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West Pilbara gets $5.8B price tag

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AQUILA Resources expects to make a final decision over its 30 million tonne per annum West Pilbara iron ore project later this year after announcing the results of the definitive feasibility study of the project's stage 1.

The DFS, which builds on the pre-feasibility study released in May 2008, has slapped a $A5.77 billion price tag on the project, excluding engineering, procurement and construction management and contingency costs.

Operating costs are estimated to be $19.48 per tonne at 30Mtpa, excluding royalty rates, with production tipped to begin late in 2013.

Average annual earnings before interest, tax, depreciation and amortisation for the project has been estimated at $1.8 billion at production levels of 30Mtpa.

A net present value of $5.77 billion has been estimated for the project at an internal rate of return of 16.4%.

The DFS recommends construction of the mine, 282 kilometres of new rail and a new deep water port facility at Anketell Point, which has collectively been granted major project facilitation status by the federal government while the port development was recently approved as a multi-user facility by the state government.

Aquila is considering the findings of the study with a final development decision by the project participants scheduled for the September quarter 2010.

Subject to statutory approvals and funding, Aquila expects construction to begin in the March quarter 2012 with first shipments in early 2014.

The project has an established measured, indicated and inferred resource of 742 million tonnes consisting of 585Mt at 56.54% iron from channel iron deposits (CID) and 156.08Mt at 61.47% iron from bedded iron deposits (BID).

The DFS investigated the development of the CID in western margin of the project's tenement area.

The development of the BID at Hardey is the subject of a pre-feasibility study while CID on other tenements will be the subject of separate future studies.

The mine plan developed in the DFS has identified a mineable resource of 352Mt from the 501Mt of channel iron resource within the stage 1 development area, with an estimated 12 years production from this mineable resource.

Meanwhile, Aquila said there was potential to discover significant additional resources at the project with 6840 square kilometres prospective for CID and BID yet to be explored.

Today's news comes after the West Pilbara iron ore joint venture development was granted major project facilitation status last month by the federal government.

The West Pilbara project is being developed by its 50%-owned Australian Premium Iron joint venture (API JV).

Shares in Aquila have gained 19c to $7.78 in late morning trade.

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