

FINANCIAL REVIEW

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HD **Stokes happy with BC iron takeover bid**
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Billionaire Kerry Stokes is set to swap his **stake** in a would-be **iron ore** miner for a **stake** in an established exporter under the terms of BC **iron**'s \$250 **million** takeover bid for ASX-listed **Iron Ore Holdings**.

In the second takeover bid to strike the Australian **iron ore** sector in the space of three months, BC has lobbed a cash and scrip offer for IOH that already has the blessing of the IOH board and its 52 per cent owner, Mr Stokes.

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IOH shareholders have been offered 10¢ in cash, and 0.44 BC shares for every IOH share they own, meaning the deal would deliver about \$8.5 **million** in cash to Mr Stokes, plus about \$112 **million** worth of BC shares, based on the latter's closing share price on Monday.

Significantly, Mr Stokes will become the biggest shareholder in the enlarged BC, with 19 per cent, if the takeover wins approval from at least 90 per cent of IOH shareholders.

Mr Stokes could not be reached on Monday, but his son and IOH director Ryan Stokes said he was proud of what the **company** had achieved.

"We look forward to participating in the growth of BC **iron** in coming years," he said.

BC exports about 4.3 **million** tonnes per year through its Nullagine joint venture with Fortescue Metals Group, and while that partnership has turned the **company** into a dividend-paying market darling, the joint venture has only six years of mine life remaining.

The **acquisition** of IOH could extend that mine life by 15 years, if IOH's two assets can be successfully brought into production.

BC managing director Morgan Ball said IOH's \$800 **million** Buckland Hill project, with its proposed port facility at Cape Preston, was a particularly strategic part of the **acquisition**.

"As a merged **company** we will sit down and look at all our options in relation to developing Buckland both from a development perspective and a funding perspective," he said.

The combined entity could yet have relevance to **Chinese** steelmaker Baosteel and rail provider Aurizon, who jointly acquired **iron ore** assets close to Buckland Hill in the recent \$1.42 **billion acquisition** of Aquila Resources.

Baosteel and Aurizon are planning to spend more than \$4 **billion** building a railway through the region and a new port at Anketell, and Mr Ball specifically named that project as one of the many transport options in the region.

"You would be aware of the Aurizon and Baosteel deal recently, and we believe the West Pilbara has some really interesting options for infrastructure and **iron ore** production in the future," he said.

Macquarie analyst Hayden Bairstow said it could make sense for the enlarged BC to co-operate with Baosteel rather than build its own infrastructure.

"The key question here is what does it mean in the context of the Aquila Baosteel deal. Why would BC **Iron** develop a barging facility there if someone else is going to build a greenfields port," he said.

The Buckland Hill project is expected to cost about \$800 **million** to build if BC decides to develop its own transport infrastructure, and Mr Bairstow said that sort of outlay may not appeal to investors who bought BC shares for dividends.

"The issue for BC **Iron** is that many of its shareholders bought the stock for dividends, and it's not clear what now happens to that," he said.

BC shares closed 32¢ lower at \$2.99, while IOH shares rose to their highest price in 27 months, with the stock closing 37.5¢ higher at \$1.325.

Meanwhile, creditors of collapsed **oil** and gas minnow Nexus voted on Monday to approve a deed of **company** arrangement that will see Mr Stokes's Seven Group Holdings buy the **company's** assets for \$180 **million**.

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