Dynasty Metals rebuffs Chinese suitor

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The Australian reported that Dynasty Metals has terminated a USD 5 million share deal after its Chinese suitor tried to alter the plan and push for an 80% stake in the junior's explorer's iron ore project.

Dynasty announced in February that China's Henan Rebecca Holding would take a 33.3% stake, but Chairman Mr Richard Oh said that negotiations hit a wall when the Chinese group instead decided to seek a controlling interest in its Prairie Downs iron ore project.

The Chinese push came despite the fact that Dynasty had yet to define a substantial reserve at its Pilbara tenements, with a drilling program to start in August.

Mr Oh said that Henan Rebecca requested a joint venture after visiting the site, following its original agreement to take a stake in the Perth-based company.

He said that "Given the economic climate, the Chinese think they can make offers that test our resolve. They wanted a better deal than we were willingly to give."

Mr Oh said that he understood why the Chinese had been aggressive in their attempt to secure deals in the Pilbara. Dynasty had firm relationships with several Chinese groups. Chinese enquiries about junior Pilbara projects focused on access to infrastructure, because the ports and rails were controlled by the majors.

Dynasty released a statement recently saying that it had asked major Pilbara producers and the state government to clarify the access issue.

The company said that "The outcome is that Dynasty is confident that in the circumstances where exploration successfully defines a substantial reserve of iron ore, infrastructure access will not be an impediment to the development of a mine."

Consolidation among the juniors in the Pilbara is widely expected as it is the only means for smaller miners to tap into existing infrastructure or fund new development. The issue has been gaining momentum since neighbouring juniors Warwick Resources and Hannans Reward merged their iron ore tenements last month.

Warwick, which is 20.88% owned by Atlas Iron, purchased Hannans Reward's East Pilbara iron ore tenements for USD 5.25 million.

Mr Oh said that he had made enquiries with his neighbours understood to include Fortescue Metals Group, which has championed the need to unlock the Pilbara infrastructure to allow third party access.

He said that "The diplomatic response has been that they don't see it as an issue and to come and talk to them when we have the reserves."

(Sourced from the Australian)

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