

SE Business
HD **Baosteel's bid for Aquila waved through by FIRB**

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Exclusive The target **company** is yet to make its recommendation

CHINESE giant Baosteel has been given the green light by Australia's Foreign Investment Review Board to progress its \$1.4 **billion** bid for Aquila Resources.

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Baosteel teamed up with Brisbane-based freight giant Aurizon earlier this month to launch a \$3.40-a-share offer for the **iron ore** and **coal**-focused **company**.

The target is yet to make a formal recommendation to its shareholders, other than for investors to take no action while it reviews the bidder's statement and prepares its response.

Baosteel and Aurizon said in a joint statement yesterday that they had each received letters from FIRB advising that there was no objection to the **acquisition** of Aquila.

"We are extremely pleased that the FIRB conditions for this transaction have been fulfilled, which further reduces the already limited conditionality associated with the offer," Baosteel Resources chairman Zhihao Dai said.

"Our compelling offer provides Aquila shareholders with an opportunity to realise certain value for their Aquila shares at a significant premium to the Aquila share price prior to the announcement of the offer." When the bid was launched on May 5, the suitors outlined that Aquila shares had not closed above the offer price since May 2012, adding the \$3.40 offer was a "significant premium" to the market value of Aquila's underlying operating assets.

But the market has been tipping a lift in the offer price, with Aquila's shares sitting comfortably above the bid price since the offer was launched. The shares were trading at \$3.52 yesterday.

The key assets **China** is chasing are the \$7.4bn West Pilbara **iron ore** project in Western Australia and the Eagle Downs coking **coal** project in Queensland.

Baosteel, which has a 20 per cent **stake** in Aquila, said at the time it launched the bid it had lost patience with the progress being made on the miner's key **iron ore** asset. Under the deal, Australia's largest rail freight operator, Aurizon, will emerge with a 15 per cent **stake** in Aquila and head up the infrastructure arm to develop the rail and ports to support the **iron ore** project, if the bid succeeds.

Aurizon chief executive Lance Hockridge said yesterday the offer was the first step in a potential pathway to co-investment in resources and greenfield infrastructure. He added that it represented a great opportunity to co-develop world-class rail and port infrastructure, and in the process generate jobs, boost exports and deliver to government significant royalty revenue.

There are no **Chinese** regulatory approvals or funding conditions associated with the offer, which is subject to a 50 per cent minimum acceptance condition. Aquila managing director Tony Poli, who holds a 28 per cent **stake** in the **company**, is yet to comment on the surprise move by his largest shareholder, but if he were to accept, he would receive more than \$400m.

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

IN i211 : Metal Ore Mining | i2111 : Iron Ore Mining | i22 : Primary Metals | i221 : Iron/Steel/Ferroalloys |
ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | isteel : Steel Production

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