

SE Business
HD **BC puts Pilbara revival in motion**
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WC 618 words
PD 12 August 2014
SN The Australian
SC AUSTLN
ED Australian
PG 19
LA English
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BC drives revival in Pilbara BC **IRON** will look to springboard from its surprise \$256 **million acquisition** of Kerry Stokes's **Iron Ore** Holdings into negotiations with Pilbara newcomers Baosteel and Aurizon, reviving expectations of another wave of development in the region.

The deal will provide the growth projects BC was looking for to complement its profitable but small Nullagine **iron ore** project, which has a limited mine life. And IOH's \$800m-plus Buckland **iron ore** development will enjoy a stronger prospect of going ahead courtesy of BC's cashed-up balance sheet.

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The offer of 10c and 0.44 BC shares for each share in IOH is a windfall for Mr Stokes, who owns a 53 per cent **stake** in the target. He will emerge with a 19 per cent **stake** in the enlarged BC.

BC's bid values IOH at about \$1.59 per share, representing a 67 per cent premium to IOH's previous closing price of 95c.

BC owns a 75 per cent interest in the 6 **million** tonne-a-year Nullagine mine, with Andrew Forrest's Fortescue Metals owning the balance.

IOH is preparing to receive in the coming months the first cashflow from the **Iron** Valley mine, which is operated by Chris Ellison's Mineral Resources under a mine gate sales agreement, as well as the undeveloped Buckland project. Those two projects have combined reserves of almost 270 **million** tonnes of **iron ore**, compared to the 33 **million** tonnes at Nullagine.

Studies have found Buckland could be developed as an \$800m mine and infrastructure project including a new port facility at Cape Preston East.

But BC chief executive Morgan Ball told The Australian the **company** would explore collaboration with **China's** Baosteel and Brisbane's Aurizon, which recently picked up neighbouring **iron ore** ground through their \$1.4 **billionn acquisition** of Aquila Resources. "We believe the combined entity could fund (the development of Buckland) potentially without having to go to the **equity** market," Mr Ball said.

"That said (IOH chief executive) Alwyn (Vorster) has done a lot of work around third parties who might be interested and ... it may be there's a lower capital solution that achieves everything we want to achieve." The West Pilbara **iron ore** project acquired by Baosteel and Aurizon involves the construction of a larger port at Anketell, northeast of IOH's proposed Cape Preston East facility. "I can't help but feel there might be some sort of Anketell-Cape Preston East combination that works in the West Pilbara," Mr Ball said.

"Anketell could be a rail-focused solution, Cape Preston could be a road-based solution that caters to all the producers." BC yesterday promised a 15c-a-share fully franked final dividend, lifting total 2014 payouts beyond its targeted payout ratio of 30-50 per cent of profit.

Mr Ball said the enlarged group would continue to target that range. "We believe there will be a happy medium whereby we can develop these projects and continue to reward shareholders from a dividend basis, but we need to see where the balls fall," he said.

Macquarie analyst Hayden Bairstow noted that BC had worked hard to cultivate a reputation for paying dividends and would need to convince its shareholder base of the merits of a costly growth project. "They've designed their register to be dividend-orientated, so it's going to take some time to get it back the other way," Mr Bairstow said.

IOH's shares surged almost 40 per cent to \$1.325, the highest in more than two years, while shares in BC fell 8.5 per cent to \$3.03.

CO ironoa : Iron Ore Holdings Ltd. | baois : Shanghai Baosteel Group Corp

IN i211 : Metal Ore Mining | i2111 : Iron Ore Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | isteel : Steel Production

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AN Document AUSTLN0020140811ea8c0004b