

ASX/Media Release



22 December 2008

FOR IMMEDIATE RELEASE

ARROW AND PURE IN AGREEMENT ON TAKEOVER OFFER

- **Cash and scrip Offer values Pure at \$673 million**
- **Total consideration of \$5.40 per share represents a premium of 81% to Pure's last traded price**
- **Net acquisition cost to Arrow is \$551 million¹**
- **Unanimous recommendation from Pure's independent directors, subject to there being no superior proposal and an independent expert concluding that the Offer is reasonable**
- **Pure's independent directors intend to accept the Offer, subject to there being no superior proposal**

Offer Summary

The Board of Arrow Energy Limited (**Arrow**) is today pleased to announce an agreement with Pure Energy Resources Limited (**Pure**) to make a recommended offer for all issued shares which Arrow does not currently own.

The Offer will comprise cash consideration of \$2.70 for every Pure share plus 1.21 Arrow ordinary shares for every 1 Pure share, valuing Pure at \$673 million (**Offer**). Based on Arrow's 5 day volume weighted average price (**VWAP**) on 19 December 2008 the scrip consideration is valued at \$2.70 per Pure share and the total consideration is valued at \$5.40 per Pure share, representing:

- an 81% premium to Pure's closing share price of \$2.98 on 19 December 2008, being the last day of trading prior to this announcement; and
- a 147% premium to Pure's 1 month VWAP of \$2.19.

¹ *Comprises Arrow's existing 19.9% shareholding (cost \$12.6 million) and cost of remaining 80.1% at Offer price*

The net cash component of the Offer consideration (being \$269 million) will be funded via a combination of Arrow's existing cash reserves and proceeds from Arrow's previously announced sale of 30% of its Australian upstream interests to Shell.

Arrow currently has a 19.9% interest in Pure on a fully diluted basis (after allowing for the exercise of Arrow's existing options and assuming all of Pure's other listed options expiring 31 December 2008 are exercised in full).

The independent directors of Pure unanimously recommend the Offer, subject to there being no superior proposal and an independent expert concluding that the Offer is reasonable.

The independent directors, who together hold approximately 11% on a fully diluted basis² intend to accept the Offer within 14 days of the opening of the Offer period, subject to there being no superior proposal.

Arrow Managing Director, Nick Davies, said today that, if accepted, the Offer would create significant value for both Arrow and Pure shareholders.

Mr Davies said, "The acquisition of Pure and the expanded acreage position it delivers is a logical move for Arrow and is consistent with our strategy to focus on project opportunities with gas resources capable of near term development that will enhance our existing significant Australian coal seam gas business. A combination of Arrow and Pure will drive further upside from Pure's acreage, and provide a commercialisation path for Pure's reserves as a result of Arrow's downstream exposure through both Arrow's existing domestic power generation projects and proposed LNG export projects."

Offer Rationale and Benefits to Pure Shareholders

Arrow is a leading Australian integrated energy company and the largest coal seam gas (CSG) acreage holder in Queensland with interests in over 80,000km² across some of the country's most prospective hydrocarbon basins. Arrow is well positioned to benefit from the significant forecast growth in global demand for energy with interests at all stages of the energy value chain in Australia, and offshore exposure to high growth Asian markets.

² Includes associated entities of the independent directors

By accepting Arrow's Offer, Pure shareholders will receive a substantial premium for their shares and will retain their exposure to CSG through a more advanced, lower risk company with:

- multiple projects in production which delivered earnings before interest and tax, depreciation and amortisation (**EBITDA**) of \$70.5 million for the year ended 30 June 2008;
- greater scale, improved access to funding and greater market liquidity;
- a significant reserves position, including certified and targeted reserves of 183PJ of 1P, 1,395PJ of 2P and 3,939PJ of 3P respectively³;
- more than 37 TCF of net contingent and prospective resources;
- interests in tenements in excess of 105,000km²;
- an experienced management team with proven project development skills;
- a strengthened project pipeline supported by quality global partners which is expected to deliver gas production of in excess of 140 BCF per annum by 2013;
- significant cash reserves to fund growth (approximately A\$700 million following settlement of the Shell transaction and prior to funding the cash component of the Offer); and
- diversity through downstream exposure comprising investments in power generation assets, pipeline infrastructure and proposed liquefied natural gas (**LNG**) projects.

"By accepting the Offer, Pure shareholders will have the opportunity to diversify their interests beyond upstream investments, into Arrow's net 370MW integrated electricity generation portfolio as well as access to Arrow's quality international projects," said Mr Davies.

The acquisition of Pure provides Arrow with control of additional strategically located acreage and reserves in the prospective Walloon Coal Measures in the Surat Basin adjacent to its proposed Surat to Gladstone Pipeline (**SGP**) as well as further acreage in the Bowen Basin adjacent to its proposed Moranbah to Gladstone Pipeline (**MGP**).

Pure has recently certified 394PJ of 2P and 1,241PJ of 3P reserves at its 100% owned Cameron Field in ATP 852P. In the first quarter of calendar 2009, Pure management is targeting additional reserves certification which will take Pure's total 3P reserve position to at least 1,750PJ.

The combined reserves position of Arrow and Pure is approximately 1,395PJ on a 2P basis and 3,939PJ on a 3P basis³. Based on combined reserves and Arrow's previously stated reserve upgrade targets for the period ended 31 December 2008, Arrow's project areas will have more than 2 TCF of gross

³ Includes Arrow certified reserves (net of Shell's 30% interest), Pure's current certified reserves and Pure's targeted upgrades of ~500PJ in the first quarter of 2009

uncontracted 2P reserves which is sufficient to underpin the currently proposed two 1.5 million tonne per annum LNG trains in addition to the reserves already committed to its domestic power stations and existing gas sales agreements.

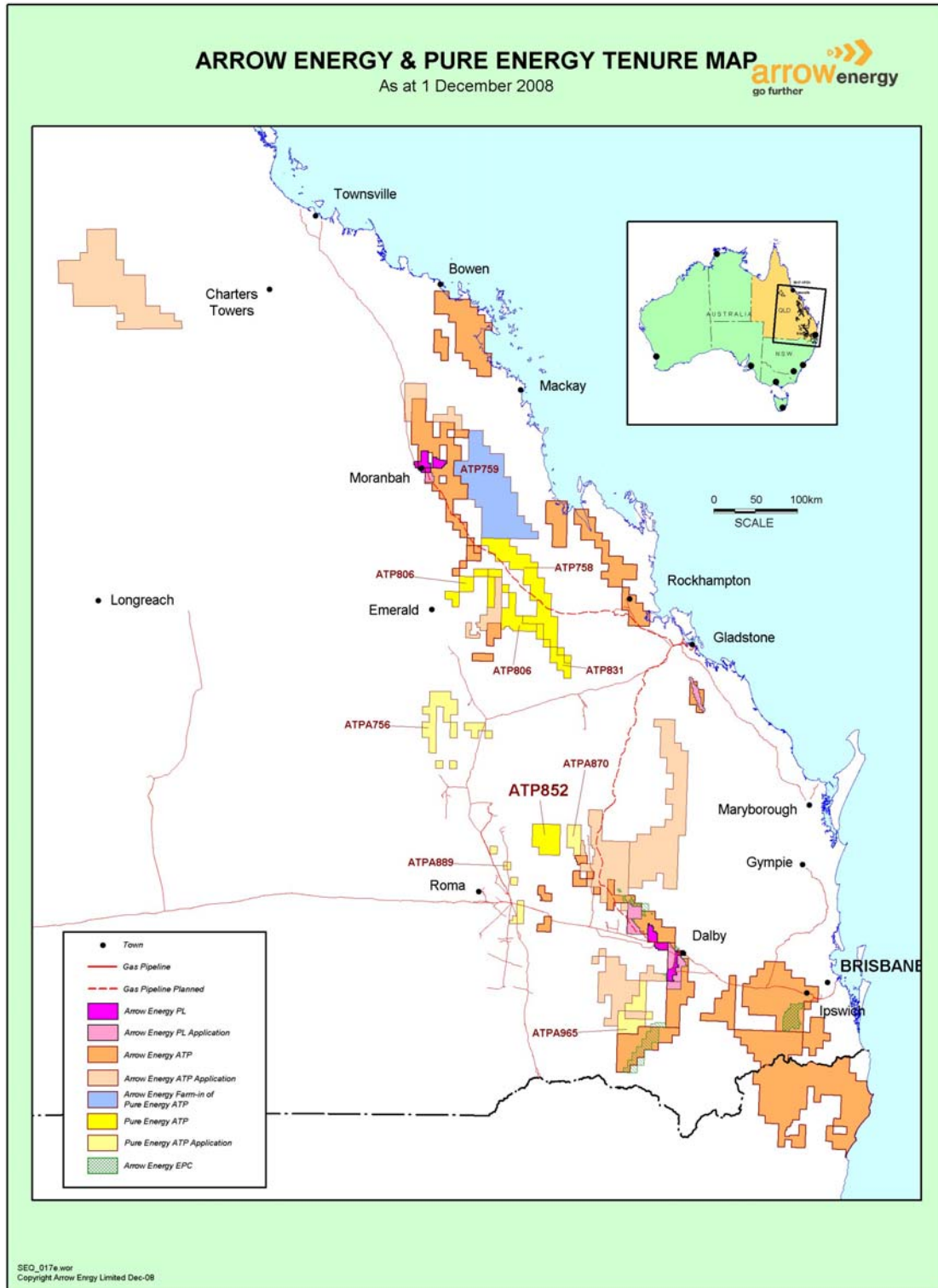
The acquisition of Pure will create value for Arrow shareholders by:

- furthering the execution of Arrow's growth strategy;
- adding projects in the Surat and Bowen Basin with near term reserves (in particular, ATP 852P, ATP 806P and ATP 889P(A)) as well as longer term exploration potential;
- enabling multi-train development of the Gladstone LNG project and the capital and operating efficiencies associated with increased scale;
- providing additional strategically located acreage and reserves adjacent to Arrow's planned MGP and SGP; and
- providing additional reserves to supply into its downstream operations such as the Gladstone LNG project or Braemar 2 Power Station.

"Arrow's acquisition of Pure is a win-win for both Pure and Arrow shareholders. By leveraging its existing shareholding from seeding Pure prior to its initial public offering, Arrow is able to offer a substantial premium to Pure shareholders in recognition of meeting and exceeding its reserve targets, and near-term reserve upgrades," Mr Davies said.

Capital gains tax rollover relief is expected to be available for Pure shareholders in respect of the Arrow shares that they receive under the Offer, subject to Arrow acquiring 80% or more of Pure.

Figure 1 – Joint Tenure Map



Key Offer Conditions

The Offer will be subject to certain conditions which will be set out in the Bidder's Statement that will accompany the Offer.

Key conditions of the Offer will include:

- 90% minimum acceptance;
- No prescribed occurrences;
- No material adverse change in Pure's business or assets;
- No material acquisitions, disposals or new commitments;
- No material change of control rights exercised;
- No distributions; and
- S&P/ASX 200 not closing below 3070 on any three consecutive trading days.

Takeover Implementation Deed

Arrow and Pure have entered into a takeover implementation deed which contains standard no-shop and no-talk provisions and a break fee which is payable in limited circumstances. A copy of the takeover implementation deed is attached in the schedule to this announcement.

Indicative Offer Timing

Arrow is preparing a Bidder's Statement which will be lodged with the Australian Securities and Investments Commission and sent to Pure shareholders in February 2009.

Key Milestone	Date
Takeover Bid Implementation Agreement executed	22 December 2008
Offer jointly announced	22 December 2008
Arrow lodges and serves Bidder's Statement	4 February 2009
Offer opens	11 February 2009
Bidder's Statement to Pure shareholders	11 February 2009
Target's Statement to Pure shareholders	16 February 2009
Initial close of Offer (subject to extension)	11 March 2009

Arrow is being advised by Wilson HTM Corporate Finance and Mallesons Stephen Jaques.

Reserves

Pure's statements relating to 2P and 3P reserves estimates used in this release have been compiled by Mr. John Seidle Ph.D; P.E from MHA Petroleum Consultants, Inc. of Denver, together with the personnel under his supervision. Mr Seidle has previously consented to the inclusion of the information in the ASX announcements by Pure on 26 November 2008 and 16 December 2008.

The Arrow Energy 1P, 2P and 3P reserves estimates used in this release were compiled by Mr. John Hattner of Netherland, Sewell & Associated, Inc., Dallas, and Mr. Gregory Hueni of MHA Petroleum Consultants, Inc., Colorado, and are consistent with the definitions of proved, probable, and possible hydrocarbon reserves that appear in the Australian Stock Exchange (ASX) Listing Rules. Mr. Hattner and Mr Hueni are qualified in accordance with the requirements of ASX Listing Rule 5.11 and consent to the use of the reserve figures in the form and context in which they appear in the ASX announcement by Arrow on 7 October 2008. The resource information in this ASX release has been compiled by Mr Tony Knight, a full-time employee of the Company. Mr Knight is qualified in accordance with ASX Listing Rule 5.11 and has consented to the form and context in which this statement appears in the ASX announcement by Arrow on 7 October 2008.

Contacts

Mr Nick Davies, Chief Executive Officer and Managing Director, Phone +65 9655 2959

Mr Shaun Scott, Chief Executive Officer (Australia), Phone +61 7 3105 3400

Mr Stephen Bizzell, Executive Director, Phone +61 7 3105 3400

About Arrow Energy Limited

Arrow Energy Limited is a leading Australian integrated energy company focused on the development of CSG throughout eastern Australia and Asia. The company's worldwide interests span CSG developments, pipeline assets, electricity generation and investments in LNG projects. Listed on the ASX, Arrow has a market capitalisation in excess of \$1.6 billion and is included in the S&P/ASX 100 index.

Further information in relation to Arrow can be found at www.arrowenergy.com.au.

Takeover Implementation Deed

Dated 22 December 2008

Pure Energy Resources Limited (ACN 115 514 880) ("**Pure**")
Arrow Energy Limited (ACN 078 521 936) ("**Arrow**")

Mallesons Stephen Jaques
Level 30
Waterfront Place
1 Eagle Street
Brisbane Qld 4000
Australia
T +61 7 3244 8000
F +61 7 3244 8999
DX 311 Brisbane
www.mallesons.com

Takeover Implementation Deed

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Takeover Implementation Deed

Details

Parties	Pure and Arrow	
Pure	Name	Pure Energy Resources Limited
	ACN	115 514 880
	Address	Suite 8 66 Mill Point Road South Perth WA 6151
	Telephone	+61 8 9368 5535
	Fax	+61 8 9638 5536
	Attention	Company Secretary
Arrow	Name	Arrow Energy Limited
	ACN	078 521 936
	Address	Level 13 AMP Place 10 Eagle Street BRISBANE QLD 4000
	Telephone	+61 7 3105 3400
	Fax	+61 7 3105 3401
	Attention	Stephen Bizzell / Shaun Scott
Recitals	A	Arrow is proposing to acquire all of the Pure Shares under a Takeover Bid.
	B	Pure and Arrow have agreed to co-operate with each other in relation to the Takeover Bid on the terms of this deed.
Governing law	Queensland	
Date of deed	See Signing page	

Takeover Implementation Deed

General terms

1 Definitions and interpretation

1.1 Definitions

The following words have these meanings in this deed unless the contrary intention appears.

31 December 2008 Options means the options in connection with Pure Shares which expire on 31 December 2008.

ACCC means the Australian Competition and Consumer Commission.

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

Amount of the Consideration means:

- (a) the amount of any payment in connection with a supply; and
- (b) in relation to non-monetary consideration in connection with a supply, the GST exclusive market value of that consideration as reasonably determined by the supplier.

Announcement is defined in clause 10.

Announcement Date is the date the Takeover Bid is announced in accordance with clause 10.

Arrow Distribution Condition is the obligation in clause 4.4(b).

Arrow Material Adverse Change means an event or circumstance or matter that will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of Arrow and its subsidiaries as a whole (after taking into account any matters which offset the impact of the event or events giving rise to the adverse effect), other than:

- (a) those required to be done or procured by Arrow pursuant to this deed;
- (b) a change in general economic or political conditions or the securities markets in general;
- (c) a change in generally accepted accounting principles or the interpretation of them; or
- (d) an event, circumstance, matter or information that is fairly disclosed, or that is reasonably apparent on its face as potentially to flow from the event, occurrence, matter or information that is fairly disclosed, in information provided by Arrow to Pure or its Representatives, or is otherwise known to Pure or its Representatives on or prior to the date

of this deed or otherwise disclosed in public filings by Arrow or any of its Related Bodies Corporate with ASIC or provided to ASX on or prior to the date of this deed.

Arrow Prescribed Occurrence means (other than as required or contemplated by this deed or the Takeover Bid) the occurrence of any of the following in respect of Arrow:

- (a) Arrow converts all or any of its shares into a larger or smaller number of shares;
- (b) Arrow or a subsidiary resolves to reduce its share capital in any way;
- (c) Arrow 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 section 257D(1) of the Corporations Act;
- (d) Arrow or a subsidiary issues shares (except in relation to any options disclosed in the latest Appendix 3B issued by Arrow prior to the date of this deed), or grants an option over its shares, or agrees to make such an issue or grant such an option where such issue, grant or agreement relates (on an aggregate basis) to more than 5% of the total issued share capital in Arrow as at the date of this deed;
- (e) Arrow or a subsidiary issues, or agrees to issue, convertible notes;
- (f) Arrow or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property (other than the proposed disposal to Shell which as at the date of this deed has been publicly announced);
- (g) except in the ordinary course of its business, Arrow or a subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) Arrow or a subsidiary resolves to be wound up;
- (i) a liquidator or provisional liquidator of Arrow or of a subsidiary is appointed;
- (j) a court makes an order for the winding up of Arrow or of a subsidiary;
- (k) an administrator of Arrow or of a subsidiary is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (l) Arrow or a subsidiary executes a deed of company arrangement; or
- (m) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of Arrow or of a subsidiary.

Arrow Share means a fully paid ordinary share in Arrow.

ASIC means the Australian Securities and Investments Commission.

Authorised Officer means, in respect of a party, a director or secretary of the party or any other person appointed by a party to act as an Authorised Officer under this deed.

Bidder's Statement means the bidder's statement to be issued by Arrow in respect of the Takeover Bid.

Break Fee means:

- (a) A\$2,000,000 (exclusive of GST, if any is payable) where a Break Fee is payable under clause 7 and the trigger for payment is in clauses 7.2(c), 7.2(d) or 7.2(e); or
- (b) A\$6,720,000 (exclusive of GST, if any is payable) where a Break Fee is payable under clause 7 and the trigger for payment is in clauses 7.2(a) or 7.2(b).

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in Brisbane, Australia.

Business Hours means from 9.00am to 5.00pm on a Business Day.

Competing Bid means any proposal or transaction (whether by way of takeover bid, scheme of arrangement or capital reconstruction that the proponent is required to proceed with pursuant to section 631 of the Corporations Act or pursuant to an agreement with Pure) and that, if completed, would mean:

- (a) a person other than Arrow and its related entities would acquire a relevant interest in more than 20% of Pure Shares; or
- (b) all or a material part of the business assets or undertaking of Pure is acquired by a person who is not a party to this deed.

Conditions means the conditions to the Offer which are described in Schedule 1.

Confidentiality Agreement means the agreement of that name entered into by Pure and Arrow on 19 December 2008.

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

Details means the section of this deed headed "Details".

Exclusivity Agreement means the agreement between Pure and Arrow dated 19 November 2008.

Exclusivity Period means the period commencing on the date of the Exclusivity Agreement and ending on the earlier of termination of the deed and 30 April 2009.

GST means a goods and services or similar tax imposed in Australia.

GST Act means the A New Tax System (Goods and Services Tax) Act 1999 (Cwlth).

Higher Competing Bid means a Competing Bid that:

- (a) is actually proposed or offered; and
- (b) is, in the reasonable opinion of the majority of the board of directors of Pure (which opinion is reasonably formed in good faith in reliance on specific legal and other appropriate advice) a more favourable proposal than the Offer.

Independent Expert means the independent expert to be engaged by Pure to prepare an expert's report to be included in the Target's Statement.

Input Tax Credit has the meaning it has in the GST Act.

Lodgement Date means the date Arrow lodges the Bidder's Statement with ASIC.

Offer means each offer to acquire Pure Shares to be made by Arrow to each Pure Shareholder under the Takeover Bid on terms consistent with this deed.

Offer Date means:

- (a) the date the Bidder's Statement is first despatched to Pure Shareholders in accordance with the indicative timetable in clause 5.6; or
- (b) such other date agreed on in writing by the parties.

Offer Period means the period during which the Offer is open for acceptance.

Officers means, in relation to an entity, its directors, officers, partners and employees.

Pure Board means the board of directors of Pure.

Pure Material Adverse Change means an event or circumstance or matter that will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of Pure and its subsidiaries as a whole (after taking into account any matters which offset the impact of the event or events giving rise to the adverse effect), including as a result of making the Offer or the acquisition of Pure Shares pursuant to the Offer but other than:

- (a) a change in general economic or political conditions or the securities markets in general;
- (b) a change in generally accepted accounting principles or the interpretation of them; or

- (c) an event, circumstance, matter or information that is fairly disclosed, or that is reasonably apparent on its face as potentially to flow from the event, occurrence, matter or information that is fairly disclosed, in information provided by Pure to Arrow or its Representatives, or is otherwise known to Arrow or its Representatives on or prior to the date of this deed or otherwise disclosed in public filings by Pure or any of its Related Bodies Corporate with ASIC or provided to ASX on or prior to the date of this deed.

For these purposes, a “specified event” is:

- (d) an event or occurrence that occurs during the Offer Period;
- (e) an event or occurrence that occurs prior to the Offer Period but is only announced or publicly disclosed during or after the Announcement Date; or
- (f) an event or occurrence that will or is likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date.

Pure Prescribed Occurrence means (other than as required or contemplated by this deed or the Takeover Bid) the occurrence of any of the following in respect of Pure:

- (a) Pure converts all or any of its shares into a larger or smaller number of shares;
- (b) Pure or a subsidiary resolves to reduce its share capital in any way;
- (c) Pure 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 section 257D(1) of the Corporations Act;
- (d) Pure or a subsidiary issues shares (except in relation to Pure Shares issued pursuant to the exercise of the 31 December 2008 Options), or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) Pure or a subsidiary issues, or agrees to issue, convertible notes;
- (f) Pure or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Pure or a subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) Pure or a subsidiary resolves to be wound up;
- (i) a liquidator or provisional liquidator of Pure or of a subsidiary is appointed;

- (j) a court makes an order for the winding up of Pure or of a subsidiary;
- (k) an administrator of Pure or of a subsidiary is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (l) Pure or a subsidiary executes a deed of company arrangement; or
- (m) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of Pure or of a subsidiary.

Pure Share means a fully paid ordinary share in Pure.

Pure Shareholder means a holder of one or more Pure Shares.

Regulatory Authority means a government or a governmental, semi-governmental or judicial entity or authority. It includes, without limitation, a self-regulatory organisation established under statute or a stock exchange, ASIC, ASX, ACCC, the Foreign Investment Review Board and the Australian Taxation Office.

Related Bodies Corporate has the meaning given in the Corporations Act.

Representatives of a party includes:

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

but in respect of Arrow, excludes Shaun Scott and Andrew Purcell in their capacity as directors of Pure only.

Takeover Bid means off-market takeover bid for all Pure Shares to be implemented in compliance with Chapter 6 of the Corporations Act.

Target's Statement means the target's statement to be issued by Pure in respect of the Takeover Bid.

VWAP means the volume weighted average price for Pure Shares or Arrow Shares, as the case may be, traded on the ASX over a specified period.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this deed to:

- (a) **(variations or replacement)** a document (including this deed) includes any variation or replacement of it;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this deed;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;
- (g) **(executors, administrators, successors)** a particular person includes a reference to the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(two or more persons)** an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (i) **(jointly and individually)** an agreement, representation or warranty by two or more persons binds them jointly and each of them individually;
- (j) **(reference to a group of persons)** a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (k) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (l) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (m) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (n) **(accounting terms)** an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia;
- (o) **(meaning not limited)** the words “including”, “for example” or “such as” when introducing an example, does not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (p) **(time of day)** time is a reference to Brisbane time.

1.3 Next Business Day

If an event under this deed must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.

1.4 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this deed.

2 Conditions precedent and pre-implementation steps

2.1 Conditions precedent to implementation of this deed

The obligations of the parties under this deed are subject to the satisfaction of each of the following conditions precedent to the extent and in the manner set out in this clause:

- (a) **(Pure Board approval)** Arrow receiving written confirmation from Pure of the matters set out in clause 5.4; and
- (b) **(no Pure Prescribed Occurrence)** no Pure Prescribed Occurrence occurs between the date of this deed and 8.00am on the Offer Date.

2.2 Nature of conditions precedent

The obligations of the parties under this deed are subject to the satisfaction or waiver of the conditions precedent in clauses 2.1.

2.3 Waiver of conditions precedent

- (a) The conditions precedent in clauses 2.1(a) and 2.1(b) are for the sole benefit of Arrow and any non-fulfilment may only be waived by Arrow giving its written consent.
- (b) A party entitled to waive a condition precedent pursuant to this clause 2.3 may do so in its absolute discretion.
- (c) If a party waives the breach or non-fulfilment of any of the conditions precedent in clause 2.3, that waiver will not preclude it from suing the other party for any breach of this deed including without limitation a breach that resulted in the non-fulfilment of the condition precedent that was waived.

2.4 Best endeavours

Each of the parties will use their best endeavours to procure that:

- (a) each of the conditions precedent in clause 2.1 is satisfied as soon as practicable after the date of this deed or 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 within the reasonable control of Pure or Arrow (as the context requires) or their subsidiaries that would prevent the conditions precedent in clause 2.1 being satisfied.

2.5 Notice of failure to satisfy conditions precedent

- (a) Each party must promptly give the other notice of a failure to satisfy a condition precedent in clause 2.1 or of any event that will prevent a condition precedent in clause 2.1 being satisfied.
- (b) Pure or Arrow (as the case may be) will give written notice to the other party as soon as reasonably practicable (and in any event before 8.00am on the Offer Date) as to whether or not it waives the breach or non-fulfilment of any condition precedent of this deed resulting from the occurrence of that event, specifying the condition precedent in question.
- (c) A waiver of such breach or non-fulfilment in respect of one condition precedent of this deed will not constitute:
 - (i) a waiver of breach or non-fulfilment of any other condition precedent of this deed resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that condition precedent resulting from any other event.

2.6 Conditions precedent not met

- (a) If any of the conditions precedent contained in clause 2.1 is not satisfied or waived by 8.00am on the Offer Date for its satisfaction, then the parties will consult in good faith:
 - (i) with a view to determining whether the Takeover Bid may proceed by way of alternative means or methods; or
 - (ii) to extend the date for satisfaction of the relevant condition precedent,and agree a course of action that achieves either of paragraphs (i) or (ii) above.
- (b) If the parties are unable to reach agreement under clause 2.6(a) within 5 Business Days after the date of the notice in clause 2.5(b), then unless that condition is waived in accordance with clause 2.3, any party may terminate this deed without any liability to the other party by reason of that termination alone unless the relevant occurrence or the failure of the condition precedent to be satisfied or arises out of a breach by the terminating party of this deed.

3 Provision of information

Each party agrees that it will provide to the other such information as is reasonably needed by the other party (or the Independent Expert) in order to enable the other party to prepare the Bidder's Statement and the Target's Statement (and the Independent Expert's Report).

4 The Offer

4.1 Offer by Arrow

Arrow must, by no later than the Offer Date, and in any event as soon as reasonably practicable, make Offers to all Pure Shareholders in respect of all of their Pure Shares (including any Pure Shares issued on exercise of the 31 December 2008 Options) on the terms of this deed and otherwise in accordance with all applicable provisions of the Corporations Act.

4.2 Consideration

The consideration offered by Arrow to a Pure Shareholder will be:

- (a) 1.21 Arrow Shares for every one Pure Share; and
- (b) A\$2.70 cash for every one Pure Share.

Any entitlement to a fraction of an Arrow Share will be rounded up to the nearest whole number.

The terms of the Offer will provide for payment of consideration on or before 14 days of the later of receipt of acceptance or the Offer becoming unconditional.

4.3 Conditions of the Offer

- (a) The Offer and any contract which results from its acceptance will be subject to the Conditions.
- (b) Arrow must use all reasonable endeavours to satisfy the Conditions as soon as practicable after the date of this deed as though the Offer Period began on the date of this deed.
- (c) Pure must use all reasonable endeavours to ensure that the Conditions in paragraphs (b) (No Pure Prescribed Occurrence), (e) (No material acquisitions, disposals or new commitments) and (j) (Pure approvals) of Schedule 1 are not breached prior to the end of the Offer Period, provided that nothing in this clause or this deed restricts Pure and its directors from taking any action which the directors reasonably consider to be in the best interests of Pure.

4.4 Arrow Conditions

During the period starting on the date of this deed and ending at the end of the Offer Period, Arrow will ensure that:

- (a) no Arrow Prescribed Occurrence occurs; and
- (b) it will not make or declare, or announce an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).

4.5 Reasonable efforts to conclude Offer

Each party agrees to do such things as are reasonably necessary to ensure that the Offer Period does not exceed two months, and, if it does, to do such things as are reasonably necessary to bring Offer Period to an end as expeditiously as possible.

5 Recommendation and documentation

5.1 Arrow's obligations to prepare documentation

- (a) Arrow must prepare for the Offer:
 - (i) the Bidder's Statement; and
 - (ii) an acceptance form for the Offer,in each case consistent with clause 4.2 and in accordance with the Corporations Act.
- (b) Arrow agrees to do and to procure its Officers to do such things as are reasonably necessary to expedite the preparation of the Bidder's Statement, its lodgement with ASIC and despatch to Pure Shareholders, subject to ASIC granting any necessary waivers.

5.2 Pure's obligations to prepare documentation

- (a) Pure must prepare the Target's Statement in response to the Offer consistent with clause 4.2 and in accordance with the Corporations Act.
- (b) Pure agrees to lodge the Target's Statement no later than 7 days after it has received from Pure a notice that all offers have been sent to Shareholders as is required by item 6 of section 633 of the Corporations Act.

5.3 Independent Expert's report

Arrow acknowledges that Pure will be obtaining an Independent Expert's report which will be sent to Pure Shareholders together with its Target's Statement.

5.4 Directors' recommendations

Prior to entering into this deed, Pure has been advised by each of its directors (other than Mr Andrew Purcell) that they intend to recommend the Offer to Pure Shareholders subject to there being no Higher Competing Bid and the Independent Expert opining that the Offer is reasonable.

5.5 Sharing statements

Arrow agrees that it will provide an advanced draft of its Bidder's Statement to Pure and Pure agrees that it will provide an advanced draft of its Target's Statement to Arrow as soon as reasonably practicable and, in any event not less than 4 Business Days before that statement is due to be despatched for

printing and each party agrees that it will take prompt steps to make such changes to its statement as are reasonably required by the other.

5.6 Dispatch of offer

- (a) Each party agrees to use its best endeavours to comply with the following timetable:

22 December 2008	Announcement of Takeover Bid.
30 January 2009	Arrow provides advanced draft bidder's statement to Pure.
4 February 2009	Arrow lodges its bidder's statement with ASIC and ASX and serves it on Pure.
11 February 2009	Arrow despatches its bidder's statement to shareholders. Pure provides an advanced draft Target's Statement to Arrow.
16 February 2009	Pure lodges its Target's Statement (and independent expert's report) with ASIC and ASX, serves it on Arrow and despatches to shareholders.

- (b) Pure agrees that the offers and accompanying documents to be sent by Arrow under the Takeover Bid under Item 6 of section 633(1) of the Corporations Act may be sent 1 week earlier than the date for sending under Item 6 of section 633(1) of the Corporations Act.

6 Exclusivity

6.1 No existing discussions

Pure represents and warrants that, other than the discussions with Arrow in respect of the Takeover Bid, it is not currently in negotiations or discussions in respect of any Competing Bid with any person. From the date of this deed, Pure will promptly enforce the terms of any confidentiality agreement entered into prior to the date of this deed with a party other than Arrow in relation to a Competing Bid and will immediately request the return of all Pure Confidential Information from any such party.

6.2 No-shop

During the Exclusivity Period, Pure must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly:

- (a) solicits, invites, facilitates, encourages or initiates any enquiries, negotiations or discussions; or
- (b) communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Bid.

Nothing in this clause 6.2 prevents Pure 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 Takeover Bid or its business generally.

6.3 No-talk

Subject to clause 6.4, during the Exclusivity Period, Pure must ensure that neither it nor any of its Related Bodies Corporate or Representatives:

- (a) negotiates or enters into; or
- (b) participates in negotiations or discussions with any other person regarding,

a Competing Bid, even if that person's Competing Bid was not directly or indirectly solicited, invited, facilitated, encouraged or initiated by Pure or any of its Related Bodies Corporate or Representatives or the person has publicly announced the Competing Bid.

6.4 Notice of unsolicited approach

During the Exclusivity Period, Pure must promptly inform Arrow if it or any of its Related Bodies Corporate or Representatives:

- (a) receives any unsolicited approach with respect to any Competing Bid;
- (b) where Pure receives a Higher Competing Bid, subject to the directors fiduciary duties, must disclose in writing to Arrow reasonable details of the Competing Bid, namely of the value and conditions of the Higher Competing Bid, to allow Arrow to properly exercise its right under clause 6.5;
- (c) receives any request for information relating to Pure 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 Pure or any of its Related Bodies Corporate, which Pure has reasonable grounds to suspect may relate to a current or future Competing Bid; and
- (d) provides any information relating to Pure 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 Bid.

6.5 Arrow opportunity to match

If Pure or any of its Related Bodies Corporate or Representatives receives an unsolicited approach with respect to a Higher Competing Bid during the Exclusivity Period, Arrow may (in its sole discretion) match or better that Higher Competing Bid by giving written notice to Pure of such offer anytime within 2 Business Days of receipt of the notification given by Arrow under clause 6.4(a).

6.6 Exceptions to no-talk

Clause 6.3 does not apply to the extent that it restricts Pure or the Pure Board from taking or refusing to take any action with respect to a bona fide Competing Bid (which was not solicited, invited, facilitated, encouraged or initiated by Pure in contravention of clause 6.2) provided that the Pure Board has determined, in good faith and acting reasonably that:

- (a) after consultation with its financial advisors, such a bona fide Competing Bid could reasonably be considered to become a Higher Competing Bid; and
- (b) after receiving written advice from Freehills or another national law firm, Queen's Counsel or Senior Counsel, that failing to respond to such a bona fide Competing Bid would be reasonably likely to constitute a breach of the Pure Board's fiduciary or statutory obligations.

6.7 Conduct after Competing Bid

Should Pure or the Pure Board negotiate or participate in discussions in respect of a Competing Bid in reliance upon the circumstances in clause 6.6, Pure must provide Arrow with copies of all material given to the maker of the Competing Bid unless either:

- (a) that material has already been provided to Arrow; or
- (b) Pure receives legal advice that to do so would be reasonably likely to constitute a breach of the Pure Board's fiduciary or statutory obligations, and then only to the extent of material that may not breach those duties.

6.8 Legal advice

Pure acknowledges that it has received legal advice on this deed and the operation of this clause 6.

7 Break Fee

7.1 Rationale

Pure acknowledges and agrees, for the purposes of this clause 7 as follows.

- (a) Arrow has required the inclusion of this clause 7, in the absence of which it would not have entered into this deed or otherwise agreed to implement the Takeover Bid.
- (b) Pure and the Pure Board believe that the Takeover Bid will provide significant benefits to it and its members and that it is reasonable and appropriate that it agrees to the inclusion of this clause 7, in order to secure Arrow's execution of this deed and its agreement to implement the Takeover Bid.
- (c) The amount payable by Pure pursuant to clause 7.2 is an amount to compensate Arrow for the following:

- (i) reasonable advisory costs relating to the Takeover Bid;
- (ii) reasonable out-of-pocket expenses relating to the Takeover Bid; and
- (iii) commitment fees and other financing costs relating to financing of the Takeover Bid.

7.2 Payment of Break Fee

Subject to Arrow's compliance with its obligations in clauses 4.1, 4.2, 4.4 and 8.1(e) and subject to clause 7.3, Pure agrees to pay Arrow a Break Fee if, at any time during the Exclusivity Period, any of the following circumstances occur:

- (a) a Competing Bid is announced and, during the Exclusivity Period or within 6 months of the end of the Exclusivity Period:
 - (i) the maker of the Competing Bid acquires a relevant interest in more than 50% of the Pure Shares; and
 - (ii) the Competing Bid becomes unconditional;
- (b) a third party acquires or agrees with Pure to acquire the whole or a substantial part of the assets of Pure and its subsidiaries or enters into a farm-in type agreement;
- (c) any director of Pure (other than Mr Andrew Purcell) does not recommend the Takeover Bid to Pure Shareholders or, having recommended it, withdraws his or her recommendation of the Takeover Bid unless this deed has already been terminated by Pure under clause 9;
- (d) any director of Pure (other than Mr Andrew Purcell) recommends a Competing Bid or an offer by a third party to acquire a substantial part of Pure and its subsidiaries businesses unless this deed has already been terminated by Pure under clause 9; or;
- (e) Arrow terminates this deed in accordance with clause 9.1(a), for a material breach by Pure of its obligations under clause 6.

7.3 No Break Fee

Notwithstanding any other provision of this deed, no Break Fee will be payable if:

- (a) the Independent Expert has opined that the Offer is not fair and not reasonable; or
- (b) any director of Pure has changed or withdrawn his recommendation of the Takeover Bid or recommended a Competing Bid or an offer by a third party to acquire a substantial part of Pure and its subsidiaries businesses and any one of the following has occurred any time after the date of this deed:

- (i) the Arrow 5 day VWAP has fallen by more than 25% below the 5 day VWAP referred to in the Announcement;
- (ii) an Arrow Material Adverse Change has occurred;
- (iii) an Arrow Prescribed Occurrence has occurred or the Arrow Distribution Condition has been breached; or
- (iv) Pure terminates this deed in accordance with clause 9.

7.4 Payment

The payment of the Break Fee to Arrow as provided for in clause 7.2 (and subject to clause 7.3 not applying), must be made:

- (a) if there is no Higher Competing Bid, within 10 Business Days after the occurrence of the event referred to in clause 7.2 and Arrow gives notice to Pure that it requires payment; and
- (b) if there is a Higher Competing Bid, within 30 Business Days after the occurrence of the event referred to in clause 7.2 and Arrow gives notice to Pure that it requires payment.

7.5 Exclusive Remedy

Notwithstanding any other provision under this deed, where a Break Fee becomes payable to Arrow (or would be payable if a demand was made), Arrow cannot make any claim against Pure in relation to an event referred to in clause 7.2 or for any material breach of this deed other than for payment of the Break Fee.

7.6 Refund

If, notwithstanding the occurrence of any of the events referred to in clause 7.2, Arrow ultimately declares the Offer to be unconditional and becomes the holder of not less than 50% of Pure's share capital as a result of the Takeover Bid, Arrow must repay to Pure any amount received by it under clause 7.

8 Warranties

8.1 Arrow Warranties

Arrow represents and warrants to Pure that as at the date of this deed and at all times until the end of the Offer Period:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) the execution and delivery of this deed by Arrow has been properly authorised by all necessary corporate action and Arrow has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed;

- (c) (subject to the laws generally affecting creditors' rights and the principles of equity) this deed constitutes legal valid and binding obligations on it and execution of this deed will not result in a breach of or default under Arrow's constitution or any agreement or deed or writ, order or injunction, rule or regulation to which Arrow 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;
- (d) the Arrow Shares to be offered as consideration under clause 4.2(a) will be duly authorised and validly issued, fully paid, not liable to the imposition of any duty and be free of all encumbrances, security interests and third party rights and will rank equally with all other Arrow Shares;
- (e) it has complied with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act and is not as at the time of the Announcement relying on any of the exceptions in ASX Listing Rule 3.1A to avoid making a disclosure of any information to the market; and
- (f) as at the date of this deed it has 704,520,653 shares and 12,865,281 options on issue and Arrow has no other securities on issue and has not agreed to issue any other securities (other than pursuant to the Offer).

8.2 Arrow indemnity

Arrow agrees with Pure to indemnify Pure and keep Pure indemnified against all claims liabilities and losses which it may suffer or incur by reason of any breach of any of the warranties in clause 8.1.

8.3 Pure Warranties

Pure represents and warrants to Arrow that as at the date of this deed and at all times until the end of the Offer Period:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) the execution and delivery of this deed by Pure has been properly authorised by all necessary corporate action and Pure has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed;
- (c) (subject to the laws generally affecting creditors' rights and the principles of equity) this deed constitutes legal valid and binding obligations on it and execution of this deed will not result in a breach of or default under Pure's constitution or any agreement or deed or writ, order or injunction, rule or regulation to which Pure 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;

- (d) it will continue to operate the business of Pure in the usual and ordinary course as regards its nature, scope and manner and in accordance with its usual business practices; and
- (e) it has complied with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

8.4 Pure indemnity

Pure agrees with Arrow to indemnify and keep Arrow indemnified against all claims liabilities and losses which it may suffer or incur by reason of any breach of any of the warranties in clause 8.3.

9 Termination

9.1 Termination rights

This deed may be terminated by either party by notice to the other party:

- (a) if the other party is in material breach of this deed and that breach is not remedied by that other party within 10 Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;
- (b) if Arrow withdraws the Takeover Bid for any reason including non-satisfaction of a Condition; or
- (c) in accordance with clause 2.6(b).

For the purposes of clause 9.1(a), Arrow will only be in material breach of this deed in the event of the occurrence of any of the events described in clause 9.3.

9.2 Termination by Arrow

This deed may be terminated by Arrow by notice in writing to Pure if:

- (a) a Higher Competing Bid is made or publicly announced for Pure by a third party;
- (b) any member of the board of directors of Pure does not recommend the Takeover Bid be accepted by Pure Shareholders or having recommended the Takeover Bid changes his or her recommendation in relation to the Takeover Bid; or
- (c) if Pure breaches a representation or warranty contained in clause 8.3 and the breach results in or discloses a Pure Material Adverse Change.

9.3 Termination by Pure

This deed may be terminated by Pure by notice in writing to Arrow if:

- (a) Arrow breaches a representation or warranty contained in clause 8.1 and the breach results in or discloses an Arrow Material Adverse Change; or
- (b) the Arrow 5 day VWAP has fallen by more than 25% below the 5 day VWAP referred to in the Announcement; or
- (c) an Arrow Prescribed Occurrence has occurred or the Arrow Distribution Condition has been breached.

9.4 Effect of termination

If this deed is terminated by another party under this clause 9:

- (a) each party will be released from its obligations under this deed except its obligations under clauses 7, 12 and 17.13;
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this deed; and
- (c) in all other respects, all future obligations of the parties under this deed will immediately terminate and be of no further force or effect, including, without limitation, any further obligations in respect of the Takeover Bid.

10 Announcement of Takeover Bid

Immediately after the execution of this deed, Pure and Arrow must each make a separate public announcement concerning the Takeover Bid substantially in the form set out in Schedule 2.

11 Notices

11.1 Form

Unless expressly stated otherwise in this deed, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed must be in writing, signed by the sender (if an individual) or an Authorised Officer of the sender and 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.

11.2 Delivery

They must be:

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

However, if the intended recipient has notified a changed postal address or changed fax number, then the communication must be to that address or number.

All notices, certificates, consents, approvals, waivers and other communications in connection with this deed which are given to Pure must be copied (for information purposes only) to:

Neil Pathak
Freehills
101 Collins Street
Melbourne
Vic 3000

Fax: +61 3 9288 1567

Email: neil.pathak@freehills.com

11.3 When effective

They take effect from the time they are received unless a later time is specified.

11.4 Receipt - post

If sent by post, they are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

11.5 Receipt - fax

If sent by fax, they are taken to be received at the time shown in the transmission report as the time that the whole fax was sent.

11.6 Receipt - general

Despite clauses 11.4 and 11.5, if they are received after 5.00pm in the place of receipt or on a non-Business Day, they are to be taken to be received at 9.00am on the next Business Day.

12 Goods and services tax (GST)

12.1 Recovery of GST

If a supply under this deed is subject to GST, the recipient must pay to the supplier an additional amount equal to the Amount of the Consideration multiplied by the applicable GST rate.

12.2 Time of payment

The additional amount is payable at the same time as the consideration for the supply is payable or is to be provided. However, the additional amount need not be paid until the supplier gives the recipient a Tax Invoice.

12.3 Adjustment of additional amount

If the additional amount differs from the amount of GST payable by the supplier, the parties must adjust the additional amount.

12.4 Reimbursement

If a party is entitled to be reimbursed or indemnified under this deed, the amount to be reimbursed or indemnified does not include any amount for GST for which the party is entitled to an Input Tax Credit.

13 No partnerships

Nothing contained or implied in this deed constitutes a party the partner, agent, or legal representative of another party for any purpose or creates any partnership, agency or trust, and no party has any authority to bind another party in any way.

14 Severability

If the whole or any part of a provision of this deed is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this deed 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 deed or is contrary to public policy.

15 Entire agreement

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

16 Counterparts

This deed may be executed in counterparts. All counterparts when taken together are to be taken to constitute one instrument.

17 General

17.1 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this deed expressly states otherwise.

17.2 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

17.3 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this deed.

17.4 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

17.5 Conflict of interest

The parties' rights and remedies under this deed may be exercised even if this involves a conflict of duty or a party has a personal interest in their exercise.

17.6 Remedies cumulative

The rights and remedies provided in this deed are in addition to other rights and remedies given by law independently of this deed.

17.7 Rights and obligations are unaffected

Rights given to the parties under this deed and the parties' liabilities under it are not affected by anything which might otherwise affect them by law.

17.8 Variation and waiver

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

17.9 No merger

The warranties, undertakings and indemnities in this deed do not merge on completion of any transaction contemplated by this deed.

17.10 Indemnities

The indemnities in this deed are continuing obligations, independent from the other obligations of the parties under this deed and continue after this deed ends. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity under this deed.

17.11 Further steps

Each party agrees, at its own expense, to do anything the other party asks (such as obtaining consents, signing and producing documents and getting documents completed and signed):

- (a) to bind the party and any other person intended to be bound under this deed; and
- (b) to show whether the party is complying with this deed.

17.12 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 deed or any part of it.

17.13 Costs

The parties agree to pay their own legal and other costs and expenses in connection with the preparation, execution and completion of this deed and other related documentation.

17.14 Inconsistent law

To the extent permitted by law this deed prevails to the extent it is inconsistent with any law.

17.15 Supervening legislation

Any present or future legislation which operates to vary the obligations of a party in connection with this deed 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 Governing law

This deed is governed by the law in force in the place specified in the Details. Each party submits to the non-exclusive jurisdiction of the courts of that place.

EXECUTED as a deed.

Takeover Implementation Deed

Schedule 1 - Conditions to the Offer

The Offer, and any contract resulting from the acceptance of the Offer, are subject to the following conditions:

- (a) **(90% minimum acceptance condition)** Arrow receiving acceptance of the Offer in respect of 90% of the Pure Shares;
- (b) **(no Pure Prescribed Occurrences)** there not occurring a Pure Prescribed Occurrence during the Offer Period;
- (c) **(no Pure Material Adverse Changes)** there not occurring a Pure Material Adverse Change during the Offer Period;
- (d) **(no restraining orders)** that between the Announcement Date and the end of the Offer Period:
 - (i) there is not in effect any preliminary or final decision, order or decree issued by a Regulatory Authority; and
 - (ii) no application is made to any Regulatory Authority (other than by any member of Arrow), or action or investigation is announced, threatened or commenced by a Regulatory Authority,

in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:

- (iii) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Arrow in respect of Pure and the Pure Shares to be acquired under the Offer; or
 - (iv) requires the divestiture by Arrow of any Pure Shares, or the divestiture of any assets of Pure or its Related Bodies Corporate, Arrow or its Related Bodies Corporate or otherwise;
- (e) **(no material acquisitions, disposals or new commitments)** except for any proposed transaction publicly announced by Pure before the Announcement Date or disclosed in writing to Arrow or its Representatives prior to the Announcement, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:
 - (i) Pure or any subsidiary of Pure 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 A\$5,000,000 or makes an announcement in relation to such an acquisition, offer or agreement;

- (ii) Pure or any subsidiary of Pure 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 (as recorded in Target's statement of financial position as at 30 June 2008) is, in aggregate, greater than A\$5,000,000 or makes an announcement in relation to such a disposition, offer or agreement;
 - (iii) Pure or any subsidiary of Pure enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, farm-in agreement, management agreement or commitment which would require expenditure, or the foregoing of revenue, by Pure and/or its subsidiaries of an amount which is, in aggregate, more than A\$5,000,000, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement;
 - (iv) Pure or any subsidiary of Pure disposes of, offers to dispose of or agrees to enter into any agreement, joint venture, partnership, farm-in agreement, management agreement or commitment involving the disposal of any legal beneficial or economic interest or right to or in connection with any mining or petroleum tenements held by Pure and/or any of its subsidiaries or applications therefore or any gas reserves of Pure and/or any of its subsidiaries;
- (f) **(no persons exercising rights under certain agreements or instruments)** after the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which Pure or any subsidiary of Pure is a party, or by or to which Pure or any subsidiary of Pure or any of its assets may be bound or be subject, which results, or could result, to an extent which is material in the context of Pure or Pure and its subsidiaries taken as a whole, in:
- (i) any monies borrowed by Pure or any subsidiary of Pure being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
 - (ii) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
 - (iii) the interest of Pure or any subsidiary of Pure in any firm, joint venture, trust, corporation or other entity (or any

arrangements relating to such interest) being terminated or modified; or

- (iv) the business of Pure or any subsidiary of Pure with any other person being adversely affected,

as a result of the acquisition of Pure Shares by Arrow except for any rights under any provision of any agreement or other instrument disclosed in writing to Arrow or its Representatives (including where the relevant terms have been disclosed to the ASX) prior to the Announcement;

- (g) **(non-existence of certain rights)** that no person has any right (whether subject to conditions or not) as a result of Arrow acquiring shares in Pure to:
 - (i) acquire, or require Pure or a subsidiary of Pure to dispose of, or offer to dispose of, any material asset of Pure or a subsidiary of Pure; or
 - (ii) terminate or vary or exercise any right under any material agreement with Pure or a subsidiary of Pure,

except for any rights under any provision of any agreement or other instrument disclosed in writing to Arrow or its Representatives (including where the relevant terms have been disclosed to the ASX) prior to execution of this deed;

- (h) **(distributions)** during the period commencing on the Announcement Date and ending at the end of the Offer Period, Pure makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for any distribution which has been publicly announced by Pure on the ASX before the Announcement Date;
- (i) **(index decline)** that between the Announcement Date and the end of the Offer Period the S&P ASX 200 Index does not close below 3070 on any 3 consecutive trading days; and
- (j) **(Pure approvals)** that between the Announcement Date and the end of the Offer Period all material approvals, licences, permits, consents, notifications, declarations or other authorisation required for the lawful operation of the business (including the occupation or use of any land and the conduct of any enterprise on or in connection with any land) conducted by Pure or any subsidiary of Pure remain in force (including by renewal).

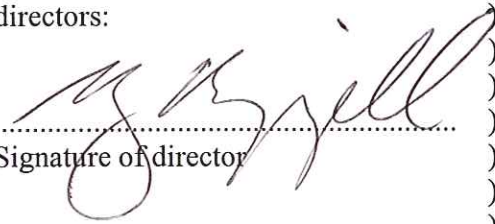
The above conditions are conditions subsequent and do not prevent a contract resulting from acceptance of the Offer from coming into effect but any breach or non-fulfilment of them entitles Arrow to rescind any contracts resulting from acceptance of the Offer.

Takeover Implementation Deed

Signing page

DATED: 22 DECEMBER 2008

EXECUTED by ARROW)
ENERGY LTD in accordance with)
section 127(1) of the Corporations)
Act 2001 (Cwlth) by authority of its)
directors:)


.....)
Signature of director)

Stephen Grant Bizzell)

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



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

*delete whichever is not applicable)

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

*delete whichever is not applicable)

THE COMMON SEAL of PURE)
ENERGY RESOURCES LIMITED)
is duly affixed in accordance with the)
company's constitution:)


.....)
Signature of director)

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



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

*delete whichever is not applicable)

GEOFF HEWITT)
.....)
Name of director/company secretary*)
(block letters)

*delete whichever is not applicable)