

SE Business
HD **MASTERFUL MANOEUVRES, AND BACKFIRED BET, PUT BAOSTEEL IN BOX SEAT**
BY Sarah-Jane Tasker, comment
WC 657 words
PD 19 June 2014
SN The Australian
SC AUSTLN
ED Australian
PG 26
LA English
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The target's boss, Tony Poli, may have lost his nerve

CHINESE steel giant Baosteel has played a truly masterful game in winning control of the next, and possibly last, major Australian **iron ore** development.

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In its battle for Aquila Resources the **Chinese** took an aggressive approach they are not usually known for to gain a strong foothold in Western Australia's sought-after **iron ore** province.

From the outset Baosteel blamed Aquila's lack of progress on developing its main **iron ore** and **coal** assets as the reason for the hostile approach.

It then played its final trump card when it put a stop to market speculation it would increase its bid by warning that its \$3.40-a-share offer was final and would not be increased. Baosteel's hand was forced last week after **mining** services and processing **company** Mineral Resources moved on to Aquila's share registry and got to work on a rival, all-scrip bid.

Baosteel was not happy with its new rival and it pushed back hard, warning that it would never be involved in Aquila's \$7 **billion** West Pilbara **iron ore** project — either as financier or customer — if its bid did not succeed.

Aquila's top man, Tony Poli, who holds almost 30 per cent of the **company**'s stock, has remained silent since the bid was launched and is yet to respond to some of the claims about his team's progress on its key projects.

Given the chatter after the bid was launched, and looking at some of the carefully controlled statements Aquila made, Poli and his board were likely to be leaning towards rejecting the bid in its original form.

But then the **Chinese** state-owned entity, which holds 20 per cent of Aquila, made it clear the offer price was not up for negotiation. Poli was then left with two choices: take the cash and net more than \$400 **million** for himself, or agree to a friendly merger deal with his fellow West Australian **mining** **millionaire** Chris Ellison, who heads up Mineral Resources.

The battle got tense but the **Chinese** did not blink and Poli opted for the certainty of cash and backed down from his natural instinct to push for a sweeter deal.

Mineral Resources is the loser in this fight and sources from its camp say Baosteel played a hard game and that Poli lost his nerve to push for a higher price from the **Chinese** by backing the scrip bid.

Talk from the camps suggests that the scrip bid between the two Perth companies was being seriously considered and it was not until late on Tuesday that the game changed from recommending the scrip bid to throwing support behind the cash offer.

Mineral Resources may be the **company** left with egg on its face but it obviously believed in its strategy of gaining a 12 per cent **stake** in Aquila and putting itself squarely in the middle of Baosteel's bid. The rationale behind that move was that it believed that with a 12 per cent **stake** it only had to negotiate with one party to succeed in a deal — Poli. And betting on Poli was a chance Ellison was willing to take.

The **Chinese** did not like Mineral Resources muscling in on what it continually pitched as a “compelling” offer and that annoyance was felt at the top.

The **Chinese** steel giant fed its thoughts back to Mineral Resources — thoughts Aquila was obviously aware of — and they were that its top executives would not engage with Aquila's newest shareholder. The **Chinese** will have to negotiate with Mineral Resources over its shareholding but how that transpires is anyone's guess. This deal has not gone according to the previous rule books, or market speculation, so do not discount another surprise before this deal is done.

CO aqures : Aquila Resources Ltd. | baois : Shanghai Baosteel Group Corp

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