

## QUARTERLY REPORT

For the Period ended

**31 December 2000**

### CORPORATE

On 13 January 2001 Aquila Resources Limited ("*Aquila*"), reached agreement with Pasmaenco Limited ("*Pasmaenco*") to purchase Pasmaenco's 49% interest in the Ernest Henry Mine ("*Mine*") for a cash consideration of \$145 million.

Aquila has also negotiated an option to pay \$150 million for this acquisition on the following terms:

- \$115 million at settlement (to be provided by ABN Amro, see below);
- \$35 million by way of equal instalments over 7 years commencing at the end of the third year (to be met out of cashflow from Aquila's interest in the Ernest Henry Mine).

Aquila has also appointed ABN-AMRO Australia Limited ("*ABN-AMRO*") to act as financial adviser, arranger and underwriter to provide loan funds of \$115 million for the acquisition.

Aquila's offer to purchase the interest in the Ernst Henry Mine, is subject to customary due diligence, ABN-AMRO's due diligence, and Mount Isa Mines Limited ("*MIM*") not exercising its pre-emptive rights.

Aquila's share of production on an annualised basis would be approximately 47,500 tonnes of copper and 60,000 ounces of gold, which would provide revenues in excess of \$175 million based on today's spot metal and currency prices.

Presently, the Ernest Henry Mine has a mine life of ten years.

#### **The Mine:**

The Mine, located 38 kilometres north east of Cloncurry in West Queensland, was constructed at a cost of \$310 million, more than 10% under budget. It was officially opened in October 1997 and commenced commercial production in October 1998.

The Mine plant has an annual throughput capacity of 9 million tonnes of ore. Mining operations (owner operator) are expected to produce approximately 350,000 tonnes of concentrates annually containing 95,000 tonnes of copper and 120,000 ounces of

gold. Aquila's share of production of approximately 47,500 tonnes of copper and 60,000 ounces of gold will generate annual revenues in excess of \$175 million.

All concentrate produced at the Mine is transported by road to Mount Isa, about 117 kilometers west of Cloncurry, for smelting by MIM, who besides having a controlling interest of 51% and management rights to the Mine, also has agreements in place to treat and purchase all concentrates produced by the Mine.

The production statistics are as follows:-

		Year Ended June 30, 2000	Six Months Ended December 31, 2000
Ore treated	(tonnes)	9,720,751	5,200,534
Copper grade	(%)	1.08	1.23
Gold grade	(g/t)	0.55	0.53
Copper recovered	(tonnes)	94,794	55,010
Gold recovered	(ounces)	114,931	60,292

As at 30 June 2000, the Mine had reserves of 103 million tonnes ore averaging 1.11% copper with significant gold credits of 0.54 grams per tonne which should ensure a minimum mine life of ten years at current production levels.

#### **Financing Details:**

ABN-AMRO has been mandated to provide \$115 million to complete the acquisition conditional upon its own due diligence, internal credit approvals, and other terms and conditions normal for a facility of this nature.

Prior to settlement the Company will be required to raise \$10 million to fund the financing costs, acquisition costs, and a debt servicing reserve account.

The Company intends to raise these funds by way of a placement, further details of which will be announced as soon as possible.

#### **Other Information:**

- Termination Fee -

In the event that MIM exercises its pre-emptive rights, Pasminco has agreed to pay Aquila a termination fee of \$3 million, which will cover anticipated costs.

- Settlement Date -

Subject to fulfilment of conditions precedent, settlement of the transaction is expected to take place in late March 2000.

## **EXPLORATION**

#### **Enterprise Project**

During the December quarter, Aquila completed a 9 hole RC drilling program for 1,232 metres and 9,236 meters of RAB drilling. RC drilling targeted the previously

reported high grade intercept in holes UNRC002 and UNRC003 at the United North area in the Enterprise Project, for down dip and strike extensions over a 300 metre strike length.

RC drilling intersected both the previously reported gold mineralised zones, being a quartz stockwork within basalts and a sheared mafic – granite contact. A best result in hole UNRC010 with 4 metres @ 4.39 g/t gold from 112 to 116 metres depth was recorded.

Drill hole details are as follows:

Hole No	Northing	Easting	Hole Depth (m)	From (m)	To (m)	Width (m)	Grade g/t gold
UNRC006	13220	15440	147	48	50	2	1.35
				55	58	3	2.90
				73	74	1	1.93
UNRC007	13220	15390	165	99	100	1	2.84
UNRC008	13285	15550	120	21	22	1	1.53
				25	26	1	2.01
				105	106	1	2.02
UNRC009	13280	15550	118	23	26	3	2.12
				29	31	2	1.09
UNRC0010	13220	15375	145	104	105	1	1.15
				108	109	1	1.43
				112	116	4	4.39
UNRC0011	13340	15400	126	50	53	3	1.25
				64	65	1	2.16
				105	111	6	2.81
UNRC0012	13340	15340	171	101	103	2	2.04
				133	134	1	1.33
				140	143	3	2.22
UNRC0013	13380	15405	120	84	85	1	7.04
				96	108	12	1.62

Following the reinterpretation of magnetic and geological data for the Enterprise Project, a RAB drilling program was completed testing two structural settings that had been selected on a 400 metre x 60 metre hole spacing. Drilling was successful in identifying gold anomalous areas in the two structural settings and a further infill RAB drilling program was subsequently completed.

The two magnetic structures RAB drilled in the Enterprise Project are:

- West of the Golden Crown area, a magnetic structure was drilled over a 1 kilometre length. Anomalous gold mineralisation of values greater than 100 ppb gold for 4 metre composites were intersected along the eastern flank of this structure. Oxidised sulphide minerals within sheared mafic rocks have been noted, with the best result of 12 metres @ 422 ppb gold recorded in GCRB0083, from 64 to 76 metres depth. At gold values greater than 100 ppb gold the anomaly is in excess of 1 kilometre in length and is approximately 120 metres in width and remains open both to the north and south.

- To the west of the Commonwealth-Connemarra shear; a parallel shear structure was drilled, with gold mineralisation values greater than 100 ppb gold for 4 metre composites being intersected. Gold mineralisation is interpreted to extend over a strike length of 800 metres and is approximately 120 metres in width. The best result recorded was in hole CNRB02, with 11 metres @ 295 ppb gold from 2 to 13 metres depth. Host rock types are interpreted to be mafics with felsic intrusives or volcanoclastics and with BIF's present. Drilling has not closed off possible strike extensions to the north and south.

### **Penny West Project**

A total of 22 holes for 935 metres were RAB drilled at the Penny West Project. Drilling targeted a magnetic structure and was successful in identifying a gold anomalous zone hosted in a sheared mafic unit. A previously identified 700 x 200 metre soil gold anomaly with a maximum value of 80 ppb gold overlies the magnetic structure.

The RAB drilling was successful in identifying a gold anomalous sheared mafic unit overlying what is interpreted to be a northerly trending shear. A best result from hole YGRB0005 intercepted 8 metres @ 157 ppb gold from 32 metres depth. Hole YGRB0006 also intercepted 4 metres @ 104 ppb gold from 4 metres depth hosted in a weathered mafic unit.

Currently 1 metre resplits of the original 4 metre composites from both the Enterprise and Penny West Projects are outstanding.

### **Constellation Project**

Rock chip sampling and field verification of previous geological mapping was completed, along a two kilometre strike length of the Bellchambers – Rangeview gold mineralised structure. In total 44 samples were taken, with 10 of the samples returning gold values exceeding 50 ppb gold. A best result from the sampling of 2.02 g/t gold was recovered from a sulphidic sedimentary unit.

For further information please contact :-

Mr. Tony Poli  
Executive Chairman

Telephone : (08) 9486 4355  
Facsimile : (08) 9486 4533

The technical aspects of this report have been prepared by Mr Neil Lithgow, 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.