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HD **Up the offer, says PanAust**

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Chinese investment in Australia is continuing apace, with copper and gold producer PanAust the second miner to receive a takeover bid from Chinese shareholders in the space of a week.

PanAust confirmed on Tuesday its major shareholder with 22.8 per cent, Guangdong Rising Assets Management, had lobbed an offer to buy all remaining shares in the company for $2.30 a share.

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The offer valued PanAust at $1.46 billion – well above the $1.58 a share the stock closed at on Monday.

The offer prompted a 54¢ jump in PanAust to $2.12 by the close of trading on Tuesday.

But PanAust directors said they could not support the bid at the current offer price.

Managing director Gary Stafford pointed to recent copper acquisitions in Australia as evidence that Guangdong's offer was not sufficient.

In particular, he pointed to Rio Tinto's sale of the Northparkes mine – which annually produces about 40,000 tonnes of copper – to China Molybdenum for $US820 million ($878 million).

PanAust expects to produce up to 75,000 tonnes of copper this year, and has growth under way to be producing 90,000 tonnes within five years. Development plans

It also has two major development projects in the wings, with Chile's Inca de Oro on the drawing board, and a preliminary deal with Glencore Xstrata in place to buy its Frieda River Project in Papua New Guinea.

"Companies that have a strategic need are paying a far higher price for copper than is reflected in the equities of copper companies," said Mr Stafford, who ranks as PanAust's 13th biggest shareholder with 0.43 er cent.

Mr Stafford described the bid as opportunistic, but said negotiations were friendly and constructive. He said Guangdong was welcomed in to perform due diligence to assist it in improving its bid.

"No matter how friendly these things are, you've still got to get to the right point, if indeed you get there," he said.

PanAust's sixth biggest shareholder and founding director Bob Bryan said while the company deserved a higher offer, the bid was encouraging.

"There is obviously an appetite and appetites are to be encouraged in most situations, and I think this is such a situation," he said.

"It gives me a lot of confidence and pleasure that the managing director has such a significant shareholding in the **company** and that means his interests will be well aligned with the rest of us shareholders."Offer conditional

The offer is conditional on the takeover receiving approval from **Chinese** and Australian regulators, and more than 50.1 per cent of PanAust shareholders accepting the deal.

UBS analyst Jo Battershill said the offer looked "a bit cheap" based on PanAust's current production settings, and much cheaper when the growth potential of Frieda River and Inca de Oro was taken into account.

"[Guangdong] have come in with a bid that looks reasonable to people who haven't followed the story or who just look at the share price chart, but it feels to me they are trying to get ownership of the **company** before the Frieda River asset comes in and they have to pay for Frieda River," he said.

The bid comes just two months after Mr Stafford announced his intention to step down as managing director, and as the **company** enters a phase of high- waste movement at its flagship operating mine in Laos.In limbo

Mr Battershill said the bid was timed to lob at a moment when PanAust was in "limbo period", awaiting a new leader and with its growth projects still more than a year away from a final investment decision.

Macquarie analyst Hayden Bairstow said there would be little impediment to the deal getting done as long as Guangdong could satisfy the PanAust directors on price.

The deal follows last week's takeover bid for Aquila Resources by **Chinese** steelmaker Baosteel Group in partnership with Aurizon.

Aquila directors are yet to say whether they will recommend the bid to shareholders or reject it.

PanAust's defence is being run by Rothschild and Herbert Smith Freehills.

Guangdong was advised by Jon North from one-man advisory **firm** JB North, who also worked on Roc **Oil**'s recent merger with Horizon **Oil**.

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