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Body

BHP shareholders on Wednesday night were taking the view that the negotiations with its takeover target Anglo American would probably result in a compromise.

The miner's announcement on Wednesday showed that it was moving to allay concerns around risks in South Africa related to its deal, and expectations are that there will be a coming together in the middle from both sides.

The fact that BHP had asked for an extension for negotiations showed that it remained a keen buyer of Anglo American and, as it was made clear last week, the discussion had gone beyond value and moved to deal structure.

Another week would allow Anglo American to work through the issues further, and some believe it should have even gone as far as underwriting the transaction.

By taking the South African Kumba iron ore operation from Anglo American shareholders as part of the deal, rather than returning it to them as planned, BHP could combine it with some coal mines in a sale process down the track and potentially achieve a better price for the assets.

On Wednesday, there was divided opinion as to whether BHP was making progress with Anglo American in the negotiations, with some suggesting the lack of an announcement that an extension had been agreed meant it was not gaining the co-operation from Anglo American it may have been hoping for.

As reported by The Australian on Wednesday, among BHP's efforts to allay fears surrounding structure was the offer of a "reverse break fee", and it had offered direct responses to Anglo's concerns, including offering the South African government a three-year guarantee to maintain staffing levels in the country, sharing any costs of employee share schemes, and establishing a mining centre of excellence in the country to train mine workers and conduct research and development for BHP's global mining operations.

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Elsewhere, an odd application to the Takeovers Panel revealed to the market on Wednesday shows that mergers and acquisitions remain on the agenda for **Ramelius Resources**.

The gold miner led by Mark Zeptner is seen as a sophisticated operator that will soon be more cashed-up than it already is and has executed well on mergers and acquisitions in the past, so the market would probably support any deal it puts forward.

It walked away from a deal to buy Canadian gold miner Karora, with which Westgold **Resources** has agreed to embark on a \$2.2bn merger transaction.

But judging by the Takeovers Panel application, it appears that **Ramelius** is keen to take part in some sort of two-way of three-way tie-up with Westgold and/or Karora.

It's objecting to the cost of the break fee on Westgold's deal with Karora, which is standard for deals in Canada, and a one-year standstill agreement **Ramelius** and Westgold had in place from November. Expectations are that once the panel examines the application, it will be thrown out. **Ramelius** closed down 7 per cent on Wednesday and Westgold up 6.5 per cent.

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