

Quarterly Report for the period ended 31 December 2005

HIGHLIGHTS

COAL

Isaac Plains Coal Project

- Isaac Plains Mining Lease issued on 1st December 2005;
- Project construction well advanced at approximately 26% complete;
- Initial Isaac Plains Coal Project reserves statement completed, demonstrating 10-year mine life based on long-term average coal prices;
- Resource definition drilling programme completed at Isaac Plains South, initial reserve statement and feasibility study to be completed in the June Quarter;
- Bank Syndicate received credit approvals to provide project funding.

Belvedere Coal Underground Project

- Companhia Vale do Rio Doce ("CVRD") commenced the Exploration Study with an approved 12-month budget of \$15 million;
- Reinterpretation of aeromagnetic and seismic data has identified additional undisturbed areas of the coal deposit for drill evaluation;
- Drilling has commenced for the initial 44,000 metres of drilling with three rigs operating;
- A team of senior technical personnel have been appointed to run the project.

Peak Downs East Underground Coal Project

- Five holes were completed during the Quarter, with the main target seam, the Harrow Creek (Lower) Seam, averaging 8.46 metres in thickness;
- Project shows good potential for multi-seam longwall mining;
- A comprehensive programme of grid drilling on 2 km hole spacing is planned to commence in the March Quarter;
- Initial resource statement to be completed by calendar year end.

Moçambique Coal Project

- Drilling confirms that all coal seams of the Moatize Basin are developed in Western Moatize tenement of the Company;
- Drilling identifies 20 kilometre strike length;
- Potentially open pittable coal was intersected in five of the six holes drilled, with thicknesses up to 31.2 metres from depths as shallow as 30 metres;
- Coal quality analyses underway to determine the significance of these encouraging results.

IRON ORE EXPLORATION

- Drilling intersects significant channel iron deposit mineralisation on the Catho Well and Cardo Bore prospects on the West Pilbara-Mt Stuart Iron Ore Project;
- Encouraging results include:
 - 17 metres at 56.42% Fe
 - 17 metres at 54.69% Fe
 - 15 metres at 55.05% Fe
 - 15 metres at 56.70% Fe
 - 15 metres at 55.05% Fe;
- Beneficiation testwork commences;
- Geological mapping and sampling on the West Pilbara-Red Hill Iron Ore Project identifies channel iron deposits for drill testing;
- Hoist EM/magnetic survey at the West Pilbara-Yalleen Iron Ore Project identifies a number of targets with potential for pisolitic iron deposits under cover.

CORPORATE

Senior Executive Appointment

- Mr Howard Rae is appointed Chief Financial Officer and Company Secretary.

Cash Reserves

- Cash reserves and liquid investments total approximately \$10.3 million as at 31 December 2005;
- Corporate Working Capital Facility of \$5 million established with NM Rothschild & Sons (Australia) Limited.

ISAAC PLAINS COAL PROJECT

(Aquila Resources Limited 50%)

Mine Development

The Mining Lease was issued for the Isaac Plains Coal Project (the "Project") on 1st December 2005. The issue of the Mining Lease permitted the two key construction contractors, Roche Mining (JR) Pty Limited ("Roche JR") and Leightons Contractors (Pty) Limited ("Leightons") to commence construction activities.

Roche JR is responsible for constructing the coal handling and preparation plant ("CHPP"), and Leightons is responsible for various infrastructure works, including the access road, the earthworks for the rail loop and CHPP ROM and product coal stockpile pads.

By the end of the Quarter construction of the CHPP was 26% complete, the raw water dam had been built, the product pad had been excavated and cut and fill for the 4.9 km rail loop was well under way.

Ergon Energy Corporation Limited will supply power for the project and construction of the substation pad is complete.

The Project has contractual arrangements in place to access water from three sources, a local bore field, the Eungella Dam and the Burdekin Dam, the latter post completion of the Burdekin Pipeline. Water for the construction period is being sourced from the bore field.

The mining contract is currently being finalised, with the mining contractor due to be mobilised to site late in the March Quarter.

The Project is on schedule to rail first coal in the September Quarter 2006.

Reserves

An initial reserve statement for the Isaac Plains Coal Project was issued during the Quarter. The Isaac Plains resource contains total ROM reserves of 19.7 Mt on the assumption that current prices for coal revert to long-term nominal averages.

Table 1
Summary of Reserves
Isaac Plains Coal Project

Seam	ROM Reserves (ROM t)		Total ROM Reserves
	Proven	Probable	
Leichhardt			
- Open Cut	16.8	0.1	16.9
- High Wall	2.4	0.2	2.6
Sub-Total	19.2	0.3	19.5
Lower Leichhardt			
- Open Cut		0.2	0.2
- High wall			
Sub-Total		0.2	0.2
Total	19.2	0.5	19.7

Based on this reserve estimate, the project has a mine life of approximately 10 years at a processing rate of 2 million ROM tonnes per annum. The CHPP facility is scheduled to commence operating at a rate of 1 million ROM tonnes per annum from mid 2006, increasing to 2 million ROM tonnes per annum thereafter. There is sufficient design capacity to treat an additional 1.6 million ROM tonnes per annum to accommodate coal from the Isaac Plains South Coal Project.

The reserve estimate is based on a truck and shovel mining operation. The resource appears amenable to being developed as a dragline operation, which could be expected to increase the reserves. A conceptual dragline mine plan is currently being developed and a consultant has been engaged to identify a suitable dragline.

Coal resources at the Isaac Plains South Coal Project are not included in the above reserve statement. Drilling continued during the Quarter at Isaac Plains South to upgrade the resource to Measured status and to obtain information for mine planning. A total of 74 holes were drilled for 3,334 m, including 385 m of core.

An initial reserve statement and feasibility statement for the Isaac Plains South Coal Project will be completed in the June Quarter.

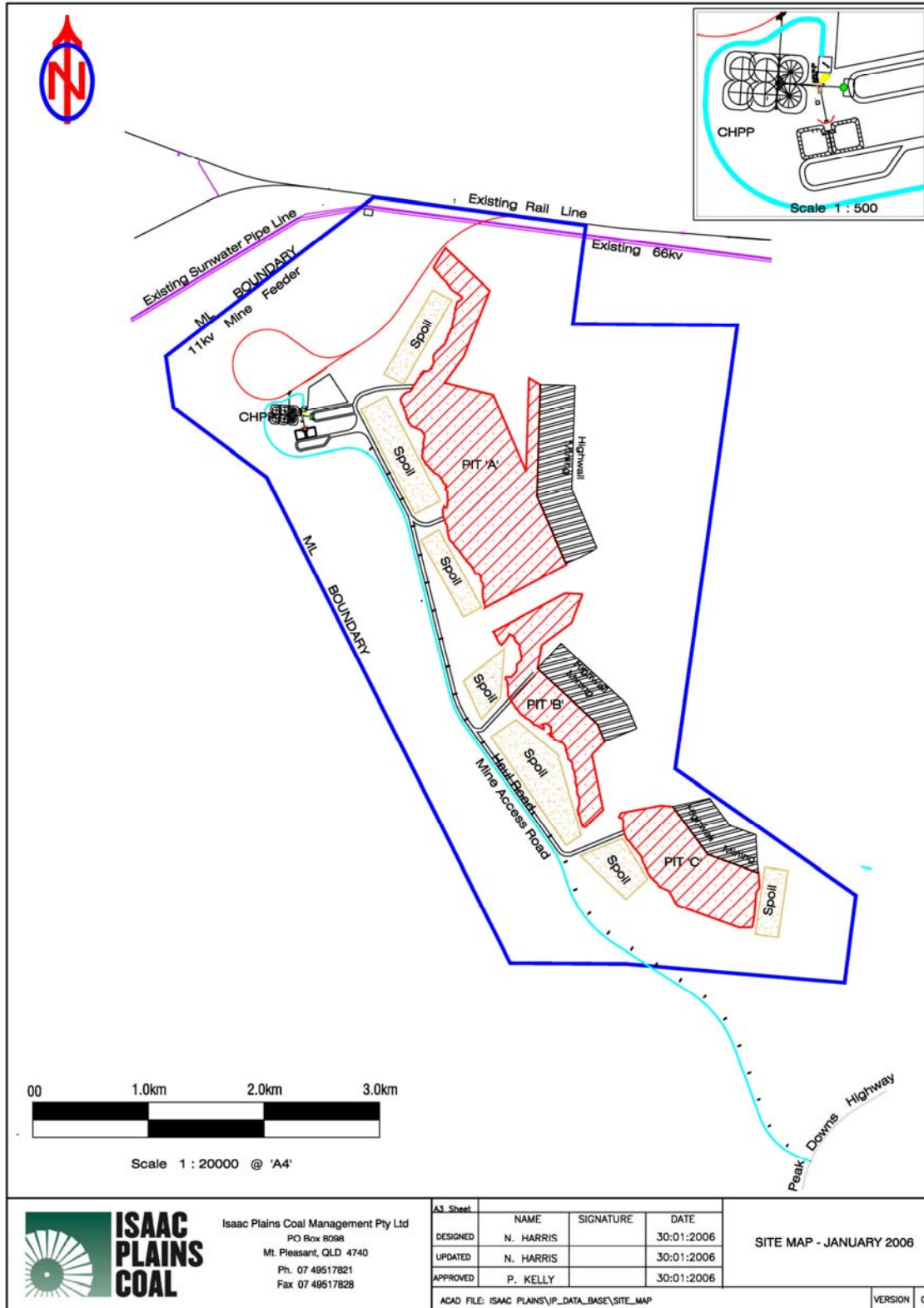
Project Funding

During the Quarter, a Bank Syndicate comprising NM Rothschild & Sons (Australia) Limited ("Rothschild") and BOS International (Australia) Limited, received credit approval to provide the Joint Venture with a AUD43 million project finance facility plus bank guarantee and foreign exchange hedging facilities (collectively the "Facilities"). Documentation of the

Facilities is well advanced and should be concluded during the March Quarter.

Rothschild has provided the Project with an interim bank guarantee facility of AUD11.1 million, which will be replaced by the Facilities.

Figure 1: Isaac Plains Coal Project – Site Plan



BELVEDERE COAL UNDERGROUND PROJECT

(Aquila Resources Limited 50%)

Exploration

Companhia Vale do Rio Doce ("CVRD") commenced the Exploration Study on the Belvedere Coal Underground Project with an approved 12 month budget of \$15 million.

Reinterpretation of aeromagnetic and seismic data has highlighted undisturbed sectors of the coal province on which drilling will be concentrated. Some 60,000 m of drilling is planned and drill contracts for the first 44,000 m have been let. The first hole reached a depth of 290 m before stopping for Christmas and by late January three rigs were in operation.

CVRD has assembled a well-experienced project team with the key senior positions of project manager, project mining engineer and chief geologist being filled. A technical co-ordinator with a strong background in geophysics has also been appointed to the team. Additionally two site supervisors and six site geologists have been recruited to run the drilling programmes.

Following the Exploration Study CVRD may exercise an option to acquire a 51% interest in the project by paying US\$45 million to each of the Company and AMCI.

PEAK DOWNS EAST UNDERGROUND COAL PROJECT

(Aquila Resources Limited 50%)

During the Quarter, drilling continued in the northern part of the Peak Downs East tenement with five holes being completed for a total of 2,120 m. The drilling is targeting the Moranbah Coal Measures down-dip from BHP Billiton Limited's Peak Downs coking coal mining operations and follows on from the drilling the Company completed in the September Quarter.

Geophysical logging enables a detailed correlation of the coal seams to be made. The full sequence of the 6-8 seams forming the Moranbah Coal Measures has been intersected by the drilling. The principal target seam is the Harrow Creek (Lower) Seam, which is the equivalent to the Goonyella Middle Seam, the premium hard coking coal of the Bowen Basin. Other potential underground coal seams are the S Seam, the P Seam, the Harrow Creek (Upper) Seam and the Dysart Seam.

A summary of the coal seam intersections recorded from the five holes that were completed in the Quarter is presented in table 2. A positive aspect for potentially future multi-seam longwall mining is the separation between the potentially economic seams. A comprehensive programme of grid drilling on 2 km hole spacing is planned to commence in the March Quarter. Holes will be RC drilled to the base of the Fort Cooper Coal Measures then diamond cored through the Moranbah Coal Measures.

Drilling on this grid together with geophysical logging should enable the Company to report a resource statement by calendar year end.

Table 2
Peak Downs East Underground Coal Project
Drilling Results and Co-Ordinates

	Hole				
	795010	795011	795012	795013	795014
Easting (AMG84)	626005	626000	625000	625000	623000
Northing (AMG 84)	7545990	7544000	7546000	7545000	7547000
Total depth (m)	426.46	420.00	432.46	420.46	420.17
S Seam					
from	278.82	split	222.84	199.90	131.84
thickness (m)	4.03		3.88	3.96	3.56
P Seam					
from	366.42	342.83	315.20	293.40	234.64
thickness (m)	3.32	3.45	2.60	3.12	2.76
Harrow Ck (U)					
from	407.80	not drilled	357.02	333.76	277.70
thickness (m)	4.00		3.74	4.18	3.78
Harrow Ck (L)					
from	not drilled	not drilled	410.09	391.68	332.30
thickness (m)			7.91	9.18	8.28
Dysart					
from	not drilled	not drilled	not drilled	not drilled	405.90
thickness (m)					5.22

MOÇAMBIQUE COAL PROJECT

(Aquila Resources Limited 100%)

Programmes of geological mapping and diamond drilling were conducted on the Company's coal licences in the Tete Province of Moçambique during the Quarter. Three of the licences cover significant portions of the Moatize sub-basin, where, on an adjoining tenement, CVRD is conducting a bankable feasibility study into developing a large coking coal mining operation (total marketable coal production of 14-15 million tonnes per annum). Results of the Company's programmes have been highly encouraging and show considerable potential for near surface coal to occur on its licences.

Coal is found as bedded seams (coal horizons) within the lower part of the late Carboniferous - early Jurassic Karoo sedimentary and volcanic sequence and lies unconformably on a Precambrian basement. Faulted contacts between the Karoo and basement are common and subdivide the area into grabens and half grabens.

Geological mapping showed that the Western Moatize tenement (946L) has the most obvious exploration potential and so has become the highest priority for investigation. This tenement

is underlain mainly by Lower Karoo sediments in unconformable contact with Proterozoic basement along the northern edge and in the western part of the tenement. The considerable strike length (in excess of 20km excluding the covered area of the Zambezi floodplain) of this basal unconformity creates exploration potential for all coal horizons in the Moatize coal-bearing sequence.

Six diamond core holes were drilled for a total of 1,271.23 m, five holes on 946L (946-001 to 005), and one on the Southern Moatize licence – 945L (945-001). Significantly, four of the holes drilled on 946L intersected the most prospective of the coal horizons – the Chipanga Seam demonstrating continuity of this coal horizon over a large area. Three of the holes intersected the lowest coal horizon – the Sousa Pinto Seam before drilling through to basal conglomerate and glacial sediments, while one hole (946-004) sited close to the unconformity drilled straight into conglomerate.

The one hole drilled on the Southern Moatize licence was terminated before reaching its planned depth. It intersected six coal seams but the relationship to the Moatize coal-bearing sequence is unclear. Much of the tenement still has to be geologically mapped.

Table 3
Moçambique Borehole Co-ordinates and Summary of Coal Horizons

Hole No	Long Decimal Degrees	Lat	Depth metres	Coal Horizon(s)	Top depth	Drilled metres
946-001	33.420	16.131	301.32	Chipanga	30.0	31.2
					168.5	3.0
				Sousa Pinto	223.1	9.2
					286.8	4.7
946-002	33.420	16.121	232.49	Chipanga	60.5	14.2
					98.3	3.0
					132.7	2.6
				Sousa Pinto	181.4	13.0
946-003	33.562	16.092	337.32	Grand Falesia	19.5	9.7
					112.3	2.7
				Intermedia	135.7	3.5
				"	146.0	3.4
				Bananeros?	212.4	5.1
				"	233.5	3.0
				Chipanga ?	240.1	6.1
				"	252.6	6.1
				"	273.9	5.3
Sousa Pinto	317.2	13.8				
946-005	33.616	16.088	97.40	Chipanga	29.1	30.5
945-001	33.830	16.253	274.49		17.1	5.5
					36.8	5.0
					57.8	4.8
					116.6	2.3
					121.2	1.6
				Chipanga?	194.5	9.0

Table 3 presents a summary of the coal horizons intersected by the drilling. The intersection depths are based on field logging and may be updated following the sampling programme.

Each coal horizon consists of alternating beds of coal with partings of carbonaceous shale mudstone and siltstone. The thicker horizons such as the Chipanga Seam can be subdivided into separate units distinguished by geophysical signatures which reflect the variations in coal and ash content.

Sampling of the core and detailed lithological logging with reference to geophysical wire line logs were completed by late December. Proximate analysis will be carried out on 80 samples, after which the better coal horizons will be selected for wash testing and coke property analysis. Results should be available late in the March Quarter.

Coal quality results will then determine the focus of exploration in the coming year and establish the economic significance of these encouraging results.

BOWEN BASIN

(Aquila Resources Limited 100%)

Applications were lodged for two new exploration permits for coal (EPCs) in the Bowen Basin, increasing the total area now covered to 3,014 sq km. During the Quarter one tenement was granted (Walton), while others progressed through the expedited procedure process after being offered for grant. Work programmes on the granted tenements have commenced with drilling planned to be conducted after geological mapping and compilation have been completed.

Walton: The Walton EPC is located 25 km east of Blackwater in the central Bowen Basin. It is well positioned with respect to existing infrastructure. It is crossed by the Emerald Highway and by the main electrified railway to Gladstone. Coal-bearing sequences in this part of the basin occur as a series of north-northwest trending thrust repeated blocks of Rangal Coal Measures. Extrapolation from ongoing investigations on the Company's adjoining Duaringa tenement identified the Walton area as being prospective. The target for exploration is the 6-7 strike km of Rangal Coal Measures that are uplifted along the Yarrabee Fault trend.

IRON ORE

AUSTRALIAN PREMIUM IRON JOINT VENTURE (API)

(Aquila Resources Limited 50%)

The Australian Premium Iron Joint Venture ("API") was formed to explore for iron ore in Western Australia in partnership with a subsidiary of AMCI Holdings Australia Pty Ltd ("AMCI"). Under the terms of the joint venture the Company and AMCI each hold a 50% participating interest, with AMCI sole funding the first \$10 million of exploration expenditure.

The Joint Venture is focusing its exploration on channel iron deposits ("CIDs") in the highly prospective West Pilbara region of Western Australia. It has assembled strategic exploration portfolios by taking up new tenements and by concluding a series of farm-in arrangements with other companies.

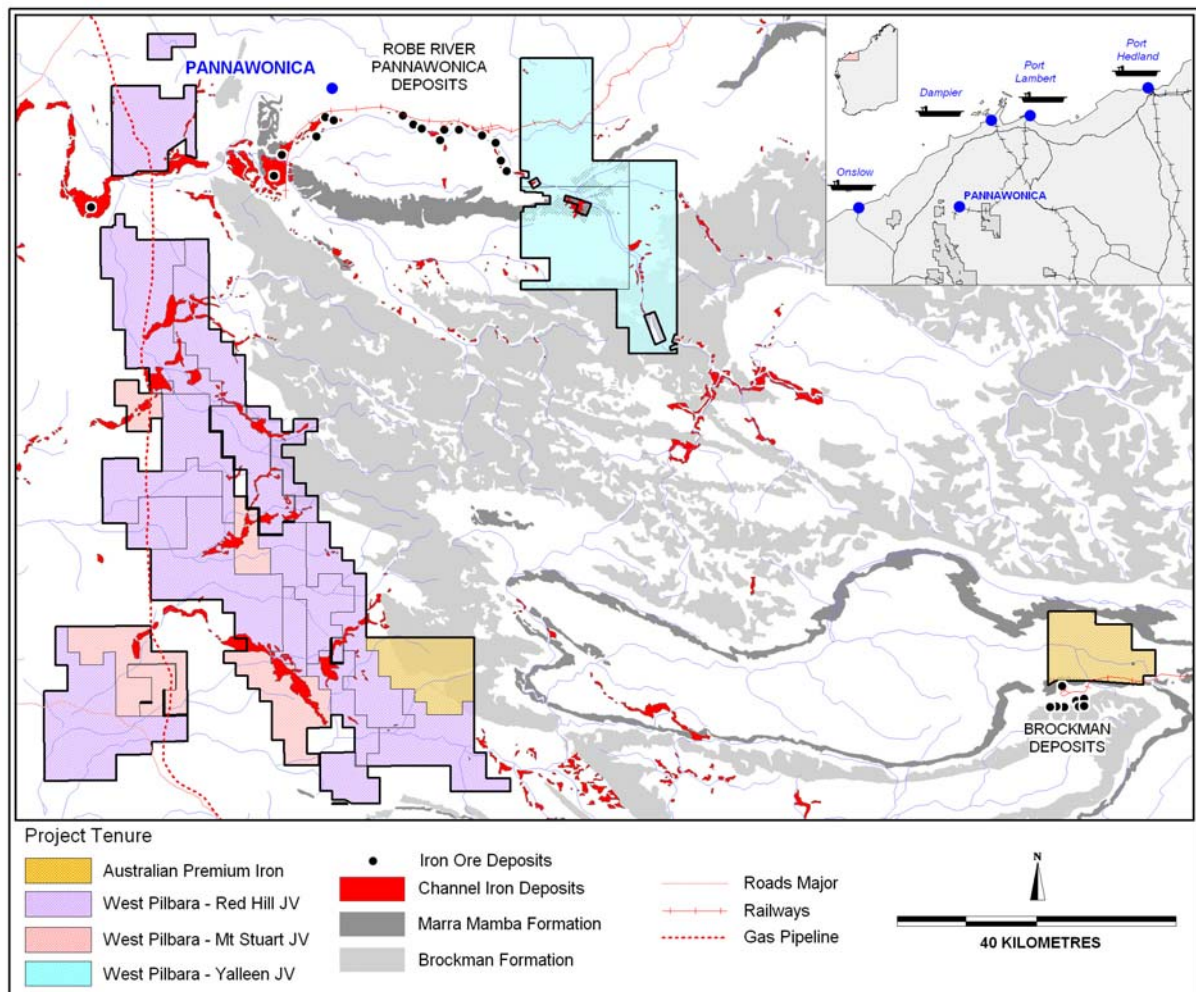
WEST PILBARA – MT STUART JOINT VENTURE

(API earning 70%)

During the Quarter detailed mapping and RC drilling programmes were completed over the Catho Well and Cardo Bore prospects.

Geological mapping was conducted over both the Cardo Bore and Catho Well Prospects. During mapping, selective rock chip sampling was conducted, on traverses not less than 500 m apart. Iron grades varied between 54.0% and 56.4% at Cardo Bore and 53.3% and 57.1% at Catho Well. Iron grades are relatively consistent across a wide area with grades for both prospects averaging around 55% Fe.

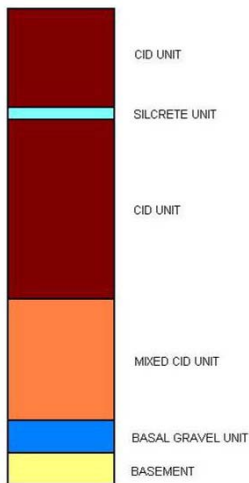
Figure 2: West Pilbara Project Area



To the end of the Quarter a total 197 RC holes (CWRC004 – 200) for 4,456 m had been completed at Catho Well and 38 holes (CBRC001-021, 023-037, 051-052) for 1,169 m at Cardo Bore.

Significant CID material was intersected in all holes and these were dominantly comprised of ooids to pisoids of ochreous goethite +/- hematite with vitreous goethite cortices. The CID material is clast supported with the matrix comprised of ochreous goethite, goethite and clay. Clay interbeds are common and may be up to 8 m thick. The typical stratigraphy encountered at Catho Well is presented below.

Catho Well – Typical CID stratigraphy



Results from 79 holes (CWRC004-CWR082) have been returned from Catho Well. Best results include:

- 13 metres at 56.54% Fe, 3.08% Al₂O₃, 5.71% SiO₂, 0.05% Mn, 0.04% P and 0.02% S from 4 m in drillhole CWRC008,
- 11 metres at 56.45% Fe, 3.08% Al₂O₃, 5.49% SiO₂, 0.14% Mn, 0.04% P and 0.01% S from surface in drillhole CWRC009,
- 10 metres at 55.76% Fe, 2.29% Al₂O₃, 8.25% SiO₂, 0.08% Mn, 0.03% P and 0.01% S from 2m in drillhole CWRC012.
- 10 metres at 55.73% Fe, 3.72% Al₂O₃, 5.61% SiO₂, 0.04% Mn, 0.05% P and 0.03% S from 6 m in drillhole CWRC058.
- 15 metres at 55.05% Fe, 3.81% Al₂O₃, 7.11% SiO₂, 0.04% Mn, 0.05% P and 0.03% S from surface in drillhole CWRC061,

- 15 metres at 56.70% Fe, 2.54% Al₂O₃, 5.20% SiO₂, 0.07% Mn, 0.05% P and 0.01% S from 7 m in drillhole CWRC063,
- 12 metres at 55.43% Fe, 3.93% Al₂O₃, 6.3% SiO₂, 0.06% Mn, 0.04% P and 0.02% S from surface in drillhole CWRC064,
- 11 metres at 57.59% Fe, 3.51% Al₂O₃, 6.74% SiO₂, 0.05% Mn, 0.04% P and 0.02% S from surface in drillhole CWRC067,
- 17 metres at 56.42% Fe, 2.86% Al₂O₃, 5.86% SiO₂, 0.08% Mn, 0.04% P and 0.02% S from 1 m in drillhole CWRC069,
- 14 metres at 55.52% Fe, 3.06% Al₂O₃, 6.39% SiO₂, 0.07% Mn, 0.04% P and 0.01% S from surface in drillhole CWRC070,
- 15 metres at 55.05% Fe, 3.08% Al₂O₃, 7.78% SiO₂, 0.05% Mn, 0.04% P and 0.01% S from surface in drillhole CWRC071,
- 14 metres at 55.47% Fe, 3.26% Al₂O₃, 6.63% SiO₂, 0.08% Mn, 0.04% P and 0.01% S from surface in drillhole CWRC072,
- 17 metres at 54.69% Fe, 2.49% Al₂O₃, 9.07% SiO₂, 0.07% Mn, 0.04% P and 0.01% S from surface in drillhole CWRC074,
- 11 metres at 56.23% Fe, 2.83% Al₂O₃, 6.98% SiO₂, 0.07% Mn, 0.04% P and 0.00% S from surface in drillhole CWRC080.

As at the end of the Quarter, no results have been returned for the Cardo Bore drilling.

Metallurgical samples have been collected from RC drill residues for the Catho Well prospect and submitted to a laboratory for beneficiation testwork. Beneficiation tests to be completed include screening, scrub / screen and density separation.

Results were received at Quarter end for the screen testwork and indicate a 0.5 to 1.5% upgrade in iron between size fractions, however grade improvement is variable between size fractions. A larger in-situ sample is required to produce a sample that will provide representative sizing following crushing.

Scrubbing and density separation testwork remain ongoing at Quarter end.

Expenditure

Expenditure for the Quarter totalled \$483,906 (Project to date expenditure totals \$844,110).

Table 4
Catho Well Prospect
Significant intercepts >54% Fe including zones up to 2m internal waste

Collar Information			Intercept Details										
			From	To	Intercept	Width	Fe%	Al2O3%	SiO2%	P%	S%	Mn%	LOI%
CWRC006	426301	7520199	12	20	8.00 m @ 55.33 % Fe	8	55.33	3.89	7.17	0.040	0.010	0.060	9.13
CWRC007	426095	7520202	8	9	1.00 m @ 55.20 % Fe	1	55.20	3.76	8.08	0.030	0.020	0.040	9.11
			13	23	10.00 m @ 54.15 % Fe	10	54.15	3.03	9.85	0.040	0.020	0.040	9.09
CWRC008	425900	7520205	4	17	13.00 m @ 56.54 % Fe	13	56.54	3.08	5.71	0.040	0.020	0.050	9.55
CWRC009	425701	7520200	0	11	11.00 m @ 56.45 % Fe	11	56.45	3.08	5.49	0.040	0.010	0.140	9.71
CWRC010	425693	7520302	0	14	14.00 m @ 55.81 % Fe	14	55.81	3.25	4.96	0.050	0.020	0.070	10.71
CWRC011	425498	7520303	0	19	19.00 m @ 54.04 % Fe	19	54.04	3.56	7.75	0.040	0.020	0.110	9.92
CWRC012	425503	7520244	2	12	10.00 m @ 55.76 % Fe	10	55.76	2.29	8.25	0.030	0.010	0.080	8.74
			18	19	1.00 m @ 55.40 % Fe	1	55.40	2.17	6.41	0.030	0.010	0.510	10.60
CWRC013	425497	7520404	0	3	3.00 m @ 55.57 % Fe	3	55.57	4.03	6.14	0.040	0.020	0.100	9.25
			16	20	4.00 m @ 56.13 % Fe	4	56.13	2.55	5.38	0.040	0.010	0.410	10.29
CWRC014	425897	7520098	7	8	1.00 m @ 54.60 % Fe	1	54.60	4.37	8.94	0.030	0.020	0.050	8.19
			21	22	1.00 m @ 55.80 % Fe	1	55.80	2.88	6.80	0.040	0.020	0.160	9.93
CWRC015	425899	7520402	0	3	3.00 m @ 54.63 % Fe	3	54.63	4.07	6.78	0.030	0.020	0.040	10.57
CWRC016	425903	7520299	0	10	10.00 m @ 54.56 % Fe	10	54.56	3.97	8.09	0.040	0.010	0.040	9.16
CWRC017	426098	7520401	2	7	5.00 m @ 55.30 % Fe	5	55.30	3.62	6.49	0.030	0.010	0.040	10.27
			10	11	1.00 m @ 54.20 % Fe	1	54.20	2.65	10.50	0.040	0.010	0.040	8.39
			14	18	4.00 m @ 53.88 % Fe	4	53.88	2.92	8.64	0.040	0.010	0.140	10.43
CWRC018	426098	7520300	4	12	8.00 m @ 54.14 % Fe	8	54.14	3.98	8.29	0.040	0.010	0.030	9.70
CWRC020	426100	7520001	8	14	6.00 m @ 54.27 % Fe	6	54.27	3.52	9.65	0.040	0.020	0.040	8.64
CWRC021	426107	7519894	0	6	6.00 m @ 55.30 % Fe	6	55.30	3.71	8.79	0.040	0.030	0.030	7.93
CWRC024	426300	7520004	14	15	1.00 m @ 54.20 % Fe	1	54.20	2.76	8.76	0.040	0.010	0.080	10.10
CWRC025	426300	7520104	9	11	2.00 m @ 54.95 % Fe	2	54.95	4.06	7.05	0.040	0.020	0.030	9.65
CWRC033	426501	7520097	12	13	1.00 m @ 55.60 % Fe	1	55.60	2.83	9.00	0.030	0.030	0.040	7.64
CWRC040	426301	7520303	6	9	3.00 m @ 54.33 % Fe	3	54.33	3.95	7.85	0.040	0.010	0.030	9.94
CWRC043	426297	7520594	1	2	1.00 m @ 55.50 % Fe	1	55.50	3.19	6.40	0.020	0.020	0.040	10.50
CWRC045	426303	7520795	5	6	1.00 m @ 54.10 % Fe	1	54.10	3.39	7.55	0.020	0.020	0.020	10.80
			10	11	1.00 m @ 54.70 % Fe	1	54.70	3.68	7.75	0.040	0.020	0.030	9.43
CWRC046	426303	7520902	8	9	1.00 m @ 54.80 % Fe	1	54.80	4.08	7.94	0.040	0.020	0.040	8.94
CWRC047	426304	7521002	4	5	1.00 m @ 54.40 % Fe	1	54.40	3.92	7.03	0.030	0.010	0.040	10.20
CWRC048	426299	7521078	1	4	3.00 m @ 53.70 % Fe	3	53.70	4.39	7.63	0.030	0.010	0.030	10.15
CWRC049	426101	7520695	0	3	3.00 m @ 54.57 % Fe	3	54.57	4.69	6.72	0.030	0.040	0.040	10.27
CWRC050	426096	7520798	4	7	3.00 m @ 54.67 % Fe	3	54.67	3.82	6.65	0.030	0.000	0.040	10.39
CWRC051	426100	7520894	4	5	1.00 m @ 55.40 % Fe	1	55.40	4.19	5.99	0.030	0.020	0.040	9.83
CWRC052	426095	7520996	2	3	1.00 m @ 54.30 % Fe	1	54.30	3.55	6.32	0.010	0.020	0.010	11.80
			6	13	7.00 m @ 55.53 % Fe	7	55.53	3.56	6.33	0.040	0.030	0.040	10.02
CWRC053	426096	7521093	8	10	2.00 m @ 54.40 % Fe	2	54.40	3.12	7.81	0.020	0.010	0.030	10.85
			16	19	3.00 m @ 54.77 % Fe	3	54.77	3.68	7.85	0.050	0.020	0.040	9.54
CWRC054	426097	7521193	14	18	4.00 m @ 55.88 % Fe	4	55.88	3.15	7.18	0.040	0.020	0.050	9.15
CWRC055	426099	7521293	6	13	7.00 m @ 55.33 % Fe	7	55.33	3.33	7.37	0.050	0.000	0.050	9.38
CWRC056	425905	7520592	1	4	3.00 m @ 54.60 % Fe	3	54.60	4.02	7.57	0.030	0.020	0.040	9.47
			8	13	5.00 m @ 54.24 % Fe	5	54.24	2.48	10.34	0.040	0.010	0.050	9.09
CWRC057	425901	7520694	5	14	9.00 m @ 55.49 % Fe	9	55.49	3.77	6.61	0.040	0.020	0.050	9.44
CWRC058	425893	7520799	6	16	10.00 m @ 55.73 % Fe	10	55.73	3.72	5.61	0.050	0.030	0.040	10.27
CWRC059	425898	7520900	11	19	8.00 m @ 55.72 % Fe	8	55.72	3.18	7.42	0.040	0.020	0.050	9.24
CWRC060	425899	7521000	11	20	9.00 m @ 55.88 % Fe	9	55.88	3.10	6.91	0.040	0.020	0.050	9.36
CWRC061	425934	7521192	0	15	15.00 m @ 55.05 % Fe	15	55.05	3.81	7.11	0.040	0.020	0.040	9.64
CWRC062	425706	7520595	0	14	14.00 m @ 54.60 % Fe	14	54.60	3.48	7.83	0.040	0.010	0.070	10.09
			19	21	2.00 m @ 55.15 % Fe	2	55.15	2.07	7.14	0.040	0.020	0.260	11.00
CWRC063	425702	7520698	0	4	4.00 m @ 54.65 % Fe	4	54.65	4.45	6.85	0.040	0.020	0.060	9.44
			7	22	15.00 m @ 56.70 % Fe	15	56.70	2.54	5.20	0.050	0.010	0.070	10.55
CWRC064	425700	7520798	0	12	12.00 m @ 55.43 % Fe	12	55.43	3.93	6.30	0.040	0.020	0.060	9.88
CWRC065	425701	7520903	0	3	3.00 m @ 54.13 % Fe	3	54.13	4.73	6.38	0.040	0.010	0.050	10.33
			6	9	3.00 m @ 57.60 % Fe	3	57.60	2.34	5.68	0.050	0.000	0.060	8.95
CWRC066	425700	7520992	0	8	8.00 m @ 55.51 % Fe	8	55.51	3.69	6.44	0.050	0.010	0.060	9.82
CWRC067	425698	7521093	0	11	11.00 m @ 57.59 % Fe	11	57.59	3.51	6.74	0.040	0.020	0.050	6.75
CWRC068	425704	7521197	0	13	13.00 m @ 54.60 % Fe	13	54.60	3.60	8.01	0.040	0.010	0.070	9.62
CWRC069	425503	7520600	1	18	17.00 m @ 56.42 % Fe	17	56.42	2.86	5.86	0.040	0.020	0.080	9.95
CWRC070	425499	7520688	0	14	14.00 m @ 55.52 % Fe	14	55.52	3.06	6.39	0.040	0.010	0.070	10.04
CWRC071	425495	7520797	0	15	15.00 m @ 55.05 % Fe	15	55.05	3.08	7.78	0.040	0.010	0.050	9.64
CWRC072	425502	7520899	0	14	14.00 m @ 55.47 % Fe	14	55.47	3.26	6.63	0.040	0.010	0.080	10.12
CWRC073	425295	7520805	0	9	9.00 m @ 55.89 % Fe	9	55.89	3.21	6.68	0.040	0.000	0.050	9.43
			19	20	1.00 m @ 56.40 % Fe	1	56.40	2.95	5.94	0.040	-0.010	0.210	9.18
CWRC074	425299	7520896	0	17	17.00 m @ 54.69 % Fe	17	54.69	2.49	9.07	0.040	0.010	0.070	9.46
CWRC075	425299	7520997	0	12	12.00 m @ 54.51 % Fe	12	54.51	3.92	7.41	0.040	0.010	0.050	9.93
CWRC076	425100	7520937	2	3	1.00 m @ 55.20 % Fe	1	55.20	4.05	6.45	0.030	0.010	0.080	10.00
			6	13	7.00 m @ 54.39 % Fe	7	54.39	3.21	9.29	0.040	0.000	0.060	8.82
CWRC077	425095	7521041	0	13	13.00 m @ 54.71 % Fe	13	54.71	3.23	7.77	0.040	0.000	0.060	9.89
CWRC078	424899	7520999	0	5	5.00 m @ 54.94 % Fe	5	54.94	4.19	6.73	0.040	0.010	0.070	9.66
			9	13	4.00 m @ 55.25 % Fe	4	55.25	1.56	8.40	0.030	0.010	0.120	10.14
CWRC079	424761	7521188	2	10	8.00 m @ 53.94 % Fe	8	53.94	2.96	9.35	0.040	0.000	0.060	9.63
CWRC080	424709	7521279	0	11	11.00 m @ 56.23 % Fe	11	56.23	2.83	6.98	0.040	0.000	0.060	9.43
CWRC081	426099	7520579	3	6	3.00 m @ 54.77 % Fe	3	54.77	4.27	6.20	0.020	0.020	0.030	11.10
CWRC082	426099	7520497	1	7	6.00 m @ 55.13 % Fe	6	55.13	4.15	6.63	0.030	0.020	0.080	9.76

Intercept Parameters

Minimum intercept 0m @ 0; Lower cutoff grade 54; Top cut Grade 100;
Maximum Consecutive Waste 2m; Maximum Total Waste 100m

WEST PILBARA – RED HILL IRON ORE PROJECT

(API earning 80%)

Geological mapping has been completed over both the Cardo Bore East and Catho Well North prospects. During mapping, selective rock chip sampling was conducted, on traverses not less than 500 m apart. Iron grades varied between 48.8% and 57.6% at Cardo Bore East and 53.5% and 58.3% at Catho Well North and are consistent with grades returned from sampling elsewhere in the area.

During the reporting period a total of 14 RC drill holes (CBRC022, 038 to 050) for 534 m were completed at the Cardo Bore East Prospect.

Drill holes were spaced nominally at 200 m intervals along the recently installed access tracks established along the central axis of the mesa.

No assay results have been returned from the RC drilling by the end of the Quarter.

WEST PILBARA – YALLEEN IRON ORE PROJECT

(API earning 70%)

During the Quarter, GPX Airborne Pty Ltd completed a Hoist EM / magnetics survey over the Yalleen Valley centred on the Robe River / Kumina Creek area.

A number of potential targets have been identified from the geophysical responses. Emphasis was placed on the types of geophysical response that potentially reflect the presence of a pisolitic iron deposit buried under Quaternary cover.

In the March Quarter, historical exploration work will be reviewed to determine existing drill coverage, if any, proximal to the targeted areas. Dependent on existing drill coverage, target identification procedures will be validated against known geology and refined. Drill programmes will then be planned to test outstanding targets.

CORPORATE

LITIGATION

The company has two actions in the Federal Court involving Pasmaenco Limited ("Pasmaenco") and two of its subsidiaries, Savage Resources Limited ("Savage") and Savage EHM Finance Pty Ltd ("Savage Finance"). These companies are subject to a Deed of Company Arrangement ("DOCA").

Underlying Claim

During the Quarter the Company lodged its witness statements with the Federal Court.

Pasmaenco has subsequently lodged its Witness Statements.

SENIOR EXECUTIVE APPOINTMENT

Effective from 1st March 2006 Mr Howard Rae will assume the position as the Company's Chief Financial Officer and Company Secretary. Howard is currently employed as the Corporate Financial Manager of Kumba Resources in Australia. Whilst at Kumba Resources Howard was intimately involved in the Hope Downs Iron Ore Project and this experience will be invaluable in assisting our Company to develop the West Pilbara iron ore interests.

ASSET DISPOSALS

Negotiations with an ASX listed company to acquire the Company's Pilbara gold exploration tenements are well advanced with a transaction expected to be concluded imminently.

Various offers have also been received for the Company's South Australian gold exploration tenements and they are currently being evaluated.

CASH RESERVES AND LIQUID INVESTMENTS

At the end of the Quarter cash reserves and liquid investments total approximately \$10.3 million.

CORPORATE WORKING CAPITAL FACILITY

An \$5 million unsecured corporate working capital facility was established with NM Rothschild & Sons (Australia) Limited during the Quarter, the facility is unutilised.

For further information please contact:

Mr Tony Poli Executive Chairman

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

The Resource Statement on Isaac Plains Coal Project has been prepared in accordance with the guidelines of the Australian code of Reporting on Mineral Resources and Ore Reserves (the JORC Code) by Mr Mark Bowater BBus BEng and Mr Julian Hoskin, MBA, BSc (Eng)(Hons) and MAppSc. Mr Bowater is Principal Consultant of MB Mining Consultants Pty Ltd, and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Hoskin is a full time employee of AMCI Holdings Australia Pty Ltd and is a Member of the Australasian Institute of mining and Metallurgy. Both Mr Bowater and Mr Hoskin qualify as a Competent Person under the JORC Code. The authors consent to the inclusion of information in this statement in the form and context of which it appears.

The information in this announcement, insofar as it relates to Mineral Exploration activities, is based on information compiled by Geoffrey F Pigott who is a member of the Australian Institute of Geoscientists, and Stuart H Tuckey, who is a member of the Australian Institute of Mining and Metallurgy, and who have more than five years experience in the field of activity being reported on. Messrs Pigott and Tuckey are full-time employees of the company. Messrs Pigott and Tuckey have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Pigott and Mr Tuckey consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.