

SE Business
HD **China's Baosteel takes control of Aquila Resources**

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CHINESE steel giant Baosteel has secured control of its \$1.4 **billion** Australian **iron ore** and **coal** target, Aquila Resources, after the **company's** co-founder Charles Bass backed the bid.

The **Chinese** state-owned entity, in partnership with Australian freight operator Aurizon, will have an almost 60 per cent interest in Aquila as soon as Mr Bass and Tony Poli — Aquila's co-founder and executive chairman — sell their shares into the bid.

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Mr Bass, who last year resigned from Aquila's board, emailed a letter to the joint bidders on Tuesday saying he would sell them his 10.7 per cent **stake** in Aquila in the absence of a superior offer.

"I expect that the acceptance will be completed by the end of the first week of July," Mr Bass said in the letter. "However, I reserve the right to revisit this." Last week Mr Poli revealed he would sell his almost 30 per cent **stake** to Baosteel, which already has a 20 per cent interest in the target. Given there is still a slight chance that a superior proposal could emerge, Mr Poli last week recommended that shareholders delay acceptance of the offer until July 3.

If they accept now they could be excluded from accepting a superior proposal if one emerges.

Baosteel director Yiming Wu and Aurizon director Dominic Smith said in a joint statement yesterday that they considered the support from the co-founders demonstrated the "compelling" nature of their all-cash offer, especially in the context of a declining **iron ore** market.

When Mr Poli and Mr Bass listed the **company** on the Australian market 14 years ago it was valued at \$6 **million**.

The \$1.4bn deal, which already has received approval from Australia's Foreign Investment Review Board, includes a 50 per cent minimum acceptance condition, which will be satisfied as soon as the co-founders sell their shares.

The bidders again encouraged Aquila's remaining investors to accept their offer as soon as possible, repeating their warning that the bid would not be extended beyond July 11.

In backing Baosteel and Aurizon's hostile move on the **company**, Mr Poli and his team rejected a friendly, all-scrip merger with Perth-based **mining** services and processing **company** Mineral Resources.

The rival offer emerged early last week following Mineral Resources' move on to Aquila's share registry after it purchased a 12 per cent **stake** at \$3.75 a share. The **mining** services **company** has not decided if it will now sell into the bid and take a \$20m hit on its recent investment in Aquila.

Mineral Resources' share **purchase** saw Aquila's stock price jump because the price the new investor paid for its **stake** was significantly above the \$3.40-a-share that the **Chinese** had offered.

Baosteel and Aurizon were quick to put a stop to market speculation they would increase Continued on Page 20 Continued from Page 19 their offer and declared they would not increase the bid or extend the offer period.

That led Mr Poli and Aquila's board to announce they supported the deal, despite it being below an independent expert's valuation.

Grant Samuel, which valued Aquila at \$3.40 to \$5.24 a share, concluded that the offer was "not fair" but labelled it "reasonable". In telling shareholders to support the offer, Mr Poli said the **company's** independent directors believed the offer price did not reflect the full underlying value of the Aquila group or the strategic value of its key asset — the West Pilbara **iron ore** project — to the bidders. But in the absence of a superior proposal, the board determined that the Baosteel and Aurizon offer was "finely balanced".

Grant Samuel was of the view that given the \$7.5bn-\$8bn capital expenditure target on West Pilbara, the funding and development challenges for a **company** such as Aquila were such that it was likely the market had been attributing little or no value to Aquila's West Pilbara interest.

The report also said that in the absence of the Baosteel offer or the expectation of a similar transaction, Grant Samuel expected that Aquila shares would trade at prices well below the offer price.

Aurizon's writedowns P20

CO	aqres : Aquila Resources Ltd. baois : Shanghai Baosteel Group Corp dorval : Aurizon Mines Ltd hclamn : Hecla Mining Co
IN	i22 : Primary Metals i221 : Iron/Steel/Ferroalloys ibasicm : Basic Materials/Resources i211 : Metal Ore Mining igoldm : Gold Ore Mining imet : Mining/Quarrying isteel : Steel Production
NS	c181 : Acquisitions/Mergers/Takeovers c411 : Management Moves cboard : Board of Directors cdirdl : Directors Dealings cslmc : Senior Level Management c18 : Ownership Changes c41 : Management Issues cactio : Corporate Actions ccat : Corporate/Industrial News ncat : Content Types nfact : Factiva Filters nfcpx : FC&E Executive News Filter nfcpin : FC&E Industry News Filter
RE	austr : Australia china : China apacz : Asia Pacific asiaz : Asia ausnz : Australia/Oceania bric : BRIC Countries chinaz : Greater China devgcoz : Emerging Market Countries dvpcoz : Developing Economies easiaz : Eastern Asia
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