

QUARTERLY REPORT

For the period ended
31 March 2002

HIGHLIGHTS

*** GOLD - COPPER**

The Company has completed detailed gravity surveys over prospective areas within the Wilcherry Hill Project and has identified a number of interesting anomalies;

- * Drilling of high priority targets such as Mawson, a 2 km long gravity anomaly, is expected to commence in early June.**

COAL

Aquila is now one of Queensland's largest tenement holders prospective for both coking and thermal coal with a tenement holding of 6,335 sqkm;

Four exploration permits were granted and three new tenement applications were lodged in the Bowen Basin. New applications also lodged covering prospective settings in the Surat and Tarong Basins;

Drilling of the most highly ranked targets is expected to commence in the third quarter of this calendar year.

CORPORATE

MIM Holdings Limited and Pasminco Limited ordered by Supreme Court of Western Australia to provide discovery documents within 14 days.

The Company announces a fully underwritten non-renounceable 2 for 15 rights issue at an issue price of 30 cents per share to raise \$1.2 million.

GOLD

WILCHERRY HILL

The Company on 19 April 2002, completed its acquisition of AngloGold Australia Limited's 100% interest in the Wilcherry Hill Project (the "Project") in South Australia.

– **Geology and Project Background**

The project is located in the eastern sector of the Gawler Craton and is underlain by folded and faulted sedimentary rocks that have been extensively altered and intruded by a suite of mineralising granites. Outcrop is generally obscured by a veneer of later cover rocks.

Previous exploration by other explorers for base metals and more recently gold, has focused largely on drill testing of aeromagnetic and calcrete gold anomalies. This work led to the discovery of several gold-base metal occurrences (e.g. Weednanna).

The Company acquired the project following assessment of available data and recognition that effective exploration for iron-oxide associated copper-gold mineralisation (e.g. Olympic Dam) had not been carried out previously. In particular, widespread Hiltaba Granite-age mineralisation (gold, copper, lead, zinc, silver) and its association with extensive hydrothermal iron-oxide alteration was noted by Aquila.

– **Exploration Completed**

The Company has developed an exploration strategy based on detailed gravity surveys to locate iron-rich bodies (particularly hematitic) that could host significant ore deposits. This effective technique for the discovery of iron-oxide type ore deposits has not previously been applied to the project and provides the opportunity for a complete re-evaluation of the Project area's potential.

During the quarter, detailed gravity surveys have been conducted over three prospective areas covering approximately 300 sqkm, or approximately one sixth of the project tenements.

Processing and geophysical modelling of field data is still underway, however an initial assessment has revealed a number of highly encouraging gravity anomalies. Several are closely associated with, but not necessarily coincident with prominent aeromagnetic anomalies. This result is considered significant, as it may indicate the presence of hematite-rich, and potentially more strongly mineralised bodies than intersected in drilling by previous explorers, where the targets were predominantly magnetic anomalies. Depth to source of the geophysically modelled bodies ranges from several tens of metres to around 200m.

More detailed gravity surveys are presently being conducted in certain areas to refine geophysical models and permit final definition of drill targets. Drilling of these targets is expected to commence in early June.

High priority areas identified for more detailed work include the Mawson, Magarey, Bradman, Eyres and Torrens prospects.

The Mawson prospect has been identified for early drilling, consisting of a two-km long gravity anomaly located adjacent to a significant four-km magnetic anomaly. Shallow drilling of this magnetic anomaly by a previous explorer has intersected copper mineralisation approximately 0.5 km to the south east of the Mawson prospect (22m at 1.1% Copper from 42m downhole).

YOUANMI

– Constellation Project

Aquila has reached an agreement to sell its 100% interest in the Constellation Project to Troy Resources NL for a cash consideration of \$100,000, the issue of 100,000 fully paid ordinary Troy shares and a royalty when gold production exceeds 25,000 ounces.

– Enterprise Project

The Company is currently evaluating and considering proposals from certain interested parties.

COAL

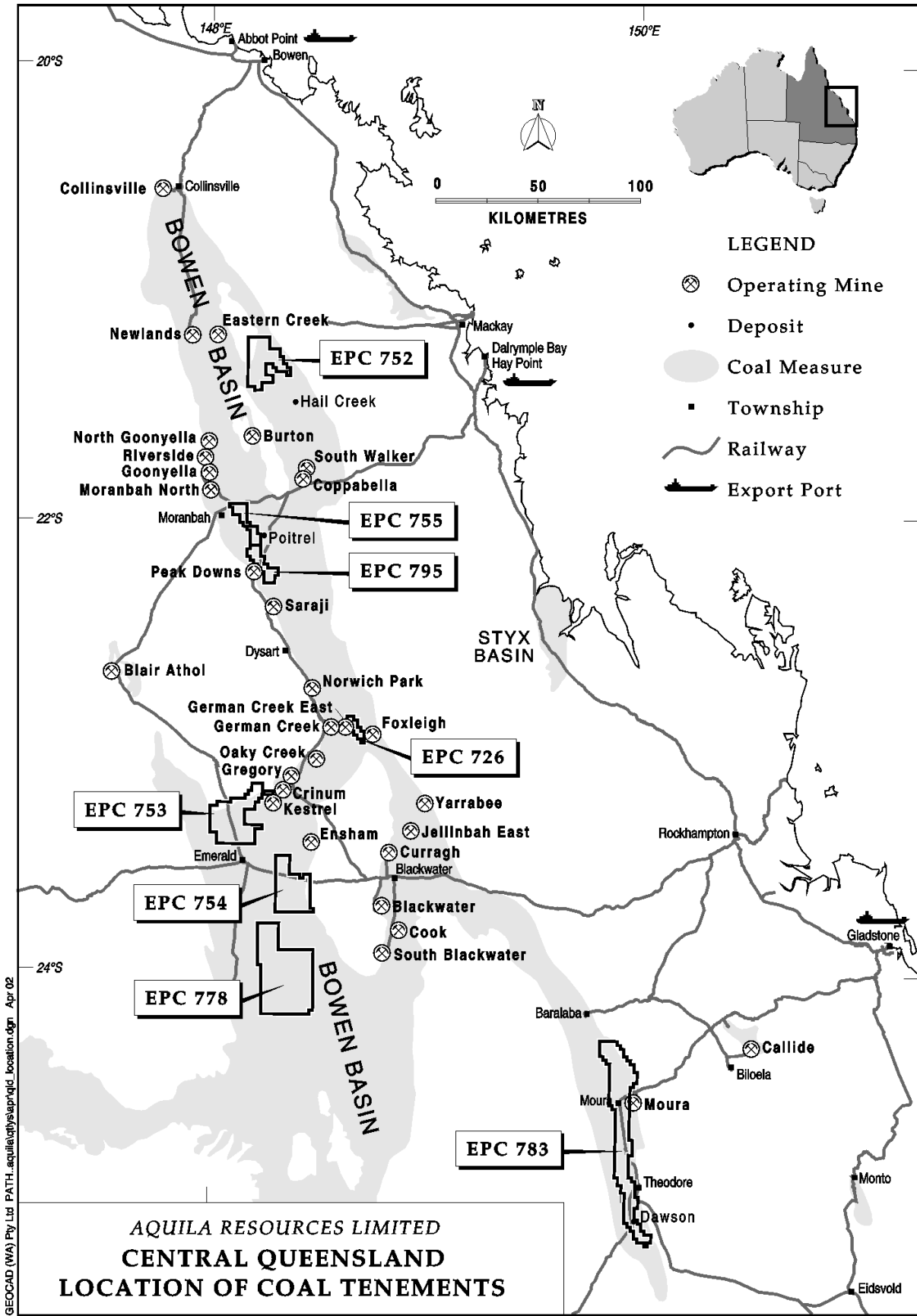
Three applications for Exploration Permits for Coal (EPC's) were lodged over new areas in the Bowen Basin:

EPC Application 778 - Arcturus:

This application has been made for an area of 941 sqkm in the southwestern part of the Bowen Basin and covers a shallow north-plunging synclinal structure developed on the eastern flank of the Denison Trough. Aquila's attention was drawn to the area when it was noted that historical drilling carried out by the Queensland Mines Department had recorded Rangal Coal Measures underlying much of the area. Of particular interest were the shallow depths of some of the drill intersections.

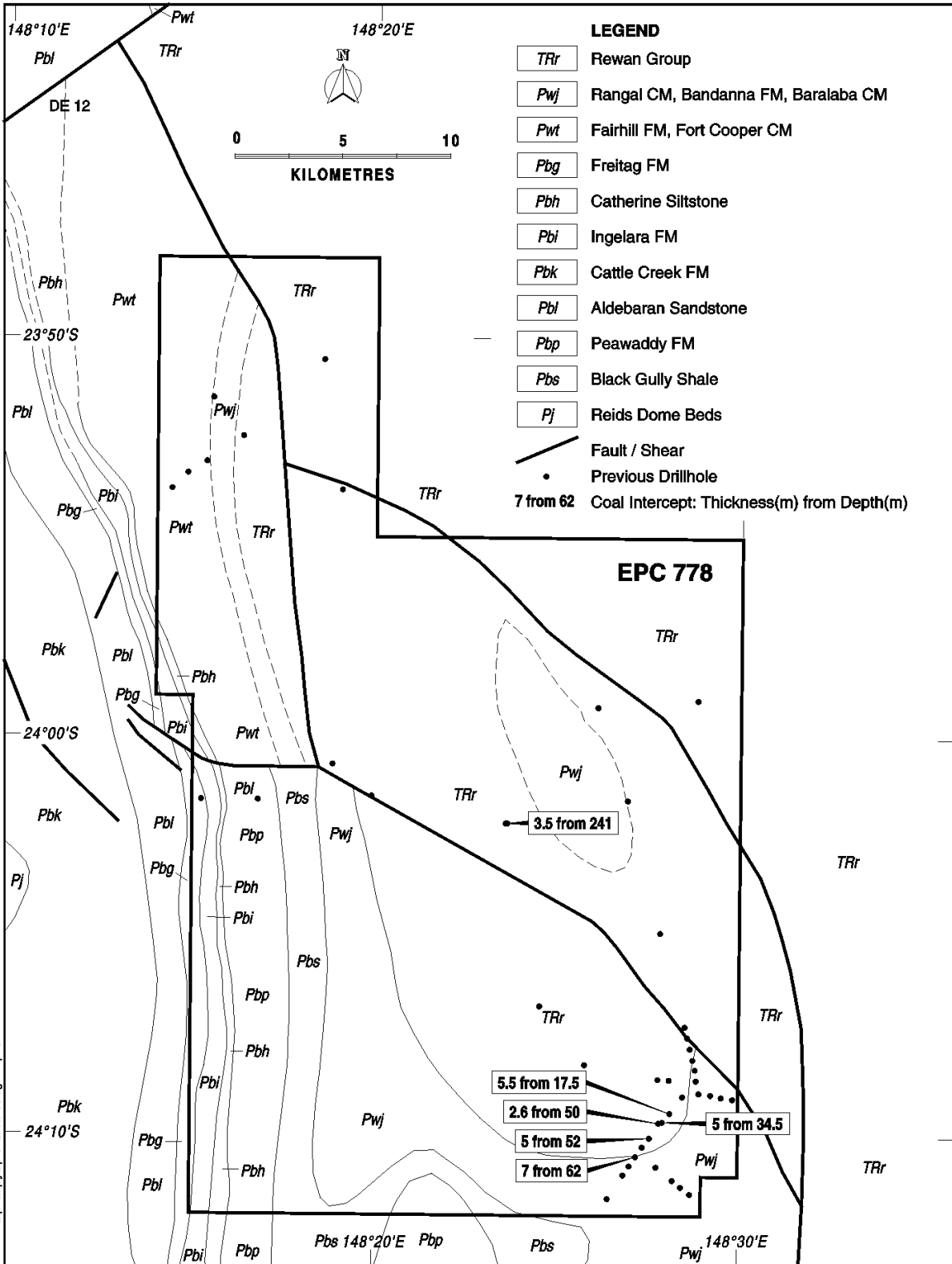
Research conducted into the drill records indicates that good potential for opencut coal exists in a number of settings covered by the EPC Application.

Shallow intersections of coal seams up to 7m thick have been recorded from a 7km drill traverse in the southeastern portion of the syncline, including: 7m from 62m, 5m from 52m, 2.6m from 50m, 5m from 34.5m and 5.5m from 17.5m.



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LOCATION OF COAL TENEMENTS**

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AQUILA RESOURCES LIMITED
CENTRAL QUEENSLAND
EPC778 - ARCTURUS PROJECT

There is evidence of persistent development of coal seams in the Rangal Coal Measures over much of the western half of the tenement at varying depths, with little drill testing done of shallow positions.

The subcropping Rangal Coal Measures in the Arcturus Anticline has not been drill tested, yet coal seams that have been intersected down dip which indicate the presence of viable mining widths, for example: 3.5m from 241m.

The drilling is confined to quite specific areas in the tenement and there remains some 32km of strike of Rangal Coal Measures with no drill testing whatsoever and it appears that there has been little company exploration done to date.

The tenement is located 15km east of the town of Springsure, which is the current rail terminus in the district. It is well positioned to take advantage of existing and proposed infrastructure as it adjoins MIM's tenements containing the **Rolleston** deposit to the south.

EPC Application 783 - West Moura:

EPC 783 encompasses an area of 816 sqkm. It covers some 100-km continuous strike of coal seams in the Baralaba Coal Measures that dip gently west off the eastern margin of the Taroom Trough. Previous government and company drilling indicates at least six seams are present, ranging in thickness from 1.5m to 5.4m. The coal is relatively clean and is reported as ranging from good quality coking coal near Moura to export thermal coal near Theodore.

Included within this tenement application is the Moura West deep underground coking coal resource. Aquila's initial focus will be on that portion of the area that lies between this resource and the coal subcrop. Initial investigations indicate that little or no drill testing has been carried out in that area since 1972.

EPC Application 795 - Peak Downs East:

The application covers an area which has been mainly explored in the past for depth extensions to the Moranbah Coal Measures. Aquila has targeted the area for near surface coal seams of the Rangal Coal Measures. Attention was drawn to this potential from the recognition that both the Leichhardt and Vermont seams are present at shallow depths in drilling carried out in the southern sector of EPC 755 and that continuity was likely along strike into this ground. The application area is well placed strategically as it lies between BHP-Billiton's Peak Downs mine to the west and Pacific Coal's Winchester South deposit to the east.

EPC 752-Exvale, EPC 753-Kingower, EPC 754-Bonnie Doon & EPC 755-Moranbah East were granted to Aquila during the quarter. Reviews of government departmental records and open file reports of previous company exploration activities are scheduled for completion in the next quarter. This research should define specific target settings for early drill testing.

EPC 726 (Aquila Resources Limited 85%):

The results of a study into the economic viability of mining the Middlemount Seam were assessed. The southern sector of the tenement shows the best potential as it is the area least affected by faulting and igneous intrusions with six core holes indicating a consistent seam thickness is present averaging 3.8m.

The area of prime interest is held mainly under leasehold. Application has been made to have the areas that are non-exclusive tenures added to the licence so that field exploration activities can be carried out.

Other Areas:

Aquila has applied for 3 EPCs in the central sector of the Surat Basin, continuing its strategy of identifying quality targets for exploration and development. The coal-bearing sequences present are the Taroom (Lower) and Juandah (Upper) Coal Measures, which form part of the Walloon subgroup of Mid-Jurassic age. The coal is of high volatile bituminous rank which when washed can fit all specifications for export quality thermal coal. A major attraction is that the coals are ideal for blending with lower quality products to improve boiler performance and lower stack emissions for power generation.

An EPC Application has been lodged over the Taabinga coal deposit in the Tarong Basin. The coal occurs in the Tarong Beds of Late Triassic age. Coal resources of low sulphur, low moisture, high raw ash, bituminous steaming coal are contained in two seams. Previous holders have estimated Measured and Indicated Resources to 100m depth as 127 million tonnes.

CORPORATE

Legal Proceedings:

Aquila filed a discovery application in the Supreme Court of Western Australia on 18 October 2001 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 Pasminco Limited's ("**Pasminco**") 49% interest in the Ernest Henry Mine.

In handing down its ruling on 22 March 2002, the Supreme Court of Western Australia found that Aquila was entitled to documents from both MIM Holdings Limited ("**MIM**") and Pasminco Limited in relation to its discovery application.

Notwithstanding attempts by MIM and Pasminco to narrow the scope of the documents to be discovered, the Supreme Court on 15 April 2002 re-affirmed its findings of 22 March 2002 and **ordered** that MIM and Pasminco provide verified discovery, within 14 days, of any and all documents covering the period 23 February 2001 to 31 March 2001 relating to an extension or proposed extension of the period for MIM to exercise its rights of pre-emption in respect of Pasminco's interest in the Ernest Henry Mine.

The Company has always maintained that it may have a claim against MIM and Pasminco in relation to the circumstances by which Aquila's consent to an extension of the pre-emption period was procured.

Capital Raising:

The Company announced on 29 April 2002, that every shareholder would be offered an opportunity (on a pro-rata basis) to participate in a capital raising to raise approximately \$1.2 million by way of a non-renounceable rights issue of approximately 4 million shares, each issued at a price of 30 cents.

The Rights Issue which is fully underwritten by a Company associated with the Company's Chairman Mr Tony Poli, will involve the issue of 2 new ordinary shares for every 15 ordinary shares held at an issue price of 30 cents per new ordinary share. The record date for determining the shareholders of the Company, is 8 May 2002 and the shareholders will have until 29 May 2002 (the closing date) to accept the offer.

The price of the Rights Issue has been pitched to reward loyal Aquila shareholders and additional shares on issue may enhance liquidity by increasing the number of shares tradeable on the ASX.

The purpose of the Rights Issue is to provide working capital to fund ongoing exploration and if required, any new opportunities that may arise.

All Aquila Directors have indicated they will take up their entitlements in full.

For further information please contact :-

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The technical aspects of this report have been prepared by Mr Geoff Pigott, MSc (Geol) of Aquila Resources Limited who is a Corporate Member of the Australian Institute of Mining and Metallurgy, who has had a minimum of five years relevant experience in this field of activity and has consented in writing to the report in the form and context in which it appears.