

5 February 2009

Suspension of Mining Operations at Alam Duta

The Board of Equatorial Coal Limited (ASX: EQX) today advises shareholders that mining operations at the Alam Duta mine in South Kalimantan have been suspended and all but critical staff stood down. As was foreshadowed in the Quarterly Activities report released to the market on 30 January 2009, the Company has had to make this decision due to the fact that funds due from Indonesian partner PT. Mega Coal Indomine (Mega Coal) of \$US6.5m have not been repaid as committed, either in part or in full. These monies relate to refundable deposits that EQX made in relation to a number of mining opportunities that it entered into with Mega Coal, all of which the Company has subsequently withdrawn from. The lack of these funds has meant that the working capital position of the Company is considered too tight to continue mining operations at Alam Duta taking into consideration the fact that, due to the delays in bringing the mine into production, the mine is still expected to be cashflow negative for at least the next quarter.

The initial stockpile of coal of approximately 8000 tonnes is at port and expected to be sold in the next week and the funds from this sale will be used to assist in the payment of some of the shutdown costs. The Company is reviewing several strategies for Alam Duta. These include reopening the mine as soon as some/all of the outstanding monies due from Mega Coal are paid to EQX or the Company considering the sale of some or all of its interest in the Alam Duta project to interested third parties.

In relation to both of these strategies, the Company has been in ongoing discussions with Mega Coal regarding a repayment strategy and there are a number of interested parties discussing a range of potential assistance plans, some of which involve an investment in Alam Duta as part of a broader repayment package to EQX.

The EQX Board will look at all options available to it in terms of achieving an early resolution to this issue and is now totally focused on ensuring that the outstanding



deposits of \$US6.5m are recouped from Mega Coal and the investment made in Alam Duta to date by EQX is also recovered.

In addition to suspending operations at Alam Duta, the Company also advises that Jim Dracopoulos' position as Managing Director has been terminated, effective immediately.

Geoff Gander, as part of his role as Executive Chairman, will take over the day to day management of the Company and will work with key staff in Indonesia to ensure that there is an orderly shutdown at Alam Duta. He will also continue to work with Mega Coal in terms of the recovery of all the outstanding deposit funds as well as maximizing realization of EQX's Alam Duta investment. Shareholders will be kept updated on progress being made.

Any questions regarding this announcement should be directed to the Company on (08) 9322 8222.

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