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ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

3 July 2014

BY ELECTRONIC LODGEMENT

Takeover offer by Baosteel and Aurizon – Bidders and Aquila agree to an orderly transition of control and management

Please find attached announcement for immediate release to the market.

Yours faithfully



Dominic D Smith
VP & Company Secretary



ASX Release
3 July 2014

TAKEOVER OFFER BY BAOSTEEL AND AURIZON – BIDDERS AND AQUILA AGREE TO AN ORDERLY TRANSITION OF CONTROL AND MANAGEMENT

We refer to the joint takeover offer by Baosteel Resources Australia Pty Ltd (ABN 66 154 815 362) (**Baosteel**) and Aurizon Operations Limited (ABN 47 564 947 264) (**Aurizon**) (together, the **Bidders**) to acquire 100% of the ordinary shares in Aquila Resources Limited (ABN 81 092 002 769) (**Aquila**) that they do not already own for A\$3.40 per share (the **Offer**).

The Bidders are pleased to announce that they have entered into an agreement with Aquila to facilitate the orderly transition of control and management of Aquila to the Bidders (the **Takeover Implementation Agreement**). Aquila and the Bidders have acknowledged that an orderly transition of ownership is in the best interests of Aquila shareholders and employees.

Pursuant to the terms of the Takeover Implementation Agreement, subject to and following:

- the Bidders' having received Mr. Tony Poli's acceptance forms for his entire 28.92% relevant interest, which the Bidders have now received;
- Aquila announcing the resignations of Mr Tony Poli, Mr Gordon Galt and Ms Denise Goldsworthy and having resolved to appoint 4 of the Bidders' nominees to the Aquila board (each resignation and appointment subject to certain conditions being satisfied, likely to be on or before 11 July 2014); and
- except as otherwise provided in the Takeover Implementation Agreement, no defeating condition of the Offer being breached (or ceasing to be capable of being fulfilled in accordance with its terms) before the acceptance of Mr. Poli's shares into the Offer,

The Bidders will:

- waive all of the remaining defeating conditions to the Offer;
- announce an acceleration of the time for payment of the Offer consideration to 5 business days after the later of the Offer being declared unconditional and the date of the relevant acceptance being processed; and
- announce and formally extend the Offer period so that the closing date of the Offer is not before 25 July 2014.

The Bidders are also pleased to announce that following Mr. Poli's acceptance of the Offer, all remaining members of Aquila's Independent Board Committee intend to actively promote a recommendation to Aquila shareholders to now accept the Offer.

The Offer is open now for acceptance and the Bidders encourage you to **ACCEPT** now.

A full copy of the Takeover Implementation Agreement is attached to this announcement.

Ms Yiming Wu

Director
Baosteel Resources Australia Pty Limited
ABN 66 154 815 362

Registered office

Level 20, Allendale Square
77 St Georges Terrace
Perth WA 6000
AUSTRALIA

Mr Dominic D Smith

Director
Aurizon Operations Limited
ABN 47 564 947 264

Registered office

Level 17
175 Eagle Street
Brisbane QLD 4001
AUSTRALIA

ENDS

For further information regarding the Offer, please contact the Bidder's advisers:

Financial adviser (Baosteel):

Damian Pearson
Deutsche Bank
Tel: +61 420 987 851

Media Enquiries:

Greg Baxter
Newgate Communications
Tel: 0419 461 368

Mark Hairsine

Aurizon
Tel: 0418 877 574

Financial adviser (Aurizon):

Paul Glasson
Satori Investments
Tel: +61 409 354 109

Aquila Shareholder Enquiries:

Offer Information Line:
Within Australia (toll-free): 1300 309 589
Outside Australia: +61 2 8022 7902
Offer Website: www.aquilaoffer.com.au

Takeover Implementation Agreement

Dated 3 July 2014

Aquila Resources Limited (ABN 81 092 002 769) (**Aquila**)

Baosteel Resources Australia Pty Ltd (ABN 66 154 815 362) (**Baosteel**)

Aurizon Operations Limited (ABN 47 564 947 264) (**Aurizon**)

Details

Parties	Baosteel and Aurizon (together, the Bidders) and Aquila	
Baosteel	Name	Baosteel Resources Australia Pty Ltd
	ABN	66 154 815 362
	Address	Level 20, Allendale Square 77 St Georges Terrace Perth WA 6000
	Fax	+61 8 9220 5811
	Attention	Ms Yiming Wu
	<hr/>	
Aurizon	Name	Aurizon Operations Limited
	ABN	47 564 947 264
	Address	175 Eagle Street Brisbane QLD 4000
	Fax	+61 7 3019 2188
	Attention	Mr Lance Hockridge
	<hr/>	
Aquila	Name	Aquila Resources Limited
	ABN	81 092 002 769
	Address	Level 14, 225 St Georges Terrace Perth WA 6000
	Fax	+61 8 9423 0133
	Attention	Ms May Chan
	<hr/>	

Recitals**A**

The Parties refer to:

- the bidders' statement dated 14 May 2014 (as supplemented by a first supplementary bidders' statement dated 5 June 2014 and a second supplementary bidders' statement dated 20 June 2014) in respect of the joint offer by the Bidders to acquire 100% of the ordinary shares of Aquila (the **Offer**);
- the independent board committee (**IBC**) formed by Aquila to respond to the Offer;
- Aquila's target's statement dated 20 June 2014 recommending Aquila shareholders accept the Offer (in due course in the absence of a superior proposal) (**Target's Statement**); and
- recent discussions regarding a proposal to facilitate the successful completion of the Offer in the interests of both the Bidders and Aquila shareholders.

B

The Parties note the recommendation in the Target's Statement that Aquila shareholders not accept the Offer until after 3 July 2014. This is also the date that the Bidders are required to provide a notice of the status of the defeating conditions in relation to the Offer.

C

An orderly process for the smooth transition of control and management of Aquila is in the interests of Aquila shareholders and employees. To that end the Bidders and Aquila have entered into this agreement, with a view to facilitating the successful completion of the Offer and suitable transition arrangements.

General terms

1 Bidders' Obligations

The Bidders must:

- (a) waive all of the defeating conditions to the Offer;
- (b) announce an acceleration of the time for payment of the Offer consideration to within 5 business days after the later of the Offer being declared unconditional and the date the relevant valid acceptance has been processed by Computershare Investor Services Pty Limited (**Computershare**) with processing to be completed within one business day after receipt;
- (c) announce and formally extend the Offer Period such that the closing date of the Offer is not before 25 July 2014,

promptly following (d) and (e) below, and subject to each of (d), (e) and (f):

- (d) valid acceptance forms in respect of all the ordinary Aquila shares in which Mr Tony Poli has a relevant interest (representing 28.92% of the Aquila shares) (**Tony Poli's shares**) being provided (on an irrevocable basis) to Minter Ellison in Perth (on behalf of the Bidders and for provision to Computershare) no later than 12 noon (Sydney time) on 3 July 2014;
- (e) Aquila announcing, by no later than 5.00pm (Sydney time) on 3 July 2014, that:
 - (i) each of Mr Tony Poli, Mr Gordon Galt and Ms Denise Goldsworthy has delivered to Aquila signed resignations as directors of Aquila, which are effective by 5.00pm (Sydney time) on 11 July 2014 (subject to the certificate contemplated below having been received), or such other date (not before 8 July 2014) (**Board Restructure Date**) being the day after Aquila receives a certificate from the Bidders confirming the dispatch of payment by Computershare Investor Services Pty Limited in respect of valid acceptance forms received on or prior to 3 July 2014 (including, for the avoidance of doubt, the acceptance forms in 1(d) above) and subject to the Bidders complying with their obligations under clauses 1(a) to (c) above; and
 - (ii) the Aquila board has resolved to appoint the 4 persons to be nominated (as soon as practicable following the date of this agreement) by the Bidders as directors of Aquila, which appointments are effective by 5.00pm (Sydney time) on the Board Restructure Date subject to the Bidders complying with their obligations under clauses 1(a) to (c) above; and
- (f) no defeating condition being breached (or ceasing to be capable of being fulfilled in accordance with its terms) before the acceptance of Tony Poli's shares into the Offer as contemplated in clause 1(d) above occurs. For the purpose of this clause 1(f), no breach that is fairly apparent from

the contents of the Target's Statement, fairly disclosed in any ASX announcement made by Aquila prior to the date of this agreement, that has been fairly disclosed to the Bidders before execution of this agreement or which is a non-material ordinary course of business matter, will be relied upon by the Bidders.

For the avoidance of doubt, the Bidders reserve the right to declare the Offer unconditional at any time during the period of the Offer (**Offer Period**) and to extend the Offer Period after the Offer becomes unconditional.

2 Aquila's obligations

Aquila gives the following undertakings, representations and warranties:

- (a) that following the acceptance of Mr Tony Poli's shares as contemplated in clause 1(d) above and the Bidders waiving all of the defeating conditions to the Offer, those remaining of the current directors on the IBC will, subject to their fiduciary duties as directors of Aquila, proactively promote the merits of the Offer as reasonably required, including (but not necessarily limited to):
 - (i) releasing this agreement to the ASX;
 - (ii) writing to all Aquila shareholders informing them that Tony Poli's shares have been accepted into the Offer and the Bidders have acquired control of Aquila, and they recommend Aquila shareholders should now accept the Offer; and
 - (iii) releasing a supplementary target's statement in relation to, and consistent with, the matters contained in this agreement,and the IBC will provide the Bidders with a draft of the above proposed communications with Aquila shareholders in (ii) and (iii) above, and will provide a reasonable opportunity for the Bidders to review and provide comments in relation to those communications;
- (b) that following the Bidders waiving all of the defeating conditions to the Offer, before the Board Restructure Date Aquila will not without the prior written consent of the Bidders do anything which would have resulted in, or would have been likely to result in, any defeating condition being breached, or not being (or not being capable of being) fulfilled in accordance with its terms, had they not been waived;
- (c) as at the date of this agreement, Aquila represents and warrants (without personal liability for any individual) that it is not aware of any defeating condition that is not capable of being fulfilled in accordance with its terms, except as and to the extent fairly disclosed in the Target's Statement, fairly disclosed in any ASX announcement made by Aquila prior to the date of this agreement, has been fairly disclosed to the Bidders before execution of this agreement or due to a non-material ordinary course of business matter, or approved by the Bidders;
- (d) that, subject to the Bidders complying with their obligations under clauses 1(a) to (c) above, by no later than 5.00pm (Sydney time) on the Board Restructure Date, the board of Aquila will be subject to an orderly restructure so that:

- (i) all incumbent Aquila directors resign, other than Mr Zhaoming Lu (who was nominated to the Aquila board by Baosteel), Mr Stephen Scudamore and Mr Tim Netscher;
- (ii) 3 persons, to be nominated (as soon as practicable following the date of this agreement) by Baosteel, are appointed to the Aquila board (being the nominees of Baosteel under clause 10.1 of the Bidders' shareholders agreement dated 3 May 2014 (**Bidders' Shareholders Agreement**)), subject to those persons consenting to act as a director of Aquila; and
- (iii) 1 person, to be nominated (as soon as practicable following the date of this agreement) by Aurizon, is appointed to the Aquila board (being the nominee of Aurizon under clause 10.1 of the Bidders' Shareholders Agreement), subject to that person consenting to act as a director of Aquila.

3 Bidders' Acknowledgements

- (a) The Bidders acknowledge and agree that, Aquila has taken out run-off insurance D&O cover with a reputable insurer, on terms as determined by Aquila (but reasonably customary) at a cost of approximately \$450,000 (excluding GST and stamp duty) and will not do anything which would adversely affect that insurance cover.
- (b) The Bidders acknowledge that Aquila has granted rights of indemnification and insurance coverage to each of the current officers pursuant to deeds entered into before the date of this agreement.
- (c) The Bidders acknowledge:
 - (i) the provisions of article 20 of Aquila's Constitution; and
 - (ii) any provision in the constitution of any member of the Aquila Group (other than the Aquila Constitution) which permits that member company to indemnify any current or former officer of the member company or obtain insurance against liability incurred by such a person in their capacity as director, secretary or officer,and agree not to amend or vary those provisions for a period of 7 years after the end of the Offer Period.
- (d) The Bidders acknowledge and agree not to do (and will cause Aquila not to do) anything that is inconsistent with or contrary to the material terms of any employment or executive consultancy agreement (including any obligation to pay or right to receive a termination payment) between Aquila and any Aquila employee, consultant or director as at the date of this agreement.

4 General

- (a) The parties agree to take any and all necessary steps under the Corporations Act, the ASX Listing Rules and any other applicable law, including the release of a copy of this agreement to ASX and lodgement of a supplementary bidders' statement (in the case of the Bidders) (if necessary) or supplementary target's statement (in the case of Aquila), to give effect to the terms of this agreement.

- (b) This agreement is entered into by the undersigned and also for the benefit of, and intended to be enforceable by, the current directors, officers, consultants and employees of Aquila.
- (c) This agreement is governed by the laws of Western Australia.
- (d) This agreement may be executed as two or more counterparts and execution by each of the parties of any one of such counterparts will constitute due execution of this agreement.

EXECUTED as an agreement

Signing page

DATED:3 July 2014

SIGNED by Ms Yiming Wu as
authorised representative for
**BAOSTEEL RESOURCES
AUSTRALIA PTY LTD** in the presence
of:

.....
Signature of witness

.....
Name of witness (block letters)

.....
By executing this document the
signatory warrants that the signatory is
duly authorised to execute this
document on behalf of **BAOSTEEL
RESOURCES AUSTRALIA PTY LTD**

SIGNED by Mr David Welch as
authorised representative for **AURIZON
OPERATIONS LIMITED** in the
presence of:

.....
Signature of witness

.....
Name of witness (block letters)

.....
By executing this document the
signatory warrants that the signatory is
duly authorised to execute this
document on behalf of **AURIZON
OPERATIONS LIMITED**

EXECUTED by **AQUILA RESOURCES
LIMITED** in accordance with section
127(1) of the Corporations Act 2001
(Cwlth) by authority of its directors:

.....
Signature of director

Tony
.....
Name of director (block letters)


.....
Signature of ~~director~~/company
secretary*

*delete whichever is not applicable

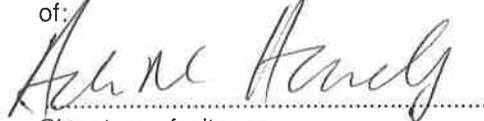
MAY CHAN
.....
Name of ~~director~~/company secretary*
(block letters)

*delete whichever is not applicable

Signing page

DATED:3 July 2014

SIGNED by Ms Yiming Wu as authorised representative for **BAOSTEEL RESOURCES AUSTRALIA PTY LTD** in the presence of:

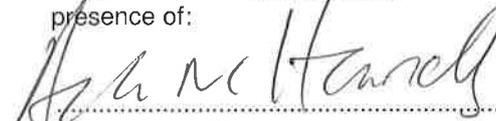

Signature of witness

ADAM HANDLEY
Name of witness (block letters)



By executing this document the signatory warrants that the signatory is duly authorised to execute this document on behalf of BAOSTEEL RESOURCES AUSTRALIA PTY LTD

SIGNED by Mr David Welch as authorised representative for **AURIZON OPERATIONS LIMITED** in the presence of:


Signature of witness

ADAM HANDLEY
Name of witness (block letters)



By executing this document the signatory warrants that the signatory is duly authorised to execute this document on behalf of AURIZON OPERATIONS LIMITED

EXECUTED by **AQUILA RESOURCES LIMITED** in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*
*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)
*delete whichever is not applicable