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Our ref GKL:PX:1006228

GILBERT  
TOBIN

LAWYERS

24 December 2008

By fax 3 pages

To Company Announcements Office  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000  
Fax 1300 135 638

**Gilbert + Tobin**2 Park Street  
Sydney NSW 2000  
AustraliaGPO Box 3810  
Sydney NSW 2001T +61 2 9263 4000  
F +61 2 9263 4111

DX 10348 SSE

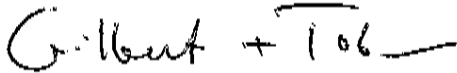
www.gtlaw.com.au

Dear Sir/Madam

**Notice of Initial Substantial Holder – Sydney Gas Limited**

We act for AGL Energy Limited and attach ASIC Form 603 advising that AGL Energy Limited has become a substantial shareholder of Sydney Gas Limited.

Yours faithfully  
**Gilbert + Tobin**



This facsimile is solely for the use of the addressee and may contain information which is confidential or privileged. If you receive this facsimile in error, please notify us immediately and we will arrange for its return at our expense. Liability limited by a scheme approved under Professional Standards Legislation.

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International associate

 金杜律师事务所  
KING & WOOD  
INTERNATIONAL AND PRC LAWYERS

## Form 603

Corporations Act 2001  
Section 671B

## Notice of initial substantial holder

To Company Name/Scheme Sydney Gas Limited (SGL)

ACN/ARSN 003 324 310

## 1. Details of substantial holder (1)

Name AGL Energy Limited (AGL) and its related bodies corporate (as set out in Annexure A) (AGL Group)

ACN/ARSN (if applicable) ACN 115 061 375

The holder became a substantial holder on 23 December 2008

## 2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary shares	79,570,523	79,570,523	19.8%

\* Based on 402,543,433 shares on issue for SGL as at the date of this notice.

## 3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
AGL	Relevant interest under section 608(1) and 608(8) of the Corporations Act 2001 (Cth) pursuant to Pre-Bid Acceptance Deed between AGL and AJ Lucas Group Limited ACN 060 309 104 (AJ Lucas) dated 23 December 2008, a copy of which is attached as Annexure B (AJ Lucas Deed).	59,570,523 fully paid ordinary shares.
AGL	Relevant interest under section 608(1) and 608(8) of the Corporations Act 2001 (Cth) pursuant to Pre-Bid Acceptance Deed between AGL and Babcock & Brown Australia Pty Limited ACN 086 149 555 (Babcock & Brown) dated 23 December 2008, a copy of which is attached as Annexure C (Babcock & Brown Deed).	20,000,000 fully paid ordinary shares.

## 4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
AGL	AJ Lucas	AGL, subject to the terms of the AJ Lucas Deed	59,570,523 fully paid ordinary shares.
AGL	Babcock & Brown and its associates	AGL, subject to the terms of the Babcock & Brown Deed	20,000,000 fully paid ordinary shares.

**5. Consideration**

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
AGL	23 December 2008	Refer to the AJ Lucas Deed attached as Annexure B		59,570,523 fully paid ordinary shares.
AGL	23 December 2008	Refer to the Babcock & Brown Deed attached as Annexure C		20,000,000 fully paid ordinary shares.

**6. Associates**

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
AGL Group	Each entity in the AGL Group is a related body corporate of AGL.

**7. Addresses**

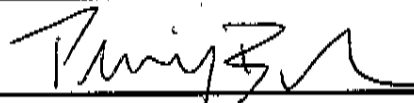
The addresses of persons named in this form are as follows:

Name	Address
AGL Energy Limited and each of the entities listed in Annexure A	Level 22, 101 Miller Street, North Sydney NSW 2060

**Signature**

print name **Phillp Breden** capacity **Attorney for AGL Energy Limited**

sign here



date **24 December 2008**

**DIRECTIONS**

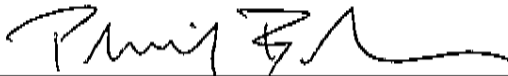
- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of 'associate' in section 9 of the Corporations Act 2001.
- (3) See the definition of 'relevant interest' in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
  - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
  - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of 'relevant agreement' in section 9 of the Corporations Act 2001.

- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write 'unknown'.
  
  - (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
-

## Annexure A

This is Annexure A of 2 pages to the Form 603 Notice of initial substantial holder signed by me and dated 24 December 2008.



Name: Philip Breden  
Attorney for AGL Energy Limited

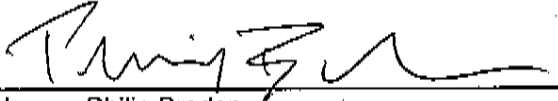
Date: 24 December 2008

AGL Energy Limited	ABN 74 115 061 375
AGL Limited	N/A (New Zealand)
AGL ACT Retail Investments Pty Limited	ABN 53 093 631 586
AGL Corporate Services Pty Limited	ABN 98 093 015 724
AGL Electricity (VIC) Pty Limited	ABN 62 070 182 099
AGL Energy Limited	N/A (New Zealand)
AGL Energy Sales & Marketing Limited	ABN 18 076 092 067
AGL Energy Services Pty Limited	ABN 57 074 821 720
AGL Energy Services (Queensland) Pty Limited	ABN 80 104 759 471
AGL Gas Developments (Hunter) Pty Limited	ABN 32 073 928 631
AGL Gas Developments (PNG) Pty Limited	ABN 37 001 389 939
AGL Gas Developments (Sydney) Pty Limited	ABN 64 086 013 505
AGL Gas Production (Camden) Pty Limited	ABN 58 115 063 744
AGL Gas Trading Pty. Limited	ABN 70 068 827 038
AGL Gloucester MG NL	ABN 53 075 137 218
AGL Gloucester LE Pty Limited	ABN 96 092 684 010
AGL HP1 Pty Limited	ABN 86 080 429 901
AGL HP2 Pty Limited	ABN 75 080 810 546
AGL HP3 Pty Limited	ABN 22 080 735 815
AGL Hydro Operations Pty Limited	ABN 21 080 797 824
AGL Hydro Partnership	ABN 86 076 691 481
AGL Pipelines Investments Pty Limited	ABN 86 091 258 418
AGL Pipelines Investments (QLD) Pty Limited	ABN 98 091 258 472
AGL Power Generation (NSW) Pty Limited	ABN 11 118 099 451
AGL Power Generation (QLD) Pty Limited	ABN 85 119 438 756
AGL Power Generation (Victoria) Pty Limited	ABN 45 086 586 192
AGL Power Generation (Wind) Pty Limited	ABN 13 120 355 213
AGL Retail Energy Limited	ABN 21 074 839 464
AGL SA Generation Pty Limited	ABN 84 081 074 204
AGL Sales Pty Limited	ABN 88 090 538 337
AGL Sales (Queensland) Pty Limited	ABN 85 121 177 740
AGL Sales (Queensland Electricity) Pty Limited	ABN 66 078 875 902
AGL Share Plan Pty Limited (50%)	ABN 78 080 609 749
AGL (SHL) Pty Limited	ABN 39 116 830 285
AGL South Australia Pty Limited	ABN 49 091 105 092
AGL Southern Hydro Holdings Pty Limited	ABN 78 104 646 424
AGL Southern Hydro Investments Pty Limited	ABN 98 104 071 829
AGL Southern Hydro Pty Limited	ABN 89 088 976 327
AGL Southern Hydro (NSW) Pty Limited	ABN 73 056 452 601
AGL Torrens Island Pty Limited	ABN 67 081 074 197
AGL Torrens Island Holdings Pty Limited	ABN 96 071 611 017
AGL Utility Services Pty Limited	ABN 72 081 834 826
AGL Wholesale Gas Limited	ABN 26 072 948 504
AGL Wholesale Gas (SA) Pty Limited	ABN 13 094 384 291
Australian Energy Ltd	ABN 72 083 183 028

Australian Plains Wind Farm Pty Ltd	ABN 99 116 978 039
Ben Lomond Wind Farm Pty Ltd	ABN 23 105 363 853
Box Hill Wind Farm Pty Limited	ABN 18 110 666 021
Coopers Gap Wind Farm Pty Limited	ACN 126 594 714
Crows Nest Wind Farm Pty Limited	ABN 75 105 363 255
Dollar Wind Farm Pty Limited	ABN 56 107 251 285
Dual Fuel Systems Pty Limited	ABN 58 001 499 314
Energy Infrastructure Management Pty Ltd (50%)	ABN 75 100 946 389
Essential Energy Services Pty Ltd	ABN 58 090 072 889
Geogen Pty Limited	ACN 113 102 686
Geogen Australia Pty Limited	ACN 134 542 082
Geogen Victoria Pty Limited	ACN 121 810 160
H C Extractions Pty Limited	ABN 70 002 945 655
Highfields Wind Farm Pty Limited	ABN 85 109 821 114
Macarthur Wind Farm Pty Ltd	ABN 19 106 134 507
MWF JV Pty Limited (50%)	ACN 129 819 852
Oaklands Hill Wind Farm Pty Limited	ACN 126 595 935
PGI Pty Limited	ABN 52 127 185 826
Powerdirect Pty Limited	ABN 28 067 609 803
Victorian Energy Pty Limited	ABN 97 069 892 379
Worlds End Wind Farm Pty Ltd	ABN 98 100 729 780

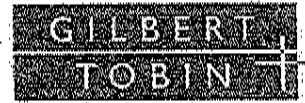
**Annexure B**

This is Annexure B of 13 pages to the Form 603 Notice of initial substantial holder signed by me and dated 24 December 2008.



Name: Philip Breden  
Attorney for AGL Energy Limited

Date: 24 December 2008



LAWYERS

---

## **Pre-bid acceptance agreement**

**AGL Energy Limited  
AJ Lucas Group Limited**

**Gilbert + Tobin**

2 Park Street  
Sydney NSW 2000  
Australia

GPO Box 3810  
Sydney NSW 2001

T +61 2 9263 4000  
F +61 2 9263 4111

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Date: 23 December 2008

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## Parties

- 1 **AGL Energy Limited** (ACN 115 061 375) of Level 22, 101 Miller Street North Sydney NSW 2060 (**Bidder**)
  - 2 **AJ Lucas Group Limited** (ACN 060 309 104) of 157 Church Street, Ryde, New South Wales, 2112 (**Securityholder**)
- 

## Background

- A Securityholder is the legal and beneficial owner of 59,570,523 fully paid ordinary shares in Target (**Acceptance Securities**).
- B Bidder proposes to make a public announcement of its intention to make the Offer.
- C If such Offer is made, Securityholder has agreed to accept the Offer on the terms and conditions of this document in respect of the Acceptance Securities.

### The parties agree

---

## 1 Defined terms and interpretation

### 1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:

- (a) which is defined in the Dictionary in Schedule 1 (**Dictionary**), has the meaning given to it in the Dictionary;
- (b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act; and
- (c) which is defined in the GST Law, but is not defined in the Dictionary or the Corporations Act, has the meaning given to it in the GST Law.

### 1.2 Interpretation

The interpretation clause in Schedule 1 (**Dictionary**) sets out rules of interpretation for this Agreement.

---

## 2 Bidder's promise and Securityholder's promise

### 2.1 Bidder's promise

Bidder may publicly announce the Offer at not less than the Offer Price and subject only to the conditions set out in Schedule 2 no later than 2 Business Days after the date of this Agreement.

## 2.2 Securityholder's promise

In return for Bidder paying to Securityholder \$10.00 (receipt of which is acknowledged by Securityholder) and the various obligations in this document, Securityholder agrees that, if Bidder publicly announces the Offer in accordance with clause 2.1, Securityholder will:

- (a) subject to this Agreement not having been terminated under clauses 5(d) or 5(e), accept the Offer in respect of the Acceptance Securities by no later than 2 Business Days after Target lodges its Target's Statement with ASIC under section 633 step 13 of the Corporations Act; and
- (b) do everything (including execute any document and make any election) that Bidder may reasonably require to give full effect to Securityholder's obligations to accept the Offer in respect of the Acceptance Securities.

---

## 3 Substantial holder notice

The Bidder agrees that it will lodge with the ASX an initial substantial holder notice in relation to all relevant Target Securities, including the Acceptance Securities, (which will attach a copy of this Agreement) at the time required by the Corporations Act.

---

## 4 Warranties

The Securityholder and Bidder each warrants to the other that:

- (a) it has full power and authority to enter into this Agreement; and
- (b) the execution and performance of this Agreement is not in breach of any trust, deed, contract or other obligation to which it is bound.

The Bidder warrants that the entry into this Agreement by the parties will not cause Bidder to breach section 606 of the Corporations Act.

---

## 5 Expiry and Termination

This Agreement will expire and terminate and there will be no continuing rights or obligations of either party (other than the warranties under clause 4) on the first to occur of the following events:

- (a) the Offer is not announced as contemplated by clause 2.1 within 2 Business Days of the date of this Agreement;
- (b) Bidder contravenes section 631(1) of the Corporations Act by not making offers for Target Securities within 2 months after the date of the announcement of the Offer;
- (c) Securityholder accepts the Offer for all the Acceptance Securities;
- (d) prior to acceptance of the Offer by Securityholder, another bidder:
  - (i) makes offers under a takeover bid for the whole of Target;
  - (ii) at a price per Target Security higher than the then Offer Price;
  - (iii) which is or has become free from defeating conditions other than a Prescribed Occurrence or FIRB approval

and Bidder does not, within 5 Business Days of the later of the date those offers were made and the date those offers became free from defeating conditions other than a Prescribed Occurrence or FIRB approval:

- (iv) vary the Offer in accordance with section 650D of the Corporations Act to increase the Offer Price to equal to or greater than those offers; and
  - (v) waive any remaining defeating conditions; or
- (e) prior to acceptance of the Offer by Securityholder, Target announces a scheme of arrangement under which a third party will become the controlling shareholder of Target and the Shareholders will dispose of all of their Target Securities to the third party at a price per Target Security higher than the then current Offer Price and Bidder does not, on or before the 20<sup>th</sup> Business Day before the scheme meeting:
- (i) vary the Offer in accordance with section 650D of the Corporations Act to increase the Offer Price to equal to or greater than the scheme price; and
  - (ii) waive any remaining defeating conditions.

---

## 6 Acknowledgements

- (a) The Securityholder acknowledges and agrees that Bidder has the right, subject to the Corporations Act, to delete, waive or vary any of the conditions in any Offer, declare any Offer unconditional or extend any Offer at any time.
- (b) Each of Securityholder and Bidder acknowledge and agree that clauses 5(d) and (e) operate successively so that for each successive counter takeover bid meeting the requirements in clause 5(d), or scheme announcement meeting the requirements of clause 5(e), Bidder must increase the Offer Price as provided in the relevant clause to prevent termination. If an increase to the price of offers under a counter takeover, or the price under a scheme, is contingent on an event occurring other than:
  - (i) in the case of a takeover bid, a Prescribed Occurrence or FIRB approval; or
  - (ii) in the case of a scheme, approval by the court in accordance with section 411 of the Corporations Act,

the consideration offered under the counter takeover bid or the scheme is not regarded as being at the price unless and until that event occurs.
- (c) Each of Securityholder and Bidder acknowledge and agree that, for the purposes of clauses 5(d), 5(e) and 6(b), shares or units which are offered under a counter takeover bid or scheme as consideration will be valued at the volume weighted average sale price of those shares or units on the ASX (or other recognised exchange on which such securities are quoted) in the 5 trading day period prior to:
  - (i) in the case of a counter takeover bid – the later of the date that the offers under the bid are made and the date that the offers become unconditional; and
  - (ii) in the case of a scheme – the 23<sup>rd</sup> Business Day before the scheme meeting,

**(the Relevant Date).**

In the event this methodology cannot be applied, the value will be the value as assessed by an independent investment bank (acting as expert) appointed by agreement between Securityholder and Bidder, as at the Relevant Date. Failing agreement, the investment bank will be appointed by the President for the time being of the Institute of Chartered Accountants (New South Wales Division) or his or her nominee.

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## 7 Severance

If, at any time, any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that will not affect or impair:

- (a) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or
- (b) the legality, validity or enforceability under the law of any other jurisdiction of that provision or any other provision of this Agreement.

---

## 8 Confidentiality

The fact and terms of this Agreement must be kept confidential until the earlier of:

- (a) the announcement of the Offer; or
- (b) the lodgement of a substantial shareholder notice by a party.

Subject to compliance with all applicable laws, no substantial holder notice may be lodged before the second business day after the date of this agreement.

---

## 9 Consent

Securityholder consents to the inclusion of references to it and the subject matter of this Agreement in any public announcement by Bidder in relation to the Offer or to any such references or statements required in a Bidder's Statement issued in connection with the Offer.

---

## 10 Other

### 10.1 Acknowledgement

Securityholder acknowledges that nothing in this Agreement obliges Bidder to announce or proceed with the Offer.

### 10.2 Entire agreement

This Agreement constitutes the entire agreement between the parties about its subject matter and supersedes any previous agreements, understandings and negotiations on that subject matter and each party acknowledges that in entering into this Agreement it has not relied on any representations, warranties or undertakings about its subject matter except as expressly contained in this Agreement.

**10.3 Governing law**

This Agreement is governed by the law in force in New South Wales. Each party submits to the non-exclusive jurisdiction of the courts of New South Wales.

**10.4 Counterparts**

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

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## Schedule 1 — Dictionary

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### 1 Dictionary

In this Agreement:

**Acceptance Securities** means 59,570,523 fully paid ordinary Target Securities held by the Securityholder.

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

**ASX** means the Australian Securities Exchange.

**Business Day** means a day that is not a weekend or a public holiday in the State of New South Wales.

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

**Offer** means offers for the Target Securities (if any) made by the Bidder described in clause 2 as varied in accordance with the Corporations Act.

**Offer Price** means cash consideration of \$0.425 per Target Security.

**Prescribed Occurrence** means the occurrence of any of the following events:

- (a) Target converts all or any of its shares into a larger or smaller number of shares;
- (b) Target or a subsidiary of Target resolves to reduce its share capital in any way;
- (c) Target or a subsidiary of Target:
  - (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) Target or a subsidiary of Target issues shares, or grants an option over its shares or agrees to make such an issue or grant such an option;
- (e) Target or a subsidiary of Target issues, or agrees to issue, convertible notes;
- (f) Target or a subsidiary of Target disposes or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Target or a subsidiary of Target charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) Target or a subsidiary of Target resolves that it be wound up;
- (i) a liquidator or provisional liquidator of Target or of a subsidiary of Target is appointed;
- (j) a court makes an order for the winding up of Target or of a subsidiary of Target;

- (k) an administrator of Target or of a subsidiary of Target is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Target or of a subsidiary of Target 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 Target or of a subsidiary of Target.

**Shareholders** means those persons who hold Target Securities (at the relevant date).

**Target** means Sydney Gas Limited (ABN 93 003 324 310).

**Target Securities** means fully paid ordinary shares in the capital of Target.

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## 2 Interpretation

In this Agreement, the following rules of interpretation apply unless the contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of this Agreement;
- (b) the singular includes the plural and vice versa;
- (c) words that are gender neutral or gender specific include each gender;
- (d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (e) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
- (f) a reference to:
  - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate;
  - (ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
  - (iii) a party includes its successors and permitted assigns;
  - (iv) a document includes all amendments or supplements to that document;
  - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this Agreement;
  - (vi) this agreement includes all schedules and attachments to it;
  - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a rule of an applicable Financial Market and is a reference to that law as amended, consolidated or replaced;
  - (viii) an agreement other than this agreement includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and



- (ix) a monetary amount is in Australian dollars;
- (g) an agreement on the part of two or more persons binds them jointly and severally;
- (h) when the day on which something must be done is not a Business Day, that thing must be done on the preceding Business Day;
- (i) in determining the time of day, where relevant to this Agreement, the relevant time of day is:
  - (i) for the purposes of giving or receiving notices, the time of day where a party receiving a notice is located; or
  - (ii) for any other purpose under this agreement, the time of day in the place where the party required to perform an obligation is located; and
- (j) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this agreement or any part of it.

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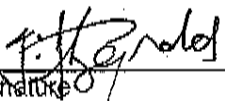
**Schedule 2 —  
Conditions**

There being no Prescribed Occurrence between the date that the Offer is announced and the close of the offer period of the Offer.

**Execution page**


**Executed as an agreement.**

Signed for **AGL Energy Limited** by its attorney under power of attorney in the presence of:

  
\_\_\_\_\_  
Witness Signature

**John Fitzgerald**

\_\_\_\_\_  
Print Name

  
\_\_\_\_\_  
Attorney Signature

**Michael Moraza**

\_\_\_\_\_  
Print Name

Each attorney executing this Agreement states that he or she has no notice of revocation or suspension of his or her power of attorney.

Signed for **AJ Lucas Group Limited** by:

\_\_\_\_\_  
Signature of director

\_\_\_\_\_  
Signature of director/secretary

\_\_\_\_\_  
Name of director (print)

\_\_\_\_\_  
Name of director/secretary (print)

**Execution page**

**Executed as an agreement.**

Signed for **AGL Energy Limited** by its attorney under power of attorney in the presence of:

\_\_\_\_\_  
Witness Signature

\_\_\_\_\_  
Attorney Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

Each attorney executing this Agreement states that he or she has no notice of revocation or suspension of his or her power of attorney.

Signed for **AJ Lucas Group Limited** by:

\_\_\_\_\_  
*Martin John Green*

\_\_\_\_\_  
*Ian Stuart-Robertson*

Signature of director

Signature of director/secretary

\_\_\_\_\_  
MARTIN JOHN GREEN

\_\_\_\_\_  
IAN STUART-ROBERTSON

Name of director (print)

Name of director/secretary (print)

**Annexure C**

This is Annexure C of 11 pages to the Form 603 Notice of initial substantial holder signed by me and dated 24 December 2008.



Name: Philip Breden  
Attorney for AGL Energy Limited

Date: 24 December 2008



LAWYERS

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## **Pre-bid agreement**

**AGL Energy Limited**  
**Babcock & Brown Australia Pty Ltd**

**Gilbert + Tobin**

2 Park Street  
Sydney NSW 2000  
Australia

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Date: 23 December 2008

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## Parties

- 1 **AGL Energy Limited** of Level 22, 101 Miller Street North Sydney NSW 2060 (Bidder)
  - 2 **Babcock & Brown Australia Pty Ltd** of Level 23, The Chifley Tower, 2 Chifley Square, Sydney NSW 2000 (Securityholder)
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## Background

- A Associates of the Securityholder are the beneficial owner of 20,000,000 fully paid ordinary shares in Target (**Sale Securities**).
- B Bidder proposes to make a public announcement of its intention to make the Offer.
- C If such Offer is made, Securityholder has agreed to procure acceptance of the Offer on the terms and conditions of this document in respect of the Sale Securities.

### The parties agree

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## 1 Defined terms and interpretation

### 1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:

- (a) which is defined in the Dictionary in Schedule 1 (**Dictionary**), has the meaning given to it in the Dictionary;
- (b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act; and
- (c) which is defined in the GST Law, but is not defined in the Dictionary or the Corporations Act, has the meaning given to it in the GST Law.

### 1.2 Interpretation

The interpretation clause in Schedule 1 (**Dictionary**) sets out rules of interpretation for this agreement.

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## 2 Bidder's promise and Securityholder's promise

### 2.1 Bidder's promise

Bidder promises to publicly announce the Offer at not less than the Offer Price and subject only to the conditions set out in Schedule 2 no later than 2 Business Days after the date of this Agreement.



## 2.2 Securityholder's promise

In return for Bidder paying to Securityholder \$10.00 (receipt of which is acknowledged by Securityholder) and the various obligations in this document, Securityholder agrees that if Bidder publicly announces the Offer at no less than the Offer Price and subject only to a "no prescribed occurrences condition" in accordance with section 652C of the Corporations Act, Securityholder will procure that the holders of the Sale Securities:

- (a) accept the Offer in respect of the Sale Securities by no later than 2 Business Days after Target lodges its target's statement in respect of the Offer with ASIC under section 633 step 13 of the Corporations Act; and
- (b) do everything (including execute any document and make any election) that Bidder may reasonably require to give full effect to Securityholder's obligations to procure acceptance of the Offer in respect of the Sale Securities in accordance with clause 2.2(a).

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## 3 Substantial holder notice

The Bidder agrees that it will lodge with the ASX an initial substantial holder notice in relation to the Sale Securities (which will attach a copy of this Agreement) at the time required by the Corporations Act.

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## 4 Warranties

The Securityholder and Bidder each warrants to the other that:

- (a) it has full power and authority to enter into this Agreement; and
- (b) the execution and performance of this Agreement is not in breach of any trust, deed, contract or other obligation to which it is bound.

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## 5 Expiry and Termination

This Agreement will expire and terminate and there will be no continuing rights or obligations of either party (other than the rights and obligations under clause 4) on the first to occur of the following events:

- (a) the Offer is not announced as contemplated by clause 2 within 2 Business Days of the date of this Agreement;
- (b) Bidder contravenes section 631(1) of the Corporations Act by not making offers for Target Securities within 2 months after the date of the announcement of the Offer;
- (c) Securityholder procures acceptance of the Offer for all the Sale Securities;
- (d) prior to completion or acceptance of the Offer by the Securityholder, another bidder:
  - (i) announces a takeover bid for all the Target Securities;
  - (ii) at a price per Target Security higher than the then Offer Price; and
  - (iii) which is either unconditional or conditional only one or more of the following conditions: no prescribed occurrences under section 652C of the

Corporations Act, approval (or expiry of the applicable period) under the Foreign Acquisition and Takeovers Act and/or the condition referred to in section 625(3) of the Corporations Act,

and Bidder does not, by the earlier of 2 Business Days of the announcement of that takeover bid and the date Securityholder is required to accept the Offer under clause 2.2, announce that it will vary the Offer in accordance with section 650D of the Corporations Act to increase the Offer Price to equal to or greater than that takeover bid; or

- (e) prior to completion or acceptance of the Offer by the Securityholder, Target announces a scheme of arrangement under which a third party will become the controlling shareholder of Target which is at a price per Target Security higher than the then current Offer Price and Bidder does not, on or before the earlier of 2 Business Days of the announcement of that scheme and the date Securityholder is required to accept the Offer under clause 2.2, announce that it will vary the Offer in accordance with section 650D of the Corporations Act to increase the Offer Price to equal to or greater than the scheme price.

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## 6 Acknowledgements

- (a) The Securityholder acknowledges and agrees that (without limiting the operation of clauses 2.1 and 5) Bidder has the right, subject to the Corporations Act, to delete, waive or vary and conditions in any Offer, declare any Offer unconditional or extend it at any time.
- (b) Each of the Securityholder and the Bidder acknowledge and agree that clauses 5(d) and (e) operate successively so that for each successive counter takeover bid announcement meeting the requirements in clause 5(d), or scheme announcement meeting the requirements of 5(e), the Bidder must increase the Offer Price as provided in that clause to prevent termination but the effect of those clauses ceases once Completion occurs. If an increase to the price of offers under a counter takeover, or the price under a scheme, is contingent on an event occurring other than:
  - (i) in the case of a takeover bid, an Excluded Condition; or
  - (ii) in the case of a scheme, approval by the court in accordance with section 411 of the Corporations Act,

the consideration offered under the counter takeover bid or the scheme is not regarded as being at the price unless and until that event occurs.

- (c) Each of the Securityholder and the Bidder acknowledge and agree for the purposes of clauses 5(d), 5(e) and 6(b), shares or units which are offered under a counter takeover bid, scheme or other transaction as consideration will be valued at the volume weighted average sale price of those shares on the ASX (or other recognised exchange on which such securities are quoted) in the 5 trading day period prior to announcement of the counter takeover bid or scheme (**the Relevant Date**).

In the event this methodology cannot be applied, the value will be the value as assessed by an independent investment bank (acting as expert) appointed by agreement between the Securityholder and the Bidder, as at the Relevant Date. Failing agreement, the investment bank will be appointed by the President for the time being of the Institute of Chartered Accountants (New South Wales Division) or his or her nominee.

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## 7 Severance

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that will not affect or impair:

- (a) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or
- (b) the legality, validity or enforceability under the law of any other jurisdiction of that provision or any other provision of this Agreement.

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## 8 Confidentiality

The fact and terms of this agreement must be kept confidential until the earlier of:

- (a) the announcement of the Offer; or
- (b) the lodgement of a substantial shareholder notice by a party.

Subject to compliance with all applicable laws, no substantial holder notice may be lodged before the second business day after the date of this agreement.

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## 9 Consent

Securityholder consents to the inclusion of references to it and the subject matter of this agreement in any public announcement by Bidder in relation to the Offer or to any such references or statements required in a Bidder's Statement issued in connection with the Offer, subject to the announcement or Bidder's Statement stating that Securityholder has not caused the issue of the announcement or Bidder's Statement and takes no responsibility for any part of the announcement or Bidder's Statement.

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## 10 Other

### 10.1 Acknowledgement

Securityholder acknowledges that nothing in this agreement obliges Bidder to announce or proceed with the Offer.

### 10.2 Entire agreement

This agreement constitutes the entire agreement between the parties about the Sale Securities and supersedes any previous agreements, understandings and negotiations on that subject matter and each party acknowledges that in entering into this agreement it has not relied on any representations, warranties or undertakings about its subject matter except as expressly contained in this agreement.

### 10.3 Governing law

This agreement is governed by the law in force in New South Wales. Each party submits to the non-exclusive jurisdiction of the courts of New South Wales.

#### 10.4 Counterparts

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

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## Schedule 1 — Dictionary

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### 1 Dictionary

In this agreement:

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

**Associate** in relation to a person (**first person**) means any other person controlling, controlled by, or under common control with, the first person, and **control** for the purpose of this definition means the power to direct or cause the direction of the management, policies, investments or affairs of the controlled person, whether through ownership of securities or partnership or other ownership interests, trusteeship, beneficial entitlement to a trust, by contract or otherwise.

**ASX** means the Australian Securities Exchange.

**Business Day** means a day that is not a weekend or a public holiday in the State of New South Wales.

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

**Excluded Condition** means a defeating condition that is a “no prescribed occurrence condition” (being the occurrence of any of the events set out in section 652C of the Corporations Act).

**Offer** means off-market offers for the Target Securities (if any) made by the Bidder described in clause 2 as varied in accordance with the Corporations Act.

**Offer Price** means cash consideration of \$0.425 per Target Security.

**Sale Securities** means 20,000,000 fully paid ordinary Target Securities held by the Securityholder.

**Shareholders** means those persons who hold Target Securities (at the relevant date).

**Target** means Sydney Gas Limited ABN 93 003 324 310.

**Target Securities** means fully paid ordinary shares in the capital of Target.

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### 2 Interpretation

In this agreement the following rules of interpretation apply unless the contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of this agreement;
- (b) the singular includes the plural and vice versa;
- (c) words that are gender neutral or gender specific include each gender;
- (d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;

- (e) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
- (f) a reference to:
  - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate;
  - (ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
  - (iii) a party includes its successors and permitted assigns;
  - (iv) a document includes all amendments or supplements to that document;
  - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this agreement;
  - (vi) this agreement includes all schedules and attachments to it;
  - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a rule of an applicable Financial Market and is a reference to that law as amended, consolidated or replaced;
  - (viii) an agreement other than this agreement includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and
  - (ix) a monetary amount is in Australian dollars;
- (g) an agreement on the part of two or more persons binds them jointly and severally;
- (h) when the day on which something must be done is not a Business Day, that thing must be done on the preceding Business Day;
- (i) in determining the time of day, where relevant to this agreement, the relevant time of day is:
  - (i) for the purposes of giving or receiving notices, the time of day where a party receiving a notice is located; or
  - (ii) for any other purpose under this agreement, the time of day in the place where the party required to perform an obligation is located; and
- (j) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this agreement or any part of it.

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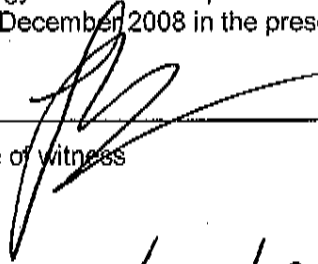
**Schedule 2 —  
Conditions**

No "prescribed occurrences" within the meaning of Section 652C of the Corporations Act between the date that the Offer is announced and the close of the offer period of the Offer


**Execution page**

**Executed as an agreement.**

Signed by **Michael Moraza** as attorney for  
AGL Energy Limited under power of attorney  
dated 22 December 2008 in the presence of:

  
\_\_\_\_\_  
Signature of witness

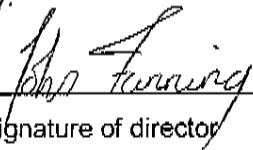
**GARY LAWLER**  
\_\_\_\_\_  
Name of witness (print)

  
\_\_\_\_\_

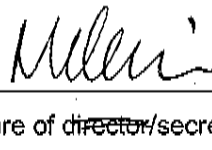
By executing this agreement the attorney states  
that the attorney has no notice of revocation of  
the power of attorney

**Michael Moraza**  
\_\_\_\_\_

Signed for **Babcock & Brown Australia Pty Ltd**  
by:

  
\_\_\_\_\_  
Signature of director

**JOHN FANNING**  
\_\_\_\_\_  
Name of director (print)

  
\_\_\_\_\_  
Signature of ~~director~~ secretary

**MELANIE HEDGES**  
\_\_\_\_\_  
Name of ~~director~~ secretary (print)