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ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

23 June 2014

BY ELECTRONIC LODGEMENT

Joint off-market bid for Aquila Resources Limited – Bidders' response to Target Statement

Please find attached announcement for immediate release to the market.

Yours faithfully



Dominic D Smith
VP & Company Secretary





ASX and MEDIA RELEASE
23 June 2014

**BAOSTEEL AND AURIZON WELCOME RELEASE OF TARGET'S
STATEMENT RECOMMENDING SHAREHOLDERS ACCEPT THE OFFER**

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

The Bidders welcome the release of Aquila's Target's Statement. The Target Statement includes the Independent Expert report, which is available at www.asx.com.au

Aquila's Independent Directors have unanimously recommended that it is in the best interests of Aquila Shareholders to ACCEPT the Offer (in due course, in the absence of a superior proposal).

The Independent Directors stated the following reasons to **ACCEPT** the Offer:

1. While the Independent Expert concluded that the Offer is not fair, the Independent Expert also concluded that it is **reasonable**.
2. The trading price of Aquila Shares is likely to fall if the Offer is unsuccessful and in the absence of a superior proposal.
3. The Bidders are bound by their announced statement that they will not increase the Offer Price or extend the Offer Period (except in certain limited circumstances).
4. No superior proposal has emerged as at the date of the Target's Statement.

Section 2 of the Target's Statement discusses these reasons in more detail.

The Bidders also refer Aquila Shareholders to section 1 of the Bidders' Statement, which provides further reasons why the Bidders consider Aquila Shareholders should **ACCEPT** the Offer.

The Independent Expert appointed by Aquila's Independent Directors has concluded that the Offer is not fair but is reasonable and that, in the absence of an alternative superior proposal, Aquila Shareholders are likely to be better off if they ACCEPT the Offer.

The Independent Expert made the following comments in reaching its conclusion:

1. Aquila shares were trading at levels well below the Offer Price immediately before the Offer was announced. The Offer Price represents a significant premium.
2. Without the involvement of a major industry participant with substantial funding capacity, Aquila does not have a clear path forward to the financing and development of West Pilbara and does not have the financial and other resources to concurrently progress its other pre-development assets. In this context, given current market conditions, it is to be expected that the share market will not attribute meaningful value to Aquila's pre-development assets.

3. The Aquila share price fell sharply when the Bidders announced that they would not increase the Offer Price. The risk of a further fall in the share price in the absence of the Offer is exacerbated by the recent weakness in the iron ore market, with the benchmark iron ore price having fallen by around 15% since the announcement of the Offer.
4. Mr Tony Poli, Aquila's executive chairman, has flagged his intention to accept the Offer in respect of his 28.92% shareholding (in the absence of a superior proposal). Together with Baosteel's existing shareholding, this would give the Bidders a shareholding of almost 49% of Aquila and effective control.

The Bidders encourage Aquila shareholders to ACCEPT the Offer as soon as possible.

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

For professional investors¹ that hold or beneficially own at least 147,059² Aquila shares, the Bidders have established an institutional acceptance facility (IAF). Those shareholders may request the IAF participation forms from the facility operator by email to custodian@computershare.com or phone on 1800 095 862 (callers within Australia) and +61 3 9415 5401 (callers outside Australia), or from the Financial Advisers of the Bidders (details of which are below).

The Offer remains the only offer available for all Aquila shares today.

The Bidders will not increase the Offer Price.

The Bidders will not extend the Offer Period³, which is scheduled to close at 7.00pm (Sydney time) on 11 July 2014, unless all remaining Defeating Conditions of the Offer are fulfilled or waived by them prior to that time.

Ms Yiming Wu

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Baosteel Resources Australia Pty Limited
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For further information regarding the Offer, please contact the Bidder's advisers:

Financial adviser (Baosteel):

Damian Pearson, Deutsche Bank
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Aquila Shareholder Enquiries:

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

¹ As defined in the Corporations Act.

² Being the number of Aquila shares with an aggregate value of at least A\$500,000, assuming a share price of A\$3.40.

³ Subject to any automatic extension under the Corporations Act.