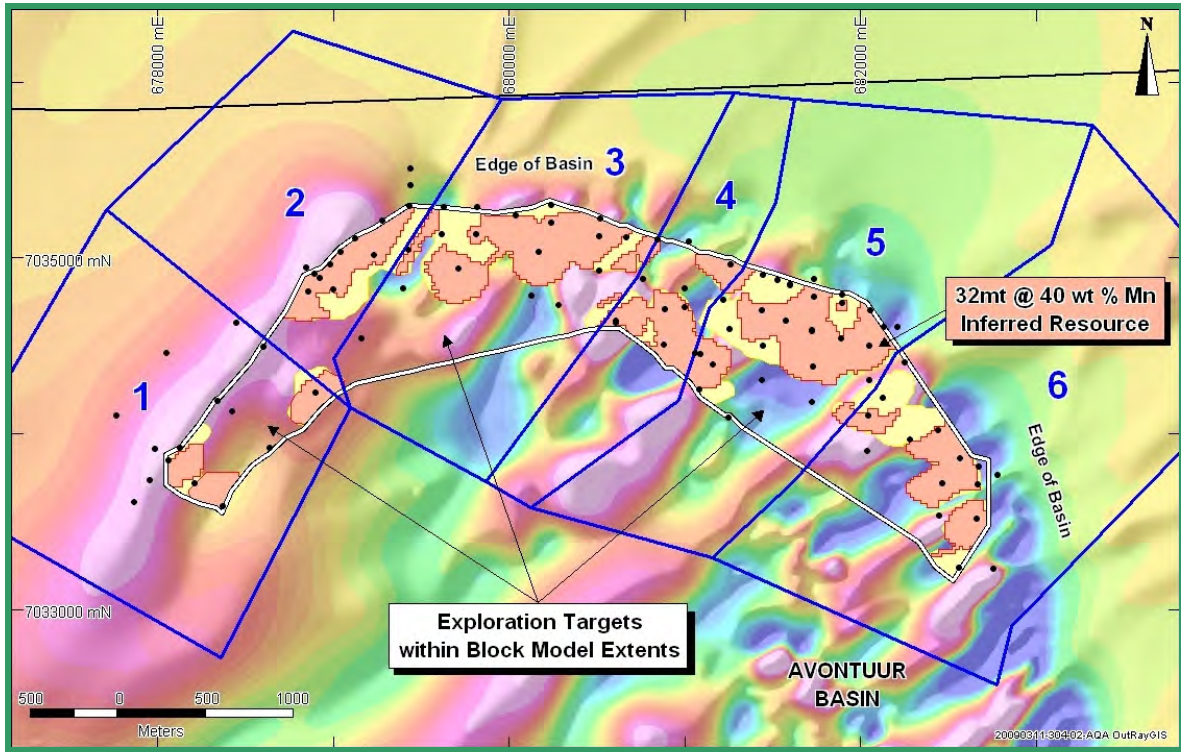
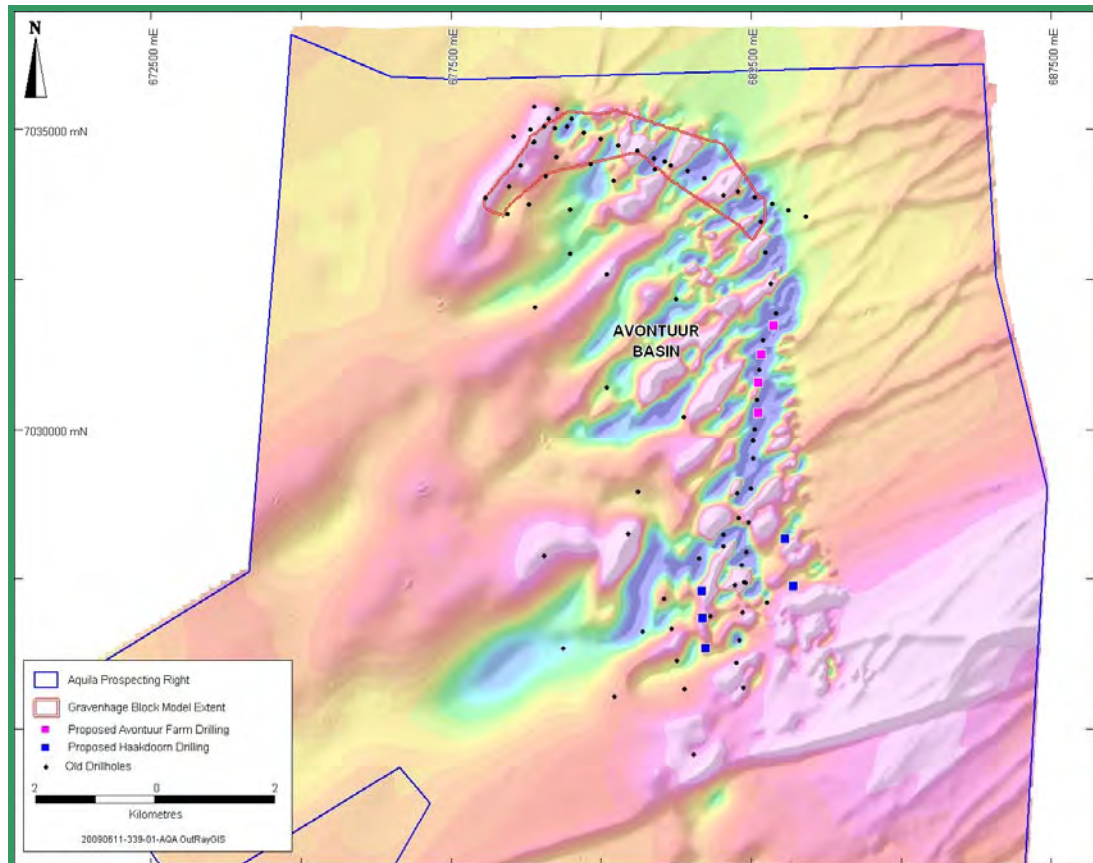


Figure 9 – Gravenhage Manganese Resource and other southern exploration prospects



CASH RESERVES AND LIQUID INVESTMENTS

Cash reserves and liquid investments total approximately \$102.8 million at the end of the Quarter.

AQUILA WINS COURT CASE

In June, the Queensland Supreme Court confirmed Aquila's view that the dispute resolution clause in the API Joint Venture Agreement is enforceable.

AMCI had contended otherwise and if its argument had been successful, there would have been no effective mechanism in the API Joint Venture Agreement for breaking deadlocks between the participants.

The Court awarded costs in Aquila's favour and the time allowed for an appeal has now lapsed.

EMPLOYEE SHARE OPTION PLAN

The Company implemented a new Share Option Plan for its employees ("Scheme") in June. The Scheme will operate over a period of four years. The exercise price of each option is \$7.65 and options have been issued to eligible employees for nil consideration.

The maximum number of options which may be exercised, subject to vesting criteria, by all eligible employees under this Scheme is currently 3,105,000 or approximately 1.2% of the issued capital, if all options were exercised.

The Scheme has been introduced in lieu of salary increases and bonuses to employees this year.

None of the Directors of Aquila will be participating in this issue of options.

The Company believes that the Scheme will ensure that employees' financial rewards are better aligned with shareholder interests and the Scheme has been structured to assist with staff retention.

EXPLORATION MANAGER – COAL APPOINTMENT

The Company is pleased to announce the appointment of Mr Rod Doyle as the Exploration Manager – Coal, located in Queensland.

Previous to commencing with Aquila, Rod was the Principal Geotechnical Engineer looking after the Illawarra Coal Collieries for BHP Billiton.

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

COMPETENCY PERSON STATEMENTS

Red Hill Coal Project

The estimates of Leichhardt Seam Coal Resources for the Red Hill Coal Project presented in this report have been carried out in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), 2004, prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy (AusIMM) and The Australasian Institute of Geoscientists and Minerals Council of Australia, December 2004. The information in this report that relates to the Leichhardt Seam in the Red Hill Coal Resources, is based on information reviewed by Mr Harry Seitlinger who is a member of the AusIMM and is a fulltime employee of NSW Geology. Mr Seitlinger has sufficient experience which is relevant to the style and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Seitlinger consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The estimates of Vermont Seam Coal Resources for the Red Hill Coal Project presented in this report have been carried out in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), 2004, prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy (AusIMM) and The Australasian Institute of Geoscientists and Minerals Council of Australia, December 2004. The information in this report that relates to Red Hill Coal Resources is compiled by Mr Blair Richardson and modelled and reviewed by Mr Lyon Barrett. Mr Richardson, previously a full time employee of Aquila Resources Limited, has 25 years experience in geology and over 15 years experience in resource evaluation. Mr Richardson is a member of the AusIMM and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Richardson holds shares in Aquila Resources Limited. Mr Barrett is a full time employee of Salva Resources and has over 15 years experience in geology and over 10 years experience in resource evaluation. Mr Barrett is a member of the AusIMM and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Richardson and Mr Barrett consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Australian Premium Iron Joint Venture

The information in this report that relates to the Trinity Bore, Kumina Creek and Robe Exit Mineral Resources is based on information compiled by Mr Stuart H Tuckey. The information in this report that relates to the Catho Well, Catho Well North, Cardo Bore East, Cardo Bore North, Cochrane, Jewel, Kens Bore, Upper Cane and Hardey Mineral Resources is based on information compiled by Mr Stuart H Tuckey, Dr Sia Khosrowshahi and Mr Jani Kalla who are members of the Australian Institute of Mining and Metallurgy. Mr Tuckey is full-time employee of the API Management Pty Ltd. Dr Khosrowshahi and Mr Kalla are employees of Golder Associates Pty Ltd. Messers Tuckey, Khosrowshahi and Kalla 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 Tuckey, Dr Khosrowshahi and Mr Kalla consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Thabazimbi Iron Ore Project

The information in this report, insofar as it relates to Mineral Exploration activities, is based on information compiled by Brent E Green who is a member of the Australian Institute of Geoscientists, and who has more than five years experience in the field of activity being reported on. Mr Green is a full-time employee of the Company. Mr Green has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Green consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Avontuur Manganese Project

The information in this report, insofar as it relates to Mineral Exploration activities, is based on information compiled by Brent E Green who is a member of the Australian Institute of Geoscientists, and who has more than five years experience in the field of activity being reported on. Mr Green is a full-time employee of the Company. Mr Green has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Green consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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 2009

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	22,507	93,700
1.2 Payments for:		
(a) exploration and evaluation	(14,103)	(59,195)
(b) development	(4,744)	(16,139)
(c) production	(15,555)	(67,887)
(d) administration	(1,610)	(9,772)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	521	9,429
1.5 Interest and other costs of finance paid	(357)	(1,089)
1.6 Income taxes paid	-	(42,233)
1.7 Other (service charges)	68	311
Net operating cash flows	(13,273)	(92,875)
Cash flows relating to investing activities		
1.8 Payment for purchases of:		
(a) mineral properties	-	(249)
(b) equity investments	-	(5,963)
(c) other fixed assets	(124)	(1,144)
1.9 Proceeds from sale of:		
(a) mineral properties	-	11,982
(b) equity investments	4,249	4,269
(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	4,125	8,895
1.13 Total operating and investing cash flows (carried forward)	(9,148)	(83,980)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(9,148)	(83,980)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(3,000)
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	-	(1,000)
	Net increase (decrease) in cash held	(9,148)	(84,980)
1.20	Cash at beginning of quarter/year to date	83,899	159,416
1.21	Exchange rate adjustments to item 1.20	(1,285)	(970)
1.22	Cash at end of quarter	73,466	73,466

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	182
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	12,500 ¹	12,500
3.2 Credit standby arrangements	12,852 ²	12,742

1 - Isaac Plains Coal Mine cash advance facility.

2 - Isaac Plains Coal Mine financial guarantee facility.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	25,500
4.2 Development	1,500
Total	27,000

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	48,361	33,564
5.2 Deposits at call	25,105	50,335
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	73,466	83,899

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	E08/1301	Iron-ore – Western Australia Relinquished	50%	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	249,029,672	249,029,672		
7.4 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buy-backs				
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>	8,505,000	-	<i>Exercise price</i> See note 6.	<i>Expiry date</i> See note 6.
7.8 Issued during quarter	3,105,000	-	\$7.65	21 June 2013
7.9 Exercised during quarter				
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: 28 July 2009

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 2009.

<u>Number Issued</u>	<u>Type</u>	<u>Expiry Date</u>
400,000	Options	31 August 2010
5,000,000	Options	31 December 2010
3,105,000	Options	21 June 2013