

SE Business
HD **Suitors bypass largest owner in all-cash bid**

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Takeover - Aquila boss goes to ground

Momentum is fast building around Baosteel and Aurizon's \$1.42 **billion** takeover offer for Perth junior Aquila Resources, but major shareholder Tony Poli is shaping as the wildcard that could force a higher bid.

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The all-cash, unsolicited offer of \$3.40 a share might need to be improved to convince Mr Poli to let go of his 28.9 per cent holding.

Snaring Aquila would grant Aurizon and Baosteel - **China**'s biggest steel maker - a 50 per cent **stake** in the stalled \$7.4 **billion** West Pilbara **iron ore** project.

The usually vocal Mr Poli, who is executive chairman of Aquila, has gone to ground and his position on the bid remains unclear. But the chances of a counter bid are low given Baosteel already owns 19.8 per cent of the **company**.

Credit Suisse analyst Paul McTaggart said: "The fact that the bidders have gone directly to shareholders would suggest there remains a significant gap between Tony Poli's probable price expectations and the proposed offer price."

The suitors' plans to restructure the West Pilbara project ownership by splitting it into separate mine and infrastructure vehicles would be easier to execute with full ownership of Aquila.

If the bid succeeds, Aurizon would look to take majority ownership in the infrastructure vehicle, worth about \$6 **billion**, while the roughly \$1.4 **billion** in **mining** assets would be housed separately.

Sources have suggested Aquila's suitors might find it easier to tempt Mr Poli's co-founder Charles Bass, who holds about 11 per cent, given he is no longer on the board and removed from daily **operations**.

On resigning as a non-executive director in November, Mr Bass said he did not intend to sell any shares "in the near future".

But Baosteel's bid could see him change his tune.

Aquila's biggest institutional shareholder - fund manager **M&G** with 13 per cent - is trying to trim its exposure to **mining** and is understood to be open to the Baosteel-Aurizon bid.

The offer is conditional on 50 per cent acceptances. Given Baosteel's existing **stake**, if Mr Poli does not support the offer, the suitors will need to get 30.2 per cent of an available pool of 51.3 per cent.

The attempt to buy Aquila is a vote of confidence from **China** Inc in **iron ore**, but the timing surprised many because of volatility in the price of the commodity and talk of a softening in **Chinese** demand.

The West Pilbara project includes a \$6 **billion** port development at Anketell point, near Dampier on the Pilbara coast.

CO aqres : Aquila Resources Ltd. | dorval : Aurizon Mines Ltd | hclamn : Hecla Mining Co

IN i211 : Metal Ore Mining | i2112 : Gold Ore/Silver Ore Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying

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