

## Approval, share bonus and DFS for Aquila

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**THE emergence of another major player in the Pilbara iron ore space has moved a step closer following conditional federal environmental approval for Aquila Resources' proposed \$A5.8 billion West Pilbara project and infrastructure development.**

Final approvals are expected in the second quarter of next year, with the Western Australian State Department of Environment and Conservation yet to announce its position on the proposed mine and rail developments.

However, the news does not stop there for the company, with results from a definitive feasibility study on its Gravenhage manganese project in South Africa delivering an initial \$US180 million (\$A179 million) capital cost, including an 11.4% contingency.

It should also be a happy day for shareholders with Aquila unveiling a bonus 37.43 million share offer in recognition of its progress in the iron ore, manganese and coal space in the last 12 months for nil consideration on a one for 10 ordinary share basis.

In addition, the free entitlement is intended to encourage greater liquidity and hopefully improve its prospects of being included in the S&P/ASX100 Index.

No doubt more will emerge at today's annual general meeting in Perth about progress on its debt talks with the China Development Bank to fund its share of the West Pilbara's project and 100 million tonne per annum Anketell Port development.

Last month Aquila and AMCI received state government support for the revised initial port development, which is also the key to Fortescue Metals Group's 155Mtpa growth aspirations. Of that capacity, Aquila wants to be allocated half, which would leave FMG the balance.

FMG has previously said while it would put its hat into the ring to be lead proponent for the port's development, it would also support any other proponent that adequately catered for its future requirements of a 200Mtpa capacity.

The port will eventually have capacity of 350-400Mtpa, which would more than cover the requests of Aquila-AMCI and FMG as well as potentially Iron Ore Holdings (15Mt), Flinders Mines (15Mt) and Atlas Iron (10Mt).

The WA Environmental Protection Authority is expected to hand down its decision over the development late in the March quarter next year.

The proposed development at Anketell Point, which lies around 30km north of Karratha and 12km west of Rio Tinto's Cape Lambert port, will include four berths, two shiploaders, onshore stockpiles, a desalination plant and a power station.

As for its manganese arm, Aquila expects to be granted a Mining Right over its Gravenhage property by March next year and is targeting first exports through Port Elizabeth in 2015.

In the meantime it will continue with engineering studies in a bid to further reduce costs and improve efficiencies at the property, which have come in at \$129/t (CIF China, excluding royalties) and \$62/t delivered to local sinter plants.

The DFS was based on a 1.5Mtpa run-of-mine manganese oxide operation, with subsequent underground mining by decline access from the open pit over a 17-year life which would produce 1.125Mtpa of lumpy ore for export and 330,000tpa of fine ore for domestic sinter plants.

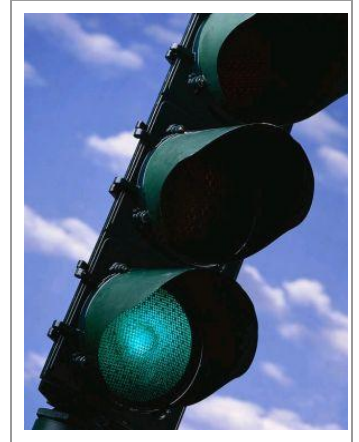
The latter will be trucked directly to sinter plants in the Kalahari Manganese Field, while the lumpy ore will be trucked to a rail siding near Hotazel where it will be loaded on to trains for haulage initially to Port Elizabeth and ultimately to new port facilities at either Saldanha Bay or Coega.

Located 60km north of the town of Hotazel in the Northern Cape, Aquila holds a 74% interest in the project with the balance held by its local partner BEE (black economic empowerment) company Rakana Consolidated Mines.

Additional capital of \$84.3 million for underground development will be required, but not until 2018, the fourth year of production.

With proven and probable reserves of 20.2Mt grading 40.12% manganese and resources of nearly 118Mt grading 38.3% manganese, upside remains with potential for additional high-grade discoveries south of Gravenhage on the Avontuur Prospecting Right.

Shares in Aquila were up 2.56% or A16c in morning trade to \$6.42.



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