

SE Business
HD **Baosteel jostles for offtake**
BY Nick Evans
WC 439 words
PD 7 May 2014
SN The West Australian
SC TWAU
ED Second
PG 1
LA English
CY (c) 2014, West Australian Newspapers Limited
LP

Baosteel's desire for direct control of the output of a WA **iron ore** mine is emerging as the key factor in its \$1.4 **billion** tilt for control of Aquila Resources, with the **company**'s joint bid with haulage provider Aurizon disclosing that the **Chinese** steelmaker made an offtake agreement a key component.

Aquila boss Tony Poli is yet to publicly indicate whether he will accept the \$3.40-a-share offer for his 29 per cent **stake** in the **company** he co-founded in 2000.

TD

But it is becoming clear Aquila's executive chairman is likely to be isolated by both of his joint venture partners in the \$7.4 **billion** West Pilbara **iron ore** project, with POSCO tipped to join American Metal & **Coal** International in support of the Baosteel offer. POSCO and AMCI own half of West Pilbara and Aquila the other 50 per cent.

The Baosteel-Aurizon bidder's statement could be released later this week.

Senior POSCO executives in WA would not comment on the Baosteel offer yesterday.

But while the South Korean **company** has long been marked down as a potential seller of its 24.5 per cent **stake** in the Australian Premium **iron** joint venture that controls the West Pilbara project, sources close to POSCO suggest that could change if the Baosteel-Aurizon tilt results in an ownership restructure.

Aurizon and Baosteel made it clear on Monday they intend to separate API's assets.

Aurizon's goal is to secure majority ownership of the rail and port infrastructure and Baosteel is targeting Aquila's half **stake** in the 40 **million** tonne-a-year **iron ore** mine.

That could strip the bulk of the capital costs from Baosteel, AMCI and POSCO, leaving them required to find only \$1.7 **billion** to develop the mine if they want no infrastructure **stake**.

Baosteel Resources chief financial officer Wu Yiming on Monday nominated a failure to agree over offtake as a key frustration that led to its decision to bid for Aquila, rather than take a direct project **stake**.

Aurizon proved more amenable, agreeing to cede Baosteel the right to 80 per cent of Aquila's share of West Pilbara's output, in line with its total shareholding, if the bid is successful.

It is understood POSCO's interest is similar. Debt stressed, POSCO balked at paying a quarter of the total construction bill.

Industry sources suggest a deal to contribute only to the mine development in exchange for guaranteed offtake in proportion to its spending would be more palatable.

Aquila shares yesterday gained 3¢ to \$3.37.

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

IN i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | i211 : Metal Ore Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | i2112 : Gold Ore/Silver Ore Mining | isteel : Steel Production

NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB West Australian Newspapers Limited

AN Document TWAU000020140506ea570000f