

Aquila's stoush with Vale escalates

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The stoush between Aquila Resources Ltd and the world's largest miner, Brazil's Vale, over their Eagle Downs coal joint venture in Queensland has escalated.

Aquila in March sued Vale, claiming it had defaulted under the joint venture agreement by not agreeing to enter into infrastructure arrangements for the Eagle Downs project.

On Tuesday, Aquila said the parties had become embroiled in another dispute, this time concerning the approval of part of the proposed 2010/11 budget for the start of construction of the project.

"The dispute has arisen in relation to the condition upon which the initial capital works component is to be approved," Aquila said in a statement.

"BCC (Vale's subsidiary Bowen Central Coal Pty Ltd) has proposed that the condition be that a feasibility study is delivered and the participants in the project make a decision to undertake mine development for the relevant development area."

Aquila said it did not consider binding commitments for port and rail logistics were a prerequisite for the feasibility study to be delivered.

However, it was "of the strong view that port and rail logistics which are sufficiently certain to be acceptable to relevant financial institutions are a necessary component for a feasibility study to be complete".

Shares in Aquila were down 13 cents, or 1.49 per cent, at \$8.59 at 1152 AEST.