

SE Business
HD **Aquila backs Baosteel bid**
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Mineral Resources faces question marks over its **iron ore** strategy and is staring at an \$18.4 **million** paper loss on a week-old Aquila Resources investment following a dramatic twist in the \$1.4 **billion** takeover battle.

Aquila yesterday rejected MinRes' merger plan and instead urged investors to accept Baosteel and Aurizon's \$3.40 cash bid.

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Aquila executive chairman Tony Poli, who owns 28.9 per cent, will accept the Baosteel offer "in the absence of a superior proposal". Combined with Baosteel's existing 19.8 per cent **stake**, it all but gifts the suitors a majority **stake** in Aquila.

But it leaves MinRes, which wanted Aquila's West Pilbara project to transform its own **iron ore** operation, in the cold.

MinRes yesterday terminated takeover talks after failing to reach agreement with Aquila on a scrip-swap merger proposal.

The MinRes deal was worth \$3.75 — the price at which it secured a 12.8 per cent **stake** in Aquila last week — but the target yesterday said Baosteel's \$3.40 cash offer was "superior". Aquila shares jumped 7 per cent to \$3.35.

Aquila did not explain its assessment of the rival bids but tomorrow or Monday will release its target's statement and independent expert's report.

While it remains unclear if independent expert Grant Samuel will declare Baosteel's \$3.40 offer fair and reasonable, it is thought Aquila's board was nervous about MinRes' scrip offer because of shakier prospects for **iron ore** equities.

In his first words on the takeover since Baosteel pounced six weeks ago, Mr Poli said: "We have given thorough consideration to the Baosteel-Aurizon offer and, on balance, have come to the view that Aquila shareholders would be better off accepting in the absence of a superior proposal."

Aquila's support for Baosteel caps a tumultuous week which began with MinRes' **stake** building. At the time Aquila applauded MinRes' decision to buy at \$3.75 as "recognition that the value of the **company**'s shares is well in excess" of Baosteel's \$3.40 offer. Since then, however, the **iron ore** price has continued to fall and it is understood Aquila shareholders were rattled by Baosteel's hard-line stance on Friday to declare the \$3.40 offer final and its warning that **China** was taking a dim view of MinRes' intervention.

"This is a welcome development today which recognises the compelling nature of our all-cash offer," Baosteel Resources International chairman Dai Zhihao said yesterday.

MinRes would not discuss its plans for the Aquila **stake** but said it was keen to get involved in West Pilbara's development.

Aquila shareholders would be better off accepting. ”

Aquila executive chairman Tony Poli

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

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