ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 29 JANUARY 2010

DECEMBER 2009 QUARTERLY REPORT

Highlights:

- **Equatorial Coal continues to pursue new opportunities in the resources sector to complement the Company's existing resource assets.**
- **In this regard, the Company is currently assessing a number of coal opportunities and will make announcements to the market should an agreement be reached.**
- **Cash reserves of approximately $2.3 million at the end of the quarter, placing the Company in a strong position to conduct its current activities and to pursue new business development opportunities.**

The Board of Equatorial Coal Limited ("Equatorial" or "Company") is pleased to present its December 2009 quarterly report. During the quarter, the Company:

- Continued its efforts on the identification and acquisition of advanced resource projects. In this regard, the Company continues to assess a number of new opportunities;
- Recapitalised the Company by completing:
  - a rights issue to raise approximately $1.6m, with over 90% of shareholders taking up their entitlement (after allowing for overseas shareholders to take up their entitlement via the shortfall process); and
  - following shareholder approval, a share placement raising a further $1.0m;
  - resulting in the Company having cash reserves of $2.3m at 31 December 2009;
- Strengthened the Board and management of the Company with the appointment of Mr Ian Middlemas, an experienced resource executive, as Chairman and Mr Mark Pearce as a Director and Company Secretary;

Equatorial Coal Limited ABN: 50 009 188 694
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- The Company continues to examine the possibility of taking legal action against previous executives and employees in relation to the conduct of the Indonesian operations during 2008 and early 2009.
- As advised in the September 2009 quarter, the Company has appointed an Indonesian based organisation to assist in the area of debt collection. This party has been in discussions with PT. Mega coal Indomine (Mega Coal) and if any settlement is received from Mega Coal as a result of these discussions, the Company will make further announcements to the market on the terms of such settlement.

The Board and Management will continue to focus on creating value from the Company's existing resource assets, as well as pursuing new opportunities in the resources sector.

Enquiries: ***Mark Pearce – Company Secretary***
Contact Details: *Telephone: (61 8) 9322 6322*

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

EQUATORIAL COAL LIMITED

ABN	Quarter ended ("current quarter")
50 009 188 694	**31 DECEMBER 2009**

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) administration	(197)	(406)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	7	7
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid/received	-	-
1.7	Other (provide details if material) - business development		
	Net Operating Cash Flows	(190)	(399)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	3	3
1.10	Loans to other entities	(147)	(147)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(144)	(144)
1.13	Total operating and investing cash flows (carried forward)	(334)	(543)

1.13	Total operating and investing cash flows (brought forward)	(334)	(543)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,656	2,656
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Capital raising expenses	(131)	(131)
	Net financing cash flows	2,525	2,525
	Net increase (decrease) in cash held	2,191	1,982
1.20	Cash at beginning of quarter/year to date	108	302
1.21	Exchange rate adjustments to item 1.20	-	15
1.22	**Cash at end of quarter**	2,299	2,299

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	82
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of director's fees and provision of a serviced office.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Not Applicable
3.2	Credit standby arrangements	Nil	Not Applicable

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	50
4.2	Development	-
	Total	**50**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	1,105	108
5.2	Deposits at call	1,204	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	2,309	108

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	431,128,341	431,128,341	Fully Paid	Fully Paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	265,564,171	265,564,171	Fully Paid	Fully Paid
7.5	**+Convertible debt securities** *(description)*	N/A	N/A		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

7.7	**Options** *(description and conversion factor)*	1,000,000 750,000 1,000,000 1,500,000 2,000,000 1,000,000	- - - - - -	*Exercise price* $0.2335* per share $0.1835* per share $0.2835* per share $0.30 per share $0.20 per share $0.40 per share	*Expiry date* 4 August 2011 31 December 2010 31 December 2012 30 July 2013 30 July 2013 30 July 2013
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

*new exercise price in accordance with Listing Rule 6.22.2 as a result of the pro-rata issue.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here:.. Date: 27 January 2010
(~~Director~~/Company secretary)

Print name: **MARK PEARCE**

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the

+ See chapter 19 for defined terms.

change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.