

# Aquila Resources

## Business Description

Aquila Resources Limited (AQA) is a minerals exploration company focused on coal and iron ore exploration in Australia and overseas. AQA also produces coal from its Isaac Plains Project in the Bowen Basin, Central Queensland.

## Strategy Analysis

AQA has a strong pipeline of projects at various stages of development. The 50% owned Isaac Plains Coal Project began production in November 2006. Cashflow from the project and JV partners will be used to fund AQA's various exploration projects. The company is targeting a 17 year mine life with annual production of 3.6mt (split 75% metallurgical coal and 25% thermal coal). Aquila's other advanced project are Belvedere Coal Underground Project, Eagle Downs Coal and West Pilbara Iron Ore. Belvedere has a large hard coking coal JORC resource of 3.9mt. CVRD has exercised an option to acquire 51% of the project for US\$90m. CVRD can acquire the balance of the project at fair market value. A BFS commenced in 2H07. Project commitment is expected in 2010. At Eagle Downs Coal, which is less advanced is progressing a pre-feasibility study due in late 2008. A concept study completed in July 2007 looked at a 7Mtpa operation with initial capex of \$620m and mine life of 30+ years. The resource stands at 780Mt. AQA's iron ore projects are progressing with the establishment of the Australian Premium Iron Ore Joint Venture (API), with CVRD-Inco (sold by AMCI to CVRD). CVRD will sole fund the first \$10m of exploration expenditure, which will focus on the west Pilbara region in WA. AQA also has a number of other iron ore and coal JV projects which it is earning interests in through exploration. These projects are spread across Botswana and Australia. Aquila Resources reported negative cash flow of \$39.31m for the quarter ended 30 September 2011. Operating cash flow for the period was \$(19.68m). Payments for exploration and evaluation were \$(30.33m). Investing cash flow was \$(19.63m). Financing cash flow was nil. Cash in hand at the end of the quarter was \$146.2m. The company also reported that coal production from the Isaac Plains coal mine has almost returned to the planned 2.8Mtpa rate following recovery from the effects of flooding; the budget for the Eagle Downs hard coking coal project for FY2012 of \$70.4m for pro

27 January 2012

## Recommendation

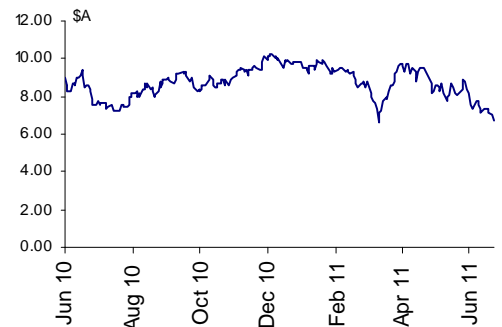
Recommendation: Neutral  
Relative to: All Ind (ex Fins)

## Investment Fundamentals

ASX code: AQA  
Stock price: \$6.21  
Market cap: \$2,557m

Y/E	30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	22.9	-146.0	-265.6	-103.9
Adjusted e	\$m	-67.5	-146.0	-265.6	-103.9
EPS adjusted	¢	-17.8	-38.5	-69.9	-27.4
EPS growth	%	1.9	116.8	81.4	-60.8
PE	x	-34.9	-16.1	-8.9	-22.6
PE relative	x	-2.4	-1.5	-0.9	-2.7
DPS	¢	0.0	0.0	0.0	
Yield	%				
Franking	%	0.0	0.0	0.0	

## Share Price



Source: ASX and Company accounts

## Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Coal	100.0	-10.7	-14.5	-25.0%	48.0%
Manganese	0.0	-2269.9	0.0	27.0%	43.0%
Iron Ore	0.0	-157.5	0.0		
<b>Total</b>	<b>100.0</b>	<b>-2438.1</b>	<b>-14.5</b>		
Results by Geography				Dividend Reinvestment Plan	No
Others	99.8	0.0	0.0	Shareholder Discounts	No
Japan	0.1	0.0	0.0		
China	0.1	0.0	0.0		
South Africa	0.0	0.0	0.0		
Australia	0.0	0.0	0.0		
<b>Total</b>	<b>100.0</b>				

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