

Vale partner Aquila Resources to exit coal project

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AQUILA Resources, a partner with Vale in Australia, plans to sell its almost quarter stake in the \$2 billion Belvedere coking coal project in Queensland this year to focus on developments including an iron ore mine.

"By the end of the year, we'll be out of Belvedere," said Russell Tipper, general manager of iron ore at the Perth-based company.

"Whatever we get for our share will go towards funding other projects."

Producers of coking coal are increasing output as demand from steel mills rebounds and the global economy recovers. Vale, the world's largest iron ore producer, has an option to buy Aquila's 24.5 per cent stake in Belvedere.

"We intend to sell our interest in Belvedere should Vale not exercise its option," Mr Tipper said.

As well as its option to buy Aquila's stake, Vale is seeking to raise its stake in Belvedere to 75.5 per cent from 51 per cent by buying AMCI (BC). Aquila shares rose 3.5 per cent to \$8.60. Vale is also an equal joint venture partner at Aquila's Isaac Plains mine, which is doubling capacity to 4 million tonnes of steelmaking making coal.

Aquila's Eagle Downs coal project, also in Queensland and jointly owned by Vale, needed about \$1bn to proceed, while its West Pilbara iron ore project would be a "multi-billion-dollar development", Mr Tipper said.

"The biggest funding focus for us will be Eagle Downs and West Pilbara. That will determine our future structure in terms of what projects we retain, what projects we need to either sell down or dispose of," he said.

Aquila has announced plans to develop a \$4.1bn iron ore mine, port and rail project in Western Australia and coal mines in Queensland. The company expects government approvals for the West Pilbara project by the end of next year, along with details of funding. Construction may start in 2012.

"There's a lot of interest in the market to support the project," Mr Tipper said, because it was an alternative to supply from Rio Tinto and BHP Billiton.

Aquila plans to ship iron ore from West Pilbara through Anketell Port. But "it's very early days", Mr Tipper said.