

31 May 2018

## PROPOSED ACQUISITION OF SINO GAS BY LONE STAR

- Private equity firm Lone Star to acquire 100% of Sino Gas' issued share capital in an all cash transaction via a scheme of arrangement
- Sino Gas shareholders to receive A\$0.25 per share
- Scheme consideration represents an attractive premium over recent trading prices
- Sino Gas Directors unanimously recommend that Sino Gas shareholders vote in favour of the scheme in the absence of a superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Sino Gas shareholders

Sino Gas & Energy Holdings Limited (ASX: SEH, "**Sino Gas**" or "the **Company**") today announces it has entered into a Scheme Implementation Agreement with a wholly owned subsidiary of Lone Star Fund X Acquisitions, LLC (together with its affiliates, "**Lone Star**") under which Lone Star proposes to acquire 100% of the issued share capital of Sino Gas by way of a scheme of arrangement (the "**Scheme**").

Under the terms of the Scheme, Sino Gas shareholders will receive cash consideration of A\$0.25 per Sino Gas share, subject to all applicable conditions being satisfied or waived and the Scheme being implemented.

The Scheme consideration at A\$0.25 per share values Sino Gas at a market capitalisation of A\$530 million. This represents an attractive premium of:

- 19% to closing price of A\$0.21 per share on 30 May 2018
- 32% to 1 month VWAP of A\$0.19 per share up to and including 30 May 2018
- 39% to 3 month VWAP of A\$0.18 per share up to and including 30 May 2018
- 47% to 6 month VWAP of A\$0.17 per share up to and including 30 May 2018

Lone Star is a private equity firm that invests globally in a range of different assets classes, including the oil and gas industry. Since inception in 1995, Lone Star has organised seventeen private equity funds with aggregate capital commitments totalling over US\$70 billion. Funding for this acquisition is being provided by affiliates of Lone Star Fund X (U.S.), L.P. and Lone Star Fund X (Bermuda) L.P., which closed in November 2016 with a US\$5.5 billion capital commitment. The Scheme is not subject to any funding condition.

### Board recommendation

The Sino Gas Directors unanimously recommend that Sino Gas shareholders vote in favour of the scheme, in the absence of a superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of Sino Gas shareholders.

Commenting on the scheme, Sino Gas' Managing Director Glenn Corrie said

*"The 100% cash consideration represents an attractive premium to recent trading prices, and provides certainty of value for Sino shareholders. While the Sino Gas Directors remain of the view that the business and assets have significant potential, they acknowledge that the cash consideration provides shareholders with cash certain value now versus the future risks and uncertainties associated with the business."*

## Scheme Implementation Agreement

The implementation of the Scheme is subject to a number of conditions, including:

- Approval from Sino Gas shareholders and the Court;
- FIRB approval;
- The independent expert concluding that the Scheme is in the best interests of Sino Gas shareholders;
- The conclusion of the previously announced confidential commercial discussions with CUCBM in relation to amendments of the Linxing Production Sharing Contract, and the entry into a Modification Agreement reflecting the outcome of those discussions; and
- No material adverse change; prescribed occurrence; or breach of warranty in relation to Sino Gas.

The parties have also agreed to certain exclusivity provisions and break fee arrangements, which are set out in the Scheme Implementation Agreement, a copy of which is attached to this announcement.

## Indicative Timetable and Next Steps

Sino Gas' shareholders do not need to take any action at the present time.

The Scheme Booklet containing information relating to the Scheme, the Independent Expert's Report, and the reasons for the Board's recommendation is expected to be mailed to Sino Gas shareholders in late July/early August.

Sino Gas shareholders will be provided with an opportunity to vote on the Scheme at a Sino Gas shareholder meeting ("**Scheme Meeting**") expected to be held in late August/early September 2018. Subject to Sino Gas shareholder approval and the other conditions of the Scheme being satisfied, the Scheme is expected to be implemented in September 2018.

Set out below is an indicative timetable for the transaction:

- Lodge Scheme booklet with ASIC: July 2018
- First court date: late July 2018
- Scheme Meeting: late August/early September 2018
- Second court date: September 2018
- Record date: September 2018
- Implementation date: September 2018

## Advisers

Allens is acting as legal adviser, and RBC Capital Markets as financial adviser to Sino Gas in relation to the transaction.

### **Dial-in details for Conference Call**

The Company will host a conference call today (Thursday, 31 May 2018) at 10:30 AM EST (Sydney), 8:30 AM WST (Perth, Beijing). Further details can be found below.

Conference call ID: 879 2537

These numbers are toll-free dial-in numbers for each country listed below. For countries not listed below, the Australian Participant Toll number listed below can be dialled.

Australia Participant toll: +61 2 8038 5221  
Australia Participant toll-free: 1800 123 296  
China: 4001 203 085  
Hong Kong: 800 908 865  
Japan: 0120 994 669  
New Zealand: 0800 452 782  
Singapore: 800 616 2288  
United Kingdom: 0808 234 0757  
United States: 1855 293 1544  
Canada: 1855 5616 766

### **Sino Gas & Energy Holdings Limited**

Investor Relations  
+86 10 8458 3001  
1300 746 642 (local call within Australia)  
[ir@sinogasenergy.com](mailto:ir@sinogasenergy.com)

## About Sino Gas & Energy Holdings Limited

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing natural gas assets in China. Sino Gas holds a 49% interest in Sino Gas & Energy Limited ("SGE"), the operator of the Linxing and Sanjiaobei Production Sharing Contracts ("PSCs") in the Ordos Basin, China's largest gas producing basin. SGE has been established in Beijing since 2005 and is jointly owned with CNEML via a strategic partnership.

SGE's current interest in the Linxing PSC with CUCBM (a CNOOC wholly-owned subsidiary) is 70% and 49% for the Sanjiaobei PSC held with PCCBM (a PetroChina wholly-owned subsidiary). SGE has a 100% working interest during the exploration phase of the PSCs, and SGE's PSC partners are entitled to participate up to their PSC working interest by contributing their future share of costs.

Sino Gas also holds an option to acquire 7.5% of SGE's participating interest in the Linxing PSC by contributing 7.5% of historical back costs to SGE.

The PSCs cover an area of approximately 3,000km<sup>2</sup> in the Ordos basin in Shanxi, a rapidly developing province. The region has mature field developments with an established pipeline infrastructure to major markets. Natural gas is a key component of clean energy supply in China, with the 13th Five-Year Plan identifying the Ordos basin as a strategic natural gas source.

Sino Gas & Energy Holdings Limited (ASX: SEH) was admitted to the Official List of ASX in 2009.

## Disclaimer

Certain statements included in this release constitute forward looking information. This information is based upon a number of estimates and assumptions made on a reasonable basis by the Company in light of its experience, current conditions and expectations of future developments, as well as other factors that the Company believes are appropriate in the circumstances. While these estimates and assumptions are considered reasonable, they are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Whilst the Company considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove correct or that the outcomes indicated in the announcement will be achieved. Production profile, plateau rates and other development plan parameters are indicative only and not guidance, and remain subject to any necessary regulatory approvals and applicable investment decisions.

Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to gas prices, exploration, acquisition, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability, potential title disputes and additional funding requirements as further detailed in the Company's annual report. Further, despite the Company having attempted to identify all material factors that may cause actual results to differ, there may be other factors that cause results not to be as anticipated, estimated or intended. Forward-looking information is no guarantee of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking information due to the inherent uncertainty therein. Forward-looking information is made as at the date of this release (or as otherwise specified) and the Company disclaims any intent or obligation to update publicly such forward-looking information, whether as a result of new information, future events or results or otherwise

# Scheme Implementation Agreement

Dated

LSF10 Summertime Investments, Ltd ("**Bidder**")  
Sino Gas & Energy Holdings Limited ("**Target**")

**King & Wood Mallesons**  
Level 61  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia  
**T** +61 2 9296 2000  
**F** +61 2 9296 3999  
DX 113 Sydney  
[www.kwm.com](http://www.kwm.com)  
Ref : PS/CS/DJ

# Scheme Implementation Agreement

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# Scheme Implementation Agreement

## Details

### Parties

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<b>Bidder</b>	Name	LSF10 Summertime Investments, Ltd
	Registration number	53633
	Formed in	Bermuda
	Address	Washington Mall, Suite 304, 7 Reid, Hamilton HM 11 Bermuda
	Email	pswanger@lonestarfunds.com
	Attention	Sandra Collins and Peter Swanger
	<i>With a copy to:</i>	
	Address:	King & Wood Mallesons Governor Phillip Tower 1 Farrer Place Sydney NSW 2000
	Fax	(02) 9296 3999
	Email	paul.schroder@au.kwm.com
Attention	Paul Schroder	

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<b>Target</b>	Name	Sino Gas & Energy Holdings Limited
	ABN/ACN/ARBN	124 242 422
	Formed in	Australia
	Address	311-313 Hay Street, Subiaco, Western Australia, 6008
	Email	<a href="mailto:hspindler@sinogasenergy.com">hspindler@sinogasenergy.com</a>
	Attention	Harry Spindler, Company Secretary
	<i>With a copy to:</i>	
	Address:	Allens Deutsche Bank Place Corner of Hunter and Phillip Streets

Sydney NSW 2000

Fax (02) 9230 5333

Email Guy.Alexander@allens.com.au

Attention Guy Alexander

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**Governing law** New South Wales

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**Recitals**

- A** Target and Bidder have agreed to merge by means of a members' scheme of arrangement under Part 5.1 of the Corporations Act.
- B** At the request of Bidder, Target intends to propose the Scheme and issue the Scheme Booklet.
- C** Target and Bidder have agreed to implement the Scheme on the terms and conditions of this document.

# Scheme Implementation Agreement

## General terms

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### 1 Definitions and interpretation

#### 1.1 Definitions

Unless the contrary intention appears, these meanings apply:

**ACCC** means the Australian Competition and Consumer Commission.

**Advisers** means, in relation to an entity, its legal, financial and other expert advisers.

**AIFRS** means the Australian International Financial Reporting Standards.

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

**Associate** has the meaning set out in section 12 of the Corporations Act, as if section 12(1) of the Corporations Act included a reference to this document.

**ASX** means ASX Limited or the market operated by it, as the context requires.

**Authorised Officer** means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

**Bidder Board** means the board of directors of Bidder.

**Bidder Indemnified Parties means:**

- (a) Bidder;
- (b) any partnership, limited partnership, venture capital limited partnership, unit trust, investment trust, management investment scheme, other collective investment scheme, pension fund, insurance company, limited liability company, body corporate or other fund or entity holding securities in the Bidder (directly or through one or more interposed holding entities) for investment purposes (including Lone Star Fund X (US) L.P. and Lone Star Fund X (Bermuda) L.P);
- (c) Lone Star Fund;
- (d) each of the entities in the Lone Star Fund group;
- (e) each Related Body Corporate of each of the persons listed in paragraphs (a), (b) and (c); and
- (f) each of the officers, employees and Advisers listed in paragraphs (a) to (d).

**Bidder Information** means the information regarding Bidder as is required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60. Bidder Information does not include information about the Target Group (except to the extent it relates to any statement of intention relating to the Target Group following the Effective Date).

**Bidder Representations and Warranties** means the representations and warranties of Bidder set out in clause 11.3.

**Break Fee** means A\$4.5 million.

**Business Day** means a business day as defined in the Listing Rules.

**CBM Option** means the option to acquire a participating interest equal to 7.5% of the Contractor's (as defined in the Linxing PSC) participating interest under the Linxing PSC, under the CBM Option Agreement.

**CBM Option Agreement** means the "Assignment and Option Agreement, Linxing Contract Area, People's Republic of China" dated 1 November 2005 between ChevronTexaco China Energy Company and CBM Energy Associates, L.C, as assigned to Lucky Asia and amended from time to time.

**CNPC** means China National Petroleum Corporation.

**Competing Proposal** means a proposal, transaction or arrangement which, if completed, would mean a person (other than Bidder or its Related Bodies Corporate) whether alone or together with its Associates would:

- (a) directly or indirectly, acquire a Relevant Interest or such other legal or economic interest in or become the holder of:
  - (i) 15% or more of the Target Shares (other than as custodian, nominee or bare trustee);
  - (ii) all or a substantial part of the business conducted by Target;
- (b) acquire control of Target, within the meaning of section 50AA of the Corporations Act;
- (c) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with Target, or
- (d) require Target to terminate this document or abandon, or otherwise fail to proceed with the Scheme,

whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, assignment of assets and liabilities, deed of company arrangement, any debt for equity arrangement, sale of assets, sale of shares or joint venture, but not as a custodian, nominee or bare trustee.

**Conditions Precedent** means the conditions precedent set out in clause 3.1.

**Controller** has the meaning it has in the Corporations Act.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Corporations Regulations** means the *Corporations Regulations 2001* (Cth).

**Costs** includes costs, charges and expenses, including those incurred in connection with Advisers and any legal costs on a full indemnity basis.

**Court** means the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed by the parties.

**CUCBM** means China United Coalbed Methane Corporation Limited, a limited liability company incorporated under the laws of the People's Republic of China and registered in Beijing.

**Data Room** means the "Sino Gas Data Room" hosted by Ansarada.

**Data Room Materials** means the materials in the Data Room as at the day before the date of this document, the information on which is duplicated on the two copies of the non-rewritable disc or other device for the storage of electronic information as agreed by the parties for identification.

**Deed Poll** means a deed poll substantially in the form of Annexure C to this document.

**Deferred Share** means a deferred share or deferred share entitlement under the Target Executive, Officer and Employee Performance Rights Plan restated and amended as at 13 March 2015 (Data Room document ID B.09).

**Details** means the section of this document headed "Details".

**Disclosure Letter** means the disclosure letter provided by the Target to the Bidder and countersigned by or on behalf of Bidder on or about the date of this Agreement and any document identified in this letter as having been disclosed to Bidder.

**Effective**, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

**Effective Date** means the date on which the Scheme becomes Effective.

**Encumbrance** means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or 12(2) of the PPSA or any agreement to create any of them or allow them to exist.

**End Date** means 5 months from the date of this document or such other date as is agreed by Bidder and Target.

**Equity Commitment Letter** means a binding executed commitment letter addressed to Bidder from LSF X U.S. Holdings, L.P. and Lone Star Fund X (Bermuda), L.P. dated on or about the date of this document such commitment being unconditional except for a condition that the Scheme becomes Effective.

**Excluded Information** means Target Confidential Information which:

- (a) is in or becomes part of the public domain other than through breach of this document or an obligation of confidence owed to the party providing the Target Confidential Information; or
- (b) the recipient of the Target Confidential Information can prove by contemporaneous written documentation was already known to it at the time of disclosure by the party providing the Target Confidential Information (unless such knowledge arose from disclosure of information in breach of an obligation of confidentiality); or
- (c) the recipient of the Target Confidential Information acquires from a source other than the party providing the Target Confidential Information or any Representative of the party providing the Target Confidential Information where such source is entitled to disclose it.

**Exclusivity Period** means the period from and including the date of this document to the earlier of:

- (a) the termination of this document in accordance with its terms; and
- (b) the End Date.

**Exploration Licence** means the exploration licence 0200001630474 and 0200001630473 (for the Linxing Project) and/or 0200001630127 (for the SJB Project).

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

**First Court Date** means the first day on which an application made to the Court, in accordance with clause 5.2(h), for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

**Forecast Cash Utilisation** means the cash flow forecast to 31 December 2018 provided by Target to the Bidder on 11 May 2018.

**Implementation Date** means the 2nd Business Day following the Record Date.

**Incoming Directors** means such persons as nominated by Bidder.

**Independent Expert** means the independent expert appointed by Target under clause 5.2(c).

**Independent Expert's Report** means the report from the Independent Expert for inclusion in the Scheme Booklet, including any update or supplementary report, stating whether or not in the Independent Expert's opinion the Scheme is in the best interests of Target Shareholders.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document); or
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 14 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of the things described in paragraphs (a), (b) or (c) above; or
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this document reasonably deduces it is so subject); or
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

**Key SGE Projects** means:

- (i) the Linxing Project; and
- (j) the SJB Project.

**Linxing Modification Agreement** means the “11<sup>th</sup> Modification Agreement in respect of the confidential on-going development and partnership terms and other matters relating to the Linxing PSC, a draft of which is included in the Data Room with a folder ID 04.01.01.17, together with any amendments agreed to that draft by the parties to that agreement (provided that any material amendments to the draft which is included in the Data Room, if such amendments are adverse to SGE, have been approved by Bidder).

**Linxing Project** means the project for the exploration for, development of and exploitation of any gas mainly consisting of methane stored in coal seams and/or adjacent strata (including the overlying and underlying strata), jointly conducted by SGE and CUCBM in the Lin County and Xing County, Shanxi Province.

**Linxing PSC** means the “Production Sharing Contract for the exploitation of coalbed methane resources in Linxian and Xingxian counties, Shanxi Province, The People’s Republic of China” dated 29 June 1998 between Phillips China Inc and CBM Energy Associates, L.C., as assigned to SGE and CUCBM and amended from time to time (Data Room folder ID 04.01.01).

**Listing Rules** means the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.

**Losses** means all claims, demands, damages, losses, costs, expenses and liabilities.

**Lucky Asia** means Lucky Asia Industrial Limited (Hong Kong CR No. 2487736), a subsidiary of the Target.

**Material Adverse Event** means a Specified Event:

- (a) which has, has had, or is reasonably likely to have, either individually or when aggregated with any Specified Events of a similar kind or category:
  - (i) a material adverse effect on the business, assets, liabilities, financial or trading position, performance, profitability, or prospects of the Target Group or any Key SGE Project (which Specified Events may include war, natural disaster, or change in law or regulation, but only where they have the material adverse effect referred to above);
  - (ii) a material adverse effect (which includes a suspension, revocation, disclaimer, invalidity, unenforceability, materially adverse variation, lapse or termination of all or any material rights) on the status or terms of (or rights attaching to):
    - (A) any Resource Interest in respect of Key SGE Projects (including the overall development plan), which includes (without limitation) any Regulatory Authority providing any notice or otherwise making known an intention that any Exploration Licence, will be suspended, revoked, disclaimed, made invalid, unenforceable, varied, lapse, terminated or not renewed; or
    - (B) any Material Contract, which includes any counterparty providing formal notice or otherwise making known an



intention, to terminate or not to renew a Material Contract;

- (iii) an effect on the value of consolidated net assets of the Target Group (taken as a whole) being reduced by at least US\$10,000,000;
- (b) an effect of incurring any obligations, liabilities, accounting impairment, costs or expenses (whether contingent or otherwise) where the quantum (whether individually or aggregated) exceeds US\$10,000,000, other than as contemplated by:
  - (B) the Annual Budget or Work Program and Budget (as those terms are defined under the SGE Shareholder's Agreement) fairly disclosed in writing to the Bidder, including any deviation to such Annual Budget or Work Program and Budget permitted under clause 7.7(a) of the SGE Shareholder's Agreement;
  - (C) the Target's budget approved by the Target Board and fairly disclosed in writing to the Bidder, including any deviation to Target's budget permitted without further approval of the Target's board; or
  - (D) the exercise of the CBM Option Agreement;
- (c) which is the grant of mining or other rights or interests of any kind over all or part of any area covered by or the subject of a Key SGE Project to any person other than a member of the Target Group or SGE which materially impacts, or could reasonably be expected to materially impact, on the enjoyment of the rights conferred, or purported to be conferred, by the Key SGE Projects,

but does not include:

- (d) those events or circumstances required to be done or procured by Target pursuant to this document or the Scheme;
- (e) those events or circumstances relating to changes in business or economic conditions generally affecting the industry or markets in which the Target operates, or industries or the market generally;
- (f) an event, circumstance, matter or information that is fairly disclosed on or prior to the date of this document or otherwise disclosed in public filings by Target with ASIC or provided to ASX on or prior to the date of this document provided that any disclosure of a Regulatory Authority's or counterparty's rights to take any action in respect of any Resource Interest or Material Contract (including suspension, revocation, disclaimer, invalidity, unenforceability, variation, lapse or termination of all or any material rights on the status or terms of any Resource Interest or regulatory approval or termination or non-renewal of any Material Contract) shall not prevent the taking of that action constituting a Material Adverse Event;
- (g) any event or circumstance which relates to costs or expenses incurred by Target associated with the Scheme, including all fees payable to external advisers of Target;
- (h) any change in interest rates, foreign exchange rates or oil and gas and other commodity prices;

- (i) any event or circumstance causing a loss which is predominantly covered by insurance; or
- (j) any change occurring with the written consent of Bidder.

**Macquarie Facility** means the Syndicated Facility Agreement between the Target and MBL dated 29 August 2014 (as amended from time to time including by the Amendment and Restatement – Syndicated Facility Agreement dated 24 December 2017) (Data Room document ID 04.11.02).

**Material Contract** means the SGE Shareholder's Agreement, the Linxing PSC, the SJB PSC and the CBM Option Agreement.

**MBL** means Macquarie Bank Limited (ABN 46 008 583 542).

**Officers** means, in relation to a person, its directors, officers, partners and employees.

**Outgoing Directors** means each director of the Target immediately prior to the Implementation Date.

**Performance Rights** means the performance rights issued under the Target Executive, Officer and Employee Performance Rights Plan restated and amended as at 13 March 2015 (Data Room document ID B.09), being up to 27,238,984 such rights.

**Performance Rights Holder** means the holders of Performance Rights.

**Permitted Encumbrance** means an Encumbrance fairly disclosed.

**PPSA** means the *Personal Property Securities Act 2009* (Cth).

**PRC Performance Rights** means Performance Rights issued to any Performance Rights Holder that is a citizen of the People's Republic of China.

**Record Date** means 5.00pm on the 2<sup>nd</sup> Business Day following the Effective Date or such other date as Target and Bidder agree.

**Register** means the share register of Target and **Registry** has a corresponding meaning.

**Regulator's Draft** means the draft of the Scheme Booklet which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

**Regulatory Approval** means:

- (a) any consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, approval, direction, declaration, authority, ruling or exemption from, by or with a Regulatory Authority; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Regulatory Authority intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action,

as may be necessary to enable a party to fulfill its obligations under this agreement.

**Regulatory Authority** includes:

- (a) ASX, ACCC, ASIC and the Takeovers Panel;
- (b) the National Development and Reform Commission of the People's Republic of China, and any provincial Development and Reform Commission;
- (c) a government or governmental, semi-governmental or judicial entity or authority;
- (d) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (e) any regulatory organisation established under statute or any stock exchange.

**Regulatory Review Period** means the period from the date on which the Regulator's Draft is submitted to ASIC to the date on which ASIC confirms that it does not intend to make any submissions at the Court hearing on the First Court Date or otherwise object to the Scheme at that Court hearing.

**Related Body Corporate** has the meaning it has in the Corporations Act.

**Relevant Interest** has the meaning it has in sections 608 and 609 of the Corporations Act.

**Representative** means, in relation to a party:

- (a) a Related Body Corporate of the party; and
- (b) each of the Officers and Advisers of the party or any of its Related Body Corporate.

**Resource Interest** means any agreement, instrument, lease, tenement, licence, permit, approval, consent, concession, grant, permission, authorization, renewal, right of any kind and however described issued, granted or entered into by any Regulatory Authority, which:

- (a) confers or is expressed or intended to confer a right to explore for, appraise, test, extract, produce, mine, remove, sell, own, export, deal with or otherwise exploit in any way resource of any kind (including coalbed methane and natural gas) and/or to conduct related activities and/or to construct, install or develop and/or operate plant, equipment or facilities of any kind in relation to any such activity; and/or
- (b) confers or is expressed or intended to confer rights to or in respect of any such agreement, instrument, lease, tenement, licence, permit, approval, consent, concession, grant, permission, authorization or right which falls within paragraph (a) above or imposes obligations (including without limitation in relation to fiscal, environmental or health and safety matters) in respect of any activity referred to in paragraph (a) above.

**Safety Permit** means the production safety permit (Serial number: (晋) MK 安许证字 (2014) MCQW012) issued to SGE by Shanxi Administration of Coal Mine Safety dated 20 July 2014.

**SAT Bulletin 7** refers to Bulletin No. 7 on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Chinese Properties by Non-resident Enterprises issued by the Chinese State Administration of Taxation dated February 3, 2015 and effective as of the same date, including any amendments or implementing rules thereof.

**Scheme** means the scheme of arrangement under part 5.1 of the Corporations Act under which all the Target Shares will be transferred to Bidder substantially in the form of Annexure B together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.

**Scheme Booklet** means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Target Shareholders which includes the Scheme, an explanatory statement complying with the requirements of the Corporations Act and notices of meeting and proxy forms.

**Scheme Consideration** means the consideration payable by Bidder for the transfer of Target Shares held by a Scheme Participant to Bidder, being, in respect of each Target Share, A\$0.25.

**Scheme Meeting** means the meeting to be convened by the Court at which Target Shareholders will vote on the Scheme.

**Scheme Participants** means each person who is a Target Shareholder at the Record Date.

**Second Court Date** means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is scheduled to be heard.

**SGE** means Sino Gas & Energy Limited (ABN 75 115 316 599), an Australian public company, with 51% of the equity share capital held by Asia Gas & Energy Ltd., a Cayman Island incorporated company and 49% of the equity share capital held by Target.

**SGE Board** means the board of directors of SGE.

**SGE Prescribed Event** means any of the events listed in paragraph 2 of Schedule 2.

**SGE Shareholder's Agreement** means the Shareholder's Agreement dated 6 July 2012 between SGE, Asia Power Energy Corporation and Target (Data Room document ID 04.04.04.06).

**SJB Project** means the project for the exploration for, development or and exploitation of coalbed methane and natural gas jointly conducted by SGE and CNPC in the Sanjiaobei area, Shanxi Province.

**SJB PSC** means the "Production Sharing Contract for the exploitation of coalbed methane resources Sanjiao Bei area, Shanxi Province, of the People's Republic of China" dated 29 June 1998 between China United Coalbed Methane Corporation, Ltd and Arco China Inc. and Arco Ordos CBM Limited, as assigned to CNPC and SGE and amended from time to time (Data Room folder ID 04.01.02).

**Specified Event** means an event, occurrence or matter that:

- (a) occurs after the date of this document;
- (b) occurs before the date of this document but is only announced or publicly disclosed after the date of this document; or
- (c) will or is likely to occur after the date of this document and which has not been publicly announced prior to the date of this document.

**Subsidiary** has the meaning given in the Corporations Act..

**Superior Proposal** means a bona fide Competing Proposal which the Target Board, acting in good faith, and after taking advice from its legal and financial advisers (who must be reputable advisers experienced in transactions of this nature), determines is:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Proposal; and
- (b) if completed substantially in accordance with its terms, is more favourable to Target Shareholders than the Scheme, taking into account all terms and conditions of the Competing Proposal, including the identity, reputation and financial condition of the person making such proposal, and relevant legal, regulatory and financial matters;

**Target Board** means the board of directors of Target.

**Target Confidential Information** means all confidential, non-public or proprietary information regardless of how the information is stored or delivered, exchanged between the parties before, on or after the date of this document relating to the business, technology or other affairs of any member of the Target Group or SGE.

**Target Constitution** means the constitution of Target.

**Target Group** means Target and its Subsidiaries.

**Target Indemnified Parties** means Target, its officers, employees, and Advisers and its Related Bodies Corporate and the officers, employees and Advisers of each of its Related Bodies Corporate.

**Target Information** means all information contained in the Scheme Booklet other than the Bidder Information and the Independent Expert's Report.

**Target Prescribed Event** means any of the events listed in paragraph 1 of Schedule 2.

**Target Representations and Warranties** means the representations and warranties of Target set out in clauses 9.1(a) and 11.1.

**Target Option** means an option to subscribe for Target Shares.

**Target Security** means a Target Share and Target Option.

**Target Share** means an ordinary fully paid share in the capital of Target.

**Target Shareholder** means each person registered in the Register as a holder of Target Shares.

**Taxes** means taxes, levies, imposts, charges and duties (including stamp and transaction duties) paid, payable or assessed as being payable, levied, imposed or collected by any Regulatory Authority together with any related fines, expenses, penalties and interest in connection with them.

**Third Party** means a person other than the Bidder and its Associates.

**Timetable** means the timetable set out in Schedule 1.

**Transaction Implementation Committee** means a committee to be made up of:

- (a) the chief executive officer of Target and the senior managing director Lone Star Asia-Pacific Acquisitions (Hong Kong) Ltd, a Related Body Corporate of the Bidder;
- (b) a representative from each of the legal advisers of each party; and
- (c) such other persons as the parties may agree from time to time.

**Treasurer** means the Treasurer of Australia.

## 1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example”, “such as” or similar expressions;
- (e) a reference to “**person**” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney, New South Wales time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia and references to United States dollars or US\$ is a reference to the lawful currency of the United States of America;
- (i) a reference to “**law**” includes common law, principles of equity and legislation (including regulations);
- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (k) a reference to “**regulations**” includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (m) a reference to any thing (including an amount) is a reference to the whole and each part of it; and
- (n) a reference to a matter, information or a circumstance being “fairly disclosed” (or similar expression) means disclosed in writing to the

Bidder in the Data Room Materials or the Disclosure Letter in a manner and in sufficient particularity that would enable a reasonable bidder and its Representatives experienced in transactions similar to the Scheme to make a reasonable assessment of the matter, information or circumstance.

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## 2 Agreement to propose and implement Scheme

### 2.1 Target to propose Scheme

Target agrees to propose the Scheme on and subject to the terms and conditions of this document.

### 2.2 Agreement to implement Scheme

The parties agree to implement the Scheme on the terms and conditions of this document.

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## 3 Conditions Precedent

### 3.1 Conditions Precedent

Subject to this clause 3, the Scheme will not become Effective, and the obligations of Bidder under clause 4.3 are not binding, until each of the following Conditions Precedent are satisfied or waived to the extent and in the manner set out in this clause.

Condition Precedent	Party entitled to benefit	Party responsible
<p><b>(a) (FIRB approval)</b> before 5.00pm on the Business Day before the Second Court Date either:</p> <p>(i) the Treasurer (or the Treasurer's delegate) has provided a written no objection notification to the Scheme either without conditions or with conditions acceptable to Bidder; or</p> <p>(ii) following notice of the proposed Scheme having been given by Bidder to the Treasurer under the FIRB Act, the Treasurer has ceased to be empowered to make any order under Part 3 of the FIRB Act because the applicable time limit on making orders and decisions under the FIRB Act has expired.</p>	Cannot be waived	Bidder
<p><b>(b) (Shareholder approval)</b> Target Shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act.</p>	Cannot be waived	Both

Condition Precedent	Party entitled to benefit	Party responsible
(c) <b>(Court approval)</b> the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.	Cannot be waived	Target
(d) <b>(Regulatory intervention)</b> no Court or Regulatory Authority has issued an order, temporary restraining order, preliminary or permanent injunction, decree or ruling, or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition, preventing the Scheme and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date.	Both	Both
(e) <b>(Independent Expert)</b> the Independent Expert issues a report which concludes that the Scheme is in the best interests of Scheme Participants before the date on which the Scheme Booklet is lodged with ASIC.	Target	Target
(f) <b>(No Target Prescribed Event)</b> no Target Prescribed Event occurs between the date of this document and 8.00am on the Second Court Date.	Bidder	
(g) <b>(No SGE Prescribed Event)</b> no SGE Prescribed Event occurs between the date of this document and 8.00am on the Second Court Date.		
(h) <b>(No Material Adverse Event)</b> no Material Adverse Event occurs between the date of this document and 8.00am on the Second Court Date.	Bidder	Target
(i) <b>(Linxing Modification Agreement)</b> before 8.00am on the Second Court Date, Target and CUCBM sign the Linxing Modification Agreement.	Bidder	Target
(j) <b>(no material acquisitions, disposals or new commitments)</b> except for any proposed transaction publicly announced by Target before the date of this document or disclosed in writing to Bidder or its Representatives prior to the date of this document (which for the avoidance of doubt includes any transaction the cost of which is budgeted for in any budget referred to in clause 8.5(a) or 8.5(b) or any permitted variation thereto) or that is contemplated by the CBM Option, none of the following events occurs during the	Bidder	Target



Condition Precedent	Party entitled to benefit	Party responsible
<p>period from the date of this document to 8.00am on the Second Court Date:</p> <p>(iii) any member of Target Group acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than US\$5 million or makes an announcement in relation to such an acquisition, offer or agreement, other than in the ordinary course of business;</p> <p>(iv) any member of Target Group disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value is, in aggregate, greater than US\$5 million or makes an announcement in relation to such a disposition, offer or agreement, other than in the ordinary course of business; and</p> <p>(v) any member of Target Group enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by any member of Target Group of an amount which is, in aggregate, more than US\$5 million, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement.</p> <p>Where a member of Target Group makes (or offers or agrees to make) an acquisition or disposal, or agrees or commits to expenditure or forgoing revenue (in each case an <b>Action</b>) as a member of a joint venture or partnership, then for the purpose of this Condition Precedent the dollar value of the Target Group member's Action will</p>		

Condition Precedent	Party entitled to benefit	Party responsible
be determined based on its proportionate interest in the joint venture or partnership which undertakes the Action.		

### 3.2 Reasonable endeavours

Each of Target and Bidder agree to use reasonable endeavours to procure that:

- (a) each of the Conditions Precedent for which it is a party responsible (as noted in clause 3.1):
  - (i) is satisfied as soon as practicable after the date of this document; and
  - (ii) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
- (b) there is no occurrence that would prevent the Condition Precedent for which it is a party responsible being satisfied.

### 3.3 FIRB conditions

Bidder agrees that the standard tax conditions issued by FIRB from time to time will be accepted if imposed on any no objections notification.

### 3.4 Waiver of Conditions Precedent

- (a) A Condition Precedent may only be waived in writing by the party or parties entitled to the benefit of that Condition Precedent as noted in clause 3.1 and will be effective only to the extent specifically set out in that waiver.
- (b) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.4 may do so in its absolute discretion.
- (c) If either Target or Bidder waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause 3.4, then:
  - (i) subject to clause 3.4(c)(ii), that waiver precludes that party from suing the other for any breach of this document arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but
  - (ii) if the waiver of the Condition Precedent is itself conditional and the other party:
    - (A) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with clause 3.4(c)(i); or
    - (B) does not accept the condition, the Condition Precedent has not been waived.
- (d) A waiver of a breach or non-fulfilment in respect of a Condition Precedent does not constitute:

- (i) a waiver of a breach or non-fulfilment of any other Condition Precedent arising from the same event; or
- (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

### 3.5 Notices in relation to Conditions Precedent

Each party must:

- (a) **(notice of satisfaction)** promptly notify the other of satisfaction of a Condition Precedent for which it is responsible and must keep the other informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent;
- (b) **(notice of failure)** immediately give written notice to the other if it becomes aware of a breach or non-fulfilment of a Condition Precedent, or of any event which will prevent a Condition Precedent being satisfied; and
- (c) **(notice of waiver)** upon receipt of a notice given under clause 3.5(b), give written notice to the other party as soon as possible (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question.

### 3.6 Consultation on failure of Condition Precedent

If:

- (a) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this document by the time or date specified in this document for the satisfaction of the Condition Precedent;
- (b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this document for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this document); or
- (c) the Scheme has not become Effective by the End Date,

the parties must consult in good faith with a view to determine whether:

- (d) the Scheme may proceed by way of alternative means or methods;
- (e) to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or
- (f) to extend the End Date.

### 3.7 Failure to agree

If the parties are unable to reach agreement under clause 3.6 within 5 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date):

- (a) subject to clause 3.7(b), either party may terminate this document (and that termination will be in accordance with clause 12.1(g)(i)); or

- (b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this document (and that termination will be in accordance with clause 12.1(g)(ii)),

in each case before 8.00am on the Second Court Date.

- (c) A party will not be entitled to terminate this document under this clause if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of a breach of this document by that party or a deliberate act or omission of that party.

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## **4 Outline of Scheme**

### **4.1 Scheme**

Target must propose a scheme of arrangement under which:

- (a) all of the Target Shares held by Scheme Participants at the Record Date will be transferred to Bidder; and
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration.

### **4.2 Scheme Consideration**

Subject to and in accordance with this document and the Scheme, each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Target Share held by that Scheme Participant.

### **4.3 Payment of Scheme Consideration**

Subject to this document and the Scheme, Bidder undertakes to Target (in its own right and separately as trustee or nominee of each Scheme Participant) that, in consideration of the transfer to Bidder of each Target Share held by a Scheme Participant, Bidder will, on the Implementation Date:

- (a) accept that transfer; and
- (b) pay or procure the payment of the Scheme Consideration in accordance with the Scheme.

### **4.4 Performance Rights**

- (a) Target must ensure that, by no later than the Record Date, there are no outstanding Performance Rights.
- (b) In order to comply with its obligation under clause 4.4(a), Target must:
  - (i) cause some or all of the outstanding Performance Rights to vest and, following such vesting, cause the relevant number of Target Shares to be transferred or issued (as applicable) to the relevant former holder in sufficient time to allow the relevant former holders of the relevant Performance Rights to participate in the Scheme; and
  - (ii) take such action as may be necessary to cancel any outstanding Performance Rights which it does not cause to vest in accordance with clause 4.4(b)(i) (if any).

#### 4.5 No amendment to the Scheme without consent

Target must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Bidder (not to be unreasonably withheld or delayed).

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## 5 Implementation

### 5.1 General obligations

Target and Bidder must each:

- (a) use all reasonable endeavours and commit necessary resources (including management and corporate relations resources and the resources of external advisers); and
- (b) procure that its officers and Advisers work in good faith and in a timely and co-operative fashion with the other party (including by attending meetings and by providing information),

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and in accordance with the Timetable.

### 5.2 Target's obligations

Target must take all reasonable steps to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(announce directors' recommendation)** following execution of this document, announce, in the form contained in Annexure A (on the basis of statements made to Target by each member of the Target Board) that:
  - (i) the Target Board intends to unanimously recommend to Scheme Participants that the Scheme be approved; and
  - (ii) each Target Board member who holds Target Shares, intends to vote his or her Target Shares in favour of the Scheme,subject to:
  - (iii) the Independent Expert concluding, and continuing to conclude, that the Scheme is in the best interests of Target Shareholders; and
  - (iv) there being no Superior Proposal;
- (b) **(preparation of Scheme Booklet)** subject to clause 5.2(e)(i), as soon as practicable after the date of this document, prepare and despatch the Scheme Booklet:
  - (i) in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules; and
  - (ii) which includes a statement by the Target Board:
    - (A) unanimously recommending that Target Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is in the

best interests of Target Shareholders and there being no Superior Proposal; and

- (B) that each Target Board member who holds Target Shares intends to vote his or her Target Shares in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Target Shareholders and there being no Superior Proposal;
- (c) **(Independent Expert)** promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable the Independent Expert to prepare its report for the Scheme Booklet as soon as practicable;
- (d) **(section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (e) **(consultation with Bidder)** consult with Bidder as to the content and presentation of:
  - (i) the Scheme Booklet, which includes:
    - (A) allowing Bidder a reasonable opportunity to review and make comments on successive drafts of the Scheme Booklet (accepting that any review of the Independent Expert's Report is limited to review for factual accuracy of those parts that include information relating to Bidder);
    - (B) taking any reasonable comments made by Bidder into account in good faith when producing a revised draft of the Scheme Booklet;
    - (C) providing to Bidder a revised draft of the Scheme Booklet within a reasonable time before the draft of the Scheme Booklet which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act is finalised; and
    - (D) requesting Bidder's consent to the inclusion of the Bidder Information (including in respect of the form and context in which the Bidder Information appears in the Scheme Booklet); and
  - (ii) documents required for the purposes of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating processes, affidavits, submissions and draft minutes of Court orders), and consider in good faith any comments on, or suggested amendments to, those documents from Bidder prior to filing those documents with the Court;
- (f) **(lodgement of Regulator's Draft)**
  - (i) no later than 14 days before the First Court Date, provide an advanced draft of the Scheme Booklet ("**Regulator's Draft**") to ASIC for its review for the purposes of section 411(2) of the Corporations Act, and provide a copy of the Regulator's Draft to Bidder immediately thereafter; and

- (ii) keep Bidder reasonably informed of any material issues raised by ASIC in relation to the Regulator's Draft and, where practical to do so, consult with Bidder in good faith prior to taking any steps or actions to address those material issues (provided that, where those issues relate to Bidder Information, Target must not take any steps to address them without Bidder's prior written consent, not to be unreasonably withheld);
- (g) **(supplementary disclosure)** if, after despatch of the Scheme Booklet, Target becomes aware:
  - (i) that information included in the Scheme Booklet is or has become misleading or deceptive in any material respect (whether by omission or otherwise); or
  - (ii) of information that is required to be disclosed to Target Shareholders under any applicable law but was not included in the Scheme Booklet,

promptly consult with Bidder in good faith as to the need for, and the form of, any supplementary disclosure to Target Shareholders, and make any disclosure that Target considers reasonably necessary in the circumstances, having regard to applicable laws;

- (h) **(Court application)** apply to the Court for an order under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting;
- (i) **(send Scheme Booklet)** send the Scheme Booklet to Target Shareholders as soon as practicable after the Court orders Target to convene the Scheme Meeting;
- (j) **(Scheme Meeting)** convene the Scheme Meeting to agree to the Scheme in accordance with any orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (k) **(director's voting)** use its reasonable endeavours to procure that each member of the Target Board votes any Target Shares in which they have a Relevant Interest in favour of the Scheme;
- (l) **(Court approval)** subject to all Conditions Precedent, other than paragraph (c) in clause 3.1 being satisfied or waived in accordance with this document, apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act;
- (m) **(Conditions Precedent certificate)** at the hearing on the Second Court Date, provide to the Court (through its counsel):
  - (i) a certificate confirming (in respect of matters within Target's knowledge) whether or not the Conditions Precedent for which it is responsible, as noted in clause 3.1 (other than paragraph (c)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to Bidder by 5.00pm on the Business Day prior to the Second Court Date; and
  - (ii) any certificate provided to it by Bidder under clause 5.3(f);
- (n) **(lodge copy of Court order)** lodge with ASIC an office copy of the Court order approving the Scheme as approved by the Target Shareholders at the Scheme Meeting in accordance with section 411(10) of the

Corporations Act on the day after that office copy is received (or any later date agreed in writing by Bidder);

- (o) **(Register)** close the Register as at the Record Date to determine the identity of Scheme Participants and their entitlements to Scheme Consideration;
- (p) **(instruments of transfer)** subject to Bidder satisfying its obligations under clause 4.3, on the Implementation Date:
  - (i) execute proper instruments of transfer and effect the transfer of Target Shares to Bidder in accordance with the Scheme; and
  - (ii) register all transfers of Target Shares held by Scheme Participants to Bidder;
- (q) **(Suspension of trading)** apply to ASX to suspend trading in Target Shares with effect from the close of trading on the Effective Date;
- (r) **(listing)** take all reasonable steps to maintain Target's listing on ASX, notwithstanding any suspension of the quotation of Target Shares, up to and including the Implementation Date, including making appropriate applications to ASX and ASIC;
- (s) **(SAT Bulletin 7 reporting)** provide, on a best efforts basis, all information, access, assistance and cooperation as may be reasonably requested by Bidder in connection with the reporting of the Scheme to the competent Chinese tax authorities (which refers to the Tianjin Offshore Oil Tax Bureau and/or its superior tax authority such as Tianjin Municipal State Tax Bureau and the SAT, where appropriate) under SAT Bulletin 7; and
- (t) **(other steps)** do all other things necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

### 5.3 Bidder's obligations

Bidder must take all reasonable steps to assist Target to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(Bidder Information)** prepare and promptly provide to Target for inclusion in the Scheme Booklet the Bidder Information (in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules) and consent to the inclusion of that information in the Scheme Booklet;
- (b) **(further Bidder Information)** promptly provide to Target any further or new Bidder Information as may arise after the Scheme Booklet has been sent to Target Shareholders and until the date of the Scheme Meeting as may be necessary to ensure that the Bidder Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission);
- (c) **(Independent Expert information)** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (d) **(representation)** if required by Target, procure that it is represented by counsel at the Court hearings convened for the purposes of section



411(4)(b) of the Corporations Act, at which, through its counsel, Bidder must undertake (if requested by the court) to do all things and take all steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this document and the Scheme;

- (e) **(Deed Poll)** prior to the First Court Date, sign and deliver the Deed Poll;
- (f) **(Conditions Precedent certificate)** before 8.00am on the Second Court Date, provide to Target for provision to the Court at the hearing on that date a certificate confirming (in respect of matters within Bidder's knowledge) whether or not the Conditions Precedent for which Bidder is responsible, as noted in clause 3.1 (other than paragraph (c)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to Target by 5.00pm on the Business Day prior to the Second Court Date;
- (g) **(Share transfer)** if the Scheme becomes Effective, accept a transfer of the Target Shares as contemplated by clause 4.3(a); and
- (h) **(Scheme Consideration)** if the Scheme becomes Effective, pay or procure the payment of the Scheme Consideration in the manner and amount contemplated by clause 4.3(b) and the terms of the Scheme.

#### **5.4 Scheme Booklet responsibility statement**

The responsibility statement to appear in the Scheme Booklet, in a form to be agreed by the parties, will contain words to the effect of:

- (a) Target has prepared, and is responsible for, the content of the Scheme Booklet other than, to the maximum extent permitted by law, the Bidder Information, the Independent Expert's Report or any other report or letter issued to Target by a Third Party; and
- (b) Bidder has prepared, and is responsible for, the Bidder Information in the Scheme Booklet (and no other part of the Scheme Booklet).

#### **5.5 Disagreement on content of Scheme Booklet**

If Bidder and Target disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

- (a) if the disagreement relates to the form or content of the Bidder Information contained in the Scheme Booklet, Target will make any amendments as Bidder reasonably requires; and
- (b) if the disagreement relates to the form or content of any other part of the Scheme Booklet, the Target Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet.

#### **5.6 Verification**

Each party must undertake appropriate verification processes for the information supplied by that party in the Scheme Booklet.

#### **5.7 Conduct of Court proceeding**

Target and Bidder are entitled to separate representation at all Court proceedings relating to the Scheme. This document does not give Target or Bidder any right or power to give undertakings to the Court for or on behalf of the other party without that party's written consent. Target and Bidder must give all

undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme as contemplated by this document.

## **5.8 Appeal process**

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, Bidder and Target must appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties agree otherwise; or
- (b) an independent senior counsel of the New South Wales bar advises that, in their opinion, an appeal would have no reasonable prospect of success before the End Date,

in which case either party may terminate this document in accordance with clause 12.1(g)(iii).

## **5.9 Transaction Implementation Committee**

The parties must establish a Transaction Implementation Committee as soon as reasonably practical after the date of this document. The role of the Transaction Implementation Committee will be to act as a forum for consultation and planning by the parties to:

- (a) implement the Scheme; and
- (b) subject to clause 5.10, ensure the smooth transition of the management of the business and affairs of the Target Group to Bidder following the implementation of the Scheme.

## **5.10 No partnership or joint venture**

Subject to this document, nothing in this clause requires either party to act at the direction of the other. The business of each party will continue to operate independently from the other until the Implementation Date. The parties agree that nothing in this document constitutes the relationship of a partnership or a joint venture between the parties.

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# **6 Target Board recommendation**

## **6.1 Best endeavours**

Target must use its best endeavours to procure that none of its directors withdraws, or changes their recommendation in favour of the Scheme, unless:

- (a) there is a Superior Proposal; or
- (b) the Independent Expert concludes that the Scheme is not in the best interests of Target Shareholders, or adversely changes its previously given opinion that the Scheme is in the best interests of Target Shareholders; and

the Target Board determines in good faith and acting reasonably, having received expert advice in writing from its legal advisers, (who must be reputable advisers experienced in transactions of this nature) that they must do so because of their fiduciary or statutory duties to Target Shareholders.

## **6.2 Withdrawal or change of recommendation**

Without limiting clause 9, if a member of the Target Board proposes to withdraw or change its recommendation in accordance with clause 6.1(b):

- (a) Target must notify Bidder in writing immediately; and
- (b) the parties must consult in good faith for 2 Business Days after the date on which the notification in sub clause (a) is given to consider and determine whether the recommendation in place at the time can be maintained. That recommendation cannot be withdrawn or changed in accordance with clause 6.1 until the end of the consultation period.

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## **7 Directors and employees**

### **7.1 Release of Target and Target directors and officers**

Subject to the Corporations Act, Bidder releases its rights, and agrees with Target that it will not make a claim, against any Target Indemnified Party (other than Target and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) any breach of any representations and warranties of, or any other obligations of, Target or any other member of Target Group in this document; or
- (b) any disclosures containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the Target Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 7.1 limits Bidder's rights to terminate this document under clause 12.1.

### **7.2 Benefit for Target Indemnified Parties**

Target receives and holds the benefit of this clause to the extent it relates to each Target Indemnified Party on behalf of each of them

### **7.3 Release of Bidder and Bidder directors and officers**

Subject to the Corporations Act, Target releases its rights, and agrees with Bidder that it will not make a claim, against any Bidder Indemnified Party (other than Bidder and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) any breach of any representations and warranties of, or any other obligations of, Bidder or any other member of the Bidder Group in this document; or
- (b) any disclosure containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except whether the Bidder Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 7.3 limits Target's rights to terminate this document under clause 12.1.

#### **7.4 Benefit for Bidder Indemnified Parties**

Bidder receives and holds the benefit of this clause to the extent it relates to each Bidder Indemnified Party on behalf of each of them.

#### **7.5 Appointment/retirement of Target directors**

On the Implementation Date, but subject to the Scheme Consideration having been paid to the Scheme Participants and receipt by Target of signed consents to act, Target must use its reasonable endeavours to:

- (a) cause the appointment of each Incoming Director to the Target Board; and
- (b) procure that each of the Outgoing Directors retire from the Target Board and provide written notice to the effect that they have no claim outstanding for loss of office, remuneration or otherwise against Target,

in each case, in accordance with Target's constitution, the Corporations Act and the Listing Rules.

#### **7.6 Directors' and officers' insurance**

Subject to the Scheme becoming Effective and subject to the Corporations Act, Bidder undertakes in favour of Target and each other person who is a Target Indemnified Party that it will:

- (a) for a period of 7 years from the Implementation Date, ensure that the constitutions of Target and each other member of the Target Group continue to contain such rules as are contained in those constitutions at the date of this document that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a member of the Target Group; and
- (b) procure that Target and each other member of the Target Group complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time and without limiting the foregoing, ensure that the directors' and officers' run-off insurance cover for those directors and officers is maintained, for a period of 7 years from the retirement date of each director and officer.

#### **7.7 Benefit of undertaking for Target Group**

Target receives and holds the benefit of clause 7.6 to the extent it relates to each director and officer of a member of the Target Group on behalf of each of them.

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## **8 Conduct of business**

### **8.1 Overview**

From the date of this document up to and including the Implementation Date, Target must, and must cause each member of the Target Group to:

- (a) conduct its business in the ordinary and proper course consistent with business plans and budgets fairly disclosed and in substantially the same manner as previously conducted; and
- (b) regularly consult with Bidder on the manner of conduct of the business including on any matters that may have an adverse impact on the

integration of the businesses of Bidder and Target following implementation of the Scheme.

## 8.2 Specific obligations

Without limiting clause 8.1 and other than with the prior approval of Bidder (which approval must not be unreasonably withheld or delayed) or as required by this document, Target must, during the period contemplated by clause 8.1, use all reasonable endeavours to ensure that Target and each member of the Target Group and SGE:

- (a) **(business and assets)** maintains the condition of its business and assets in accordance with the ordinary course of its business, allowing for fair wear and tear;
- (b) **(officers and employees)** keeps available the services of its officers and employees;
- (c) **(relationships)** preserves its relationships with customers, suppliers, licensors, licensees, landlords, joint venturers and others with whom it has business dealings with them;
- (d) **(Material Contract)** does not vary, grant any waiver of rights under, or terminate a Material Contract (other than by entering into the Linxing Modification Agreement);
- (e) **(comply with law and Material Contracts)** use all reasonable efforts to comply with all Material Contracts, and with law, authorisations and licences applicable to each member of the Target Group or SGE;
- (f) **(Condition Precedent)** not take or fail to take any action that would, or would be likely to, prevent a Condition Precedent being satisfied or result in a Condition Precedent not being satisfied; and
- (g) **(cash)** ensures there is no material decrease in the amount of cash in Target other than as:
  - (i) used in the ordinary course of business and consistent with the Forecast Cash Utilisation or related working capital movement from the year ended 31 December 2017 or during the current year;
  - (ii) a result of reasonable costs incurred directly in relation to the transactions contemplated by the Scheme; or
  - (iii) as contemplated by clause 8.5.

## 8.3 Notification

From the date of this document until 8.00am on the Second Court Date, unless Bidder agrees otherwise in writing, Target will promptly notify Bidder of anything which it becomes aware that:

- (a) makes any information which is material in the context of the Target Group, taken as a whole and publicly filed by Target (either on its own account or in respect of any Subsidiaries) to be, or reasonably likely to be, incomplete, incorrect, untrue or misleading; or
- (b) makes any of Target's warranties in clause 11.1 incorrect.

## 8.4 Prohibited actions

Subject to clause 8.5, Target must not, and must use all reasonable endeavours to ensure that each member of the Target Group or SGE does not, during the period referred to in clause 8.1:

- (a) **(Material Contracts)** enter into, vary or terminate a Material Contract;
- (b) **(Key SGE Projects)** in respect of any single transaction or series of related or similar transactions, acquire or dispose of (including the granting of an option or other right or entitlement over) any interest in the Key SGE Projects;
- (c) **(coalbed methane and natural gas production and sale)** enter into, offer to enter into, agree to enter into any transaction under which any Third Party would acquire any legal or economic interest in any current or future coalbed methane or natural gas production (including royalties) from the Key SGE Projects, or right to sell or market that coalbed methane or natural gas production;
- (d) **(construction)** enter into, offer to enter into, agree to enter into any engineering, procurement and construction arrangement or build-own operate arrangement (or any substantially similar arrangement) in relation to the development of any of SGE's projects;
- (e) **(gas sale)** enter into, offer to enter into, agree to enter into, or announce an intention to enter into, any gas sale agreements which have a term of more than 2 years;
- (f) **(Performance Rights Plan and STI)** modify the rules of any share based incentive plan or scheme;
- (g) **(constitution)** amend its constitution;
- (h) **(accounting policy)** alter in any material respect any accounting policy of any member of the Target Group (except where required to do so as a result of a change in accounting standards);
- (i) **(equipment)** incur or enter into any new commitments involving the purchase of plant and equipment or more than US\$5 million in aggregate without having first consulted with Bidder;
- (j) **(financial benefit)** give or agree to give a financial benefit to a related party of Target on terms that are not at arm's length;
- (k) **(employment agreements)** increase the remuneration of (including with regard to superannuation benefits) or benefits provided to or pay any bonus (other than in accordance with existing arrangements or in the ordinary course) or issue or agree to issue any securities or options (other than the issue of any Target Shares or grant of Target Options issued or granted prior to the date of this agreement) to, or otherwise vary the employment agreements with, any of its directors or senior employees;
- (l) **(accelerate rights)** accelerate the rights of any of its directors or employees to benefits of any kind;
- (m) **(termination payments)** pay a director, executive or employee a termination payment, other than as provided for in an existing employment contract in place as at the date of this agreement and a copy of which has previously been provided to Bidder;

- (n) **(financial arrangements)** amend in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this agreement;
- (o) **(dividends)** announce, declare or pay any dividends;
- (p) **(Target Prescribed Event)** take any action which would be reasonably expected to give rise to a Target Prescribed Event;
- (q) **(SGE Prescribed Event)** take any action which would be reasonably expected to give rise to a SGE Prescribed Event; or
- (r) **(agreement)** agree to do any of the matters set out above.

## 8.5 Exceptions to conduct of business provisions

The obligations of Target under clauses 8.2 and 8.4 do not apply in respect of any matter, payment or expenditure by Target Group or SGE:

- (a) that is contemplated by the Annual Budget or Work Program and Budget (as those terms are defined under the SGE Shareholder's Agreement) approved by the SGE Board prior to the date of this agreement, including any deviation to such Work Program and Budget or Annual Budget which is:
  - (i) approved by the SGE Board prior to the date of this agreement which has been fairly disclosed in writing to Bidder; or
  - (ii) expressly permitted under clause 7.7(a) of the SGE Shareholder's Agreement;
- (b) that is contemplated by the Target's budget approved by the Target Board and fairly disclosed in writing to the Bidder, including any deviation to Target's budget permitted without further approval of the Target's board;
- (c) that is contemplated by the CBM Option;
- (d) that has been fairly disclosed by the Target to the Bidder or disclosed to the ASX prior to the date of this agreement;
- (e) the undertaking of which the Bidder has previously approved in writing; or
- (f) required to be done or procured by Target pursuant to this agreement, or the Scheme.

## 8.6 Change of control

- (a) As soon as practicable after the date of this agreement, the parties must use all reasonable endeavours to:
  - (i) seek to identify any change of control or similar provisions in any contract (including all Material Contracts) to which any member of the Target Group is a party or any joint venture documentation to which any member of the Target Group is a party which may be triggered by the implementation of the Scheme ("**Change of Control Requirements**"); and
  - (ii) agree a proposed strategy to obtain any consents required in accordance with the terms of any identified Change of Control

Requirements, and to then expeditiously seek those consents in accordance with the agreed strategy.

- (b) Bidder and its Officers must not contact any counterparties to such contracts or joint venturers without the approval of Target (such approval not to be unreasonably withheld, delayed or conditioned).

## **8.7 Access to people and Target Information**

Between the date of this document and the Implementation Date, Target must to the extent reasonably required to implement the Scheme for the purposes of integration planning prior to the implementation of the Scheme (provided that no integration will occur prior to the Implementation Date) or for any other purpose that is approved by the Transaction Implementation Committee:

- (a) as soon as reasonably practicable provide Bidder and its Representatives with any documents, records, and other information (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws) reasonably requested by them; and
- (b) provide Bidder and its Officers and Advisers with reasonable access within normal business hours to Target's Officers and Advisers (provided that this access does not impose an undue burden on Target).

## **8.8 No amendment or waiver of Equity Commitment Letter**

As a continuing obligation Bidder will not, without Target's prior written consent, amend or permit the amendment of the Equity Commitment Letter nor waive any of its rights under the Equity Commitment Letter in any respect which will, or is reasonably likely to, prejudice Bidder's ability to pay the Scheme Consideration in accordance with this document, the Scheme and the Deed Poll.

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# **9 Exclusivity**

## **9.1 No existing discussions**

- (a) Target represents and warrants that, other than the discussions with Bidder in respect of the Scheme it is not currently in negotiations or discussions with any other person in respect of any actual, proposed or potential Competing Proposal.
- (b) From the date of this agreement, Target will promptly enforce the terms of any confidentiality agreement entered into with a party within the last 12 months (other than a Related Body Corporate of the Bidder) in relation to a Competing Proposal and will immediately request the return of all Target Confidential Information from any such party and terminate their access to any confidential information on an ongoing basis. Target agrees not to waive, and to enforce, any standstill obligations of any such party, except in relation to a Competing Proposal where Bidder has failed to provide a matching or superior proposal which satisfies clause 9.8(f).

## **9.2 No-shop**

During the Exclusivity Period, Target must ensure that neither it nor any of its Representatives directly or indirectly:

- (a) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or



- (b) communicates any intention to do any of these things,

with a view to obtaining (or which would reasonably be expected to lead to) any offer, proposal or expression of interest from any person in relation to a Competing Proposal.

### **9.3 No-talk**

Subject to clause 9.5, during the Exclusivity Period, Target must ensure that neither it nor any of its Representatives:

- (a) negotiates or enters into, or participates in negotiations or discussions with any other person; or
- (b) discloses or otherwise provides any material non-public information about the business or affairs of any member of the Target Group to any person (unless Bidder is required to do so by law or to a Regulatory Authority),

in relation to a Competing Proposal or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Target or any of its Representatives, or that person has publicly announced the Competing Proposal.

### **9.4 Due diligence information**

Subject to clauses 9.5 and 9.6, during the Exclusivity Period, Target must ensure that neither it nor any of its Representatives, directly or indirectly:

- (a) enables any other person other than Bidder to undertake due diligence investigations on; or
- (b) makes available to any other person, or permits any other person to receive, other than Bidder (in the course of due diligence investigations or otherwise) any non-public information relating to,

any member of the Target Group or their businesses or operations, in connection with such person formulating, developing or finalising or assisting in the formulation, development or finalisation of, a Competing Proposal.

### **9.5 Exceptions**

Clause 9.3 and clause 9.4 do not apply to the extent that they restrict Target or the Target Board from taking or refusing to take any action with respect to a Competing Proposal (which was not solicited, invited, encouraged or initiated by Target in contravention of clause 9.2) provided that the Target Board has determined, in good faith that:

- (a) after consultation with its financial advisers, such a Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal; and
- (b) after receiving written legal advice from its external legal and financial advisers (who must be reputable advisers experienced in transactions of this nature) that failing to take the action or refuse to take the action (as the case may be) with respect to the Competing Proposal would be reasonably likely to constitute a breach of the Target Board's fiduciary or statutory obligations.

## 9.6 Further exceptions

Nothing in this document prevents Target from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to the Scheme or its business generally.

## 9.7 Notice of approach

During the Exclusivity Period, Target must promptly (and in any case, within 24 hours) inform Bidder if it or any of its Representatives:

- (a) receives any approach, inquiry or proposal with respect to any Competing Proposal and, must disclose to Bidder all material details of the Competing Proposal, including details of the proposed bidder or acquirer;
- (b) receives any request for information relating to Target or any of its Related Bodies Corporate or any of their businesses or operations or any request for access to the books or records of Target or any of its Related Bodies Corporate, which Target has reasonable grounds to suspect may relate to a current or future Competing Proposal; and
- (c) provides any information relating to Target or any of its Related Bodies Corporate or any of their businesses or operations to any person in connection with or for the purposes of a current or future Competing Proposal,

other than to the extent doing so would be (as determined by the Target Board in good faith and acting reasonably and after receiving written advice from its external legal and financial advisers (who must be reputable advisers experienced in transactions of this nature)) reasonably likely to constitute a breach of the Target Board's fiduciary or statutory obligations.

Any information given under this clause 9.7 must give details of the relevant event, including the identity of the person or persons (and who they are representing) taking any action referred to in clause 9.7(a), the terms and conditions of the relevant Competing Proposal or proposed Competing Proposal (to the extent known).

## 9.8 Matching right

Without limiting clauses 9.2 and 9.3, during the Exclusivity Period, Target:

- (a) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, Target or both proposes or propose to undertake or give effect to an actual, proposed or potential Competing Proposal; and
- (b) must use its best endeavours to procure that none of its directors change their recommendation in favour of the Scheme to publicly recommend an actual, proposed or potential Competing Proposal (or recommend against the Scheme),

unless:

- (c) the Target Board acting in good faith and in order to satisfy what the Target Board considers to be its statutory or fiduciary duties (having received written advice from its external legal and financial advisers (who must be reputable advisers experienced in transactions of this nature )),

determines that the Competing Proposal would be or would be likely to be an actual, proposed or potential Superior Proposal;

- (d) Target has provided Bidder with the material terms and conditions of the actual, proposed or potential Competing Proposal, including price and the identity of the Third Party making the actual, proposed or potential Competing Proposal;
- (e) Target has given Bidder at least 3 Business Days after the date of the provision of the information referred to in clause 9.8(d) to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal; and
- (f) Bidder has not announced a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal by the expiry of the 3 Business Day period referred to in clause 9.8(e).

Target acknowledges and agrees that each successive modification of any actual, proposed or potential Competing Proposal will constitute a new actual, proposed or potential Competing Proposal for the purposes of the requirements under clause 9.8 and accordingly Target must comply with clause 9.8(a) and clause 9.8(b) of this clause in respect of any new actual, proposed or potential Competing Proposal unless clause 9.8(c) to 9.8(f) (inclusive) apply.

## **9.9 Bidder counterproposal**

If Bidder proposes to Target, or announces amendments to the Scheme or a new proposal that constitute a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal ("**Bidder Counterproposal**") by the expiry of the 3 Business Day period referred to in clause 9.8(e), Target must procure that the Target Board considers the Bidder Counterproposal and if the Target Board, acting reasonably and in good faith, determines that the Bidder Counterproposal would provide an equivalent or superior outcome for Target Shareholders as a whole compared with the Competing Proposal, taking into account all of the terms and conditions of the Bidder Counterproposal, then:

- (a) Target and Bidder must use their best endeavours to agree the amendments to this document and, if applicable, the Scheme and Deed Poll that are reasonably necessary to reflect the Bidder Counterproposal and to implement the Bidder Counterproposal, in each case as soon as reasonably practicable; and
- (b) Target must use its best endeavours to procure that each of the directors of Target continues to recommend the Scheme (as modified by the Bidder Counterproposal) to Target Shareholders.

## **9.10 Legal advice**

Target acknowledges that it has received legal advice on this document and the operation of this clause.

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# **10 Break Fee**

## **10.1 Background**

This clause has been agreed in circumstances where:

- (a) Bidder and Target believe that the Scheme will provide significant benefits to Bidder, Target and their respective shareholders, and Bidder and Target acknowledge that, if they enter into this document and the Scheme is subsequently not implemented, Bidder will incur significant costs, including those set out in clause 10.5;
- (b) Bidder requested that provision be made for the Break Fee, without which Bidder would not have entered into this document;
- (c) both the Bidder Board and Target Board believe that it is appropriate for both parties to agree to the payment referred to in this clause to secure Bidder's participation in the Scheme; and
- (d) both parties have received legal advice on this document and the operation of this clause.

## 10.2 Payment by Target to Bidder

Target agrees to pay the Break Fee to Bidder if the Scheme does not proceed because:

- (a) **(Competing Proposal)** on or before the End Date, a Competing Proposal is announced and within 12 months of the End Date the Third Party who announced or made the Competing Proposal (or any of its Associates) completes a transaction which has the effect of the kind referred to in any of paragraphs (a), (b) or (c) of the definition of Competing Proposal;
- (b) **(change of recommendation)** any Target Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not in the best interests of Target Shareholders (other than where the reason for that opinion is a Competing Proposal); or
- (c) **(termination)** the document is terminated by the Bidder in accordance with clauses 12.1(c) or 12.1(d) or by the Target in accordance with clause 12.1(e).

## 10.3 No amount payable if Scheme becomes Effective

Notwithstanding the occurrence of any event in clause 10.2, if the Scheme becomes Effective:

- (a) no amount is payable by Target under clause 10.2; and
- (b) if any amount has already been paid under clause 10.2 it must be refunded by Bidder within 5 Business Days after a written demand for payment is provided by Target to Bidder.

## 10.4 Timing of payment

- (a) A demand by Bidder for payment of the Break Fee under clause 10.2 must:
  - (i) be in writing;

- (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
  - (iii) state the circumstances which give rise to the demand; and
  - (iv) nominate an account in the name of Bidder into which Target must pay the Break Fee.
- (b) Target must pay the Break Fee to Bidder under clause 10.2 without withholding or set off within 5 Business Days of receipt by Target of a valid demand for payment from Bidder under clause 10.4(a).

The demand may only be made after the occurrence of an event referred to in clause 10.2.

## **10.5 Nature of payment**

The Break Fee is an amount to compensate Bidder for:

- (a) advisory costs;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) the distraction of Bidder's management from conducting Bidder's business as usual caused by pursuing the Scheme;
- (e) reasonable opportunity costs incurred by Bidder in pursuing the Scheme or in not pursuing alternative acquisitions or strategic initiatives which Bidder could have developed to further its business and objectives; and
- (f) damage to Bidder's reputation associated with a failed transaction and the implications of that damage to Bidder's business.

The parties agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would likely equal or exceed the amount payable under clause 10.2.

## **10.6 Target's limitation of liability**

Notwithstanding any other provision of this document but subject to clause 10.7:

- (a) the maximum liability of Target to Bidder under or in connection with this document including in respect of any breach of this document will be the Break Fee; and
- (b) the payment by Target of the Break Fee represents the sole and absolute amount of liability of Target under or in connection with this document and no further damages, fees, expenses or reimbursements of any kind will be payable by Target in connection with this document.

## **10.7 Compliance with law**

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel, a Court or any other Regulatory Authority that all or any part of the amount payable under clause 10.2:

- (a) is unlawful or would if performed be, unlawful;

- (b) involves a breach of the duties of the Target Board; or
- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then Target's obligation to pay the applicable amount or part of the amount payable under clause 10.2 does not apply and if Bidder has received any such part of the payment due under clause 10.2 it must refund it within 5 Business Days of such final determination.

The parties must not make or cause or permit to be made any application to a Court, arbitral tribunal, the Takeovers Panel or any other Regulatory Authority for or in relation to a determination referred to in this clause 10.7.

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## 11 Representations and warranties

### 11.1 Target's representations and warranties

Target represents and warrants to Bidder (on its own behalf and separately as trustee or nominee for each of the Bidder directors) that, subject to the matters fairly disclosed in the Data Room Materials or the Disclosure Letter or disclosed to the ASX prior to the date of this document, each of the following statements is true and correct in all material respects as at the date of this document and as at 5.00pm on the Business Day immediately prior to the Second Court Date:

- (a) each member of the Target Group is not aware of any circumstance, matter or thing that may cause or contribute to any of the Conditions Precedent not being fulfilled by the time contemplated in clause 3.1;
- (b) each member of the Target Group and SGE is a validly existing corporation registered under the laws of its place of incorporation;
- (c) the execution and delivery of this agreement by Target has been properly authorised by all necessary corporate action and Target has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement;
- (d) this agreement is a valid and binding obligation of Target, enforceable in accordance with its terms;
- (e) no member of the Target Group is Insolvent and, so far as Target is aware, SGE is not Insolvent;
- (f) (subject to the laws generally affecting creditors' rights and the principles of equity) this agreement constitutes legal, valid and binding obligations on it and execution of this agreement will not result in a breach of or default under Target's constitution or any agreement or deed or writ, order or injunction, rule or regulation to which Target or any of its Subsidiaries is a party or to which they are bound or require any consent or approval, authorisation or permit from any governmental agency except for the Regulatory Approvals;
- (g) it has collated and prepared the Data Room Materials and any other information provided to the Bidder as part of its due diligence enquiries in good faith and with reasonable skill and care and it has not knowingly omitted from the material provided to the Bidder any information which would render the information disclosed incomplete or misleading in any material respect. For the avoidance of doubt, Target makes no representation or warranty whatsoever as to the adequacy or sufficiency

of the Data Room Materials for the purpose of the Bidder acquiring the Target Shares, or for Bidder's funding of that acquisition, which are matters of which Bidder has to satisfy itself;

- (h) subject to release of the announcement contemplated by clause 13.1, it has complied with its continuous disclosure obligations under the Listing Rules and the Corporations Act and is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure other than in relation to the Scheme or as disclosed in writing to Bidder or its Representatives on or before the date of this agreement;
- (i) Target Group's accounts are prepared on a consistent basis with past practices (except to the extent that the adoption of AIFRS requires a change to past practices) and in accordance with all relevant accounting standards;
- (j) to the best of Target's knowledge, and other than has been fairly disclosed to the Bidder in the Data Room Materials, Target and its Subsidiaries and SGE have not received notice from any Regulatory Authority of any material breach of Australian and foreign laws and regulations applicable to them or orders of Australian and foreign Regulatory Authorities having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted;
- (k) neither Target, any of its Subsidiaries nor, so far as Target is aware, SGE has received notice of a material default under the Material Contracts;
- (l) Schedule 3 accurately records the total number and details of Target Securities on issue as at the date of this agreement. There are no other Target shares, options, performance rights, warrants, notes, instruments or other securities (or offers or agreements to issue any of the foregoing) of Target and no rights to be issued such shares, options, notes or other securities;
- (m) other than for the Permitted Encumbrances, there is no Encumbrance over all or any of the assets or revenues of any member of the Target Group or, so far as Target is aware, over all or any of the assets or revenues of SGE; and
- (n) Target is not aware of any matter or thing which:
  - (i) may result in the Exploration Licences or the Safety Permit not being renewed; or
  - (ii) may result in Exploration Licences or Safety Permit being renewed on terms less favourable to SGE than the terms on which they were previously issued.

## 11.2 Target's indemnity

Target agrees with Bidder (on its own behalf and separately as trustee or nominee for each of the Bidder Indemnified Parties) to indemnify and keep indemnified Bidder and the Bidder Indemnified Parties against all Losses incurred as a result of any of the representations and warranties in clause 11.1 not being true and correct.

### 11.3 Bidder's representations and warranties

Bidder represents and warrants to Target (on its own behalf and separately as trustee or nominee for each of the Target directors) that each of the following statements is true and correct in all material respects as at the date of this document and as at 5.00pm on the Business Day immediately prior to the Second Court Date:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) the execution and delivery of this agreement by Bidder has been properly authorised by all necessary corporate action and Bidder has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement;
- (c) it is not Insolvent;
- (d) (subject to the laws generally affecting creditors' rights and the principles of equity) this agreement constitutes legal, valid and binding obligations on it and execution of this agreement will not result in a breach of or default under Bidder's constitution or any agreement or deed or writ, order or injunction, rule or regulation to which Bidder or any of its Subsidiaries is a party or to which they are bound or require any consent or approval, authorisation or permit from any Regulatory Authority except for the Regulatory Approvals;
- (e) the equity financing committed pursuant to the Equity Commitment Letter is of an amount sufficient to satisfy all of Bidder's payment obligations under the Scheme, and the obligations of any Bidder Indemnified Parties under the Equity Commitment Letter are binding and enforceable in accordance with their terms;
- (f) the Equity Commitment Letter:
  - (i) has not been terminated, modified or rescinded, and no event has occurred which with notice, lapse of time or both, would result in a default under the Equity Commitment Letter; and
  - (ii) is enforceable in accordance with its terms, and no Bidder Indemnified Party is in default thereunder; and
- (g) by 8.00am on the Second Court Date and on the Implementation Date, Bidder will have available to it on an unconditional basis (other than, on the Second Court Date, conditions relating to the approval of the Court and other conditions within the sole control of Bidder) sufficient cash reserves (whether from internal cash reserves or external funding arrangements, including equity and debt financing or a combination of both) to satisfy Bidder's obligations to pay the Scheme Consideration in accordance with its obligations under this document, the Scheme and the Deed Poll; or
- (h) other than as expressly provided for in this Agreement, no Regulatory Approvals are required to be obtained by Bidder in order for it to execute and perform the matters set out in this document and to implement the Scheme.



## 11.4 Bidder's indemnity

Bidder agrees with Target (in its own right and separately as trustee or nominee for each of the other Target Indemnified Parties) to indemnify and keep indemnified Target and each of the Target Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 11.3 not being true and correct.

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## 12 Termination

### 12.1 Termination events

This document may be terminated:

- (a) **(End Date)** by either party, if the Scheme has not become Effective on or before the End Date;
- (b) **(lack of support)** by Bidder at any time prior to 8.00am on the Second Court Date if any member of the Target Board adversely changes its recommendation to the Scheme Participants that they vote in favour of the resolution to approve the Scheme, or otherwise makes a public statement indicating that it no longer supports the Scheme;
- (c) **(material breach)** by either Bidder or Target at any time prior to 8.00am on the Second Court Date, if the other is in material breach of a term of this document (other than any representation and warranty contained in clause 11.1 or 11.3 (as the case may be) not being true and correct), provided that Bidder or Target (as the case may be) has given notice to the other setting out the relevant circumstances and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 8.00am on the Second Court Date) after the time such notice is given;
- (d) **(representation or warranty not true)** by either Bidder or Target at any time prior to 8.00am on the Second Court Date, if any representation and warranty given by the other party in clause 11.1 or 11.3 (as the case may be) is not true and correct in any material respect, where that breach of representation and warranty is material in the context of the transaction as a whole, provided that Bidder or Target (as the case may be) has given notice to the other setting out the relevant circumstances and the relevant circumstances continue to exist 10 Business Days (or any shorter period ending at 8.00am on the Second Court Date) after the time such notice is given;
- (e) **(Competing Proposal)** by Target if the Target Board determines that a Competing Transaction that was not solicited, invited, encouraged or initiated in breach of clause 9.2 is a Superior Proposal after complying with the notification and matching right process in clauses 9.7 and 9.8;
- (f) **(20% holding)** by Bidder if a person (other than Bidder or its Associates) has a Relevant Interest under unconditional contracts in more than 20% of the Target Shares on issue (other than existing Target Shareholders who at the date of this agreement hold a Relevant Interest in more than 20% of the Target Shares on issue);
- (g) **(consultation or appeal failure)** in accordance with and pursuant to:
  - (i) clause 3.7(a);
  - (ii) clause 3.7(b); or

(iii) clause 5.8; or

(h) **(agreement)** if agreed to in writing by Bidder and Target.

## **12.2 Termination**

Where a party has a right to terminate this document, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this document.

## **12.3 Effect of Termination**

If this document is terminated by either party, or if this document otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this document, other than the obligations set out in this clause and in clauses 5.8, 10.2 and 13 to 19 (inclusive) will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause releases any party from liability for any pre-termination breach of this document.

## **12.4 Damages**

In addition to the right of termination under clause 12.1 where there is no appropriate remedy for the breach in this document (other than termination), the non-defaulting party is entitled to damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this document.

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# **13 Public announcements**

## **13.1 Public announcement of Scheme**

Immediately after signing this document, Target must issue a public announcement of the proposed Scheme in the form contained in Annexure A.

## **13.2 Required disclosure**

Where a party is required by any applicable law or any Listing Rule to make any announcement or make any disclosure in connection with the Scheme, it must use all reasonable endeavours, to the extent possible, to consult with the other party prior to making the relevant disclosure.

## **13.3 Other announcements**

Subject to clauses 13.1 and 13.2, no party may make any public announcement or disclosure in connection with the Scheme (including disclosure to a Regulatory Authority) other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as practicable.

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# **14 Target Confidential Information**

## **14.1 Disclosure of Target Confidential Information**

No Target Confidential Information may be disclosed by Bidder to any person except:

(a) Representatives of Bidder or its Related Bodies Corporate requiring the information for the purposes of this document; or

- (b) with the consent of Target; or
- (c) if Bidder is required to do so by law or by a stock exchange; or
- (d) if Bidder is required to do so in connection with legal proceedings relating to this document.

#### **14.2 Use of Target Confidential Information**

Bidder must use the Target Confidential Information exclusively for the purpose of due diligence and preparing the Scheme Booklet and for no other purpose (and must not make any use of any Target Confidential Information to the competitive disadvantage of Target or any of its Related Bodies Corporate).

#### **14.3 Disclosure by recipient of Target Confidential Information**

Any party disclosing information under clause 14.1(a) or 14.1(b) must use all reasonable endeavours to ensure that persons receiving Target Confidential Information from it do not disclose the information except in the circumstances permitted in clause 14.1.

#### **14.4 Excluded Information**

Clauses 14.1 to 14.3 do not apply to the Excluded Information.

#### **14.5 Return of Target Confidential Information**

Bidder must, on the request of Target, immediately deliver to Target all documents or other materials containing or referring to that information which are in its possession, power or control or in the possession, power or control of persons who have received Target Confidential Information from it under clause 14.1(a) or 14.1(b)

#### **14.6 Termination**

This clause will survive termination (for whatever reason) of this document.

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## **15 Notices and other communications**

### **15.1 Form – all communications**

Unless expressly stated otherwise in this agreement, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this agreement must:

- (a) be in writing;
- (b) be signed by the sender (if an individual) or an Authorised Officer of the sender; and
- (c) be marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified; and
- (d) for email communications, state the first and last name of the sender and are taken to be signed by the named sender.

## 15.2 Delivery

Communications must be:

- (a) left at the address referred to in the Details;
- (b) sent by regular ordinary post (airmail if appropriate) to the address referred to in the Details;
- (c) sent by fax to the fax number set out or referred to in the Details;
- (d) sent by email to the address referred to in the Details; or
- (e) given in any other way permitted by law.

If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

## 15.3 When effective

Communications take effect from the time they are received or taken to be received under clause 15.4 (“When taken to be received”) (whichever happens first) unless a later time is specified in the communication.

## 15.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, 6 Business Days after posting (or 10 days after posting if sent from one country to another);
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent. However, if the recipient party informs the sending party within 8 hours after that time that the fax transmission was illegible or incomplete, then the communications will not be regarded as given or received. When calculating this 8 hour period, only time within the business hours period is to be included; or
- (c) if sent by email:
  - (i) when the sender receives an automated message confirming delivery; or
  - (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

## 15.5 Receipt outside business hours

Despite anything else in this clause 15, if communications are received or taken to be received under clause 15.4 (“When taken to be received”) after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

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## 16 GST

### 16.1 Definitions and interpretation

For the purposes of this clause:

- (a) “**GST Act**” means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth);
- (b) a term which has a defined meaning in the GST Act has the same meaning when used in this clause, unless the contrary intention appears; and
- (c) each periodic or progressive component of a supply to which section 156-5(1) of the GST Act applies will be treated as if it were a separate supply.

### 16.2 GST exclusive

Unless this document expressly states otherwise, all consideration to be provided under this document is exclusive of GST.

### 16.3 Payment of GST

- (a) If GST is payable, or notionally payable, on a supply in connection with this document, the party providing the consideration for the supply agrees to pay to the supplier an additional amount equal to the amount of GST payable on that supply (“**GST Amount**”).
- (b) Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time as the GST-exclusive consideration for the supply, or the first part of the GST-exclusive consideration for the supply (as the case may be), is payable or is to be provided.
- (c) This clause does not apply to the extent that the consideration for the supply is expressly stated to include GST or the supply is subject to a reverse-charge.

### 16.4 Adjustment events

If an adjustment event arises for a supply made in connection with this document, the GST Amount must be recalculated to reflect that adjustment. The supplier or the recipient (as the case may be) agrees to make any payments necessary to reflect the adjustment and the supplier agrees to issue an adjustment note.

### 16.5 Reimbursements

Any payment, indemnity, reimbursement or similar obligation that is required to be made in connection with this document which is calculated by reference to an amount paid by another party must be reduced by the amount of any input tax credits which the other party (or the representative member of any GST group of which the other party is a member) is entitled to. If the reduced payment is consideration for a taxable supply, clause 16.3 will apply to the reduced payment.

### 16.6 Survival

This clause 16 will survive termination of this agreement.

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## **17 Costs**

### **17.1 Costs**

The parties agree to pay their own Costs in connection with the preparation, negotiation, execution and completion of this document, except for amounts covered by clause 17.2 (“Stamp duty and registration fees”).

### **17.2 Stamp duty and registration fees**

- (a) Bidder agrees to pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of those amounts); and
- (b) However, Bidder need not pay, reimburse or indemnify against any fees, fines, penalties or interest to the extent they have been imposed because of Target’s delay.

### **17.3 PRC Taxes**

- (a) Bidder agrees that the Scheme Consideration is exclusive of any PRC taxes, levies and surcharges (including but not limited to income tax, value-added tax, stamp duty, levies, surcharges, etc.); and
- (b) Bidder may decide, at its own cost, to report the transaction to the competent Chinese tax authorities (such as the Tianjin Offshore Oil Tax Bureau) under SAT Bulletin 7 after the Scheme is effective. In the event that any PRC taxes, levies and surcharges are assessed by the Chinese tax authorities, Bidder agrees to gross up the Scheme Consideration so that the net amount payable to each Target Shareholder, after satisfaction of any such amounts, remains A\$0.25 per Target Share.

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## **18 General**

### **18.1 Variation and waiver**

A provision of this document, or right, power or remedy created under it, may not be varied or waived except in writing signed by the party to be bound.

### **18.2 Consents, approvals or waivers**

By giving any approval, consent or waiver a party does not give any representation or warranty as to any circumstance in connection with the subject matter of the consent, approval or waiver.

### **18.3 Discretion in exercising rights**

Unless this document expressly states otherwise, a party may exercise a right, power or remedy or give or refuse its consent, approval or a waiver in connection with this document in its absolute discretion (including by imposing conditions).

### **18.4 Partial exercising of rights**

Unless this document expressly states otherwise, if a party does not exercise a right, power or remedy in connection with this document fully or at a given time, they may still exercise it later.

### **18.5 Conflict of interest**

Each party may exercise their rights, powers and remedies in connection with this document even if this involves a conflict of duty or they have a personal interest in their exercise.

### **18.6 Remedies cumulative**

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

### **18.7 Indemnities and reimbursement obligations**

Any indemnity, reimbursement or similar obligation in this document.

- (a) is a continuing obligation despite the satisfaction of any payment or other obligation in connection with this document, any settlement or any other thing;
- (b) is independent of any other obligations under this document; and
- (c) continues after this document, or any obligation arising under it, ends.

It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity in connection with this document.

### **18.8 Inconsistent law**

To the extent the law permits, this document prevails to the extent it is inconsistent with any law.

### **18.9 Supervening law**

Any present or future law which operates to vary the obligations of a party in connection with this document with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

### **18.10 Counterparts**

This document may consist of a number of copies, each signed by one or more parties to it. If so, the signed copies are treated as making up a single document and the date on which the last counterpart is executed is the date of the document.

### **18.11 Entire agreement**

This document constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

### **18.12 Further steps**

Each party agrees to do anything (such as obtaining consents, signing and producing documents, producing receipts and getting documents completed and signed), which the other party asks and considers necessary to:

- (a) bind the party and any other person intended to be bound under this document; or

- (b) show whether the party is complying with this document.

### **18.13 No liability for loss**

Unless this document expressly states otherwise, a party is not liable for any loss, liability or costs arising in connection with the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right, power or remedy in connection with this document.

### **18.14 Severability**

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this document or is contrary to public policy.

### **18.15 Rules of construction**

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this document or any part of it.

### **18.16 Assignment**

A party may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of the other party.

### **18.17 Enforceability**

For the purpose of this document:

- (a) Target is taken to be acting as agent and trustee on behalf of and for the benefit of all Target Indemnified Parties; and
- (b) Bidder is taken to be acting as agent and trustee on behalf of and for the benefit of all Bidder Indemnified Parties,

and all of those persons are to this extent taken to be parties to this document.

### **18.18 No representation or reliance**

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this document, except for representations or inducements expressly set out in this document;
- (b) it does not enter into this document in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this document;
- (c) clauses 18.18(a) and 18.18(b)) above do not prejudice any rights a party may have under clause 11 in relation to information which had been filed by the other party with ASIC or ASX.



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## **19 Governing law**

### **19.1 Governing law and jurisdiction**

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

### **19.2 Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address for service of notices under clause 15.2 ("Delivery").

**EXECUTED** as an agreement

# Scheme Implementation Agreement

## Schedule 1 Timetable (clause 5.1)

<b>Event</b>	<b>Date</b>
Lodge Scheme Booklet with ASIC and ASX	5 July 2018
Application in respect of the Court hearing to be held on the First Court Date, filed with the Court, served on ASIC	6 July 2018
First Court Date	27 July 2018
Printing and despatch of Scheme Booklet	27 July – 1 August
Scheme Meeting held	5 September 2018
Second Court Date	11 September 2018
Lodge Court order with ASIC (Effective Date)	12 September 2018
Record Date	17 September 2018
Implementation Date	19 September 2018

# Scheme Implementation Agreement

## Schedule 2 Prescribed Events

- 1 Target Prescribed Event
- (a) Target converts all or any of its shares into a larger or smaller number of shares;
  - (b) Target or a Subsidiary resolves to reduce its share capital in any way;
  - (c) Target or a Subsidiary:
    - (i) enters into a buy-back agreement; or
    - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
  - (d) Target or a Subsidiary issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option, in each case other than shares issued or agreed to be issued in accordance with the terms of any performance rights or options disclosed to the Bidder prior to the date of this document, or in the ordinary course of business under employee or director share plans;
  - (e) Target or a Subsidiary issues, or agrees to issue, convertible notes;
  - (f) Target or a Subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (g) Target or a Subsidiary grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property, other than:
    - (i) any security interest required in connection with Target's debt facilities which prior to the date of this agreement has been fairly disclosed to the ASX, in the Data Room Materials or in writing to Bidder; or
    - (ii) any security interest granted in favour of Target or another member of the Target Group;
  - (h) Target or a Subsidiary resolves to be wound up;
  - (i) the appointment of a liquidator or provisional liquidator of Target or a Subsidiary;
  - (j) a court makes an order for the winding up of Target or a Subsidiary;
  - (k) an administrator of Target, or a Subsidiary, is appointed under section 436A, 436B or 436C of the Corporations Act;
  - (l) Target, or a Subsidiary executes a deed of company arrangement; or
  - (m) a receiver, a receiver and manager, other controller (as defined in the Corporations Act) or similar official is appointed in relation to the whole, or a substantial part, of the property of Target or a Subsidiary.

2 SGE Prescribed Event

- (a) SGE converts all or any of its shares into a larger or smaller number of shares;
- (b) SGE resolves to reduce its share capital in any way;
- (c) SGE enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement;
- (d) SGE issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option, in each case other than shares issued or agreed to be issued in the ordinary course of business under employee or director share plans;
- (e) SGE issues, or agrees to issue, convertible notes;
- (f) SGE disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) SGE grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property, other than:
  - (i) any security interest required in connection with Target's debt facilities which has been fairly disclosed to the ASX or the Bidder in writing prior to the date of this agreement; or
  - (ii) any security interest granted in favour of Target or another member of the Target Group; or
- (h) SGE resolving to be wound up, the appointment of a liquidator or provisional liquidator of SGE, a court making an order for the winding up of SGE, an administrator of SGE being appointed, SGE executing a deed of company arrangement, or a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of SGE.

# Scheme Implementation Agreement

## Schedule 3 Target Securities

**Target Shares:** 2,118,854,285

**Target Options:** 30,000,000

<b>Date of issue</b>	<b>Number of options</b>	<b>Start exercise period</b>	<b>Expiry date</b>	<b>Exercise price</b>
1 September 2014	15,000,000	1 September 2014	1 September 2018	\$0.25
1 September 2014	15,000,000 (in escrow)	1 September 2014	1 September 2018	\$0.25

**Target Performance Rights:** 27,238,984

**Target Deferred Shares:** 1,744,744

# Scheme Implementation Agreement

## Signing page

DATED: 31 May 2018

**EXECUTED** by **Sino Gas & Energy Holdings Limited** in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:



Signature of director

PHILIP BAINBRIDGE

Name of director (block letters)



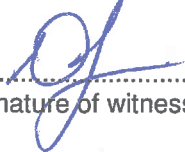
Signature of company secretary

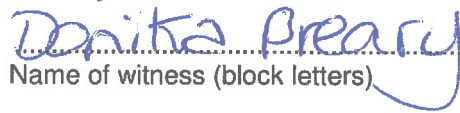
HARRY SPINDLER


Name of company secretary (block letters)

# Scheme Implementation Agreement

**SIGNED by SANDRA COLLINS as** )  
Vice President of **LSF 10** )  
**SUMMERTIME INVESTMENTS, LTD.** )  
in the presence of: )

  
..... )  
Signature of witness )

  
..... )  
Name of witness (block letters) )

  
..... )  
By executing this document the  
signatory warrants that the signatory is  
duly authorised to execute this  
document on behalf of LSF 10  
SUMMERTIME INVESTMENTS, LTD.

# Scheme Implementation Agreement

## Annexure A Public announcement



## Annexure B Scheme of Arrangement

# Scheme of Arrangement

Sino Gas & Energy Holdings Limited (ACN 124 242 422)(“**Target**”)

Scheme Participants

**King & Wood Mallesons**

Level 61

Governor Phillip Tower

1 Farrer Place

Sydney NSW 2000

Australia

**T** +61 2 9296 2000

**F** +61 2 9296 3999

DX 113 Sydney

[www.kwm.com](http://www.kwm.com)

# Scheme of Arrangement

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# Scheme of Arrangement

## Details

### Parties

---

<b>Target</b>	Name	<b>Sino Gas &amp; Energy Holdings Limited</b>
	ABN/ACN/ARBN	124 242 422
	Formed in	Australia
	Address	311-313 Hay Street, Subiaco WA 6009
	Email	<a href="mailto:hspindler@sinogasenergy.com">hspindler@sinogasenergy.com</a>
	Attention	Harry Spindler, Company Secretary

---

<b>Scheme Participants</b>	Each person registered as a holder of fully paid ordinary shares in Target as at 5.00pm on the Record Date.
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<b>Governing law</b>	New South Wales
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# General terms

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## 1 Definitions and interpretation

### 1.1 Definitions

Unless the contrary intention appears, these meanings apply:

**ACCC** means the Australian Competition and Consumer Commission.

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

**ASX** means ASX Limited or the market operated by it, as the context requires.

**Business Day** means a business day as defined in the Listing Rules.

**CHESS** means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

**Corporations Act means the Corporations Act 2001 (Cth).**

**Court** means the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed in writing by Bidder and Target.

**Deed Poll** means the deed poll dated [insert date] executed by Bidder substantially in the form of Annexure C of the Scheme Implementation Agreement or as otherwise agreed by Bidder and Target under which Bidder covenants in favour of each Scheme Participant to perform its obligations under this Scheme.

**Details** means the section of this agreement headed "Details".

**Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

**Effective Date** means the date on which the Scheme becomes Effective.

**Encumbrance** means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or (2) of the PPSA, or any agreement to create any of them or allow them to exist.

**End Date** means the date which is 5 months after the execution of the Scheme Implementation Agreement or such other date as is agreed by Bidder and Target.

**Immediately Available Funds** means a bank cheque or other form of cleared funds acceptable to Target.

**Implementation Date** means the second Business Day following the Record Date or such other date as is agreed by Bidder and Target.

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

**Record Date** means 7:00pm on the second Business Day following the Effective Date or such other date as Target and Bidder may agree in writing.

**Register** means the register of members of Target maintained by or on behalf of Target in accordance with section 168(1) of the Corporations Act.

**Registered Address** means, in relation to a Target Shareholder, the address shown in the Register.

**Scheme** means this scheme of arrangement between Target and Scheme Participants under which all of the Scheme Shares will be transferred to Bidder under Part 5.1 of the Corporations Act as described in clause 6 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by Target and Bidder in accordance with clause 8 of this Scheme.

**Scheme Consideration** means \$0.25 paid in respect of each Scheme Share to be provided by Bidder to Scheme Participants under the terms of this Scheme for the transfer to Bidder of their Scheme Shares.

**Scheme Implementation Agreement** means the scheme implementation agreement dated 30 May 2018 between Target and Bidder under which, amongst other things, Target has agreed to propose this Scheme to Target Shareholders, and each of Bidder and Target has agreed to take certain steps to give effect to this Scheme.

**Scheme Meeting** means the meeting of Target Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act at which Target Shareholders will vote on this Scheme.

**Scheme Participant** means each person who is a Target Shareholder as at 5.00pm on the Record Date.

**Scheme Share** means a Target Share held by a Scheme Participant as at the Record Date and, for the avoidance of doubt, includes any Target Shares issued on or before the Record Date.

**Second Court Date** means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

**Share Scheme Transfer** means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

**Subsidiary** has the meaning given to it in the Corporations Act.

**Target Share** means a fully paid ordinary share in the capital of Target.

**Target Shareholder** means each person registered in the Register as a holder of Target Shares.

**Trust Account** means the trust account operated by or on behalf of Target to hold the Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.2 of this Scheme.

## 1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example”, “such as” or similar expressions;
- (e) a reference to “**person**” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney, New South Wales time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (j) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (k) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (l) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (m) if a party must do something under this document on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day;
- (n) if the day on which a party must do something under this document is not a Business Day, the party must do it on the next Business Day;

---

## 2 Preliminary

### 2.1 Target

Target is:

- (a) a public company limited by shares;
- (b) incorporated in Australia and registered in Western Australia; and



- (c) admitted to the official list of the ASX and Target Shares are officially quoted on the stock market conducted by ASX.

As at 30 May 2018, Target has 2,118,854,285 fully paid ordinary shares:

## **2.2 Bidder**

Bidder is a company incorporated in Bermuda.

## **2.3 If Scheme becomes Effective**

If this Scheme becomes Effective:

- (a) in consideration of the transfer of each Scheme Share to Bidder, Target will procure Bidder to provide the Scheme Consideration to Target on behalf of each Scheme Participant in accordance with the terms of this Scheme and the Deed Poll;
- (b) all Scheme Shares will be transferred to Bidder on the Implementation Date; and
- (c) Target will enter the name of Bidder in the Register in respect of all Scheme Shares transferred to Bidder in accordance with the terms of this Scheme.

## **2.4 Scheme Implementation Agreement**

Target and Bidder have agreed by executing the Scheme Implementation Agreement to implement the terms of this Scheme.

## **2.5 Deed Poll**

Bidder has executed the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to provide the Scheme Consideration.

---

# **3 Conditions precedent**

## **3.1 Conditions precedent to Scheme**

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, each of the Scheme Implementation Agreement and the Deed Poll not having been terminated in accordance with their terms;
- (b) as at 8.00am on the Second Court Date, all of the conditions precedent in clause 3.1 of the Scheme Implementation Agreement having been satisfied or waived (other than the condition precedent in item (c) of clause 3.1 of the Scheme Implementation Agreement) in accordance with the terms of the Scheme Implementation Agreement;
- (c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Target and Bidder having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; and

- (d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

### **3.2 Conditions precedent and operation of clause 5**

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme.

---

## **4 Scheme**

### **4.1 Effective Date**

Subject to clause 4.2 this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

### **4.2 End Date**

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms, unless Bidder and Target otherwise agree in writing.

---

## **5 Implementation of Scheme**

### **5.1 Lodgement of Court orders with ASIC**

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(d) of this Scheme) are satisfied, Target must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme or such later time as Bidder and Target agree in writing.

### **5.2 Transfer and registration of Target Shares**

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 to 6.3 of this Scheme and Bidder having provided Target with written confirmation of the provision of the Scheme Consideration:

- (a) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder without the need for any further act by any Scheme Participant (other than acts performed by Target as attorney and agent for Scheme Participants under clause 8 of this Scheme) by:
  - (i) Target delivering to Bidder a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and
  - (ii) Bidder duly executing the Share Scheme Transfer and delivering it to Target for registration; and

- (b) as soon as practicable after receipt of the duly executed Share Scheme Transfer, Target must enter the name of Bidder in the Register in respect of all Scheme Shares transferred to Bidder in accordance with the terms of this Scheme.

### **5.3 Entitlement to Scheme Consideration**

On the Implementation Date, in consideration for the transfer to Bidder of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

### **5.4 Title and rights in Target Shares**

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 6 of this Scheme, on and from the Implementation Date, Bidder will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by Target of Bidder in the Register as the holder of the Scheme Shares.

### **5.5 Scheme Participants' agreements**

Under this Scheme, each Scheme Participant agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, in accordance with the terms of this Scheme.

### **5.6 Warranty by Scheme Participants**

Each Scheme Participant warrants to Bidder and, to the extent enforceable, is deemed to have authorised Target to warrant to Bidder as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Bidder under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to Bidder under the Scheme.

### **5.7 Transfer free of encumbrances**

To the extent permitted by law, all Target Shares (including any rights and entitlements attaching to those shares) which are transferred to Bidder under this Scheme will, at the date of the transfer of them to Bidder, vest in Bidder free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

### **5.8 Appointment of Bidder as sole proxy**

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.2 and 6.3 of this Scheme, on and from the Implementation Date until Target registers Bidder as the holder of all of the Target Shares in the Register, each Scheme Participant:

- (a) irrevocably appoints Target as attorney and agent (and directs Target in such capacity) to appoint Bidder and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable corporate representative, to attend shareholders' meetings, exercise the votes attaching to Target Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or

vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(a)); and

- (b) must take all other actions in the capacity of the registered holder of Target Shares as Bidder directs.

Target undertakes in favour of each Scheme Participant that it will appoint Bidder and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 5.8(a) of this Scheme.

---

## **6 Scheme Consideration**

### **6.1 Consideration under the Scheme**

The Bidder must pay (or procure the payment of) the Scheme Consideration to the Scheme Participants in accordance with clauses 6.2, 6.3 and 6.4 of this Scheme.

### **6.2 Satisfaction of obligations**

The obligation of Bidder to pay, or procure the payment of the Scheme Consideration pursuant to clause 6.1 of this Scheme will be satisfied by Bidder no later than 2 Business Days before the Implementation Date to deposit (or procure the deposit) in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited will be to Bidder's account).

### **6.3 Payment of Scheme Consideration**

On the Implementation Date, subject to receipt of the Scheme Consideration from Bidder in accordance with clause 6.2 of this Scheme, Target must pay to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to Bidder on the Implementation Date by that Scheme Participant.

Unless otherwise directed by the Scheme Participants before the Record Date, the amounts referred to in this clause 6.3 of this Scheme must be paid by direct credit or sending a cheque drawn on an Australian bank in Australian currency on the Implementation Date to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register at 5.00pm on the Record Date.

### **6.4 Unclaimed monies**

Target may cancel a cheque issued under clause 6.3 of this Scheme if the cheque:

- (a) is returned to Target; or
- (b) has not been presented for payment within 6 months after the date on which the cheque was sent.

During the period of 1 year commencing on the Implementation Date, on request from a Scheme Participant, Target must reissue a cheque that was previously cancelled under this clause 6.4.

## **6.5 Orders of a court**

Without limiting the Bidder's obligations under clause 17.3 of the Scheme Implementation Agreement, in the case of notice having been given to Target (or the Registry) of an order made by a court of competent jurisdiction:

- (a) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.3 of this Scheme, then Target shall be entitled to make that payment (or procure that it is made) in accordance with that order; or
- (b) which would prevent Target from dispatching payment to any particular Scheme Participant in accordance with clause 6.3 of this Scheme, Target will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.3 of this Scheme is permitted by law.

## **6.6 Joint holders**

In the case of Scheme Shares held in joint names any bank cheque required to be paid to Scheme Participants by Bidder must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

---

# **7 Dealings in Scheme Shares**

## **7.1 Determination of Scheme Participants**

To establish the identity of the Scheme Participants, dealings in Scheme Shares will only be recognised by Target if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares on or before 5.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm on the Record Date at the place where the Register is kept.

## **7.2 Register**

Target must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or before 5.00pm on the Record Date.

## **7.3 No disposals after Effective Date**

If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Effective Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

Target will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 5.00pm on the Record Date (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title).

#### **7.4 Maintenance of Target Register**

For the purpose of determining entitlements to the Scheme Consideration, Target will maintain the Register in accordance with the provisions of this clause 7.4 until the Scheme Consideration has been paid to the Scheme Participants and Bidder has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

#### **7.5 Effect of certificates and holding statements**

Subject to provision of the Scheme Consideration and registration of the transfer to Bidder contemplated in clauses 5.2 and 7.4 of this Scheme, any statements of holding in respect of Scheme Shares will cease to have effect after 5.00pm on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of Bidder and its successors in title). After 5.00pm on the Record Date, each entry current on the Register as at 5.00pm on the Record Date (other than entries in respect of Bidder or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

#### **7.6 Details of Scheme Participants**

Within 3 Business Days after the Record Date Target will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 5.00pm on the Record Date are available to Bidder in such form as Bidder reasonably requires.

#### **7.7 Quotation of Target Shares**

Suspension of trading on ASX in Target Shares will occur from the close of trading on ASX on the Effective Date.

#### **7.8 Termination of quotation of Target Shares**

After the Scheme has been fully implemented, Target will apply:

- (a) for termination of the official quotation of Target Shares on ASX; and
- (b) to have itself removed from the official list of the ASX.

---

### **8 Power of attorney**

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints Target and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) executing any document necessary or expedient to give effect to this Scheme including the Share Scheme Transfer;
- (b) enforcing the Deed Poll against Bidder,

and Target accepts such appointment. Target, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 8 to all or any of its directors and officers (jointly, severally, or jointly and severally).

---

## **9 Notices**

### **9.1 No deemed receipt**

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Target's registered office or at the office of the registrar of Target Shares.

### **9.2 Accidental omission**

The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

---

## **10 General**

### **10.1 Variations, alterations and conditions**

Target may, with the consent of Bidder (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to this Scheme which the Court thinks fit to impose.

### **10.2 Further action by Target**

Target will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to implement, and perform its obligations under, this Scheme.

### **10.3 Authority and acknowledgement**

Each of the Scheme Participants:

- (a) irrevocably consents to Target and Bidder doing all things necessary or expedient for or incidental to the implementation of this Scheme; and
- (b) acknowledges that this Scheme binds Target and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Target.

### **10.4 No liability when acting in good faith**

Neither Target nor Bidder, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

### **10.5 Enforcement of Deed Poll**

Target undertakes in favour of each Scheme Participant to enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Participants.

### **10.6 Stamp duty**

- (a) Bidder will: pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme;

- (b) and indemnify each Scheme Participant against any liability arising from failure to comply with paragraph (a).

---

## **11 Governing law**

### **11.1 Governing law and jurisdiction**

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

### **11.2 Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address set out in the Details.



# Scheme Implementation Agreement

## Annexure C Deed Poll

# Deed Poll

Dated

Given by LSF10 Summertime Investments, Ltd ("**Bidder**")

In favour of each registered holder of fully paid ordinary shares in Sino Gas & Energy Limited (ACN 124 242 422) ("**Target**") as at 5.00 pm on the Record Date ("**Scheme Participants**")

**King & Wood Mallesons**

Level 61  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia  
**T** +61 2 9296 2000  
**F** +61 2 9296 3999  
DX 113 Sydney  
[www.kwm.com](http://www.kwm.com)  
Ref : PS/CS/DJ

# Deed Poll

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# Deed Poll

## Details

### Parties

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<b>Bidder</b>	Name	LSF10 Summertime Investments, Ltd
	Registration number	53633
	Formed in	Bermuda
	Address	Washington Mall, Suite 304, 7 Reid, Hamilton HM 11 Bermuda
	Email	pswanger@lonestarfunds.com
	Attention	Sandra Collins and Peter Swanger
	<i>With a copy to:</i>	
	Address:	King & Wood Mallesons Governor Phillip Tower 1 Farrer Place Sydney NSW 2000
	Fax	(02) 9296 3999
	Email	paul.schroder@au.kwm.com
	Attention	Paul Schroder

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<b>In favour of</b>	Each registered holder of fully paid ordinary shares in Target as at 5.00 pm on the Record Date.
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<b>Governing law</b>	New South Wales
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- |                 |          |   |
|-----------------|----------|---|
| <b>Recitals</b> | <b>A</b> | The directors of Target have resolved that Target should propose the Scheme.  |
|                 | <b>B</b> | The effect of the Scheme will be that all Scheme Shares will be transferred to Bidder.  |
|                 | <b>C</b> | Target and Bidder have entered into the Scheme Implementation Agreement.  |
|                 | <b>D</b> | In the Scheme Implementation Agreement, Bidder agreed (amongst other things) to provide the Scheme Consideration to Target on behalf of the Scheme Participants, subject to the satisfaction of certain conditions. |

**E** Bidder is entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform its obligations in relation to the Scheme.

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# Deed Poll

## General terms

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### 1 Definitions and interpretation

#### 1.1 Definitions

Unless the contrary intention appears, these meanings apply:

**Authorised Officer** means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

**Scheme** means the proposed scheme of arrangement between Target and Scheme Participants under which all the Scheme Shares will be transferred to Bidder under Part 5.1 of the Corporations Act, substantially in the form of Annexure A to this deed poll, or as otherwise agreed by Bidder and Target, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act, to the extent they are approved in writing by Target and Bidder in accordance with clause 8 of the Scheme.

**Scheme Implementation Agreement** means the scheme implementation agreement dated 30 May 2018 between Target and Bidder under which, amongst other things, Target has agreed to propose the Scheme to Target Shareholders, and each of Bidder and Target has agreed to take certain steps to give effect to the Scheme.

All other words and phrases used in this document have the same meaning as given to them in the Scheme.

#### 1.2 General interpretation

Clause 1.2 of the Scheme applies to this document.

#### 1.3 Nature of deed poll

Bidder acknowledges that this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not a party to it.

---

### 2 Conditions precedent and termination

#### 2.1 Conditions precedent

Bidder's obligations under clause 4 are subject to the Scheme becoming Effective.

#### 2.2 Termination

Bidder's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date; or

- (b) the Scheme Implementation Agreement is terminated in accordance with its terms.

## 2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) Bidder is released from its obligations to further perform this document except those obligations contained in clause 7.2 and any other obligations which by their nature survive termination; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against Bidder in respect of any breach of this document which occurs before it is terminated.

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## 3 Performance of obligations generally

Bidder must comply with its obligations under the Scheme Implementation Agreement and do all acts and things necessary or desirable on its part to give full effect to the Scheme.

---

## 4 Scheme Consideration

### 4.1 Scheme Consideration

Subject to clause 2, Bidder undertakes in favour of each Scheme Participant to pay the Scheme Consideration to the Trust Account on behalf of each Scheme Participant in accordance with the Scheme.

### 4.2 Manner of payment

Bidder's obligation to provide the Scheme Consideration to Target on behalf of each Scheme Participant is satisfied by Bidder, no later than 2 Business Days before the Implementation Date, depositing in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited will be to Bidder's account).

### 4.3 Joint holders

In the case of Scheme Shares held in joint names any bank cheque required to be paid to Scheme Participants by Bidder must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

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## 5 Representations and warranties

Bidder represents and warrants that:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;

- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
  - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded;
  - (ii) any law binding on or applicable to it or its assets; or
  - (iii) any Encumbrance or document binding on or applicable to it;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms; and
- (f) **(solvency)** is not Insolvent.

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## 6 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder has fully performed its obligations under this document; or
- (b) the earlier termination of this document under clause 2.2.

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## 7 Costs

### 7.1 Costs

Bidder agrees to pay all costs in respect of the Scheme (including, in connection with the transfer of Target Shares to Bidder in accordance with the terms of the Scheme) except for amounts covered by clause 7.2.

### 7.2 Stamp duty and registration fees

Bidder:

- (a) agrees to pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of these amounts); and
- (b) indemnifies each Scheme Participant against for any liability in respect of stamp duty under clause 7.2(a).



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## **8 Notices**

Notices and other communications in connection with this document must be in writing. They must be sent to the address or email address referred to in the Details and (except in the case of email) marked for the attention of the person referred to in the Details. If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

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## **9 General**

### **9.1 Variation**

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

- (a) the variation is agreed to by Target and Bidder in writing; and
- (b) if necessary, the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event Bidder must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

### **9.2 Partial exercising of rights**

Unless this document expressly states otherwise, if Bidder or a Scheme Participant does not exercise a right, power or remedy in connection with this document fully or at a given time, it may still exercise it later.

### **9.3 Remedies cumulative**

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

### **9.4 Assignment or other dealings**

The Bidder and each Scheme Participant may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of Bidder and Target.

### **9.5 Further steps**

Bidder agrees to do anything including executing all documents and do all things (on its own behalf or on behalf of each Scheme Participant) necessary or expedient to give full effect to this document and the transactions contemplated by it.

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## **10 Governing law and jurisdiction**

### **10.1 Governing law and jurisdiction**

The law in force in the place specified in the Details governs this document. Bidder submits to the non-exclusive jurisdiction of the courts of that place.

## **10.2 Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on Bidder by being delivered or left at Bidder's address set out in the Details.

**EXECUTED** as a deed poll

# Deed Poll

## Signing page

DATED: \_\_\_\_\_

EXECUTED by **[Bidder]** in accordance )  
with \_\_\_\_\_ by authority of )  
its directors: )

..... )  
Signature of director )

..... )  
Name of director (block letters) )

..... )  
Signature of director/company )  
secretary )

..... )  
Name of director/company secretary )  
(block letters)

Deed Poll

Annexure A - Scheme