

Eagle Downs Hard Coking Coal Project

Budget Dispute with Vale

Aquila Resources Limited (ASX: AQA) (**Aquila**) advises that a dispute has arisen between its wholly owned subsidiary, Aquila Coal Pty Ltd (**Aquila Coal**) and Vale's wholly owned subsidiary, Bowen Central Coal Pty Ltd (**BCC**) under the Bowen Central Coal Joint Venture Agreement (**JVA**). The dispute concerns the approval of the latter part of the proposed budget for the 2010/2011 financial year (relating to the initial capital works (**Initial Capital Works Component**)) for the commencement of construction of the Eagle Downs Hard Coking Coal Project (**Project**).

The dispute has arisen in relation to the condition upon which the Initial Capital Works Component is to be approved. BCC has proposed that the condition be that a Feasibility Study is delivered and the participants in the Project make a decision to undertake mine development for the relevant development area.

In addition, Aquila Coal sought, for the avoidance of doubt, to include a clarification that the Feasibility Study refer to and take into account port and rail logistics for the Project which are acceptable to a reputable financial institution experienced in funding projects similar to the Project in support of project finance. BCC disputes the need to include this clarification.

Aquila notes that the terms of the JVA require that a "Feasibility Study" for the purposes of the JVA demonstrates the commercial feasibility and viability of the Project to a standard customarily required by major financial institutions in support of project finance.

Although Aquila does not consider it is a prerequisite that binding commitments for port and rail logistics be entered into in order for the Feasibility Study to be delivered, Aquila is of the strong view that port and rail logistics which are sufficiently certain to be acceptable to relevant financial institutions are a necessary component for a Feasibility Study to be complete and of the standard required by the terms of the JVA.

Aquila will update the market on the outcome of this dispute.

Aquila remains committed to the expeditious development of the Project subject to a positive Feasibility Study report being delivered in due course.

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Executive Chairman

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

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