

SE Business
HD **Aquila boss caves in to accept Baosteel's takeover**

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CHINESE steel giant Baosteel is on the verge of taking control of a significant Australian **iron ore** project after winning its \$1.4 **billion** battle for Aquila Resources.

Perth-based Aquila shocked the market yesterday when it revealed that its executive chairman and largest shareholder, Tony Poli, would accept the **Chinese** state-owned entity's \$3.40-a-share offer.

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Mr Poli, who co-founded the **company** — which was valued at \$6 **million** when it listed on the Australian market 14 years ago — is set to make a windfall of more than \$400m out of the deal.

In backing Baosteel and joint bidder Aurizon's hostile move on the **company**, Mr Poli rejected a friendly, all-scrip merger with Perth-based **mining** services and processing **company** Mineral Resources. The rival offer emerged on Monday following Mineral Resources' move on to Aquila's share registry last week after it purchased a 12 per cent **stake** at \$3.75 a share.

Baosteel fired off a warning to Aquila's shareholders last week, after Mineral Resources paid a premium to the bid price for its new **stake**, that it would not increase its offer. The **company** also said it may withdraw its support of Aquila if the bid failed.

The Baosteel offer is set at a 50 per cent minimum acceptance level and with Baosteel already holding a 20 per cent **stake** in Aquila and Mr Poli agreeing to sell his 30 per cent **stake** into the offer, the deal looks certain to succeed.

Baosteel Resources chairman Dai Zhihao said the support of the Aquila board was a welcome development. "If our offer is successful, it provides to Aquila shareholders who accept the offer certainty, cash and a significant premium in an **iron ore** market that has significantly declined since we made our offer," he said.

He added that the bidders had been pleased with the significant interest from both institutional and retail investors yesterday after Aquila announced it was backing the bid.

Aurizon managing director Lance Hockridge said the rail Continued on Page 26 Continued from Page 19 freight provider and the **Chinese** steel giant were both committed to the development of the West Pilbara **iron ore** project.

"Our partnership is one of scale, capability and track record — so essential in underpinning major developments of this kind particularly in the current market environment," he said.

"If the Baosteel and Aurizon bid is successful, with the co-operation of the project partners, the West Pilbara **iron ore** development process could be under way in the near term." South Korea's Posco and resources private **equity** house AMCI own half of the West Pilbara project.

After the **Chinese** bid was launched, AMCI made it clear it would not sell its interest in the project but outlined that it believed that Baosteel's bid provided a credible pathway to development of the project.

Mineral Resources said it had terminated talks with Aquila about a proposed all scrip bid, based on a proposed \$3.75 effective offer price, after the parties could not agree on the terms of the proposal.

"We remain of the view that the West Pilbara **iron ore** project is an attractive asset if it is developed using a fit-for-purpose development plan," Mineral Resources managing director Chris Ellison said.

Aquila told its shareholders yesterday that the Mineral Resources proposal was not superior to Baosteel's cash bid, pointing out that the scrip deal was subject to several conditions.

"We have given thorough consideration to the Baosteel and Aurizon offer and, on balance, we have come to the view that Aquila shareholders would be better off accepting in the absence of a superior proposal," Mr Poli said.

Aquila is set to release its target statement on the Baosteel bid on Monday, which will include an independent expert's assessment on the offer price.

comment P26

CO aqres : Aquila Resources Ltd. | baois : Shanghai Baosteel Group Corp | dorval : Aurizon Mines Ltd | hclamn : Hecla Mining Co

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