

**HD** \*Wuhan Not In Bidding For Rio Tinto's Canadian **Iron Ore** Assets

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22 Jan 2014 16:46 EDT Wuhan Not in Bidding for Rio Tinto's Canadian **Iron Ore** Assets

By Alistair MacDonald and Cynthia Koons

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**China's** Wuhan **Iron** & Steel (Group) Corp. said it isn't in the bidding for the Canadian **iron-ore** assets of Rio Tinto PLC, signaling the **mining** giant faces fewer options for offloading an asset that once attracted broad interest, according to people familiar with the matter.

Rio Tinto now will consider whether it should lower the price of the asset or put on hold the sales process for a deal that would have been the largest in the global **mining** sector in about a year, one of these people said.

Rio Tinto began shopping around its 59% **stake** in **Iron Ore** Co. of Canada in the spring of last year, but interest has all but fizzled, according to the people familiar with the matter.

Like other global miners, Rio Tinto has been trying to shed assets to whittle down the debt it built up during the commodity boom. But amid continued volatility in the price of metals and a dearth of **mining** deals, Rio Tinto has in at least two instances proved willing to pull a **sale** if offers don't hit its target.

Among those most recently interested in **Iron Ore** Co., Canada's largest **iron-ore** producer, were Glencore Xstrata PLC, Teck Resources Ltd. and Wuhan, according to people familiar with the matter.

By November, Canada-based Teck was no longer interested at the price being asked, according to a person familiar with the matter. A spokesman for Teck declined to comment.

Now, Wuhan **Iron** & Steel says its interest is no longer active.

"There was some interaction, but no concrete progress," a spokesman for the steel **company** said, declining to comment further.

Commodities group Glencore Xstrata had shown interest as far back as June and began looking again toward the end of last year, according to people familiar with the matter. However, Rio Tinto isn't expecting a deal to materialize in the near term, according to another person familiar with the matter, though it is unclear whether it might come back to the table.

A spokesman for Glencore Xstrata declined to comment.

Some potential bidders said Rio Tinto was asking too high a price that didn't reflect the assets' complexity. **Iron Ore** Co. has two other owners and, in addition to a mine in Labrador, owns transport infrastructure, such as a rail line and port facilities in northern Quebec. One person familiar with the matter said that at one stage, Rio was looking for about \$3.7 **billion**.

Some previous bidders haven't ruled out returning to the fray, according to people familiar with the matter. And analysts believe that Rio Tinto is in no hurry to sell.

**Iron ore** was one of the world's best performing industrial commodities last year, with much of the relative strength coming after Rio Tinto began touting the **Iron Ore** Co. **stake** last March. More recently, prices have fallen, hitting a six-month low Tuesday.

Last June, Rio Tinto dropped plans to sell a different Canadian asset--a majority interest in a diamond mine--after that **stake** and the **company's** other diamond properties failed to attract enough interest. In August, it pulled the **sale** of Pacific Aluminum as demand for that metal fell.

In December, Chief Executive Sam Walsh made clear the **company** wouldn't sell assets cheaply.

"Where people are making lackluster offers, we are not going to be rushing into something stupid," he told an investor conference. "I think the action that we took in relation to PACAL (Pacific Aluminum) and diamonds showed that very starkly."

That stance comes amid a wider dearth of merger-and-**acquisition** activity in the **mining** sector. Last year's takeover tally ranked as the lowest, by value, since 2004, according to data provider Dealogic.

A **sale** to a **Chinese** state-owned **firm** would have been the first test of new rules Canadian Prime Minister Stephen Harper's government applied to state-owned bidders in the wake of Cnooc Ltd.'s controversial \$15.1 **billion** takeover of Nexen Inc. about a year ago.

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