INTERNATIONAL LONGWALL NEWS

Isaac Plains doubles sales despite production hiccup

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AQUILA Resources has doubled annual sales of coal for the 2010 financial year from its Isaac Plains coal mine in Queensland year-on-year to a record 2.48 million tonnes.

The increased result was achieved despite sales from the open cut mine being hampered in the June quarter by delays in environmental approval to lift run-of-mine (ROM) production to a maximum of 4Mtpa.

The Isaac Plains mine owned by Bowen Central Coal, a 50:50 joint venture of Vale and Aquila.

Mining operations stopped on February 25, 2010, when production had reached the previous environmental limit of 2Mtpa and remained suspended until the new conditions received ministerial approval on April 20, 2010.

A total of 548,000t of saleable coal was produced during the June quarter and, on a full-year basis, production of saleable coal was 22% below budget due to poor weather conditions experienced in December 2009 to March 2010, and the suspension of mining in March and April 2010 pending receipt of the new environmental approval.

Mine production will be increased from 2Mtpa ROM to 3.6Mtpa ROM, in line with the current capacity of the coal handling and preparation plant. A recently refurbished dragline will be erected and introduced into the operations.

John Holland Queensland continued to strip overburden at full capacity while coal mining was suspended. G&S Engineering Services personnel mobilised to site during the quarter, to erect the dragline which is expected to be completed and operational in the June 2011 quarter.

Turning to Aquila’s 50%-owned Eagle Downs hard coking coal project in Queensland, its budget for FY 2011 – which totalled $82.5 million – was partly approved during the quarter.

The approved budget portion consists of an operating component of $39.6 million that will ensure the project is taken through to the completion of the definitive feasibility study.

A capital component of $15.3 million will also ensure all capital required to complete the approval obligations and to purchase minor capital items for the project.

A capital component of $27.6 million for pre-approval early works has not yet been determined due to a dispute between Aquila and its joint venture partner Vale over the requirements for the DFS. This is being dealt with through the dispute resolution process under the joint venture agreement.

The budget for the Belvedere hard coking coal project in Queensland for FY 2011, which totals $18.1 million for exploration and technical work, was approved.

A Vale subsidiary acquired AMCI (BC) which holds 24.5% of the Belvedere hard coking coal project, bringing the Vale group’s interest in the project to 75.5%.

A Vale subsidiary subsequently exercised an option which in effect allows it to purchase the 24.5% interest in the Belvedere hard coking coal project owned by Aquila’s wholly owned subsidiary, BD Coal.

This process involves valuations being conducted to determine the fair market value of the interest to be acquired.

Aquila's shares rose by 17c to $7.57 in morning trade.

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