

SE Business
HD **BC iron bids for Stokes iron ore venture**
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LP
Resources - \$250 million deal looms

A looming \$250 million deal could see billionaire Kerry Stokes' entrench his position in the lucrative Australian iron ore sector.

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Mr Stokes' \$80 million stake in ASX-listed Iron Ore Holdings could become a \$112 million stake in established exporter BC iron under the terms of a takeover bid revealed on Monday.

BC has lobbed a cash and scrip offer to IOH that already has the blessing of the IOH board and Mr Stokes, who is a 52 per cent owner.

It is the second takeover bid to strike the Australian iron ore sector in the space of three months after Baosteel and Aurizon acquired Aquila Resources in July.

IOH shareholders have been offered 10¢ in cash, and 0.44 BC shares for every IOH share they own, meaning the deal would deliver about \$8.5 million in cash to Mr Stokes, plus about \$112 million of BC shares, based on the latter's closing share price on Monday.

Significantly, Mr Stokes will become the biggest shareholder in the enlarged BC, with 19 per cent, if the takeover wins approval from at least 90 per cent of IOH shareholders.

IOH director Ryan Stokes said he was proud of what the company had achieved. "We look forward to participating in the growth of BC iron in coming years," he said.

BC exports about 4.3 million tonnes per year through its Nullagine joint venture with Fortescue Metals Group, and while that partnership has turned the company into a dividend-paying market darling, the joint venture has only six years of mine life remaining. The acquisition of IOH could extend that mine life by 15 years, if IOH's two assets can be successfully brought into production.

BC managing director Morgan Ball said IOH's \$800 million Buckland Hills project, with its proposed port facility at Cape Preston, was a strategic part of the acquisition.

"As a merged company, we will sit down and look at all our options in relation to developing Buckland, both from a development perspective and a funding perspective."

The combined entity could yet have relevance to Chinese steel maker Baosteel and rail provider Aurizon, who jointly acquired iron ore assets close to Buckland Hills in the recent \$1.42 billion acquisition of Aquila Resources.

Baosteel and Aurizon are planning to spend more than \$4 billion on a railway and a new port at Anketell.

Macquarie analyst Hayden Bairstow said it could make sense for the enlarged BC to co-operate with Baosteel rather than build its own infrastructure.

"Why would BC **Iron** develop a barging facility there if someone else is going to build a greenfields port," he said.

BC shares closed 32¢ lower at \$2.99, while IOH shares rose to their highest price in 27 months, with the stock closing 37.5¢ higher at \$1.325.

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