

HD BC **iron** bids for Stokes **ore** venture

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BC **iron** bids for Stokes **ore** venture Resources \$250 **million** deal looms

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A looming \$250 **million** deal could see **billionaire** Kerry Stokes' entrench his position in the lucrative Australian **iron ore** sector. 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 52percent 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 10½ in cash, and 0.44 BC shares for every IOH share they own, meaning the deal would deliver about \$8.5million in cash to Mr Stokes, plus about \$112million 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 19percent, if the takeover wins approval from at least 90percent 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 4.3million 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 \$800million 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. The Buckland Hills project is expected to cost about \$800 **million** to build if BC decides to develop its own transport infrastructure, and Mr Bairstow said that sort of outlay may not appeal to investors who bought BC shares for dividends. BC shares closed 32½ lower at \$2.99, while IOH shares rose to their highest price in 27 months, with the stock closing 37.5½ higher at \$1.325.

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

IN i5020017 : Harbor Construction | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | i502 : Heavy Construction | ibasicm : Basic Materials/Resources | iconst : Construction | icre : Real Estate/Construction | i211 : Metal Ore Mining | igoldm : Gold Ore Mining | imet : Mining/Quarrying

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