

# **AQUILA RESOURCES LIMITED**

(ACN: 092 002 769)

and its Controlled Entities

Half-Year Financial Report  
31 December 2001

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# **AQUILA RESOURCES LIMITED**

and its Controlled Entities

## **DIRECTORS' REPORT**

The Directors of Aquila Resources Limited (“*Aquila*” or the “*Company*”) present their report together with the consolidated financial report for the half-year ended 31 December 2001 and the auditors’ review report thereon.

### **1. DIRECTORS**

The Directors of the Company in office during or since the end of the half-year are:

**Anthony Poli (43)**

*Executive Chairman*

Mr Poli, a qualified accountant, has been a member of the Board since the Company was incorporated on 14 March 2000 and has the responsibility for the operations of the Company.

Mr Poli was the Executive Chairman and CEO of Eagle Mining Corporation NL prior to its takeover by Great Central Mines Limited in 1997 and has extensive experience managing both private and publicly listed companies.

**Charles Bennett Bass (52)**

*Non-Executive Director*

Mr Bass is a qualified geologist and mining engineer with 29 years experience in mineral exploration, development and production in Australia, Canada and the United States.

Mr Bass, who has been on the Board of the Company since it was incorporated on 14 March 2000, was also an Executive Director of Eagle Mining Corporation NL.

**Derek Thomas Cowlan (68)**

*Non-Executive Director*

Mr Cowlan is a businessman with a wealth of experience in financial and business management. He currently presides as the Chairman of the Ross North Group, one of the largest home building companies in Western Australia.

Mr Cowlan who has been on the Board of the Company since it was incorporated on 14 March 2000, was a Non-Executive Director of Eagle Mining Corporation NL.

### **2. REVIEW OF OPERATIONS**

#### **2.1. CORPORATE**

On 18<sup>th</sup> October 2001, Aquila filed an application in the Supreme Court of Western Australia seeking access to documents relating to the circumstances surrounding and leading to the extension of the pre-emption period with respect to the sale of Pasmaenco Limited’s 49% interest in the Ernest Henry Mine.

Aquila is seeking orders against MIM Holdings Limited (“*MIM*”), Pasmaenco Limited (“*Pasmaenco*”), Savage Resources Limited, Savage EHM Finance Pty Ltd and Ernest Henry Mining Pty Ltd.

The pre-action discovery application to the Court is designed to furnish Aquila with additional information which may result in substantive proceedings for damages being initiated against MIM and Pasmenco.

The Company is currently awaiting a decision by the Supreme Court of Western Australia following a special hearing on 26 February 2002.

## **2.2. EXPLORATION**

### **GOLD**

Following a review of the Youanmi Project and other activities initiated by the Company, the Board of Aquila had decided to divest its interest in the Youanmi tenements, in the following manner:

- **Enterprise/Penny West Project**

Prime Corporate Finance has been mandated to seek expressions of interest from interested parties with respect to the Enterprise/Penny West projects.

The response to date has been encouraging and the Company is currently evaluating and considering proposals from certain interested parties.

- **Bellchambers Project**

The Company has also sought to divest its interest in the Bellchambers project and is currently evaluating and considering proposals from certain interested parties.

### **COAL**

Aquila in the September 2001 quarter, became a dual commodity focussed Company by embarking on a plan to diversify into the coal industry.

Aquila has been actively pursuing opportunities in the coal industry and has ranked Queensland's Bowen Basin as the priority target area for its investigations. The Company has established a presence in the north-central part of the basin by applying for four exploration permits and by entering into an arrangement on a tenement held by another party. The total area Aquila has targeted to date covers 1,317 sq km.

A key component of Aquila's strategy is the acquisition of undeveloped coal resources that are located close to existing infrastructure and therefore have potential for development in the short to medium term.

Aquila has identified and subsequently either lodged applications or entered into an agreement for five project areas (EPCs 726, 752, 753, 754 & 755) which have immediate access to well developed infrastructure.

- **EPC 726**

Aquila holds a 100% interest in this granted exploration licence through its 85% owned subsidiary Rangal Coal Pty Ltd. All previous drilling carried out in the tenement area has been collated by combining data from both government and company exploration activities.

– **EPC Applications 752, 753, 754 and 755**

Applications for the four exploration licences were accepted for lodgement and are well advanced in the required formal process towards granting.

The Company has commenced reviewing and assessing all government departmental records and open file reports on previous exploration activities carried out in the targeted areas.

Drill programs will be planned and implemented immediately upon granting of the tenements.

### 2.3 SUBSEQUENT EVENTS

The Company reached an agreement with AngloGold Australia Metals Pty Ltd (“*AngloGold*”) to purchase AngloGold’s 100% interest in the Wilcherry Hill Project (the “*Project*”) in South Australia for a cash consideration of \$400,000 plus the issue of 2 million Aquila options at no cost, and exercisable at \$0.60 with an expiring date of 31 December 2002.

The Project which is located in the northern Eyre Peninsula of South Australia covers an area of 1,054 sq kilometres and comprises the following tenements:

EL 2508 – Wilcherry Hill;

EL 2638 – Peterlumbo; and

EL 2843 – Botenella Range.

The Company has since lodged applications for prospective ground adjoining the south, south-eastern & eastern boundaries of the project area. These applications once approved by the Primary Industries and Resources of South Australia will increase the project area to approximately 2,000 sq kilometres.

– **Drill results to date:**

The drilling carried out by AngloGold at Weednanna has identified high grades of gold mineralisation over a strike length of 1,000 metres, with the system remaining open to the north and west, as well as down dip.

The following better intercepts of gold highlights the prospectivity of the tenements:

<i>Hole No</i>	<i>Northing</i>	<i>Easting</i>	<i>Azimuth</i>	<i>From</i>	<i>Intercept (metres)</i>	<i>Grade (g/t)</i>
98WDDH 1	6372300	638585	270°	7	9	24.6
98WDDH 2	6372100	638625	270°	125	7	18.5
98WDRC 32	6372425	638600	270°	71	14	4.8
98WDRC 38	6372300	638610	270°	133	3	16.8
98WDRC 44	6372500	638590	270°	87	13	6.0
98WDRC 49	6373000	638530	270°	129	6	18.6

– **Potential**

The Directors of the Company believe that by acquiring the Willcherry Hill project, Aquila has undertaken a sizeable and strategically important land holding in a mineralised setting.

The Weednanna gold mineralisation has been re-assessed in an Olympic Dam context. Closing up the drill spacing and increasing the component of diamond drilling may help determine the controls on high-grade gold concentrations.

The geological features and processes evident at Wilcherry Hill show strong similarities with Olympic Dam. In particular the widespread occurrence of gold, copper, silver, lead and zinc mineralisation and the association with large scale hydrothermal iron-oxide development has led to this conclusion.

Dated at Perth this 15th day of March 2002.

Signed in accordance with a resolution of the Directors.

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Anthony Poli  
Executive Chairman

**AQUILA RESOURCES LIMITED**  
and its Controlled Entities  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the half-year ended 31 December 2001**

	<i>Note</i>	<i>Consolidated</i> 31 Dec 2001 \$	<i>The Company</i> 31 Dec 2000 \$
Revenue from ordinary expenses		77,222	76,768
Total revenue from ordinary expenses		77,222	76,768
Depreciation expenses		(19,891)	(16,109)
Exploration expenses		(284,024)	(497,288)
Employee expenses		(151,726)	(150,078)
Insurance		(14,292)	(13,846)
Other expenses from ordinary activities		(246,606)	(157,206)
<b>Profit/(loss) from ordinary activities before related income tax expense</b>		<b>(639,317)</b>	<b>(757,759)</b>
Income tax (expense)/benefit relating to ordinary activities		37,970	-
<b>Profit /(loss) from ordinary activities after related income tax expense</b>		<b>(601,347)</b>	<b>(757,759)</b>
Net loss attributable to outside equity interests		6,800	-
<b>Net Profit/(loss) attributable to members of the parent entity</b>	3	<b>(594,547)</b>	<b>(757,759)</b>
Basic earnings per share		(\$0.020)	(\$0.025)

The Statement of Financial Performance are to be read in conjunction with the Notes to the Half-Yearly Financial Statements set out on pages 8 to 10.

**AQUILA RESOURCES LIMITED**  
and its Controlled Entities  
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2001

	<i>Note</i>	<i>Consolidated</i> 31 Dec 2001 \$	<i>The Company</i> 30 June 2001 \$
<b>CURRENT ASSETS</b>			
Cash assets		2,233,960	2,791,593
Receivables		16,308	6,702
Other		110,125	135,879
<b>Total Current Assets</b>		2,360,393	2,934,174
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		130,341	149,445
Mineral properties		2,945,395	2,940,395
Deferred tax assets		-	9,559
<b>Total Non Current Assets</b>		3,075,736	3,099,399
<b>TOTAL ASSETS</b>		5,436,129	6,033,573
<b>CURRENT LIABILITIES</b>			
Payables		277,728	231,455
Provisions		7,920	7,614
<b>Total Current Liabilities</b>		285,648	239,069
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		-	47,529
<b>Total Non-Current Liabilities</b>		-	47,529
<b>TOTAL LIABILITIES</b>		285,648	286,598
<b>NET ASSETS</b>		5,150,481	5,746,975
<b>EQUITY</b>			
Contributed equity	2	5,674,494	5,674,494
Retained profits/ Accumulated losses	3	(522,067)	72,481
<b>Total parent equity interest</b>		5,152,427	5,746,975
<b>Outside equity interest</b>		(1,946)	-
<b>TOTAL EQUITY</b>		5,150,481	5,746,975

The Statements of Financial Position are to be read in conjunction with the Notes to the Half-Yearly Financial Statements set out on pages 8 to 10.

# AQUILA RESOURCES LIMITED

and its Controlled Entities

## STATEMENTS OF CASH FLOWS For the half-year ended 31 December 2001

	<i>Consolidated</i> <i>31 Dec 2001</i> \$	<i>The Company</i> <i>31 Dec 2000</i> \$
<b>CASH FLOWS FROM ORDINARY ACTIVITIES</b>		
Cash payments in the course of operations	(562,946)	(635,764)
Interest received	58,002	76,026
Other Income	19,614	420
<b>Net cash used in operating activities</b>	<b>(485,330)</b>	<b>(559,318)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Incorporation costs of controlled entities	(1,965)	-
Payments for property, plant and equipment	(10,000)	-
Payments for mineral properties	(60,338)	-
Loans to other entities	-	(45,440)
<b>Net cash used in investing activities</b>	<b>(72,303)</b>	<b>(45,440)</b>
<b>Net (decrease)/increase in cash held</b>	<b>(557,633)</b>	<b>(604,758)</b>
<b>Cash at the beginning of the financial period</b>	<b>2,791,593</b>	<b>2,686,378</b>
<b>Cash at the end of the financial period</b>	<b>2,233,960</b>	<b>2,081,620</b>

The Statement of Cash Flows are to be read in conjunction with the Notes to the Half-Yearly Financial Statements set out on pages 8 to 10.

**AQUILA RESOURCES LIMITED**  
and its Controlled Entities  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2001**

**1. Statement of significant accounting policies**

**(a) Basis of preparation of Half-Year Financial Report**

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 *Interim Financial Reporting*, the recognition and measurement requirements of applicable AASB standards other authoritative pronouncements on the Australian Accounting Standards Board and Urgent Issues Group consensus views. This half-year financial report is to be read in conjunction with the 30 June 2001 Annual Financial Report and any public announcements by Aquila Resources Limited and its Controlled Entities during the half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the economic entity and are consistent with those applied in the 30 June 2001 Annual Financial Report.

The half-year report does not include full note disclosures of the type normally included in an annual financial report.

The carrying amounts of non-current assets, except exploration expenditure, are reviewed to determine whether they are in excess of their recoverable amount at the end of the half-year. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

The Consolidated entities accounting policy relating to “exploration and evaluation expenditure” is as follows :

Exploration and evaluation costs are only carried forward where rights to tenure are current and either;

- (i) they relate to acquisitions; or
- (ii) such costs are expected to be recouped through successful development and exploitation of the areas of interest, or by its sale.

Ongoing expenditure on exploration and evaluation activities in relation to areas of interest which have not yet reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves are expensed as incurred.

Where a project or area of interest has been relinquished, abandoned or sold or the Directors decide that it is not commercial, only accumulated costs in respect of that project area are written off in the year the decision is made.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

## (b) Reclassification of financial information

Some line items and sub-totals reported in the previous reporting periods have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2001 of the revised standard AASB 1029 *Interim Financial Reporting* and the first time application at 30 June 2001 of AASB 1018 *Statement of Financial Performance* and AASB 1040 *Statement of Financial Position*.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the statement of financial performance to Note 3.

## 2. Contributed Equity

	<i>Consolidated</i>	<i>The Company</i>
	<i>31 Dec 2001</i>	<i>30 Jun 2001</i>
	\$	\$
<b>Issued and paid-up capital</b>		
3 ordinary shares issued for cash at incorporation.	1	1
15,000,000 ordinary shares issued for cash pursuant to a prospectus.	3,000,000	3,000,000
15,000,000 ordinary shares issued in exchange for mineral properties.	3,000,000	3,000,000
	<hr/>	<hr/>
	6,000,001	6,000,001
Less - Issue costs	<hr/> (327,507) <hr/>	<hr/> (325,507) <hr/>
Total Contributed Equity	<hr/> 5,674,494 <hr/>	<hr/> 5,674,494 <hr/>

### Restricted ordinary shares

Included in the 15,000,000 ordinary shares issued in exchange for mineral properties are 3,000,000 restricted ordinary shares which are held in escrow until 29 June 2002.

### Options

On 3 October 2001, the Company issued options at no cost over 1,100,000 un-issued ordinary shares to certain employees/contractors of the Company at an exercise price of 40 cents over a term of 4 years, expiring 3 October 2005.

As at 31 December 2001, the following options remain outstanding:

- 2,000,000 options exercisable at 30 cents each on or before 30 June 2002.
- 1,100,000 options exercisable at 40 cents each on or before 03 October 2005.
- 15,000,000 options exercisable at 25 cents each on or before 31 December 2005.

## 3. Retained profits

	<i>Consolidated</i>	<i>The Company</i>
	<i>31 Dec 2001</i>	<i>31 Dec 2000</i>
	\$	\$
Retained profits/(losses) at beginning of the half-year	72,480	(120,396)
Net profit/(loss) for the period	<hr/> (594,547) <hr/>	<hr/> (757,759) <hr/>
Retained profit/(losses) at the end of the half-year	<hr/> (522,067) <hr/>	<hr/> (878,155) <hr/>

#### 4. Event subsequent to reporting date

The Company reached an agreement with AngloGold Australia Metals Pty Ltd (“AngloGold”) to purchase AngloGold’s 100% interest in the Wilcherry Hill Project in South Australia for a cash consideration of \$400,000 plus the issue of 2 million Aquila options at no cost, and exercisable at \$0.60 with an expiring date of 31 December 2002.

#### 5. Acquisition of controlled entities

The following controlled entities were acquired during the period:

<i>Name</i>	<i>Date acquired</i>	<i>Consolidated entity's interest</i>	<i>Consideration</i>	<i>Contribution to consolidated net profit</i>
Rangal Coal Pty Ltd	13 Aug 2001	85 %	25,000	(38,531)
Aquila Coal Pty Ltd	10 Aug 2001	100%	-	(15,580)

#### 6. Segment Reporting

<i>Business segments -</i>	<i>Gold</i>	<i>Coal</i>	<i>Consolidated</i>
<b><u>31 December 2001:</u></b>			
Segment revenue	-	-	-
Other unallocated revenue			77,222
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>77,222</b>
<b>Segment result</b>	<b>(318,989)</b>	<b>(57,761)</b>	<b>(376,750)</b>
Other unallocated revenues and expenses			(262,567)
<b>Profit from ordinary activities before related income tax expense</b>			<b>(639,317)</b>
<b><u>31 December 2000:</u></b>			
Segment revenue	-	-	-
Other unallocated revenue			76,768
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>76,768</b>
<b>Segment result</b>	<b>(590,558)</b>	<b>-</b>	<b>(590,558)</b>
Other unallocated revenues and expenses			(167,201)
<b>Profit from ordinary activities before related income tax expense</b>			<b>(757,759)</b>

**AQUILA RESOURCES LIMITED**  
and its Controlled Entities

**DIRECTORS' DECLARATION**  
**For the half-year ended 31 December 2001**

In the opinion of the Directors of Aquila Resources Limited:

1. the financial statements and notes set out on pages 5 to 10 are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2001 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (b) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 15th day of March 2002.

Signed in accordance with a resolution of the Directors:

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Anthony Poli  
Executive Chairman