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HD **Posco says ore stake unaffected by Baosteel buy**

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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.

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Posco owns 49% of AMCI, which holds the 50% balance of West Pilbara, giving the South 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.

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 could not be reached, and Aquila declined to comment on the proposed takeover by Baosteel and Aurizon.

Posco paid \$162 million for half of AMCI in 2010 and has repeatedly said it intends to become 50% self-sufficient in iron ore in the next few years. It also owns 12.5% of the Roy Hill iron ore project in Western Australia, which is expected 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 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 as Aquila and AMCI have been unable to agree on a project 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 good 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]."

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