

HD **UPDATE 1-Baosteel wins Australian approval to bid for Aquila**

WC 470 words

PD 29 May 2014

ET 16:50

SN Reuters News

SC LBA

LA English

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* Bid document to be sent out in early June

* Aquila response due in mid-June

TD

* Aquila shares trade above A\$3.40 a share offer (Adds Baosteel, Aquila comments)

SYDNEY/MELBOURNE, May 29 (Reuters) - The Australian government cleared on Thursday a \$1 **billion** bid by **Chinese** state-owned Baosteel Resources for **iron ore** miner Aquila Resources Ltd, removing the only regulatory hurdle to the deal.

The approval from the Australia Foreign Investment Review Board puts Baosteel and its bidding partner, rail **company** Aurizon Holdings Ltd, a step closer to taking over Aquila, which would give them stakes in a \$7 **billion iron ore** mine, rail and port project and a **coal** mine.

The biggest obstacle to the deal, which values Aquila at A\$1.42 **billion**, is support from its founder, Tony Poli, who holds a 29 percent **stake**. For the takeover to succeed, the suitors need the approval of at least half of Aquila's share base.

Poli has yet to make any public comments on the bid.

Baosteel and Aurizon plan to send the formal bid to shareholders in the first week of June, after which Aquila will have 14 days to respond.

"We're all on track. A significant condition has been met. We think we have a compelling offer for shareholders, especially when you look at where **iron ore** prices are," Baosteel's Australian spokesman, Greg Baxter, told Reuters.

Aquila's board has said little about the offer except to tell shareholders to take no action while independent directors review it.

Baosteel already owns a 20 percent **stake** in Aquila. Along with Aurizon, it is offering A\$3.40 a share, a 39 percent premium to Aquila's share price the day before they first announced the takeover bid in early May.

Aquila's shares last traded at A\$3.51, implying investors expect a deal to go ahead at a higher price.

Baosteel, **China's** second largest steel maker, wants Aquila for its 50 percent stakes in the Eagle Downs coking **coal** mine and the West Pilbara **Iron Ore** project, which has been on ice since 2012.

Baosteel said it had grown frustrated with delays on the **iron ore** project and wanted to kick start the development by taking over Aquila. Aurizon's goal is to take control of the rail and port tied to the project and open them up to other users.

West Pilbara **Iron Ore** project is co-owned by South Korean steel giant POSCO and U.S. based investor AMCI, which have both said they remain committed to the project.

The Eagle Downs **coal** project is co-owned by Brazil's Vale SA . (Reporting By Byron Kaye and Sonali Paul; Editing by Miral Fahmy)

RF Released: 2014-5-29T07:50:15.000Z

CO aqres : Aquila Resources Ltd. | qntrl : Aurizon Holdings Limited | baos : Shanghai Baosteel Group Corp

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