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HD UPDATE 1-Baosteel, Aurizon rule out higher offer for Australia's Aquila

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LP \* Baosteel, Aurizon make \$1.32 bln hostile offer for Australia's Aquila final

TD \* Bidders unmoved by raid on shares by newcomer Mineral Resources

\* Aquila tells shareholders to sit tight for now

\* Baosteel warns may walk away from iron ore project if bid fails (Adds Aquila comment, more details, Aquila closing shares)

By James Regan and Sonali Paul

SYDNEY, June 13 (Reuters) - China's Baosteel Resources and [Aurizon Holdings](#) said on Friday that they had no intention of increasing a joint A\$1.4 billion (\$1.32 billion) offer for Australian iron ore miner [Aquila Resources](#).

The statement signals Baosteel and Aurizon were unmoved by an above-market purchase of 13 percent of Aquila by a potential white knight.

Mining and construction group Mineral Resources Ltd said on Thursday that it had bought more than 52 million Aquila shares in the open market at A\$3.75 a share, or around A\$197 million (\$185.53 million).

That is considerably more than Baosteel and Aurizon's joint bid of A\$3.40 a share, and above Aquila's 30-day average share price of A\$3.44. The stock closed at A\$3.10 on Friday.

"The bidders today announce that they will not increase the offer price," Baosteel and Aurizon said in a joint statement, adding that the offer will close on schedule July 11.

Aquila responded by saying it continues to explore all options, and reiterated its recommendation that shareholders take no action at this time.

Mineral Resources said it wanted to participate in Aquila's West Pilbara Iron Ore Project (WPIOP), which has been delayed over how to fund the estimated \$7 billion cost.

Sources close to the bidders said neither company had yet to hold any discussions with Mineral Resources.

If Mineral Resources was to eventually sell into the offer, it would realise a loss of around A\$18 million (\$16.95 million).

Baosteel, already a shareholder in Aquila, has expressed frustration with the delay and wants to kickstart the project by taking over the company.

Aurizon's goal is to take control of the rail and port tied to the development and open them up to other users.

Rail and port access is highly competitive in Australia's Pilbara iron ore belt, the world's single largest source for iron ore.

Baosteel said in Friday's statement it will consider whether to retain its shareholding in Aquila if the offer lapses.

"If the bid is unsuccessful, and based on the current facts known to us at the date of this announcement, Baosteel sees no meaningful prospect for being involved in the development of the WPIOP," it said.

"In those circumstances Baosteel (and its related entities) would have to carefully consider their ongoing shareholding in Aquila," it said.

Major project partners, South Korean steel giant POSCO 005490.KS and U.S.-based investor AMCI, have repeatedly said they remain committed to it.

Aquila has previously told shareholders to sit tight while an independent committee reviews the offer.

Aquila has until June 20 to formally respond to the bid.

For the takeover to succeed, the suitors need the approval of at least half of Aquila's share base.

Aquila's chairman holds 28.9 percent of Aquila's stock and co-founder Charles Bass owns about 11 percent.

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CO mnrlau : Mineral Resources Limited | qmtrnl : Aurizon Holdings Limited | aqres : Aquila Resources Ltd. | baois : Shanghai Baosteel Group Corp | dorval : Aurizon Mines Ltd | hclamn : Hecla Mining Co

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