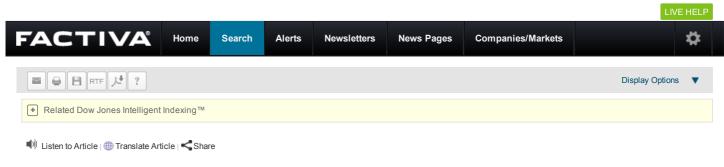
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HD Mineral Resources Confirms Aquila Stake Buy

AU Ross Kelly

BY Ross Kelly

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LP SYDNEY—Australia's Mineral Resources Ltd. admitted buying a large stake in iron-ore prospector Aquila Resources, but quelled speculation it was planning a rival takeover bid to the one led by China's Baosteel Group.

Mineral Resources—which confessed to being the mysterious buyer of a 12.8% stake in Aquila on Wednesday—said it made the purchase chiefly to get a foothold in Aquila's 7.4 billion Australian dollar (US\$6.9 billion) iron-ore project.

TD Baosteel's bid, made in partnership with Australia's Aurizon Holdings, values Aquila at A\$1.4 billion. The deal, if completed, would help support China's long-term industrialization by securing a major supply of the crucial steelmaking ingredient.

There had been speculation Mineral Resources may look to partner up and launch a rival bid. But on Thursday, the company said it wanted to cooperate with Aquila and Baosteel on developing Aquila's facility in resource-rich Western Australia state.

Mineral Resources said it had already drawn up a development plan, according to which it would manage all processing and mine-related infrastructure for the project, as well as the supply chain all the way through to ship-loading.

Some saw the company's step to become a key shareholder in Aquila as mainly defensive. "If Baosteel is in control of the port-contracting process it may become an all-Chinese affair, with Mineral Resources being shut out completely," said Mike Harrowell, resources director at Sydney-based broker BBY. "Hence, the need to get inside the tent."

Aquila's shares fell as much as 3% on Thursday to A\$3.49 as hopes of a rival bid subsided. The shares, however, are still trading above the Baosteel-led bid's A\$3.40-a-share offer, potentially weakening its appeal. Aquila, whose directors including executive chairman and co-founder Tony Poli hold 37% of the company, hasn't so far responded to Baosteel's proposal.

Mineral Resources paid A\$3.75 each for its Aquila shares, which could conceivably be combined with the directors' holdings to act as a blocking stake. "We have the financial capacity to make a meaningful capital contribution toward the development of the project," <a href="Chris Ellison"><u>Chris Ellison</u></a>, chief executive of Mineral Resources, said in the company's statement.

BBY's Mr. Harrowell said given Mr. Poli's previous demand for a higher price, a bid from Baosteel at A\$3.75 or above was increasingly likely—"once Mineral Resources' position has been negotiated."

Baosteel, which owns China's largest listed steel mill, bought 15% of Aquila in 2009 when iron-ore prices were rising, and later raised its stake to 20%. It was attracted to Aquila's plans for the project in the mineral-abundant Pilbara region eventually to produce more than 30 million metric tons of iron ore a year.

Under its proposal, Baosteel would own as much as 85% of Aquila, which also has an undeveloped coking-coal prospect in the eastern state of Queensland. Rail-freight hauler Aurizon would take the remaining interest.

CO mnrlau: Mineral Resources Limited | qrntnl: Aurizon Holdings Limited | aqures: Aquila Resources Ltd.

IN i2111: Iron Ore Mining | i211: Metal Ore Mining | ibasicm: Basic Materials/Resources | imet: Mining/Quarrying | i232: Mineral Mining Support Activities | i71: Railroads | icargo: Freight/Cargo Transport | igoldm: Gold Ore Mining | irailtr: Road/Rail Transport | irfrght: Railroad Freight | itsp: Transportation/Shipping

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