


THE AUSTRALIAN

Northern Star bid for Echo hits a snag



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Northern Star Resources' bid to take quick possession of Western Australia's legendary Bronzewing gold project could be about to hit a snag, as a blocking stake to its 33c-a-share bid for Echo Resources emerges.

The Bill Beament-led gold miner put \$193m on the table on August 27 to mop up the 78.3 per cent of Echo shares it did not already own, offering a 42 per cent premium to Echo's 10-day average share price to win control of Bronzewing's 2 million-tonne processing plant, as well as Echo's regional discoveries.

But since Echo's board signed off on the friendly tie-up, Hong Kong-based arbitrage fund Maso Capital Investment and associates have dropped a lazy \$13.9m buying up 6.2 per cent of Echo's register, paying an average 32.25c a share.

At the same time, Melbourne investment house Datt Capital, which holds 2.5 per cent of Echo's stock, said it didn't believe Northern Star's offer was fair value for its stake.

Northern Star is stockpiling ore at its nearby Jundee operations, constrained by the size of the mine's own mill, and it is no secret it wants to get Bronzewing's plant back up and running quickly to take advantage of the gold price.

But Maso clearly is not playing for a 0.75c-a-share margin and, with Echo shares still trading below the offer price, it is believed both Maso and Datt are still in the market to top up their holdings.

Together with a few other significant holders, there are more than enough holdouts to trigger the failure of Northern Star's bid, which has a 90 per cent minimum acceptance threshold.

The holdouts will be walking a fine line, however, if they hope to win a sweetened offer.

Northern Star holds 21.7 per cent of Echo's stock, suggesting there is only a minuscule chance a rival bid will emerge.

The question is whether Mr Beament will decide it is worth a few more cents a share to swiftly bring Bronzewing into the stable, or is prepared to stare down the holdouts, knowing they are unlikely to want to be minority shareholders and still have the option to take a risk-free return by folding at the last minute.

Success at Echo could bring more corporate action from Northern Star, with near neighbour Yandal Resources likely to be in play soon after.

Yandal owns a suite of tenements in the same area, including some that sit inside Echo's own land package.

It was due to put out an initial resource statement on the most advanced of its nearby discoveries in July, but has pushed back the date because it keeps hitting gold.

Northern Star already holds 15 per cent of Yandal, with Datt Capital — curiously enough — at 7 per cent.

Additional reporting: Nick Evans

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Nick Evans has covered the Australian resources sector since the early days of the mining boom in the late 2000s. He joined The Australian's business team from The West Australian newspaper's Canberra bureau, w... [Read more](#)

