

# Bidders' Statement

# ACCEPT

the Joint Offer by

## **Baosteel Resources Australia Pty Ltd**

ABN 66 154 815 362, a wholly-owned subsidiary of Baosteel Group Corporation

and

## **Aurizon Operations Limited**

ABN 47 564 947 264, a wholly-owned subsidiary of Aurizon Holdings Limited

to acquire all of your ordinary shares in

## **Aquila Resources Limited**

ABN 81 092 002 769

for

**A\$3.40** cash per ordinary share

---

The Offer closes at [7.00pm] (Sydney time) on [\* 2014], unless extended.

The Offer Information Line: 1300 309 589 (toll free within Australia) or +61 2 8022 7902 (from outside Australia)

This is an important document and requires your immediate attention.

If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

---

Financial Adviser to Baosteel



Financial Advisers to Aurizon



SATORI INVESTMENTS



Legal Adviser to Baosteel

MinterEllison  
LAWYERS

Legal Adviser to Aurizon

ashurst

# Table of Contents

|                                                      |    |
|------------------------------------------------------|----|
| Important Information                                | 2  |
| How Do I Accept The Offer?                           | 3  |
| Key Dates                                            | 4  |
| Letter to Aquila Shareholders                        | 5  |
| Summary Of The Offer                                 | 7  |
| Why You Should Accept The Offer                      | 9  |
| 1. Frequently Asked Questions                        | 14 |
| 2. Information On Baosteel And Baosteel Group        | 20 |
| 3. Information On Aurizon                            | 25 |
| 4. Information On Aquila                             | 30 |
| 5. Sources Of Consideration                          | 35 |
| 6. Joint Bidding Arrangements                        | 38 |
| 7. Shareholders Agreement                            | 42 |
| 8. Infrastructure Framework Agreement                | 44 |
| 9. Intentions In Relation To Aquila                  | 49 |
| 10. Australian Tax Considerations                    | 55 |
| 11. Other Material Information Relevant To The Offer | 58 |
| 12. Terms And Conditions Of The Offer                | 64 |
| 13. Definitions And Interpretation                   | 79 |
| 14. Approval Of Bidders' Statement                   | 85 |

# Important Information

This Bidders' Statement is given by Baosteel Resources Australia Pty Limited ABN 66 154 815 362 (**Baosteel**), a wholly owned subsidiary of Baosteel Group Corporation (**Baosteel Group**), and Aurizon Operations Limited ABN 47 564 947 264 (**Aurizon**), a wholly owned subsidiary of Aurizon Holdings Limited ABN 14 146 335 622 (**Aurizon Holdings**) under Part 6.5 of the Corporations Act and relates to the Offer.

You should read this Bidders' Statement in its entirety.

This Bidders' Statement is dated 14 May 2014 and includes an Offer dated [\*date] in section 12.

A copy of this Bidders' Statement was lodged with ASIC on 14 May 2014. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidders' Statement.

References in this Bidders' Statement to Baosteel Group's website ([http://www.baosteel.com/group\\_en/](http://www.baosteel.com/group_en/)), to Aurizon's website (<http://www.aurizon.com.au/>), to ASX's website ([www.asx.com.au](http://www.asx.com.au)) and to Aquila's website (<http://www.aquilaresources.com.au/>) are for your reference only. Information contained in or otherwise accessible from those websites is not part of this Bidders' Statement.

The information concerning Baosteel and Baosteel Group Corporation contained in this document has been provided by Baosteel (**Baosteel Information**) and is the responsibility of Baosteel. Neither Aurizon nor any of its related bodies corporate, directors, executive officers, advisers and agents assumes any responsibility for any Baosteel Information. The information concerning Aurizon contained in this document has been provided by Aurizon (**Aurizon Information**). Neither Baosteel nor any of its related bodies corporate, directors, executive officers, advisers and agents assumes any responsibility for any Aurizon Information. Baosteel and Aurizon are jointly responsible for all information in this Bidders' Statement other than the Baosteel Information and the Aurizon Information.

## *Investment decisions*

This Bidders' Statement does not take into account the investment objectives, financial situation or particular needs of any person. Before making any investment decision you should consider whether it is appropriate in the light of these factors. Accordingly, you may wish to seek independent financial and taxation advice before deciding whether to accept the Offer.

## *Privacy*

Baosteel and Aurizon have collected your information from the Aquila register of shareholders for the purposes of making the Offer and, if accepted, administering acceptances over your holding of Aquila Shares and making payments of the Consideration. The Corporations Act requires the names and addresses of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Baosteel's and Aurizon's respective related bodies corporate and external service providers and may be required to be disclosed to regulators such as ASIC. If you would like details of your personal information held by the Bidders or their agents please contact the Offer Information line on 1300 309 589 (toll-free within Australia) or +61 2 8022 7902 (from outside Australia).

## *Notice to Foreign Shareholders*

The distribution of this Bidders' Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidders' Statement should inform themselves of, and observe, those restrictions. This Bidders' Statement does not constitute any offer in any jurisdiction in which, or to any person to which, it would not be lawful to make such an offer. Payment of any Consideration is subject to clause 12.9 of this Bidders' Statement.

## *Disclaimer as to forward-looking statements*

This Bidders' Statement contains forward-looking statements. These statements are based, among other things, on Baosteel's and Aurizon's assumptions, expectations, estimates, objectives, plans and intentions as of the date of this Bidders' Statement regarding the Offer, its success, anticipated benefits, the number of Aquila Shares that Baosteel and Aurizon will actually be able to purchase and any change to the Offer Price or conditions.

Forward-looking statements are based on Baosteel's and Aurizon's current estimates, expectations and assumptions, which Baosteel and Aurizon believe are reasonable as of the date of this Bidders' Statement, and, accordingly, are subject to changes after such date. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

Except as required under applicable securities legislation, Baosteel and Aurizon do not undertake to update or revise these forward-looking statements, whether written or verbal, that may be made from time to time by either of them or on their behalf, whether as a result of new information, future events or otherwise.

None of Baosteel, Aurizon (nor any of their respective officers), or any other person named in the Bidders' Statement with their consent, or any person involved in the preparation of this Bidders' Statement, makes any representation or warranty (express or implied) as to the accuracy of likelihood or fulfilment of any forward-looking statement, except to the extent required by law.

## *Defined terms*

A number of defined terms are used in this Bidders' Statement. These terms are explained in section 13 along with certain rules of interpretation which apply to this Bidders' Statement.

## How Do I Accept The Offer?

---

You may only accept the Offer for all of your Aquila Shares. Acceptances must be received in sufficient time to be acted upon before the end of the Offer Period.

### **For CHESS Holdings of Aquila Shares (Holder Identification Number beginning with 'X')**

To accept the Offer, contact your Controlling Participant (usually your broker) and instruct them to accept the Offer on your behalf before the end of the Offer Period.

Alternatively, complete the Acceptance Form in accordance with the instructions on it and return it to an address on the Acceptance Form. The Acceptance Form will only give rise to a valid acceptance if it is received so as to enable the Bidders to instruct your Controlling Participant to initiate acceptance on your behalf before the end of the Offer Period (or if the Bidders lawfully determine it is otherwise valid). You should ensure that the Acceptance Form is received in sufficient time before the end of the Offer Period for this processing to occur.

### **For Issuer Sponsored Holdings of Aquila Shares (Security Holder Reference Number beginning with 'I')**

If your Aquila Shares are in an Issuer Sponsored Holding or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of your Aquila Shares, to accept the Offer, complete the Acceptance Form in accordance with the instructions on it and return it to an address on the Acceptance Form.

### **Addresses for completed Acceptance Forms**

---

#### **By post**

Computershare Investor Services Pty Limited  
Aquila Takeover Offer  
GPO Box 52  
MELBOURNE VIC 3001  
Australia

#### **Hand delivery**

Computershare Investor Services Pty Limited  
Aquila Takeover Offer  
Yarra Falls, 452 Johnston Street  
ABBOTSFORD VIC 3067  
Australia

---

## Key Dates

|                                                                                       |                                    |
|---------------------------------------------------------------------------------------|------------------------------------|
| Announcement Date                                                                     | 5 May 2014                         |
| Bidders' Statement lodged with ASIC                                                   | 14 May 2014                        |
| Date of the Offer                                                                     | [*date]                            |
| Offer scheduled to close (unless extended)                                            | [7.00] pm (Sydney time) on [*date] |
| Note: The closing date for the Offer may change as permitted by the Corporations Act. |                                    |

# Letter to Aquila Shareholders

---

14 May 2014

Dear Aquila Shareholder,

On behalf of Baosteel and Aurizon (together the **Bidders**), we are pleased to provide to you this all-cash offer to acquire all of your shares in Aquila.

Our offer of **A\$3.40 per share (Offer Price)** for all your Aquila Shares provides you with a compelling opportunity to realise both certainty and significant value for your Aquila Shares.

Based on the price of Aquila Shares up to and including 2 May 2014, being the last trading day prior to the Announcement Date, the Offer Price represents a **premium of**:

- **38.8%** to A\$2.45, the closing price of Aquila Shares on the ASX on 2 May 2014;
- **38.0%** to A\$2.46, the 5 day VWAP\* of Aquila Shares;
- **30.6%** to A\$2.60, the 1 month VWAP\* of Aquila Shares;
- **32.3%** to A\$2.57, the 3 month VWAP\* of Aquila Shares;
- **45.0%** to A\$2.34, the 6 month VWAP\* of Aquila Shares; and
- **52.7%** to A\$2.23, the 12 month VWAP\* of Aquila Shares.

\* VWAPs are calculated on the basis of ASX and Chi-X trading data sourced from IRESS, inclusive of both ASX and Chi-X trading data and off-market special crossings (without the consent of IRESS to the use of the data, as permitted by ASIC Class Order 07/429)

Prior to the announcement of the Offer, Aquila Shares had not closed above the Offer Price since 15 May 2012.

As at the date of this Bidders' Statement, Baosteel (considered together with its related bodies corporate) is Aquila's second largest shareholder, holding approximately 19.8% of Aquila Shares. We believe that the likelihood of another bidder emerging with a superior proposal is low, given the substantial cash premium offered, the Bidders' current relevant interest in Aquila Shares and the significant capital expenditure required to develop Aquila's greenfield projects.

By accepting this Offer you can avoid a number of risks associated with continuing to be an Aquila shareholder. By accepting the Offer you will no longer be exposed to future funding uncertainties associated with Aquila's large greenfield projects, the West Pilbara Iron Ore Project (**WPIOP**) and the Eagle Downs Hard Coking Coal Project (**Eagle Downs**). Both projects require substantial capital to reach production. Aquila has disclosed that its share of the remaining development costs for WPIOP and Eagle Downs is A\$3.7 billion and A\$815 million respectively.<sup>1</sup>

Additionally, the trading price of Aquila Shares may fall if the Offer is unsuccessful; limited trading volumes may inhibit your ability to dispose of your Aquila Shares on market; and the value of your shareholding will continue to be subject to market volatility.

There are no Chinese regulatory approvals or financing conditions associated with the Offer. The Offer contains only limited conditions, including a 50% Minimum Acceptance Condition (on a fully diluted basis), FIRB approval and other customary conditions. This should provide you with increased confidence that the Offer will be successful should you accept the Offer.

---

<sup>1</sup> Aquila's Corporate Presentation dated 16 January 2014 (**Aquila's 2014 Corporate Presentation**).

Details of the Offer, including its terms and conditions, are set out in this Bidders' Statement. We encourage you to read this document in its entirety, and then to **accept the Offer as soon as possible**.

To accept the Offer, please follow the instructions on the accompanying Acceptance Form. If you require additional assistance, please call the Offer Information Line on 1300 309 589 (toll-free within Australia) or +61 2 8022 7902 (from outside Australia).

We encourage you to read this Bidders' Statement carefully and accept our Offer.

Yours sincerely,



Mr. Dai Zhihao  
Chairman  
Baosteel Resources International Co., Ltd.



Mr. Lance Hockridge  
Managing Director & CEO  
Aurizon Holdings Limited

## Summary Of The Offer

|                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>Bidder Information</i></b>          | <p>The Offer to acquire all your Aquila Shares is being made jointly by Baosteel, a wholly owned subsidiary of Baosteel Group, and Aurizon, a wholly owned subsidiary of Aurizon Holdings.</p> <p>Further information about Baosteel and Aurizon is set out in sections 2 and 3 respectively.</p> <p>If the Offer is successful, the Bidders intend to:</p> <ul style="list-style-type: none"> <li>• re-constitute the Aquila board;</li> <li>• undertake a thorough and broad-based general review of Aquila's corporate structure, assets, businesses, personnel and operations; and</li> <li>• seek to identify opportunities for accelerating project development, developing port and rail infrastructure and strategic acquisitions or disposals.</li> </ul> <p>Further information regarding the intentions of the Bidders is set out in section 9.</p>                                                                                                                                                                                                                                                                                                                                                                     |
| <b><i>Offer consideration</i></b>         | <p>The Bidders are offering to acquire all of your Aquila Shares for A\$3.40 cash per Aquila Share, on the terms and conditions set out in section 12.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b><i>Offer Period</i></b>                | <p>The Offer is open for acceptance between [*] and [7.00pm] (Sydney time) on [*date], unless it is extended or withdrawn by the Bidders.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b><i>Reasons to accept the offer</i></b> | <p>The reasons why you should accept the Offer are set out on page 9.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b><i>Conditions to the offer</i></b>     | <p>The Offer is subject to the conditions which are set out in full in section 12.7, which (in summary) include:</p> <ul style="list-style-type: none"> <li>• the Bidders acquiring a relevant interest in excess of 50% of all Aquila Shares (on a fully diluted basis);</li> <li>• receipt of FIRB approval by Baosteel and Aurizon;</li> <li>• no material acquisition, disposal or commitment is undertaken by the Aquila Group between the Announcement Date and the end of the Offer Period;</li> <li>• no grant of exclusivity or arrangements in relation to infrastructure development or services for the API JV between the Announcement Date and the end of the Offer Period;</li> <li>• no material adverse change occurs in relation to the Aquila Group before the end of the Offer Period;</li> <li>• no regulatory action by a Public Authority which prohibits or restricts the Offer or imposes any new terms on or amends the existing terms of the rights, licences or tenements held by Aquila between the Announcement Date and the end of the Offer Period;</li> <li>• no distribution or dividend is declared or paid by Aquila between the Announcement Date and the end of the Offer Period;</li> </ul> |

|                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                     | <ul style="list-style-type: none"> <li>there are no change of control provisions relating to Aquila's material assets; and</li> <li>no prescribed occurrence occurs between the Announcement Date and the end of the Offer Period (as described in sections 12.7(j) and 12.7(k)).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b><i>Date Bidders must give notice of status of Conditions</i></b> | The Bidders will give notice of the status of the Conditions on [*date] (subject to postponement in accordance with the Corporations Act if the Offer Period is extended). The status of each of the conditions as at the date of this Bidders' Statement is discussed in sections 11.3.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b><i>Payment date</i></b>                                          | If you accept the Offer in accordance with the instructions contained in the Offer and the Acceptance Form, you will be sent payment within 21 days after the later of the date that you accept and the date that the Offer becomes, or is declared, unconditional.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b><i>Action to take</i></b>                                        | <p>Depending on the nature of your holding, you may accept the Offer in the following ways.</p> <p><b>For CHESS Holdings of Aquila Shares (Holder Identification Number beginning with 'X')</b></p> <p>To accept the Offer, contact your Controlling Participant (usually your broker) and instruct them to accept the Offer on your behalf, or before the end of the Offer Period.</p> <p>Alternatively, complete the enclosed Acceptance Form in accordance with the instructions on it and return it to an address on the Acceptance Form. The Acceptance Form will only give rise to a valid acceptance if it is received so as to enable the Bidders to instruct your Controlling Participant to initiate acceptance on your behalf before the end of the Offer Period (or if the Bidders lawfully determine it is otherwise valid). You should ensure that the Acceptance Form is received in sufficient time before the end of the Offer Period for this processing to occur.</p> <p><b>For Issuer Sponsored Holdings of Aquila Shares (Security Holder Reference Number beginning with 'I')</b></p> <p>If your Aquila Shares are in an Issuer Sponsored Holding or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of your Aquila Shares, to accept the Offer, complete the Acceptance Form in accordance with the instructions on it and return it to an address on the Acceptance Form.</p> |
| <b><i>No brokerage or stamp duty</i></b>                            | You will not pay brokerage or stamp duty if you accept the Offer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## Why You Should Accept The Offer

### WHY YOU SHOULD ACCEPT THE ALL CASH OFFER

1. The Offer represents a significant premium to recent trading levels
2. The all cash Offer provides certain value
3. If the Offer is successful and you accept, you will avoid future funding uncertainties associated with Aquila's projects
4. If the Offer is successful and you accept, you will avoid future operating and project development risks associated with Aquila
5. The likelihood of a counter bidder emerging with a superior proposal is low
6. The trading price of Aquila Shares may fall if the Offer is unsuccessful
7. The Bidders are confident that the Minimum Acceptance Condition can be satisfied
8. There are risks associated with being a minority shareholder

### ACCEPT THE OFFER

## 1. The Offer represents a significant premium to recent trading levels

The all cash consideration being offered by the Bidders is a compelling offer and represents a significant premium to the levels at which the Aquila Shares were trading prior to the announcement of the Offer on 5 May 2014.

Based on the price of Aquila Shares up to and including 2 May 2014, being the last trading day prior to the Announcement Date, the Offer Price represents a premium of:

- 38.8% to A\$2.45, the closing price of Aquila Shares on the ASX on 2 May 2014;
- 38.0% to A\$2.46, the 5 day VWAP<sup>2</sup> of Aquila Shares;
- 30.6% to A\$2.60, the 1 month VWAP<sup>2</sup> of Aquila Shares;
- 32.3% to A\$2.57, the 3 month VWAP<sup>2</sup> of Aquila Shares;
- 45.0% to A\$2.34, the 6 month VWAP<sup>2</sup> of Aquila Shares; and
- 52.7% to A\$2.23, the 12 month VWAP<sup>2</sup> of Aquila Shares.

Prior to the announcement of the Offer, Aquila Shares had not closed above the Offer Price since 15 May 2012. Furthermore, the Bidders consider that these premia are particularly attractive given Aquila's significant cash balance.

**Figure 1: Offer consideration relative to recent trading prices of Aquila Shares<sup>3</sup>**



Source: IRESS, inclusive of both ASX and Chi-X trading data and off-market special crossings (without the consent of IRESS to the use of the data, as permitted by ASIC Class Order 07/429)

<sup>2</sup> VWAPs are calculated on the basis of ASX and Chi-X trading data and off-market special crossings sourced from IRESS (without its consent to the use of the data, as permitted by ASIC Class Order 07/429). 5 day VWAP calculated from 28 April 2014 – 2 May 2014, 1 month VWAP calculated from 3 April 2014 – 2 May 2014, 3 month VWAP calculated from 3 February 2014 – 2 May 2014, 6 month VWAP calculated from 3 November 2013 – 2 May 2014 and 12 month VWAP calculated from 3 May 2013 – 2 May 2014.

## 2. All cash Offer provides certain value

The Bidders are offering all cash consideration for your Aquila Shares.

If you accept the Offer and the Offer becomes unconditional, you will:

- be paid A\$3.40 cash for each of your Aquila Shares;
- not incur any brokerage fees if your Aquila Shares are registered in an Issuer Sponsored Holding in your name and you post them directly to the Bidders. If your Aquila Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Aquila Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer. You will incur brokerage if you sell your Aquila Shares on market; and
- receive a cheque for your consideration within 21 days of accepting the Offer or, if the Offer was subject to a defeating condition when you accepted the Offer, 21 days after the date that the Offer becomes, or is declared, unconditional.

The Offer provides an opportunity to dispose of all your Aquila Shares, and to realise full and certain value for your entire Aquila holding.

The certainty of the Bidders' cash Offer should be compared to the risks and uncertainties of remaining an Aquila Shareholder. In addition to the risks specific to Aquila's portfolio of greenfield projects, there are inherent risks in holding shares in a listed entity such as Aquila. These risks include but are not limited to:

- commodity price risk;
- foreign exchange risk;
- regulatory risk;
- equity market risk; and
- general economic conditions.

If you accept the Offer, and the conditions of the Offer are satisfied or waived, you will be paid cash for your Aquila Shares and will not be exposed to the risks inherent in continuing to hold Aquila Shares.

## 3. If the Offer is successful and you accept, you will avoid future funding uncertainties associated with Aquila's projects

Aquila's key development projects, the WPIOP and Eagle Downs, will require substantial capital to reach production.

Aquila has disclosed that its share of the remaining development costs for WPIOP and Eagle Downs is A\$3.7 billion and A\$815 million respectively<sup>4</sup>. As at 31 March 2014, Aquila had cash

---

<sup>4</sup> Aquila's 2014 Corporate Presentation and Aquila's March 2014 Quarterly Report

and term deposits of A\$498.6 million which represents only 11.0% of this funding requirement.<sup>5</sup>

These future development costs may give rise to a significant funding requirement for Aquila. Aquila may seek to raise funds through raising equity capital, for example via rights issues or placements to third parties. These capital raisings could result in the dilution of the ownership interest of Aquila Shareholders.

The Bidders note that whilst Aquila may pursue the divestment of non-core assets to fund its share of development costs, there remains a risk that the requirement for substantial amounts of development capital may negatively impact the price of Aquila Shares in the future. In any event, Aquila's previously announced disposal plans for its Avontuur Manganese Project and Washpool Hard Coking Coal Project have been unsuccessful to date.<sup>6</sup> As at the date of this Bidders' Statement, as far as the Bidders are aware, Aquila's only successful disposals since 30 June 2012 have been of the disposal of Isaac Plains, in July 2012<sup>7</sup> and completion of the disposal of Aquila's 24.5% interest in the Belvedere Coal Joint Venture to Vale Belvedere Pty Ltd (**Vale**) pursuant to Vale's exercise of an option in 2010.<sup>8</sup>

#### **4. If the Offer is successful and you accept, you will avoid future operating and project development risks associated with Aquila**

Eagle Downs and the WPIOP will require a substantial amount of expertise, resources and capital to develop and operate.

Remaining as a shareholder of Aquila will mean that you will continue to be exposed to the following risks relating to the development of these projects:

- the risk that Aquila is unable to progress a feasible rail and port infrastructure solution;
- the risk that these projects continue to be threatened by poor relations with joint venture partners and multiple legal and arbitral proceedings;<sup>9</sup> and
- the risk that Aquila is not able to secure the necessary regulatory approvals and consents required to develop these projects.

In contrast, the Offer will provide you with all cash consideration for your Aquila Shares, removing your exposure to these risks as an Aquila Shareholder.

#### **5. The likelihood of a counter bidder emerging with a superior proposal is low**

The Offer is the only offer available for all of your Aquila Shares as at the date of this Bidders' Statement.

As at the date of this Bidders' Statement, Baosteel and Aurizon believe that the likelihood of another bidder emerging with a superior proposal is low, given the substantial cash premium

---

<sup>5</sup> Aquila's 2014 Corporate Presentation

<sup>6</sup> Aquila's ASX Announcements dated 3 April 2012 and 29 April 2013

<sup>7</sup> Aquila's ASX Announcement dated 12 July 2012

<sup>8</sup> Aquila's March 2013 Quarterly Report and ASX Announcement dated 13 December 2012

<sup>9</sup> Aquila's 2013 Annual Report.

offered, the Bidders' relevant interest in approximately 19.8% of Aquila Shares and the significant capital expenditure required to develop Aquila's greenfield projects.

#### 6. **The trading price of Aquila Shares may fall if the Offer is unsuccessful**

The Offer is at a significant premium to the historical trading prices of Aquila Shares prior to the announcement of the Offer.

If the Offer is unsuccessful and there is no other offer made for your Aquila Shares, the trading price of Aquila Shares may fall and trade at levels even lower than the prices immediately prior to the announcement of the Offer.

**Figure 2: Aquila's 2 year historical share price up to and including 2 May 2014**



Source: IRESS, inclusive of both ASX and Chi-X trading data and off-market special crossings (without the consent of IRESS to the use of the data, as permitted by ASIC Class Order 07/429)

#### 7. **The Bidders are confident that the Minimum Acceptance Condition can be satisfied.**

The Bidders are confident that the Minimum Acceptance Condition can be satisfied, given Baosteel's existing 19.8% interest in Aquila Shares, and the compelling nature of the Offer.

#### 8. **There are risks associated with being a minority shareholder**

If the Bidders control the majority of Aquila Shares, but Aquila remains listed on the ASX, the market for your Aquila Shares may be less liquid or less active than at present, thereby exposing remaining Aquila Shareholders to greater volatility, less institutional support and limited analyst coverage of Aquila Shares. This could also make it more difficult for you to sell your Aquila Shares at an attractive price in the future.

If the number of Aquila Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then the ASX may suspend and/or de-list Aquila Shares. If this occurs, any remaining Aquila Shareholders will not be able to sell their Aquila Shares on market. Consequently, there may be a reduced likelihood of a subsequent takeover bid for Aquila from parties other than Baosteel and Aurizon.

# 1. Frequently Asked Questions

The following is only a summary of the Offer and is qualified by the detailed information contained in this Bidders' Statement. You should read this Bidders' Statement in full before deciding how to deal with your Aquila Shares.

The terms of the Offer are contained in section 12.

|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>What is the Offer?</i></b>             | The Bidders are offering to acquire all of your Aquila Shares for A\$3.40 cash per Aquila Share, on the terms and conditions set out in section 12.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b><i>Who are the Bidders?</i></b>           | <p>The Offer is being made jointly by Baosteel Resources Australia Pty Ltd. (<b>Baosteel</b>), a wholly owned subsidiary of Baosteel Group Corporation (<b>Baosteel Group</b>), and Aurizon Operations Limited (<b>Aurizon</b>), a wholly owned subsidiary of Aurizon Holdings Limited (<b>Aurizon Holdings</b>).</p> <p>Further information about Baosteel and Aurizon is set out in sections 2 and 3 respectively.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b><i>How do I accept the Offer?</i></b>     | <p>Depending on the nature of your holding, you may accept the Offer in the following ways.</p> <p>(a) <b>For CHESS Holdings of Aquila Shares (Holder Identification Number beginning with 'X')</b></p> <p>To accept the Offer, contact your Controlling Participant (usually your broker) and instruct them to accept the Offer on your behalf before the end of the Offer Period.</p> <p>Alternatively, complete the Acceptance Form in accordance with the instructions on it and return it to an address on the Acceptance Form. The Acceptance Form will only give rise to a valid acceptance if it is received so as to enable the Bidders to instruct your Controlling Participant to initiate acceptance on your behalf before the end of the Offer Period (or if the Bidders lawfully determine it is otherwise valid). You should ensure that the Acceptance Form is received in sufficient time before the end of the Offer Period for this processing to occur.</p> <p>(b) <b>For Issuer Sponsored Holdings of Aquila Shares (Security Holder Reference Number beginning with 'I')</b></p> <p>If your Aquila Shares are in an Issuer Sponsored Holding or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of your Aquila Shares, to accept the Offer, complete the Acceptance Form in accordance with the instructions on it and return it to an address on the Acceptance Form.</p> <p>Your Acceptance Form needs to be received at one of the specified addresses before the end of the Offer Period.</p> |
| <b><i>Why should I accept the Offer?</i></b> | <p>Reasons why you should accept the Offer include:</p> <ul style="list-style-type: none"> <li>• the Offer represents a significant premium to recent trading levels;</li> <li>• the all cash Offer provides certain value;</li> <li>• by accepting the Offer, you will avoid future funding uncertainties associated with Aquila's projects</li> <li>• by accepting the Offer, you will avoid future operating and project development risks associated with Aquila's projects;</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

- the likelihood of a counter bidder emerging with a superior proposal is low;
- the trading price of Aquila Shares may fall if the Offer is unsuccessful;
- the Bidders are confident that the Minimum Acceptance Condition to the Offer can be satisfied; and
- there are risks associated with being a minority shareholder.

For further details regarding the reasons why you should accept the offer are set out in section *Why You Should Accept the Offer*.

***What is the Bidders' Statement?***

The Bidders' Statement is prepared by the Bidders for distribution to Aquila Shareholders. It describes the terms of the Bidders Offer for your Aquila shares and sets out information known to the Bidders that is relevant to your decision whether or not to accept or not.

This Bidders' Statement is an important document. Should you have any doubt as to how to deal with this document you should consult your financial advisor.

If you require additional assistance, please call the Offer Information Line on 1300 309 589 (toll-free within Australia) or +61 2 8022 7902 (from outside Australia).

***What are the key dates of the Offer?***

- Date the Offer opens – [\*date]
- Date the Offer closes – [7.00pm] (Sydney time) on [\*date] (unless the offer is extended)
- Date the Bidders must give notice of status of conditions - [\*date] (unless the offer is extended)
- Date of payment – within 21 days after the later of the date that you accept the Offer and the date that the Offer becomes, or is declared, unconditional.

The above dates are correct as at the date of this Bidders' Statement, but may change if the offer is extended or withdrawn (if applicable), as permitted by the Corporations Act.

***Can the Offer Period be extended?***

Yes, the Offer Period may be extended at the election of the Bidders and as required under the Corporations Act. The Bidders will give written notice of any extension of the Offer Period in accordance with the Corporations Act. Any extension will be announced to the ASX.

***What are the conditions and terms of the Offer?***

The terms of the Offer are set out in full in section 12. The Offer is subject to the Defeating Conditions which are set out in full in section 12.7. In summary, those Defeating Conditions include that:

- Baosteel and Aurizon have relevant interests in more than 207,772,064 Aquila Shares<sup>10</sup>;
- receipt of FIRB approval by Baosteel and Aurizon;
- no material acquisition, disposal or commitment is undertaken by the Aquila Group between the Announcement Date and the end of the Offer Period;

<sup>10</sup> This number is equal to 50% of the sum of the number of: (i) Aquila Shares on issue, and (ii) the number of Aquila Shares that may be issued on exercise or vesting of the Aquila Options, the Aquila Performance Rights, and the Aquila Share Appreciation Rights, as at the date of this Bidders' Statement.

- no grant of exclusivity or arrangements in relation to infrastructure development or services for the API JV between the Announcement Date and the end of the Offer Period;
- no material adverse change occurs in relation to the Aquila Group before the end of the Offer Period;
- no regulatory action by a Public Authority which prohibits or restricts the Offer or imposes any new terms on or amends the existing terms of the rights, licences or tenements held by Aquila between the Announcement Date and the end of the Offer Period;
- no distribution or dividend is declared or paid by Aquila between the Announcement Date and the end of the Offer Period;
- there are no change of control provisions relating to Aquila's material assets; and
- no prescribed occurrence occurs between the Announcement Date and the end of the Offer Period (as described in sections 12.7(j) and 12.7(k)).

The status of each of the conditions as at the date of this Bidders' Statement is discussed in section 11.3.

***What happens if the Conditions of the Offer are not satisfied or waived?*** If the Conditions of the Offer are not satisfied or waived by the end of the Offer Period, the Offer will lapse and any acceptances will be void.

***What are the key risks associated with accepting or not accepting the Offer?*** If you accept the Offer you will receive a certain cash amount for your investment in Aquila if the Offer becomes or is declared unconditional. However, you will no longer have the benefit of any increase in the value of that investment, or be able to accept an alternative offer or sell on-market.

If you do not accept the Offer you will continue to hold your Aquila Shares unless they are compulsorily acquired. In those circumstances you will be exposed to the following risks:

- if the Offer is successful, the Bidders may control Aquila. Your intentions regarding the future direction of Aquila may differ from those of the Bidders, which are set out in section 9;
- the uncertainty that Aquila will be able to secure sufficient funding and the necessary approvals to develop its greenfield projects;
- the risk that the Aquila Share price will fall if the Offer is not successful; and
- the risks associated with holding equity securities, including exposure to market volatility and general economic conditions.

***What action can I take?*** Aquila Shareholders can either:

- accept the Offer for all of their Aquila Shares;
- reject the Offer (do nothing); or
- sell their Aquila Shares on market.

If you want to accept the Offer for all of your Aquila Shares, see the sections *How Do I*

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                       | <p><i>Accept the Offer</i> and section 12.3 of this Bidders' Statement, as well as the instructions on the Acceptance Form, about how to accept the Offer.</p> <p>If you want to reject the Offer there is no need to take any action.</p> <p>If you want to sell your Aquila Shares on market, you should contact your broker. However, you may incur brokerage if you sell your Aquila Shares on market.</p> <p>Before deciding whether to accept or reject the Offer, you should read this Bidders' Statement in its entirety.</p>                                                                                                                                                                                                        |
| <b>What happens if I accept?</b>                      | <p>You will be bound to sell and transfer your Aquila Shares to Baosteel and Aurizon, subject to the Offer becoming or being declared unconditional. If the Offer becomes or is declared unconditional, you will receive A\$3.40 cash for each of your Aquila Shares.</p> <p>Once you accept the Offer (even while it remains subject to any defeating conditions) you will not be able to sell your Aquila Shares on market, accept any other offer or otherwise deal with your Aquila Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.</p>                                                                                                                                           |
| <b>Can I accept the Offer for part of my holding?</b> | <p>No, you can only accept for all of your holding. Your acceptance will be treated as being for all your Aquila Shares plus any additional Aquila Shares registered as held by you at the date your acceptance is processed.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>If I accept the Offer, when will I be paid?</b>    | <p>If you accept the Offer in accordance with the instructions contained in the Offer and the Acceptance Form, you will be sent payment within 21 days after the later of the date that you accept and the date that the Offer becomes, or is declared, unconditional.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Can I withdraw my acceptance?</b>                  | <p>You may only withdraw your acceptance of the Offer if the Offer is varied in such a way as to delay the time by which you would receive payment by more than one month. This may occur if the Offer Period is extended by more than one month and the Offer is still subject to any defeating conditions at that time. A notice will be sent to you at the time explaining your rights in this regard.</p>                                                                                                                                                                                                                                                                                                                                |
| <b>What will the tax consequences be?</b>             | <p>Section 10 describes the major tax implications in Australia for Aquila Shareholders who accept the Offer. Aquila Shareholders should not rely on that description as advice for their own affairs and the Bidders recommend you consult your taxation or other professional adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer.</p>                                                                                                                                                                                                                                                                                                                                                  |
| <b>Do I pay brokerage or stamp duty if I accept?</b>  | <p>The Bidders have agreed to pay any stamp duty payable on the transfer of your Aquila Shares if you accept the Offer.</p> <p>If your Aquila Shares are registered in an Issuer Sponsored Holding in your name and you post them directly to the Bidders, you will not incur any brokerage in connection with your acceptance of the Offer.</p> <p>If your Aquila Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Aquila Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.</p> |

|                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Can I sell my Aquila Shares on market?</b>                                                                     | <p>Yes. However, once you accept the Offer you will not be permitted to sell your Aquila Shares on market, accept any other offer or otherwise deal with your Aquila Shares.</p> <p>If you want to sell your Aquila Shares on market, you should contact your broker. However, you may incur brokerage if you sell your Aquila Shares on market.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>What if I am a foreign shareholder?</b>                                                                        | Foreign Aquila Shareholders will be paid the same cash consideration as stipulated under the Offer, subject to sections 12.9(e) and 12.9(f). You will be paid in Australian dollars by cheque drawn on an Australian bank branch.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>What if I accept the Offer and the Bidders increases the Offer Price?</b>                                      | In accordance with the Corporations Act, if the Bidders increase the Offer Price, you will be paid the higher price irrespective of when you accepted the Offer (assuming the Offer becomes or is declared unconditional). If you have already received payment in respect of the Offer, you will be paid the difference between the amount you have already received and the higher price.                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>What happens if I do not accept?</b>                                                                           | You will remain an Aquila Shareholder and will not receive the consideration offered by the Bidders. However, if the Bidders become entitled to compulsorily acquire your Aquila Shares, the Bidders intend to do so. If your Aquila Shares are compulsorily acquired by the Bidders, it will be on the same terms (including the same consideration for each Aquila Share acquired) as the Offer. However, you will receive the money later than the Aquila Shareholders who choose to accept the Offer.                                                                                                                                                                                                                                                                                                        |
| <b>Will the Bidders proceed to compulsory acquisition?</b>                                                        | If the Bidders become entitled to proceed to compulsory acquisition of outstanding Aquila Shares in accordance with Part 6A.1 of the Corporations Act, the Bidders intend to exercise any rights of compulsory acquisition to acquire 100% of the Aquila Shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>What are the Bidders other intentions?</b>                                                                     | The Bidders intend to re-constitute the Aquila board and undertake a thorough and broad-based general review of Aquila's corporate structure, assets, businesses, personnel and operations, which will seek to identify opportunities for accelerating project development, developing port and rail infrastructure and strategic acquisitions or disposals. Further information regarding the intentions of the Bidders is set out in section 9.                                                                                                                                                                                                                                                                                                                                                                |
| <b>What if I require further information?</b>                                                                     | If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please call the Offer Information Line on 1300 309 589 (toll-free within Australia) or +61 2 8022 7902 (from outside Australia).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Does the Offer apply to my Aquila Options, Aquila Performance Rights, or Aquila Share Appreciation Rights?</b> | <p>The Bidders are not offering to acquire any Aquila Options, Aquila Performance Rights or Aquila Share Appreciation Rights.</p> <p>However, the Offer extends to all Aquila Shares that are issued between that date and the end of the Offer Period as a result of the exercise of Aquila Options, or the vesting of Aquila Performance Rights or Aquila Share Appreciation Rights.</p> <p>This means that holders of Aquila Options who exercise their Aquila Options or holders of Aquila Performance Rights or Aquila Share Appreciation Rights that vest, will be able to accept the Offer in respect of the Aquila Shares issued during the Offer Period as a result of that exercise or vesting.</p> <p>If the Bidders become, or a related body corporate of them becomes, entitled to acquire the</p> |

---

Aquila Convertible Securities compulsorily, they intend that those rights be exercised in accordance with Part 6A.2 and 6A.3 of the Corporations Act.

---

**Important notice** The information in this section is a summary only of the Offer and is qualified by the detailed information set out elsewhere in this Bidders' Statement.

You should read the entire Bidders' Statement and the target's statement that Aquila will shortly be sending to you, before deciding whether to accept the Offer.

---

## 2. Information On Baosteel And Baosteel Group

---

Baosteel Resources Australia Pty Ltd (referred to in this Bidders' Statement as "Baosteel") is a wholly-owned subsidiary of Baosteel Group Corporation (referred to in this Bidders' Statement as "Baosteel Group").

### 2.1 Overview of Baosteel

Baosteel is an Australian incorporated company formed in 2011 for the purpose of investing in Australia. Other than its existing holding of Aquila Shares, Baosteel does not currently undertake any other business activities.

However, Baosteel Group is in the process of transferring its 46% interest in the Baosteel-Hamersley joint venture (**Bao-HI JV**), from Baosteel Australia Mining Company Pty Ltd (**Baosteel Australia Mining**) to Baosteel. The Bao-HI JV is a joint venture between Baosteel Australia Mining and Ranges Mining Pty Ltd (a wholly owned subsidiary of Rio Tinto Limited). In 2013, production from the Bao-HI JV's 'Eastern Ranges' mine was 10.052 million tonnes of iron ore.<sup>1</sup> Following the transfer of Baosteel Group's interest in the Bao-HI JV to Baosteel, Baosteel will manage Baosteel Group's interest in both Aquila and the Bao-HI JV.

### 2.2 Ownership and structure of Baosteel

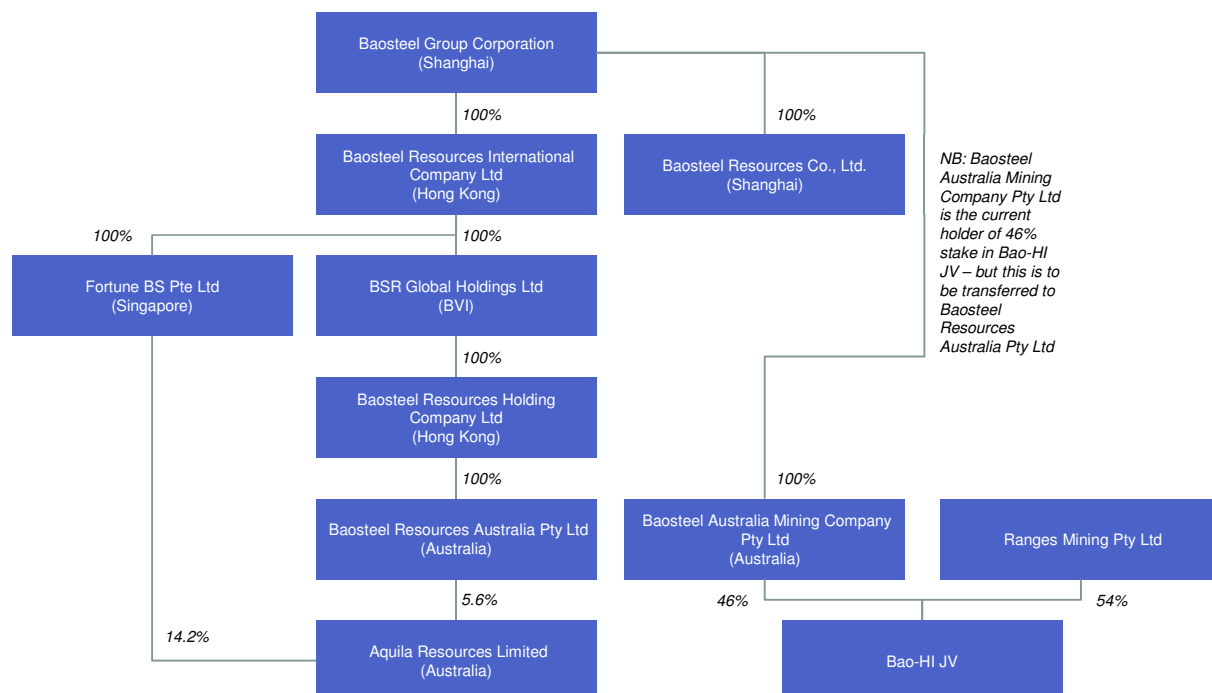
Baosteel is a wholly-owned subsidiary of Baosteel Group, an enterprise incorporated in China which is 100% held by the State-Owned Assets Supervision and Administration Commission of China (**SASAC**).

The corporate structure for Baosteel showing its related bodies corporate and Baosteel Group's interest in the Bao-HI JV is set out below.

---

<sup>1</sup> Rio Tinto Limited's Annual Report 2013

**Figure 4: Baosteel Group Corporate Structure**



## 2.3

### Directors of Baosteel

Brief profiles of the Directors of Baosteel at the date of this Bidders' Statement are set out below.

#### Ms. Yiming Wu

Ms. Wu holds a Bachelor Degree in Law from Fudan University and a Masters Degree in Management from Stanford University. She is a Vice President of Baosteel Resources Co., Ltd. and Baosteel Resources International (each a related body corporate of Baosteel). Since joining Baosteel Group in 1997, Ms Wu has held various managerial roles, including Board Secretary, Assistant to CEO and Head of Asset Management and Financial Department of Baosteel Resources Co., Ltd.

#### Mr. Chao Ji

Mr. Ji holds a Bachelor Degree from South China University of Technology and a Masters Degree from Fudan University. Mr. Ji joined Baosteel Group in July 1996 and has held various managerial roles within Baosteel Group, including General Manager of Baosteel Australia Mining, Assistant to General Manager of Baosteel Resources Co., Ltd., and Chief Representative of Baosteel Group in Australia.

## 2.4

### Overview of Baosteel Group

Baosteel Group is a state-owned iron and steel company headquartered in Shanghai, China. The company is one of China's largest iron and steel producers with crude steel output of approximately 43.8 million tons in 2012.

For the year ended 31 December 2012, Baosteel Group generated a total revenue and total gross profit of RMB 288.2 billion and RMB 10.4 billion respectively (approximately A\$50.2 billion and A\$1.8

billion)<sup>1</sup>. As of 31 December 2012, the Group had total assets and total equity of RMB 498.4 billion and RMB 277.1 billion respectively (approximately \$86.8 billion and \$48.3 billion)<sup>1</sup>.

The principal activities of Baosteel Group are set out below

(a) **Iron & Steel**

The Iron & Steel division is Baosteel Group's core business activity, being the production of carbon steel products for domestic and export markets. The Baosteel Group's products meet a broad range of customer needs in the automotive, home electrical appliance, petrochemical, machinery, nuclear, shipbuilding, electronic device, energy, transportation, construction, aerospace and aviation industries.

In 2012, the division generated total revenue of RMB 237.8 billion (approximately A\$41.4 billion)<sup>1</sup>.

(b) **Resources development and logistics**

The business segment engages in the investment in and trade of mineral resources and provision of logistics services. The division has 15 subsidiaries in China and overseas and has offices in Australia, South Africa, Indonesia and India.

In 2012, the division generated total revenue of RMB 34.1 billion (approximately A\$5.9 billion)<sup>1</sup>.

(c) **Secondary steel processing / trading**

The business segment engages in the downstream processing of steel products for metal packaging, industrial gas, metal products and automotives trading businesses.

In 2012, the division generated total revenue of RMB 11.5 billion (approximately A\$2.0 billion)<sup>1</sup>.

(d) **Engineering technology services**

The business segment engages in the provision of construction, engineering and consultancy services primarily for the steel industry.

In 2012, the division generated total revenue of RMB 16.4 billion (approximately A\$2.9 billion)<sup>1</sup>.

(e) **Coal chemical**

The business segment engages in steel coking gas refining as well as the production and sales of metallurgical chemical products.

In 2012, the division generated total revenue of RMB 11.5 billion (approximately A\$2.0 billion)<sup>1</sup>.

---

<sup>1</sup> Based on an exchange rate of \$1 : RMB 5.739

(f) **Financial investment**

The business segment engages in financial investment, asset management and trustee services. The business segment focuses on long term strategic investments in leading companies in the financial and steel industries.

In 2012, the division generated total revenue of RMB 1.5 billion (approximately A\$0.3 billion)<sup>1</sup>.

(g) **Production services**

The business segment engages in the provision of integrated supporting and back office management services for Baosteel Group's steel manufacturing subsidiaries.

In 2012, the division generated total revenue of RMB 16.0 billion (approximately A\$2.8 billion)<sup>1</sup>.

## 2.5 **Directors of Baosteel Group**

Brief profiles of the directors of Baosteel Group at the date of this Bidders' Statement are set out below.

**Mr. Lejiang Xu (Chairman)**

Mr. Xu holds a Bachelors Degree in Metallurgy Mechanical Engineering from Jiangxi University of Science and Technology and a MBA Degree from Fudan University. Mr. Xu has over 20 years' experience in the steel manufacturing industry and has held various managerial roles within Baosteel Group before being appointed Chairman in January 2007.

**Mr. Wenbo He (Director)**

Mr. He graduated from Northeastern University in 1982 and received an EMBA Degree from China Europe International Business School in March 2000.

Mr. He has extensive experience in manufacturing technology, marketing, operations and human resource management in the steel industry. Mr. He joined Baosteel Group in 1982 and was appointed as a Director of Baosteel Group in April 2008.

**Mr. Yong Gan (Director)**

Mr. Gan earned his PhD from Central Iron and Steel Research Institute (CISRI) and has been a member of the Chinese Academy of Engineering since 2001. Mr. Gan was appointed as a Director of Baosteel Group since January 2009.

**Mr. Xiaoqi Wang (Director)**

Mr. Wang has been the Vice Chairman of the China Iron and Steel Association since February 2011. Mr. Wang has extensive experience as a senior executive working in the Chinese steel industry and government agencies. Mr. Wang was appointed as a Director of Baosteel Group in April 2012.

**Mr. Buck Kewei Pei (Director)**

Mr. Pei is a Professor of Accounting and Executive Dean (China Region) of the WP Carey School of Business at Arizona State University. Mr. Pei is an influential member in the American Accounting Association, and has served as Chairman of the global committee of the association from 1996 to 1997. Mr. Pei was appointed as Director of Baosteel Group in February 2012.

**Mr. Fusheng Zhang (Director)**

Mr. Zhang holds a Masters Degree from Wuhan University of Technology and has extensive experience in port operations, finance and human resources management. Mr. Zhang was appointed as a Director of Baosteel Group in February 2013.

**Mr. Tianliang Jing (Director)**

Mr. Jing graduated from Xi'an University of Science and Technology in 1967. Mr. Jing has been an External Chairman of China Metallurgical Group since March 2010 and has extensive experience in the coal and steel industries. Mr. Jing was appointed as a Director of Baosteel Group in January 2009.

**Mr. Yiming Zhu (Director)**

Mr. Zhu holds an MBA from China Europe International Business School. Mr. Zhu joined Baosteel Group in July 1983 and has since held numerous management and committee positions. Mr. Zhu was appointed as a Director of Baosteel Group in September 2011.

**2.6 Baosteel Nominee Director**

Zhaoming Lu is a Director of Aquila nominated by Baosteel.<sup>1</sup> Mr. Lu is the Vice-President of Baosteel Resources Co. Ltd and Baosteel Resources International. Information barriers have been established to ensure that Baosteel and relevant related bodies corporate do not come into possession of any confidential information relating to Aquila that Mr. Lu may be aware of in his capacity as a director of Aquila, and to ensure that Mr. Lu is not involved in making the Offer or the decision to make the Offer.

**2.7 Publicly available information about Baosteel Group**

A substantial amount of information about Baosteel Group is available in electronic form from [http://www.baosteel.com/group\\_en](http://www.baosteel.com/group_en) and [http://www.baosteelresources.com/index\\_1.aspx](http://www.baosteelresources.com/index_1.aspx).

Information on the websites referenced in this Bidders' Statement does not constitute part of this Bidders' Statement.

---

<sup>1</sup> Aquila's ASX announcement dated 24 October 2013.

### 3. Information On Aurizon

Aurizon Operations Limited (referred to in this Bidders' Statement as "Aurizon") is a wholly-owned subsidiary of Aurizon Holdings Limited (referred to in this Bidders' Statement as "Aurizon Holdings").

#### 3.1 Overview of Aurizon business

Aurizon Holdings, a top-50 ASX-listed company, is Australia's largest rail freight operator with almost 150 years of experience. Each day, Aurizon Holdings and its subsidiaries (the **Aurizon Group**) move on average more than 700,000 tonnes of coal, iron ore and other minerals as well as agricultural and general freight. The Aurizon Group operates and manages the Central Queensland Coal Network (CQCN) made up of approximately 2,670km of heavy haul rail infrastructure, as well as operating Australia's largest iron ore bulk-haul business outside the Pilbara.

For its most recent financial year ended 30 June 2013, Aurizon Holdings generated total revenue of A\$3.8 billion and statutory net profit after tax of A\$447 million. As at 31 December 2013, its most recent balance date, Aurizon Holdings had net assets of A\$6.4 billion, and liquidity of A\$1.35 billion (undrawn facilities plus cash).

#### 3.2 Ownership

Based on substantial holder notices received by Aurizon Holdings as at the date before the date of this Bidders' Statement, the following are substantial holders of Aurizon Holdings:

| Substantial holder                                                                    | Voting power |
|---------------------------------------------------------------------------------------|--------------|
| HSBC Holdings plc Group                                                               | 6.20%        |
| UBS AG and its related bodies corporate                                               | 5.95%        |
| National Nominees as Custodian for UniSuper                                           | 5.51%        |
| The Children's Investment Fund Management (UK) LLP on behalf of Talos Capital Limited | 5.13%        |

#### 3.3 Directors of Aurizon Holdings

Brief profiles of the directors of Aurizon Holdings at the date of this Bidders' Statement are set out below.

##### **Mr. John B Prescott AC (Chairman, Independent Non-Executive Director)**

Mr. Prescott has substantial experience in the mining, manufacturing, transport and government sectors. He was a long term executive of The Broken Hill Proprietary Company Limited (now BHP Billiton Limited), serving 10 years as an Executive Director and seven years as Managing Director and Chief Executive Officer (1991–1998). He was also Chairman of ASC (formerly Australian Submarine Corporation Pty Ltd) from 2000–2009 and a Director of Newmont Mining Corporation from 2002–2013. Mr. Prescott has been a Global Counsellor of The Conference Board since 2001, a member of the Global Advisory Council since 2013 and a member of the Commonwealth Remuneration Tribunal since 2010. Other Directorships and consulting/advisory positions have included Conference Board

USA, World Economic Forum, Booz Allen and Hamilton, J.P. Morgan Chase & Co, Proudfoot Consulting, and Asia Pacific Advisory Committee of New York Stock Exchange.

**Mr. Lance E Hockridge (Managing Director and Chief Executive Officer)**

Mr. Hockridge became Managing Director & CEO of Aurizon Holdings, in July 2010. He has guided Aurizon's transition to a top 50 ASX company after 145 years as a government owned railway. From 2007 until 2010, he was CEO of QR Limited which was split to form Aurizon Holdings and the passenger-focussed Queensland Rail that remained in government ownership. Mr. Hockridge has more than 30 years' experience in the transportation and heavy industrial sectors in Australia and the United States with BHP Billiton and BlueScope Steel. At BHP Billiton Limited, Mr. Hockridge was a member of the leadership team that led BlueScope Steel's successful demerger from BHP and subsequent listing on the ASX. In 2005, Mr. Hockridge was appointed President of BlueScope Steel's North American operations where he led a major turnaround in safety, production and financial performance. Mr. Hockridge is a member of the Business Council of Australia's Efficient Regulation policy committee and a regular participant in industry forums on transport infrastructure and reform. He has been appointed to Q20, the business leaders group promoting Queensland investment as part of the G20 Summit in Brisbane in November 2014.

**Mr. John Atkin (Independent Non-Executive Director)**

Mr. Atkin has more than 30 years experience in financial services and the legal profession in Australia and internationally. Mr. Atkin is a Director of the Australian Outward Bound Foundation and a member of the Board of the State Library of NSW Foundation. Previously, Mr. Atkin was Chief Executive Officer of The Trust Company Limited (2009-2013), was Managing Partner of Blake Dawson (2002-2008) and a Corporate and Mergers & Acquisitions partner at Mallesons Stephen Jaques (1987-2002).

**Mr. Russell R Caplan (Independent Non-Executive Director)**

Mr. Caplan has extensive international experience in the oil and gas industry. In a 42 year career with Shell, he held senior roles in the upstream and downstream operations and corporate functions in Australia and overseas. From 1997 to 2006 he had senior international postings in the UK, Europe and the USA. From 2006 to July 2010 he was Chairman of the Shell Group of Companies in Australia. Mr. Caplan is Chairman of Orica Limited and Chairman of the Melbourne and Olympic Parks Trust. He is a former Non-Executive Director of Woodside Petroleum Limited and a former Chairman of the Australian Institute of Petroleum.

**Mr. John D Cooper (Independent Non-Executive Director)**

Mr. Cooper has more than 35 years experience in the construction and engineering sector in Australia and overseas. Currently, Mr. Cooper is Chairman and Non-Executive Director of Southern Cross Electrical Engineering Limited and also holds a Non-Executive Directorship with NRW Holdings Limited. During his career as an executive Mr. Cooper's roles have encompassed large civil, commercial and infrastructure projects and complex engineering and project management activities in the mining, oil and gas, engineering and property sectors.

**Mrs. Karen L Field (Independent Non-Executive Director)**

Mrs Field spent more than three decades in the mining industry in Australia and overseas and has a strong background in strategy, human resources and project management. Mrs Field is currently a Non-Executive Director of Sipa Resources Limited and has held Non-Executive Directorships with the

Water Corporation (Deputy Chairman), Centre for Sustainable Resource Processing, Electricity Networks Corporation (Western Power), MACA Limited and Perilya Limited. In addition, Mrs. Field is a Director of a number of community based organisations including aged care provider Amana Living Inc and the University of Western Australia's Centenary Trust for Women.

**Mr. Graeme T John AO (Independent Non-Executive Director)**

Mr. John has 30 years management experience in the transport operations sector including 16 years as Managing Director of Australia Post. He was also a Senior Executive of TNT Australia Ltd. Mr. John is a Director of Seven West Media Ltd. Mr. John is a former commissioner of the Australian Football League and board member of Racing Victoria. His previous roles include Chairman of Australian Air Express, Chairman of Star Track Express, Chairman of the Kahala Posts Group, Director of the International Post Corporation (Netherlands), Vice Chairman of Sai-Cheng Logistics International (China) and a trustee of the Committee for Melbourne and the MCG. He has received the Australian Sports Medal and Centenary Medal.

**Ms. Andrea J P Staines (Independent Non-Executive Director)**

Ms. Staines has extensive corporate, financial and commercial experience and advisory experience in governance, strategy and risk management. She is a Director of Goodstart Early Learning and NSW Transport Advisory Board. Former Directorships include the Australian Rail Track Corporation, Gladstone Ports Corporation, North Queensland Airports, Allconnex Water and Early Learning Services (now G8). Ms. Staines is a former Chief Executive Officer of Australian Airlines, a Qantas subsidiary she co-launched in 2002 as a member of the carrier's 12 person senior team. She previously held various financial, strategy and economic roles at Qantas. Prior to this, she held various financial roles at American Airlines' headquarters in Dallas. Ms Staines is a Member of CEW (Chief Executive Women).

**Mr. Gene T Tilbrook (Independent Non-Executive Director)**

Mr. Tilbrook has broad experience in corporate strategy, investment and finance. He joined Wesfarmers in 1985 and was an Executive Director from 2002 to 2009. Between 2000 and 2006, when Wesfarmers was a joint owner of the Australian Railroad Group, he was a Director of Australian Railroad Group and Chairman of Westnet Rail. Mr. Tilbrook is a Director of Fletcher Building, GPT Group, Orica Limited and the Bell Shakespeare Company. He is also a Councillor of Curtin University and the Australian Institute of Company Directors WA.

**Mr. Pat Zito (Independent Non-Executive Director)**

Mr. Zito has extensive finance and operational experience both domestically and internationally, including as Finance Director for Australia and Europe, then President of European and Global operations with the Pilkington Group. He joined the Board of Pilkington Plc in 2002. He became President an Executive Director and President Global Automotive for Nippon Sheet Glass Co following its acquisition of Pilkington in 2007; and from 2007 - 2013 was a Non-Executive Director of global technology company, Invensys plc.

### **3.4 Directors of Aurizon Operations Limited**

As at the date of this Bidders' Statement, Messrs Lance E Hockridge, Keith Neate and Dominic D Smith are directors of Aurizon Operations Limited.

**Mr. Keith Neate**

Mr. Neate is the Executive Vice President and Chief Financial Officer of Aurizon Holdings and has more than two decades' experience in leadership roles in Australia and internationally. He joined Aurizon in August 2011 to head the finance function for the coal business and was the acting CFO for the Aurizon group from November 2012 to April 2013. Before joining Aurizon, Mr. Neate was the CFO at Virgin Blue for eight years and prior to that spent 15 years at KPMG working in a variety of senior roles in Australia and the United Kingdom. Mr. Neate holds a Bachelor of Accountancy and Economics and is a member of the Institute of Chartered Accountants, England and Wales.

#### **Mr. Dominic D Smith**

Mr. Smith was appointed Company Secretary of Aurizon Holdings upon its incorporation in September 2010. Mr. Smith has over 18 years' company secretariat, governance, corporate legal and senior management experience in ASX-listed companies. Mr. Smith holds a Masters of Laws degree from the University of Sydney and is a Fellow of both the Governance Institute of Australia and the Australian Institute of Company Directors.

### **3.5 Business overview**

As Australia's largest rail freight operator, Aurizon Holdings has capabilities in all aspects of rail operations. This has enabled delivery of significant infrastructure projects in recent years:

- Goonyella to Abbot Point Expansion Project (GAPE). Aurizon delivered the three-year A\$1.1bn GAPE project on time and on budget. One of the largest coal rail infrastructure projects undertaken in Australia, the capacity to the Port of Abbot Point has been increased to 50 million tonnes per annum.
- Wiggins Island Rail Project (WIRP). The WIRP project is designed to create a link between the new Wiggins Island Coal Export Terminal and mines in the Southern Bowen and Surat Basin.

The Aurizon Group's business comprises four major product lines – Network, Coal, Iron Ore and Intermodal and Bulk:

#### **(a) Network**

The Aurizon Group operates the 2,670 kilometre Central Queensland Coal Network. The open access network is the largest coal rail network in Australia and one of the country's most complex, connecting multiple customers from more than 50 mines to four ports. The Central Queensland Coal Network includes four major coal systems; the Moura, Blackwater, Goonyella, and Newlands systems.

#### **(b) Coal**

The Aurizon Group owns and operates the largest fleet of coal-hauling locomotives and wagons in Australia hauling an average 530,000 tonnes a day and is one of the world's largest rail transporters of coal from mine to port for export markets. The coal transport operation links mines in the Newlands, Goonyella, Blackwater, Moura and West Moreton system in Queensland, and the Hunter Valley coal systems in New South Wales, to end customers and ports.

(c) **Iron ore**

The Aurizon Group hauls iron ore for export within the Mid West and Yilgarn corridors of Western Australia to the ports of Kwinana, Geraldton and Esperance. Over A\$395m of investments in the iron ore business has been delivered on time and within budget and volumes remain on track for ~30mtpa by FY14. The value of assets in the Aurizon Group's iron ore division was approximately A\$505m as at 30 June 2013, with approximately 240 employees in the division.

(d) **Intermodal and Bulk**

The Aurizon Group's Intermodal and Bulk business supports a range of customers nationally for bulk minerals and commodities, agricultural products, mining and industrial inputs, and general and containerised freight.

The Aurizon Group knows delivering value for customers means moving freight safely and reliably. Safety is a core value and the Aurizon Group is committed to the safety of its people and the safety of the communities in which it operates. The Aurizon Group holds safety accreditation as an above rail operator in Queensland, New South Wales and Western Australia.

### **3.6 Publicly available information about Aurizon Holdings**

Further information about Aurizon Holdings and the Aurizon Group is available in electronic form from <http://www.aurizon.com.au>.

Aurizon Holdings also files annual and semi-annual reports as well as other information with the ASX. ASX filings may be accessed without charge in electronic form from [www.asx.com.au](http://www.asx.com.au).

Information on the websites referenced in this Bidders' Statement does not constitute part of this Bidders' Statement.

## 4. Information On Aquila

---

### 4.1 Disclaimer

The information in this section 4 (other than section 4.8) concerning Aquila has been prepared based on a review of publicly available information. The Bidders do not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on Aquila and the Aquila Group in this Bidders' Statement should not be considered comprehensive.

Further information relating to Aquila's businesses or Aquila Shares may be included in the Target's Statement in relation to the Offer, which will be sent to you directly by Aquila.

### 4.2 Publicly available information

Aquila has been listed on ASX since June 2000 and is obliged to comply with the continuous disclosure requirements of ASX. A substantial amount of information concerning Aquila has previously been notified to ASX.

The ASX announcements made in relation to Aquila between 13 September 2013 (being the date on which the most recent annual financial statements for Aquila were released) and the date of this Bidders' Statement are listed in Annexure B.

Information about the Aquila Group (including copies of its financial statements) may also be obtained from Aquila's website at <http://www.aquilaresources.com.au/>.

### 4.3 Overview of Aquila

Aquila is a West Australian-based resources company incorporated in Australia and listed on the ASX with a portfolio of greenfield projects in Australia and South Africa. Commodities within Aquila's portfolio of projects include iron ore, coal (hard coking coal and low volatile PCI) and manganese, all of which are used in the production of steel products.<sup>1</sup>

### 4.4 Principal activities of Aquila

#### (a) West Pilbara Iron Ore Project

Aquila has a 50% interest in the API JV, which proposes to develop the WPIOP, a greenfield iron ore project located in the Pilbara region of Western Australia. Current development is focussed on Stage 1 of the project, designed to produce 30 million tonnes per annum of iron ore fines for more than 15 years. Stage 1 will require the construction of the proposed Anketell Port and a 282km rail line connecting the mine to port.<sup>2</sup>

---

<sup>1</sup> Aquila's 30 June 2013 Annual Financial Report (**Aquila's 2013 Annual Report**), Macquarie Australia Investment Forum 2013 Presentation dated 5 May 2013 (**Aquila's Macquarie Presentation**) and Aquila's 2014 Corporate Presentation.

<sup>2</sup> Ibid.

(b) **Eagle Downs Hard Coking Coal Project**

Aquila has a 50% interest in Eagle Downs, a greenfield underground hard coking coal project located 25km south of Moranbah in Queensland's Bowen Basin. The project is currently in development, with first production forecast in 2017. Eagle Downs is expected to produce, on average, 4.5 million tonnes per annum over its first 10 years of production using traditional longwall underground mining methods. The project has a mine life of up to 47 years.<sup>3</sup>

(c) **Avontuur Manganese Project**

Aquila has a 74% interest in the Avontuur Manganese Project, a greenfield Manganese project located 25 km north of Hotazel in South Africa's Northern Cape Province. The Gravenhage Manganese Deposit is the project's primary mining target. A Definitive Feasibility Study has been completed at the Gravenhage Deposit, which proposes a 1.5 million tonne per annum run-of-mine open-cut mining operation, with subsequent underground mining.<sup>4</sup>

(d) **Thabazimbi Iron Ore Project**

Aquila has a 74% interest in the Thabazimbi Iron Ore Project, a greenfield iron ore project located in the Limpopo Province of South Africa, approximately 230km north of Johannesburg.

A scoping study has been prepared which indicates the project may support an open-cut operation with a mine life of 15+ years.<sup>5</sup>

(e) **Washpool Hard Coking Coal Project**

Aquila owns 100% of the Washpool Hard Coking Coal Project, a greenfield hard coking coal project located in Queensland's Bowen Basin, approximately 24km north west of Blackwater. Aquila has completed a Supplementary Study to the 2011 Definitive Feasibility Study at Washpool, which proposes a 2.9 million tonne per annum open-cut hard coking coal export operation with a 15 year mine life.<sup>6</sup>

(f) **Talwood Coking Coal Project**

Aquila owns 100% of the Talwood Coking Coal Project (also known as Red Hill), a greenfield hard coking coal project located approximately 35km north of Moranbah in Queensland's Bowen Basin. A Concept Study was completed in 2011 proposing an underground longwall mine producing 3.6 million tonnes per annum of coking and thermal coal.<sup>7</sup>

---

<sup>3</sup> Ibid.

<sup>4</sup> Aquila's Macquarie Presentation.

<sup>5</sup> Aquila's Macquarie Presentation and Aquila's ASX announcement dated 17 April 2012.

<sup>6</sup> Aquila's Macquarie Presentation, Aquila's ASX Announcements dated 9 December 2009 and 15 April 2014.

<sup>7</sup> Aquila's Macquarie Presentation and Aquila's March 2011 Quarterly Report.

(g) **Walton PCI Coal Project**

Aquila owns 100% of the Walton PCI Coal Project, a greenfield low volatile PCI coal project, located approximately 200km west of Rockhampton in Queensland's Bowen Basin.<sup>8</sup>

#### 4.5 Directors

As at the date of this Bidders' Statement, there are six directors on the Aquila Board, namely:

- (a) Tony Poli (Executive Chairman and Chief Executive Officer);
- (b) Tim Netscher (Independent Non-Executive Director);
- (c) Gordon Galt (Independent Non-Executive Director);
- (d) Stephen Scudamore (Independent Non-Executive Director);
- (e) Denise Goldsworthy (Independent Non-Executive Director); and
- (f) Zhaoming Lu (Non-Executive Director).<sup>9</sup>

#### 4.6 Aquila issued securities

According to documents lodged by Aquila with ASX, as at the date of this Bidders' Statement the total number of Aquila securities on issue is as follows:

| Class                            | Number      |
|----------------------------------|-------------|
| Aquila Shares                    | 411,804,442 |
| Aquila Options                   | 1,870,000   |
| Aquila Performance Rights        | 363,989     |
| Aquila Share Appreciation Rights | 1,219,147   |

(a) **Aquila Options**

Of the Aquila Options on issue:

- (i) 905,000 Aquila Options expire on 1 July 2014 and have an exercise price of A\$11.40. The holders of these Aquila Options are entitled upon exercise to be issued 1,095,050 Aquila Shares in aggregate; and
- (ii) 965,000 Aquila Options expire on 7 August 2015 and have an exercise price of A\$8.71. The holders of these Aquila Options are entitled upon exercise to be issued 1,061,500 Aquila Shares in aggregate.

This information is based on Aquila's '*March Quarterly Activities and Cashflow Report*' released to the ASX on 29 April 2014. The conversion ratio of the Aquila Options is assumed to be same as the ratio described in Aquila's most recent Annual Report released to the ASX on 28 October 2013.

<sup>8</sup> Aquila's Macquarie Presentation.

<sup>9</sup> ASIC company search of Aquila.

(b) **Aquila Performance Rights**

Each Aquila Performance Right converts into one Aquila Share on vesting. Each grant of Aquila Share Performance Rights will, subject to the satisfaction of the relevant vesting conditions, vest in three tranches. The vesting condition is the continued employment of the holder until the end of the relevant performance period. The performance periods for the relevant tranches end on, 16 September 2014, 16 September 2015, and 16 September 2016 respectively. Aquila Performance Rights have a zero exercise price.<sup>10</sup>

(c) **Aquila Share Appreciation Rights**

Share Appreciation Rights convert into an aggregate amount equal to the difference between the market value of one Aquila Share at the end of the performance period and its market value at the start of the performance period, multiplied by the number of Share Appreciation Rights that vest on that vesting date. The amount will be settled in Aquila Shares. However, on vesting, no more than 1 Aquila Share may be issued to a holder of a Share Appreciation Right.

Each grant of Aquila Share Appreciation Rights will, subject to the satisfaction of the relevant vesting conditions, vest in three tranches. The vesting condition is the continued employment of the holder until the end of the relevant performance period. The performance periods for the relevant tranches end, 16 September 2014, 16 September 2015, and 16 September 2017 (respectively). Aquila Share Appreciation Rights have a zero exercise price.<sup>11</sup>

#### 4.7 **Ownership**

Based on substantial holder notices given to ASX as at the date before the date of this Bidders' Statement, the following persons and entities were substantial holders of Aquila Shares:<sup>12</sup>

| <b>Substantial holder</b>         | <b>Voting power</b> |
|-----------------------------------|---------------------|
| Mr. Tony Poli                     | 28.93%              |
| Baosteel and Aurizon              | 19.79%              |
| M&G Investment Management Limited | 12.61%              |
| Mr. Charles Bass                  | 10.69%              |
| Vanguard                          | 6.07%               |

#### 4.8 **Interests in Aquila Securities**

(a) **Baosteel's relevant interest in Aquila Shares and voting power in Aquila**

As at the date of this Bidders' Statement:

- (i) Baosteel has a relevant interest in 81,492,569 Aquila Shares<sup>13</sup>; and

---

<sup>10</sup> Aquila's Appendix 3B dated 27 September 2013.

<sup>11</sup> Ibid.

<sup>12</sup> Aquila's 2013 Annual Report, M&G Investment Form 604: Notice of change of interests of substantial holder dated 23 December 2013, Vanguard Precious Metals & Mining Fund's Form 604: Notice of change of interests of substantial holder dated 23 December 2013 and Baosteel's Form 604: Notice of change of interests of substantial holder dated 5 May 2014 (**Baosteel's Substantial Holder Notice**).

- (ii) Baosteel's voting power in Aquila is 19.79%.<sup>14</sup>

Neither Baosteel nor any of its associates has any interest in any Aquila Options, Aquila Performance Rights or Aquila Share Appreciation Rights.

(b) **Aurizon's relevant interest in Aquila Shares and voting power in Aquila**

As at the date of this Bidders' Statement:

- (i) Aurizon has a relevant interest in 81,492,569 Aquila Shares by having power to control the exercise of voting rights and disposal of the Aquila Shares referred to in section 4.8(a) under the Joint Bidding Agreement and the Shareholders Agreement (a summary of the key terms of these agreements is set out in sections 6, 7 and 8 below); and
- (ii) Aurizon's voting power in Aquila is 19.79%.<sup>15</sup>

Neither Aurizon nor any of its associates has any interest in any Aquila Options, Aquila Performance Rights or Aquila Share Appreciation Rights.

(c) **Acquisitions of Aquila Shares by Bidders or their associates**

Baosteel acquired 22,999,895 Aquila Shares from Baosteel Australia Mining (a related body corporate of Baosteel) on 25 March 2014 for A\$2.30 per Aquila Share as part of an internal restructure of Baosteel Group's holding of Aquila Shares.<sup>16</sup>

Otherwise, none of Baosteel, Aurizon, nor any of their respective associates has provided (or agreed to provide) consideration for an Aquila Share under a purchase or agreement to purchase during the four months before the date of this Bidders' Statement.

---

<sup>13</sup> Baosteel's relevant interest in the 81,492,569 Aquila Shares arises because Baosteel is the registered holder of 22,999,895 Aquila Share and is taken under section 608(3)(a) of the Corporations Act to have a relevant interest in the 58,492,674 Aquila Shares held by Fortune BS Company Pte Ltd (Fortune BS), by reason of having voting power in excess of 20% in Fortune BS. Fortune BS is a wholly owned subsidiary of Baosteel Group Corporation.

<sup>14</sup> Baosteel's Substantial Holder Notice.

<sup>15</sup> Aurizon's Form 604: Notice of change of interests of substantial holder dated 5 May 2014.

<sup>16</sup> Baosteel's Form 604: Notice of change of interests of substantial holder dated 20 December 2013.

## 5. Sources Of Consideration

---

### 5.1 Consideration under the Offer

The consideration for the acquisition of the Aquila Shares by the Bidders to which the Offer relates will be satisfied by the payment of cash (in Australian dollars).

As at the date of this Bidders' Statement, there are 411,804,442 Aquila Shares on issue, of which the Bidders and their respective associates have a relevant interest in 81,492,569. In addition, a further 3,739,686 Aquila Shares could potentially be issued as a result of the exercise of Aquila Options, and the vesting of all Aquila Performance Rights and Aquila Share Appreciation Rights.<sup>17</sup> The maximum number of Aquila Shares which could be acquired by the Bidders under the Offer is therefore 334,051,559. Accordingly, the maximum cash amount which may be required by the Bidders to settle acceptances under the Offer is approximately A\$1,136 million.

All acceptances under the Offer will be allocated between the Bidders in the following manner (the **Agreed Allocation**):

- (a) acceptances received for the first 82,319,708 Aquila Shares (being equivalent to 19.99% of Aquila Shares presently on issue) will be allocated equally between the Bidders;
- (b) acceptances received in excess of paragraph 5.1(a) up to the level of acceptance at which the Bidders and their associates together have relevant interests in 90% (by number) of Aquila Shares will be allocated to Baosteel; and
- (c) acceptances received in excess of paragraph 5.1(b), and any Aquila Shares acquired pursuant to compulsory acquisition, will be allocated equally between the Bidders.

According to the Agreed Allocation, Aurizon could acquire up to 61,937,060 Aquila Shares, and Baosteel could acquire up to 272,114,499 additional Aquila Shares.<sup>18</sup>

According to the Agreed Allocation, the Bidders will fund the acquisition of the Aquila Shares on the following basis:

- (a) the maximum consideration payable by Aurizon in respect of the 61,937,060 Aquila Shares it could potentially acquire is A\$210.6 million (**Maximum Aurizon Consideration Amount**); and
- (b) the maximum consideration payable by Baosteel in respect of the 272,114,499 Aquila Shares it could potentially acquire is A\$925.2 million (**Maximum Baosteel Consideration Amount**).

Notwithstanding this intention, the Bidders are jointly and severally liable in respect of all their obligations arising under the Offer.

---

<sup>17</sup> Aquila's March 2014 Quarterly Report and Aquila's 2013 Annual Report.

<sup>18</sup> Assuming acceptance into the Offer of all Aquila Shares that could potentially be issued upon the exercise of all Aquila Options and upon vesting of all Aquila Performance Rights and Share Appreciation Rights.

## 5.2 Funding for the Maximum Baosteel Consideration Amount

Baosteel Resources International will provide funds to Baosteel for it to meet its obligations under the Offer (including Baosteel's transaction costs).

The necessary funds being made available to Baosteel will be sourced from Baosteel Resources International's existing cash reserves and bank facilities. As of the date of this Bidders' Statement, Baosteel Resources International had a total funding capacity in excess of the Maximum Baosteel Consideration Amount. This comprises cash and cash equivalents of an amount in excess of the Maximum Baosteel Consideration Amount. In addition, Baosteel Resources International has access to amounts under undrawn bank facilities with Hong Kong Shanghai Banking Corporation, Australia New Zealand Banking Corporation, Bank of China, Bank of America and Standard Chartered.

Funding will be provided either by way of subscription for shares in Baosteel and/or by advancing loans to Baosteel. In the event that Baosteel Resources International elects to require the funding to be provided in the form of loans, such loans will be provided on the basis that they are unsecured and no demand for repayment of the funds may be made by Baosteel Resources International during the period in which Baosteel has an outstanding obligation to make payment in respect of the Maximum Baosteel Consideration Amount.

However, Baosteel reserves the right to obtain the funds necessary for it to meet its obligations under the Offer, and its transaction costs, from such other or additional sources it considers more appropriate or attractive. Such other or additional sources will not impose any restriction on, or delay the performance of Baosteel's obligations to Aquila Shareholders who have accepted the Offer.

## 5.3 Funding for Maximum Aurizon Consideration Amount

Aurizon Holdings will provide funds to Aurizon for it to meet its obligations under the Offer (including Aurizon's transaction costs).

The necessary funds being made available to Aurizon will be sourced from Aurizon Holdings' existing cash reserves and bank facilities (or those of a wholly-owned subsidiary of Aurizon Holdings). As at the date of this Bidders' Statement, Aurizon Holdings has a total funding capacity in excess of the Maximum Aurizon Consideration Amount. This comprises cash and cash equivalents of an amount in excess of the Maximum Aurizon Consideration Amount. In addition, Aurizon Holdings has access to amounts available under undrawn bank facilities with National Australia Bank, Commonwealth Bank of Australia, The Bank of Tokyo-Mitsubishi UJF and Sumitomo Mitsui Banking Corporation.

Funding will be provided by way of advancing loans to Aurizon. Such loans will be provided on the basis that they are unsecured and no demand for repayment of the funds may be made by Aurizon Holdings during the period in which Aurizon has an outstanding obligation to make payment in respect of the Maximum Aurizon Consideration Amount.

However, Aurizon reserves the right to obtain the funds necessary for it to meet its obligations under the Offer, and its transaction costs, from such other or additional sources it considers more appropriate or attractive. Such other or additional sources will not impose any restriction on, or delay the performance of Aurizon's obligations to Aquila Shareholders who have accepted the Offer.

#### **5.4 Provision of consideration by the Bidders**

On the basis of the arrangements described in this section 5, each Bidder believes that it has reasonable grounds for holding the view, and holds the view, that the Bidders will be able to provide the consideration offered in respect of its allocation of Aquila Shares under the Offer.

The Offer is not subject to any financing defeating conditions.

## 6. Joint Bidding Arrangements

---

### 6.1 Overview

Baosteel and Aurizon have entered into a Joint Bidding Agreement, a Shareholders Agreement and an Infrastructure Framework Agreement. They have also entered into an agreement in relation to the compulsory acquisition of Aquila Convertible Securities (the **Convertible Securities Agreement**). A summary of certain provisions of these agreements follows in sections 6.2, 7 and 8.

Copies of the agreements were annexed to the Form 603 Notice of Initial Substantial Holder given to ASX by Aurizon and the Form 604 Notice of Change of Interests of Substantial Holder given to ASX by Baosteel, each on 5 May 2014, which are available in electronic form from [www.asx.com.au](http://www.asx.com.au).

### 6.2 Joint Bidding Agreement

On 3 May 2014, Baosteel and Aurizon entered into the Joint Bidding Agreement. Under the Joint Bidding Agreement, Baosteel and Aurizon agreed the structure and terms of the Offer, the method by which they will co-operate to complete the Offer, the framework for the resolution of all commercial, financial and legal issues in relation to the Offer, and the rights and obligations of each party in respect of the Offer.

Key terms of the Joint Bidding Agreement are summarised below.

#### (a) Bidding structure

Baosteel and Aurizon have agreed to jointly conduct an off-market bid by making a joint offer for all Aquila Shares (as opposed to conducting the bid through a joint bidding vehicle). The agreed procedure is that:

- (i) acceptances received for the first 82,319,708 Aquila Shares (being equivalent to 19.99% of Aquila Shares presently on issue) will be allocated equally between the Bidders;
- (ii) acceptances received in excess of paragraph (i) up to the level of acceptance at which the Bidders and their associates together have relevant interests in 90% (by number) of Aquila Shares will be allocated to Baosteel; and
- (iii) acceptances received in excess of paragraph (ii), and any Aquila Shares acquired pursuant to compulsory acquisition, will be allocated equally between the Bidders.

If this allocation results in a fractional entitlement, Aurizon's allocation shall be rounded down and Baosteel's allocation shall be rounded up.

#### (b) Compulsory acquisition of Aquila Shares

If the Bidders become entitled to proceed with compulsory acquisition under Part 6A.1 of the Corporations Act the Bidders must exercise those rights to acquire any outstanding Aquila Shares.

#### (c) Compulsory acquisition of Aquila Convertible Securities

If the Bidders, or a related body corporate of the Bidders, becomes entitled to proceed with compulsory acquisition under Part 6A.2 of the Corporations Act, the Bidders must, or must

procure that their related body corporate, exercises those rights of compulsory acquisition to acquire any Aquila Convertible Securities that remain outstanding for consideration to be agreed by the Bidders.

Any Aquila Convertible Securities acquired by the Bidders, or a related body corporate of the Bidders, pursuant to compulsory acquisition under Part 6A.2 of the Corporations Act will be allocated to and/or funded by Baosteel as to 85% and Aurizon as to 15%. If this allocation results in a fractional entitlement, Aurizon's allocation shall be rounded down and Baosteel's allocation shall be rounded up.

Aquila Convertible Securities acquired by the Bidders will be promptly cancelled on terms agreed by them acting reasonably.

For this purpose, Baosteel and Aurizon have each entered into the Convertible Securities Agreement with ACN 169 052 288 Pty Ltd (a related body corporate of each), which obliges that company to take certain steps to effect the compulsory acquisition of Aquila Convertible Securities should an entitlement to do so arise.

(d) **Funding**

Each Bidder must fund the consideration relating to the acquisition of Aquila Shares and Aquila Convertible Securities that may be allocated to it pursuant to the Offer and any subsequent compulsory acquisition process.

For the purposes of meeting these obligations, the Bidders will establish a joint bank account. The Bidders must deposit funds into, and maintain funds in, the joint bank account as follows:

- (i) Baosteel must deposit at least \$421,586,680.50 into the joint bank account at least 2 business days before the conditions to the Offer are satisfied or waived, and provide a bank guarantee to Aurizon, for an amount not less than the difference between the amount Baosteel has actually deposited into the joint bank account and the Maximum Baosteel Consideration Amount;
- (ii) Aurizon must deposit at least \$139,943,503.60 into the joint bank account before the conditions to the Offer are satisfied or waived; and
- (iii) each Bidder must from time to time deposit sufficient funds into, and maintain sufficient funds in, the joint bank account for payment to be made, out of the account, for Aquila Shares and Aquila Convertible Securities allocated to the relevant Bidder no later than five Business Days before the payment for the Aquila Shares or Aquila Convertible Securities is required to be made.

Funds deposited into the joint bank account are held for the benefit of the Bidder that deposited the funds, and will be repaid to that Bidder once all consideration payable under the Offer and any subsequent compulsory acquisition process has been paid.

(e) **Bidders' Statement**

Each of Baosteel and Aurizon have agreed to provide for inclusion in the Bidders' Statement all information regarding itself that is necessary to ensure that the Bidders' Statement complies with the Corporations Act, the ASX Listing Rules, applicable ASIC Regulatory Guides and Takeover Panel Guidance Notes.

To that end, Baosteel and Aurizon have agreed that they will each be responsible for their own information contained in the Bidders' Statement and that they will each undertake due diligence and verification processes for the purposes of fulfilling this responsibility.

Each Bidder indemnifies the other Bidder for information in respect of which that Bidder takes sole responsibility. The Bidders are jointly liable for other information in the Bidders' Statement.

(f) **Decision making**

All decisions by the Bidders in respect of the Offer will be made unanimously. Each Bidder will appoint a bid leader, with those leaders to act as joint bid leaders in relation to the Offer. The following will require the written confirmation of each bid leader:

- (i) all aspects of the Bidders' Statement;
- (ii) the making of strategic plans in relation to the Offer;
- (iii) the engagement of any joint advisors;
- (iv) the making of, any communications strategy which may lead to the making of, any public statements relating to the Offer by either Bidder;
- (v) any changes to the Offer; and
- (vi) communications and dealings with Aquila.

The Joint Bidding Agreement also sets out the terms of the cooperation between the Bidders in respect of dealings with government agencies, Aquila and Aquila Shareholders.

(g) **Exclusivity**

Baosteel and Aurizon have each warranted that they are not currently in negotiations or discussions in respect of any competing proposal with another party. They have also agreed not to deal with Aquila Shares without each other's consent.

(h) **Termination**

Baosteel and Aurizon have agreed that the agreement will terminate immediately following satisfaction or discharge of the Bidders obligations pursuant to the Offer. In addition, Baosteel and Aurizon have agreed that the agreement will terminate immediately on the earlier of:

- (i) withdrawal of the Offer in accordance with the Corporations Act; and
- (ii) the takeover contracts in relation to the Offer becoming void as a result of the operation of section 650G of the Corporations Act.

A Bidder may also require the other Bidder to take such steps within its power and control as will cause termination of the agreement at the earliest possible time if:

- (iii) a superior alternative bid is announced and after the Bidders have consulted with each other for at least 7 Business Days in relation to whether to amend the Offer terms so they are no less favourable than the superior alternative bid made by another party, the Bidders have not been able to agree on amendments to the Offer terms;
- (iv) the other Bidder is in material breach of a material term of the agreement;

- (v) there is a change of control in respect of the other Bidder; or
- (vi) an event of insolvency occurs in respect of the other Bidder.

(i) **Cost and liability allocation**

Baosteel and Aurizon have agreed that if the Offer results in the Bidders acquiring any Aquila Shares:

- (i) they will each pay their Respective Proportions of all acquisition and stamp duty costs incurred in connection with the Offer and any other costs as agreed between the Baosteel and Aurizon; and
- (ii) each Bidder is liable for one half of the liabilities and expenses arising in connection with the Offer, other than if they arise from a breach of the agreement by one (but not both) of the Bidders or in respect of which a Bidder is otherwise indemnified.

If the Offer is not successful and does not result in the acquisition of any Aquila Shares, each Bidder will pay one half of all costs and liabilities arising in connection with the Offer, other than if they arise from a breach of the agreement by one (but not both) of the Bidders or in respect of which a Bidder is otherwise indemnified.

All internal costs of the Bidders will be paid by the party who incurs them, including in connection with preparing the Bidders' Statement or any finance arrangements in connection with the Offer.

The costs of any joint advisers will be shared equally by the Bidders.

## 7. Shareholders Agreement

---

### 7.1 Shareholders Agreement

On 3 May 2014, Baosteel, Fortune BS and Aurizon entered into the Shareholders' Agreement. The Shareholders' Agreement will govern how Baosteel, Fortune BS and Aurizon may exercise their rights as shareholders of Aquila following the Offer. For the purposes of the Shareholders' Agreement, Baosteel and Fortune BS are treated as a single shareholder in Aquila.

The key terms of the Shareholders Agreement are summarised below. The obligations set out below do not come into effect until all of the Defeating Conditions set out in section 12.7 are satisfied or waived, and the Offer Period ends.

(a) **Shareholders hold less than 100% of Aquila**

While Baosteel, Fortune BS and Aurizon together hold less than 100% of Aquila securities:

- (i) the parties must consult and work with each other with a view to agreeing how to vote on resolutions proposed to be considered at general meetings of Aquila; and
- (ii) the parties will support shareholder resolutions to restructure the Aquila board so that it is comprised of 4 persons nominated by Baosteel, 1 person nominated by Aurizon and 2 independent directors. Aurizon must support the election of up to 4 Baosteel nominees for so long as Baosteel (or any party to the Shareholders Agreement that is controlled by the Baosteel Parent, other than Aquila Group members) holds at least 40% of all Aquila Shares on issue at the relevant time. Baosteel must support the election of at least 1 Aurizon nominee for so long as Aurizon (or any party to the Shareholders Agreement that is controlled by the Aurizon Parent, other than Aquila Group members) holds at least 9.9% of all Aquila Shares on issue at the relevant time.

(b) **Shareholders hold 100% of Aquila**

While Baosteel, Fortune BS and Aurizon together hold 100% of Aquila securities:

- (i) the parties must ensure that Aquila does not undertake certain matters without the approval of both parties, including issuing securities and agreeing the annual business plan and budget for Aquila;
- (ii) in respect of agreeing the annual business plan and budget for Aquila, if the board of directors are not able to unanimously agree matters that do not otherwise require the unanimous approval of all directors or shareholders, the parties must go through a specified dispute resolution process to attempt to resolve the deadlock. If the deadlock remains after the six month dispute resolution process, Baosteel can buy-out Aurizon's shareholding at fair market value determined by an independent valuer;
- (iii) the parties must not transfer their Aquila Shares until the earlier of the expiry of the exclusivity provisions under the Infrastructure Framework Agreement and the API Project goes into commercial production, except with the consent of the other shareholder, where the transfer is to a related body corporate, or pursuant to the deadlock (see 7.1(c)(ii)) or default (see 7.1(c)(iii)) buy-out mechanisms;

- (iv) the parties must restructure the Aquila board such that it is comprised of six persons nominated by Baosteel and 1 person nominated by Aurizon;
- (v) each shareholder or a related body corporate of the shareholder is required to buy from Aquila any iron ore off-take product that Aquila or a subsidiary is entitled to from the API Project, proportionate to the shareholder's shareholding at the prevailing market rates based on the 58% PLATTS index (subject to adjustments to reflect the specifications of the iron-ore); and
- (vi) the shareholders must procure that Aquila keep certain financial and other records, and provide them to the shareholders.

(c) **Generally Applicable Provisions**

At all times during the term of the Shareholders Agreement:

- (i) each party must use best endeavours to cause a strategic review of the operations of the Aquila Group to be conducted, completed and presented to Aquila's board within 30 days of the end of the Offer Period (see also sections 9.2(d) and 9.3(a) below);
- (ii) each party has pre-emptive rights in respect of the transfer of the other party's Aquila Shares to third parties; and
- (iii) in the event of a change of control of a shareholder (excluding a change of control resulting from a transfer or issue of securities which are listed on ASX or another recognised securities exchange), or an insolvency event in respect of a shareholder, the shareholder's voting rights are suspended and the non-defaulting shareholder may buy-out the shares of the defaulting shareholder at fair market value determined by an independent valuer.

## 8. Infrastructure Framework Agreement

### 8.1 Infrastructure Framework Agreement

The Infrastructure Framework Agreement records the terms and conditions on which Aurizon and Baosteel have agreed they will exclusively work together to carry out a range of activities in connection with infrastructure development and the provision of infrastructure services. The parties' commercial objectives under Infrastructure Framework Agreement are to:

- provide a pathway for developing suitable quality infrastructure and securing infrastructure services, in an economically efficient way for the mutual benefit of the parties, and to thereby facilitate the operations of the API JV and the mining projects managed by API in the Pilbara region; and
- set out a framework for entering into an "Infrastructure Development Agreement".

The key terms of the Infrastructure Framework Agreement are summarised below.

#### (a) **Exclusivity period**

Following a restructure of the board of Aquila in accordance with the Shareholders Agreement (or otherwise by agreement between Aurizon and Baosteel), Baosteel is subject to a number of exclusivity restraints in favour of Aurizon. For example, it must not (and must use its best endeavours to procure that its associates do not) enter into, continue or conduct discussions or negotiations (or enter into any contract, arrangement or understanding) with any person other than Aurizon in relation to the development of infrastructure or the provision of infrastructure services in respect of the API JV.

These exclusivity restraints will last until 12 months after the date the Aquila board is restructured, plus any extension as described in paragraph (h) below (**Exclusivity Period**).

Baosteel is also bound by an initial exclusivity restraint from the date of signing the Infrastructure Framework Agreement. This exclusivity restraint will last until the earlier of three months after the end of the Offer Period or the date on which the Aquila board is restructured.

These exclusivity restraints can end earlier in certain circumstances, including if Aurizon divests shares in Aquila that were acquired pursuant to the takeover bid and allocated to Aurizon under the Joint Bidding Agreement.

#### (b) **Shareholders hold less than 100% of Aquila**

While Baosteel and Aurizon hold less than 100% of the securities on issue in Aquila, then they must use their best endeavours to procure that Aquila becomes a party to the Infrastructure Framework Agreement. However, if Aquila does not become a party to the Infrastructure Framework Agreement, they will use their best endeavours to procure that Aquila and the API JV enter into exclusive negotiations with Aurizon (in the case of Aquila, for a 12 month period), for the purpose of negotiating and entering into an exclusive agreement, under which Aurizon will undertake infrastructure development and provide infrastructure services (in each case, in relation to the API JV).

(c) **Shareholders hold 100% of Aquila**

In the event that Baosteel and Aurizon acquire 100% of the securities on issue in Aquila, they must use their best endeavours to procure that Aquila becomes a party to the Infrastructure Framework Agreement. In this case, Aquila will have the same obligations to Aurizon in relation to exclusivity as Baosteel (from the time it becomes a party), and appoints Aurizon exclusively to undertake infrastructure development, provide infrastructure services and provide a Base Tariff to Aquila.

(d) **API JV**

In accordance with the terms of the Infrastructure Framework Agreement, the parties must use their best endeavours to procure that:

- (i) if Aquila becomes a party to the Infrastructure Framework Agreement, the participants in the API JV:
  - (I) either:
    - (A) become parties to the Infrastructure Framework Agreement; or
    - (B) if the participants do not become a party to the Infrastructure Framework Agreement, appoint Aurizon to exclusively undertake pre-feasibility studies for infrastructure development, undertake infrastructure development and provide infrastructure services;
  - (II) appoint Aurizon to act as its agent for the purpose of undertaking infrastructure development; and
  - (III) comply with the exclusivity restraints equivalent to those that apply to Baosteel and Aquila; and
- (ii) the assets of the API JV are identified so that the mining assets and infrastructure assets of the API JV can (subject to agreement by the parties and others as necessary) be restructured so that they will be held in separate vehicles (that is, **MineCo** and **InfraCo**). InfraCo is to be majority owned by Aurizon at the date of transfer of the assets, and MineCo is to be owned by the API JV.

If the API JV becomes a party to the Infrastructure Framework Agreement, then the references to Aquila below in this summary are also references to the API JV.

(e) **Due Diligence Committee**

During the Exclusivity Period, Baosteel and Aurizon will form a due diligence committee to assist each other with the conduct of certain due diligence and associated activities relating to the development of infrastructure or the provision of infrastructure services in respect of the API JV. These include that:

- (i) Baosteel and Aquila (if Aquila is a party to the Infrastructure Framework Agreement), within six months before the end of the Exclusivity Period:
  - (I) conduct all due diligence and gap analysis necessary to confirm the mine tonnage profile that will form the basis of necessary further studies;

- (II) undertake and complete a definitive mine feasibility study in relation to the projects of the API JV to determine the commercial feasibility and viability of developing and operating the projects of the API JV; and
  - (III) identify all authorisations necessary or desirable to conduct all mining activities that the API JV carries out or wishes to carry out, and whether the API JV holds these authorisations; and
- (ii) Aurizon, within six months before the end of the Exclusivity Period:
- (I) conduct due diligence and gap analysis on existing studies relating to the infrastructure for the API JV, to identify any further studies required;
  - (II) provide a base tariff in relation to undertaking infrastructure development and providing infrastructure services to a +/- 25% level of confidence (based on a design brief and conditions, and certain assumptions and principles); and
  - (III) identify all authorisations necessary or desirable to build and operate the infrastructure for the API JV, and whether the API JV holds these authorisations.

(f) **Transfer of necessary authorisations and provision of base tariff to +/- 15%**

Baosteel and Aquila (if Aquila is a party to the Infrastructure Framework Agreement) must, before the end of the Exclusivity Period, use their best endeavours to procure the transfer of necessary authorisations to MineCo.

Further, Aurizon (before the end of the Exclusivity Period) must:

- (i) use its best endeavours to procure either the transfer of, or execution of arrangements granting the benefit of, any necessary authorisations to InfraCo; and
- (ii) provide a binding base tariff in relation to undertaking infrastructure development and providing infrastructure services to a +/- 15% level of confidence (based on a design brief and conditions, and certain assumptions and principles).

The parties acknowledge that Aurizon intends to, but is not obligated to, undertake a pre-feasibility study in relation to infrastructure relating to the API JV.

(g) **Base Development Assumptions**

Aurizon and Baosteel enter into the Infrastructure Framework Agreement on the basis of the following "Base Development Assumptions":

- (i) that the projects of the API JV will be developed and operated so as to produce iron ore over a 16 year period;
- (ii) that the projects of the API JV will be developed so as to produce the following quantities of iron ore each year during that 16 year term:
  - (I) first two years of production - ramp up quantities; and
  - (II) subsequent years – a minimum of 40 million tonnes per annum of iron ore at approximately 58% Fe content.

Baosteel and Aquila (if it is a party) will be required to undertake a definitive mine feasibility study. If they determine it is not commercially and economically feasible to develop and

operate the projects of the APIJV in accordance with the Base Development Assumptions, then Aurizon may elect to bring the Infrastructure Framework Agreement to an end.

Under the Infrastructure Framework Agreement, the parties also express their intention to develop the projects of the API JV so that they produce, and that the rail and port infrastructure will be required to transport and handle, a minimum of 40 million tonnes per annum of iron ore (following a two year production ramp up).

(h) **Extension of the Exclusivity Period**

Under the Infrastructure Framework Agreement, the Exclusivity Period is automatically extended by up to (and no more than) six months if there is a delay in carrying out any obligations under the Infrastructure Framework Agreement because of:

- (i) a default or delay by Baosteel or Aquila in performing an obligation under the agreement;
- (ii) a delay in obtaining information or authorisations from a government agency, or any action or inaction by a government agency in respect of (including a refusal to deal with) Aurizon;
- (iii) inaccuracies or incompleteness in the information provided to Aurizon in performing its obligations under the agreement;
- (iv) force majeure events affecting Aurizon; or
- (v) material changes in law that affect the performance of an obligation under the agreement by Aurizon,

to the extent not caused or contributed to by Aurizon. But this only applies if Aurizon gives the required notice to Baosteel.

The Exclusivity Period is also automatically extended where the CEO of Aquila does not submit a draft business plan to the board of Aquila as required by clause 24.1 of the Shareholders Agreement (if that provision is in force), or does not do so within the required timeframe, by a period equal to the delay in submitting the business plan.

The combined maximum period by which the Exclusivity Period may be extended as a result of one or more of the delays set out above, is six months.

The Exclusivity Period is automatically extended by a further period of up to six months (in addition to the above extensions, but not allowing for any concurrent delay) if there are delays in the provision of, or obtaining access to, information relating to the API JV and the projects of the API JV, where that information is reasonably necessary for Aurizon to produce the binding base tariff. The operation of these particular extensions falls away once Aurizon notifies Baosteel that it has sufficient information reasonably required to undertake a PFS.

(i) **Term**

Except as otherwise specified in it, the Infrastructure Framework Agreement commences on the date on which it is signed and ends on the date that is 6 months after the end of the Exclusivity Period.

Most provisions in the Infrastructure Framework Agreement do not become effective until the restructure of the board of Aquila in accordance with the Shareholders Agreement (or otherwise by agreement between Aurizon and Baosteel). An important exception to this is Baosteel's initial exclusivity restraint, as discussed above.

(j) **Negotiation of Infrastructure Development Agreement**

The parties must use their best endeavours to negotiate an infrastructure development agreement between MineCo and InfraCo to be executed by no later than the end of the Exclusivity Period. This agreement will only be entered into if (among other things) the asset transfer agreements required to restructure the assets of the API JV are entered into, and if Baosteel and the other parties to the Infrastructure Framework Agreement (other than Aurizon) are satisfied (in their absolute discretion) with the binding base tariff provided by Aurizon to a +/- 15% level of confidence.

If entered into, this agreement will provide for:

- (i) InfraCo to undertake infrastructure development;
- (ii) setting a base tariff for infrastructure development and infrastructure services;
- (iii) a transparent process for developing infrastructure and incurring capital expenditure;
- (iv) the performance of certain activities relating to the infrastructure development process; and
- (v) InfraCo and MineCo to use their best endeavours to negotiate the terms of an infrastructure services agreement, which will provide for:
  - (I) InfraCo to provide infrastructure services to MineCo on an exclusive "Life-of-Mine" basis;
  - (II) 'take-or-pay' arrangements for the provision of infrastructure services, and the granting of minimum rights to MineCo in respect of those services;
  - (III) the term of the agreement to be the economic life of the relevant mine (plus agreed extensions); and
  - (IV) the infrastructure services to be provided on a bundled and integrated basis.

## 9. Intentions In Relation To Aquila

### 9.1 Introduction

The intentions of the Bidders are set out in this section 9. In formulating the Offer the Bidders have considered and evaluated Aquila and its assets, based on information which was in the public domain and available to them. As set out in section 9.2(d) these intentions are subject to a general strategic review and reflect current intentions based on current information. The intentions of the Bidders may change in the light of information, facts and circumstances not currently known to them.

Baosteel and Aurizon are wholly-owned subsidiaries of Baosteel Group and Aurizon Holdings Limited, respectively. The present intentions of Baosteel and Aurizon represent the present intentions of Baosteel Group and Aurizon Holdings Limited, respectively.

### 9.2 Bidders' intentions upon acquisition of 90% or more of the Aquila Shares

This section 9.2 describes the intentions of the Bidders if as a result of the Offer they become entitled to proceed to compulsory acquisition of outstanding Aquila Shares in accordance with Part 6A.1 of the Corporations Act. In those circumstances, the Bidders intend to exercise any rights of compulsory acquisition to acquire 100% of the Aquila Shares. It is the Bidders' objective to acquire 100% of the Aquila Shares.

#### (a) Compulsory acquisition and delisting of Aquila

If the Bidders become entitled to acquire Aquila Shares compulsorily, they intend to exercise those rights.

If the Bidders are able to compulsorily acquire Aquila Shares:

- (i) they also intend to procure that Aquila is removed from the official list of ASX; and
- (ii) if the Bidders (or a related body corporate of them) also become entitled to acquire the Aquila Convertible Securities compulsorily, they (or their related body corporate) will exercise those rights in accordance with Part 6A.2 and 6A.3 of the Corporations Act (as contemplated in the Convertible Securities Agreement referred to in section 6.2(c) above).

#### (b) Shareholders Agreement and the Infrastructure Framework Agreement

The Bidders have entered into the Shareholders Agreement and the Infrastructure Framework Agreement, described in sections 7 and 8, respectively. The Bidders intend to exercise their respective rights and perform their respective obligations under the Shareholders Agreement and the Infrastructure Framework Agreement.

#### (c) Aquila Board

The Bidders intend to review the composition of the Aquila Board, and are likely to replace the members of the Aquila Board (other than the Baosteel Nominee Director). The Shareholders Agreement (discussed in section 7) provides that the Aquila Board will be reconstituted to comprise 7 directors, with Baosteel having the right to appoint 6 directors and Aurizon having the right to appoint 1 director. Neither Baosteel nor Aurizon has made any decision as to who would be nominated for appointment to the Aquila Board (or whether

any existing members of the Aquila Board would be retained), save that Baosteel intends the Baosteel Nominee Director would continue to be one of its appointed directors. Final decisions on the selection of the Bidders' respective nominees will be made in light of the circumstances at the relevant time, and will be subject to the general strategic review to be undertaken by the Bidders as described in section 9.2(d).

(d) **General strategic review**

Subject to the foregoing the Bidders also intend to procure that the reconstituted Aquila Board conducts a thorough and broad-based general review of Aquila's corporate structure, assets, businesses, personnel and operations. The Bidders intend this review to be completed and presented to the Aquila Board within 30 days after the end of the Offer Period. This review will apply quantitative and qualitative factors to measure performance and areas for improvement. The primary intention of this review will be to determine how best to maximise the value of Aquila's projects. While the Bidders do not have any specific intentions in relation to this review or its outcomes (other than as described elsewhere in this Bidders' Statement), their current expectation is that the review may identify opportunities for:

- accelerating project development – in particular, whether it is feasible to accelerate development of production from any of Aquila's projects including its two key projects, the WPIOP and Eagle Downs. Whether this is feasible will be subject to the assessment of economic conditions, market conditions and expected economic returns of the various projects at the appropriate times;
- developing rail and port infrastructure – in particular, to explore the development of rail and port infrastructure required to facilitate commercial production from Aquila's projects. Specifically, it is intended to immediately review the rail and port infrastructure strategy for the WPIOP as described below; and
- potential acquisitions and/or disposals - to the extent any assets are considered non-core assets after the strategic review, the Bidders intend to cease exploration and development expenditure on these projects (except where required by law or to maintain Aquila's interests in the assets) and may seek to divest the interest in these assets.

While the Bidders' present intentions are to review, enhance and continue to operate Aquila (subject to the Shareholders Agreement and the Infrastructure Framework Agreement), they may, in circumstances which they consider appropriate, pursue all or any of the options then available to them to generate a return on their investment before they have finalised their review and implement any changes they consider necessary.

(e) **WPIOP Infrastructure**

In accordance with the Infrastructure Framework Agreement, following the reconstitution of the Aquila board, the Bidders intend that they, together with Aquila, enter into discussions with the API JV with the aim of progressing a range of activities in connection with infrastructure development and infrastructure services, including appropriate studies, development tariffs and subsequently agreeing the terms of an infrastructure development transaction.

The Bidders intend that the relevant parties work towards an infrastructure transaction involving the restructure of the assets of the API JV into an infrastructure vehicle holding rail and port assets, to be majority owned by Aurizon, and a separate mining vehicle holding mine assets and associated reserves. It is Aurizon's long-term intention, following the successful development of the WPIOP port and rail infrastructure, to divest its shareholding in Aquila.

The proposed infrastructure development project currently envisages a 432 kilometre green-field heavy haul rail line from the API JV mines to a new deep-water port to be constructed at Anketell Point on WA's Pilbara coast, near Dampier.

The new mine, rail and port system is currently planned to have an initial capacity of at least 40 million tonnes per annum of direct shipping iron ore (DSO). The Bidders intend for the system to have the potential to increase capacity to accommodate increased volumes from the WPIOP and other miners. A number of State and Federal approvals for the mine, rail line and port have already been granted.

The Bidders' ultimate involvement in the infrastructure development is dependent on (among other things) the completion of appropriate studies, the API JV participants agreeing an appropriate infrastructure transaction, and satisfaction of the other conditions of the transaction documents.

Any port and rail infrastructure development by Aurizon will be subject to a final investment decision by Aurizon, and will occur only after detailed planning and feasibility studies, concurrent development of the mine and entry into appropriate take or pay contracts to support the tonnage profile for viable rail and port infrastructure. Subject to this, the Bidders intend to aim to have the first shipment of ore from the WPIOP to commence in 2017/18.

A summary of the Infrastructure Framework Agreement is set out in section 8.

(f) **Impact on employees**

Subject to the above, the Bidders have no current intention for the discontinuance of the employment of existing employees of Aquila, and the Bidders intend to endeavour to minimise disruption to Aquila and its employees.

However, the Bidders intend to evaluate the future management and administrative requirements of Aquila as part of the general strategic review. Although they have formed no intention to do so, the Bidders may consider rationalising some of the head office functions of Aquila as part of the general strategic review.

This may involve the elimination of certain Aquila head office functions that duplicate those of the Bidders' offices or the outsourcing of those functions to external consultants and advisers. The Bidders may also consider appointing additional executives to certain positions within Aquila management. This could also result in the duplication of certain functions or roles. As part of this process, a number of Aquila employees may be made redundant and would receive, on redundancy, payments and other benefits in accordance with their contractual and other legal entitlements.

### **9.3 Bidders' intentions upon acquisition of control of Aquila**

This section 9.3 sets out the Bidders' intentions if, as a result of acceptances under the Offer, the Bidders and their related bodies corporate together control Aquila, but do not become entitled to compulsorily acquire outstanding Aquila Shares.

In those circumstances, the Bidders presently intend to endeavour to implement, to the extent possible and appropriate, the objectives and goals outlined in section 9.2, including in the manner more particularly described in paragraphs (a) and (b) below, but in each case subject to the restrictions in paragraph (c) below.

(a) **General intentions**

If the Bidders and their associates together control Aquila, they intend to assume control over the day-to-day management of Aquila's business as soon as is practical after they acquire control of Aquila. Specifically, the Bidders intend, once they acquire control of Aquila, to:

- (i) reconstitute the Aquila Board so that at least a majority of the directors are nominees of the Bidders. More particularly, the Bidders intend to reconstitute the Board so that it comprises:
  - 4 directors nominated by Baosteel
  - one director nominated by Aurizon; and
  - two independent directors.

It is intended that the Chairman of the Aquila Board will be a Baosteel nominee.

All nominations will be subject to the Corporations Act and the constitution of Aquila, with minority shareholders represented by at least two independent directors. The Bidders have not made any decision as to who would be nominated for appointment to the Aquila Board (or whether any existing members of the Aquila Board would be retained) save that Baosteel intends the Baosteel Nominee Director would continue to be one of its nominated directors. Final decisions on the selection of the Bidders' nominees will be made in light of the circumstances at the relevant time;

- (ii) cause the reconstituted Aquila Board to conduct a thorough and broad-based general strategic review of Aquila's corporate structure, assets, businesses, personnel and operations as contemplated in section 9.2(d) above including a review of Aquila's capital structure and funding requirements.

In addition, the Bidders would intend in these circumstances to maintain Aquila's listing on ASX, subject to the requirements for listing (including a sufficient spread of investors) continuing to be satisfied.

Subject to the forgoing, the Bidders intend that the Aquila Board will have regard to the ASX Corporate Governance Principles and Recommendations in relation to the governance of Aquila.

(b) **WPIOP Infrastructure**

As contemplated by the Infrastructure Framework Agreement, the Bidders intend to use their best endeavours to procure that Aquila becomes a party to the Infrastructure Framework Agreement (and pursue the objective and goals set out in section 9.2(e) above).

Failing that, it is intended that the Bidders use best endeavours to procure that:

- Aquila enters into exclusive negotiations with Aurizon for a 12 month period for the purpose of negotiating and entering into an exclusive agreement, based on the principles in the Infrastructure Framework Agreement (or otherwise agreed between the Bidders), under which Aurizon will undertake Infrastructure Development for, and provide Infrastructure Services to, Aquila on an arms-length basis (and consistently with the commercial objectives of the Infrastructure Framework Agreement) in relation to the API JV; and
- the API JV enters into exclusive negotiations with Aurizon for the purpose of entering into an exclusive agreement, based on the principles in the Infrastructure Framework Agreement (or otherwise agreed between the Bidders), under which Aurizon will undertake Infrastructure Development for, and provide Infrastructure Services to, the API JV.

(c) **Restrictions**

The extent to which the Bidders will be able to implement their plans and intentions in the event they acquire less than 100% of Aquila will be subject to:

- the law (including the Corporations Act) and (for so long as Aquila remains listed on ASX) the ASX Listing Rules, including in particular the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and 'related party' transactions, obtaining where necessary the approval of other Aquila Shareholders;
- the legal obligation of the Aquila directors at the time to act in good faith in the best interests of Aquila and for proper purposes and to have regard to the interests of all Aquila Shareholders as a whole;
- the constitution of Aquila;
- the outcome of the review referred to in section 9.3(a) above; and
- necessary third party and governmental consents and approvals.

However, the implementation of the Bidders' intentions above, any decision to implement the proposals arising from the general strategic review, and the manner of their implementation, would be decisions for the Aquila Board, recognizing that Aquila's directors and management have responsibilities to pursue opportunities creating greater efficiencies and shareholder value for Aquila Shareholders. The Bidders expect the Aquila Board would require Aquila to have corporate and operational management dedicated to its business. The extent of the functions which that management would undertake would be a matter for the Aquila Board to determine.

#### **9.4 Bidders' other intentions**

Other than as set out in this section 9, it is the Bidders present intention to procure Aquila to:

- generally continue the businesses of Aquila;
- not make any major changes to the businesses of Aquila or redeploy any of the fixed assets of Aquila; and

- continue the employment of Aquila's present employees.

## 10. Australian Tax Considerations

---

### 10.1 Introduction

The following is a general description of the Australian income and capital gains tax consequences to Aquila Shareholders on disposing of their Aquila Shares (through acceptance of the Offer) in return for cash consideration. The description set out below is relevant only to those Aquila Shareholders who hold their Aquila Shares as capital assets for the purpose of investment and who do not (or would not) hold those securities in connection with the conduct of a business, profit-making scheme or otherwise for trading purposes. These comments relate to Aquila Shares only.

Certain Aquila Shareholders (such as those engaged in a business of trading or investment, those who acquired their Aquila Shares for the purpose of resale at a profit, or as a financial arrangement, or those which are banks, insurance companies, tax exempt organisations, superannuation funds, or persons who acquired their Aquila Shares in respect of their employment with Aquila) will or may be subject to special or different tax consequences peculiar to their circumstances.

This description does not contemplate the Australian taxation implications that may arise from the exercise of Aquila Options, or the issue of Aquila Shares on the vesting of Aquila Performance Rights or Aquila Share Appreciation Rights.

Aquila Shareholders who are not resident in Australia for tax purposes should also take into account the tax consequences under the laws of their country of residence, as well as under Australian law, of the disposal of Aquila Shares under the Offer.

The following description is based upon Australian taxation law and practice in effect as at the date of this Bidders' Statement. It is not intended to be an authoritative or complete statement or analysis of the Australian taxation laws applicable to the particular circumstances of every Aquila Shareholder. Aquila Shareholders should seek independent professional advice regarding the taxation consequences of disposing of Aquila Shares in the light of their own particular circumstances.

### 10.2 Australian resident Aquila Shareholders

Acceptance of the Offer will involve the disposal by Aquila Shareholders of their Aquila Shares, by way of transfer to the Bidder.

The disposal of Aquila Shares which are held on capital account will generally have capital gains tax (**CGT**) implications. Such disposal will constitute a CGT event for CGT purposes.

Australian resident Aquila Shareholders may make a capital gain or capital loss on the disposal of their Aquila Shares under the Offer. The recognition of any capital gain or loss will be at the time the Aquila Share Holders dispose of their Aquila Shares, which could differ for each shareholder. Broadly, those Aquila Share Holders who accept the Offer will need to calculate their capital gain or capital loss at the time of acceptance of the Offer or when the offer contract is formed (i.e. when the Defeating Conditions in sections 12.7(b) and 12.7(c) are each satisfied or waived), whichever is the latter. Should Aquila Share Holders have their shares compulsorily acquired, the Aquila Share Holders will need to calculate their capital gain or capital loss as at the date of the compulsory acquisition.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. If so, that net capital gain is included in assessable income and is

subject to income tax. However, a 'CGT Discount' may be available to reduce the taxable capital gain for certain Aquila Shareholders (see further below).

Capital losses may not be deducted against other income for income tax purposes, but may be offset against capital gains realised in the same income year or be carried forward to be offset against future capital gains. There are various factors which may limit an Aquila Shareholder's ability to carry forward capital losses to offset future capital gains. Aquila Shareholders should seek independent professional advice in relation to this.

In general, the capital gain or loss on disposal of an Aquila Share under the Offer will be calculated on the basis of the difference between the value of the capital proceeds for the Aquila Share CGT event (that is, the cash consideration received from a Bidder for the Aquila Share) and the CGT cost base (or reduced cost base) for the Aquila Share.

The CGT cost base of the Aquila Shares would generally be the amount paid by the relevant Aquila Shareholder to acquire the Aquila Shares as well as costs associated with the acquisition and disposal of the securities (such as brokerage).

An Aquila Shareholder who is an individual, complying superannuation entity, life insurance company or trustee of a trust, may choose to claim a 'CGT Discount' if they have held (or are deemed to have held) their Aquila Shares for 12 months or more before the time they accept the Offer (or, if later, the time when the Defeating Condition in section 12.7(b) is satisfied or waived). This means that:

- in the case of an individual (and, generally speaking, a trustee of a trust), only one-half of their net capital gain on those Aquila Shares (after deducting available capital losses) will be taxable; and
- in the case of a complying superannuation entity or certain life insurance companies, only two-thirds of their net capital gain on those Aquila Shares (after deducting available capital losses) will be taxable.

The methodology for trustees is complex, and such Aquila Shareholders should obtain specific advice in this regard, including in relation to the tax consequences of distributions attributable to discounted capital gains.

The 'CGT Discount' is not available to companies, nor does it apply to Aquila Shares held (or deemed to be held) for less than the relevant 12 month period.

### **10.3 Non-Australian resident Aquila Shareholders**

A disposal of Aquila Shares by a non-tax resident of Australia may give rise to Australian tax under the capital gains tax or income tax provisions in the same way as a disposal by a resident (as outlined above), subject to the following qualifications:

- A disposal of Aquila Shares by a non-tax resident of Australia will generally not be subject to the Australian capital gains tax provisions as currently enacted unless the non-resident holds their Aquila Shares through a permanent establishment in Australia or the non-resident together with associates (if any) beneficially owns or owned at any time during the period of 2 years preceding the disposal, 10% or more of the issued share capital relating to Aquila and more than 50% of the value of Aquila's assets is attributable to Australian real property.

- A disposal of Aquila Shares by an individual non-tax resident will generally not be eligible for the CGT discount. However, an individual non-tax resident may be partially eligible for the CGT discount where they acquired their shares pre 8 May 2012.
- If the non-resident is resident in a country with which Australia has a double tax agreement, any liability to Australian tax under the income tax provisions, and possibly the capital gains tax provisions, will depend on the terms of the double tax agreement and whether the non-resident has a branch or permanent establishment in Australia.

#### **10.4 Stamp duty and GST**

The Bidders will pay the stamp duty (if any) payable in Australia on the transfers of Aquila Shares under the Offer. No GST will be payable on the transfer of the Aquila Shares as the supply of shares is input taxed (exempt) from GST in Australia.

## 11. Other Material Information Relevant To The Offer

---

### 11.1 ASIC class orders

ASIC has published various 'Class Order' instruments providing for modifications and exemptions that apply generally to all persons, including Baosteel, in relation to the operation of Chapter 6 of the Corporations Act.

Amongst others, the Bidders have relied on the modification of section 617(2) of the Corporations Act as set out in ASIC Class Order CO 13/521 (Takeover Bids) to extend the Offer to Aquila Shares that are issued on the exercise of Aquila Options, or on the vesting of Aquila Performance Rights or Aquila Share Appreciation Rights from the Record Date until the end of the Offer Period, and the modification of section 636(3) of the Corporations Act set out in Class Order CO 07/429 (Consent to Quote: trading data and geological reports in takeovers) (as amended) to include in the Bidders' Statement, without obtaining specific consents, trading data relating to trading on a prescribed financial market (such as the ASX).

In addition, the Bidders' Statement contains statements that are made in, or based on statements that are made in, documents lodged with ASIC or given to the ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to inclusion of those statements in the Bidders' Statement. The relevant statements were respectively taken from Aquila's ASX announcements listed in Annexure B, or otherwise footnoted in this Bidders' Statement. The Bidders, on request during the bid period, will provide within 2 business days of the request, a copy of these documents (or relevant extracts of these documents), free of charge, to any Aquila Shareholder. To obtain a copy of these documents (or the relevant extracts), Aquila Shareholders may telephone the Offer Information Line on 1300 309 589 (toll-free within Australia) or +61 2 8022 7902 (from outside Australia).

### 11.2 Potential for waiver of Defeating Conditions

The Offer is subject to a number of conditions set out in section 12.7, including a Minimum Acceptance Condition (see section 12.7(a)). Under the terms of the Offer and the Corporations Act, any or all of those Defeating Conditions may be waived by the Bidders.

If an event occurs before the date for giving notice of status of conditions which results (or would result) in the non-fulfillment of a Defeating Condition, the Bidders might not make a decision as to whether they will either rely on that non-fulfillment, or waive the Defeating Condition, until the date for giving notice as to the status of the conditions of the Offer under section 630(3) of the Corporations Act (see section 12.8(d)). If the Bidders decide that they will waive a Defeating Condition they will announce that decision to ASX in accordance with section 650F of the Corporations Act.

If any of the Defeating Conditions are not fulfilled, and the Bidders decide to rely on the non-fulfillment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant Aquila Shares will be returned to the holder.

### 11.3 Status of Defeating Conditions

As at the date of this Bidders' Statement, the Bidders are not aware of any events or circumstances which would result in the non-fulfilment of any of the Defeating Conditions in section 12.7. This section 11.3 describes the status and effect of the Defeating Conditions of the Offer.

(a) **Minimum Acceptance Condition (section 12.7(a))**

This Defeating Condition is not fulfilled as at the date of this Bidders' Statement. The Bidders have relevant interests in 19.8% of the Aquila Shares as at the date of this Bidders' Statement. At least 126,279,496 Aquila Shares must be accepted into the Bid for this condition to be satisfied. This number is 50% of the sum of the number of: (i) Aquila Shares on issue; and (ii) Aquila Shares that may be issued on exercise or vesting of the Aquila Options, Aquila Performance Rights and Aquila Share Appreciation Rights, less the number of Aquila Shares in which the Bidders already have a relevant interest, as at the date of this Bidders' Statement.

(b) **Foreign investment approval - Baosteel (section 12.7(b))**

Baosteel is a foreign person under the FATA because it is wholly owned by Baosteel Group (a foreign company). Baosteel is not the subject of any relevant exemption under the FATA.

Baosteel is also a foreign government investor for the purposes of Australia's foreign investment policy, because it is ultimately controlled by SASAC.

Accordingly, the Offer is subject to a Defeating Condition requiring the approval or non-objection of the Treasurer for Baosteel's (or a related body corporate's) acquisition of all the Aquila Securities for the purposes of FATA and Australia's foreign investment policy (see section 12.7(b)). Such approvals will not be given if the Treasurer, on advice from FIRB, considers that the result of the acquisition of all Aquila Securities by Baosteel (or a related body corporate of Baosteel) will be contrary to the national interest.

Baosteel has filed an application for FIRB approval in respect of the acquisition of all Aquila Securities, together with detailed submissions, with FIRB. The Bidders are confident that the Offer is consistent with the Australian Government's foreign investment policy, and as at the date of this Bidders' Statement are not aware of any reason why foreign investment approval would not be given (and therefore why the relevant Defeating Conditions of the Offer would not be satisfied) in due course. Baosteel notes that it has previously received FIRB approval for acquisitions of Aquila securities.

(c) **Foreign investment approval – Aurizon (section 12.7(c))**

Based on register analysis undertaken on Aurizon's behalf prior to announcement of the Offer, foreign persons may hold more than 40% of the issued capital of Aurizon Holdings. While the share register of Aurizon Holdings is subject to continuing change, Aurizon has taken the view that it should seek approval under the FATA as a foreign person for the purposes of the FATA. Aurizon is not the subject of any relevant exemption under the FATA.

Accordingly, the Offer is subject to a Defeating Condition requiring the approval or non-objection of the Treasurer for Aurizon's (or a related body corporate's) acquisition of all Aquila Securities for the purposes of FATA and Australia's foreign investment policy (see section 12.7(c)). Such approvals will not be given if the Treasurer, on advice from FIRB,

considers that the result of the acquisition of all Aquila Securities by Aurizon (or a related body corporate of Aurizon) will be contrary to the national interest.

Aurizon has filed an application for FIRB approval in respect of the acquisition of all Aquila Securities, together with detailed submissions, with FIRB. The Bidders are confident that the Offer is consistent with the Australian Government's foreign investment policy, and as at the date of this Bidders' Statement are not aware of any reason why foreign investment approval would not be given (and therefore why the relevant Defeating Conditions of the Offer would not be satisfied) in due course.

(d) **Conduct of business in the ordinary course and non material acquisitions, disposals or new commitments (section 12.7(d))**

As at the date of this Bidders' Statement, the Bidders are not aware of any material acquisitions, disposals or commitments by Aquila, or of any conduct by Aquila outside of the ordinary course of its business.

Aquila is best placed to advise whether or not this condition will be satisfied.

(e) **No grant of exclusivity or arrangements in relation to infrastructure development or services for the API JV (section 12.7(e))**

The Bidders are not aware of any of the actions described in section 12.7(e) having occurred or having been announced.

Aquila is best placed to advise its shareholders whether or not this condition will be satisfied.

(f) **No material adverse change (section 12.7(f))**

As at the date of this Bidders' Statement, the Bidders are not aware of any of the circumstances described in section 12.7(f) having occurred, being announced or otherwise becoming known to the Bidders.

Aquila is best placed to advise its shareholders whether any such changes have occurred or will occur.

(g) **No regulatory actions (section 12.7(g))**

As at the date of this Bidders' Statement, the Bidders are not aware of any of the regulatory actions being taken which would triggered the Defeating Condition described in section 12.7(g).

(h) **Distributions (section 12.7(h))**

The purpose of the Defeating Condition in section 12.7(h), is to protect the Bidders from the impact of any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) made or declared by Aquila to Aquila Shareholders. As far as the Bidders are aware, no distributions have been made or declared by Aquila as at the date of this Bidders' Statement.

(i) **Non-existence of certain rights (section 12.7(i))**

As at the date of this Bidders' Statement, the Bidders are not aware of the existence of any rights described in section 12.7(i).

Aquila will be best placed to advise its shareholders whether any such rights exist and, if so, whether the holders of such rights are likely to waive or exercise them.

(j) **Prescribed Occurrence (sections 12.7(j) and 12.7(k))**

As at the date of this Bidders' Statement, the Bidders are not aware of any of the events described in sections 12.7(j) and 12.7(k) having occurred.

#### **11.4 Broker commission**

As at the date of this Bidders' Statement, the Bidders had not made a decision as to whether to offer to pay a commission to brokers who solicit acceptances of the Offer by an Aquila Shareholder. However, the Bidders reserve the right to introduce such an arrangement.

#### **11.5 Approvals for payment of consideration**

As at the date of this Bidders' Statement, the Bidders are not aware of any Aquila Shareholders who require any approval referred to in section 12.9(e) in order to be entitled to receive any consideration under the Offer, as at the date of this Bidders' Statement.

As far as the Bidders are aware, the *Autonomous Sanctions Regulations 2011* (Cth) currently prohibit making an asset available to, or for the benefit of, a designated person or entity without authorisation from the Minister for Foreign Affairs or to use or deal with an asset owned or controlled by a designated person or entity without authorisation from the Minister for Foreign Affairs. Designated persons and entities include:

- (a) specified individuals associated with the former government of the former Federal Republic of Yugoslavia;
- (b) specified ministers and senior officials of the Government of Zimbabwe;
- (c) specified individuals and entities associated with the Democratic People's Republic of Korea not already listed by the UN Security Council;
- (d) certain entities and individuals who contribute to Iran's proliferation activities not already listed by the UN Security Council;
- (e) specified persons and entities connected with the Qadhafi regime Libya; and
- (f) specified persons and entities connected with human rights abuses in Syria.

The *Charter of the United Nations Act 1945* (Cth) prohibits:

- (g) assets from being provided to proscribed persons or entities; and
- (h) the use or dealing, and facilitation of such use or dealing, of certain assets owned or controlled by proscribed persons or entities, in each case without the written consent of the Minister of Foreign Affairs.

Persons and entities from various countries have been proscribed under various regulations made pursuant to the *Charter of the United Nations Act 1945* (Cth) including in relation to Côte d'Ivoire, Democratic Republic of the Congo, Eritrea, Iran, Iraq, Liberia, Lebanon, Libya, Sudan, Somalia and Democratic People's Republic of Korea. Members of the Taliban and Al-Qaeda are also proscribed under regulations made pursuant to the *Charter of the United Nations Act 1945* (Cth).

### 11.6 Withholding of consideration

As at the date of this Bidders' Statement, the Bidders are not aware of any amounts that are or would be treated as withholding amounts under section 12.9(f). However, it is possible that the Bidders may become aware of an obligation in this regard after the date of this Bidders' Statement.

For example, under section 255 of the *Income Tax Assessment Act 1936* (Cth), the Australian Taxation Office may notify the Bidders that all or part of the consideration otherwise payable under the Offer to Aquila Shareholders who are non-residents of Australia is to be retained by the relevant Bidder, or paid to the Australian Taxation Office, instead of being paid to the relevant Aquila Shareholders. Similarly, under section 260-5 of Schedule 1 to the *Taxation Administration Act 1953* (Cth), the Australian Taxation Office may require the relevant Bidder to pay to the Australian Taxation Office all or part of the consideration otherwise payable under the Offer to Aquila Shareholders who owe tax-related debts to the Australian Government.

### 11.7 No collateral benefits

Neither of the Bidders nor any of their associates has in the four months before the date of this Bidders' Statement, or in the period between the date of this Bidders' Statement and the date of the Offer, given, offered to give or agreed to give a benefit which is not offered to all Aquila Shareholders under the Offer to another person which was likely to induce the other person (or an associate) to accept the Offer or dispose of Aquila Shares.

### 11.8 No escalation agreements

Neither of the Bidders nor any of their associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

### 11.9 Consents

This Bidders' Statement contains statements made by, or statements based on statements made by, the Bidders and certain of their related entities. Each of them has consented to being named in this Bidders' Statement and has consented to the inclusion of:

- each statement it has made; and
- each statement which is said in this Bidders' Statement to be based on a statement it has made,

in the form and context in which the statements have been included, and has not withdrawn that consent.

The following persons have given, and have not at the date of this Bidders' Statement withdrawn, their written consent to being named in this Bidders' Statement:

- Minter Ellison – as legal adviser to Baosteel;
- Ashurst – as legal adviser to Aurizon;
- Deutsche Bank AG, Sydney Branch – as financial adviser to Baosteel;
- Satori Investments – as financial adviser to Aurizon;
- UBS AG, Australia Branch – as financial adviser to Aurizon; and
- Computershare Investor Services Pty Ltd – as the Bidders' share registrar.

None of these firms or companies listed above has caused or authorised the issue of this Bidders' Statement or has in any way been involved in the making of the Offer. The Offer is made by the Bidders. Each of these firms and companies, to the maximum extent permissible by the law, expressly disclaims and takes no responsibility for any part of this Bidders' Statement.

In addition, this Bidders' Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 13/521, the persons making those statements are not required to consent to, and have not consented to, the inclusion of those statements, or of statements based on those statements, in this Bidders' Statement.

#### **11.10 Other material information**

Except as disclosed in this Bidders' Statement, there is no other information that:

- is material to the making of the decision by an Aquila Shareholder whether or not to accept the Offer; and
- is known to either Bidder,

which has not previously been disclosed to Aquila Shareholders.

## 12. Terms And Conditions Of The Offer

### 12.1 Offer

- (a) The Bidders offer to acquire all of your Aquila Shares on the terms and subject to the conditions set out in this section 12.
- (b) The Offer relates to Aquila Shares that exist or will exist as at the Record Date.
- (c) The Offer also extends to all Aquila Shares that are issued between that date and the end of the Offer Period as a result of the exercise or vesting of Aquila Options, Aquila Performance Rights or Aquila Share Appreciation Rights that exist as at the Record Date.
- (d) The consideration offered for each Aquila Share is A\$3.40 in cash.
- (e) If the Bidders acquire your Aquila Shares under this Offer, they will also be entitled to all Rights in respect of your Aquila Shares.
- (f) This Offer is dated [\*date].

### 12.2 Offer Period

- (a) This Offer will remain open for acceptance during the period that commences on the date of this Offer and ends at [7.00] pm (Sydney time) on [\*date], unless it is withdrawn or extended in accordance with the Corporations Act.
- (b) The Bidders may, in accordance with the Corporations Act, extend the period during which this Offer remains open for acceptance.

### 12.3 How to accept this Offer

#### (a) **Accept for all of your Aquila Shares**

You may only accept this Offer for all of your Aquila Shares.

The Offer relates to Aquila Shares that exist or will exist as at the Record Date. The Offer also extends to all Aquila Shares that are issued between that date and the end of the Offer Period as a result of the exercise of Aquila Options or the vesting of Aquila Performance Rights or Aquila Share Appreciation Rights which exist as at the Record Date. This means that holders of Aquila Options who exercise their Aquila Options and holders of Aquila Performance Rights or Aquila Share Appreciation Rights that vest will be able to participate in the Offer in respect of those Aquila Shares issued during the Offer Period on the relevant exercise or vesting. However, the Bidders are not offering to acquire any Aquila Options, Aquila Performance Rights or Aquila Share Appreciation Rights.

#### (b) **Issuer Sponsored Holdings**

If your Aquila Shares are held in an Issuer Sponsored Holding (in which case your Security Holder Reference Number will commence with 'I'), to accept the Offer in respect of those Aquila Shares you must:

- (i) **complete** and **sign** the Acceptance Form in accordance with the instructions on the Acceptance Form; and

- (ii) **return** the Acceptance Form together with all other documents required by the instructions on the Acceptance Form, so that they are **received** before the end of the Offer Period at one of the addresses indicated on the Acceptance Form.

(c) **CHESS Holdings**

If your Aquila Shares are held in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), to accept this Offer in respect of those Aquila Shares you must either:

- (i) **instruct** your Controlling Participant, in accordance with the sponsorship agreement between you and the Controlling Participant, to initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules, so as to be effective before the end of the Offer Period; or
- (ii) **complete, sign and return** the Acceptance Form in accordance with the terms of the Offer and the instructions on the Acceptance Form, together with all other documents required by those instructions, directly to your Controlling Participant (usually your broker) in sufficient time for this Offer to be accepted before the end of the Offer Period, with instructions to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period; or
- (iii) **complete, sign and return** the Acceptance Form in accordance with the terms of the Offer and the instructions on the Acceptance Form, together with all other documents required by those instructions to the Bidders at an address indicated in the Acceptance Form. The Acceptance Form will only give rise to a valid acceptance if it is received so as to enable the Bidders to instruct your Controlling Participant to initiate acceptance on your behalf before the end of the Offer Period (or if the Bidders lawfully determine it is otherwise valid).

However, if you are the Controlling Participant in respect of your Aquila Shares, to accept this Offer you must yourself initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

## 12.4 Allocation of acceptances under the Offer

All acceptances of the Offers will be allocated between Baosteel and Aurizon in the following manner:

- (a) acceptances received for the first 82,319,708 Aquila Shares (being equivalent to 19.99% of Aquila Shares) will be allocated equally between the Bidders;
- (b) acceptances received in excess of paragraph 12.4(a) up to the level of acceptance at which the Bidders and their associates together have relevant interests in 90% (by number) of Aquila Shares will be allocated to Baosteel; and
- (c) acceptances received in excess of paragraph 12.4(b), and any Aquila Shares acquired pursuant to compulsory acquisition, will be allocated equally between the Bidders.

If this allocation results in a fractional entitlement, Aurizon's allocation shall be rounded down and Baosteel's allocation shall be rounded up.

## 12.5 Status and effect of the Acceptance Form

### (a) Status of Acceptance Form

The Acceptance Form forms part of this Offer, and the instructions on the Acceptance Form must be followed in using it to accept this Offer.

### (b) Revocation of acceptance not permitted

Once you have accepted the Offer you will be unable to revoke your acceptance and the contract resulting from your acceptance of the Offer will be binding on you. In addition, you will be unable to withdraw your acceptance of this Offer or otherwise dispose of your Aquila Shares except as follows:

- (i) if the contract resulting from your acceptance of the Offer becomes void pursuant to section 12.8(f) or the Corporations Act; or
- (ii) if the Offer Period is varied in a way that postpones for more than 1 month the time when the Bidders have to meet their obligations under the Offer and at that time this Offer is subject to one or more of the Defeating Conditions, then you may be able to withdraw your acceptance in accordance with section 650E of the Corporations Act.

### (c) Effect of Acceptance Form

By signing and returning the Acceptance Form in accordance with section 12.3, you irrevocably authorise the Bidders:

- (i) to rectify any errors in, or omissions from, the Acceptance Form that are necessary to make it an effective acceptance of this Offer, to ensure that it complies with the Corporations Act or to enable registration of the transfer your Aquila Shares accepted into the Offer to the Bidders in accordance with the Offer; and
- (ii) (in respect of any of your Aquila Shares in a CHESS Holding) to:
  - (A) initiate, or alternatively instruct your Controlling Participant to initiate, acceptance of this Offer in respect of all such Aquila Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules; and
  - (B) give any other instructions concerning those Aquila Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and the Controlling Participant,

and you irrevocably authorise the Bidders to sub-delegate this power to any one or more of their respective directors, officers, agents and nominees.

### (d) Validation of Acceptance Form

Notwithstanding sections 12.3(b), 12.3(c)(ii) and 12.3(c)(iii), the Bidders may treat the receipt by it of a signed Acceptance Form either:

- (i) before the end of the Offer Period; or
- (ii) after the end of the Offer Period but where the Acceptance Form is sent by post and the envelope in which it is posted is post-marked before the end of the Offer Period,

as valid even though they do not receive the other documents required by the instructions on the Acceptance Form or there is not compliance with any one or more of the other

requirements for acceptance. If the Bidders treat such an Acceptance Form as valid, subject to section 12.9, the Bidders will not be obliged to give the consideration to you until the relevant Bidder receives all those documents and all of the requirements for acceptance referred to in section 12.3 and in the Acceptance Form have been met (other than the requirement for your Acceptance Form to be received before the end of the Offer Period).

(e) **Powers of attorney**

If the Acceptance Form is signed under power of attorney, the attorney declares that the attorney has no notice of revocation of the power and is empowered to delegate powers under the power of attorney under section 12.6.

## **12.6 Agreement resulting from acceptance**

By completing, signing and returning the Acceptance Form or initiating or causing acceptance of this Offer under the ASX Settlement Operating Rules in accordance with section 12.3:

- (a) you accept this Offer in respect of all of your Aquila Shares at the date your acceptance is processed (including any additional Aquila Shares registered as held by you at the date your acceptance is processed (despite any difference between that number and the number of Aquila Shares specified in the Acceptance Form or at the time you accept the Offer)) and agree to the terms and conditions of this Offer;
- (b) you transfer, or consent to the transfer in accordance with the ASX Settlement Operating Rules of, your Aquila Shares specified in the Acceptance Form to the Bidders in accordance with this Offer and subject to the conditions of the constitution of Aquila immediately before your acceptance of this Offer (and the relevant Bidder agrees to take those Aquila Shares subject to those conditions);
- (c) you represent and warrant to the Bidders that, at the time of your acceptance and at the time the transfer of your Aquila Shares to the Bidders is registered, all your Aquila Shares are and will be fully paid, and the Bidders will acquire good title to them and full beneficial ownership of them free from all Security Interests;
- (d) if and when the contract resulting from your acceptance of this Offer becomes unconditional (even though the Bidders have not yet paid or provided the consideration due to you), you irrevocably appoint the Bidders as your attorney to exercise all powers and rights that you have as the registered holder of your Aquila Shares, including:
  - (i) attending any meeting of Aquila (including any meeting of any class of members of Aquila), and voting in respect of your Aquila Shares, proposing or seconding any motion, and demanding a poll for any vote at, any such meeting;
  - (ii) requesting the convening of any meeting of Aquila and convening a meeting pursuant to any such requisition; and
  - (iii) signing any form, notice, instrument or other document (including any proxy appointment) relating to your Aquila Shares,

and you irrevocably authorise the Bidders to sub-delegate this power to any one or more of their respective directors, officers, agents and nominees. Such appointment will terminate on the registration of the Bidders (or either of them) as the holder of your Aquila Shares;

- (e) you agree that, in exercising the powers and rights conferred by the power of attorney in section 12.6(d), each attorney may act in the interests of the Bidders as the intended registered holder and beneficial owner of your Aquila Shares;
- (f) except as contemplated by section 12.6(d) and while the appointment in that section continues, you agree not to attend or vote in person or by proxy, attorney or corporate representative at any meeting of members of Aquila (including any meeting of any class of members of Aquila), or to exercise or purport to exercise (in person or by proxy, attorney, or corporate representative or otherwise) any of the powers conferred by the power of attorney in section 12.6(d);
- (g) subject to all of the Defeating Conditions being fulfilled or waived, you irrevocably authorise the Bidders to do all things necessary to transfer your Aquila Shares to the Bidders (including to cause a message to be transmitted in accordance with ASX Settlement Operating Rules), even if the Bidders have not at that time paid or provided the consideration due to you under this Offer, and to sub-delegate this power to any one or more of their respective directors, officers, agents and nominees; and
- (h) you agree to indemnify the Bidders and each of their agents in respect of any claim or action against them or any loss, damage or liability whatsoever incurred by them as a result of you not producing your Holder Identification Number or your Security Holder Reference Number or in consequence of the transfer of your Aquila Shares accepted into the Offer to the Bidders being registered by Aquila without production of your Holder Identification Number or your Security Holder Reference Number.

## 12.7 Defeating Conditions

Subject to section 12.8, this Offer and any contract resulting from your acceptance of this Offer are subject to the fulfilment of the following Defeating Conditions.

### (a) **Minimum Acceptance Condition**

During or at the end of the Offer Period the Bidders and their associates together have relevant interests in more than 207,772,064 Aquila Shares.<sup>32</sup>

### (b) **FIRB approval - Baosteel**

Prior to the end of the Offer Period the Treasurer (or a delegate of the Treasurer) unconditionally consents or gives Approval under FATA and the Australian Government's foreign investment policy to the proposed acquisition by Baosteel (or a related body corporate of Baosteel) of all Aquila Securities, and the Treasurer is taken to have so consented or given Approval if Baosteel receives written notice from or on behalf of the Treasurer (such notice being unconditional) to the effect that the acquisition by Baosteel (or a related body corporate of Baosteel) of all Aquila Securities is not inconsistent with the Australian Government's foreign investment policy or is not objected to under FATA

---

<sup>32</sup> This number is equal to 50% of the sum of the number of: (i) Aquila Shares on issue, and (ii) the number of Aquila Shares that may be issued on exercise or vesting of the Aquila Options, the Aquila Performance Rights, and the Aquila Share Appreciation Rights, as at the date of this Bidders' Statement.

(c) **FIRB approval - Aurizon**

Prior to the end of the Offer Period the Treasurer (or a delegate of the Treasurer) unconditionally consents or gives Approval under FATA and the Australian Government's foreign investment policy to the proposed acquisition by Aurizon (or a related body corporate of Aurizon) of all Aquila Securities, and the Treasurer is taken to have so consented or given Approval if Aurizon receives written notice from or on behalf of the Treasurer (such notice being unconditional) to the effect that the acquisition by Aurizon (or a related body corporate of Aurizon) of all Aquila Securities is not inconsistent with the Australian Government's foreign investment policy or is not objected to under FATA.

(d) **Conduct of business in the ordinary course and no material acquisitions, disposals or new commitments**

Except as proposed in any announcement by Aquila to the ASX prior to the Announcement Date:

- (i) during the period from the Announcement Date to the end of the Offer Period (each inclusive), Aquila's business and the business of Aquila's subsidiaries is carried on in the ordinary course; and
- (ii) none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive) without the prior approval of the Bidders in writing:
  - (A) Aquila or any subsidiary of Aquila acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than A\$40 million;
  - (B) Aquila or any subsidiary of Aquila disposes of, offers to dispose of or agrees to dispose of, or grants an option, or other right or entitlement (including a pre-emptive right) the effect of which could be the disposal or loss of control of, one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in Aquila's consolidated statement of financial position as at 31 December 2013) is, in aggregate, greater than A\$40 million;
  - (C) Aquila or any subsidiary of Aquila enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by an Aquila Group Entity of an amount which is, in aggregate, more than A\$30 million;
  - (D) Aquila or any subsidiary of Aquila incurs or otherwise becomes exposed to a liability or contingent liability for one or more related items with an aggregate amount or value greater than A\$30 million;
  - (E) Aquila or any subsidiary of Aquila enters into, offers to enter into, agrees to enter into any transaction, or is otherwise affected by any transaction or proposal under which any third party would acquire any legal or economic interest in, or there would be any diminution in the rights granted under any mineral tenement held by any Aquila Group Entity;

- (F) Aquila or any subsidiary of Aquila enters into, offers to enter into, agrees to enter into any transaction, or is otherwise affected by any transaction or proposal under which any third party would acquire any legal or economic interest in production from Aquila's current or future operations or right to sell or market that production;
- (G) Aquila or any subsidiary of Aquila announces an intention to do any of the matters referred to in sub-sections 12.7(d)(ii)(A) to 12.7(d)(ii)(F) above, or brings forward the time for performance of any commitments to, or releases any rights it has against, third parties relating to such matters in existence at the Announcement Date.

(e) **No grant of exclusivity or arrangements in relation to infrastructure development or services for Aquila or API JV**

During the period from the Announcement Date until the end of the Offer Period, none of Aquila, a subsidiary of Aquila and any participant in the API JV:

- (i) enters into, continues or conducts discussions or negotiations with respect to, or enters into, an agreement, arrangement or understanding, or offers to enter into an agreement, arrangement or understanding, or publicly announces that it is a party to an agreement, arrangement or understanding, which would be breached if Aurizon were appointed exclusively to:
  - (A) undertake Infrastructure Development;
  - (B) provide Infrastructure Services;
  - (C) provide a Base Tariff;
  - (D) undertake pre-feasibility studies for Infrastructure Development; or
  - (E) act as API JV's agent for the purpose of undertaking Infrastructure Development,
 as contemplated under clause 9 of the Infrastructure Framework Agreement; or
- (ii) enters into, continues or conducts discussions or negotiations with, or enters into a contract, arrangement or understanding with, any person about undertaking Infrastructure Development, or providing Infrastructure Services, or does anything that materially hinders or materially adversely affects Aurizon's ability to perform its obligations under the Infrastructure Framework Agreement or to carry out a pre-feasibility study;
- (iii) takes any action in connection with an Alternative Pathway; or
- (iv) publicly announces an intention to do any of the things referred to in paragraph (i) or (iii) above.

(f) **No material adverse change**

Before the end of the Offer Period, no event, change or circumstance occurs, is announced or becomes known to the Bidders where that event, change or circumstance (either individually or aggregated with other events, changes or circumstances) has had, or could reasonably be expected to have, a material adverse effect on any of the following:

- (i) the business, assets, liabilities, financial or trading position, profitability or prospects of Aquila and any of its subsidiaries, taken as a whole; or
- (ii) on the status or terms of material arrangements entered into by Aquila or any of its subsidiaries; or
- (iii) the status or terms of any Approvals, licences, tenements or permits issued by any Public Authority to any member of Aquila or any of its subsidiaries,

including, without limitation, any one or more events, matters, change or circumstances which have had or could reasonably be expected to have any of the following the effects, which are taken to constitute a material adverse effect:

- (iv) diminishing the fair market value of the net assets of the Aquila Group by \$40 million or more;
- (v) any material rights under any of the tenements in which an Aquila Group Entity (or management company associated with a joint venture in which an Aquila Group Entity has an interest) has an interest, or any contract in which an Aquila Group Entity (or management company associated with a joint venture in which an Aquila Group Entity has an interest) has an interest, being suspended, revoked, invalidated, varied, terminated, or otherwise coming to an end;
- (vi) a material restraint on or hindrance to the development, timely completion, feasibility, operation, or profitability of the material projects in which an Aquila Group Entity has an interest;
- (vii) the incurring of any obligations, liabilities, costs or expenses (whether contingent or otherwise), other than capital expenditure, where the quantum (whether individually or when aggregated) exceeds \$40 million, except in the ordinary course of business;
- (viii) any change in any applicable laws or regulations which would result in a material impairment of the costs structure of the Aquila Group;
- (ix) any person announcing, commencing or threatening any litigation against any Aquila Group Entity (whether in aggregate or for any single litigation) which may result in a judgment against the Aquila Group Entity of more than \$40 million (individually or in aggregate);

but does not include any of the following, which are taken not to constitute a material adverse effect:

- (x) any matter fairly disclosed to the Bidders or their representatives (other than the Baosteel Nominee Director) or to the ASX or otherwise widely known publicly on or before the Announcement Date;
- (xi) any event, occurrence, circumstance or matter affecting the iron ore or coal mining industries generally;
- (xii) any change in general economic, financial, currency exchange, securities or commodities market conditions;
- (xiii) any change in accounting policy required by law.

**(g) No regulatory actions**

During the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (ii) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (iii) no application is made to a Public Authority (other than by the Bidders or their associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel for the purpose or in exercise of the powers and discretions conferred on it by the Corporations Act), which:

- (iv) restrains, prohibits, or impedes or threatens to restrain, prohibit or impeded or may otherwise materially adversely impact upon the making of the Offer, the acquisition of Aquila Shares under the Offer, the rights of either of the Bidders in their capacity as a shareholder of Aquila, or the completion of any transaction contemplated by the Offer or the Bidders' Statement (including any transaction contemplated by the Joint Bidding Agreement, the Shareholders Agreement or the Infrastructure Framework Agreement); or
- (v) seeks to require the divestiture of any Aquila Shares by either of the Bidders; or
- (vi) seeks to require the divestiture of any material assets by any Aquila Group Entity; or
- (vii) imposes any new terms on, amends the existing terms of or otherwise materially affects the rights held by Aquila as at the Announcement Date under any Approval, licence, tenement or permit issued by any Public Authority to Aquila.

**(h) No distributions**

Between the Announcement Date and the end of the Offer Period (each inclusive), Aquila does not make, determine as payable or declare, or announce an intention to make, determine as payable or declare any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

**(i) Non-existence of certain rights**

No person has any right (whether subject to conditions or not) as a result of the Bidders or either of them acquiring Aquila Shares to:

- (i) acquire, or require Aquila or a subsidiary of Aquila to dispose of, or offer to dispose of, any material asset of Aquila or a subsidiary of Aquila, including any interest in the API JV or the WPIOP; or
- (ii) terminate or vary any material agreement with Aquila or a subsidiary of Aquila, including in respect of any interest in the API JV or the WPIOP.

(j) **No prescribed occurrences**

During the period between the date that the Bidders' Statement is given to Aquila and the end of the Offer Period (each inclusive), none of the following events occur:

- (i) Aquila converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Aquila or a subsidiary of Aquila resolves to reduce its share capital in any way;
- (iii) Aquila or a subsidiary of Aquila enters into a buy-back agreement or resolves to approve the terms of a buy back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Aquila or a subsidiary of Aquila issues shares (other than shares issued as a result of the exercise of Aquila Options, or the vesting of Aquila Performance Rights or Aquila Share Appreciation Rights, the existence of which had been notified to ASX before the Announcement Date) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Aquila or a subsidiary of Aquila issues, or agrees to issue, convertible notes;
- (vi) Aquila or a subsidiary of Aquila disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Aquila or a subsidiary of Aquila grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
- (viii) Aquila or a subsidiary of Aquila resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Aquila or of a subsidiary of Aquila is appointed;
- (x) a court makes an order for the winding up of Aquila or of a subsidiary of Aquila;
- (xi) an administrator of Aquila or of a subsidiary of Aquila is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Aquila or a subsidiary of Aquila executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Aquila or a subsidiary of Aquila.

(k) **No prescribed occurrences prior to dispatch**

None of the events referred to in paragraphs 12.7(j)(i) to 12.7(j)(xiii) happens during the period commencing on the Announcement Date and ending at the end of the day immediately preceding the date the Bidders' Statement is given to Aquila.

## **12.8 Nature and operation of Defeating Conditions**

(a) **Nature of Defeating Conditions**

- (i) None of the Defeating Conditions prevents a contract to sell your Aquila Shares resulting from your acceptance of this Offer, but:
  - (A) the Defeating Conditions in section 12.7(b) and section 12.7(c) are conditions precedent to the provisions of that contract relating to the Bidders' acquisition of an interest in your Aquila Shares becoming binding;

- (B) breach of any of the Defeating Conditions entitles the Bidders to rescind that contract by written notice to you; and
- (C) non-fulfilment of any of the Defeating Conditions at the end of the Offer Period will have the consequences set out in section 12.8(f).

(b) **Separate Defeating Conditions for benefit of the Bidders**

- (i) Each of the Defeating Conditions in each paragraph and each sub-paragraph of each paragraph of section 12.7 constitutes, and is to be construed as, a separate, several and distinct Defeating Condition. No Defeating Condition will be taken to limit the meaning or effect of any other Defeating Condition.
- (ii) Subject to the Corporations Act, the Bidders are entitled to the benefit of the Defeating Conditions and to rely on breach or non-fulfilment of, or to waive compliance with, any of those conditions.

(c) **Fulfilment of Defeating Conditions**

Baosteel and Aurizon will each use all reasonable endeavours to ensure that the Defeating Conditions contained in sections 12.7(b) and 12.7(c) are fulfilled as soon as possible after the date of this Bidders' Statement.

(d) **Waiver of Defeating Conditions**

- (i) Subject to the Corporations Act and section 12.8(d)(ii), the Bidders may free this Offer and any contract resulting from your acceptance of this Offer from all or any of the Defeating Conditions generally or in relation to a specific occurrence by giving written notice to Aquila:
  - (A) in the case of the Defeating Conditions in section 12.7(j) – not later than three business days after the end of the Offer Period; and
  - (B) in the case of the other Defeating Conditions – not less than seven days before the last day of the Offer Period.
- (ii) The Bidders are entitled to declare this Offer and any contract resulting from acceptance of this Offer free from the Defeating Condition in:
  - (A) section 12.7(b) provided such declaration would not cause a breach of the FATA; and
  - (B) section 12.7(c) provided such declaration would not cause a breach of the FATA.

(e) **Notice on status of Defeating Conditions**

The date for giving the notice as to the status of the Defeating Conditions required by section 630(1) of the Corporations Act is [\*date] (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

(f) **Contract void if Defeating Conditions not fulfilled**

Your acceptance of this Offer, and any contract resulting from your acceptance of this Offer, will be automatically void if:

- (i) at the end of the Offer Period, any of the Defeating Conditions is not fulfilled; and

- (ii) the Bidders have not declared this Offer and any contract resulting from your acceptance of it free from that Defeating Condition in accordance with section 12.8(d).

## **12.9 Payment of consideration**

### **(a) When you will generally be paid**

Subject to this section 12.9(a) and the Corporations Act, if you accept this Offer and the Defeating Conditions are fulfilled or waived, the Bidders will pay you the consideration for your Aquila Shares under this Offer within 21 days after the date of your acceptance or, if at the time of your acceptance this Offer is subject to a Defeating Condition, 21 days after any contract resulting from your acceptance of this Offer becomes, or is declared, unconditional.

### **(b) Payment where additional documents required**

Where additional documents are required, either by the Acceptance Form or otherwise, to be given to the Bidders with your acceptance to enable the Bidders to become holders of your Aquila Shares (such as a power of attorney):

- (i) if those documents are given to the Bidders with your acceptance, the Bidders will pay you the consideration for your Aquila Shares in accordance with section 12.9(a);
- (ii) if those documents are given to the Bidders after your acceptance and before the end of the Offer Period, while this Offer is subject to a Defeating Condition, the Bidders will pay you the consideration for your Aquila Shares within 21 days after any contract resulting from your acceptance of this Offer becomes, or is declared, unconditional.
- (iii) if those documents are given to the Bidders after your acceptance and before the end of the Offer Period, while this Offer is not subject to a Defeating Condition, the Bidders will pay you the consideration for your Aquila Shares within 21 days after the Bidders are given those documents; and
- (iv) if those documents are given to the Bidders after the end of the Offer Period, the Bidders will pay you the consideration for your Aquila Shares within 21 days after those documents are given. However, if, at the time those documents are given to the Bidders the contract resulting from your acceptance of this Offer is still subject to a Defeating Condition in section 12.7, the Bidders will pay you the consideration for your Aquila Shares within 21 days after the contract becomes, or is declared, unconditional.

### **(c) Delivery of consideration**

Payment of any cash amount to which you are entitled will be made by cheque drawn in Australian currency in your favour. The cheque will be sent to you, at your risk, by ordinary mail (or, in the case of Aquila Shareholders with addresses outside Australia, by airmail) to your address shown on the Acceptance Form or the address for you last notified to the Bidders by Aquila.

### **(d) Rights**

If the Bidders become entitled to any Rights as a result of your acceptance of this Offer, it may require you to give to them all documents necessary to vest title to those Rights in the relevant Bidder, or otherwise to give the relevant Bidder the benefit or value of those Rights.

If you do not do so, or if you have received or are entitled to receive (or any previous holder of your Aquila Shares has received or is entitled to receive) the benefit of those Rights, the Bidders will be entitled to deduct the amount (or an amount equal to the value, as reasonably assessed by the Bidders) of those Rights. If the Bidders do not, or cannot, make such a deduction, you must pay that amount to the Bidders.

(e) **Non-Australian residents**

If, at the time of acceptance of this Offer, any authority or clearance of a Public Authority is required for you to receive any consideration under this Offer, including because you are resident in or a resident of a place to which, or you are a person to whom:

- (i) the *Banking (Foreign Exchange) Regulations 1959* (Cth) and instruments made under those regulations;
- (ii) the *Autonomous Sanctions Regulations 2011* (Cth) and instruments made under those regulation;
- (iii) any of the following instruments made under the *Charter of the United Nations Act 1945* (Cth):
  - (A) the *Charter of the United Nations (Dealings with Assets) Regulations 2008* (Cth);
  - (B) the *Charter of the United Nations (Sanctions – Al-Qaida) Regulations 2008* (Cth);
  - (C) the *Charter of the United Nations (Sanctions – Côte d'Ivoire) Regulations 2008* (Cth);
  - (D) the *Charter of the United Nations (Sanctions – Democratic People's Republic of Korea) Regulations 2008* (Cth);
  - (E) the *Charter of the United Nations (Sanctions – Democratic Republic of the Congo) Regulations 2008* (Cth);
  - (F) the *Charter of the United Nations (Sanctions – Eritrea) Regulations 2010* (Cth);
  - (G) the *Charter of the United Nations (Sanctions - Iran) Regulations 2008* (Cth);
  - (H) the *Charter of the United Nations (Sanctions –Iraq) Regulations 2008* (Cth);
  - (I) the *Charter of the United Nations (Sanctions – Lebanon) Regulations 2008* (Cth);
  - (J) the *Charter of the United Nations (Sanctions – Liberia) Regulations 2008* (Cth);
  - (K) the *Charter of the United Nations (Sanctions – Libyan Arab Jamahiriya) Regulations 2011* (Cth);
  - (L) the *Charter of the United Nations (Sanctions – Somalia) Regulations 2008* (Cth);

(M) the *Charter of the United Nations (Sanctions – Sudan) Regulations 2008* (Cth); and

(N) the *Charter of the United Nations (Sanctions –the Taliban) Regulations 2013* (Cth); or

(iv) any other law of Australia that would make it unlawful for Baosteel or Aurizon to provide consideration for your Aquila Shares,

applies, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until all requisite authorities or clearances have been obtained. See section 11.5 for information as to whether this restriction applies to you.

(f) **Withholding of consideration by Bidders**

If any amount (the **withholding amount**) is required, under any Australian law or by any Public Authority, to be:

- (i) withheld from any consideration otherwise payable to you under this Offer and paid to a Public Authority; or
- (ii) retained by the Bidders out of any consideration otherwise payable to you under this Offer,

the payment or retention by the Bidders of the withholding amount (as applicable) will constitute full discharge of the Bidders obligation to pay the consideration to you to the extent of the withholding amount.

## 12.10 Offerees

(a) **Registered holders**

The Bidders are making an offer in the form of this Offer to each person registered as the holder of Aquila Shares in the register of members of Aquila as at the Record Date. The Offer also extends to all Aquila Shares that are issued between that date and the end of the Offer Period as a result of the exercise of Aquila Options, or the vesting of Aquila Performance Rights or Aquila Share Appreciation Rights which are on issue as at the Record Date.

(b) **Transferees**

If at any time during the Offer Period another person is able to give good title to all of your Aquila Shares, and that person has not already accepted an offer in the form of this Offer for those Aquila Shares, then that person may accept as if an offer in the form of this Offer had been made to them in respect of those Aquila Shares.

(c) **Trustees and nominees**

If at any time during the Offer Period and before you accept this Offer your Aquila Shares consist of two or more separate parcels within the meaning of section 653B of the Corporations Act (for example, because you hold your Aquila Shares as trustee or nominee for, or otherwise on account of, several distinct beneficial owners), then you may accept as if a separate offer in the form of this Offer had been made in relation to each of those parcels

(including any parcel you hold in your own right). Acceptance for any parcel of Aquila Shares (including any parcel consisting of two or more parcels) is ineffective unless:

- (i) you give the Bidders notice stating that the Aquila Shares consist of a separate parcel, such notice being:
  - (A) in the case of Aquila Shares not in a CHESS Holding, in writing; or
  - (B) in the case of Aquila Shares in a CHESS Holding, in an electronic form approved by the ASX Settlement Operating Rules for the purposes of Part 6.8 of the Corporations Act; and
- (ii) your acceptance specifies the number of Aquila Shares in the parcel.

If, for this purpose, you require additional copies of this Bidders' Statement and the Acceptance Form, please call the Offer Information Line on 1300 309 589 (toll-free within Australia) or +61 2 8022 7902 (from outside Australia) to request those additional copies.

#### **12.11 Variation and withdrawal of Offer**

(a) **Variation**

The Bidders may vary this Offer in accordance with the Corporations Act.

(b) **Withdrawal**

This Offer may be withdrawn with the written consent of ASIC, which consent may be subject to conditions. If so, the Bidders will give notice of the withdrawal to ASX and to Aquila and will comply with any other conditions imposed by ASIC.

#### **12.12 Costs and stamp duty**

The Bidders will pay all costs and expenses of the preparation and circulation of this Offer and any Australian stamp duty payable on the transfer of any Aquila Shares to the Bidders under this Offer.

#### **12.13 Governing law**

This Offer and any contract resulting from your acceptance of this Offer are governed by the laws in force in Western Australia, Australia.

## 13. Definitions And Interpretation

---

### 13.1 Definitions

In this Bidders' Statement and in the Acceptance Form, unless the context requires otherwise:

**A\$** means Australian dollars

**Acceptance Form** means the acceptance form enclosed with this Bidders' Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of the Bidders.

**Agreed Allocation** has the meaning given in section 5.1.

**Alternative Pathway** means exploring, investigating, developing or undertaking with any third party:

- (a) a pre-feasibility or feasibility study in connection with the Infrastructure, Infrastructure Development or Infrastructure Services; or
- (b) any other project (including by means of an arrangement or study of any type) or transaction in connection with Infrastructure, Infrastructure Development or Infrastructure Services,

other than under, and consistently with, the terms of the Infrastructure Framework Agreement.

**AMCI** means AMCI (IO) Pty Ltd ACN 123 253 485.

**Announcement Date** means 5 May 2014.

**API JV** means the unincorporated joint venture called the Australian Premium Iron Joint Venture and which is, as at the date of this announcement, between Aquila Steel Pty Ltd ACN 097 803 613 (which is 100% owned by Aquila) and AMCI (IO) Pty Ltd ACN 123 253 485, and is managed by API Management Pty Ltd ACN 112 677 595.

**Approval** means:

- (a) a consent, authority, licence, approval, order, ruling, waiver or exemption which is required by law or by a Public Authority; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Public Authority intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry or termination of that period without intervention or action.

**Aquila** means Aquila Resources Limited ACN 092 002 769.

**Aquila Board** means board of directors of Aquila.

**Aquila Constitution** means the constitution of Aquila.

**Aquila Convertible Securities** means the Aquila Options, the Aquila Performance Rights and the Aquila Share Appreciation Rights.

**Aquila Group** means Aquila and its subsidiaries and controlled entities, and **Aquila Group Entity** means any of one them.

**Aquila Options** means options to be issued Aquila Shares.

**Aquila Performance Rights** means the performance rights granted by Aquila pursuant to its long term incentive plan as described in section 4.6(b) of this Bidders' Statement.

**Aquila Securities** means the Aquila Shares and Aquila Convertible Securities.

**Aquila Share** means one ordinary fully paid share in Aquila.

**Aquila Shareholder** means a person registered in the register of members of Aquila as a holder of Aquila Shares.

**Aquila Share Appreciation Rights** means the share appreciation rights granted by Aquila pursuant to its long term incentive plan as described in section 4.6(c).

**ASIC** means the Australian Securities and Investments Commission.

**Assets** means includes assets, facilities, real and personal property, goods, services, rights under Authorisations or contracts, and Intellectual Property.

**associate** has the meaning given in section 12 of the Corporations Act.

**ASX** means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it.

**ASX Listing Rules** means the Listing Rules of ASX.

**ASX Settlement** means ASX Settlement Pty Ltd ABN 49 008 504 532.

**ASX Settlement Operating Rules** means the operating rules of the settlement facility provided by ASX Settlement.

**Aurizon** means Aurizon Operations Limited ABN 47 564 947 264.

**Aurizon Holdings** means Aurizon Holdings Limited ABN 14 146 335 622.

**Authorisation** has the meaning given in the Infrastructure Framework Agreement.

**Bao-HI JV** means the joint venture between Baosteel Australia Mining and Ranges Mining Pty Ltd known as the 'Bao-HI Joint Venture'.

**Baosteel** means Baosteel Resources Australia Pty Ltd ACN 154 815 362.

**Baosteel Australia Mining** means Baosteel Australia Mining Company Pty Ltd ACN 100 513 844.

**Baosteel Nominee Director** means Baosteel International's nominee on the Aquila board from time to time.

**Baosteel Resources International** means Baosteel Resources International Co., Ltd, a company incorporated under the laws of Hong Kong and having company registration number 527537.

**Base Tariff** means a tariff that is to be paid for undertaking Infrastructure Development and the provision of an Infrastructure Service, in accordance with the Infrastructure Framework Agreement.

**Bidders** means Baosteel and Aurizon, jointly and severally, on the terms of the Joint Bidding Agreement, and **Bidder** means either of them.

**Bid Period** means the period between the date on which this Bidders' Statement was provided to Aquila and the end of the Offer Period (both inclusive).

**Bidders' Statement** means this document, being the statement of the Bidders under Part 6.5 of the Corporations Act relating to the Offer.

**Baosteel Group** means Baosteel Group Corporation, an enterprise incorporated in the PRC which is 100% held by SASAC.

**Business Day** has the meaning given in the ASX Listing Rules.

**CGT** means Australian capital gains tax.

**CHESS** means the Clearing House Electronic Subregister System, which provides for the electronic transfer, settlement and registration of securities in Australia.

**CHESS Holding** means a holding of Aquila Shares on the CHESS Subregister of Aquila.

**CHESS Subregister** has the meaning given in the ASX Settlement Operating Rules.

**Consideration** means the consideration under the Offer.

**Controlling Participant** has the meaning given in the ASX Settlement Operating Rules. Usually your Controlling Participant is a person, such as a broker, with whom you have a sponsorship agreement (within the meaning of the ASX Settlement Operating Rules).

**Convertible Securities Agreement** means the agreement between Baosteel, Aurizon and ACN 169 052 288 Pty Ltd dated 4 May 2014.

**Corporations Act** means the *Corporations Act 2001* (Cth) as relevantly modified or varied by ASIC.

**Defeating Condition** means a condition set out in section 12.7.

**Eagle Downs** means Aquila's Eagle Downs Hard Coking Coal Project.

**Exclusivity Period** has the meaning given in section 8.1(a).

**FATA** means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

**FIRB** means the Foreign Investment Review Board.

**Fortune BS** means Fortune BS Company Pte Ltd, a company incorporated under the laws of Singapore and having company registration number 200916207M.

**GST** means the goods and services tax imposed under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and the related imposition acts of the Commonwealth of Australia.

**Holder Identification Number** means the number used to identify a Aquila Shareholder on the CHESS Subregister of Aquila.

**InfraCo** has the meaning given in section 8.1(d)(ii).

**Infrastructure** means Railway Infrastructure and Port Infrastructure used, or to be used, in connection with transporting and handling mining products for: (a) the API JV; and (b) other third parties (including Aquila) that may use that API JV related infrastructure.

**Infrastructure Development** means the activities necessary or desirable for designing, constructing and developing the Infrastructure, and any subsequent development or expansion of the Infrastructure, including: (a) securing all necessary funding; (b) project management of the design, construction and development of the Infrastructure; (c) securing all necessary Authorisations to design, construct, develop and operate the Infrastructure; (d) securing all necessary agreements with relevant government agencies, native title groups, and other third parties, to design, construct, develop and operate the Infrastructure; (e) obtaining all necessary tenure in respect of the

Infrastructure; and (f) managing any regulatory issues associated with, and conducting due diligence in respect of, the Infrastructure.

**Infrastructure Framework Agreement** means the infrastructure framework agreement between Baosteel and Aurizon dated 3 May 2014.

**Infrastructure Services** means any service provided by means of, or using, Infrastructure, including: (a) the operation and maintenance of the Railway Infrastructure; (b) a rail haulage service using the Railway Infrastructure; (c) the operation and maintenance of the Port Infrastructure; (d) a port handling service using the Port Infrastructure; and (e) any service necessary or incidental to the provision of the above services.

**Intellectual Property** means all present and future rights conferred by Law (within the meaning of the Infrastructure Framework Agreement) in or in relation to copyright, trade marks, designs, patents, circuit layouts, plant varieties, business and domain names, inventions and confidential information, and other results of intellectual activity in the industrial, commercial, scientific, literary or artistic fields whether or not registrable, registered or patentable. These rights include: (a) all rights in all applications to register these rights; (b) all renewals and extensions of these rights; and (c) all rights in the nature of these rights, excluding Moral Rights (within the meaning of the Infrastructure Framework Agreement).

**Issuer Sponsored Holding** means a holding of Aquila Shares on the Issuer Sponsored Subregister of Aquila.

**Issuer Sponsored Subregister** has the meaning given in the ASX Settlement Operating Rules.

**Joint Bidding Agreement** means the agreement between Baosteel and Aurizon dated 3 May 2014 regarding the making of the Offer.

**Maximum Aurizon Consideration Amount** has the meaning given in section 5.1.

**Maximum Baosteel Consideration Amount** has the meaning given in section 5.1.

**MineCo** has the meaning given in section 8.1(d)(ii).

**Minimum Acceptance Condition** means the defeating condition described at section 12.7(a).

**Offer** means the offer for Aquila Shares contained in section 12, comprising the off-market takeover bids constituted by that offer and each other offer by the Bidders for Aquila Shares in the form of that offer, including in each case as varied in accordance with the Corporations Act.

**Offer Period** means the period during which the Offer remains open for acceptance in accordance with section 12.2(a).

**Offer Price** means A\$3.40 per Aquila Share.

**Port Infrastructure** means all Assets necessary for the development or operation of a port (including Anketell Port), including Assets necessary to: (a) connect Railway Infrastructure to a port; (b) berth vessels; (c) load and unload mining and other goods on berthed vessels; and (d) stockpile goods for loading or that have been unloaded.

**PRC** means the People's Republic of China.

**Public Authority** means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether

in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

**Railway Infrastructure** means all Assets necessary for the development or operation of a railway, including: (a) railway track, associated track structures, over or under track structures, supports (including supports for equipment or items associated with the use of the railway); (b) sidings or spur lines; (c) tunnels and bridges; (d) stations and platforms; (e) buildings and workshops; (f) associated plant and equipment; (g) Rolling Stock; and (h) related infrastructure, including Rolling Stock maintenance facilities, train control systems and facilities, signalling systems and facilities, communications systems and facilities, office buildings, housing, freight centres, and terminal yards and depots.

**Record Date** means the time and date notified to Aquila by the Bidders under section 633(2) of the Corporations Act.

**Related body corporate** has the meaning given in section 50 of the Corporations Act.

**Respective Proportions** means:

- (a) in respect of Baosteel, the number of Aquila Shares acquired by Baosteel pursuant to the Offer, expressed as a proportion of the total number of Aquila Shares acquired by the parties pursuant to the Offer; and
- (b) in respect of Aurizon, the number of Aquila Shares acquired by Aurizon pursuant to the Offer, expressed as a proportion of the total number of Aquila Shares acquired by the parties pursuant to the Offer.

**Rights** means all accretions, rights and benefits of whatever kind attaching to or arising from the Aquila Shares directly or indirectly at or after the Announcement Date (including all dividends and distributions and all rights to receive them and rights to receive or subscribe for shares, units, notes, bonds, options or other securities or entitlements declared, paid or issued by Aquila).

**RMB** means the Renminbi, being the official currency of the PRC.

**Rolling Stock** means any vehicle, whether self-propelled or not, that operates on or uses a railway track.

**SASAC** means State-Owned Assets Supervision and Administration Commission of the PRC.

**Security Holder Reference Number** means the number allocated Aquila to identify a Aquila Shareholder on the Issuer Sponsored Subregister of Aquila.

**Security interest** has the meaning given in section 51A of the Corporations Act.

**Shareholders Agreement** means the shareholders agreement between Baosteel, Fortune BS and Aurizon dated 3 May 2014 in relation to Aquila.

**Takeovers Panel** means the Takeovers Panel under the Corporations Act.

**Treasurer** means the Treasurer of the Commonwealth of Australia.

**your Aquila Shares** means, subject to section 12.1(c):

- (a) the Aquila Shares in respect of which you are registered or entitled to be registered as a holder in the register of members of Aquila at the Record Date, and in respect of which no

other person becomes registered or entitled to be registered as a holder before you accept the Offer; and

- (b) any other Aquila Shares to which you are able to give good title at the time you accept the Offer.

**VWAP** means volume weighted average sale price.

**WPIOP** means Aquila's West Pilbara Iron Ore Project.

## 13.2 Interpretation

In this Bidders' Statement and in the Acceptance Form, unless the context requires otherwise.

- (a) Headings are for convenience only and do not affect interpretation.
- (b) The singular includes the plural and conversely.
- (c) A reference to a section or Annexure is to a section of, or annexure to, this Bidders' Statement.
- (d) A gender includes all genders.
- (e) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (f) A reference to a person, corporation, trust, partnership, unincorporated body or association or other entity includes any of them.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (i) A reference to any instrument or document includes any variation or replacement of it.
- (j) A term not specifically defined in this Bidders' Statement has the meaning given to it in the Corporations Act (being, if any special meaning is given for the purposes of Chapter 6 or 6A of the Corporations Act or a provision of those chapters, that special meaning).
- (k) A reference to time is a reference to Sydney time.
- (l) Mentioning anything after ***includes, including, for example***, or similar expressions, does not limit what else might be included.
- (m) A reference to **\$** is a reference to the lawful currency of Australia.
- (n) A reference to **you** is to a person to whom the Offer under section 12 is (or is deemed to be) made.

## 14. Approval Of Bidders' Statement

---

This Bidders' Statement has been approved by resolutions of the directors of each of Baosteel and Aurizon.

**Dated 14 May 2014.**

**Signed** on behalf of Baosteel Resources Australia Pty Ltd:

**Mr Chao Ye**  
**Company Secretary**



**Signed** on behalf of Aurizon Operations Limited:

**Mr Lance Hockridge**  
**Director**





# **Annexure A**

**The Bidders' announcement in relation to the Offer**

ASX and MEDIA RELEASE

5 May 2014

## **BAOSTEEL AND AURIZON ANNOUNCE INTENTION TO MAKE JOINT ALL CASH OFFER TO ACQUIRE 100% OF AQUILA**

### **HIGHLIGHTS**

- **All cash takeover offer of \$3.40 per Aquila Share**
- **Up to and including 2 May 2014, being the last trading day prior to announcement of the Offer, the Offer represents a premium of:**
  - 38.8% to A\$2.45, the closing price of Aquila Shares on the ASX on Friday, 2 May 2014;
  - 38.0% to A\$2.46, the 5 day VWAP\* of Aquila Shares;
  - 30.6% to A\$2.60, the 1 month VWAP of Aquila Shares;
  - 32.3% to A\$2.57, the 3 month VWAP of Aquila Shares;
  - 45.0% to A\$2.34, the 6 month VWAP of Aquila Shares; and
  - 52.7% to A\$2.23, the 12 month VWAP of Aquila Shares.
- **Aquila Shares have not closed above the Offer price since May 2012**
- **Provides accepting Aquila Shareholders with certainty of value at an attractive cash premium**
- **Offer is conditional on securing a relevant interest in Aquila of more than 50% (on a fully diluted basis)**
- **There are no Chinese regulatory approvals or funding conditions associated with the Offer**

### **Overview**

Baosteel Resources Australia Pty Ltd<sup>1</sup> (**Baosteel**), a wholly owned subsidiary of Baosteel Resources International Co., Ltd. (**Baosteel Resources International**), the overseas resources development arm of Baosteel Group Corporation (**Baosteel Group**), one of China's leading iron and steel producers, and Aurizon Operations Limited<sup>2</sup> (**Aurizon**), a wholly owned subsidiary of Aurizon Holdings Limited, Australia's largest rail

---

<sup>1</sup> ABN 66 154 815 362

<sup>2</sup> ABN 47 564 947 264

\*VWAPs are calculated including both ASX and Chi-X trading data.

freight operator (together the **Bidders**), announce their intention to jointly make a conditional off-market takeover offer (the **Offer**) to acquire all of the ordinary shares of Aquila Resources Limited (ASX:AQA, **Aquila**) that are not already owned by a Bidder (or a related body corporate of a Bidder). If the Offer becomes or is declared unconditional, accepting Aquila Shareholders will receive \$3.40 cash for each Aquila Share they hold, valuing the equity in Aquila at approximately \$1.4 billion.

The Aquila Shares accepted into the Offer will be allocated between the Bidders such that, following the successful completion of the Offer, Aurizon will own up to 15.0% of Aquila Shares and Baosteel will own all of the remaining Aquila Shares acquired under the Offer. If the Offer closes with the Bidders (or their related bodies corporate) owning between 50% and 90% of Aquila Shares, Aurizon will own 10.0% of Aquila and Baosteel will own the remaining Aquila Shares acquired.

The Bidders have entered into a number of agreements in connection with the Offer including a Joint Bidders Agreement, a Shareholders Agreement, and an Infrastructure Framework Agreement. Copies of these agreements will accompany Aurizon's substantial shareholder notice to be issued to the ASX later today. Currently the Bidders have a relevant interest in approximately 19.8% of Aquila Shares on issue (held by Baosteel and its related body corporate, Fortune BS Company Pte Ltd).

## Why Baosteel and Aurizon are making the Offer to Aquila Shareholders

Announcing the intention of the Bidders to make the Offer, Baosteel Resources International Chairman Mr. Zhihao Dai said "Since the Bidders have been unable to meet the Aquila board, we have respectfully decided to put the Offer directly to shareholders. We believe this is a compelling offer for Aquila Shareholders as it provides an opportunity for them to realise certain value for their Aquila Shares at a significant premium to current market prices through an all-cash offer, at a time of uncertainty of the funding and development pathway for Aquila's suite of greenfield projects. The acquisition of Aquila is in line with Baosteel Resources International's strategy of building a leading global steel and resources business through the development of the West Pilbara Iron Ore Project and the Eagle Downs Hard Coking Coal Project."

Mr. Lance Hockridge, the Managing Director and Chief Executive Officer of Aurizon Holdings Limited, said: "This Offer is compelling and provides Aquila Shareholders with a unique opportunity to realise certain value for their Aquila Shares. This cooperation represents a co-investment by Australia's largest rail freight operator and one of China's leading iron and steel producers to develop quality Australian resources, with potential to develop a new world-class iron ore district in the western Pilbara, supported by an integrated multi-user rail and port solution and to create Australian jobs, boost national exports and deliver to government significant royalty revenue. The Eagle Downs project also represents a significant opportunity for the companies to cooperate and deliver significant benefits to local communities."

## Why Aquila Shareholders should accept the Offer

- **The Offer represents a significant premium to recent trading levels.**  
Up to and including 2 May 2014, being the last trading day prior to announcement of the Offer, the Offer represents a premium of:
  - 38.8% to A\$2.45, the closing price of Aquila Shares on Friday, 2 May 2014;
  - 38.0% to A\$2.46, the 5 day VWAP\* of Aquila Shares;
  - 30.6% to A\$2.60, the 1 month VWAP of Aquila Shares;
  - 32.3% to A\$2.57, the 3 month VWAP of Aquila Shares;
  - 45.0% to A\$2.34, the 6 month VWAP of Aquila Shares; and
  - 52.7% to A\$2.23, the 12 month VWAP of Aquila Shares.

---

\*VWAPs are calculated including both ASX and Chi-X trading data.

Further, Aquila Shares have not closed above the Offer Price since May 2012.

- **All cash Offer provides certain value.**

The Bidders are offering all cash consideration for Aquila shares accepted into the Offer, which provides an opportunity for Aquila Shareholders to realise both certain and significant value for their Aquila Shares.

- **Avoidance of future funding uncertainties.**

Remaining as a shareholder of Aquila will mean continued exposure to the risks relating to funding Aquila's key development projects, the West Pilbara Iron Ore Project (**WPIOP**) and the Eagle Downs Hard Coking Coal Project (**Eagle Downs**). These will require substantial capital to reach production. Aquila has disclosed that its share of the remaining development costs for WPIOP and Eagle Downs is \$3.7 billion and \$815 million respectively.

- **Avoidance of future operating and project development risks.**

Remaining as a shareholder of Aquila will mean that Aquila Shares will continue to be exposed to the risks relating to the development of the WPIOP and Eagle Downs projects and their future operation.

- **The likelihood of a counter bidder emerging with a superior offer is low.**

Baosteel and Aurizon believe that the likelihood of another bidder emerging with a superior proposal is low, given (i) the substantial cash premium offered, (ii) the Bidders' relevant interest in approximately 19.8% of Aquila Shares, and (iii) the significant capital expenditure required to develop Aquila's greenfield projects.

- **Risks if Aquila Shareholders do not accept the Offer.**

Remaining as a shareholder of Aquila will mean continued exposure to a number of other risks associated with maintaining an investment in Aquila. For example, the trading price of Aquila Shares may fall if the Offer is unsuccessful; and the trading price of Aquila Shares will continue to be subject to market volatility.

- **The Bidders are confident that Minimum Acceptance Condition can be satisfied.**

Given the Bidders' relevant interest in approximately 19.8% of Aquila Shares and the compelling nature of the Offer, the Bidders are confident that this condition to the Offer can be satisfied.

- **Avoid risks associated with being a minority shareholder.**

If as a result of the Offer the Bidders together hold more than 50% but less than 100% of Aquila Shares, the Bidders will control the majority of Aquila Shares. There are risks associated with remaining as a minority shareholder in Aquila in those circumstances, including reduced liquidity, which may impact shareholders ability to readily dispose of their Aquila Shares at an attractive price in the future.

## **Offer Conditions**

The Offer will be subject only to a 50% minimum acceptance condition (on a fully diluted basis), FIRB approvals, and other conditions, as out in Annexure 1.

There is no Chinese National Development and Reform Commission (NDRC) condition associated with the Offer.

## **Funding**

There is no financing condition associated with the Offer.

The Offer will be fully funded from Baosteel's and Aurizon's respective cash reserves and existing debt facilities.

## Bidders' Statement

Baosteel and Aurizon are preparing a Bidders' Statement in relation to the Offer which they expect to lodge with the Australian Securities and Investments Commission (**ASIC**) shortly. The Bidders' Statement will set out reasons why Aquila Shareholders should accept the Offer. It is expected that, in accordance with the Corporations Act, the Bidders' Statement will be dispatched to Aquila Shareholders approximately two weeks after its lodgement with ASIC, and its provision to Aquila and the ASX.

## Advisers

Deutsche Bank is acting as financial adviser and Minter Ellison is acting as legal adviser to Baosteel in relation to the Offer.

Satori Investments (lead) and UBS are acting as financial advisers, and Ashurst is acting as legal adviser to Aurizon in relation to the Offer.

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

| <b>Public relations adviser</b>                       | <b>Public relations adviser</b>                            |
|-------------------------------------------------------|------------------------------------------------------------|
| Greg Baxter<br>Newgate<br>Tel: +61 2 9232 9518        | Paul Everingham<br>GRAE<br>Tel: +61 8 9223 0555            |
| <b>Financial adviser (Baosteel):</b>                  | <b>Financial adviser (Aurizon):</b>                        |
| Pei-Shen Chou<br>Deutsche Bank<br>Tel: +852 6202 1253 | Paul Glasson<br>Satori Investments<br>Tel: +61 409 354 109 |

## **About Aquila**

Aquila is a West Australian-based resources company with a portfolio of greenfield projects in Australia and South Africa. Commodities within Aquila's portfolio of projects include iron ore, coal (hard coking coal and low volatile PCI) and manganese, all of which are used in the production of steel products.

Additional information about Aquila can be found on its website at <http://www.aquilaresources.com.au/>.

## **About Baosteel, Baosteel Resources International and Baosteel Group**

Baosteel is an Australian incorporated company formed in 2011 for the purpose of investing in Australia. Other than its existing holding of Aquila Shares, Baosteel does not currently undertake any other business activities.

Baosteel Resources International is a wholly-owned subsidiary of Baosteel Group. Baosteel International is incorporated in Hong Kong and its principal activities involve investment and development of mining resources overseas.

Baosteel Group is a Chinese state-owned iron and steel producer headquartered in Shanghai, China. The company is one of China's leading iron and steel producers with crude steel output of approximately 43.8 million tons in 2012.

Additional information about Baosteel Resources International and Baosteel Group can be found on the below websites at [http://www.baosteelresources.com/index\\_1.aspx](http://www.baosteelresources.com/index_1.aspx) and [http://www.baosteel.com/group\\_en/](http://www.baosteel.com/group_en/).

## **About Aurizon**

Aurizon is a wholly-owned subsidiary of Aurizon Holdings Limited.

Aurizon Holdings Limited is Australia's largest rail freight operator, operating a 2,670km network of heavy haul rail infrastructure in Central Queensland. It is the largest hauler of coal in Australia, transporting 193.7 million tonnes in 2012/13. Aurizon Holdings Limited also provides a range of specialist services in rail design, engineering, construction, management and maintenance, and offers large-scale supply chain solutions to a diverse range of customers across Australia. Aurizon Holdings Limited is incorporated in Australia and listed on the ASX.

Additional information about Aurizon Holdings Limited can be found on its website at [www.aurizon.com.au](http://www.aurizon.com.au).

# Annexure 1 – bid conditions

## 1. Bid Conditions

---

The Offer will be subject to the following conditions, unless waived by the Bidders:

(a) **Minimum Acceptance**

During or at the end of the Offer Period the Bidders and their associates together have relevant interests in more than 207,772,064 Aquila Shares<sup>3</sup>.

(b) **FIRB approval - Baosteel**

Prior to the end of the Offer Period the Treasurer (or a delegate of the Treasurer) unconditionally consents or gives Approval under FATA and the Australian Government's foreign investment policy to the proposed acquisition by Baosteel (or a related body corporate of Baosteel) of all Aquila Securities, and the Treasurer is taken to have so consented or given Approval if Baosteel receives written notice from or on behalf of the Treasurer (such notice being unconditional) to the effect that the acquisition by Baosteel (or a related body corporate of Baosteel) of all Aquila Securities is not inconsistent with the Australian Government's foreign investment policy or is not objected to under FATA.

(c) **FIRB approval - Aurizon**

Prior to the end of the Offer Period the Treasurer (or a delegate of the Treasurer) unconditionally consents or gives Approval under FATA and the Australian Government's foreign investment policy to the proposed acquisition by Aurizon (or a related body corporate of Aurizon) of all the Aquila Securities, and the Treasurer is taken to have so consented or given Approval if Aurizon receives written notice from or on behalf of the Treasurer (such notice being unconditional) to the effect that the acquisition by Aurizon (or a related body corporate of Aurizon) of all Aquila Securities is not inconsistent with the Australian Government's foreign investment policy or is not objected to under FATA.

(d) **Conduct of business in the ordinary course and no material acquisitions, disposals or new commitments**

Except as proposed in any announcement by Aquila to the ASX prior to the Announcement Date:

- (i) during the period from the Announcement Date to the end of the Offer Period (each inclusive), Aquila's business and the business of Aquila's subsidiaries is carried on in the ordinary course; and

---

<sup>3</sup> This number is equal to 50% of the sum of the number of (i) Aquila Shares on issue, and (ii) the number of Aquila Shares that may be issued on exercise or vesting of the Aquila Options, the Aquila Performance Rights, and the Aquila Share Appreciation Rights.

(ii) none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (each inclusive) without the prior approval of the Bidders in writing:

- (A) Aquila or any subsidiary of Aquila acquires, offers to acquire or agrees to acquire one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount in aggregate greater than A\$40 million;
- (B) Aquila or any subsidiary of Aquila disposes of, offers to dispose of or agrees to dispose of, or grants an option, or other right or entitlement (including a pre-emptive right) the effect of which could be the disposal or loss of control of, one or more entities, businesses or assets (or any interest in one or more entities, businesses or assets) for an amount, or in respect of which the book value (as recorded in Aquila's consolidated statement of financial position as at 31 December 2013) is, in aggregate, greater than A\$40 million;
- (C) Aquila or any subsidiary of Aquila enters into, or offers to enter into or agrees to enter into, any agreement, joint venture or partnership which would require expenditure, or the foregoing of revenue, by an Aquila Group Entity of an amount which is, in aggregate, more than A\$30 million;
- (D) Aquila or any subsidiary of Aquila incurs or otherwise becomes exposed to a liability or contingent liability for one or more related items with an aggregate amount or value greater than A\$30 million;
- (E) Aquila or any subsidiary of Aquila enters into, offers to enter into, agrees to enter into any transaction, or is otherwise affected by any transaction or proposal under which any third party would acquire any legal or economic interest in, or there would be any diminution in the rights granted under, any mineral tenement held by any Aquila Group Entity;
- (F) Aquila or any subsidiary of Aquila enters into, offers to enter into, agrees to enter into any transaction, or is otherwise affected by any transaction or proposal under which any third party would acquire any legal or economic interest in production from Aquila's current or future operations or right to sell or market that production;
- (G) Aquila or any subsidiary of Aquila announces an intention to do any of the matters referred to in sub-sections (A) to (F) above, or brings forward the time for performance of any commitments to, or releases any rights it has against, third parties relating to such matters in existence at the Announcement Date.

(e) **No grant of exclusivity or arrangements in relation to infrastructure development or services for Aquila or API JV**

During the period from the Announcement Date until the end of the Offer Period, none of Aquila, a subsidiary of Aquila and any participant in the API JV:

- (i) enters into, continues or conducts discussions or negotiations with respect to, or enters into, an agreement, arrangement or understanding, or offers to enter into an agreement, arrangement or understanding, or publicly announces that it is a party to an agreement, arrangement or understanding, which would be breached if Aurizon were appointed exclusively to:

- (A) undertake Infrastructure Development;
- (B) provide Infrastructure Services;
- (C) provide a Base Tariff;
- (D) undertake pre-feasibility studies for Infrastructure Development; or
- (E) act as API JV's agent for the purpose of undertaking Infrastructure Development,

as contemplated under clause 9 of the Infrastructure Framework Agreement; or

- (ii) enters into, continues or conducts discussions or negotiations with, or enters into a contract, arrangement or understanding with, any person about undertaking Infrastructure Development, or providing Infrastructure Services, or does anything that materially hinders or materially adversely affects Aurizon's ability to perform its obligations under the Infrastructure Framework Agreement or to carry out a pre-feasibility study;
- (iii) takes any action in connection with an Alternative Pathway; or
- (iv) publicly announces an intention to do any of the things referred to in paragraph (i) or (iii) above.

(f) **No material adverse change**

Before the end of the Offer Period, no event, change or circumstance occurs, is announced or becomes known to the Bidders where that event, change or circumstance (either individually or aggregated with other events, changes or circumstances) has had, or could reasonably be expected to have, a material adverse effect on any of the following:

- (i) the business, assets, liabilities, financial or trading position, profitability or prospects of Aquila and any of its subsidiaries, taken as a whole; or
- (ii) on the status or terms of material arrangements entered into by Aquila or any of its subsidiaries; or
- (iii) the status or terms of any Approvals, licences, tenements or permits issued by any Public Authority to any member of Aquila or any of its subsidiaries,

including, without limitation, any one or more events, matters, change or circumstances which have had or could reasonably be expected to have any of the following the effects, which are taken to constitute a material adverse effect:

- (iv) diminishing the fair market value of the net assets of the Aquila Group by \$40 million or more;
- (v) any material rights under any of the tenements in which an Aquila Group Entity (or management company associated with a joint venture in which an Aquila Group Entity has an interest) has an interest, or any contract in which an Aquila Group Entity (or management company associated with a joint venture in which an Aquila Group Entity has an interest) has an interest, being suspended, revoked, invalidated, varied, terminated, or otherwise coming to an end;

- (vi) a material restraint on or hindrance to the development, timely completion, feasibility, operation, or profitability of the material projects in which an Aquila Group Entity has an interest;
- (vii) the incurring of any obligations, liabilities, costs or expenses (whether contingent or otherwise), other than capital expenditure, where the quantum (whether individually or when aggregated) exceeds \$40 million, except in the ordinary course of business;
- (viii) any change in any applicable laws or regulations which would result in a material impairment of the costs structure of the Aquila Group;
- (ix) any person announcing, commencing or threatening any litigation against any Aquila Group Entity (whether in aggregate or for any single litigation) which may result in a judgment against the Aquila Group Entity of more than \$40 million (individually or in aggregate);

but does not include any of the following, which are taken not to constitute a material adverse effect:

- (x) any matter fairly disclosed to the Bidders or their representatives (other than the Baosteel Nominee Director) or to the ASX or otherwise widely known publicly on or before the Announcement Date;
- (xi) any event, occurrence, circumstance or matter affecting the iron ore or coal mining industries generally;
- (xii) any change in general economic, financial, currency exchange, securities or commodities market conditions;
- (xiii) any change in accounting policy required by law.

**(g) No regulatory actions**

During the period from the Announcement Date to the end of the Offer Period (each inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (ii) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (iii) no application is made to a Public Authority (other than by the Bidders or their associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel for the purpose or in exercise of the powers and discretions conferred on it by the Corporations Act), which:

- (iv) restrains, prohibits, or impedes or threatens to restrain, prohibit or impeded or may otherwise materially adversely impact upon the making of the Offer, the acquisition of Aquila Shares under the Offer, the rights of either of the Bidders in their capacity as a shareholder of Aquila, or the completion of any transaction contemplated by the Offer or the Bidders' Statement (including any transaction contemplated by the Joint Bidding Agreement, the Shareholders Agreement or the Infrastructure Framework Agreement); or

- (v) seeks to require the divestiture of any Aquila Shares by either of the Bidders; or
- (vi) seeks to require the divestiture of any material assets by any Aquila Group Entity; or
- (vii) imposes any new terms on, amends the existing terms of or otherwise materially affects the rights held by Aquila as at the Announcement Date under any Approval, licence, tenement or permit issued by any Public Authority to Aquila.

(h) **No distributions**

Between the Announcement Date and the end of the Offer Period (each inclusive), Aquila does not make, determine as payable or declare, or announce an intention to make, determine as payable or declare any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

(i) **Non-existence of certain rights**

No person has any right (whether subject to conditions or not) as a result of the Bidders or either of them acquiring Aquila Shares to:

- (i) acquire, or require Aquila or a subsidiary of Aquila to dispose of, or offer to dispose of, any material asset of Aquila or a subsidiary of Aquila, including any interest in the API JV or the WPIOP; or
- (ii) terminate or vary any material agreement with Aquila or a subsidiary of Aquila, including in respect of any interest in the API JV or the WPIOP.

(j) **No prescribed occurrences**

During the period between the date that the Bidders' Statement is given to Aquila and the end of the Offer Period (each inclusive), none of the following events occur:

- (i) Aquila converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Aquila or a subsidiary of Aquila resolves to reduce its share capital in any way;
- (iii) Aquila or a subsidiary of Aquila enters into a buy-back agreement or resolves to approve the terms of a buy back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Aquila or a subsidiary of Aquila issues shares (other than shares issued as a result of the exercise of Aquila Options, or the vesting of Aquila Performance Rights or Aquila Share Appreciation Rights, the existence of which had been notified to ASX before the Announcement Date) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Aquila or a subsidiary of Aquila issues, or agrees to issue, convertible notes;
- (vi) Aquila or a subsidiary of Aquila disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Aquila or a subsidiary of Aquila grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
- (viii) Aquila or a subsidiary of Aquila resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Aquila or of a subsidiary of Aquila is appointed;

- (x) a court makes an order for the winding up of Aquila or of a subsidiary of Aquila;
- (xi) an administrator of Aquila or of a subsidiary of Aquila is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Aquila or a subsidiary of Aquila executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Aquila or a subsidiary of Aquila.

(k) **No prescribed occurrences prior to dispatch**

None of the events referred to in paragraphs (j)(i) to (j)(xiii) happens during the period commencing on the Announcement Date and ending at the end of the day immediately preceding the date the Bidders' Statement is given to Aquila.

## Annexure 2 – definitions

**Alternative Pathway** means exploring, investigating, developing or undertaking with any third party:

- (a) a pre-feasibility or feasibility study in connection with the Infrastructure, Infrastructure Development or Infrastructure Services; or
- (b) any other project (including by means of an arrangement or study of any type) or transaction in connection with Infrastructure, Infrastructure Development or Infrastructure Services,

other than under, and consistently with, the terms of the Infrastructure Framework Agreement.

**Announcement Date** means the date of this announcement.

**API JV** means the unincorporated joint venture called the Australian Premium Iron Joint Venture and which is, as at the date of this announcement, between Aquila Steel Pty Ltd ACN 097 803 613 (which is 100% owned by Aquila) and AMCI (IO) Pty Ltd ACN 123 253 485, and is managed by API Management Pty Ltd ACN 112 677 595.

**Approval** means:

- (a) a consent, authority, licence, approval, order, ruling, waiver or exemption which is required by law or by a Public Authority; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Public Authority intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry or termination of that period without intervention or action.

**Aquila** means Aquila Resources Limited ACN 092 002 769.

**Aquila Convertible Securities** means the Aquila Options, the Aquila Performance Rights and the Aquila Share Appreciation Rights.

**Aquila Group** means Aquila and its subsidiaries and controlled entities, and **Aquila Group Entity** means any of one them.

**Aquila Options** means options to be issued Aquila Shares.

**Aquila Performance Rights** means the performance rights granted by Aquila pursuant to its long term incentive plan.

**Aquila Securities** means the Aquila Shares and Aquila Convertible Securities.

**Aquila Share** means one ordinary fully paid share in Aquila.

**Aquila Shareholder** means a person registered in the register of members of Aquila as a holder of Aquila Shares.

**Aquila Share Appreciation Rights** means the share appreciation rights granted by Aquila pursuant to its long term incentive plan.

**ASIC** means the Australian Securities and Investments Commission.

**Assets** means includes assets, facilities, real and personal property, goods, services, rights under Authorisations or contracts, and Intellectual Property.

**associate** has the meaning given in section 12 of the Corporations Act.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it.

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

**Aurizon Holdings Limited** means Aurizon Holdings Limited ACN 146 335 622.

**Authorisation** has the meaning given in the Infrastructure Framework Agreement.

**Baosteel** means Baosteel Resources Australia Pty. Ltd ACN 154 815 362.

**Baosteel Australia Mining** means Baosteel Australia Mining Company Pty Ltd ACN 100 513 844.

**Baosteel Group** means Baosteel Group Corporation, a company incorporated under the laws of the People's Republic of China and having company registration number 310000000008029.

**Baosteel Resources International** means Baosteel Resources International Co., Ltd, a company incorporated under the laws of Hong Kong and having company registration number 527537.

**Baosteel Nominee Director** means Baosteel International's nominee on the Aquila board from time to time.

**Base Tariff** means a tariff that is to be paid for undertaking Infrastructure Development and the provision of an Infrastructure Service, in accordance with the Infrastructure Framework Agreement.

**Bidders** means Baosteel and Aurizon, jointly and severally, on the terms of the Joint Bidding Agreement, and Bidder means either of them.

**Bidder's Statement** means the bidders' statement, being the statement of the Bidders under Part 6.5 of the Corporations Act relating to the Offer.

**BS Fortune** means BS Fortune Company Pte Ltd, a company incorporated under the laws of Singapore and having company registration number 200916207M.

**Corporations Act** means the *Corporations Act 2001* (Cth) as relevantly modified or varied.

**Eagle Downs** means Aquila's Eagle Downs Hard Coking Coal Project.

**FATA** means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

**FIRB** means the Foreign Investment Review Board.

**Infrastructure** means Railway Infrastructure and Port Infrastructure used, or to be used, in connection with transporting and handling mining products for: (a) the API JV; and (b) other third parties (including Aquila) that may use that API JV related infrastructure.

**Infrastructure Development** means the activities necessary or desirable for designing, constructing and developing the Infrastructure, and any subsequent development or expansion of the Infrastructure, including: (a) securing all necessary funding; (b) project management of the design, construction and development of the Infrastructure; (c) securing all necessary Authorisations to design, construct, develop and operate the Infrastructure; (d) securing all necessary agreements with relevant government agencies, native title groups, and other third parties, to design, construct, develop and operate the Infrastructure; (e) obtaining all necessary tenure in respect of the Infrastructure; and (f) managing any regulatory issues associated with, and conducting due diligence in respect of, the Infrastructure.

**Infrastructure Framework Agreement** means the agreement of that name entered into between Baosteel, BS Fortune and Aurizon on 3 May 2014.

**Infrastructure Services** means any service provided by means of, or using, Infrastructure, including: (a) the operation and maintenance of the Railway Infrastructure; (b) a rail haulage service using the Railway Infrastructure; (c) the operation and maintenance of the Port Infrastructure; (d) a port handling service using the Port Infrastructure; and (e) any service necessary or incidental to the provision of the above services.

**Intellectual Property** means all present and future rights conferred by Law (within the meaning of the Infrastructure Framework Agreement) in or in relation to copyright, trade marks, designs, patents, circuit layouts, plant varieties, business and domain names, inventions and confidential information, and other results of intellectual activity in the industrial, commercial, scientific, literary or artistic fields whether or not registrable, registered or patentable. These rights include: (a) all rights in all applications to register these rights; (b) all renewals and extensions of these rights; and (c) all rights in the nature of these rights, excluding Moral Rights (within the meaning of the Infrastructure Framework Agreement).

**Joint Bidding Agreement** means the joint bidding agreement between Baosteel and Aurizon dated 3 May 2014.

**Offer** means the offer for Aquila Shares contained in the Bidders' Statement, comprising the off-market takeover bids constituted by that offer and each other offer by the Bidders for Aquila Shares in the form of that offer, including in each case as varied in accordance with the Corporations Act.

**Offer Period** means the period during which the Offer will remain open for acceptances.

**Port Infrastructure** means all Assets necessary for the development or operation of a port (including Anketell Port), including Assets necessary to: (a) connect Railway Infrastructure to a port; (b) berth vessels; (c) load and unload mining and other goods on berthed vessels; and (d) stockpile goods for loading or that have been unloaded.

**Public Authority** means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

**Railway Infrastructure** means all Assets necessary for the development or operation of a railway, including: (a) railway track, associated track structures, over or under track structures, supports (including supports for equipment or items associated with the use of the railway); (b) sidings or spur lines; (c) tunnels and bridges; (d) stations and platforms; (e) buildings and workshops; (f) associated plant and equipment; (g) Rolling Stock; and (h) related infrastructure, including Rolling Stock maintenance facilities, train control systems and facilities, signalling systems and facilities, communications systems and facilities, office buildings, housing, freight centres, and terminal yards and depots.

**Related body corporate** has the meaning given in section 50 of the Corporations Act.

**Rolling Stock** means any vehicle, whether self-propelled or not, that operates on or uses a railway track.

**Security interest** has the meaning given in section 51A of the Corporations Act.

**Shareholders Agreement** means the shareholders agreement between Baosteel, Aurizon and Fortune BS dated 3 May 2014.

**Takeovers Panel** means the Takeovers Panel under the Corporations Act.

**Treasurer** means the Treasurer of the Commonwealth of Australia.

**WPIOP** means the West Pilbara Iron Ore Project.

## Annexure B

### ASX Announcements in Relation to Aquila since 13 September 2013

| Date Lodged | Description                                                  |
|-------------|--------------------------------------------------------------|
| 05/05/2014  | Baosteel and Aurizon - Intention to Make a Takeover Offer    |
| 05/05/2014  | Change in Substantial holding from Baosteel Resources        |
| 05/05/2014  | Receipt of Takeover Proposal from Baosteel and Aurizon       |
| 05/05/2014  | Initial substantial holder notice from Aurizon Holdings Ltd  |
| 05/05/2014  | AZJ: Joint offer announcement & investor presentation        |
| 05/05/2014  | AZJ: Joint off-market bid for 100% share capital of Aquila   |
| 29/04/2014  | March 2014 Quarterly Activities and Cashflow Report          |
| 15/04/2014  | Corporate Presentation April 2014                            |
| 15/04/2014  | Washpool Hard Coking Coal Project Supplementary Study        |
| 14/04/2014  | Eagle Downs Coal Project- Settlement of Litigation with Vale |
| 21/03/2014  | Change in substantial holding for CUL                        |
| 05/03/2014  | 31 December 2013 Half Yearly Financial Report and Accounts   |
| 03/03/2014  | CUL: Exploration Update - Iron Ore                           |
| 12/02/2014  | Addendum to December 2013 Quarterly Report                   |
| 10/02/2014  | Appointment of Additional Independent Non-Executive Director |
| 24/01/2014  | December 2013 Quarterly Activities and Cashflow Report       |
| 16/01/2014  | Corporate Presentation - 2014 A Year of Possibility          |
| 23/12/2013  | Change in substantial holding                                |
| 23/12/2013  | Form604 Notice of change of interests of substantial holder  |
| 20/12/2013  | Change in substantial holding                                |
| 19/12/2013  | Baosteel Increases Shareholding in Aquila                    |
| 16/12/2013  | Eagle Downs Hard Coking Coal Project - Reserve Categories    |
| 11/12/2013  | WDS Limited wins \$142.8M Eagle Downs Drift Contract         |
| 11/12/2013  | Eagle Downs - Drifts Construction Contract Awarded           |
| 02/12/2013  | New Company Constitution                                     |
| 29/11/2013  | Results of 2013 Annual General Meeting                       |
| 29/11/2013  | 2013 Annual General Meeting Presentation                     |
| 29/11/2013  | Chairman's Address to Shareholders                           |
| 18/11/2013  | Change in substantial holding                                |
| 13/11/2013  | Supplementary AGM Circular                                   |

**Date Lodged****Description**

|            |                                                          |
|------------|----------------------------------------------------------|
| 08/11/2013 | Resignation and Appointment of Non-Executive Directors   |
| 28/10/2013 | Annual Report to shareholders                            |
| 28/10/2013 | Notice of Annual General Meeting/Proxy Form              |
| 24/10/2013 | Resignation and Appointment of Non-Executive Director    |
| 22/10/2013 | Quarterly Activities and Cashflow Report                 |
| 27/09/2013 | Appendix 3B - Long Term Incentive Plan                   |
| 20/09/2013 | Avontuur Project - Alleged overlapping prospecting right |
| 13/09/2013 | Corporate Presentation - Annual Financial Results 2013   |
| 13/09/2013 | 30 June 2013 Financial Report                            |

---

# Corporate Directory

## **Baosteel**

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

### **Registered Office**

Level 20, 77 St Georges Terrace  
Perth, WA 6000

## **Aurizon**

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

### **Registered Office**

Level 17, 175 Eagle Street  
Brisbane QLD 4000

## **Offer Information Line**

If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please call the Offer Information Line on the following numbers:

Within Australia: 1300 309 589 (toll-free)

Outside Australia: +61 2 8022 7902

## **Registry for the Offer**

You can contact the Bidders' share registrar (Computershare Investor Services Pty Limited) at the addresses set out below:

### **By post**

Computershare Investor Services Pty Limited  
Aquila Takeover Offer  
GPO Box 52  
MELBOURNE VIC 3001  
Australia

### **Hand delivery**

Computershare Investor Services Pty Limited  
Aquila Takeover Offer  
Yarra Falls, 452 Johnston Street  
ABBOTSFORD VIC 3067  
Australia

# Baosteel Resources Australia Pty Ltd and Aurizon Operations Limited

## Return your Form:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne Victoria 3001  
Australia

### By Hand Delivery:

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067  
Australia

## For all enquiries:

### Phone:

(within Australia) 1300 309 589 (toll free)  
(outside Australia) + 61 2 8022 7902

000001 000 AQATKO  
MR SAM SAMPLE  
UNIT 123  
SAMPLE STREET  
SAMPLETOWN NSW 2001

## Transfer and Acceptance Form

## ISSUER



### Your form must be received by the end of the Offer Period.

This form and the Bidders Statement to which it relates are important documents that require your immediate attention. This form relates to an offer ("Offer") by Baosteel Resources Australia Pty Limited and Aurizon Operations Limited (together the "Bidders") to acquire all of your ordinary fully paid shares ("Aquila Shares") in Aquila Resources Limited ("Aquila") ABN (81 092 002 769) the terms of which are set out in the Bidder's Statement dated XX XXXXX 2014 as replaced or supplemented (the "Bidders Statement"). Capitalised terms used in this form have the same meaning as in the Bidders Statement, unless otherwise defined.

If you are in doubt about how to deal with this Offer, please contact your financial or other professional advisor.

Note this form can only be used in relation to the shareholder whose details are printed above and overleaf.

### Step 1: Registration Name & Offer Details

Your consideration will be issued to the name(s) as they appear on the latest copy of the Aquila register of members, as provided to the Bidders. The current address recorded by the Bidders is printed above and overleaf. If you have recently bought or sold Aquila Shares your holding may differ from that shown. If you have already sold all your Aquila Shares, do not complete or return this form.

### Step 2: Accept the Offer

Only sign and return this form if you wish to accept the Offer for ALL of your Aquila Shares. (You cannot accept the Offer for only some of your Aquila Shares.)

By signing this form, you warrant as set out in section 12.6 of the Bidders Statement that the Bidders will acquire good title to all your Aquila Shares and full beneficial ownership of them free from all Security Interests.

### Step 3: Signing Instructions

**Individual:** Where the holding is in one name, the shareholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders must sign.

**Power of Attorney:** Where signing as Power of Attorney (POA), you must attach an original certified copy of the POA to this form.

**Companies:** Where the holding is in the name of a company, this form must be signed in accordance with the Corporations Act, either as:

- a Sole Director and Sole Company Secretary **OR** a Sole Director (if no Company Secretary exists), **OR**
- two Directors, **OR**
- a Director and Secretary.

**Overseas Companies:** Where the holding is in the name of an overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

**Deceased Estate:** All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

Entering contact details is not compulsory, but will assist us if we need to contact you.

**Turn over to complete the form** ➔



I 1111111111

I ND

# Transfer and Acceptance Form

STEP 1

## Registration Name & Offer Details

 For your security keep your SRN/  
HIN confidential.

Registration Name: MR SAM SAMPLE  
UNIT 123  
SAMPLE STREET  
SAMPLETOWN NSW 2001

Offer Details: Shareholding as at XXXXX XX XXXX 2014:

**2000**

By accepting the Offer, you are accepting the Offer for ALL the Aquila Shares as recorded by the Bidders as being held by you at the date your acceptance is processed (even if different to the number stated above).

STEP 2

## Accept the Offer

Only sign and return this form if you wish to accept the Offer for ALL of your Aquila Shares. The consideration applicable is set out in the terms of the Bidders Offer.

STEP 3

## Signature of Shareholder(s) *This section must be completed.*

I/We accept the Offer made by the Bidders for ALL my/our Aquila Shares in Aquila and I/we agree to be bound by the terms and conditions of the Offer and transfer ALL of my/our Aquila Shares as per the above instruction.

Individual or Shareholder 1

Sole Director and Sole Company Secretary/  
Sole Director (cross out titles as applicable)

Shareholder 2

Director

Shareholder 3

Director/Company Secretary  
(cross out titles as applicable)

Contact  
Name

Contact  
Daytime  
Telephone

Date / /

## Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to or to third parties upon direction by the Bidders where related to the administration of your shareholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

# Baosteel Resources Australia Pty Ltd and Aurizon Operations Limited

000002 000 AQATKO  
MR SAM SAMPLE  
UNIT 123  
SAMPLE STREET  
SAMPLETOWN NSW 2001

## Return your Form:



**To Your Controlling Participant:**  
Return this form directly to your  
stockbroker



**By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne Victoria 3001  
Australia

**By Hand Delivery:**  
Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067  
Australia

## For all enquiries:

**Phone:**  
(within Australia) 1300 309 589 (toll free)  
(outside Australia) + 61 2 8022 7902

## Transfer and Acceptance Form

CHESS

 **Your form must be received with sufficient time to be acted upon before the end of the Offer Period.**

This form and the Bidders Statement to which it relates are important documents that require your immediate attention. This form relates to an offer ("Offer") by Baosteel Resources Australia Pty Limited and Aurizon Operations Limited (together the "Bidders") to acquire all of your ordinary full paid shares ("Aquila Shares") in Aquila Resources Limited ("Aquila") ABN (81 092 002 769) the terms of which are set out in the Bidders Statement dated XX XXXXX 2014 as replaced or supplemented (the "Bidders Statement"). Capitalised terms used in this form have the same meaning as in the Bidders Statement, unless otherwise defined.

If you are in doubt about how to deal with this Offer, please contact your financial or other professional advisor.

Note this form can only be used in relation to the shareholder whose details are printed above and overleaf.

### Step 1: Registration Name & Offer Details

Your consideration will be issued to the name(s) as they appear on the latest copy of the Aquila register of members, as provided to the Bidders.

The current address recorded by the Bidders is printed above and overleaf. If you have recently bought or sold Aquila Shares your holding may differ from that shown. If you have already sold all your Aquila Shares, do not complete or return this form.

### Step 2: Accept the Offer

Only sign and return this form if you wish to accept the Offer for ALL of your Aquila Shares. (You cannot accept the Offer for only some of your Aquila Shares.)

As your Aquila Shares are in a CHESS holding, you may contact your Controlling Participant directly (normally your stockbroker) with instructions to accept the Offer. If you do this, your Controlling Participant will provide you with details as to what they require in order to accept the Offer on your behalf. If you want the Bidders to contact your Controlling Participant on your behalf, sign and return this form to the address above so that it is received in sufficient time to allow your instruction to be acted upon by the close of the Offer Period. This will authorise the Bidders and Computershare Investor Services Pty Limited ("CIS") to request your Controlling Participant to initiate acceptance of the Offer on your behalf.

By signing this form, you warrant as set out in section 12.6 of the Bidders Statement that the Bidders will acquire good title to all your Aquila Shares and full beneficial ownership of them free from all security interests.

You should allow sufficient time for your Controlling Participant or the Bidders to initiate the acceptance of the Bidders's Offer on your behalf. Neither the Bidders nor CIS will be responsible for any delays incurred by the process of requesting your Controlling Participant to accept the Offer.

### Step 3: Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders must sign.

**Power of Attorney:** Where signing as Power of Attorney (POA), you must attach an original certified copy of the POA to this form.

**Companies:** Where the holding is in the name of a company, this form must be signed in accordance with the Corporations Act, either as:

- a Sole Director and Sole Company Secretary **OR** a Sole Director (if no Company Secretary exists), **OR**
- two Directors, **OR**
- a Director and Secretary.

**Overseas Companies:** Where the holding is in the name of an overseas company (companies incorporated outside Australia) the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

**Deceased Estate:** All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

Entering contact details is not compulsory, but will assist us if we need to contact you.

**Turn over to complete the form** →



X 2222222222

I ND

# Transfer and Acceptance Form

STEP 1

## Registration Name & Offer Details

 For your security keep your SRN/  
HIN confidential.

Registration Name:

MR SAM SAMPLE  
UNIT 123  
SAMPLE STREET  
SAMPLETOWN NSW 2001

Controlling Participant Identifier:

Offer Details:

Shareholding as at XXXXX XX XXXX 2014:

2000

By accepting the Offer, you are accepting the Offer for ALL the Aquila Shares as recorded by the Bidders as being held by you at the date your acceptance is processed (even if different to the number stated above).

STEP 2

## Accept the Offer

Only sign and return this form if you wish to accept the Offer for ALL of your Aquila Shares. The consideration applicable is set out in the terms of the Bidders Offer.

STEP 3

## Signature of Shareholder(s) *This section must be completed.*

I/We accept the Offer made by the Bidders for ALL my/our Aquila Shares in Aquila and I/we agree to be bound by the terms and conditions of the Offer and transfer ALL of my/our Aquila Shares as per the above instruction.

Individual or Shareholder 1

Sole Director and Sole Company Secretary/  
Sole Director (cross out titles as applicable)

Shareholder 2

Director

Shareholder 3

Director/Company Secretary  
(cross out titles as applicable)

Contact  
Name

Contact  
Daytime  
Telephone

Date    /    /

## Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to or to third parties upon direction by the Bidders where related to the administration of your shareholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.