



Vale returns fire

Blair Price

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VALE is accusing Aquila Resources of trying to "add words" to a budget approval condition for the 2010-11 budget of their Eagle Downs hard coking coal project in Queensland.

The 50:50 joint venture partners have issued each other notices of dispute, with the outcome to be determined by negotiation or arbitration.

Aquila wants the scope of the feasibility study to include port and rail logistics for the project which would be "acceptable to a reputable financial institution" experienced in funding similar projects.



But Vale subsidiary Bowen Central Coal does not accept Aquila's additions to a budget approval condition as either "necessary" or in accordance with the terms of the JV agreement.

"BCC wants to move ahead with the feasibility study but Aquila's refusal to agree to pass the budget resolution with respect to certain capex items which we accepted (which we consider simply follows the process provided for by our JVA and which unfortunately Aquila disagrees with), may unfortunately cause delay, frustration and unnecessary uncertainty," Vale global coal managing director Decio Amaral said in a statement.

Both parties have previously disagreed on what rail and port options to take, with Aquila wanting a commitment to the Abbot Point Coal Terminal in February while BCC seeks to commit to future capacity at the Dalrymple Bay Coal Terminal.

Aquila had said the earliest availability from Dalrymple would be at the start of 2015, pushing back the schedule for Eagle Downs.

The definitive feasibility study is due in the second quarter of 2011.

The project is scheduled to begin underground development in 2012 and longwall production in 2014, initially producing 4.6 million tonnes per annum from a single longwall, followed by the staged introduction of a second longwall in 2020 to lift output to 8Mtpa.

Aquila shares are up 3.6% to \$8.94 this morning.

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