

INDUSTRY UPDATES

HD Baosteel, Aurizon offer \$1b for Aquila Resources

WC 448 words

PD 5 May 2014

SN Industry Updates

SC BDU

LA English

CY Copyright 2014 China Daily Information Company. All Rights Reserved.

LP

Baoshan **iron** & Steel Co Ltd and Australia's Aurizon Holdings Ltd launched a \$1 **billion** bid for an Australian resources **firm** in a move that could break the stranglehold of giant miners Rio Tinto and BHP Billiton on the country's **iron ore** exports.

Monday's unsolicited A\$1.14 **billion** (\$1.06 **billion**) offer to take over Aquila Resources Ltd could open up a new Australian **iron ore** export region to supply Asian steelmakers, jumpstarting the \$7 **billion** West Pilbara **Iron Ore** project (WPIO), half-owned by Aquila.

TD

Baosteel's move would be the biggest foray into an undeveloped **iron ore** project in Australia by a **Chinese** investor since CITIC Pacific ran into massive cost blowouts and delays on the \$10 **billion** Sino **iron** project, which started producing in 2013.

In a statement, Baosteel, **China's** largest listed steelmaker and 20 percent owner of Aquila, and rail **company** Aurizon said they will offer A\$3.40 in cash per share, a 39 percent premium to Aquila's last closing price. Including Baosteel's existing **stake**, the offer values the target at A\$1.42 **billion** in total.

The suitors decided to go straight to Aquila shareholders with an offer on Monday after failing to secure a meeting on Sunday with Aquila's executive chairman and 30 percent owner, Tony Poli.

Aquila said it was approached out of the blue by Baosteel and Aurizon with the offer on Saturday. The target has appointed Goldman Sachs to advise on the offer and said it would appoint an independent committee to evaluate the offer.

If the Baosteel-Aurizon bid is successful, and feasibility studies prove the West Pilbara **Iron Ore** project to be commercially viable, the partners expect to start producing **iron ore** in 2017-18, Aurizon Chief Executive Lance Hockridge told reporters on a conference call.

Hockridge shrugged off market concerns of an oversupply of **iron ore**, saying Baosteel is a growing producer and will need more **iron ore** and coking **coal** for its mills. South Korean steel giant POSCO is also a stakeholder in the WPIO project.

"They continue to look for sources of quality supply at competitive rates to underpin their growth," Hockridge said of Baosteel's motivation for the deal.

A successful bid would also give Baosteel a **stake** in the Eagle Downs hard coking **coal** project that Aquila is developing with Brazil's Vale SA.

Aurizon, advised by UBS, said it would acquire 15 percent of Aquila if the deal was successful. It aims to take a majority **stake** in port and rail infrastructure for the WPIO **iron ore** project.

Baosteel is being advised by Deutsche Bank.

CO aqres : Aquila Resources Ltd. | baoirn : Baoshan Iron & Steel Co Ltd | qrntnl : Aurizon Holdings Limited | skfdev : CITIC Pacific Limited | baois : Shanghai Baosteel Group Corp

IN i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | i211 : Metal Ore Mining | i2112 : Gold Ore/Silver Ore Mining | i71 : Railroads | i8396 : Diversified Holding Companies | ibcs : Business/Consumer Services | icargo : Freight/Cargo Transport | imet : Mining/Quarrying | irailtr : Road/Rail Transport | irfrght : Railroad Freight | isteel : Steel Production | itspp : Transportation/Shipping

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania
IPC min
PUB China Daily Information Company
AN Document BDU0000020140505ea550001m