

Aquila and Vale prepare to battle over Belvedere

Blair Price

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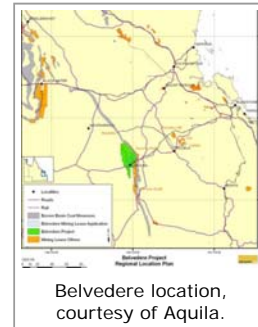
VALE remains determined to acquire Aquila Resources' 24.5% share of the \$A2.81 billion Belvedere hard coking coal project in Queensland for less than \$US100 million, a price that does not reflect some of the recent deals in the coal scene.

Private resources company AMCI sold its 24.5% stake in the joint venture project to Vale for \$92 million a few months ago.

Yesterday Vale responded to various media reports on the fair market valuation process underway.

"Vale advises the process is ongoing and neither party has completed their FMV determination," the company confirmed.

"Although Vale is not aware of either value, we would expect that the FMV determined by both valuers would reflect the most relevant precedent transaction – that being the deal completed on June 1, 2010, whereby Vale acquired a 24.5 per cent stake in the Belvedere Coal Project from AMCI for \$US92 million."



Belvedere location, courtesy of Aquila.

Aquila executive chairman Tony Poli told *ILN* it was hard to come up with such a low valuation.

He said the FMV should be based on a variety of methodologies including some relevant transactions – such as Anglo American's coal asset sales last month.

Anglo struck a conditional agreement to sell five undeveloped Australian coal leases to a consortium comprising Korea Electric Power Corporation, steelmaker POSCO and Cockatoo Coal for \$A580 million in cash.

Aston Resources' also plans to list one-third of the company for \$400 million later this month after purchasing the Maules Creek project in New South Wales from Rio Tinto subsidiary Coal & Allied for \$480 million cash in November.

Belvedere's prefeasibility study in March confirmed the viability of a 3.5 million tonne per annum coking coal operation, which will increase to 7Mtpa with a second longwall in 2020.

Construction could start up in 2014, with first coal mined in 2016 and the first longwall installed in 2017.

Located in the southern Bowen Basin, Belvedere holds 3.87 billion tonnes of resources, including 1.53Bt indicated and 2.34Bt inferred.

Aquila and Vale are also at odds over their 50:50 Eagle Downs joint venture project in the state.

Aquila is seeking damages from Vale for the expected income from longwall mining at Eagle Downs from 2013 – as the project might not get port capacity until mid-2016.

In January, Vale unexpectedly pulled out of arrangements to secure port capacity at Abbot Point.

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