Quarterly Report

September 2008

Resourceful Partnership

Aquila

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HIGHLIGHTS

COAL

Isaac Plains Coal Mine

- Sales for Quarter 463kt, best Quarter to date.
- CHPP performance continues to improve.
- Commissioning of on-site coal quality laboratory.

Eagle Downs Coal Project

- Pre-Feasibility Study results demonstrates technical and financial viability.
- Preferred development to include two longwalls producing up to 7Mtpa of hard coking coal.
- Stage 4 coal quality and resource definition drilling programme in progress.
- Budget of A$28.6 million proposed for the 2008-2009 financial year to complete the Definitive Feasibility Study and exploration.

Belvedere Coal Project

- Pre-Feasibility Study in progress.
- Four drilling rigs operating.
- Completion of 3-D seismic programme.
- Three Mining Lease Applications lodged.
- Contractual arrangements concluded for potential port capacity at Wiggins Island, Gladstone.

Washpool Coal Project

- Initial Resource Statement for 138Mt insitu coal.
- Concept Study on mining and processing options well advanced.
- Contractual arrangements concluded for potential port capacity at Wiggins Island, Gladstone.

Red Hill Coal Project

- Initial Resource Statement 75Mt insitu coal.
- Concept Study on mining and processing options well advanced.
- Metallurgical coal potential similar to that being mined at Isaac Plains Coal Mine.
- 2Mtpa port capacity secured at Abbot Point.

Asenjo Energy Coal Project

- Substantial drilling programme continues on the key project areas.
- Significant open cut potential being evaluated at East Mmamabula project which could facilitate early development.
- Tender notice for baseline environmental studies issued.

Waterberg Coal Project

- Prospecting rights offered for grant in the Waterberg Coalfield, targeting open pit extractable coal tonnages.

IRON ORE

West Pilbara Iron Ore Project – Development

- A Budget of A$84.4M has been approved for the 2008-2009 financial year to fund the Definitive Feasibility Study and exploration.
- Bulk sampling has commenced on the Upper Cane deposit using a continuous miner.
- Favourable sinter test results were received from the laboratory at CISRI in China.
- Referral documents describing the West Pilbara Iron Ore Project were submitted to the EPA during the Quarter.
- Geotechnical testing was conducted on the locations of marine structures for each of the port sites under consideration.
- A review of port options, with the intent of settling on a preferred site, is due for completion early in the next Quarter.
- Marketing visits to Chinese steel mills this Quarter have delivered encouraging responses.
- An MoU has been signed with a Chinese steel mill to test API ore in their laboratory.

HIGHLIGHTS

West Pilbara Iron Ore Project – Exploration

- Mapping has outlined newly identified Channel Iron Deposit (CID) mineralisation extending over 6km within the Mt Elvire Project.
- RC and diamond drilling of CIDs within the Red Hill and Yalleen Joint Venture tenements have continued. A total of 9,905m of RC drilling and 826m of diamond drilling were completed in the Quarter.
- Infill drilling at Trinity Bore South continues to identify extensive 5m – 10m intercepts of shallow pisolitic CID. Better results returned from the infill programme include;
  - 10m at 54.10% Fe, 3.46% Al_2O_3, 8.36% SiO_2, 0.030% P, 0.030% S and 10.14% LOI from surface in TBRC223;
  - 12m at 55.08% Fe, 4.08% Al_2O_3, 6.18% SiO_2, 0.040% P, 0.020% S
  - 10.39% LOI from surface TBRC234, and
  - 10m at 54.54% Fe, 3.28% Al_2O_3, 7.51% SiO_2, 0.030% P, 0.020% S and 10.28% LOI from surface in TBRC232.
- Diamond drilling continues to return significant intercepts of CID mineralisation at Kumina Creek. Better results returned include;
  - 14m at 58.40% Fe, 4.21% Al_2O_3, 4.45% SiO_2, 0.049% P, 0.016% S and 7.14% LOI from 25.4m,
  - 21.10m at 60.88% Fe, 3.06% Al_2O_3, 3.19% SiO_2, 0.048% P, 0.015% S and 6.13% LOI from 42.15m in YA223, and
  - 13.10m at 56.74% Fe, 3.88% Al_2O_3, 4.54% SiO_2, 0.046% P, 0.019% S and 9.94% LOI from 13.3m in YA260.

Thabazimbi Iron Ore Project

- Drilling to evaluate iron ore occurrences continued at Thabazimbi.
- Best drill result was at Cornwall with 16.8m at 59.2% Fe, 0.32% Al_2O_3, 13.35% SiO_2, 0.03% P, 0.04% S and 0.82% LOI from 19.5m in CL20D.
- Field assessment of iron ore targets underway at Orange River in the Northern Cape Province.

MANGANESE

Avontuur Manganese Project

- Drilling at Avontuur intensified to accelerate the delineation of manganese mineralisation in the Northern Cape Province.
- 5,611m of drilling were undertaken during the Quarter, with assays still outstanding.

CORPORATE

- Cash and liquid investments total A$196.6 million at the end of the Quarter.
- The Company decided not to proceed with demerger of the early stage exploration assets because of the global financial turmoil.

COAL

ISAAC PLAINS COAL MINE

(Aquila Resources Limited 50%)

Operations

Overburden movement during the Quarter remained behind schedule due to a number of reliability issues with the contractor's mining fleet. A replacement EX3600 excavator was commissioned in September, resulting in an improvement in productivity. Overburden removal is currently also supplemented by the use of scrapers in the S1 and S2 pits. A second mining contractor has been engaged and will be mobilised during November and December in order to establish the additional production capacity required to meet budget expectations.

CHPP production performance has improved consistently since completion of the rectification works in February 2008, although raw coal availability from the mine during the Quarter has impacted on overall production volumes. Sales are being achieved by railing from both production and existing stocks.

Management of product specifications has also been enhanced with the commencement of on-site coal quality testing using the recently completed laboratory.

Sales and Marketing

Total sales (100% terms) for the current and previous Quarters were as follows:

Product	Quarter Ending June 2008 (tonnes)	Quarter Ending September 2008 (tonnes)
Semi Hard Coking Coal	69,700	63,400
PCI Coal	85,800	232,200
Thermal Coal	92,000	167,700
Total	**247,500**	**463,300**

All coal sold during the Quarter achieved prices consistent with the benchmark prices for the current Japanese financial year, with the exception of certain rollover shipments sold at relevant prices for the previous year.

The Company announced to the ASX on 6 August 2008, that the Company's attributable EBITDA guidance for the AFY09 was in the A$110 million to $120 million range.

As at the end of September 2008, the Company held foreign exchange hedging contracts totalling US$130 million at an average rate of US80.57 cents.

Isaac Plains Expansion

The supplementary Environmental Impact Statement (EIS) for the Integrated Isaac Plains Project is currently under review by the EPA following clarification of a number of issues relating to the treatment of the final void at Isaac Plains South.

Isaac Plains South design work for haul roads, crossings and other civil infrastructure is being progressed and will be finalised after receipt of relevant regulatory approvals. In parallel with these activities, preparations for the assembly of the BE1370 dragline are well advanced, with the intention of commencing on-site works in early 2009 once regulatory approvals are complete. As a result, it is expected that the commencement of dragline operations will occur at Isaac Plains Coal Mine in the fourth Quarter of 2009.

EAGLE DOWNS COAL PROJECT

(Aquila Resources Limited 50%)

The Eagle Downs Coal Project achieved a significant milestone during the Quarter with the completion of a Pre-Feasibility Study that demonstrated the technical and financial feasibility of developing the project as a multi-seam, single or dual longwall mine, to produce up to 7Mtpa of predominantly hard coking coal. As part of the study, JB Mining Services Pty Ltd was commissioned, in conjunction with joint venture staff, to complete an updated resource statement. The Eagle Downs Coal Project northern resource area contains 190Mt of Indicated and 590Mt of Inferred status coal resources. As a result of the positive outcome of the Pre-Feasibility Study the project has now moved into the Definitive Feasibility Study stage.

The Eagle Downs Pre-Feasibility Study was completed in July and incorporated the assessment of four mining configurations as summarised below:

COAL

Eagle Downs – Mining Configurations

Mining Scenario		Nominal Production	Mine Life
Case 1	Single longwall mining of all seams sequentially	4Mtpa	90yrs
Case 2	Single longwall mining of HCU, HCL and DY seams only (excludes Q seam)	4Mtpa	73yrs
Case 3	Two longwall units mining all seams	7Mtpa	46yrs
Case 4	Two longwall units mining the HCU, HCL and DY seams only (excludes Q seam)	7Mtpa	37yrs

HCU (Harrow Creek Upper)
HCL (Harrow Creek Lower)
DY (Dysart)

Capital and operating cost estimates were evaluated for each of these scenarios, with Case 2 identified as an attractive first stage of development, enabling the earlier delivery of Eagle Downs Coal Project hard coking coal into the export market and providing significant cashflow to fund the installation of a second longwall in order to increase production to 7Mtpa in line with the projected expansion of port capacity.

The Pre-Feasibility Study estimate of capital costs for the Case 2 development of the project, which contemplates a single longwall operation to produce 4Mtpa of hard coking coal, is detailed below:

Capital Component	Capital Cost (A$M)
Pre-production Engineering	60
Longwall	143
Conveyors	67
Mine Development Equipment	25
Mine Support Equipment	33
Infrastructure	169
Coal Handling and Preparation	294
Access and Services	101
Total Costs	**892**

The Pre-Feasibility Study estimate of operating costs for the Case 2 development of the project, which contemplates a single longwall operation to produce 4Mtpa of hard coking coal, is detailed below:

Operating Component	Operating Cost (A$ per tonne of product)
Mining	30.66
Processing	8.24
Rail	12.35
Port	5.30
Royalty	14.21
Administration & Marketing	1.75
Total Operating Costs	**72.51**

The proposed Feasibility Study budget for the Eagle Downs Project is A$28.6 million, comprised as follows:

	A$M
Administration	1.4
Drilling	20.8
Project Development	6.4
Total Budget	**28.6**

On the basis of the encouraging outcomes from the Eagle Downs Pre-Feasibility Study, additional resource evaluation, infrastructure and mine design studies have been commenced with the objective of achieving first coal sales from the Eagle Downs Coal Project in 2012.

These activities include the Stage 4 field programme to further evaluate coal quality, gas, structure and geotechnical data.

The project currently has five drill rigs operating, with the objective of improving the resource classification and it is expected that an updated resource estimate will be completed in early 2009.

During the Quarter a total of 13,279m of drilling was undertaken on 24 holes, including 3,060m of core. In addition, in situ stress testing was completed and activity commenced on the gas hole programme of coal seam gas permeability test work.

COAL

Preparation for the 3-D seismic work is well advanced and is scheduled to commence in November 2008, subject to the finalisation of accommodation arrangements for the contractors.

Core Sample Logging at Eagle Downs

Technical study packages for the CHPP design and surface mining facilities have been tendered and will be awarded in the next Quarter with all Eagle Downs Feasibility Study programmes managed by a recently recruited project management team.

BELVEDERE COAL PROJECT

(Aquila Resources Limited 24.5%)

The Belvedere Pre-Feasibility Study continued to expand its scope during the Quarter, with the recruitment of additional personnel, engagement of relevant study contractors and definition of work programmes. Notwithstanding these initiatives, fieldwork was impacted by constraints on access to drilling sites due to unseasonal wet weather.

The current Indicated and Inferred Resources, as independently calculated by SRK Consulting, are detailed below. This resource evaluation work was based on the results of the A$17 million Exploration Study, completed by Vale, from which Vale based its decision to exercise an option to acquire a 51% interest in Belvedere in May 2007.

Belvedere Coal Project
Table 1 : Summary of Coal Resources by Seams

Seam	Insitu Coal Resources (Mt)		
	Indicated	Inferred	Total Indicated and Inferred
A	93	210	303
B	240	525	765
C	694	735	1429
D	447	705	1152
E	52	165	217
Total	**1,526**	**2,340**	**3,866**

The 3-D seismic field programme was completed in September with data processing expected to be completed in November, enabling the update of the geotechnical model for directing the 2009 drilling programme. In order to complete the 2008 drilling programme in the next Quarter, an additional two drilling rigs are being mobilised so that there will be four rigs operating through to December.

Following the significant increase in the total indicated and inferred insitu Coal Resources for the project to 3,866Mt, which was reported to the ASX in June 2008, three Mining Lease Applications and three Petroleum Lease Applications were lodged in August 2008 over the areas proposed for the development of mining operations.

The Mining Lease Applications are an integral stage in the advancement of the Belvedere Coal Project and planning has commenced for the environmental baseline studies and related community consultation activities with all key stakeholders in this significant project development.

Port capacity for the proposed 7-9Mtpa Belvedere Coal Project has been applied for with the Gladstone Ports Corporation and contractual arrangements were concluded in relation to funding a Feasibility Study on the planned construction of the Wiggins Island Coal Terminal.

COAL

WASHPOOL COAL PROJECT

(Aquila Resources Limited 100%)

Completion of the coal quality model during the Quarter assisted in developing infill drill targets. The distribution of quality based on the drilling completed to date confirms earlier reports of good coking qualities with a high ash content. Preliminary work completed by the CSIRO confirmed a mix of inherent ash within the coal particles and free ash that could be removed by washing processes.

The Stage 3 exploration drilling commenced during the Quarter with the objectives of increasing the level of classification in the Resource tonnage and acquiring samples for coke strength testing and mineralogical and liberation testwork.

As previously announced to ASX during the Quarter, the total in situ Coal Resources within the Washpool Coal Project area, are estimated at 138.1Mt. The Resources fall within the Indicated and Inferred competence categories as summarised in Table 2.

Washpool Coal Project Drilling

Table 2 – Summary of In Situ Coal Resources

Seam	Insitu Coal Resources (Mt)		
	Indicated	Inferred	Total Indicated and Inferred
A	5.6	10.0	15.6
B	8.6	13.6	22.2
C	6.0	11.0	17.0
D	7.3	17.3	24.6
E	6.3	12.8	19.1
F	-	39.6	39.6
Total	**33.8**	**104.3**	**138.1**

Raw coal quality results are summarised in Table 3.

Ongoing exploration and coal quality and study work at Washpool and Mt Crocker will focus on the following;

- Completion of the current Concept and Options Study;
- The distribution of ash throughout the resource area, in particular in the lower strip ratio north, west and south margins;
- Determination of coke strengths; and
- Exploration of other similar drilling targets further south within the Mt Crocker project area.

As part of its progression of the project, the Company has lodged a Mineral Development Lease application over part of the Washpool Coal Project resource area.

Table 3 – Summary of Raw Coal Qualities

Seam	Raw Coal Quality Summary				
	IM %	Ash %	Volatile Matter %	Sulphur %	Phosphorous %
A Seam	1.6	48.4	13.6	0.34	0.027
B Seam	1.3	33.4	17.0	0.48	0.028
C Seam	1.0	39.8	15.7	0.44	0.027
D Seam	1.2	44.2	14.8	0.67	0.048
E Seam	0.9	34.6	17.1	0.60	0.012
All Samples	**1.2**	**39.4**	**15.8**	**0.52**	**0.029**
Range (All samples)	**0.6-5.4**	**13.8-63.3**	**10.7-22.0**	**0.19-1.72**	**0.000-0.143**

Note: All results air dried basis and reported as weighted averages

COAL

The technical studies in progress have advanced the evaluation of mining options and investigation into the mineralogical, liberation and handling characteristics of this coal resource. The laboratory testwork for this phase of work will commence in the December Quarter.

An EIS Manager has been selected to progress the project through the regulatory process of the EPA for an environmental authority to form part of a mining lease application. EIS project schedules have environmental baseline studies commencing in the next Quarter.

RED HILL COAL PROJECT

(Aquila Resources Limited 100%)

The Red Hill Coal Project technical studies continued during the Quarter with study work continuing in the areas of underground mine design and geotechnical studies. Scopes of work for other disciplines are in progress and should be awarded during October 2008.

Resource and geotechnical drill planning and the cultural heritage clearance surveys were completed with an expected start of drilling in November 2008. The objectives of this drill program are to increase the level of confidence and the resource tonnage, to sample the Leichhardt and Vermont seam sequences, to increase the geological understanding of the resource and to provide samples for quality analysis and geotechnical characteristics that will be incorporated into the mine design work.

Red Hill Coal Project Tenement

An EIS Manager has been selected to progress the project through the regulatory process of the EPA for an environmental authority to form part of a mining lease application. EIS project schedules have environmental baseline studies commencing in the next Quarter.

As previously announced to the ASX during the Quarter, Salva Resources Pty Ltd was commissioned by the Company to independently develop a geological model to calculate an initial estimate of Coal Resources at the Red Hill Coal Project, based on data supplied by the Company. Open cut and underground Coal Resource estimates have been prepared for the Leichhardt Upper Seam and the Vermont Upper and Lower seams.

The purpose of this work was to allow:

- An assessment of the Coal Resources in accordance with the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code), 2004, for public reporting; and
- A quantification of the potential utilisation of the Coal Resources within the tenement considering all aspects affecting the recovery of the in-situ Resources. The benchmark for this estimation is the Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves, 2003.

As previously announced the estimated Coal Resources within the Red Hill Coal Project area total 75Mt as shown in the following Tables 4 to 6.

Table 4 – Total In Situ Coal Resource at the Red Hill Coal Project

Seam	In Situ Coal Resources (Mt)		
	Indicated	Inferred	Total Indicated and Inferred
LU	-	35.3	35.3
LU1	-	0.6	0.6
LU2	-	2.1	2.1
LU3	-	0.3	0.3
Total LU	**-**	**38.3**	**38.3**
VU	-	18.1	18.1
VM	-	5.4	5.4
VL	-	13.0	13.0
VL1	-	0.1	0.1
VL2	-	0.1	0.1
Total Vermont	**-**	**36.7**	**36.7**
Total	**-**	**75.0**	**75.0**

COAL

Table 5 – In Situ Coal Resource by seam and depth interval

Seam	Tonnes (Mt)				
	Depth				
	<100m	100 to 200	200 to 300	>300	Total (Inferred tonnes)
Leichhardt Upper	2.9	11.1	18.5	5.8	38.3
Vermont	0.4	10.5	19.9	5.9	36.7
Total	**3.3**	**21.6**	**38.4**	**11.7**	**75.0**

Average raw coal qualities by seams area summarised in Table 6.

Table 6 – Raw Coal Quality

Seam	Summary from Coal Quality model				
	Raw Coal				
	IM %	Ash %	Volatile Matter %	Sulphur %	Phos %
Leichhardt Upper	2.5	20.4	24.1	0.28	0.128
Vermont Upper	2.6	20.9	27.0	0.60	0.148
Vermont Lower	2.8	24.5	22.9	0.34	N/A*

**Note: not reported at this stage*

The results from the exploration and quality assessment programmes completed by the Company to date for the Red Hill Coal Project have focussed on the Leichhardt seam qualities. This work indicates that the Leichhardt seam is generally a medium volatile coal, with the potential to produce a primary product of low to moderate ash (9.0-11.0%) with low sulphur (less than 0.3%) content. Average CSN values from the test work were 4.3, indicating the metallurgical coal potential from this seam. Whilst the average raw phosphorous values have been reported in excess of 0.1%, a range of 0.031 to 0.380% has been identified.

Based on this work, the evaluation of potential underground mining options is continuing and a Conceptual Mining Study is in progress. This work is considering a number of development configurations including bord and pillar and short longwall options.

The third stage of exploration will focus on further definition of the resource in the north and east of the project area where the Leichhardt seam thickens, the assessment of quality of both the Leichhardt and Vermont seam groups (including the distribution of phosphorous across the resource) and the proposed box cut and initial underground development of areas along the north western boundary of the Red Hill tenement.

ASENJO ENERGY COAL PROJECT

(Aquila Resources Limited 50%)

The exploration programmes for the Asenjo Energy Joint Venture during the Quarter focussed on the Mmamabula and Dukwe deposits.

At Dukwe the results of the 87 borehole drilling programme, completed earlier in the year, were analysed during the Quarter, drill hole spacing was undertaken on 1km grid, sufficient to generate an Indicated Resource under the JORC Code. Initial analysis of the results is positive and a further 14 borehole in-fill drilling programme, totalling approximately 1,500m, will be completed in the December 2008 Quarter. An aerial magnetic survey was flown over the Dukwe project and indicated no new magnetic anomalies, which is positive. An initial JORC compliant resource statement is then scheduled to be completed in the March 2009 Quarter.

At Mmamabula, drilling during the Quarter was focussed on the Mmamabula East project, with 21 boreholes, totalling 2,819m, drilled during the Quarter. The drilling identified an area containing a relatively shallow A-Seam (60m to 180m), in an area previously thought not to contain coal, which is very promising.

Core Sampling at Mmamabula

COAL

Drilling was scheduled to commence in Mmamabula West during October 2008. The target block comprises about 25km² and is situated in an uplifted block, containing both the K and A Seams. Drilling will be on a 1km grid pattern in order to make it JORC compliant at an Indicated level.

Drilling next Quarter will also commence at the Lechana project where the target block also comprises 25km² and is situated in the eastern fringe of the deposit, containing the Morupule Main, Taukome Bright and the Upper Coal Seams. As with Mmamabula West, drilling will be on a 1km grid. Drilling will commence during November 2008.

Tender notices were issued during the Quarter to parties to complete baseline environmental studies on the three key project areas, being Dukwe, Mmamabula and Lechana.

WATERBERG COAL PROJECT – SOUTH AFRICA

(Aquila Resources Limited 74%)

The Company, in association with its South African joint venture partner, Semaka Investment Company, has been offered for grant, prospecting rights over eight properties in the Waterberg Coalfield. The prospecting rights comprise of two sizeable project areas which create sufficient critical mass for economies of scale.

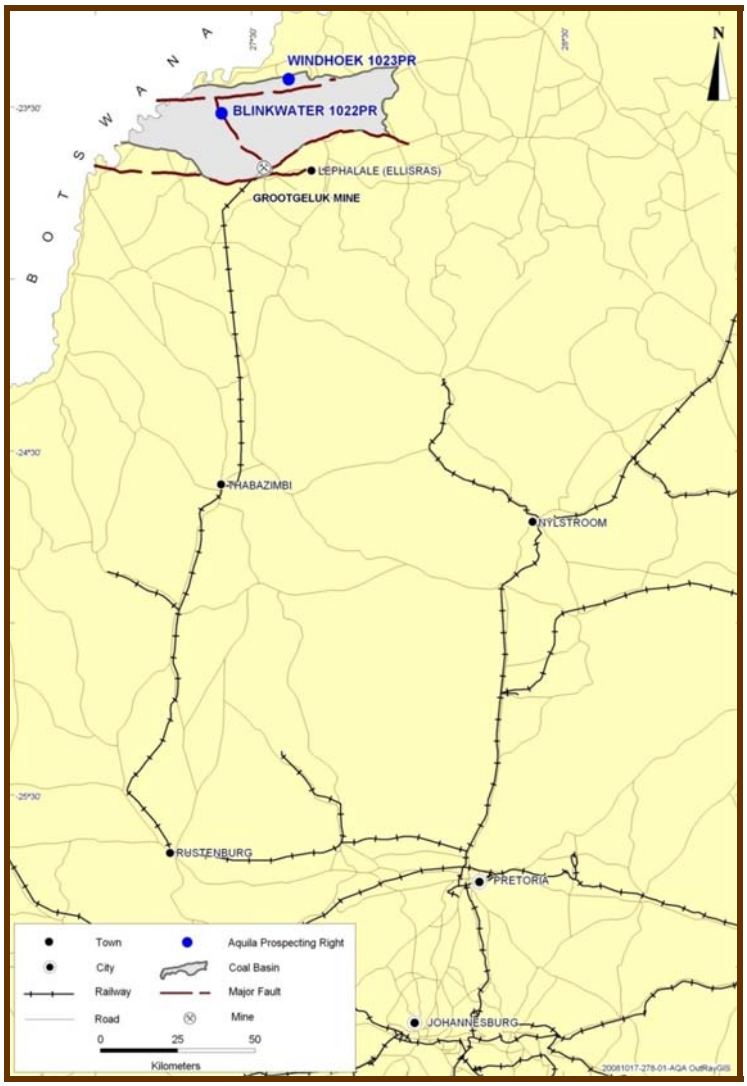
The Waterberg Coalfield is located in the northwest Limpopo Province of South Africa some 300km north of Johannesburg. It occurs within a fault bounded basin that stretches 88km in an east-west orientation and averages 40km in width. It extends westwards into Botswana and links up with the Mmamabula coal fields.

With more than 40% of South Africa's in situ coal resources situated in the Waterberg Coalfield, it is recognised that the coalfield is the economical and environmentally sensible option for the long-term sustainable supply of coal. An attraction of the coal from this region is that it can produce high-value multi-grade products for export and a middlings product that is used for domestic power generation.

The coal-bearing sequence in the Waterberg Coalfield is some 115m thick. The seams can be grouped into eleven coal-bearing zones that correlate across the coalfield. The lower zones are formed of distinct coal seams with intercalated sandstones, while the upper zones are made up of finely intercalated beds of coal and mudstone. The coal from the upper zones yields a semi-soft coking coal and a middlings product suitable for domestic power generation, while the coal from the lower zones is mainly suitable for power generation, but has a component of low phosphorus metallurgical coal.

The prospecting rights forming the two project areas, Windhoek and Blinkwater, cover a total area of 11,972ha and have been targeted for near surface coal tonnages that could be extractable by open pit mining methods.

Waterberg Coal Projects – South Africa



IRON ORE

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

DEVELOPMENT

Development work for the period concentrated on resolving port selection, obtaining required government approvals and commencement of work on the Definitive Feasibility Study (DFS) document for the West Pilbara Iron Ore Project (WPIOP) – Stage 1 (The Project).

The DFS document is currently scheduled for issue to the joint venture participants during June 2009 but is subject to final submissions from each of the engineers.

Technical Studies

A programme of marine seismic surveys was completed during the period covering each of the alternative Project port locations under consideration. The data obtained has been utilised to estimate dredging requirements and associated costs at each potential site and has been very useful in facilitating objective comparison between each option.

A preferred port location is likely to be selected early in the December 2008 Quarter.

A simulation model is being extended from the mine faces through ROM pads to train loadout(s) via the crushing plant and will be based on the life of mine schedule.

The definition of infrastructure at the mine area was improved. On the basis of the Quarterly mine schedule for the life of the Project, conceptual engineering and determination of locations for crushing and sampling plants as well as train load outs for the Project area has been completed. Flowsheets have been prepared and nominal equipment lists devised.

Definitive Feasibility Study works commenced with the selection and commencement of a Project managing contractor, a port engineer, rail engineer and mine/processing engineer.

Environmental

A referral document was submitted to the EPA during September in relation to the Project's mine and infrastructure aspects. A response from EPA is pending. However, the level of assessment is expected to be Public Environmental Review (PER).

Further referrals will be submitted once the port location is defined.

Continuous Miner at Upper Cane Bulk Sample Site

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

Consultation with stakeholders in the project continued during the period.

Testwork

Metallurgical testing was progressed during the period. Analysis of diamond drill core samples obtained from the ore bodies is undergoing testing for ore properties and material handling characteristics.

A second round of sinter test work is planned to be conducted at the CISRI laboratory in Beijing following favourable results from the initial test work.

The mining of a bulk ore sample of approximately 36,000 tonnes from the Upper Cane deposit commenced during September. This work entailed the trial utilisation of a surface miner/terrain leveller. The next bulk sample pit at the Catho Well deposit is scheduled to be completed by the end of November 2008. The ore from the bulk sample programmes will be utilised for further metallurgical testing and to provide samples for testing by prospective customers.

Detailed mine scheduling work continued to assist in optimising resource development.

IRON ORE

Marketing

Two marketing visits to China were undertaken during the period. The Chinese steel mills were very supportive of the proposed development of further significant supply sources from Australia. In addition, several meetings were held in Australia with potential customers from Korea and Japan. Further visits will be undertaken throughout the remainder of the 2008-2009 financial year. Despite recent high iron ore stocks and steep falls in the iron ore spot price, indications are that future steel output and therefore iron ore demand, will continue to remain robust.

Negotiations are underway with steel mills to execute Memoranda of Understanding to enable the mills to undertake their own testing of the API iron ore as a precursor to signing Letters of Intent for off-take from the Project. One mill has already signed such a Memorandum of Understanding.

EXPLORATION

Exploration undertaken during the Quarter has continued with the evaluation of major targets on the Mt Stuart, Red Hill and Yalleen Joint Venture tenements. A total of 9,905m of RC and 826m of diamond drilling have been completed during the Quarter. RC drilling accelerated significantly late in the Quarter with four rigs operating across the West Pilbara Iron Ore Project.

Mapping and sampling within the Mount Elvire Project concentrated on defining extensions to CID mineralisation.

Significant extensions (in the order of 6.5km x 0.3km) were defined. In addition, Canga (hematite and/or goethite conglomerate) was mapped at several locations on the flanks of hills dominated by Weeli Wolli and Brockman Iron Formation stratigraphy. Of the 115 rock-chip samples collected during mapping, a total of 88 samples returned results better than 54% Fe. The average grade of these samples is 58.23% Fe, which is relatively high when compared with original surface sampling completed at Catho Well and Cardo Bore.

An interpretation of the Hamersley stratigraphy at 1:25,000 scale was commissioned during the Quarter using 3D pan sharpened Advanced Land Observing Satellite (ALOS) imagery. The interpretation will be completed by Nick Lockett and Associates and will be used to help delineate prospective areas for further 1:10,000 scale geological mapping during the 2009 field season.

Exploration activity recommenced on the Red Hill Joint Venture tenement during the period. A total of 313 holes for 8,630m of RC drilling have been completed to date at the Trinity Bore South, Cardo Bore North and Kens Bore prospects.

Drill programmes at all prospects were continuing at period end. A significant RC drill campaign has been planned for the balance of 2008 with in excess of 1,500 drill holes planned.

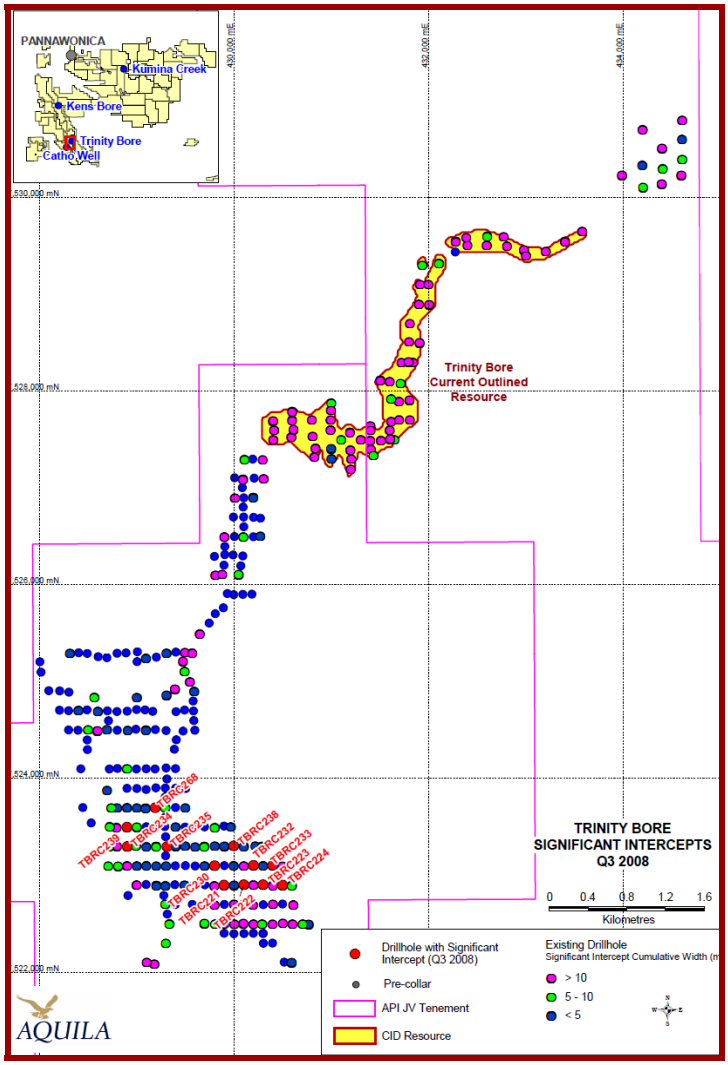
Planned RC drilling at the Trinity Bore South prospect commenced late in the Quarter, targeting the southern extension of the Trinity Bore CID resource (*refer Figure 1*). The initial programme of broad spaced drilling completed in 2007 covers an extensive area (>5km^2) of exposed CID. Drilling returned positive intercepts with iron grades from 52% to 57% Fe. Mineralised CID is generally less than 12m in thickness. The current programme is scheduled to be completed during the December Quarter. Results received to date include;

- 10m at 54.10% Fe, 3.46% Al_2O_3, 8.36% SiO_2, 0.030% P, 0.030% S and 10.14% LOI from surface in TBRC223;
- 12m at 55.08% Fe, 4.08% Al_2O_3, 6.18% SiO_2, 0.040% P, 0.020% S and 10.39% LOI from surface TBRC234, and
- 10m at 54.54% Fe, 3.28% Al_2O_3, 7.51% SiO_2, 0.030% P, 0.020% S and 10.28% LOI from surface in TBRC232.

Diamond Drilling at Upper Cane

IRON ORE

Figure 1 – Trinity Bore Significant Intercepts



These results are consistent with earlier results returned from the area. The mineralised CID in the south east is generally less than 12m thick, however as the channel is constrained to the north, the CID profile thickens to 20m in that direction.

Following a review of earlier RC drilling at the Cardo Bore prospect, a programme of infill drilling has been completed over areas of sporadic CID mineralisation. The Cardo Bore prospect represents the down stream continuation of the Cardo Bore East CID deposit. A total of 43 holes for 1,570m have been completed. Results for the drilling are yet to be received from the laboratory.

RC drilling completed in 2007 encountered variable thicknesses of mineralised CID between 5m to 15m, extending over a channel length exceeding 4km. The broad spaced drilling identified isolated zones of >55% Fe mineralisation, with the best result returned from drill hole CBRC010, being 20.0m at 57.15% Fe, 4.04% Al_2O_3, 4.58% SiO_2, 0.04% Mn, 0.09% P and 0.01% S from 22.0m.

Exploration work on the Yalleen Joint Venture tenement continued to assess the buried CIDs at Kumina Creek and Robe Exit. The in-fill diamond drill programme, using 200m x 100m drill centres, at Kumina Creek was nearly complete at the end of the Quarter. Preparatory work has commenced for the drill assessment of the western extension to the Kumina Creek mineralisation.

During the period a total of 36 PVC cased pre-collars for 575m and 32 diamond tails for 621.3m were completed.

Results continue to highlight the presence of significant thicknesses of CID mineralisation within the central zone of the identified channel, drill holes YATX213 and YA228 both intersecting greater than 15m of mineralised (+57% Fe) pisolitic CID. The mineralised CID thins progressively to the west with recent drilling returning intercepts ranging from 5m to 15m in thickness (*refer Figure 2*).

In summary, the thickness of the mineralised CID varies from <5m to >30m over the 2.5km of channel drilled to date but is consistently thickest in the central and eastern areas of the grid where a number of drill holes have returned mineralised intercepts of greater than 30m. Additional infill drilling, reducing drill centres to 100m x 100m, has been planned where the variability in the thickness of the CID is unexplained.

Better intercepts returned during the Quarter from diamond drilling are shown in *Table 8*.

The current diamond drill programme, planned to increase the drill hole density to 200m x 100m centres, will be completed early in the next Quarter and, following receipt of all assays, resource modelling is expected to commence.

RC drilling recommenced at the Robe Exit prospect during the Quarter. A total of 25 holes for 700m were completed. Drilling will be ongoing, with the objective of closing the drill hole spacing to 200m x 100m centres.

Figure 2 – Kumina Creek Significant Intercepts

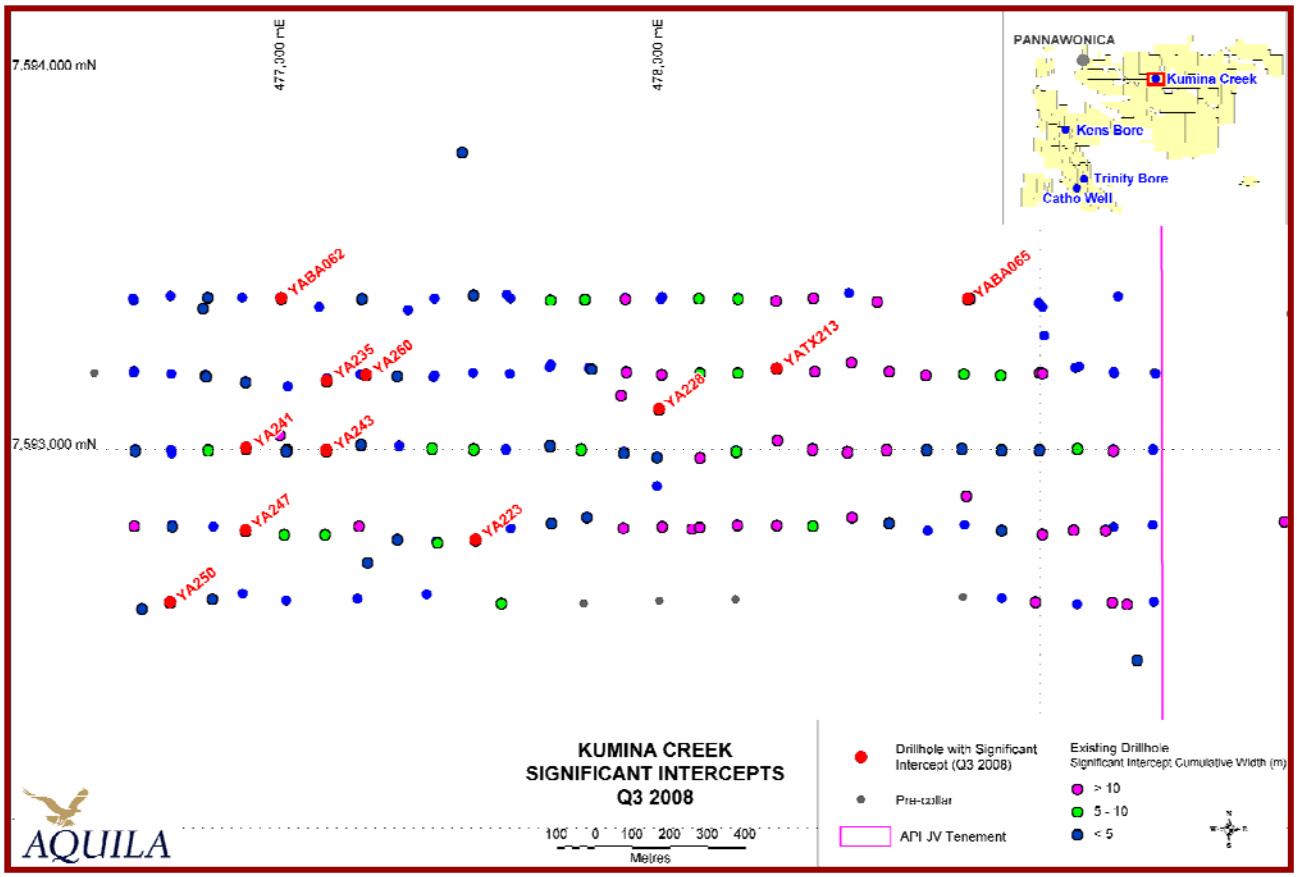


Table 7 – Trinity Bore

Hole ID	East	North	From	To	Intercept	Al_2O_3 %	SiO_2 %	P %	S %	LOI %
TBRC221	429896.7	7522901.1	0	10	10.00m @ 53.24% Fe	3.43	10.60	0.030	0.030	9.16
TBRC222	430099.8	7522904.0	0	10	10.00m @ 53.72% Fe	2.57	10.40	0.030	0.020	9.61
TBRC223	430299.5	7522904.0	0	10	10.00m @ 54.10% Fe	3.46	8.36	0.030	0.030	10.14
TBRC224	43049.0	7522901.1	0	10	12.00m @ 55.08% Fe	4.08	6.18	0.040	0.020	10.39
TBRC230	429800.5	7523100.2	0	8	8.40m @ 52.72% Fe	3.91	10.40	0.030	0.020	9.71
TBRC232	430200.6	7523103.5	0	10	10.00m @ 54.54% Fe	3.28	7.51	0.030	0.020	10.28
TBRC233	430397.3	7523104.0	4	10	6.00m @ 53.57% Fe	3.92	7.72	0.050	0.010	10.94
TBRC234	42804.7	7523298.1	0	8	8.00m @ 54.17% Fe	3.45	7.81	0.030	0.020	10.36
			12	14	2.00m @ 53.60% Fe	3.98	9.04	0.040	0.010	9.60
TBRC235	429310.7	7523296.3	8	14	6.00m @ 53.87% Fe	4.56	8.06	0.050	0.010	9.53
TBRC238	429997.6	7523304.9	0	6	6.00m @ 55.67% Fe	2.45	8.25	0.030	0.020	8.74
TBRC239	428900.7	7523498.9	4	14	10.00m @ 53.56% Fe	3.87	8.95	0.040	0.010	10.06
TBRC268	429191.2	7523698.6	0	2	2.00m @ 55.00% Fe	4.13	6.63	0.040	0.050	10.10
			6	12	6.00m @ 53.33% Fe	3.89	9.84	0.040	0.020	9.50

IRON ORE

Table 8 – Kumina Creek

Hole ID	East	North	From	To	Intercept	Al_20_3 %	SiO_2 %	P %	S %	LOI %
YA223	477506	7592763	20.50	22.30	1.80m @ 57.71% Fe	4.66	5.18	0.055	0.004	6.99
			25.40	39.40	14.00m @ 58.40% Fe	4.21	4.45	0.049	0.016	7.14
			42.15	63.25	21.10m @ 60.88% Fe	3.06	3.19	0.048	0.015	6.13
YA228	477992	7593106	24.10	31.80	7.70m @ 56.71% Fe	4.03	5.08	0.066	0.007	9.22
			32.10	33.40	1.30m @ 58.80% Fe	3.41	5.63	0.041	0.007	6.33
			35.00	43.93	8.93m @ 59.52% Fe	3.51	5.72	0.053	0.007	7.19
YA235	477113	7593181	13.50	24.00	10.50m @ 56.89% Fe	3.98	5.70	0.047	0.016	8.18
YA241	476899	7593005	11.00	18.95	7.95m @ 55.33% Fe	4.72	6.67	0.043	0.029	8.59
YA243	477112	7592999	17.75	22.50	4.75m @ 58.32% Fe	3.87	4.53	0.053	0.018	7.61
			25.70	27.70	2.00m @ 56.25% Fe	4.77	5.58	0.049	0.016	8.69
			35.70	36.80	1.10m @ 59.20% Fe	3.39	2.68	0.077	0.013	8.83
			37.90	41.70	3.80m @ 57.43% Fe	4.43	4.20	0.092	0.011	8.46
YA247	476898	7592788	11.40	20.50	9.10m @ 54.88% Fe	5.37	7.52	0.034	0.012	8.14
YA250	476698	7592599	10.00	16.30	6.30m @ 55.56% Fe	4.90	6.00	0.044	0.014	8.79
YA260	477216	7593197	13.30	26.40	13.10m @ 56.74% Fe	3.88	4.54	0.046	0.019	9.94
YABA062	476993	7593399	21.30	27.00	5.70m @ 58.19% Fe	2.82	4.57	0.066	0.014	8.76
YABA065	478808	7593398	41.95	44.25	2.30m @ 56.10% Fe	4.79	6.14	0.071	0.029	8.26
			44.60	52.35	7.75m @ 60.29% Fe	2.78	3.47	0.077	0.032	6.92
TATX213	478303	7593213	24.00	26.00	2.00m @ 57.90% Fe	3.75	3.91	0.060	0.018	9.12
			29.50	41.25	11.75m @ 57.09% Fe	4.38	4.90	0.057	0.020	8.51
			43.00	44.80	1.80m @ 58.34% Fe	3.73	3.32	0.089	0.019	9.07
			45.00	52.10	7.10m @ 57.19% Fe	4.13	4.48	0.081	0.013	9.02

IRON ORE

SOUTH AFRICA

THABAZIMBI IRON ORE PROJECT
(Aquila Resources Limited 74%)

Limpopo Province

Drilling continued testing several iron ore targets on the farms Leeuwbosch and Cornwall in the Thabazimbi region during the Quarter. A total of 19 holes were completed for 2,273m. Three of the holes were diamond cored. One diamond hole was drilled on Leeuwbosch on a mineralised lineament in order to obtain representative samples for metallurgical testing. The other two diamond holes completed were drilled on Cornwall. Both were drilled into iron ore mineralisation that is developed in the basal portion of the Penge Iron Formation, but they gave contrasting results apparently due to the variable effects of secondary veining (*Table 9*).

Rotterdam Prospecting Right - Thabazimbi

Samples from iron ore intersections in three percussion boreholes were composited for beneficiation test work. The results indicated that the higher SiO_2 content reports to the fines (-3mm) and that the >+3mm component could give a >60% Fe product. Beneficiation test work is due to be carried out on the diamond core samples to determine the optimum fractions size and yield.

Northern Cape Province

Field work commenced on the recently granted Orange River Prospecting Right in the Northern Cape Province. The tenement covers a total area of 146,537ha. Folded and faulted Transvaal Supergroup rocks underlie extensive parts of the Project area. There are up to three successive banded iron formation units with structural thickening and duplication of strata evident due to thrusting.

Remote sensing studies have been undertaken in the form of photo-geological interpretation by Nick Lockett and Associates and spectral processing of Landsat satellite data by Earthscan Pty Ltd. Integration of the results has enhanced and prioritised iron ore targets for field evaluation.

Orange River Prospecting Right – Northern Cape

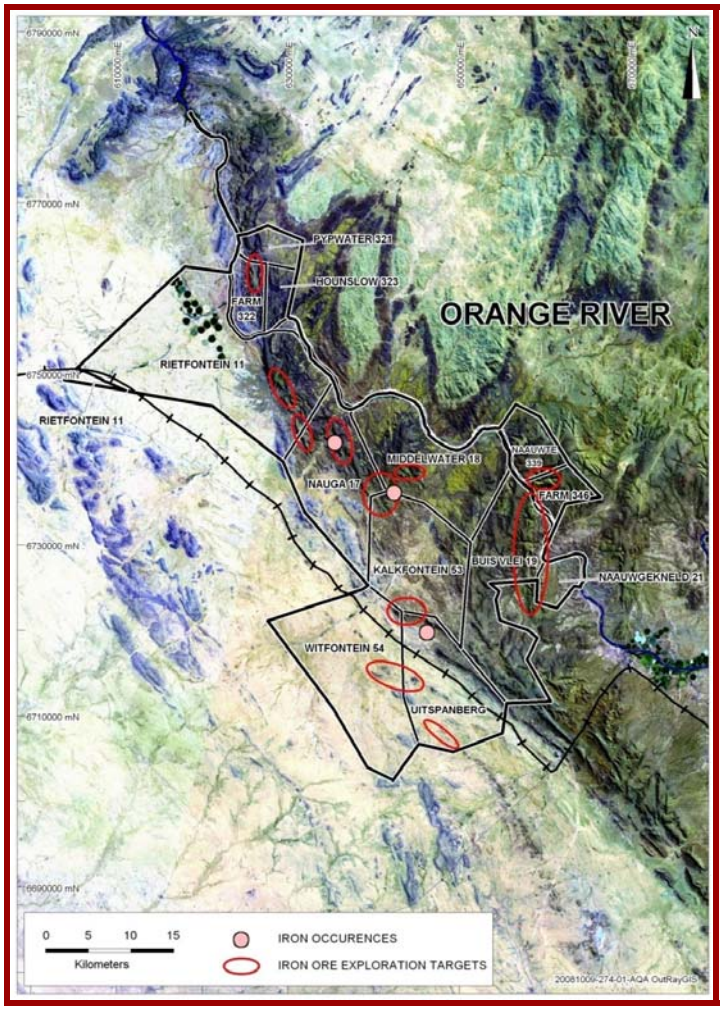


Table 9 : Diamond Drill Core Intersections from Rotterdam Prospecting Right

Borehole	From m	To m	Width m	SiO_2 %	Al_2O_3 %	Fe(tot) %	Fe_2O_3 %	TiO_2 %	CaO %	MgO %	K_2O %	MnO %	P %	S %	LOI %	TOT %
CL8D	75.05	88.52	13.47	14.55	1.99	44.04	62.98	0.07	5.68	3.49	0.10	1.07	0.06	0.03	9.66	99.67
CL20D	19.48	36.28	16.80	13.35	0.32	59.20	84.66	0.01	0.14	0.08	0.02	0.79	0.03	0.04	0.82	100.35

MANGANESE

AVONTUUR MANGANESE PROJECT

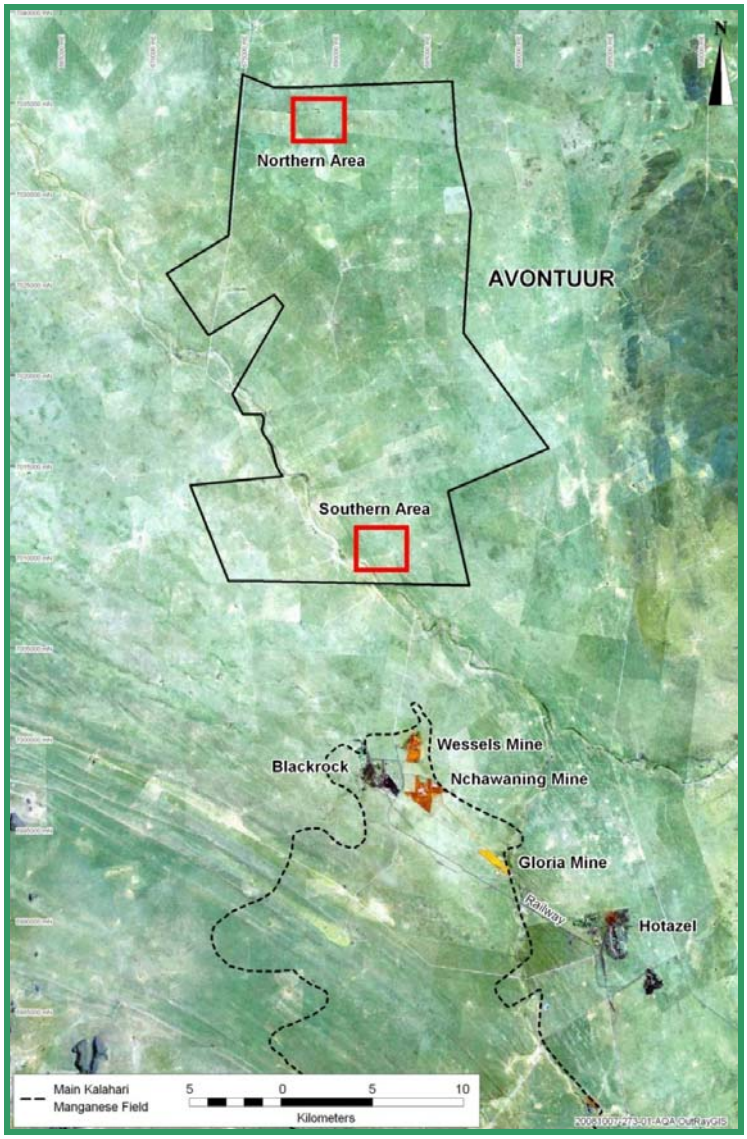
(Aquila Resources Limited 74%)

A total of 14 boreholes were completed at the two manganese projects on the Avontuur Prospecting Right. Drilling was continuing at the end of the Quarter with seven holes currently in progress. The total number of metres drilled during the period was 5,611m but no sample analyses had been received by Quarter's end.

High Grade Manganese Ore at Avontuur Project

The drilling in the Southern Project area was designed to trace the extent of the manganese in the Hotazel Formation, where it occurs in an outlier of the main Kalahari Manganese Field. Drilling recommenced in the Northern Project area in the latter stages of the Quarter as more drill rigs became available. Here the manganese mineralisation is interbedded with iron ore of the Avontuur Iron Formation. Ongoing exploration is focused on delineating the high-grade manganese mineralisation that has been discovered by the earlier drilling and targeting extensions of this mineralisation at shallow depths along the edge of the Avontuur basin.

Avontuur Manganese Projects – Northern Cape



During the Quarter the Company announced to ASX the results of significant intercepts in nine holes drilled within the Avontuur Projects, being the Northern and Southern Project areas shown in the above map. The details of the analytical results of intercepts from those holes are contained in the following tables.

MANGANESE

Southern Project

Table 10 – Drillhole EBEX 6
From 311.06 to 315.37m, an interval of 4.31m @ 38.81 weight % Mn

EBEX 6	22°50'48.05" E (Longitude); 27°02'02.76"S (Latitude); -90 declination								
From (m)	To (m)	Interval (m)	Mn (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	CaO (%)	P_2O_5 (%)	LOI (%)
311.06	311.50	0.44	41.28	3.25	9.95	0.47	9.72	0.048	4.75
311.50	312.00	0.50	38.34	3.37	17.3	0.80	16.2	0.056	2.02
312.00	312.46	0.46	37.10	7.87	11.5	0.38	10.8	0.064	3.35
312.46	312.95	0.49	30.36	5.28	23.9	0.37	13.4	0.049	2.65
312.95	313.08	0.13	31.60	5.39	19.7	0.75	17.0	0.217	2.05
313.08	313.45	0.37	36.32	4.90	17.0	0.62	14.6	0.037	2.52
313.45	314.00	0.55	35.63	2.33	22.0	1.03	14.0	0.050	2.41
314.00	314.50	0.50	43.45	3.26	12.8	0.41	11.1	0.046	3.54
314.50	314.96	0.46	44.53	3.05	10.7	0.62	11.1	0.041	3.76
314.96	315.37	0.41	45.54	7.31	5.8	0.50	6.44	0.057	3.57

Table 11 – Drillhole EBEX 7
From 322.75 to 326.29m, an interval of 3.54m @ 47.52 weight % Mn

EBEX 7	22°50'44.43" E (Longitude); 27°02'02.76" S (Latitude); -90 declination								
From (m)	To (m)	Interval (m)	Mn (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	CaO (%)	P_2O_5 (%)	LOI (%)
322.75	323.00	0.25	52.43	4.72	6.31	0.24	6.92	0.052	1.87
323.00	323.44	0.44	51.73	4.27	5.25	0.24	5.94	0.064	4.74
323.44	324.00	0.56	44.76	8.71	2.13	0.26	3.20	0.062	7.26
324.00	324.50	0.50	47.16	6.78	1.74	0.10	3.30	0.066	9.03
324.50	325.00	0.50	44.45	5.07	2.83	0.37	16.00	0.053	3.56
325.00	325.50	0.50	49.41	2.82	0.95	0.18	20.70	0.049	2.30
325.50	325.96	0.46	48.56	3.41	0.86	0.02	18.80	0.057	2.21
325.96	326.29	0.33	43.68	6.64	9.75	0.48	6.96	0.082	2.24

Table 12 – Drillhole EBEX 9
From 317.13 to 321.54m, an interval of 4.41m @ 49.79 weight % Mn

EBEX 9	22°50'46.25" E (Longitude); 27°01'56.26" S (Latitude); -90 declination								
From (m)	To (m)	Interval (m)	Mn (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	CaO (%)	P_2O_5 (%)	LOI (%)
317.13	317.50	0.37	41.43	9.13	2.44	0.56	4.88	0.102	5.73
317.50	318.00	0.50	46.70	5.81	3.84	0.66	5.71	0.060	4.94
318.00	318.50	0.50	53.59	4.48	3.49	0.38	4.68	0.098	4.39
318.50	319.00	0.50	54.83	5.74	1.60	0.42	2.72	0.081	2.26
319.00	319.85	0.85	50.73	8.04	0.60	0.27	2.05	0.062	1.75
319.85	320.27	0.42	47.09	5.67	4.12	1.38	7.27	0.079	2.88
320.27	320.69	0.42	53.90	2.57	2.17	0.84	4.64	0.068	1.84
320.69	321.00	0.31	52.90	3.30	3.25	0.89	5.83	0.061	2.54
321.00	321.54	0.54	45.85	8.78	2.46	0.54	4.56	0.097	2.30

MANGANESE

Northern Project

Table 13 – Drillhole GHEX 1
From 176.50 to 181.90m, an interval of 5.40m @ 56.82 weight % Mn

GHEX 1	22°48'04.16" E (Longitude); 26°47'40.92" S (Latitude); -90 declination								
From (m)	To (m)	Interval (m)	Mn (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	CaO (%)	P_2O_5 (%)	LOI (%)
176.50	176.83	0.33	51.10	18.30	0.79	0.15	1.29	0.03	0.97
176.83	177.17	0.34	49.60	19.20	1.09	0.25	1.72	0.04	1.64
177.17	177.70	0.53	48.90	18.20	0.89	0.29	2.08	0.04	1.76
177.70	178.50	0.80	57.20	9.82	1.05	0.35	2.3	0.04	1.98
178.50	179.00	0.50	61.00	7.36	1.13	0.47	1.24	0.04	1.33
179.00	179.57	0.57	58.50	9.45	1.01	0.39	0.77	0.04	1.11
179.57	180.24	0.67	53.60	15.70	0.71	0.31	0.58	0.06	0.9
180.24	181.00	0.76	60.80	8.15	0.80	0.21	0.98	0.03	0.94
181.00	181.50	0.50	59.60	9.32	1.32	0.22	1.00	0.03	0.58
181.50	181.90	0.40	64.10	4.45	1.21	0.09	1.22	0.02	1.00

Table 14 – Drillhole GHEX 3
From 184.63 to 186.20m, an interval of 1.57m @ 59.24 weight % Mn
From 193.85 to 195.97m, an interval of 2.12m @ 55.24 weight % Mn

GHEX 3	22°48'02.13" E (Longitude); 26°47'43.35" S (Latitude); -90 declination								
From (m)	To (m)	Interval (m)	Mn (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	CaO (%)	P_2O_5 (%)	LOI (%)
184.63	185.00	0.37	57.46	4.48	1.86	0.15	0.16	0.070	0.61
185.00	185.50	0.50	54.91	4.97	3.44	0.3	1.35	0.124	2.16
185.50	186.20	0.70	63.27	3.22	0.44	0.12	0.49	0.125	1.70
193.85	194.50	0.65	61.34	3.78	2.22	0.07	0.77	0.070	0.50
194.50	195.00	0.50	55.06	6.29	4.22	0.23	0.53	0.072	0.19
195.00	195.50	0.50	58.63	4.20	3.71	0.20	0.44	0.062	0.12
195.50	195.97	0.47	43.68	5.81	13.2	0.24	3.49	0.068	0.98

Table 15 – Drillhole GHEX 4
From 202.50 to 206.18m, an interval of 3.68m @ 50.81 weight % Mn

GHEX 4	22°47'59.88" E (Longitude); 26°47'45.85" S (Latitude); -90 declination								
From (m)	To (m)	Interval (m)	Mn (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	CaO (%)	P_2O_5 (%)	LOI (%)
202.5	203.00	0.50	36.71	13.32	6.84	0.23	0.65	0.099	0.38
203.0	203.50	0.50	48.95	4.69	12.40	0.41	3.29	0.069	0.61
203.5	204.00	0.50	52.74	3.92	9.00	0.16	4.14	0.062	1.07
204.0	204.50	0.50	57.00	3.46	4.88	0.29	1.83	0.052	0.52
204.5	205.00	0.50	50.57	7.76	2.79	0.33	1.69	0.075	0.59
205.0	205.61	0.61	57.00	4.97	4.26	0.21	2.28	0.061	0.30
205.61	206.18	0.57	51.27	5.67	6.90	0.33	3.27	0.081	0.41

MANGANESE

Table 16 - Drillhole GHEX 5
From 292.54 to 295.03m, an interval of 2.49m @ 62.51 weight % Fe
From 327.09 to 328.00m, an interval of 0.91m @ 37.42 weight % Mn

GHEX 5	22°47'28.29" E (Longitude); 26°48'17.55" S (Latitude); -90 declination								
From (m)	To (m)	Interval (m)	Mn (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	CaO (%)	P_2O_5 (%)	LOI (%)
292.54	293.00	0.46	0.20	65.54	3.01	1.49	0.31	0.195	0.54
293.00	293.50	0.50	0.14	65.40	2.36	1.02	0.18	0.095	0.47
293.50	294.00	0.50	0.09	67.50	1.41	0.55	0.26	0.225	0.28
294.00	294.39	0.39	0.08	56.51	17.10	0.63	0.09	0.075	0.34
294.39	295.03	0.64	0.07	57.84	14.00	0.40	0.25	0.117	0.29
327.09	327.50	0.41	36.01	7.76	9.76	0.46	12.10	0.056	11.06
327.50	328.00	0.50	38.57	7.34	8.19	0.18	8.00	0.056	15.56

Table 17 - Drillhole GHEX 6
From 183.50 to 184.68m, an interval of 1.18m @ 36.75 weight % Mn.
From 199.00 to 199.88m, an interval of 0.88m @ 36.32 weight % Mn.

GHEX 6	22°48'02.70" E (Longitude); 26°47'47.93" S (Latitude); -90 declination								
From (m)	To (m)	Interval (m)	Mn (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	CaO (%)	P_2O_5 (%)	LOI (%)
183.50	184.00	0.50	38.80	5.11	10.9	0.52	3.00	0.056	12.49
184.00	184.68	0.68	35.24	5.14	10.1	0.28	6.43	0.060	14.83
199.00	199.50	0.50	37.25	4.09	13.1	0.30	7.12	0.059	12.37
199.50	199.88	0.38	35.08	4.72	14.4	0.52	5.06	0.061	12.38

Table 18 – Drillhole GHEX 7
From 183.16 to 185.02m, an interval of 1.86m @ 46.73 weight % Mn
From 190.50 to 193.18m, an interval of 2.68m @ 47.42 weight % Mn
From 194.00 to 195.50m, an interval of 1.50m @ 39.46 weight % Mn
From 197.91 to 198.82m, an interval of 0.91m @ 52.54 weight % Mn

GHEX 7	22°47'57.52" E (Longitude); 26°47'48.44" S (Latitude); -90 declination								
From (m)	To (m)	Interval (m)	Mn (%)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	CaO (%)	P_2O_5 (%)	LOI (%)
183.16	183.50	0.34	38.72	7.17	13.80	0.53	3.77	0.155	1.94
183.50	184.00	0.50	49.41	5.67	8.90	0.23	3.20	0.077	0.69
184.00	184.50	0.50	54.37	5.28	3.78	0.28	3.15	0.064	1.22
184.50	185.02	0.52	42.05	10.14	7.05	0.34	2.64	0.074	1.39
190.50	191.00	0.50	41.98	10.46	5.98	0.40	3.38	0.095	1.45
191.00	191.50	0.50	54.29	4.83	4.56	0.49	2.14	0.078	1.18
191.50	192.00	0.50	56.85	3.64	8.15	0.20	2.40	0.058	0.06
192.00	192.34	0.34	55.76	3.35	4.78	0.34	4.86	0.051	2.40
192.34	192.50	0.16	46.54	3.88	3.33	0.48	11.10	0.051	7.80
192.50	193.18	0.68	35.47	7.17	5.79	0.41	10.90	0.072	9.29
193.18	193.50	0.32	7.55	18.26	12.5	0.33	13.40	0.088	6.63
193.50	194.00	0.50	1.56	23.47	13.9	0.36	12.60	0.057	1.75
194.00	194.59	0.59	38.26	3.64	5.68	0.31	16.20	0.054	11.34
194.59	195.00	0.41	38.41	3.99	8.39	0.36	14.30	0.058	10.14
195.00	195.50	0.50	41.74	4.06	7.14	0.37	13.60	0.057	8.57
197.91	198.50	0.59	54.99	3.45	6.00	0.28	4.22	0.052	2.66
198.50	198.82	0.32	48.02	4.02	8.47	0.22	6.59	0.066	5.04

CORPORATE

CASH RESERVES AND LIQUID INVESTMENTS

Cash reserves and liquid investments total A$196.6 million at the end of the Quarter.

DEMERGER CANCELLED

The Company's Board decided during October 2008 to cancel the proposed demerger of the Company's early stage exploration assets, because it was considered not to be in the interests of the Company's shareholders to demerge these assets at a time of global turmoil in credit and equity markets.

For further information please contact:

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Executive Chairman

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COMPETENCY PERSON STATEMENTS

Eagle Downs Coal Project

The information in this report that relates to the Eagle Downs Resource Statement has been based on information compiled by Mr Graeme Hewitt and Mr Mal Blaik who are members of the Australian Institute of Mining and Metallurgy. Mr Hewitt is a qualified Geologist (BSc (Hons) University of NSW, MBA (University of Queensland) and a Fellow of the Australasian Institute of Mining and Metallurgy and as such qualifies as a Competent Person under the JORC Code. Mr Hewitt holds shares in Aquila Resources Ltd. Mr Blaik is a Principal Consultant of JB Mining Services Pty Ltd. Mr Blaik is a qualified geologist (BSc App Geol (Hons) University of QLD, 1979) and is a member of the Australasian Institute of Mining and Metallurgy and as such qualifies as a Competent Person under the JORC Code.Mr Hewitt and Mr Blaik consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Belvedere Coal Project

The estimates of Coal Resources for the Belvedere Coal Project presented in this report have been carried out in accordance with the JORC Code. The information that relates to Belvedere Coal Resources, is based on information reviewed by Mr Pat Hanna, who is a Fellow of The AusIMM and was previously an employee of SRK Consulting. Mr Hanna 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. Mr Hanna consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

COMPETENCY PERSON STATEMENTS

Washpool Coal Project

The estimates of Coal Resources for the Washpool 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 Washpool Coal Resources, is compiled by Mr Blair Richardson and modelled and reviewed by Mr Lyon Barrett. Mr Richardson is a full time employee of Aquila Resources Ltd, with 25 years experience in geology and over 15 years experience in resource evaluation. Mr Richardson is a member of The Australasian Institute of Mining and Metallurgy 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 Ltd. Mr Barratt 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 Australasian Institute of Mining and Metallurgy 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 their information in the form and context in which it appears

Red Hill Coal Project

The estimates of Coal Resources for the Red Hill Underground 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 is a full time employee of Aquila Resources Ltd, with 25 years experience in geology and over 15 years experience in resource evaluation. Mr Richardson is a member of The Australasian Institute of Mining and Metallurgy 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 Ltd. Mr Barratt 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 Australasian Institute of Mining and Metallurgy 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 their information in the form and context in which it appears.

Australian Premium Iron Joint Venture

The information in this report that relates to the Australian Premium Iron Joint Venture iron ore resources is based on information compiled by Mr Stuart H Tuckey who is a member of the Australian Institute of Mining and Metallurgy. Mr Tuckey is a full-time employee of Australian Premium Iron. Mr Tuckey has 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 consents to the inclusion in the report of the matters based on his 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 Geoffrey F Pigott 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 Pigott is a full-time employee of the Company. Mr Pigott 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 Pigott consents to the inclusion in the report of the matters based on his 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 Geoffrey F Pigott 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 Pigott is a full-time employee of the Company. Mr Pigott 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 Pigott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Rule 5.3

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	Quarter ended ("current quarter")
81 092 002 769	SEPTEMBER 2008

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	24,090	24,090
1.2	Payments for: (a) exploration and evaluation	(11,772)	(11,772)
	(b) development	(2,897)	(2,897)
	(c) production	(14,947)	(14,947)
	(d) administration	(2,843)	(2,843)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	864	864
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	-	-
1.7	Other (service charges)	67	67
	Net operating cash flows	(7,440)	(7,440)
	Cash flows relating to investing activities		
1.8	Payment for purchases of: (a)mineral properties	(249)	(249)
	(b)equity investments	(5,440)	(5,440)
	(c) other fixed assets	(704)	(704)
1.9	Proceeds from sale of: (a)mineral properties	6,257	6,257
	(b)equity investments	20	20
	(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	(116)	(116)
1.13	Total operating and investing cash flows (carried forward)	(7,556)	(7,556)

1.13	Total operating and investing cash flows (brought forward)	(7,556)	(7,556)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	Net increase (decrease) in cash held	(7,556)	(7,556)
1.20	Cash at beginning of quarter/year to date	159,416	159,416
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	151,860	151,860

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	250
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	15,500[1]	15,500
3.2	Credit standby arrangements	12,852[2]	12,779

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	17,000
4.2	Development	14,000
	Total	31,000

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	41,853	14,434
5.2	Deposits at call	110,007	145,007
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	151,860	159,441

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				
6.2	Interests in mining tenements acquired or increased				

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 *(description)*				
7.2 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	247,445,672	247,445,672		
7.4 Changes during quarter (a) increases through issues (b) decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (*description)*				
7.6 Changes during quarter (a) increases through issues (b) decreases through securities matured, converted				
7.7 Options *(description and conversion factor)*	7,550,000	-	*Exercise price* See note 6.	*Expiry date* See note 6.
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures *(totals only)*				
7.12 Unsecured notes *(totals only)*				

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 October 2008

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 2008.

Number Issued	Type	Expiry Date
2,000,000	Options	31 December 2008
550,000	Options	31 August 2010
5,000,000	Options	31 December 2010