

Vale says write down of Mozambique coal venture won't affect project

Company denied reports claiming that partner Mitsui was revising the terms of their association.

Cecilia Jamasmie | Mar. 31, 2016, 8:00 AM | 🔥 2155 | 💬 1



Stockyard at Moatize coal mine, Mozambique. (Image courtesy of Vale)

Mining giant Vale (NYSE:VALE) said Thursday that its venture partner in Mozambique's coal project, Japan's Mitsui & Co., has no plans to revise the terms of their association or its involvement in it, as reported by Brazilian newspaper *Valor Econômico* (in Portuguese).

Citing unnamed sources, the local paper claimed that Mitsui was mulling a revision of the joint venture after Vale took a \$2.4bn charge on their jointly owned Mozambique coal assets.

The operations continue to cost Vale half a billion dollars per year in losses, according to the financial results released in February. The Mozambique write-down was the second largest single factor behind Vale's \$8.57 billion fourth-quarter net loss. The biggest single write-down was \$3.46 billion on a nickel project in Canada.

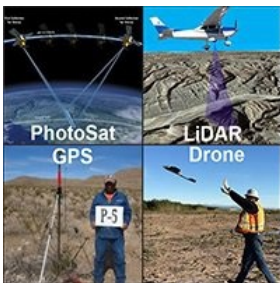


Vale has been unable to obtain project financing to complete a [2014 deal to sell a stake in its Mozambique coal operations](#) to Mitsui. That transaction, originally scheduled for completion in the second half of 2015, would have boosted Vale's cash flows by \$3 billion.

The Rio de Janeiro-based miner [noted that Mitsui continues to support Vale](#) in its negotiations with Nexi and JBIC for financing.

The Moatize basin in Mozambique's northwest Tete province is said to hold one of the world's largest untapped coal reserves, being especially rich in coking coal, which is used in steel production.

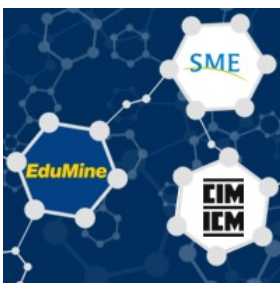
But companies operating in the area are battling the sharp drop in coal prices and demand, while the reserves of coking coal have turned out to be not as rich as initially thought. They have also been hurt by infrastructure challenges as they still depend on one colonial-era, multi-use single-track railway line to ferry coal to the Beira port.



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