

Eagle Downs Hard Coking Coal Project Dispute

Aquila Resources Limited (ASX:AQA “the Company” or “Aquila”) wishes to announce certain developments in connection with the infrastructure requirements for the Eagle Downs Hard Coking Coal Project (“Project”). The Project is owned by the Bowen Central Coal Joint Venture (“Joint Venture”) which is a 50/50 joint venture between Aquila’s wholly-owned subsidiary Aquila Coal Pty Ltd (“Aquila Coal”) and Vale’s wholly-owned subsidiary Bowen Central Coal Pty Ltd (“BCC”).

On 15 December 2009, Aquila advised that the Project had been offered 4Mtpa of the proposed expanded capacity at the Abbot Point Coal Terminal, subject to completion of take or pay contracts in Q1 2010. Aquila had also previously advised on 26 October 2009, that the Joint Venture had been selected as a foundation customer by Queensland Rail (“QR”) for the Goonyella Abbot Point Expansion Project (“GAPE”), in respect of the “Missing Link” railway line, to connect the Bowen Basin rail infrastructure, through to the Abbot Point Coal Terminal and in that regard the Manager, Bowen Central Coal Management Pty Ltd, had signed a statement of commercial and risk sharing principles with QR.

To commit to the above infrastructure arrangements, the Joint Venture must execute and return certain agreements in connection those arrangements to the relevant counterparties by close of business on Friday, 26 February 2010 (**Deadline**). To enter into such commitments both Aquila Coal and BCC must agree to, and procure, the execution of the relevant agreements by their respective parent companies (being Aquila Resources Limited and Rio Doce Australia Pty Ltd) and by the Manager before the Deadline.

For its part, Aquila Coal supports the entry into the above infrastructure arrangements.

Vale’s wholly-owned subsidiary, BCC, has advised Aquila Coal that it does not support the entry into the above infrastructure arrangements.

Aquila Coal considers this to be a default under the Joint Venture Agreement and has today issued BCC with a default notice under the Joint Venture Agreement. BCC does not agree that it is in default.

Aquila Coal will continue to seek to resolve the matter and will keep the market informed of any developments.

Tony Poli
Executive Chairman

For further information regarding this announcement, please contact Tony Poli.

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