

FINANCIAL REVIEW

SE Market Wrap - Street Talk
HD **Baosteel renews its push on Aquila**
BY Edited by Sarah Thompson, Anthony Macdonald and Gretchen Friemann
WC 385 words
PD 6 May 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 16
LA English
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The pressure-cooker atmosphere that has held sway over Aquila's \$7.5 **billion** West Pilbara **iron ore** project finally erupted on Monday, as frustration at years of inaction gave way to a full-blown takeover bid.

Baosteel has long been viewed as a potential solution to the stasis at the project, although Aquila's management may have hoped the **Chinese** giant would play a white knight role rather than launch a wholesale attack.

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Last year the miner's executive chairman, Tony Poli, flew to **China** to meet the steel makers' management in the expectation he could negotiate a funding deal for the project.

Baosteel, which has held a board seat on Aquila since 2009, agreed to stump up the cash but talks abruptly collapsed when the **Chinese** also demanded control of the mine.

All conversations about funding the West Pilbara project, regarded as the most advanced direct-shipping **iron ore** project behind Hancock Prospecting's Roy Hill, ground to a halt.

The hiatus enabled Baosteel to plot its takeover approach.

At around 7am on Saturday, Poli received an email outlining the \$1.4 **billion** joint takeover bid from the **Chinese** and Australian freight operator Aurizon. He was asked to meet representatives of Baosteel on Sunday and provide a board response by Monday.

While that time frame was always unrealistic, many in the market expect Aquila – having battled for years to retain control of the West Pilbara – will be loath to give up the ghost so easily. A prompt demand for a higher offer than \$3.40 per share may come within the week.

Baosteel is thought to have coveted a slice of the West Pilbara mine for some time. But for the past three years the project has been bogged down in a dispute between Aquila, which controls 50 per cent, and the United States-based private **equity company** AMCI. Korean steel behemoth POSCO controls the remaining 25 per cent.

There are conflicting interpretations over who is responsible for the standoff, but on Monday AMCI again quashed speculation that its refusal to co-operate with Aquila stemmed from a desire to exit.

Instead the **firm** insisted it was a long-term holder of the asset.

CO hkpros : Hancock Prospecting Pty. Ltd. | baois : Shanghai Baosteel Group Corp
IN i211 : Metal Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | isteel : Steel Production
NS ccat : Corporate/Industrial News

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania
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AN Document AFNR000020140505ea5600010