

## Eagle Downs Hard Coking Coal Project Approved FY2014 Program and Budget

### Highlights:

- **The Participants of the Eagle Downs Hard Coking Coal Project have approved an FY2014 budget of \$97.2 million, with Aquila's 50% share being \$48.6 million**
- **Project expenditure is being prudently managed by focusing on critical path development tasks**

Aquila Resources Limited (ASX:AQA "the Company" or "Aquila") refers to its previous announcements regarding the status of the Eagle Downs Hard Coking Coal Project ("Eagle Downs" or "the Project"), which is 50% owned by Aquila in a joint venture with Vale SA's wholly owned subsidiary, Bowen Central Coal Pty Ltd ("the Participants").

The Project is located in the Bowen Basin in Central Queensland, adjacent to and immediately down dip from the BHP Billiton Mitsubishi Alliance operating Peak Downs Coal Mine. The Project involves construction, development and operation of an underground longwall hard coking coal mine over an estimated mine life of 47 years for all target seams.

Construction on site commenced with the establishment of site access via a 6km sealed all weather road, construction of mine offices, site civil works, construction of the Powerlink substation for provision of site power and establishment of the initial gas drainage system. The excavation of the box cut for the construction of the portal access to the mine drifts commenced in February 2013.



*First portal arch installed in the box cut at Eagle Downs*

In light of continuing softness in the coal price environment, the Participants requested Eagle Downs Coal Management Pty Ltd ("the Manager") focus on critical path development tasks and re-prioritise some of the scheduled early works. In response to this request, the Manager has presented the Participants with a Work Program and Budget for FY2014 ("FY2014 Budget") of \$97.2 million, which has now been approved by the Participants.

Aquila notes that, short-term deferral of non-critical path expenditure has the potential to considerably improve the economics of the Project, if contracts can be executed in a lower cost environment. Aquila also considers that the recent overdue correction of the Australian dollar, to re-align with reduced commodity prices, is likely to provide an additional positive boost to the economics of the Project.

Construction on site has continued with progress on establishment of the portal drift access and raw water dam.



*Progress of raw water dam at Eagle Downs*



*Gas flaring from the gas drainage system at Eagle Downs*

Key Eagle Downs critical path development tasks detailed under the FY2014 Budget, include:

- Completion of the box cut and portal arches;
- Commence drift driveage (contractor mobilisation to site and commencement of roadheader operations);
- Establishment of power on site through commencement of the Eagle Downs High Voltage Switchyard adjacent to the completed Powerlink Substation;
- Establishment of the raw water supply for the Project from SunWater (to correspond with driveage of the drifts), and
- Maintenance of existing gas drainage wells

Work will continue on progressing tenders on more favourable terms including cost and risk sharing for major work packages such as ventilation shafts, longwall and development equipment, underground conveyors, Coal Handling and Preparation Plant and accommodation facilities. These packages have been rescheduled by the Manager for commencement at a later date in line with a revised Project schedule.

The Manager has advised the Participants that the overall construction schedule will be slightly impacted with its previously anticipated completion date of November 2016 now being revised to H1 CY2017.

The FY2014 Budget includes expenditure for exploration on other prospective tenements adjacent to Eagle Downs. The bulk of this expenditure is focused on Eagle Downs South, which is located south of the existing Eagle Downs MLA. The deposit provides potential for additional Resources that might add value to Eagle Downs.

Aquila has 1.6Mtpa of capacity under a Take or Pay contract in Stage 1 of the Wiggins Island Coal Export Terminal (WICET) ("Take or Pay Agreement"), together with the corresponding rail agreements with Aurizon, through its 100% subsidiary Washpool Coal Pty Ltd. Aquila has reached agreement with WICET for the addition of Eagle Downs as a source mine under the Take or Pay Agreement, for Aquila's share of coal from the mine, with effect from mechanical completion of Stage 1. Discussions with Aurizon are continuing in respect of the transfer of the corresponding rail agreements from the Washpool Hard Coking Coal Project for use by Aquila for its share of coal from Eagle Downs.

Aquila previously executed a Capacity Commitment Deed ("CCD") for an additional 1Mtpa of port capacity at the proposed second stage of the terminal at Gladstone ("WEXP1"), however, the Company intends to let the CCD lapse at the end of the month. The Company continues to assess alternate long term logistics solutions for a port closer to Eagle Downs.

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

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