ArcelorMittal, Nunavut Gain Control Of Baffinland

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TORONTO (AP) -- Steel producer ArcelorMittal and Nunavut Iron Ore Acquisition said Friday they have increased their stake in Canada's Baffinland Iron Mines Corp. to 93 percent and will complete their joint $594 million takeover of the junior mining company.

The companies have acquired an additional 16.5 million commons shares in Baffinland, which controls a massive iron ore deposit in Canada's Arctic. The added shares, together with the stock already held by both buyers, means Luxembourg-based ArcelorMittal and Nunavut now control a 93 percent stake.

The world's largest steelmaker and Nunavut Iron Ore Acquisition Inc. also said they have acquired 76 percent of Baffinland's outstanding 2007 warrants.

ArcelorMittal and Nunavut Iron had been in a takeover fight for Baffinland and its massive Mary River iron ore project that is viewed as one of the world's largest undeveloped iron ore assets. The project is expected to cost billions and could include a rail line, port and a specially built tanker that can navigate Arctic ice.

ArcelorMittal will own 70 percent and Nunavut Iron will own 30 percent. ArcelorMittal had been seeking all of Baffinland, while Nunavut Iron only wanted to increase its roughly 10 percent stake in the company to 60 percent. Nunavut Iron, backed by U.S. private equity firm Energy & Minerals Group, made the first bid in September for 80 Canadian cents.

Baffinland says it has 365 million tons of proven and probable iron reserves at its Mary River property in Nunavut Territory on Baffin Island in northeastern Canada. The deal requires two-thirds shareholder approval.

Baffinland revamped its board and named Phil Du Toit, the ArcelorMittal executive vice president in charge of mining projects and exploration, as Baffinland's new president and chief executive. Five directors also left the Baffinland board, which was expanded to 11 directors. Aditya Mittal, ArcelorMittal's chief financial officer, was named chairman.

Shares of Baffinland rose one cent Canadian to CA$1.50 in early afternoon trading on the Toronto Stock Exchange. The stock had traded for 56 cents in September, before it first announced Nunavut Iron's initial unsolicited offer for the company.

ArcelorMittal has been building up its iron ore reserves as it seeks to protect itself against price increases in the metal, which is a key raw material for steel.

The world's three biggest iron ore suppliers last year decided to price their contracts on a quarterly basis rather than an annual one, making steel producers more vulnerable to sudden price changes.

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