

QUARTERLY REPORT

For the period ended
31 December 2001

HIGHLIGHTS

– GOLD

WILCHERRY HILL

Acquisition of AngloGold Australia Limited's 100% interest in the Wilcherry Hill Project in South Australia which is highly prospective for gold and base metals. Better drill results to date include:

- 9 metres at 24.6 g/t gold;**
- 7 metres at 18.5 g/t gold;**
- 6 metres at 18.6 g/t gold; and**
- 13 metres at 6.0 g/t gold.**

YOUANMI

The Company has decided to divest its interest in the Youanmi Project and has received Expressions of Interest from interested parties.

– COAL

The Company has been evaluating the economic viability of EPC 726 and assessing government departmental records of previous drilling activities on the exploration permits under application in the Bowen Basin, Queensland.

– LEGAL PROCEEDINGS

The Supreme Court of Western Australia allocates February 19 and 26, 2002 to hear Aquila's application for discovery against MIM Holdings Limited and Pasminco Limited.

GOLD

WILCHERRY HILL

The Company reached an agreement with AngloGold Australia Limited (“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 (“PIRSA”) 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 table highlights some of the better intercepts of gold mineralisation that have been recorded:

Hole No	Northing	Easting	Azimuth	From	Intercept (metres)	Grade (g/t)
97WDRC 11	6372300	638590	270°	86	4	5.3
98WDDH 1	6372300	638585	270°	7	9	24.6
98WDDH 2	6372100	638625	270°	125	7	18.5
98WDDH 4	6372402	638609	270°	78	9	6.4
98WDRC 25	6372352	638623	270°	103	5	4.9
98WDRC 26	6372356	638574	270°	62	16	1.3
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
99WDRC 63	6372500	638485	90°	124	2	13.1
00WDRC 72	6372300	638225	90°	69	9	4.5
			and	86	16	2.9
00WDRC 74	6372500	638350	90°	115	3	2.7
			and	125	7	1.3
			and	175	4	1.9
			and	226	9	1.3
00WDRC 77	6372200	638300	90°	57	15	1.0
00WDRC 80	6372400	638300	90°	70	26	0.6
			and	127	19	0.7

– **Geology and History**

The Project area lies in the eastern sector of the Gawler Craton and is underlain by folded and faulted sedimentary rock units that have been extensively altered and intruded by a suite of mineralizing granites. Outcrop is obscured by a veneer of cover so interpretation of the geology relies heavily on aeromagnetics and drilling.

In 1997, Acacia (who was then managing the Project) discovered a strong gold-in-calcrete target at Weednanna coincident with a magnetic anomaly and subsequent drilling campaigns have identified a deposit of gold mineralisation associated with iron oxide alteration and brecciation in the contact aureole of a Hiltaba Suite granite. Copper mineralisation was also found at Weednanna North.

In 2001, the joint venture with AngloGold and Western Metals (previously Aberfoyle) was rationalized with AngloGold gaining 100% of the Project and Western Metals being granted excision over the Menninnie Dam base metals prospect.

– **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 can be 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.

YOUANMI

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

– **Enterprise/Penny West Project**

Prime Corporate Finance was 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.

– **Tailings**

There is currently approximately 400,000 tonnes of tailings averaging an estimated 1.5 grams per tonne gold on-site.

Expressions of interest were sought from interested parties for the treatment of the tailings for recoverable gold and the response has been encouraging.

COAL

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.

The drill programs provide sufficient coal seam intersections to ensure confidence in the seam stratigraphy. The holes primarily targeted the Middlemount Seam and a preliminary scoping study is currently underway to determine its economic viability to support an underground coal mining operation. The existing drilling is sufficient to indicate that potential underground coal resources may also occur in the Tralee Seam, which lies 30 metres below the Middlemount Seam.

Depending on the results of the preliminary scoping study, a drill program is planned for the following quarter, targeting certain key areas to enable a calculation of a resource and to commence geo-technical studies.

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.

LEGAL PROCEEDINGS

On 18th 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 Pasminco Limited's 49% interest in the Ernest Henry Mine.

Aquila is seeking orders against MIM Holdings Limited, Pasminco, 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 being initiated.

The Supreme Court Of Western Australia has allocated the following dates to hear the following applications:

- 19th February 2002 - Leave application with respect to Company in Administration; and
- 26th February 2002 - Pre-action discovery application.

For further information please contact :-

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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.