



## *Red Hawk Mining soars on major's takeover offer*

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### **Body**

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The boss of WA iron ore developer Red Hawk Mining is urging shareholders to back a \$254m takeover offer from **Fortescue**, arguing the mining major is best placed to progress the company's Blacksmith project in the Pilbara, as worries over Chinese demand and tariffs in the US escalate.

**Fortescue** is offering Red Hawk shareholders \$1.05 per share as part of its off-market cash bid, increasing to \$1.20 if it manages to secure at least 75 per cent of Red Hawk shares within seven days.

At that price, the transaction values Red Hawk at \$254m, representing a 46 per cent premium on its closing price on January 24 - the last day of trade before the deal was announced to the market on Tuesday.

Red Hawk managing director Steven Michael said the offer represented an "attractive outcome" for shareholders, amid an uncertain outlook for Australia's iron ore producers.

"From a Red Hawk shareholder point of view, it's a very clear path to realising their return on their investment in a very short period of time," he said.

"I think it is fair to say that the iron ore market, where we sit today at about \$US104 a tonne - there is probably more risk to the downside than the upside.

"Things like Simandou on the horizon coming out of Guinea sometime this year may have an impact, obviously China has slowed down a little bit, and there's always the risk of the new tariffs being imposed out of the US that may have an impact as well." As part of a pre-feasibility study released last year, Red Hawk was looking to invest close to \$250m into the development of Blacksmith - a 243 million tonne resource measured at 59.3 per cent iron grade.

The project was designed to ramp up to more than 5 million tonnes in annual production over its more than 20 years life.

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However, with the project located just 30km west of **Fortescue**'s Solomon iron ore operations, there is an opportunity for **Fortescue** to integrate a much larger project into its existing operations, which provide a direct rail link to Port Hedland.

"For a company of our size, funding a project at \$250m, or possibly more, would be a challenge," Mr Michael said.

"In the hands of **Fortescue**, if they end up with control of this project, they would look to integrate it straight into their existing infrastructure." Red Hawk's directors have unanimously endorsed the bid, including representatives from the company's two largest shareholders - New Zealand's Todd family through its TIO (NZ) subsidiary, and OCJ Investment (Australia), who together control more than 80 per cent of the company's shares.

**Fortescue** said its offer represented a "significant and attractive premium" for Red Hawk shareholders.

**Fortescue**'s offer closes on March 3. Red Hawk shares jumped early and stabilised to close 44.5 per cent higher on Tuesday at \$1.18. **Fortescue** closed 0.37 per cent higher at \$18.88.

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