

FINANCIAL REVIEW

SE Companies and Markets
HD **Baosteel fumes over MinRes moves in Aquila battle**
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WC 458 words
PD 16 June 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 17
LA English
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China's Baosteel is furious over Perth **firm** Mineral Resources' manoeuvring in the \$1.4 **billion** takeover fight for **iron ore** hopeful Aquila Resources, sources close to the steel giant say.

Baosteel and rail major Aurizon upped the ante on Friday when they said their joint all-cash \$3.40 a share offer for Aquila was "best and final".

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The move came the day after Mineral Resources chief executive and rich-lister Chris Ellison confirmed the group had paid \$197 **million** in an on-market raid for almost 13 per cent of Aquila's register. MinRes's move to buy a blocking **stake** blindsided the market and drew the ire of Baosteel executives, who were not consulted and felt it was an attempt to back them into a corner.

At the heart of the jousting for Aquila is the junior's majority **stake** in the greenfield \$7.4 **billion** West Pilbara **iron ore** project. MinRes, a **mining** services and processing **firm**, is angling to strike a deal with Baosteel for the development of the project. It is looking to pitch a plan to deliver the project for much less than its \$7.4 **billion** capital price tag.

Baosteel sources said the MinRes strategy was at odds with how business was usually done in **China**, where consultation was key.

"The approach is very unusual," an industry source said. "They are pressuring an SOE and it's a status issue – they would have the same problem if they had tried this on BHP or Rio."

MinRes, which has a good reputation in the sector, wants to design, build and, in part, operate the West Pilbara project. It has been working on a plan for at least six months that it will pitch as superior to anything traditional infrastructure providers could deliver.

MinRes bought its 12.78 per cent **stake** last week at \$3.75 a share, a premium to the \$3.40 all-cash bid on the table. But Baosteel is playing hardball and trying to force MinRes to sell into the bid at a loss, after which it could look to negotiate with the group on project work, The Australian Financial Review understands.

Baosteel said on Friday it would abandon the West Pilbara project if the bid failed, but included a caveat, "based on the current facts known to us at the date of this announcement". It could also look to dump its 19.8 per cent shareholding in Aquila if the bid fell over.

The hard line, coupled with the bidders declaring their offer was "best and final", shaved 12.4 per cent from Aquila's share price.

The stock last closed at \$3.10.

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

IN imet : Mining/Quarrying | ibasicm : Basic Materials/Resources | i211 : Metal Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | igoldm : Gold Ore Mining | isteel : Steel Production

NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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AN Document AFNR000020140615ea6g0000d