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AU **Greg Roberts**  
BY Greg Roberts  
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LP THE statement from China's Baosteel and Brisbane-based Aurizon late yesterday was blunt and triggered an immediate 12 per cent slump in takeover target Aquila's share price.

The suitors would not boost their \$1.4 billion takeover bid for the West Australian iron ore miner, or extend the \$3.40 a share offer.

TD What's more they threatened to walk away from the deal entirely. Aquila shares surged as high as \$3.77 on Wednesday after Mineral Resources bought a near \$200 million, 13 per cent stake at \$3.75 a share.

Perth-based Mineral Resources wants to deal itself in to Aquila's stalled \$7.4 billion West Pilbara iron ore project.

The market had speculated that the Chinese steelmaker and Aurizon would have to boost their offer to stay in the hunt. But Aquila's shares slumped 44¢ to \$3.10 yesterday after Baosteel chairman Dai Zhihao threatened to dump his company's 19.8 per cent stake in Aquila and any involvement in the West Pilbara project.

"If the bid is unsuccessful ... Baosteel sees no meaningful prospect for being involved in the (project)," he said.

"In those circumstances Baosteel ... would have to carefully consider their ongoing shareholding in Aquila," Aurizon CEO Lance Hockridge said. Aquila shareholders should take into account that iron ore prices have declined about 15 per cent since the joint bid was announced last month. Analysts say Aquila chairman Tony Poli will have to think twice about the logic of holding onto his 30 per cent shareholding for a better offer.

CO basis : Shanghai Baosteel Group Corp

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