

Takeover Implementation Agreement signed and control of Aquila passes

Aquila Resources Limited (ASX:AQA, **Aquila**) provides shareholders with the following update in relation to the joint off-market takeover offer (**Offer**) by Baosteel Resources Australia Pty Ltd (ABN 66 154 815 362) and Aurizon Operations Limited (ABN 47 564 947 264) (together, the **Bidders**).

Aquila has entered into a takeover implementation agreement with the Bidders which provides for the accelerated payment of the Offer consideration to Aquila shareholders to within 5 business days after the later of the Offer being declared unconditional and their acceptance being processed (reduced from 21 days).

The agreement also provides (amongst other things) that in accordance with that agreement:

- the Offer will be freed from all remaining conditions (so that it will be unconditional);
- the closing date of the Offer will be extended until not before 25 July 2014; and
- the board of Aquila will be subject to an orderly restructure once payment has been dispatched in respect of the acceptances that will give the Bidders an interest in more than 50% of Aquila shares, so that nominees of the Bidders will then form a majority of the board.

A copy of the takeover implementation agreement is attached to this announcement.

As contemplated by the terms of the takeover implementation agreement, Mr Tony Poli has today accepted the Offer with respect to all of the Aquila Shares in which he has a relevant interest (being approximately 28.92% of issued Aquila Shares). The acceptance of the Offer by Mr Poli gives the Bidders an interest in more than 50% of Aquila Shares which will satisfy the 50% minimum acceptance condition.

Accordingly, your Independent Directors recommend that you should now accept the Offer so that your acceptance is received (in Melbourne) before the closing date, expected to be not before 25 July 2014.

For further information regarding this announcement, please contact:

Aquila Resources Limited	Goldman Sachs
Tony Poli (Executive Chairman and CEO) Martin Alciaturi (General Manager – Finance & Corporate) Telephone: (08) 9423 0111 Facsimile: (08) 9423 0133	Peter Watson (Executive Director) Telephone: (08) 9218 1000 Facsimile: (08) 9218 1010

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
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
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

Recitals	<p data-bbox="614 271 932 309">A The Parties refer to:</p> <ul data-bbox="710 324 1394 913" style="list-style-type: none"> <li data-bbox="710 324 1394 533">• 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); <li data-bbox="710 562 1394 622">• the independent board committee (IBC) formed by Aquila to respond to the Offer; <li data-bbox="710 651 1394 768">• 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 <li data-bbox="710 797 1394 913">• recent discussions regarding a proposal to facilitate the successful completion of the Offer in the interests of both the Bidders and Aquila shareholders. <p data-bbox="614 943 1394 1104">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.</p> <p data-bbox="614 1133 1394 1308">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.</p>
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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, pro-actively 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.

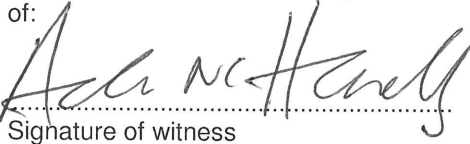
- (b) This agreement is entered into by the undersigned and also for the benefit of, and intended to be enforceable by, the current directors, officers, consultants and employees of Aquila.
- (c) This agreement is governed by the laws of Western Australia.
- (d) This agreement may be executed as two 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

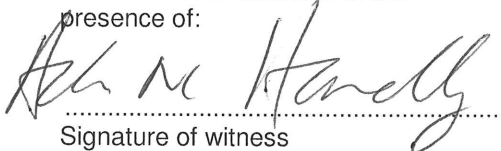
SIGNED by Ms Yiming Wu as
authorised representative for
BAOSTEEL RESOURCES
AUSTRALIA PTY LTD in the presence
of:


Signature of witness

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

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
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(Cwlth) by authority of its directors:

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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