

CLM Top Stories
HD **Baosteel, Aurizon Bid for Australia's Aquila Resources**
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SYDNEY--**China's** Baosteel Group Corp. and Australian freight operator Aurizon Holdings Ltd. (AZJ.AU) are readying a bid for **iron ore** and **coal** miner Aquila Resources Ltd. (AQA.AU) that values the **company** at around 1.4 **billion** Australian dollars (US\$1.3 **billion**).

Baosteel and Aurizon said they intend to make a joint offer worth A\$3.40 a share for the shares in Aquila that they don't currently own. Baosteel, one of **China's** largest steelmakers, already has a 20% **stake** in Perth-based Aquila.

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The move signals a renewed appetite by major state-owned **Chinese** investors in Australian **mining**, despite concerns about an oversupply of **iron ore** as companies such as Rio Tinto PLC (RIO) invest **billions** of dollars to expand their Australian mines. **China's** economy has also stuttered of late, contributing to **iron-ore** prices falling toward their lowest level since late 2012.

For its part, Aurizon has made little secret of its desire to expand in **iron ore** and gain a foothold in Western Australia where companies are under no obligation to open their rail lines to rivals. Aurizon is Australia's largest hauler of **coal**, but its existing **operations** are mostly in eastern Australia's Queensland state.

Aquila is among a new wave of smaller **iron-ore** miners trying to break the stranglehold of Rio Tinto, BHP Billiton Ltd. (BHP) and Fortescue Metals Group Ltd. (FMG.AU) in the Pilbara region of Western Australia state. That region accounts for more than 40% of the **iron ore** traded by sea, much of it shipped to **China**.

However, the **company** has struggled to secure financing to build new mines, including the proposed A\$7.4 **billion** West Pilbara **Iron Ore** Project in Western Australia, after commodity prices began to weaken in late 2011. Lenders became wary about providing debt to companies such as Aquila, which wanted to build projects at a cost that dwarfed their own market value.

The West Pilbara **Iron Ore** Project, which aims to produce at least 30 **million** metric tons of **iron ore** annually, requires the construction of a 282-kilometer rail line to connect the mine with a new port at Anketell Point.

"We believe, with Baosteel, that this is a very attractive project," Aurizon Chief Executive Lance Hockridge told reporters. "The infrastructure would provide attractive returns for the owners of Aurizon. For Baosteel, of course, [it] secures further access to a very high quality, low cost **iron-ore** project and **coal**."

Aquila has been selling assets to build up enough funds to start building the West Pilbara **Iron Ore** Project, which it owns jointly with Greenwich, Ct.-based resources private **equity** house AMCI.

In April 2012, the **company** raised A\$430 **million** from the **sale** of its 50% interest in the Isaac Plains **coal** mine in Queensland to Japan's Sumitomo. Last year, Aquila boosted its cash position by a further A\$170 **million** by offloading its 24.5% interest in another **coal** project--Belvedere--to Brazil's Vale SA (VALE) after resolving a long-running dispute over how much the asset is worth.

Baosteel and Aurizon's bid for Aquila adds to a wave of merger and **acquisition** activity globally. Australian companies, similar to their offshore peers, have been managing their balance sheets conservatively since the global financial crisis by upping cash reserves and trimming debt levels.

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

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