

FINANCIAL REVIEW

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HD **Baosteel snubs Ellison in Aquila spat**
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Baosteel chairman Dai Zhihao has snubbed Mineral Resources boss Chris Ellison as the \$1.4 **billion** takeover fight for Aquila Resources heats up, warning if the steel giant's bid fails it will find it difficult to access the **Chinese** market for Aquila's key project.

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

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Mineral Resources could launch a counter bid for Aquila, after raiding the junior's register for **stake** of almost 13 per cent last week.

It would scupper Baosteel's \$3.40-a-share all cash offer, which has put jointly with rail major Aurizon.

On Monday, Mr Dai wrote to Mr Ellison to make it clear that if the Baosteel bid fails, the West Pilbara project will have no support – financial or otherwise – from **China**.

"We believe **Chinese** market support is critical to the success of the project on many levels," he wrote.

"I hope you understand our position and why I don't see value in a meeting."

If Baosteel's offer was not successful, the **firm** would not support the project in the form of sales, marketing or off-take, he wrote.

MinRes, a Perth **mining** services and minerals processing group, paid \$197 **million** for a **stake** of almost 13 per cent in Aquila last week.

It has the ultimate aim of having their development plan adopted for the West Pilbara **iron ore** project where it would design, build and in part operate the mooted facility.

MinRes had hoped to engage Baosteel and strike a deal over the development of the project.

Baosteel was enraged by MinRes' move to raid the Aquila register and buy a blocking **stake** – a move made without consulting the steel giant.

On Monday, MinRes entered a trading halt, ahead of "a potential corporate transaction".

Sources suggest it will reveal a scrip counter bid.

It is not thought to have the financial capacity to put cash on the table.

The halt prompted the Bao chair to write to Mr Ellison, encouraging him to buy into the Baosteel bid, which would see the Perth **firm** take a loss.

Min Res bought in last week at \$3.75 a share, a premium to the \$3.40-a-share offer.

In his letter, Baosteel's chairman reiterated that the bid was "the only viable pathway for Aquila and development of the West Pilbara project".

Aquila owns the West Pilbara project with private **equity** house AMCI and Korean steel giant POSCO, who each hold 25 per cent.

Baosteel and rail major Aurizon upped the ante on Friday when they said their joint all-cash \$3.40 a share offer for Aquila was "best and final".

Mr Dai's sentiments echo a statement put out by the **company** on Friday that it would abandon the West Pilbara project if the bid failed.

However, the announcement included a caveat, "based on the current facts known to us at the date of this announcement".

It could also look to dump its 19.8 per cent shareholding in Aquila if the bid fell over.

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| CO | aqres : Aquila Resources Ltd. baois : Shanghai Baosteel Group Corp |
| IN | i22 : Primary Metals i221 : Iron/Steel/Ferroalloys ibasicm : Basic Materials/Resources i211 : Metal Ore Mining igoldm : Gold Ore Mining imet : Mining/Quarrying isteel : Steel Production |
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