

SE Business
HD **Act now: Baosteel to Aquila investors**

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BAOSTEEL and Aurizon are urging shareholders of Aquila Resources to accept their \$1.4 **billion** offer immediately and not wait, as advised by the target.

Aquila outlined in its target statement on Friday that shareholders should accept the \$3.40-a-share bid in the absence of a superior offer but encouraged investors to hold off as long as possible in case a higher bid emerged.

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The joint bidders yesterday reminded investors, in their response to Aquila's target statement, that the offer would close on July 11 and would not be extended.

The bidders also highlighted that while an independent expert's report deemed that their offer was "not fair", it was also concluded that it was "reasonable".

China-backed Baosteel's hostile move on the **iron ore** and **coal company** last month surprised the market. Its strategy has been more aggressive than previous **Chinese** moves into the Australian resources space.

China expert Clinton Dines said it would have taken a lot for the management of the **Chinese** steel giant to find the nerve to move on Aquila, a target in which it already had a 20 per cent **stake**.

Mr Dines, who ended a 21-year career with BHP as its Beijing-based country head in 2009, said the deal was an "atypical" move on Baosteel's part.

"They have been fairly cautious and conservative over the years, which means they have missed out on some opportunities, but they have also avoided making some bad mistakes," Mr Dines said.

"I think the Aquila move is driven by Bao's internal requirements for secure **iron ore** supply for their new plant in southern **China** and is based on a degree of opportunism brought on by the changing valuations of assets in the market as prices have declined." The long-term **China**-based executive and **company** director said the move was also underpinned by the confidence that comes from having a respectable and capable Australian partner like Aurizon, which is Australia's largest rail freight operator.

"I fully expect that Bao will not depart from being a fairly careful player and their behaviour as the transaction develops will be slow and possibly a bit hesitant," Mr Dines added.

"While I'm sure they will get decent counsel from Aurizon, if any major impediments or surprises come up, they are likely to be a bit twitchy. I'm sure it took a lot to get their management to find the nerve to do it." Baosteel and Aurizon were also keen to highlight to Aquila's shareholders yesterday that the independent expert's report, by Grant Samuel, concluded that Aquila did not have a clear path forward to fund and develop its key **iron ore** asset without the involvement of a major industry participant with substantial funding capacity. The independent expert assessed that the value of Aquila on a 100 per cent controlling interest basis ranged from \$3.90 to \$5.24 per Aquila share, significantly above the \$3.40-a-share the **Chinese** state-owned entity and its Australian partner offered.

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

IN i211 : Metal Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | igoldm : Gold Ore Mining | imet : Mining/Quarrying | isteel : Steel Production

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