

SE Business
HD **Aquila in play as Baosteel loses patience**
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CHINA'S Baosteel has launched a surprise \$1.4 **billion** bid for Aquila Resources, teaming up with Brisbane-based freight giant Aurizon and saying it has lost patience with the progress being made on the miner's key **iron ore** asset.

The state-owned giant, one of **China**'s leading **iron ore** and steel producers, advised Aquila's executive chairman Tony Poli of its \$3.40-a-share offer on Saturday morning before deciding to go direct to shareholders yesterday. The market reacted positively, sending Aquila's shares 36.27 per cent higher at \$3.34.

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The deal, if it passes several hurdles, is set to deliver a significant windfall to Mr Poli, who could receive about \$404.9 **million** for his 28 per cent **stake**.

Baosteel Resources vice-president and chief financial officer Wu Yiming said the **company**, which has a **stake** of about 20 per cent in Aquila, took a position in the **company** in 2009 to assist the development of its **iron ore** and **coal** projects.

The jewel in the crown is the \$7.4bn West Pilbara **iron ore** project in Western Australia and the Eagle Downs coking **coal** project in Queensland.

"After five years we haven't seen any projects started. We have been very patient but we have become frustrated," Ms Wu said. "What we are going to do now is get things started. If our bid is successful our intention is to progress development of the Eagles Downs and West Pilbara **iron ore** project." Ms Wu said the **company** had approached the Aquila board over the weekend but was not successful in meeting with them so instead decided to release the bid to allow shareholders to judge it. "We are still open to constructive dialogue between the bidders and the board of Aquila," she said.

Success in the offer would substantially increase **China**'s direct participation in the Pilbara industry, dominated by Rio Tinto, BHP Billiton and Fortescue Metals Group.

Mining analyst at Baillieu Holst, Adrian Prendergast, said the move on Aquila would give Baosteel a "solid foothold in the Pilbara in terms of both acreage and potential to develop an independent infrastructure network" to that run by Rio, BHP and Fortescue.

Aquila, which has appointed Goldman Sachs as its adviser, said that since 2009 it had numerous confidential discussions with Baosteel about its potential direct participation in the West Pilbara project.

"However, the unsolicited proposal, to acquire control of Aquila, is a new development," Continued on Page 22 Continued from Page 19 Aquila said in a statement. Aquila jointly owns the West Pilbara project with resources private **equity** house AMCI. AMCI is a jointly owned subsidiary of AMCI International (51 per cent) and POSCO (49 per cent).

AMCI said last night it was committed to the **iron ore** project and had no plans to sell its interest. "We consider the joint bid provides a credible pathway to development of the project," AMCI Capital chief executive Harris Antoniou said.

Aquila and AMCI have been in dispute over the budget for the **iron ore** project, which has been on a “go slow”.

The bidders said that Aquila shares had not closed above the offer price since May 2012, adding that the \$3.40 offer was a “significant premium” to the market value of Aquila’s underlying operating assets. The parties said they considered the likelihood of a counter bidder emerging with a superior offer as “low”.

Australia’s largest rail freight operator, Aurizon, will emerge with a 15 per cent **stake** in Aquila and head up the infrastructure arm to develop the rail and port to support the **iron ore** project, if the bid succeeds. Aurizon chief executive Lance Hockrdige said it was a genuine partnership with Baosteel that underpinned a nation-building project: “We believe in Baosteel we have a world-class customer and partner. A partner who needs the **iron ore**.” The bid requires no **Chinese** regulatory approvals or funding conditions. The deal, however, is still dependent on receiving approval from the Foreign Investment Review Board. Aquila has advised its shareholders to take no action, saying that it had formed an independent board subcommittee to consider and evaluate the bid.

CO baois : Shanghai Baosteel Group Corp | dorval : Aurizon Mines Ltd | hclamn : Hecla Mining Co
IN i211 : Metal Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | imet : Mining/Quarrying |
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