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ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

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BY ELECTRONIC LODGEMENT

Takeover offer by Baosteel and Aurizon – Waiving of remaining conditions and acceleration of payment terms

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 – WAIVING OF REMAINING CONDITIONS AND ACCELERATION OF PAYMENT TERMS

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**), as set out in the bidders' statement dated 14 May 2014 (as supplemented by supplementary bidders' statements dated 5 June 2014 and 20 June 2014) (**Bidders' Statement**).

Pursuant to the terms of the takeover implementation agreement entered into between the Bidders and Aquila and announced on the ASX on 3 July 2014 (**Takeover Implementation Agreement**), the Bidders are pleased to announce a number of important developments in relation to the Offer:

- **Aquila board announces conditional board restructure;**
- **All remaining defeating conditions to the Offer will be waived;**
- **The Bidders to provide a confirmation notice triggering institutional acceptance facility acceptances to become acceptances into the Offer;**
- **Payment terms under the Offer will be accelerated to 5 business days; and**
- **The Offer period will be extended to 7.00pm (Sydney time) on 25 July 2014 (unless further extended).**

As a result of the above developments, Aquila's Independent Board Committee has stated it recommends Aquila shareholders now **ACCEPT** the Offer.

Announcement of conditional Aquila board restructure

Aquila has today announced, consistent with the terms of the Takeover Implementation Agreement, the resignations of Mr Tony Poli, Mr Gordon Galt and Ms Denise Goldsworthy and the appointment of 3 Baosteel nominees and 1 Aurizon nominee to the Aquila board (each resignation and appointment effective subject to certain conditions being satisfied, likely to be on or before 11 July 2014) (**Restructure Announcement**).

As a result of the Aquila board making the Restructure Announcement and Mr Tony Poli today accepting the Offer for his entire 28.92% relevant interest in Aquila shares (and, except as otherwise provided in the Takeover Implementation Agreement, no defeating conditions being breached prior to that acceptance), the conditions to the Bidders obligations under the Takeover Implementation Agreement (**TIA Conditions**) have been satisfied.

Waiver of remaining defeating conditions

As a result of the satisfaction of the TIA Conditions, the Bidders are also pleased to announce their intention to waive all of the remaining defeating conditions to the Offer.

In accordance with sections 630(4) and 650F of the *Corporations Act 2001* (Cth) (**Corporations Act**), formal notice of the waiver of all remaining defeating conditions to the Offer will be delivered to Aquila and released on the ASX shortly, at which point the Offer will become unconditional.

Institutional Acceptance Facility confirmation notice to be given

The Bidders will also shortly give written notice to Computershare Clearing Pty Ltd, the operator of the institutional acceptance facility, that the Offer is free from all defeating conditions (**Confirmation Notice**).

In accordance with the terms of the institutional acceptance facility, on receipt of the Confirmation Notice, the facility operator must immediately deliver the Acceptance Forms that it holds in accordance with the instructions on the relevant Acceptance Forms and the Custodian Directions to the relevant custodians. The effect of this is that acceptances into the institutional acceptance facility will become acceptances into the Offer.

Once all the institutional acceptance facility instructions have been processed, the Bidders' relevant interest in Aquila shares is expected to increase to approximately 58.6%.

Acceleration of payment of consideration

In accordance with the Takeover Implementation Agreement, the Bidders announce that the time for payment of the Offer consideration is accelerated to within 5 business days after the later of the Offer being declared unconditional and the date that the relevant valid acceptance is processed.

As the Offer will become unconditional shortly, Aquila shareholders that have previously accepted into the Offer will be sent a cheque drawn in Australian currency for A\$3.40 per Aquila share, within 5 business days of today's date (that is, by 10 July 2014). Other Aquila shareholders that accept the Offer will be sent a cheque within 5 business days after their valid acceptance is processed.

Extension of Offer period

The Bidders also announce that they intend to extend the closing date of the Offer from 7.00pm (Sydney time) on 11 July 2014 **to 7.00pm (Sydney time) on 25 July 2014**, unless further extended.

Formal notice of the variation extending the closing date of the Offer is expected to be delivered to Aquila, the Australian Securities and Investment Commission, holders of Aquila shares and holders of securities convertible into Aquila shares, and announced on the ASX tomorrow.

You should accept the Offer as soon as possible

The Bidders recommend that you accept the Offer as soon as possible to receive A\$3.40 per Aquila share for the following reasons:

- Aquila's independent board committee has recommended that Aquila shareholders now accept the Offer;
- Following acceptance into the Offer of Mr Tony Poli's shareholding the Bidders have acquired effective control of Aquila, having a relevant interest in more than 50% of Aquila shares;
- The all cash consideration being offered by the Bidders is a compelling offer and represents a significant premium to the levels at which Aquila shares were trading prior to the announcement of the Offer on 5 May 2014;
- The Offer provides an opportunity to dispose of all your Aquila shares, and to realise full and certain value for your entire Aquila shareholding;
- If you accept the Offer, you will avoid:
 - future funding uncertainties associated with Aquila's projects;
 - future operating and project development risks associated with Aquila's projects;

- exposure to the iron ore market, which has significantly declined since the Bidders made their Offer; and
- the risks associated with being a minority shareholder in Aquila, including reduced liquidity, which may negatively impact your ability to realise your Aquila shares at an attractive price in the future;
- The Offer is the only offer available for all Aquila shares today; and
- Aquila's independent expert has concluded that the Offer is not fair but is reasonable to Aquila shareholders (in the absence of a superior proposal).

To **ACCEPT** this Offer and receive A\$3.40 cash per Aquila share, please follow the instructions on the Acceptance Form enclosed with the Bidders' Statement. If you have lost your Acceptance Form and require a replacement, please call the Offer Information Line (details below). Your acceptance must be received in sufficient time to be acted upon before the end of the Offer Period. You will not pay brokerage or stamp duty if you **ACCEPT** the Offer.

If you have any questions in relation to the Offer, please contact your professional adviser, or call the Offer Information Line on 1300 309 589 (toll free if you are dialling from within Australia) or +61 2 8022 7902 (if you are dialling from outside Australia).

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