

SE Business
HD **Baosteel's \$1.4bn Aquila offer 'not fair'**
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INDEPENDENT experts have labelled **China**-backed Baosteel's \$1.4 **billion** offer for Aquila Resources as "not fair" and placed a higher valuation on the **company** than the bid.

Aquila last night released its target statement, which outlines that its independent directors believe accepting the \$3.40-a-share offer in the absence of a superior proposal is "finely balanced".

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"The Aquila group has an attractive and diversified portfolio of assets and your independent directors believe that the offer price does not reflect the full underlying value of the Aquila group nor the strategic value of West Pilbara **iron** to the bidders," executive chairman Tony Poli said in his letter to shareholders.

"The independent expert has assessed that the value of Aquila on a 100 per cent controlling interest basis ranges from \$3.90 to \$5.24 per Aquila share." Despite this, he said that on balance and after careful consideration of the offer and given that the share price of Aquila would fall if the bid failed, shareholders should accept.

Given there is still a slight chance that a superior proposal could emerge, Mr Poli has 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 emerged.

The release of the statement followed the **company** revealing on Wednesday that Mr Poli, who is also a co-founder and 30 per cent shareholder of Aquila, would be voting his shares into the bid in the absence of a superior offer.

Mr Poli made the decision after Baosteel, with joint bidder Aurizon, declared they would not increase their \$3.40-a-share offer and threatened to exit the **company** and not offer future support to Aquila's West Pilbara **iron ore** project if its bid did not succeed.

Chinese giant Baosteel, which has a 20 per cent **stake** in Aquila, said in its updated bidders' statement yesterday that it was confident the minimum acceptance condition, of 50 per cent, could be satisfied.

The independent expert's report, by Grant Samuel, concluded that while the offer was not fair, it was reasonable. It outlined that Baosteel and Aurizon were focused on the West Pilbara **iron ore** project, but that it was an asset that the market had not ascribed any value to.

The report also highlighted that the assessment of the offer was not straightforward, given all but one of Aquila's assets were pre-development or exploration interests.

"Such assets are by their very nature difficult to value," it said. 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** like 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. "On balance, in Grant Samuel's view, in the absence of a superior alternative proposal, shareholders are likely to be better off if they accept the offer," the report said.

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

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