

QUARTERLY REPORT

For the period ended

30 June 2003

HIGHLIGHTS

◆ COAL

- **Evaluation studies confirm that a significant occurrence of in-situ coal has been found in the central part of the Moranbah tenements;**
- **Another occurrence of coal has been discovered by drilling in the northern part of the Moranbah tenements.**

◆ GOLD

- **The Wilcherry Hill project area seen to be an integral part of the Central Gawler Gold Province;**
- **Application made for a new tenement covering gold anomalies on the margin of the Wilcherry Hill gravity and magnetic anomaly;**
- **Settlement with respect to the sale of Enterprise/Penny West Projects expected by 31 August 2003.**

◆ CORPORATE

- **Aquila commences proceedings against Pasminco with a \$153 million claim;**
- **Pasminco required to file its defence by 31 July 2003.**

COAL

Moranbah East:

The 13 holes that were drilled in the central and southern parts of the Moranbah East tenements in the previous quarter were surveyed in. This recent drilling has extended the strike of the Vermont and Leichhardt coal seams and, importantly, provides data in the up-dip and down-dip dimension. The new data was added to the previously established database. Drilling is still limited in the area of sub-crop particularly where the thicker intersections of coal have been made.

Evaluation studies are still in progress. It can be seen that a significant occurrence of in-situ coal has been discovered within central EPC 755 but the resource cannot be quantified in terms of the JORC Code without additional drilling and further wash testing.

Open-hole exploration drilling was conducted in the northern part of EPC 755 during the quarter. Three holes were drilled for a total of 543 metres. The objectives were to trace the Leichhardt Seam into the north-eastern sub-blocks of the tenement from its occurrence on adjoining properties and to investigate its extent. Wireline logging of the holes was carried out to enable correlations to be made, and to measure the seam thickness and depth.

The drilling was successful in locating the Leichhardt Seam in a part of the tenement that had not been drilled previously. The seam was intersected at depths of 156.03, 165.64 and 191.51 metres and the thickness measured 2.84, 3.00 and 3.06 metres respectively. It shows good consistency in thickness and is continuous between the holes. The occurrence is additional to, and separate from, that drilled in the central area.

Isaac River:

The area covered by the Isaac River tenement application (EPC 830) has been offered for exploration to Aquila Coal by the Queensland Department of Natural Resources and Mines. This tenement application covers an area adjoining Aquila's Moranbah East project. It lies between the Poitrel, Winchester and Winchester South coal deposits and is considered prospective for repeats or extensions of these valuable undeveloped resources.

Surat Basin:

Exploration Permit for Coal (EPC) Number 796 was granted to Aquila. The tenement covers an area in the north-western part of the Surat Basin, which is underlain by the Taroom Coal Measures. The area has been selected on the basis that it appears to be prospective for small to medium sized open-pittable coal deposits of higher quality raw coal suitable for the export market.

GOLD

Gawler Craton:

Aquila has lodged an application for an exploration licence over the Valley Dam area east of Wilcherry Hill. The application covers the north-east margin of the Wilcherry Hill gravity and magnetic anomaly that is related to a Hiltaba Suite granite complex. Previous exploration identified a coherent gold-in-calcrete anomaly of >5 ppb with a maximum value of 18 ppb gold. The anomaly trends into the East Houlderoo gold anomaly on the Wilcherry Hill tenement. Pyrite-silica and silica-carbonate alteration with arsenopyrite has been intersected in air-core drilling and brecciated quartz veins carrying anomalous gold values have been mapped in outcrop. The anomaly occurs over Hutchison Group metasediments at the faulted contact with Gawler Range Volcanics. The target here is an epithermal style of gold mineralisation.

Regional studies now show that the Wilcherry Hill project area falls within the newly recognised Central Gawler Gold Province. Exploration has demonstrated that the project area contains:

- Alteration and mineralisation associated with the Hiltaba Suite/Gawler Range Volcanics magmatic and tectonic event of 1595-1575 Ma age;
- Evidence of large scale metasomatic iron-oxide development and brecciation in granite aureoles;
- Widespread base metal and gold mineralisation with multi-element signatures;
- Suitable reactive host rocks for the development of replacement, skarn, and breccia-style ore systems; and
- Potential for large sized deposits.

Enterprise/Penny West:

Further to previous announcements, Aquila has executed a further Heads of Agreement (“HOA”) with Goldcrest Mines Limited and Ventaur Capital Corporation (“Ventaur”) relating to the sale of the Enterprise/Penny West Projects (“Projects”).

Under the terms of the HOA, Ventaur, a capital pool company listed on the Toronto Venture Exchange will acquire the Projects from Aquila, in exchange for \$600,000 to be paid by December 2004 and the issue of Ventaur shares to the value of approximately \$2 million. In addition, Aquila has also received a non-refundable deposit of \$150,000.

The Projects form a significant part of a wider transaction that will serve a Ventaur’s “Qualifying Transaction” to obtain a listing on the Toronto Stock Exchange. As part of the qualifying process, Ventaur will concurrently undertake an equity raising of Canadian \$1,563,000 by way of a public offering of Ventaur shares.

The majority of compliance issues have been finalised and settlement of the HOA is expected by the end of August 2003.

CORPORATE

Legal Proceedings:

- **Underlying Claim**

Aquila initiated proceedings against Pasminco Limited (“Pasminco”) and two of its subsidiaries on 17 June 2003, following the granting of leave to commence proceedings from the Federal Court.

In its claim, Aquila alleges that representations made by Pasminco to procure an extension of the pre-emption period in respect of Pasminco’s 49% interest in the Ernest Henry Mine (“EHM”) in North Queensland:

- were misleading and deceptive;
- in contravention of the Trade Practices Act; and
- amounted to a breach of Aquila’s contract with Pasminco to acquire Pasminco’s interest in EHM.

Aquila is claiming damages of approximately \$153 million, representing the value of the lost opportunity to purchase the EHM interest, plus interest and costs.

As part of the proceedings, Pasminco has until 31 July 2003 in which to lodge its defence.

- **Challenging the DOCA and appointment of Administrators**

On 26 March 2003 Aquila commenced proceedings in the Federal Court challenging the validity of the Deeds of Company Arrangement (“DOCAs”) entered into by Savage Resources Limited and Savage EHM Finance Pty Ltd (“Savage Companies”). Aquila is also challenging the validity of the appointment of the Administrators to the Savage Companies.

Since July 2002, Aquila has questioned the legal basis behind the pooling of the assets and liabilities of the Savage Companies with those of the other Pasminco companies.

In the proceedings, Aquila maintains that:

- the Savage Companies were arguably not insolvent when they were placed in administration;
- the Administrators have never prepared separate creditors’ reports for the Savage Companies;
- separate creditors’ meetings for the Savage Companies were never held and resolutions approving the execution the DOCA by those companies were never separately voted on; and
- the Deed of Cross Guarantee which the Administrators claim allows them to pool the assets and liabilities is not, in Aquila’s opinion, effective against the Savage Companies.

Whilst it is difficult to assess the likely returns to creditors of Pasmaico based on publicly available information, Aquila is of the opinion that the returns to creditors of the Savage Companies will be significantly higher and accordingly, has taken legal action to protect the returns from its underlying claim against the Savage Companies should that claim be successful.

For further information please contact:-

Mr. Tony Poli
Executive Chairman

Telephone : (08) 9474 3311
Facsimile : (08) 9474 4433
Email address: mail@aquilaresources.com.au
Visit us at: www.aquilaresources.com.au

The information in this report which relates to mineralisation is based on information compiled by Mr Geoff Pigott, MSc (Geol) of Aquila Resources Limited who is a member of the Australian Institute of Geoscientists and has relevant experience as a Competent Person as defined in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves in relation to mineralisation being reported on.