West Pilbara Iron Ore Project
Budget Dispute

Aquila Resources Limited (ASX:AQA "**the Company**" or "**Aquila**") refers to its announcement dated 13 August 2012 in which it advised, amongst other things, that the Company and its joint venturer in the West Pilbara Iron Ore Project ("**Project**"), AMCI (IO) Pty Ltd ("**AMCI**") were in discussions to conserve funds until the timeline for approvals was more certain.

These discussions have continued over the period since the announcement, but have not, as yet, resulted in agreement on the proposed budget for the 2012/13 financial year. The parties have followed the dispute resolution procedures under the Australian Premium Iron Joint Venture Agreement ("**JVA**"), in relation to dispute notices issued by each of Aquila and AMCI.

A meeting of the Management Committee held today did not resolve the dispute initiated by Aquila and Aquila has notified AMCI that it requires the dispute to be submitted to arbitration in accordance with the dispute resolution procedures of the JVA. The award of the arbitrator will be non-binding except in relation to identifying a Vendor Participant whose Venture Interest may be acquired by the other Participant at fair market value.

Tony Poli
Executive Chairman

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

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