

HD **UPDATE 1-Australia's Aquila bows to Baosteel's \$1 bln bid**

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* Aquila rejected rival A\$1.54 bln all-share offer

* Aquila boss plans to accept Baosteel, Aurizon bid

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* Aquila says better offer still possible

* Aquila shares jump 7 pct to just below Baosteel bid price (Adds comments from Mineral Resources, share price moves)

MELBOURNE, June 18 (Reuters) - Australian **iron ore** developer Aquila Resources Ltd told shareholders to accept a takeover offer led by **Chinese** steel giant Baosteel Resources valuing the **company** at \$1.3 **billion**, in a surprise move after rejecting a higher rival bid.

At **stake** is Aquila's holding in the \$7 **billion** West Pilbara **Iron Ore** mine, rail and port project, which Baosteel wants to kick start with Australian rail operator Aurizon Holdings Ltd .

Baosteel and Aurizon have jointly offered to pay A\$3.40 a share for shares that the **Chinese** steel giant doesn't already own. That puts their offer at \$1 **billion**.

Aquila's executive chairman and co-founder Tony Poli, who with a 29 percent **stake** was seen as the biggest hurdle to Baosteel and Aurizon's bid, planned to accept their offer, Aquila said.

"It remains possible that a superior proposal could emerge," Aquila added, telling shareholders not to rush into taking any action on the offer, due to close on July 11.

The **company** rejected a higher offer from new shareholder, **mining** contractor Mineral Resources Ltd, that valued the **company** at A\$1.54 **billion** (\$1.45 **billion**). Aquila and Mineral Resources said they had ended talks.

Mineral Resources' bid came a week after it bought a 13 percent **stake** in Aquila for A\$197 **million**, hoping to gain a say in plans to develop the West Pilbara **Iron Ore** project (WPIOP), as it has been working on plans to build the project for less than the current estimate of A\$7.4 **billion**.

At the time Mineral Resources said its share **purchase** was not a precursor to a bid, and that it would seek talks with all stakeholders about plans for the project.

"We remain of the view that the WPIOP is an attractive asset if it is developed using a fit-for-purpose development plan," Mineral Resources managing director Chris Ellison said in a statement.

Its proposed rival all-share offer valued Aquila at A\$3.75 a share, in line with the price Mineral Resources paid for its **stake** and 10 percent above the A\$3.40 a share that Baosteel and Aurizon have offered.

Aquila's shares jumped 7.2 percent to A\$3.355, indicating investors see a deal going ahead after uncertainty surrounding Mineral Resources' intentions last week knocked the shares down well below Baosteel's offer price.

Mineral Resources said it had yet to decide what to do with its **stake** in Aquila. Its own shares fell 2.5 percent to an 11-month low.

Baosteel, which owns 20 percent of Aquila, has been trying to get the West Pilbara **Iron Ore** project under way ever since it first bought into Aquila in 2009. After losing patience, it decided to make a bid for the **company** with Aurizon.

It warned last week that it would not raise its offer and not extend the bid, and said if the bid failed, it would not back the West Pilbara project and may dump its shares in Aquila.

Baosteel and Aurizon had no immediate comment. (\$1 = 1.0639 Australian Dollars) (Reporting by Sonali Paul; Editing by Richard Pullin and Ryan Woo)

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