

**China's Baosteel, Aurizon offer US\$1 billion for Aquila Resources
Malaysian Insider
May 5, 2014**

China's Baoshan Iron & Steel Co Ltd (Baosteel) and Australia's Aurizon Holdings Ltd launched a US\$1 billion (RM3.4 billion) bid for an Australian resources firm in a move that could break the stranglehold of giant miners Rio Tinto and BHP Billiton on the country's iron ore exports.

Today's unsolicited US\$1.06 billion offer to take over Aquila Resources Ltd could open up a new Australian iron ore export region to supply Asian steelmakers, jumpstarting the US\$7 billion West Pilbara Iron Ore project (WPIO), half-owned by Aquila.

Baosteel's move would be the biggest foray into an undeveloped iron ore project in Australia by a Chinese investor since CITIC Pacific ran into massive cost blowouts and delays on the US\$10 billion Sino Iron project, which started producing in 2013.

In a statement, Baosteel, China's largest listed steelmaker and 20% owner of Aquila, and rail company Aurizon said they will offer A\$3.40 in cash per share, a 39% premium to Aquila's last closing price. Including Baosteel's existing stake, the offer values the target at A\$1.42 billion in total.

Aquila shares were due to begin trading in Sydney at 01.00 GMT (9am, Malaysia time).

The suitors decided to go straight to Aquila shareholders with an offer today after failing to secure a meeting on Sunday with Aquila's executive chairman and 30% owner, Tony Poli.

Aquila said it was approached out of the blue by Baosteel and Aurizon with the offer on Saturday. The target has appointed Goldman Sachs to advise on the offer and said it would appoint an independent committee to evaluate the offer.

If the Baosteel-Aurizon bid is successful, and feasibility studies prove the West Pilbara Iron Ore project to be commercially viable, the partners expect

to start producing iron ore in 2017-18, Aurizon Chief Executive Lance Hockridge told reporters on a conference call.

Hockridge shrugged off market concerns of an oversupply of iron ore, saying Baosteel is a growing producer and will need more iron ore and coking coal for its mills. South Korean steel giant POSCO is also a stakeholder in the WPIO project.

"They continue to look for sources of quality supply at competitive rates to underpin their growth," Hockridge said of Baosteel's motivation for the deal.

A successful bid would also give Baosteel a stake in the Eagle Downs hard coking coal project that Aquila is developing with Brazil's Vale SA.

Aurizon, advised by UBS, said it would acquire 15% of Aquila if the deal was successful. It aims to take a majority stake in port and rail infrastructure for the WPIO iron ore project.

Baosteel is being advised by Deutsche Bank. – Reuters, May 5, 2014.

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Source: <http://www.themalaysianinsider.com/business/article/chinas-baosteel-aurizon-offer-us1-billion-for-aquila-resources>