

## Belvedere Hard Coking Coal Project Pre-Feasibility Study Completed

### Highlights:

- **Project Pre-Feasibility Study confirms the potential technical feasibility of the Belvedere Hard Coking Coal Project in the Bowen Basin.**
- **The studies have identified significant mining domains containing hard coking coal suitable for mining extraction using longwall mining techniques.**
- **Manager recommends Project progression to Feasibility Study stage, albeit initially with limited scope to target technical and infrastructure issues.**
- **Capital expenditure is estimated at \$2,814 million which includes provisions for EPCM (\$245 million) and contingency (\$169 million).**
- **Operating Costs of approximately \$70 per tonne excluding royalty.**
- **Resource Statement released as part of Pre-Feasibility Study;**
  - **Indicated Resource of 1,002Mt.**
  - **Inferred Resource of 1,473Mt.**



3D Seismic Data Acquisition at Belvedere Project

Aquila Resources Limited (ASX:AQA “the Company” or “Aquila”) is pleased to announce that Belvedere Coal Management Pty Ltd (“BCM”), a wholly owned Vale management company, has completed the Pre-Feasibility Study for the Belvedere Hard Coking Coal Project (“Belvedere” or the “Project”) (owned 51% Vale, 24.5% Aquila and 24.5% AMCI), which confirms the potential technical viability of the Project.

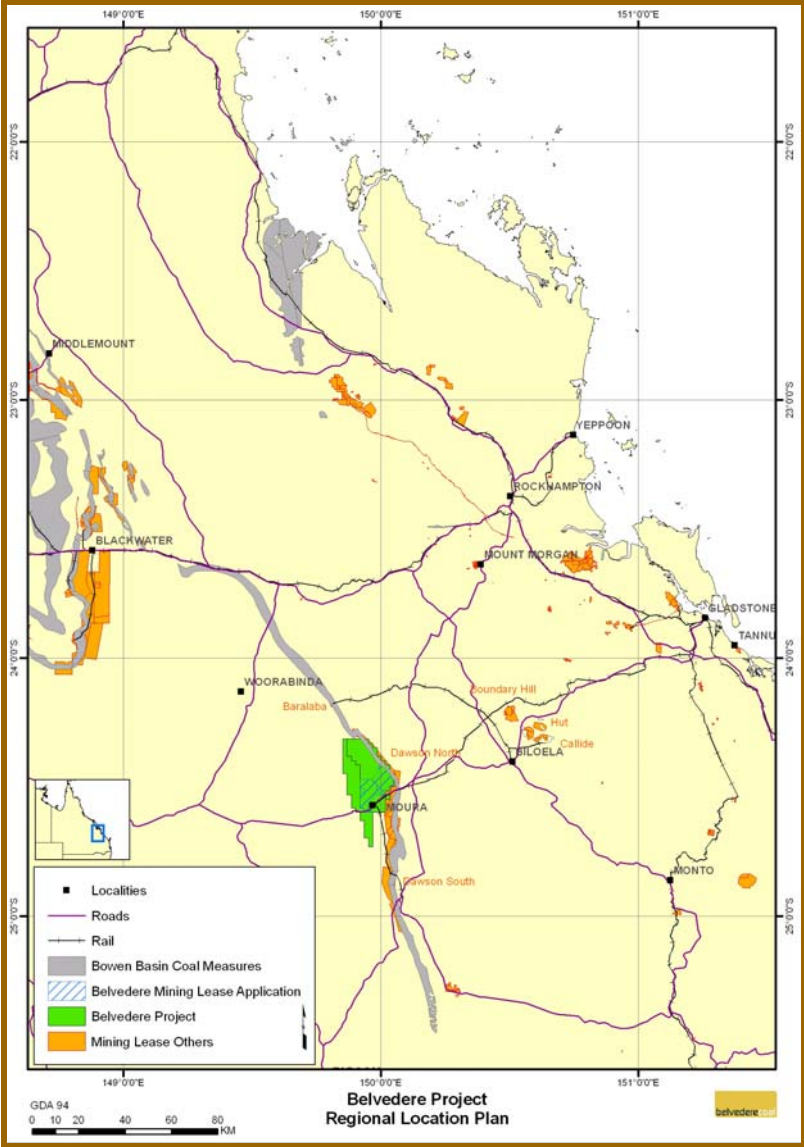
The Project is located in the southern Bowen Basin in Central Queensland to the west of Moura and immediately down dip from the Dawson mine operated by Anglo Coal Australia Pty Ltd. The Pre-Feasibility Study proposes an underground longwall mine, producing initially 3.5Mtpa of coking coal product and then up to 7Mtpa of coking coal product when the second longwall is installed.

This Study commenced following completion of the initial concept stage in May 2007. The work that has been completed is based on exploration programs undertaken between May 2007 and February 2010 which included both drilling and 3D seismic work and the associated technical testing. In addition a series of basic engineering studies have been undertaken to produce capital and operating cost estimates for the Project.

Subject to both owner and statutory approvals and completion of the technical studies, construction of the mine could commence in 2014 with first coal mined in 2016. The first longwall would be expected to be installed in 2017 followed by the second longwall in 2020.

The Project has been declared a “state significant Project requiring an EIS” under the Department of Infrastructure and Planning and is presently undergoing approval for Mining and Petroleum Leases.

The Project is a member of the WICET consortium which is the preferred proponent for the management of the Wiggins Island Coal Terminal. It is intended that the coal produced at Belvedere will be exported through the Wiggins Island Coal Terminal.



*Belvedere Project Regional Local Plan*

## Capital Costs

The outcomes of the Pre-Feasibility Study indicate the Project can be developed for a capital cost of \$2,814M, which includes a provision for EPCM of \$245M and a contingency of \$169M.

Area	Capital Cost (\$ million)
Underground Mine Costs	1,016
Surface Infrastructure Costs	754
Gas Drainage Costs	630
EPCM Costs	245
Contingency	169
<b>Total</b>	<b>2,814</b>

### Notes:

- The underground costs include establishment of a two longwall operation via shaft access into the target seams.
- The surface infrastructure costs include the establishment of all coal handling, coal preparation, site rail logistics requirements and buildings and roads for the mine. Further review of these costs may result in savings in this area.
- The gas drainage case presented in this model includes a program of surface to in-seam gas drainage drilling capitalised for the initial workings and longwall blocks in the first two domains. The gas drainage is fast tracked to commence operations at the earliest possible opportunity requiring a hole density/spacing that is greater than in use at any other mine in Australia at present. There has been no gas field work undertaken in this Pre-Feasibility Study and all studies were based on historical data. Further review and possible alternate strategies will result in significant savings in this area.
- The Company considers the EPCM costs to be conservative.
- Appropriate contingency allowances have been applied for the level of study of the Project.

## Operating Costs

Results of the Study confirm that the mine can produce coal for approximately \$71 per tonne (FOB operating cost excluding royalties) and the mine has a life of in excess of 30 years based on the domains selected for the base case, although the resource of the Project area may allow for an extended mine life.

Area	Operating Cost (approx \$ per tonne)
Mine Costs	47
Rail and Port	24
<b>Total</b>	<b>71</b>

## Technical and Engineering Studies

The Pre-Feasibility Study contains both technical reports (covering the technical requirements to mine the hard coking coal from the multiple seam underground mine) and engineering studies (covering both underground and surface infrastructure, coal handling and preparation, logistics). In addition to the BCM management team, work has been undertaken by consultants and contractors experienced in Bowen Basin operations who have developed capital and operating cost estimates for these types of projects.

Area	Service Provider
Geology	Salva Resources
Underground Mining	IMC, Roy Moreby, MBA
Underground Infrastructure	Sinclair Knight Merz,
Surface Infrastructure	Sinclair Knight Merz
Environment	Hansen Bailey

## Updated Resource Estimate

Work completed by Salva Resources for the Project Pre-Feasibility Study identifies 1,002Mt of Indicated Resource and 1,473Mt of Inferred Resource for a total of 2,475Mt. This statement supersedes the previous Resource Statement undertaken by SRK in 2008 where some 3,866Mt of Resource was identified. The decrease in Resource is based on different assumptions for defining the resource.

The Resource Statement is based on the typical product quality with good yields as follows:

Belvedere Hard Coking Coal Project	Typical Product 84% Yield
Ash	7.5-8.5%
Moisture	10%
Volatile Matter	19-20%
Sulphur	0.45%
CSN	7-8.5

## Summary of Study Outcomes

The Pre-Feasibility Study confirms the status of the Belvedere Hard Coking Coal Project area as a major coking coal resource and provides confirmation that this resource is recoverable with underground longwall mining methods. The Study is still in an early stage but presents a number of business opportunities.

The Study presents a mining base case in a limited Project area and within some of the identified mining domains. The initial base case only presents the startup operation in a potential mining province given the size of the resource. There are a range of mining areas within the same and other seams and at similar and at other depths (both shallower and deeper) that could provide future operations.

In addition, the studies present a high gas environment which is drained under a strategy of fast track methods which require high capital inputs. Further studies will review the possibilities of a complementary gas business operated within normal timeframes and methodologies that will act as a business profit centre rather than a capital cost centre.

The Study recommends progression to the Feasibility Study stage, albeit initially with limited scope to target technical and infrastructure issues, after which there will be further evaluation of Project economics and a decision whether to proceed with the full Feasibility Study.

## Project Logistics

The coal produced at the Belvedere Hard Coking Coal Project is intended to be exported through the proposed Wiggins Island Coal Terminal via the Queensland Rail's Moura infrastructure which runs immediately past the proposed Project surface infrastructure area. In order to ensure the Project is considered for capacity on both rail and port expansions, commitments have been made to feasibility studies for both.

- The Project has participated in Queensland Rail's Banana to Wooderson upgrade through providing guarantees to underpin the Pre-Feasibility Study.
- The Project is a member of the WICET consortium who is the preferred proponent for the management of the Wiggins Island Coal Terminal. The Wiggins Island Coal Terminal when fully constructed is proposed to be at least a 70 mtpa coal terminal located near Gladstone. The Project has contributed to the feasibility costs for the Terminal.

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## Vale Purchase Option

The First Option Period under the Joint Venture Agreement commenced on 4 December 2009 (for six months) during which Vale has the option to acquire the Company's interest in the Project at fair market value. The Company has not received any indication as to whether Vale will exercise the First Option at this stage.

### **Tony Poli** **Executive Chairman**

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

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*The estimate of Coal Resources for the Belvedere Project (EPC783) as presented in this announcement has been carried out in accordance with the Guidelines of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves' prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia, December 2004.*

*The information in the announcement to which this statement is attached, that relates to the Belvedere Coal Resources, is based on information provided by Belvedere Coal Management, and reviewed and validated by Mr Lyon Barrett. Mr Barrett is a full time employee of Salva Resources Pty Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr Barrett has reviewed the geological data, constructed the geological model, and estimated the coal resources.*

*Mr Barrett 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 Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Barrett consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.*