

FINANCIAL REVIEW

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HD **Aquila holder bows to 'opportunist' Baosteel**
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One of Aquila's 20 biggest shareholders has summed up the mood among some investors about Baosteel and Aurizon's \$1.42 **billion** takeover bid, saying he will be a reluctant seller into a ridiculously cheap deal.

Perth investor David Banovich, who has been a shareholder for 14 years, stands to make roughly \$8 **million** from selling his holdings into **Chinese** steel giant Baosteel and rail major Aurizon's \$3.40 a share offer, which last week got the blessing of Aquila's board.

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Mr Banovich bought his Aquila shares for about 20¢ each in 2000, on the recommendation of his broker.

But he is a reluctant seller, and says the bid is opportunistic and grossly undervalues Aquila.

"The offer prices the project's **iron ore** at \$13 a tonne, and puts no value on the coking **coal** (at Eagle Downs)," he said.

"It is ridiculously cheap. **Chinese** companies need to worry about their PR. You can make an offer that's fair; you don't have to steal assets."

Mr Banovich said **iron ore** majors Rio Tinto and BHP Billiton would be mad not to consider a counter-bid, as the Aquila deal will allow **China** to build its own port in the Pilbara, at Anketell Point. However, he said it was unlikely they would put an offer on the table.

At the heart of the jousting for Aquila is the **iron ore** junior's majority shareholding in the \$7.4 **billion** West Pilbara **iron ore** project.

On Wednesday, Aquila's board recommended that shareholders accept the offer, and at same time rejected a counter-offer, of all scrip at \$3.75, from Perth **mining** services **firm** Mineral Resources.

The Aquila board had handled the bid process with dignity, particularly by avoiding responding to negative public comments from Baosteel executives, Mr Banovich said.

"The **Chinese** have been bully boys and the board have been fantastic in the face of that," he said. "They have avoided mudslinging and responded in a measured, unemotional way."

Aquila's board last week recommended the offer in the absence of a superior bid.

Mr Banovich said the bid prices the West Pilbara **iron ore** at \$13 a tonne, based on an annual shipping rate of 40 **million** tonnes for 40 years.

He said a fair price was about \$4.50 to \$5 a share, given where Aquila was trading (about \$2.40) before Bao and Aurizon lobbied their bid.

His figure falls within the \$3.90 to \$5.24 a share valuation range that Grant Samuel said was fair, in their independent expert's report released on Friday night. Grant Samuel said the bid was reasonable but not fair.

Mr Banovich has been a committed shareholder and has held about the same **stake** since first buying in 14 years ago. "I'm disappointed the project didn't come into production," he said. "I was hoping if I waited long enough Aquila would start paying a dividend and become a leading **company**."

"I was determined to treat it as a long-term holding. It's not a good outcome for my grandchildren."

But Mr Banovich feels he has no choice but to sell; the alternative would be to have a minority shareholding in a privately owned **company**.

Aquila chairman Tony Poli, who is also the **company's** largest shareholder, has said he will punt his 28.9 per cent **stake** into the offer, but has the "right to revisit this". He has recommended shareholders wait until July 3 before accepting the offer, which closes on July 11, in case a superior bid is made.

Aquila shares closed Monday at \$3.37, just below the offer price.

CO baois : Shanghai Baosteel Group Corp | dorval : Aurizon Mines Ltd | hclamn : Hecla Mining Co
IN i211 : Metal Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | igoldm : Gold Ore Mining | imet : Mining/Quarrying | isteel : Steel Production
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