



**HD** **China's** Baosteel in \$1.3 bn bid for Australia's Aquila

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**Chinese iron** and steel giant Baosteel on Monday said it was readying a takeover bid for Aquila Resources that values the Australian **iron ore** and **coal firm** at Aus\$1.4 **billion** (US\$1.3 **billion**).

Baosteel Resources Australia, a subsidiary of the **Chinese** parent's overseas development arm, and Australian rail freight operator Aurizon are offering Aus\$3.40 per share in cash for the **company**.

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The conditional off-market proposal represents a premium of 38.8 percent to Aquila's close on Friday of Aus\$2.45. Shares in the **firm** surged on the news and closed up 36 percent at Aus\$3.34 Monday.

Baosteel Resources International chairman Zhihao Dai said as the bidders had been unable to meet the Aquila board, they had decided to take the offer directly to shareholders.

"We believe this is a compelling offer for Aquila shareholders as it provides an opportunity for them to realise certain value for their Aquila shares at a significant premium to current market prices... at a time of uncertainty of the funding and development pathway for Aquila's suite of greenfield projects," he said in a statement.

He said the deal was in line with Baosteel's strategy of building a leading global steel and resources business by developing Aquila's Pilbara **iron ore** project in Western Australia and a hard coking **coal** development at Eagle Downs in Queensland.

Baosteel, which already has a near 20 percent **stake** in Perth-based Aquila, said the offer was designed to push progress on the projects the Australian **firm** was reportedly unable to secure funding for on its own.

"After five years, we haven't seen any projects started," Baosteel Resources Australia vice president Wu Yiming said.

"Our original intention was to support Aquila in developing its projects... Now we want to get things started."

Aurizon chief Lance Hockridge said the offer "would provide attractive returns for the owners of Aurizon and for Baosteel, of course, secures further access to a very high quality, low cost **iron-ore** project and **coal**".

"This cooperation represents a co-investment by Australia's largest rail freight operator and one of **China's** leading **iron** and steel producers to develop quality Australian resources," Hockridge added.

The takeover had the potential to develop a new world-class **iron ore** district in the western Pilbara, supported by an integrated multi-user rail and port solution, he said.

The offer comes after an Australian-**Chinese** consortium last week secured a 98-year lease on Australia's largest **coal** export port in Newcastle north of Sydney.

-- Dow Jones Newswires contributed to this story --

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

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