

SE Business
HD **Ellison share raid throws spanner in Aquila bid**
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WEST Australian **mining millionaire** Chris Ellison has dealt himself into **Chinese** giant Baosteel's \$1.4 **billion** bid for Aquila Resources with an ambitious plan to develop the target's key **iron ore** project.

Mr Ellison's Mineral Resources yesterday confirmed it had purchased about 50 **million** Aquila shares at \$3.75 a share, giving it a 12.78 per cent **stake**. The move on the **coal** and **iron ore company** has secured Mineral Resources a **firm** seat at the negotiating table as Baosteel and its joint-venture bidder, Brisbane-based freight operator Aurizon, attempt to sell its \$3.40-a-share offer. Baosteel, which already has a 20 per cent **stake** in Aquila, said when it launched its bid last month that it had become frustrated at the slow progress of the target's plans to develop the \$7.4bn West Pilbara **iron ore** project.

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Mr Ellison revealed yesterday that prior to the launch of Baosteel's hostile bid on May 5, his **company** had already been working on a plan to develop, own and operate the proposed **iron ore** development.

Aquila Resources, which told its shareholders to take no action on the offer as it prepared its target statement — to be released next week — did not comment yesterday on its previous dealings with Mineral Resources.

But on its new major shareholder, Aquila referred favourably to the \$3.75-a-share Mineral Resources paid to acquire its **stake**, giving its first major hint it was likely to reject the \$3.40-a-share bid by **Chinese** state-owned Baosteel.

The market had been speculating on a higher bid emerging from **China**, which had seen Aquila's shares comfortably trade above the offer price, but its shares fell slightly yesterday as it became clear Mineral Resources was not positioning to launch a rival bid.

Shares in Aquila fell 1.93 per cent to \$3.54, while Mineral Resources lost 4.3 per cent to \$9.70.

The Baosteel and Aurizon bid team said it was reviewing the latest development on its target's share register, adding that it continued to encourage Aquila shareholders to accept its offer.

"The offer gives shareholders certainty of value in contrast to remaining a shareholder of Aquila and facing the challenges of declining commodity markets, large capex financing, potentially dilutive capital raisings and the challenge of developing genuinely economically acceptable greenfield projects," a spokesman from the joint bidders said.

Mineral Resources, a **mining** services provider that also operates small **iron ore** mines in Western Australia, said its **stake** in Aquila would ensure it was well positioned to be actively involved with other stakeholders in the **iron ore** project.

"We have the financial capacity to make a meaningful contribution to the development of the project and will now proceed to engage with all major stakeholders, including Aquila and Baosteel to facilitate the best outcome possible," Mr Ellison said.

Mineral Resources' share **purchase** agreement with institutional investor **M**&G Invest-ment Management included a clause to cover a potential increase in Baosteel's \$3.40-a-share offer. The deal outlines that if Baosteel increases its offer price in the next six months, and Mineral Resources accepts the bid, then Mineral Resources has to pay **M**&G 50 per cent of the difference between \$3.75 and a new offer price.

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

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