



HD Posco unperturbed by Baosteel tilt at Aquila

WC 404 words

PD 13 May 2014

SN Steel Business Briefing

SC STSCNW

LA English

CY © 2014 McGraw-Hill, Inc.

LP

South Korean steelmaker Posco said its status in the \$7 **billion** West Pilbara **iron ore** project would be unaffected by **China's** Baosteel acquiring Aquila Resources, which owns 50% of the Western Australia project. "Our official stance is that even if there is a **stake** change in ownership it will have no effect on our role in the project," a Seoul-based Posco spokesman said.

Posco owns 49% of AMCI, which holds the 50% balance of West Pilbara, giving the Korean **company** a near 25% **stake** in the project. In early May, Shanghai-based Baosteel – in conjunction with Queensland freight haulage **company** Aurizon – tabled a \$1.3 **billion** takeover bid for Aquila, which the Perth-based junior miner is still mulling.

TD

The Posco spokesman said the steelmaker had "no intention" of changing its status in the project, which entitles it to up to 10 **million** mt/year of **iron ore** offtake when production eventually starts. "But if you ask the same question of Baosteel and the other companies they may give you another perspective," he said.

AMCI was unavailable for comment and Aquila is not commenting on the proposed takeover from Baosteel and Aurizon.

Posco paid \$162 **million** for half of AMCI in 2010, and has repeatedly said its intention is to become 50% self-sufficient in **iron ore** within the next few years. It also owns 12.5% of the Roy Hill **iron ore** project in Western Australia which is likely to begin producing in late 2015 or early 2016.

Baosteel currently owns 20% of Aquila but if it is successful in its bid to acquire all of the **company** it would in principle be entitled to half the proposed 30 **million** mt/year of **iron ore** that West Pilbara could eventually produce. The project has been mothballed over the past 18 months or so as Aquila and AMCI have been unable to agree on a development budget.

Perth-based Morgans analyst James Wilson said the deal under its current structure of A\$3.40 (\$3.20) per Aquila share would be a good one for Baosteel, as "even at a 30% premium they're really buying these tons quite cheap given how much has already been spent [on the project]."

-- Paul Bartholomew

For questions about editorial content, or to subscribe call +44 (0) 20 7626 0600, info@steelbb.com

© Steel Business Briefing 2014

CO aqres : Aquila Resources Ltd. | baois : Shanghai Baosteel Group Corp | pohn : Posco Co

IN i221 : Iron/Steel/Ferroalloys | i22 : Primary Metals | ibasicm : Basic Materials/Resources | i211 : Metal Ore Mining | i2112 : Gold Ore/Silver Ore Mining | imet : Mining/Quarrying | isteel : Steel Production

NS c181 : Acquisitions/Mergers/Takeovers | cacqu : Acquisitions | c18 : Ownership Changes | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcipn : FC&E Industry News Filter

RE austr : Australia | china : China | queensl : Queensland | skorea : South Korea | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

PUB The McGraw-Hill Companies, Inc.

AN Document STSCNW0020140520ea5d0000o