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Aquila's Eagle Downs project proceeds to DFS stage

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PERTH (miningweekly.com) – Diversified developer Aquila Resources would start a definitive feasibility study (DFS) on the Eagle Downs hard coking coal project, in Queensland, in the second quarter of its 2010 financial year.

The Eagle Downs coal DFS would be completed before June next year, the company, which also owns exploration projects in South Africa, said in its first quarter report, released on Thursday.

When in full production, the Eagle Downs project would produce up to eight-million tons a year of hard coking coal. The project is scheduled to start underground development in 2012, and longwall production in 2012.

An initial production of 4,6-million tons is expected from a single longwall, followed by the staged introduction of a second longwall in 2020, to lift production to eight-million tons a year.

The mining layout for the Eagle Downs project would also be finalised during the next quarter, and would allow the remainder of the DFS work to proceed.

A granting of a mining lease is expected during the fourth quarter.

Meanwhile, Aquila reported that it was also seeking logistical solutions to allow the development of the Eagle Downs project, after a deal involving the Abbot Point coal terminal had lapsed.

Aquila declared a dispute with its joint-venture (JV) partner Bowen Central Coal (BCC), which is owned by Brazilian mining giant Vale, after the lapse of the infrastructure agreement.

In December, Aquila reported that it had been offered four-million tons a year of the proposed expanded capacity at the Abbot Point coal terminal, subject to the completion of take or pay contracts during the first quarter of 2010.

The company also reported that the JV had been selected as a foundation customer by Queensland Rail for the Goonyella Abbot Point expansion project, to connect to the Bowen basin rail infrastructure through to the Abbot Point coal terminal.

To commit to these infrastructure arrangements, the JV had to execute and return certain agreements in connection with those arrangements to the relevant counterparties, by close of business on February 26.

To enter into such commitments, both Aquila and BCC had to agree to, and procure the execution of, the relevant agreements by their respective parent companies before the deadline.

Aquila said it had supported the entry into the infrastructure arrangements, but that BCC had not supported the arrangements.

BELVEDERE

Meanwhile, Aquila reported that its Belvedere hard coking coal project, also in Queensland, could start production as early as 2016, if construction started in 2014.

The first longwall is expected to be installed by 2017, followed by the second longwall in 2020.

The prefeasibility study, which was released during the quarter under review, proposed that an underground longwall mine, initially producing 3,4-million tons of coal, could be ramped up to a seven-million tons a year project, once the second longwall is installed.

The prefeasibility study also found that the development capital needed for the project would reach the A$2,8-billion mark, which included the provision for an engineering, procurement and construction management contract of A$245-million, and a contingency of A$169-million.

The prefeasibility study has further confirmed an indicated resource of one-billion tons, an inferred resource of 1,4-billion tons, and a total resource of 2,4-billion tons.

Aquila also owns other coal operations in Queensland, including the Isaac Plains coal mine, and the Washpool hard coking coal project, where a feasibility study report is due before June.

SOUTH AFRICAN PROJECTS

In South Africa, Aquila continued diamond drilling at the Avontuur project's Gravenhage manganese deposit in the Northern Cape province, where the resource provided potential for a manganese mining operation of one-million tons a year.

Aquila reported that it had started a scoping study and that a feasibility study would get under way in the third quarter.

In Limpopo, Aquila owns the Meletse iron-ore project near Thabazimbi, which has an initial Joint Ore Reserve Committee-compliant estimate of 21,9-million tons, at 63,2% iron direct shipping ore.

The company is studying a two-million to three-million ton a year openpit operation.

The Australian developer also announced that it had appointed **Michael Halliday** as head of its South African operations.

His role would be to establish a corporate presence in the country, including a branch office to support the exploration and development activities in that country.