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## FINANCIAL REVIEW

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HD MinRes may mull Aquila counter bid

AU [amanda saunders](#)  
BY Amanda Saunders  
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LP Perth group Mineral Resources could be poised to launch an unlikely counter bid in the \$1.4 billion fight for [Aquila Resources](#), less than a week after raiding the iron ore junior's share register.

MinRes went into a trading halt on Monday morning ahead of "a potential corporate transaction". Market sources are tipping it will launch a counter bid for Aquila, which last month received a takeover offer from Chinese steel giant Baosteel and rail major Aurizon.

TD Aquila followed suit shortly after, but sources close to the company stressed it had gone into the halt reactively and was not working on a proposal with MinRes.

But some are speculating MinRes is set to put a deal that has the unofficial blessing of Aquila chairman Tony Poli, who controls the junior iron ore miner's register with a stake of 28.9 per cent. MinRes, a Perth-based mining services firm with a market capitalisation of about \$1.8 billion, does not have the financial muscle to launch a cash bid, so it would have to pay using scrip.

In contrast, Baosteel and Aurizon's offer of \$3.40 a share is all cash.

Any counter bid would alienate Baosteel, and other Chinese state-owned enterprises would likely be "sympathetic" to the steel giant's public slighting, observers say. A defeat of Baosteel would also likely rule it out as a customer for the offtake of Aquila's proposed West Pilbara mine.

Mineral Resources chief and Rich List member [Chris Ellison's](#) on-market raid of Aquila's register last week was poorly received by Baosteel.

The mining services and minerals processing group paid \$197 million for a stake of almost 13 per cent in Aquila and said it wanted to have its own - development plan for the West Pilbara project adopted by key stakeholders, including Baosteel. .

Mr Poli welcomed Mr Ellison to the register, meeting the rich-lister on Wednesday afternoon, shortly after his share raid was executed.

But Baosteel was not impressed, with executives feeling MinRes's move to buy a blocking stake was aggressive and done without consultation.

The icy reception to the MinRes moves from Baosteel and Aurizon – which saw them declare their \$3.40 a share offer for Aquila "best and final" on Friday – could have seen Mr Ellison change his strategy.

MinRes, Mr Poli and Aquila co-founder Charles Bass, who has 11 per cent of the Aquila register, together hold a blocking stake for the Baosteel-Aurizon bid.

At the heart of the jousting for Aquila is the junior's majority stake in the greenfield West Pilbara iron ore project. MinRes was initially angling to strike a deal with Baosteel for the development of the project. It has spent at least six months on a plan to deliver the project for much less than its \$7.4 billion capital price tag. The costing assumes \$6 billion for rail and a deep-water port at Anketell Point, and \$1.4 billion for the iron ore mine it underpins. But MinRes is angling to design, construct and operate part of the West Pilbara project.

It has drawn up a wildly different plan that shuns the Anketell option.

Aquila shares last traded at \$3.13, well short of the \$3.75 apiece MinRes bought in at last week. Baosteel is trying to force MinRes to sell into the \$3.40 a share cash bid at a loss. But the group's end game is much bigger than an attempt to extract value.

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".

Aquila is due to respond to the Baosteel/Aurizon bid by Friday.

Key points MinRes went into a trading halt on Monday morning ahead of 'a potential corporate transaction'. Speculation MinRes is set to put a deal that has the unofficial blessing of Aquila chairman Tony Poli, who controls the miner's register.

CO aqres : Aquila Resources Ltd. | dorval : Aurizon Mines Ltd | hclamn : Hecla Mining Co

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