



Aurizon and Baosteel: joint bid for Aquila Resources Ltd

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Key messages

- Aurizon is participating in a joint bid with Baosteel to acquire ASX-listed Aquila by way of an off-market takeover offer
 - transaction will result in Aurizon acquiring up to 15% of Aquila if Aurizon and Baosteel are successful in gaining 100% acceptance from Aquila shareholders, with Baosteel holding the remaining 85%
- From Aurizon’s perspective, the acquisition of Aquila is intended to facilitate development of rail and port infrastructure for the West Pilbara Iron Ore Project (“WPIOP”)
- Participation in the bid, if successful, provides Aurizon a minimum 12 month period of exclusivity during which it will aim to secure the right to develop a multi user rail and port infrastructure solution
- Aurizon’s ultimate involvement in the infrastructure development is dependent on passing through several stages, and reaching agreement with the Australian Premium Iron Joint Venture¹ (“APIJV”) and others. There is no guarantee that these terms will be agreed at this point in time and risks exist at various points
- Once these stages are complete and terms are agreed, any infrastructure development will be subject to (among other things) a Final Investment Decision by Aurizon and will only occur following detailed planning and feasibility studies, concurrent development of WPIOP mines and entry into appropriate take or pay contracts to support the tonnage profile for viable rail and port infrastructure
- Strong strategic rationale for Aurizon participating alongside leading steel producers to unlock the mine assets in the West Pilbara province
 - project viability underpinned by China’s and Baosteel’s demand for iron ore
 - it is the intention of Aurizon and Baosteel that take-or-pay contracts be in place before any commitment to infrastructure development
- It is Aurizon’s intention, following the successful development of the WPIOP rail and port infrastructure, to divest its shareholding in Aquila

Aurizon’s key focus remains the delivery of an operating ratio of 75% in respect of FY2015



1. 50% Aquila, 50% AMCI (IO). AMCI (IO) is owned by AMCI (51%) and POSCO (49%)

Bid parameters

- Off-market takeover offer to acquire all outstanding Aquila shares at \$3.40 per share. Offer represents a premium of:
 - 38.8% to A\$2.45, the closing price on Friday 2 May 2014
 - 38.0% to A\$2.46, the 5 day VWAP
 - 30.6% to A\$2.60, the 1 month VWAP
 - 32.3% to A\$2.57, the 3 month VWAP
 - 45.0% to A\$2.34, the 6 month VWAP
 - 52.7% to A\$2.23, the 12 month VWAP¹
- The offer is subject to:
 - 50% minimum acceptance condition
 - FIRB approval
 - other conditions as set out on Page 22
- Baosteel currently holds 19.8% of outstanding shares
- Joint bid between Aurizon and Baosteel
- Transaction will result in Aurizon acquiring 15% of Aquila if the offer is successful in acquiring 100% of Aquila (total Aurizon cash consideration of \$211 million²)
- Transaction will result in Aurizon acquiring 10% of Aquila if the offer is successful in acquiring less than 90% (total Aurizon cash consideration of \$140 million)



1. VWAP's are calculated including both ASX and Chi-X trading data
2. Assuming acceptance into the Offer of all Aquila Shares that could potentially be issued upon the exercise of Aquila Options, and upon the vesting of Aquila Performance Rights and Aquila Share Appreciation Rights
3. Fully diluted shares outstanding

Aquila offer capitalisation

Offer price (\$A)	3.40
Shares on issue (m) ³	415.5
Market Cap (\$m)	1,413
Cash (\$m) - 31 Mar 2014	(499)
Debt (\$m) - 31 Dec 2013	11
EV (\$m)	925

Aurizon cash cost to acquire

10% of Aquila (\$m)	140
15% of Aquila (\$m)	211

Key Agreements

- Aurizon has entered into agreements with Baosteel—lodged with ASX today¹

Joint Bidding Agreement

- Governs conduct between Aurizon and Baosteel in relation to making the bid
- Focuses on conduct of bid, funding and allocation of costs and liabilities

Shareholders Agreement

- Governs the relationship between Aurizon and Baosteel in the event that Aquila shares are acquired under the bid in both:
 - i. 100%; and
 - ii. less than 90% scenarios

Infrastructure Framework Agreement (“IFA”)

- Records the framework terms and conditions on which Aurizon and Baosteel have agreed they will, following the takeover bid, exclusively work together to carry out a range of activities in connection with infrastructure development and infrastructure services for WPIOP

Strategic rationale

- ✓ Significant opportunity for growth and diversification of Aurizon's bulk commodities portfolio
- ✓ Provides opportunity to own, develop and operate rail and port supply chain infrastructure in the Pilbara, the world's leading iron ore producing region by volume¹
- ✓ Positions Aurizon as a potential developer of the WPIOP infrastructure with two leading steel companies, Baosteel and POSCO, as stakeholders
- ✓ Full development of the WPIOP infrastructure has the potential to significantly increase Aurizon's earnings
- ✓ Consistent with Aurizon's strategy to deliver innovative, integrated bulk supply chain solutions

Consistent with Aurizon's strategy



1

Become World Class

Value creation pillars

Description

Become a lean, World Class operator by building on lessons from Class 1's

Growth options

- Co-ordinate our connected network
- Develop a competitive cost base
- Run disciplined operations
- Engage deeply with customers
 - expert manager of regulators, governments and partners
- Develop strength in technology
- Pursue safety and performance-driven culture

2



Operate, develop and integrate bulk supply chains

Expand our presence and role in new and existing bulk supply chains

- Operate: extend into rail systems currently owned / operated by others
 - gain share in single-user systems owned / operated by miners
 - pursue privatisation and concession opportunities
- Develop: connect new basins with ports or end users by developing greenfield rail systems
- Integrate: expand along the value chain, primarily into ports to optimise supply chain logistics

3



Maximise value in the freight and logistics space

Integrate intermodal freight businesses into corporate portfolio to leverage scale and efficiencies

- Increase share in rail linehaul
- Grow rail linehaul market
- Consider vertically integrating
- Consider value-creating divestment

Overview of Baosteel

- Baosteel Group is a state-owned steel company headquartered in Shanghai, China
- One of China's largest steel producers with crude steel output of approximately 43.8 million tonnes in 2012
- 19.8% shareholder in Aquila; first invested in Aquila in 2009
- Baosteel is partnering with Aurizon for Aurizon's expertise in Australian bulk haulage solutions to deliver the rail and port component of the overall project
- Focussed on continuing to secure iron ore supply for its growing needs
- Currently undertaking significant expansion, including at the 10mtpa Zhanjiang Iron & Steel Project

Overview of Aquila

- ASX-listed resources business which owns a number of iron ore and coal projects at pre-development stage¹
- Key assets include:
 - 50% interest in Australian Premium Iron (API) Joint Venture with interests in the West Pilbara
 - 50% interest in Eagle Downs metallurgical coal project
 - Interests in other Iron Ore, Coal and Manganese deposits in Qld and South Africa as set out below

	Iron Ore		Coal				Manganese
Project	WPIOP	Thabazimbi	Eagle Downs	Washpool	Talwood	Walton	Avontuur
Location	WA	South Africa	QLD	QLD	QLD	QLD	South Africa
Aquila Ownership	50% ²	74%	50%	100%	100%	100%	74%
JV Partner	AMCI (IO) ³	Rakana	Vale S.A.	N/A	N/A	N/A	Rakana
Product Type	DSO ⁴	DSO	Hard Coking	Hard Coking	Coking	PCI	Oxide
Development Stage	Feasibility ⁵	Scoping	Construction	Feasibility	Scoping	Exploration	Feasibility
Resource Size (Mt)	2,233	80.8	959	196.7	434.9	46.6	141.7
Reserve Size (Mt)	445	N/A	254.1	108.3	N/A	N/A	20.2

**Core focus for Aurizon is to develop the infrastructure for the WPIOP
Strategic review to be undertaken on other Aquila assets post transaction**



Source: Aquila 2013 Annual Report

1. All Aquila projects are pre-development apart from the Eagle Downs Coal Project which is under construction
2. Aquila hold a 50% interest in API Management Pty Ltd. API Management Pty Ltd owns less than 100% of some tenements
3. AMCI(IO) hold a 50% interest in API Management Pty Ltd. API Management Pty Ltd owns less than 100% of some tenements
4. DSO – direct shipping ore
5. A Feasibility Study has been completed for Stage 1. A Prefeasibility Study has been completed for Stage 2

Overview of the WPIOP — mine projects

- One of Australia's most substantial greenfield iron ore projects
- Managed by API Management Pty Ltd—owned 50% by Aquila and 50% by AMCI(IO)¹
- 2.2bt total project Resource² across entire area of c.9,000 square kilometres
- Stage 1 production of at least 30mtpa of West Pilbara Fines @ 57.1% Fe
- Stage 2 production of 10mtpa
- Project development on hold since September 2012 due to lack of agreement between the APIJV participants
- APIJV investment to date of over \$460m³ in exploration, engineering, studies and the pursuit of State and Commonwealth approvals

WPIOP – mine projects			
	Project	Parties	Participating Interests
Stage 1 30mtpa	Red Hill Iron Ore Project	API Red Hill Iron Ltd.	60% earning up to 80% 40% reducing to 20%
	Mt Stuart Iron Ore Project	API Cullen Resources Ltd.	70% 30%
	Mt Elvire Iron Ore Project	API DeBeers	100% Royalty
	Yalleen Iron Ore Project	API Helix Resources Ltd.	100% Royalty
Stage 2 10mtpa	Hardey Iron Ore Project	API	100%

Baosteel's objective is to develop a leading resources business

Aurizon's objective is:

- to gain opportunity to own, develop and operate the WPIOP rail and port infrastructure; and**
- not to be a long-term holder in Aquila**

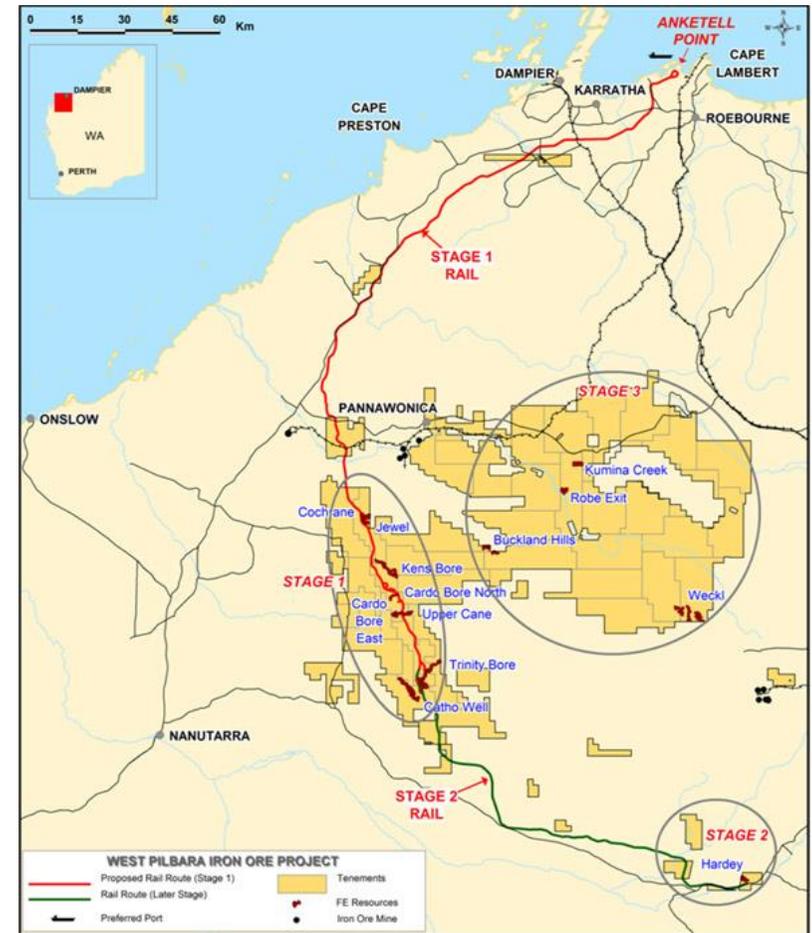


Source: Aquila

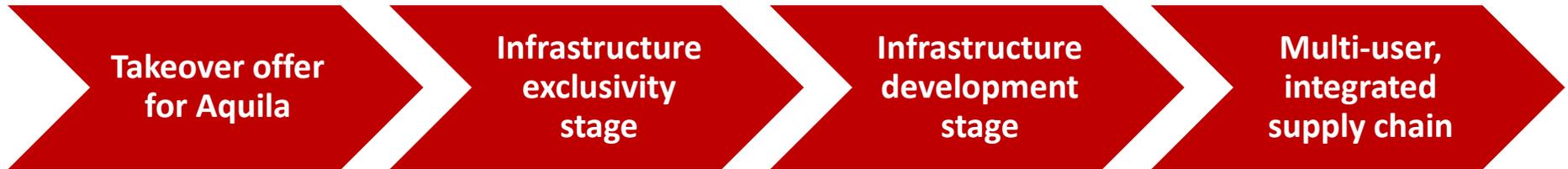
1. American Metals & Coal International Inc (AMCI) (51%) and POSCO (49%)
2. Total WPIOP and wider Pilbara tenements
3. Aquila ASX announcement, 8 October 2012 includes mine, rail and port

Overview of the WPIOP — infrastructure project

- Greenfield heavy haul rail line linking mines to new Anketell Port
 - Stage 1: ~280km
 - Stage 2: ~150km
- Port expandable up to approximately 350mtpa
- APIJV has estimated rail and port costs for development of Stage 1 (30mtpa) and Stage 2 (10mtpa) of the WPIOP to be \$4,635m¹ (July 2012) and \$840m² (December 2010) respectively, plus EPCM, contingency and owners' costs
- Infrastructure to be underpinned by take-or-pay contracts
- Potential opportunity to enter into agreements to provide infrastructure solutions to other West Pilbara mining projects



Pathway to a multi-user, integrated supply chain infrastructure development



- The offer provides a step toward Aurizon being given an opportunity to participate in the development of multi-user rail and port infrastructure in the West Pilbara
- If the four steps above are successful, Aurizon will secure (through a majority owned vehicle) a controlling ownership and operatorship of an integrated rail and port infrastructure development with multi-user potential
- It is not Aurizon's intention to be a long-term holder in Aquila
- The following slides highlight options and risks at each stage

Step 1 — takeover offer for Aquila



- Off-market takeover offer for Aquila announced today

- Three possible outcomes:

A. offer lapses:

B. Offer unconditional but achieves <90% acceptances

C. 100% acquisition of Aquila (compulsory acquisition)



Aurizon does not acquire any shares in Aquila



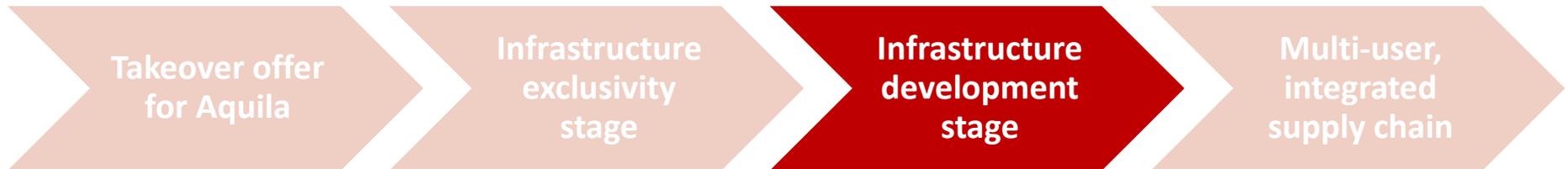
Move to Step 2

Step 2 — infrastructure exclusivity stage



- Aurizon and Baosteel to carry out activities in connection with infrastructure development and infrastructure services
- Aquila board reconstitution upon acquisition of control of Aquila
- Best endeavours to procure Aquila and APIJV to join arrangements
- Aurizon to be given exclusivity rights by Baosteel and (if they join the arrangements) Aquila and APIJV (at least 12 months, commencing from the date of board reconstitution¹)
- Due diligence, gap analysis and approvals work to be undertaken during exclusivity period
- Aurizon to provide infrastructure (rail and port) tariffs during, or at the end of, the exclusivity period (+/-15%)
- Arrangements contemplate restructure of APIJV assets – infrastructure to “InfraCo” and other to “MineCo”
 - InfraCo to be majority owned by Aurizon
 - MineCo to be owned by APIJV²
- Aurizon, Baosteel and, if they join the arrangements, Aquila and APIJV, to negotiate an Infrastructure Development Agreement (“IDA”) to be between InfraCo and MineCo
- Under the IFA, the obligations of the parties (other than Aurizon) to negotiate an IDA will continue only if the +/-15% infrastructure tariff is acceptable to Baosteel and, if they join the arrangements, both Aquila and APIJV

Step 3 — infrastructure development stage



- **Infrastructure Development Agreement** between InfraCo and MineCo will provide for:
 - InfraCo (to be majority owned by Aurizon) to undertake infrastructure development
 - setting a base infrastructure tariff
 - negotiation of agreement for InfraCo to provide rail and port services to MineCo
- **Infrastructure Services Agreement (“ISA”)** between InfraCo and MineCo will provide for:
 - InfraCo to develop and construct rail and port infrastructure
 - InfraCo provide bundled rail and port services
 - exclusive life of mine and take-or-pay
 - foundation customer rights
- Infrastructure development by Aurizon will be subject to, amongst other things, a Final Investment Decision by Aurizon and will only occur after detailed planning and feasibility, concurrent development of the WPIOP mines and entry into appropriate take-or-pay contracts to support the tonnage profile for viable rail and port infrastructure
- It is not Aurizon’s intention to hold a direct shareholding in MineCo¹ however Aurizon will retain an interest in MineCo at the Aquila level

Step 4 — multi-user, integrated supply chain



- Following development of the base case infrastructure, there will be a range of opportunities to expand the rail and port infrastructure to a multi-user, integrated bulk supply chain system
- Potential to increase returns to Aurizon
- Most Favoured Nation (“MFN”) pricing for foundation customers (subject to negotiation of the IDA and ISA)
- It is Aurizon’s intention, following the successful development of the WPIOP rail and port infrastructure, to divest its shareholding in Aquila^{1,2}

Aurizon’s right to divest its interest in Aquila:

1. Less than 90% scenario - any time but Aurizon would lose any exclusivity around infrastructure development opportunity
2. 100% scenario - restricted from selling without Baosteel consent until
 - (a) the “Exclusivity Expiry Date” - 12 months after the board restructure date (subject to extensions); or
 - (b) if an IDA is entered into before the Expiry Date, the date that commercial production in respect of the API Project commences

In each case pre-emptive rights in favour of Baosteel would apply. Even with consent in 100% scenario, exclusivity under the IFA would be lost

Funding

1 Takeover Offer

- Aurizon equity contribution for Aquila acquisition (\$211 million¹ based on an offer price of \$3.40 and 100% acquisition) to be funded from cash reserves and existing debt arrangements, within credit rating limits

2 Infrastructure development

- InfraCo would be funded as a standalone entity:
 - ringfenced debt; geared to ~50%
 - Aurizon to be majority equity owner
- Funding solutions for infrastructure development include a potential minority equity raising in Aurizon Network and/or access to the capital markets
- Any decision as to funding will be made closer to the point at which it is required and will be driven by Aurizon's view of the optimal funding mix given prevailing market conditions
- At no time can Aurizon be compelled to fund capital calls by Aquila. If Aurizon chooses not to fund capital calls, its interest will be diluted

Aurizon remains committed to its existing BBB+/Baa1 credit ratings



1. Assuming acceptance into the Offer of all Aquila Shares that could potentially be issued upon the exercise of Aquila Options, and upon the vesting of Aquila Performance Rights and Aquila Share Appreciation Rights

Summary

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 - project viability underpinned by China’s and Baosteel’s demand for iron ore
 - it is the intention of Aurizon and Baosteel that take-or-pay contracts be in place before any commitment to infrastructure development
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1. 50% Aquila, 50% AMCI (IO). AMCI (IO) is owned by AMCI (51%) and POSCO (49%)

Questions & Answers



Aurizon and Baosteel: joint bid for Aquila Resources Ltd Support Pack

Key Conditions of the Offer

Key Conditions of the Offer

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

- a) 50% Minimum Acceptance (fully diluted basis)
- b) Baosteel FIRB approval
- c) Aurizon FIRB approval
- d) Conduct of business in the ordinary course and no material acquisitions, disposals or new commitments
- e) No grant of exclusivity or arrangements in relation to infrastructure development or services for APIJV
- f) No material adverse change
- g) No regulatory actions
- h) No distributions by Aquila
- i) Non-existence of certain rights
- j) No prescribed occurrences

Further information on Aquila

West Pilbara Iron Ore Project



Iron Ore

445Mt Reserve **2,233Mt Resource**

WPIOP is a greenfield iron ore project located in the Pilbara region of Western Australia

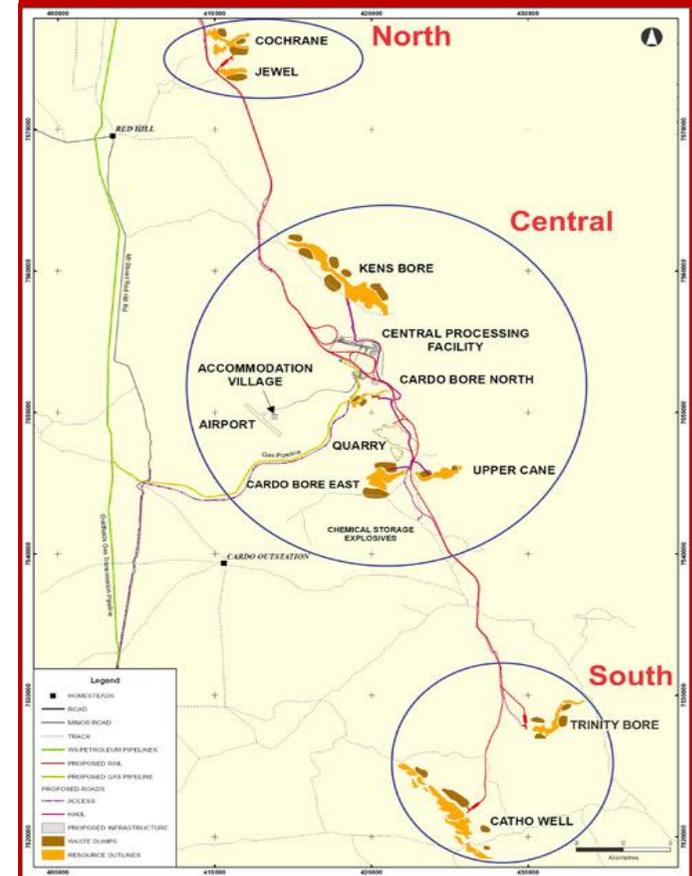
Aquila has a 50% interest in API Management Pty Ltd, the manager of the WPIOP and holder of majority participating interests in the mine projects making up Stage 1 of WPIOP

The completed Pre-Feasibility Study for Stage 1 of the Project (May 2008) and completed Feasibility Study for Stage 1 (June 2010) have concluded the following primary outcomes:

- Iron ore mining and export at a rate of 30 million tonnes per annum, with a 1.13:1 strip ratio
- Simultaneous mining of eight channel iron deposits located on the western region of the Hamersley Ranges
- A heavy haul railway from the Central Processing Facility (CPF) to a port location at Anketell Point
- Train unloading, iron ore stockpiles, processing, blending and ship loading facilities at the port location

Additionally, the completed Pre-Feasibility study for Stage 2 concluded that the Hardey Resource could support an additional 10 million tonnes per annum of bedded iron fines

Stage 1 mining areas



Queensland Coal projects



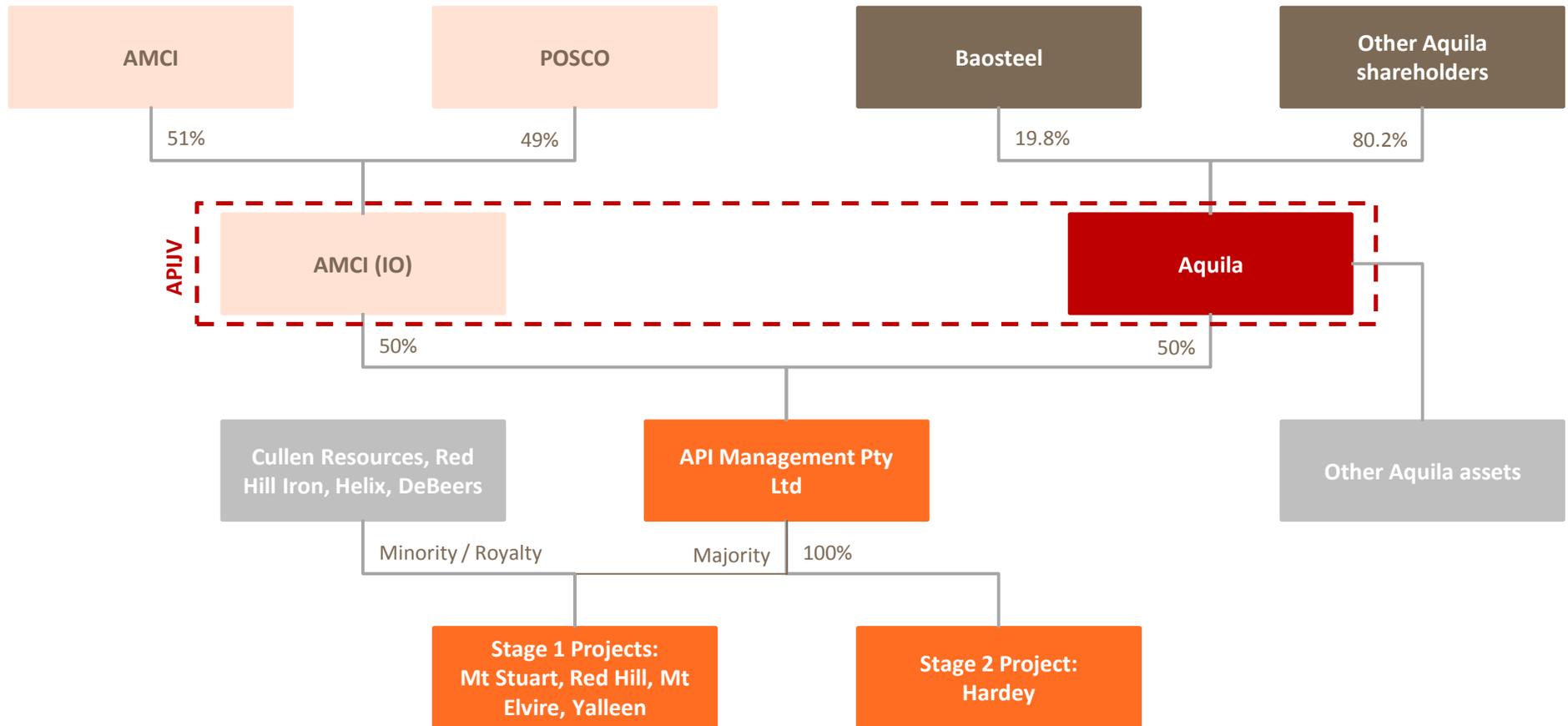
Coal	Eagle Downs	254.1Mt Reserve	959.0Mt Resource	<ul style="list-style-type: none"> Aquila has a 50% interest in Eagle Downs, a greenfield underground hard coking coal project located 25km south of Moranbah in Queensland's Bowen Basin The project is currently in development, with first production forecast 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
	Washpool	108.3Mt Reserve	196.7Mt Resource	<ul style="list-style-type: none"> 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 Definitive Feasibility Study at Washpool, and a subsequent supplementary study which proposes a 2.9 million tonne per annum open-cut hard coking coal export operation with a 15 year mine life
	Talwood	-- Reserve	434.9Mt Resource	<ul style="list-style-type: none"> Aquila owns 100% of the Talwood Coking Coal Project (formally named 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 million tonnes per annum of coking and thermal coal.
	Walton	-- Reserve	46.6Mt Resource	<ul style="list-style-type: none"> Aquila owns 100% of the Walton PCI Coal Project, a greenfield low volatile PCI coal project, located approximately 170km west of Rockhampton in Queensland's Bowen Basin.

South African projects



Iron Ore	Thabazimbi	-- Reserve 80.8Mt Resource	<ul style="list-style-type: none">• 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 200km north west of Pretoria• A concept study has been prepared which indicates the project may support an open-cut operation with a mine life of 15+ years
Manganese	Avontuur	20Mt Reserve 141.7Mt Resource	<ul style="list-style-type: none">• Aquila has a 74% interest in the Avontuur Manganese Project, a greenfield Manganese project located in South Africa's Northern Cape Province, approximately 500km south west of Johannesburg• 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 open-cut mining operation, with subsequent underground mining

WPIOP ownership structure





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5 May 2014

