

# FINANCIAL REVIEW

SE Companies and Markets  
HD **Mineral to pitch cheaper Pilbara plan**  
BY Amanda Saunders  
WC 599 words  
PD 14 June 2014  
SN The Australian Financial Review  
SC AFNR  
ED First  
PG 37  
LA English  
CY Copyright 2014. Fairfax Media Management Pty Limited.  
LP

Mineral Resources will try to strike a deal with **Chinese** steel giant Baosteel over the development of the \$7.4 **billion** West Pilbara **iron ore** project at the centre of a takeover fight, claiming it can do it cheaper and better than traditional infrastructure providers.

MinRes's manoeuvring comes as the suitors for the project's major shareholder, Aquila Resources, upped the stakes late on Friday. Bidders Baosteel and rail major Aurizon made their \$1.4 **billion** all-cash offer for the junior "best and final", ahead of the Aquila board's response, expected this week. The move is a clear signal the bidders are not afraid to walk away.

TD

The stalled greenfield West Pilbara **iron ore** project is at the heart of the hostile takeover tilt.

Baosteel and Aurizon are playing hardball after a surprise on-market raid put the fight for Aquila up a notch, with Mineral Resources chief and rich-lister Chris Ellison nabbing a **stake** of almost 13 per cent in the junior on Wednesday.

The suitors' stance puts serious heat on Aquila chairman Tony Poli, who is also the **company's** largest shareholder, with 28.9 per cent. He has gone to ground since the offer more five weeks ago. Mineral Resources, which bought in at \$3.75 a share, a premium to the bid price of \$3.40, could also sweat a little. But the group's end game is far greater than an attempt to lever the bid higher.

The \$197 **million** share raid has bought the Perth **mining** services and processing group a role in the West Pilbara project. MinRes will argue it can deliver the project for a substantially less than its \$7.4 **billion** capex price tag, which assumes \$6 **billion** for rail and a deep water port at Anketell point, and \$1.4 **billion** for the **iron ore** mine it underpins. The Perth **firm** is angling to design, construct and in part operate the project. It is likely to present its case to the parties, with a focus on Baosteel, after the Aquila board issues its target's statement this week.

In a market awash with **iron ore** and predictions of years of oversupply, MinRes will likely pitch that \$7.4 **billion** is too great a capital hurdle, deterring many financiers.

Keeping a lid on capex for the West Pilbara project is crucial given the grade of the **ore** resource, which at 57 per cent is short of the 62 per cent benchmark and too low quality to be a threat to Rio Tinto or BHP Billiton's Pilbara product.

**Mining** industry sources said MinRes was a nimbler, far more cost effective player than traditional project and infrastructure providers. It does almost all its work in-house. It is understood MinRes could seek to take a direct **equity stake** in the West Pilbara project, or to own and operate parts of the mine, among many other options.

MinRes brought its Carina **mining operations** in the Yilgarn region into production just eight months after receiving Western Australian government approvals – a feat credited in part to its ability to use its own contractors. MinRes says it is the country's fifth largest **iron ore** producer, after picking up a series

of small mines. In the past four years, it has built **iron ore** processing equipment for a capacity of 100 **million** tonnes.

Aquila shares tumbled 12.4 per cent, or 44¢ on Friday, to close at \$3.10, after Baosteel and Aurizon told the market their offer was final.

**CO** aqres : Aquila Resources Ltd. | baois : Shanghai Baosteel Group Corp | dorval : Aurizon Mines Ltd | hclamn : Hecla Mining Co

**IN** i2111 : Iron Ore Mining | i211 : Metal Ore Mining | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | 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

**PUB** Fairfax Media Management Pty Limited

**AN** Document AFNR000020140613ea6e0000j