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# The West Australian

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HD Aurizon, Baosteel push on

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LP Queensland coal hauler [Aurizon Holdings](#) and its Chinese bid partner Baosteel are staring down [Aquila Resources](#) shareholders in a desperate attempt to keep their five-week-old takeover alive, warning shareholders that not to accept their \$3.40 offer would put them at the mercy of volatile iron ore markets, force them to deal with a disillusioned 20 per cent shareholder and expose them to a potential big and dilutive capital raising.

Their surprise move gained some immediate traction, with Aquila shares tanking 44¢, or 12.4 per cent, to \$3.10 to make their offer look attractive for the first time in more than five weeks.

TD At the end of a dramatic week in the \$1.4 billion battle for Aquila, Aurizon boss Lance Hockridge also hinted at the “inherent funding and development risks” of the target’s West Pilbara project and pointed to the 15 per cent slump in iron ore prices since his company and Baosteel launched their takeover last month.

Just two days after [Chris Ellison](#)’s Mineral Resources stunned the hostile suitors by snaring a 12.8 per cent stake in Aquila at \$3.75 a share, a move widely seen as causing terminal damage to their takeover bid, Baosteel yesterday warned it “saw no meaningful prospect for being involved in the development for West Pilbara” if it and Aurizon’s attempt proved unsuccessful.

“In those circumstances Baosteel would have to carefully consider its ongoing (19.8 per cent) shareholding in Aquila,” Baosteel added.

In a surprise move, Aurizon and Baosteel said they would not increase the \$3.40 bid price and declared the offer would close on July 11, unless they had managed to secure at least 50.1 per cent of Aquila by then.

Aurizon sources later denied the price and deadline declarations amounted to an effective capitulation, given Aquila has not yet released its target statement and independent expert’s report on the merits of the \$3.40 offer. That is expected by the middle of next week and is likely to see Aquila formally recommend to investors that they reject the Aurizon-Baosteel offer.

Even at last night’s \$3.10 close, it appears unlikely Aurizon and Baosteel could get past the 50.1 per cent acceptance threshold. Aquila executive chairman Tony Poli owns 28.9 per cent and company co-founder Charles Bass 10.7 per cent.

Combined with the stake held by MinRes, which wants to replace Aurizon as Aquila’s rail and port infrastructure provider, more than half of the target’s equity appears locked up.

CO qmntl : Aurizon Holdings Limited | aqres : Aquila Resources Ltd. | baois : Shanghai Baosteel Group Corp

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