

QUARTERLY REPORT

For the period ended
30 September 2003

HIGHLIGHTS

◆ COAL

- **New drilling extends the resources potential on Moranbah East; and**
- **Moranbah East Project now expanded to cover three contiguous tenements.**

◆ GOLD

- **Gold-in-calcrete anomalies targeted for drilling on the Peterlumbo tenement at Wilcherry Hill;**
- **The Valley Dam tenement offered for granting; and**
- **Sale of Enterprise/Penny West Projects now settled.**

◆ CORPORATE

- **Aquila raises \$2.7 million via private placement; and**
- **The Company is in a sound financial position with approximately \$7.7 million in cash, receivables and liquid investments.**

COAL

Moranbah East:

With the granting of EPC 830 (Isaac River), the Moranbah East project area has been expanded to three contiguous tenements. Negotiations are continuing with the objective of further consolidating the landholdings and to allow for exploration activities to be conducted without being constrained by tenement boundaries.

Two drill holes were completed on Moranbah East during the quarter for a total of 264 metres. The drilling confirmed the presence of the Leichhardt seam in the area to the west of BHP-Billiton's Morambah MDL (Mineral Development Lease). Hole BC 095 intersected the 3.51 metres wide seam from a depth of 94.63 metres and hole BC 096 intersected the 3.58 metres wide seam from a depth of 79.73 metres. Further drilling will be required to trace the seam to the subcrop and to investigate its extent. This is a separate coal occurrence from that reported in the previous quarter, which lies to the east of the Morambah MDL.

Exevale:

Target areas for scout drilling have been identified on the Exevale tenement (EPC 752). Coal seams of the Moranbah and Rangal Coal Measures are preserved in a folded stratigraphic sequence where the only previous exploration activity has been conducted in the 1960's and 1970's. At that time the companies involved were only searching for large coking coal deposits. With the development of the adjoining Hail Creek mining operation and the delivery of much improved infrastructure, Aquila believes that there is potential to make a new discovery in this environment.

GOLD

Wilcherry Hill:

The Valley Dam tenement application has been processed and the ground offered for granting. This will add a further 66 sq km to Aquila's tenement holdings at Wilcherry Hill.

Ongoing investigations have highlighted a number of gold-in-calcrete gold anomalies on the Peterlumbo exploration licence (EL 2638) within the roof and contact zones of the Buckleboo granite. A bedrock drilling campaign has been designed as an initial test of these anomalies.

Enterprise/Penny West:

Subsequent to the end of the September 2003 quarter, settlement has been effected of Aquila's 100% interest in the Enterprise/Penny West Projects ("Projects") to Goldcrest Resources Ltd ("Goldcrest").

Under the terms of the sale to Goldcrest (formerly known as "Ventaur Capital Corporation"), Aquila will receive a cash consideration of \$600,000 to be paid by December 2004 and the issue of 8 million common shares in Goldcrest. In addition, Aquila has also received a non-refundable deposit of \$150,000.

The 8 million Goldcrest shares which are subject to certain standard escrow provisions represents a significant shareholding of 27% in Goldcrest and is currently valued at \$2.9 million based on its last quoted price.

CORPORATE

Private Placement:

During the quarter, Aquila successfully raised \$2.7 million via the placement of 5.4 million ordinary shares at an issue price of \$0.50 per share to institutions from the USA & UK as well as clients of Hartleys and ABN-AMRO.

The proceeds raised through the placement together with existing cash reserves will be used to provide working capital to fund:

- expenses associated with identifying and securing potential acquisitions;
- the advancement of Aquila's mineral properties and general corporate overheads; and
- on-going litigation expenses.

Legal Proceedings:

The Company has two actions in the Federal Court involving Pasminco Limited ("Pasminco") and two of its subsidiaries, Savage Resources Limited ("Savage Resources") and Savage EHM Finance Pty Ltd ("Savage Finance").

The first action relates to a substantive claim by the Company against Pasminco, Savage Resources and Savage Finance for damages of \$153 million, being the value of lost opportunity to purchase the Pasminco Group's interest in the Ernest Henry Mine ("EHM"), plus interest and costs.

In its claim, Aquila alleges that representations made by Pasminco to procure an extension of the pre-emption period in respect of Pasminco's interest in EHM were misleading and deceptive, in contravention of the Trade Practices Act and amounted to a breach of Aquila's contract with Pasminco.

In the second action, the Company is seeking orders terminating the Deeds of Company Arrangement ("DOCAs") executed by Savage Resources and Savage Finance (the 'Savage Companies') on the grounds that the Savage Companies should never have been placed into administration, that DOCAs were never approved by the relevant bodies of creditors and that the pooling of the Savage Companies assets and liabilities with that of the remaining Pasminco Group companies is erroneous.

Whilst it is difficult to assess the likely returns to creditors of Pasminco 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:-

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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.