Washpool Hard Coking Coal Project

Project Milestone
Mining Lease Application Lodged and EIS Commenced

Highlights:

- **Mining Lease Application submitted to the QLD Department of Employment and Economic Development and Innovation (DEEDI).**
- **Voluntary Application to complete an Environmental Impact Statement (EIS) submitted to the QLD Department of Environment and Resource Management (DERM).**
- **Environment Protection and Biodiversity Conservation Act Referral submitted to the Federal Department of Environment, Water, Heritage and the Arts.**
- **Cultural Heritage Management Plan negotiations commenced in November with the Native Title Claimant for Cultural Heritage, the Kangoulu People.**
- **Feasibility Study tracking positively towards a completion date in Q1 2010.**

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Aquila Resources Limited ("Aquila" or the "Company") is pleased to report that Washpool Coal Pty Ltd (WC), a wholly owned subsidiary of the Company, is undertaking the feasibility study for the Washpool Hard Coking Coal Project (the Project), a proposed open cut coal mine situated in the Bowen Basin, Central Queensland. It is anticipated that the Project will produce between 1.6–2.0 million tonnes per annum (Mtpa) of product coking coal for export markets.

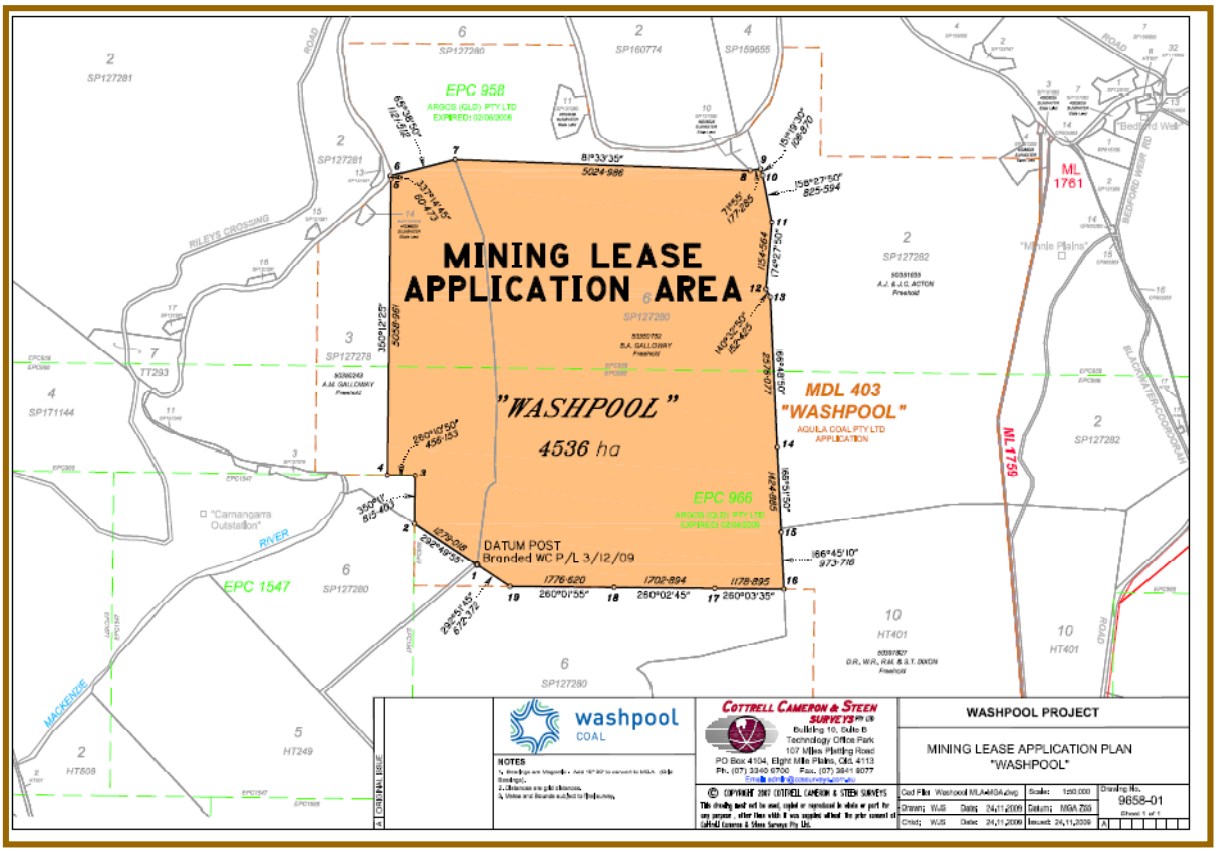
The Project is located 260km west of Rockhampton, 60km to the north east of Emerald and 24km to the northwest of Blackwater, and is positioned between the Curragh Coal Mine (to the east) operated by Wesfarmers (Curragh) Ltd and the Ensham Coal Mine (to the west) operated by Ensham Resources Pty Ltd.

Exploration has defined an initial JORC coal resource of 138Mt of Indicated and Inferred tonnes of high rank coal which exhibits good coking properties. Coal will be mined at approximately 4Mtpa Run-Of-Mine (ROM) coal which will produce between 1.6–2.0Mtpa product, until the depletion of economic reserves which has been calculated to last for 18 years.

The coal will be mined initially using truck and shovel mining methods with a view to progressing to a dragline in the future, with the emphasis on in pit waste dumping. The coal will be washed on site before transport via rail along the existing Peak Downs – Emerald – Blackwater railway system, to the new Wiggins Island Coal Export Terminal for export to overseas markets. At full production the mine will employ approximately 290 people.

As part of the Feasibility Study, the statutory approvals processes have formally commenced with a Mining Lease application, a Voluntary Environmental Impact Statement (EIS) application, and an Environment Protection and Biodiversity Conservation (EPBC) Act Referral submitted to the relevant State and Federal Government Departments.

The Mining Lease application marks out the area within which the resource extraction will take place, and includes surface areas for infrastructure required to mine and process the coal. An Initial Development Plan was submitted with the application and documents the conceptual mine plan for the first five years of the Project.



The EIS identifies the social, environmental and economic benefits and impacts of the Project as well as how potential impacts will be prevented or managed. The EIS is a major step in the project approval process and is an important milestone in obtaining the Environmental Authority required in order to obtain the grant of the Mining Lease. As part of the EIS process, an EPBC Referral is made to assess whether the Project would also need approval under the Commonwealth environmental legislation under a Bilateral Agreement between the Commonwealth and Queensland Governments through the EIS process. Development of a Cultural Heritage Management Plan will be captured within the EIS process.

Feasibility Study Progress and Schedule for Development

Work is continuing on the Feasibility Study in a number of areas including coal quality, infrastructure design and mining operations. This includes aspects such as site access and haul roads, rail loops, Coal Handling Preparation Plant, dragline procurement and mine infrastructure to support the mining activities. As a part of this process, exploration drilling is also continuing on site to update the coal resources and reserves and will be completed in Q1 2010.

The Feasibility Study is on track to be completed on schedule followed by the Definitive Feasibility which will be completed by the end of calendar 2010. Construction works are due to commence in mid 2011 with production commencing in January 2012.

Tony Poli
Executive Chairman

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The information in this presentation that relates to the Washpool Hard Coking Coal Project, is compiled by Mr Blair Richardson and modelled and reviewed by Mr Lyon Barrett. Mr Richardson is a previous employee of Aquila Resources Limited, with 25 years experience in geology and over 15 years experience in resource evaluation. Mr Richardson is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Richardson holds shares in Aquila Resources Limited. Mr Barratt is a full time employee of Salva Resources and has over 15 years experience in geology and over 10 years experience in resource evaluation. Mr Barrett is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Richardson and Mr Barrett consent to the inclusion in the presentation of the matters based on this information in the form and context in which it appears.