

Aquila deal adds to China links

■ John Phaceas

CHINA has continued to grow its footprint in Australia's resources sector as uncertainty over the proposed resource super profits tax complicates efforts to finance Australian mining projects.

Perth-based coal and iron ore developer Aquila Resources this week announced a landmark co-operation agreement with China Development Bank to explore mutual opportunities to aid Aquila's development and assist the bank grow its business in Australia.

The bank would act through steel giant Baosteel, which bought a 15 per cent stake in Aquila earlier this year.

Aquila said the memorandum of understanding was aimed at supporting projects that met with China's economic development plans, such as its \$4 billion West Pilbara iron ore project in Western Australia, and Isaac Plains, Washpool and Eagle Downs coal projects in Queensland.

The deal canvassed opportunities for "mutually beneficial arrangements for project financing and financial services, and provide that China Development Bank will actively support Aquila both in Australia and China, in the investment in and financing of Aquila's various projects".

Speaking from Canberra, Aquila chief executive Tony Poli said advancing the West Pilbara iron ore project was the partnership's number one priority.

"It provides a framework to work together in particular to fund our share of the West Pilbara iron ore project," he said.

Mr Poli likened the arrangement to that between the bank, Mid West iron ore developer Gindalbie Metals, and Chinese steel giant AnSteel at the \$2

CHINESE DEALS

Aquila signs agreement with China Development Bank.

Gindalbie completes funding agreement for Karara magnetite project.

FMG signs cooperation agreement with China Gezhouba Group Company.

billion Karara magnetite project.

A \$1.2 billion project loan for Karara from the Chinese bank, acting through 50 per cent Karara partner AnSteel, was formally signed in Canberra this week just hours before Aquila announced its own agreement with the bank.

It also came just days after Fortescue Metals Group announced it had signed a cooperation agreement with engineering giant China Gezhouba Group Company to undertake a doubling of its existing Pilbara iron ore mine capacity to 95 million tonnes a year.

Announcing that two other Pilbara expansion projects worth \$17 billion had been shelved because of the planned mining tax last month, Fortescue chief Andrew Forrest warned the tax would drive Australian companies into the arms of state-owned foreign groups. Mr Forrest said such groups would be the biggest beneficiaries of the tax because they would be the only groups willing and able to fund Australian projects.

"You will see a wholesale change in the resources sector ownership from the mums and dads of Australia to Chinese foreign governments or other foreign governments because they're the only ones with the money now," Mr Forrest told Sky News.