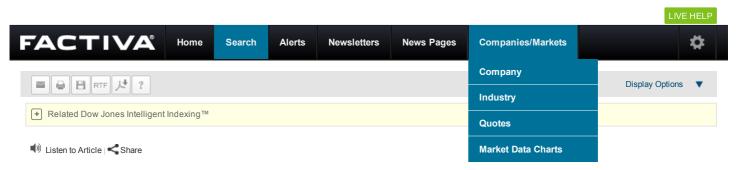
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HD MinRes tells Baosteel it can deliver Pilbara mine cheaper

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LP Mineral Resources will try to strike a deal with Chinese steel giant Baosteel over the development of the \$7.4 billion West Pilbara iron ore project at the centre of a takeover fight, claiming it can do it cheaper and better than traditional infrastructure providers.

MinRes' manoeuvring comes as the suitors for the project's major shareholder, Aquila Resources, upped the stakes late Friday.

TD Bidders Baosteel and rail major Aurizon made their \$1.4 billion all-cash offer for the junior "best and final", ahead of the Aquila board's response, expected

The stalled greenfield West Pilbara iron ore project is at the heart of the hostile takeover tilt. Baosteel and Aurizon are playing hard ball after a surprise on-market raid sent the fight for Aquila up a notch, with Mineral Resources chief Chris Ellison nabbing a stake of almost 13 per cent on Wednesday.

The suitors' stance puts serious heat on Aquila chairman Tony Poli, who is also the company's largest shareholder, with 28.9 per cent. He has gone to ground since the offer was lobbed more five weeks ago.

Mineral Resources, which bought in at \$3.75 a share, a premium to the bid price of \$3.40, could also sweat a little. But the group's end game is far greater than an attempt to lever the bid higher. The \$197 million share raid has bought it a role in the West Pilbara project.

MinRes will argue it can deliver the project for a substantially less than its \$7.4 billion capex price tag, which assumes \$6 billion for rail and a deepwater port at Anketell point, and \$1.4 billion for the iron ore mine it underpins.

It is angling to design, construct and operate the project, and is likely to present its case to the parties, with a focus on Baosteel, after the Aquila board issues its target's statement next week.

In a market awash with iron ore MinRes will likely pitch that \$7.4 billion is too great a capital hurdle that will deter many financiers.

Keeping a lid on capex for the West Pilbara project is crucial given the grade of the ore resource, which at 57 per cent is short of the 62 per cent benchmark and too low quality to be a threat to Rio Tinto or BHP Billiton's Pilbara product.

Mining industry sources said MinRes was a far more cost effective player than traditional project and infrastructure providers. It does almost all its work inhouse. It is understood MinRes could seek to take a direct equity stake in the West Pilbara project, or to own and operate parts of the mine.

CO aqures : Aquila Resources Ltd. | baois : Shanghai Baosteel Group Corp

IN i2111: Iron Ore Mining | i211: Metal Ore Mining | ibasicm: Basic Materials/Resources | imet: Mining/Quarrying | i22: Primary Metals | i221: Iron/Steel/Ferroalloys | igoldm: Gold Ore Mining | isteel: Steel Production

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