

ASX Announcement



30 July, 2010

Acquisition Scheme Effective

The Directors of Arrow Energy Limited (**Arrow, ASX:AOE**) are pleased to advise that the Acquisition Scheme of Arrangement that was approved by Arrow Shareholders at the Acquisition Scheme Meeting held on 14 July 2010 and by the Federal Court on 29 July 2010 has now become effective.

Arrow has today lodged the orders of the Federal Court of Australia with the Australian Securities and Investments Commission.

A copy of the Court Order is attached.

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IN THE FEDERAL COURT OF AUSTRALIA
NEW SOUTH WALES DISTRICT REGISTRY
GENERAL DIVISION

NSD 598 of 2010

IN THE MATTER OF

ARROW ENERGY LIMITED
(ACN 078 521 936)

Plaintiff

ORDER

JUDGE: Justice Stone
DATE OF ORDER: 29 July 2010
WHERE MADE: Sydney

THE COURT ORDERS THAT:

- 1 Pursuant to section 411(4)(b) of the *Corporations Act 2001* (Cth) (**the Act**), the scheme of arrangement between Arrow Energy Limited (**Arrow**) (ACN 078 521 936) and the holders of fully-paid ordinary shares in Arrow, in the form set out in annexure 'A' to these orders, be approved; and
- 2 Pursuant to section 411(12) of the Act, the requirements of section 411(11) of the Act be dispensed with.

Date that entry is stamped: 29 July 2010



Scheme of Arrangement

Pursuant to section 411 of the *Corporations Act 2001* (Cth)



Between

Arrow Energy Limited (ACN 078 521 936) of Level 19, AM-60, 42-60 Albert Street, Brisbane, Queensland, Australia, 4000 (*Target*).

And

The holders of fully paid ordinary shares in the capital of Target.

Recitals

- A Target is a public company limited by shares incorporated in Australia, and has been admitted to the official list of ASX.
- B Bidder is a private company limited by shares incorporated in Queensland, Australia.
- C Target and Bidder have entered into the Implementation Agreement, pursuant to which, amongst other things, Target has agreed to propose the Share Scheme to Target Shareholders, and each of Target and Bidder have agreed to take certain steps to give effect to the Share Scheme.
- D If the Share Scheme becomes Effective, then:
- (a) all the Scheme Shares will be transferred to Bidder and the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the terms of the Share Scheme; and
 - (b) Target will enter the name and address of Bidder in the Target Register as the holder of the Scheme Shares.

1. Definitions and Interpretation

1.1 Definitions

In this document, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

ASX Listing Rules means the official listing rules of ASX.

Bidder means CS CSG (Australia) Pty Ltd (ACN 141 385 293) of Level 31, Riverside Centre, 123 Eagle Street, Brisbane, QLD, 4000.

Bidder Deed Poll means the deed poll dated 2 June 2010 executed by Bidder, SEHAL and CNODCI in favour of the Scheme Shareholders.

Business Day means any day that is each of the following:

- (a) a Business Day within the meaning given in the ASX Listing Rules; and
- (b) a day that banks are open for business in Brisbane, Australia.

Cash Consideration means A\$4.70 in cash for each Scheme Share held by a Scheme Shareholder on the Record Date.

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

CNODCI means CNODC International Holding Ltd, a company incorporated in the British Virgin Islands of Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands, VG1110.

Conditions Precedent means the conditions precedent to the Share Scheme set out in clause 2.1.

Corporations Act means the *Corporations Act 2001* (Cth) (as modified by ASIC).

Court means the Federal Court of Australia or such other court of competent jurisdiction as Bidder and Target may agree in writing.

Effective means, when used in relation to the Share Scheme, the coming into effect, pursuant to section 411(10) of the *Corporations Act*, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the *Corporations Act* in relation to the Share Scheme.

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

End Date means 30 September 2010, or such later date as Bidder and Target may agree in writing.

Implementation Agreement means the Scheme Implementation Agreement dated 19 March 2010 between Target and Bidder.

Implementation Date means the date that is ten Business Days after the Record Date, or such other date as:

- (a) Target and Bidder may agree in writing;
- (b) ordered by the Court; or
- (c) may be required by ASX.

Record Date means 7pm Sydney time on the date that is five Business Days after the Effective Date, or such other date as may be agreed in writing between Bidder and Target, such agreement not to be unreasonably withheld or delayed, or as may be required by ASX.

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

Scheme Consideration means the consideration to be provided to Scheme Shareholders under the terms of the Share Scheme for the transfer to Bidder of their Scheme Shares in accordance with clause 5.

Scheme Meeting means the meeting of Target Shareholders to be ordered by the Court to be convened under section 411(1) of the *Corporations Act* in relation to the Share Scheme, and includes any adjournment of that meeting.

Scheme Shareholder means each person who is registered in the Target Register as a holder of Scheme Shares as at the Record Date.

Scheme Shares means the Target Shares on issue as at the Record Date.



Scheme Transfer means, in relation to each Scheme Shareholder, a proper instrument of transfer of their Scheme Shares for the purpose of section 1071B of the *Corporations Act*, which may be a master transfer of all or part of all of the Scheme Shares.

Second Court Date means the first day of hearing of an application made to the Court by Target for orders pursuant to section 411(4)(b) of the *Corporations Act* approving the Share Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Share Scheme means the scheme of arrangement under Part 5.1 of the *Corporations Act* between Target and Target Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court and agreed to by Bidder and Target may agree in writing, such agreement not to be unreasonably withheld or delayed.

SEHAL means Shell Energy Holdings Australia Limited (ACN 054 260 776).

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

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

Target Share Registry means Link Market Services Limited (ACN 083 214 537).

Target Shareholder means a person who is registered in the Target Register as a holder of Target Shares from time to time.



1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to, this document.
- (f) A reference to an agreement or document (including a reference to this document and its annexures and schedules) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this Agreement or that other agreement or document.
- (g) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form but excludes a communication by electronic mail (including attachments to electronic mail).
- (h) A reference to a party to this document or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (i) A reference to legislation or to a provision of legislation includes a modification or re enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (j) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.

- (k) A reference to an *agreement* includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a *document* includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (l) A reference to *dollars, Australian dollars, \$ and A\$* is to the lawful currency of Australia.
- (m) A reference to an *asset* includes any real or personal, present or future, tangible or intangible property or asset (including intellectual property) and any right, interest, revenue or benefit in, under or derived from the property or asset.
- (n) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the *Corporations Act*.
- (o) All references to time are to Brisbane, Australia time unless expressly stated otherwise. If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.
- (p) Mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included.
- (q) A reference to a *liability* incurred by any person includes any liability of that person arising from or in connection with any obligation (including indemnities and all other obligations owed as principal or guarantor) whether liquidated or not, whether present, prospective or contingent and whether owed, incurred or imposed by or to or on account of or for the account of that person alone, severally or jointly or jointly and severally with any other person.
- (r) A reference to a *loss* incurred by any person includes any loss, liability, damage, cost, charge or expense that the person pays, incurs or is liable for and any other diminution of value of any description that the person suffers, including all liabilities on account of taxes or duties, all interest, penalties, fines and other amounts payable to third parties and all reasonable legal expenses and other expenses in connection with investigating or defending any claim, action, demand or proceeding, whether or not resulting in any liability, and all amounts paid in settlement of any such claims.
- (s) Nothing in this document is to be interpreted against a party solely on the ground that the party put forward this Agreement or a relevant part of it.

2. Conditions Precedent

2.1 Conditions Precedent to the Share Scheme

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

- (a) as at 8am on the Second Court Date each of the conditions precedent set out in clause 3.1 of the Implementation Agreement (other than the condition precedent relating to the approval of the Court set out in clause 3.1(d) of the Implementation Agreement) has been satisfied or waived in accordance with the Implementation Agreement;
- (b) as at 8am on the Second Court Date, the Implementation Agreement has not been terminated;
- (c) the Court makes orders approving the Share Scheme under section 411(4)(b) of the *Corporations Act*, including with such alterations made or required by the Court under section 411(6) of the *Corporations Act* as are acceptable to Bidder and Target;



- (d) such other conditions made or required by the Court under section 411(6) of the *Corporations Act* in relation to the Share Scheme as are acceptable to Bidder and Target have been satisfied; and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the *Corporations Act* approving the Share Scheme come into effect, pursuant to section 411(10) of the *Corporations Act*.

2.2 Termination of Implementation Agreement

Without limiting any rights under the Implementation Agreement, in the event that the Implementation Agreement is terminated in accordance with its terms before 8am on the Second Court Date, each of Target and Bidder is released from:

- (a) any further obligation to take steps to implement the Share Scheme; and
- (b) any liability with respect to the Share Scheme.

3. Share Scheme Becoming Effective

3.1 Effective Date of the Share Scheme

Subject to clause 3.2, the Share Scheme will take effect on and from the Effective Date.

3.2 End Date

The Share Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date.

4. Implementation of Share Scheme

4.1 Transfer of Scheme Shares

On the Implementation Date, subject to the provision of the Scheme Consideration in the manner contemplated by clauses 4.2, 5 and 6 and Bidder having provided Target with written confirmation of that having occurred, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Target or any of its directors and officers as attorney and agent for Scheme Shareholders under the Share Scheme), by Target effecting a valid transfer or transfers of the Scheme Shares to Bidder under section 1074D of the *Corporations Act* or, if that procedure is not available for any reason, by:

- (a) Target delivering to Bidder for execution duly completed and, if necessary, stamped Scheme Transfers to transfer all of the Scheme Shares to Bidder, duly executed by Target (or any of its directors and officers) as the attorney and agent of each Scheme Shareholder as transferor under clause 9.3;
- (b) Bidder executing the Scheme Transfers as transferee and delivering them to Target for registration; and
- (c) Target, immediately after receipt of the Scheme Transfers under clause 4.1(b), entering, or procuring the entry of, the name and address of Bidder in the Target Register as the holder of all of the Scheme Shares.





4.2 Provision of Scheme Consideration

On the Implementation Date, in consideration for, and prior to, the transfer to Bidder of the Scheme Shares, Bidder will pay to each Scheme Shareholder the total amount of cash to which that Scheme Shareholder is entitled under clause 5 as Cash Consideration, in accordance with clause 5(b).

5. Scheme Consideration

- (a) The Scheme Consideration in respect of the Scheme Shares for which a Scheme Shareholder is registered in the Target Register as the holder as at the Record Date comprises, for each of those Scheme Shares, the Cash Consideration.
- (b) The obligation of Bidder to pay the Scheme Consideration under clause 4.2 will be deemed to be satisfied if Bidder, before 12.00 noon on the Implementation Date, deposits in cleared funds the aggregate Scheme Consideration payable to all Scheme Shareholders into an account nominated by Target (the details of which must be notified by Target to Bidder at least five Business Days before the Implementation Date), such amount to be held on trust by Target for the Scheme Shareholders (except that any interest on the amount will be for the account of Bidder) and for the purpose of Target paying the Scheme Consideration to each Scheme Shareholder.

6. Payment of Scheme Consideration

6.1 Payment of cash amounts

Subject to clauses 5(b) and 6.2, Target will pay the Cash Consideration to each Scheme Shareholder on the Implementation Date by either (in the sole discretion of Target):

- (a) despatching, or procuring the despatch, to that Scheme Shareholder of a pre printed cheque in the name of that Scheme Shareholder and for the relevant amount (denominated in A\$), with such despatch to be made by pre-paid post to that Scheme Shareholder's Registered Address (as at the Record Date); or
- (b) making, or procuring the making of, a deposit for the relevant amount (denominated in A\$) in an account with any Australian ADI in Australia notified by that Scheme Shareholder to Target and recorded in or for the purposes of the Target Register as at the Record Date.

6.2 Joint holders

In the case of Scheme Shares held in joint names any cheque required to be paid to Scheme Shareholders will be payable to the joint holders and will be forwarded to the holder whose name appears first in the Target Register as at the Record Date.

6.3 Unclaimed Moneys

In the event that Target believes that a Scheme Shareholder is not known at the Scheme Shareholder's registered address, and no account has been notified for the purposes of clause 6.1(a) or a deposit into such an account is rejected or refunded, Target may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target to be held on trust by Target for the Scheme Shareholder until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with any applicable unclaimed money legislation (except that any interest accruing on the amount will be for the account of Bidder). An amount credited to the account is to be treated as having been paid to the Scheme Shareholder when credited to the account. Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfer of the amounts.



7. Dealings in Target Shares

7.1 Dealings in Target Shares by Scheme Shareholders

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Target Shares will be recognised by Target provided that:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Register as the holder of the relevant Target Shares by the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the Target Register is maintained by 5pm on the day which is the Record Date (in which case Target must register such transfers or transmission applications before 7pm on that day),

and Target will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders, any transfer or transmission application in respect of Target Shares received after such times, or received prior to such times but not in registrable form.

7.2 Target Register

Target will, until the Scheme Consideration has been provided and the name and address of Bidder has been entered in the Target Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the Target Register in accordance with this clause 7, and the Target Register in this form and the terms of the Share Scheme will solely determine entitlements to the Scheme Consideration. As from the Record Date (and other than for Bidder following the Implementation Date), each entry in the Target Register as at the Record Date relating to Scheme Shares will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Scheme Shares.

7.3 Effect of share certificates and holding statements

As from the Record Date (and other than for Bidder following the Implementation Date), all share certificates and holding statements for Scheme Shares will cease to have effect as documents of title in respect of those Scheme Shares.

7.4 Information to be given to Bidder

Target must procure that, as soon as practicable after the Record Date and in any event at least three Business Days before the Implementation Date, details of the names, Registered Addresses and holdings of Target Shares of every Scheme Shareholder as shown in the Target Register as at the Record Date are given to Bidder (or as it directs) in such form as Bidder may reasonably require.

7.5 No disposals after Record Date

If the Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.

8. Suspension and Termination of Quotation of Target Shares

- (a) Target must apply to ASX for suspension of trading of the Target Shares on ASX with effect from the close of business on the Effective Date, or from such earlier time as may be reasonably

appropriate to ensure that all trades made prior to suspension may be completed, and the Target Register amended accordingly, prior to the Record Date.

- (b) Target must apply to ASX for termination of official quotation of the Target Shares on ASX and the removal of Target from the official list of ASX with effect from the Business Day immediately following the Implementation Date, or from such later date as may be determined by Bidder.

9. General Provisions

9.1 Further assurances

- (a) Each Scheme Shareholder and Target will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Share Scheme and the transactions contemplated by it.
- (b) Without limiting Target's other powers under the Scheme, Target has power to do all things that it considers necessary or desirable to give effect to the Share Scheme and the Implementation Agreement.

9.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

- (a) irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of the Share Scheme; and
- (b) irrevocably consents to Target and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Share Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Shareholder.

9.3 Appointment of Target as attorney for implementation of Share Scheme

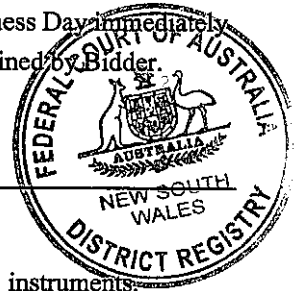
Each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints Target as that Scheme Shareholder's agent and attorney for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Share Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfers) under clause 4.1(a); and
- (b) enforcing the Bidder Deed Poll against Bidder, SEHAL or CNODCI,

and Target accepts such appointment. Target, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 9.3 to all or any of its directors and officers (jointly, severally, or jointly and severally).

9.4 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Bidder and, to the extent enforceable, to have appointed and authorised Target as that Scheme Shareholder's agent and attorney to warrant to Bidder, that all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the time of the transfer of them to Bidder pursuant to the Share Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of



any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any rights and entitlements attaching to those Scheme Shares) to Bidder pursuant to the Share Scheme. Target undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidder on behalf of that Scheme Shareholder.

9.5 Title to Scheme Shares

Bidder will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by Target of the name and address of Bidder in the Target Register as the holder of the Scheme Shares.

9.6 Appointment of Bidder as attorney for Scheme Shares

- (a) From the Effective Date until Bidder is registered in the Target Register as the holder of all Scheme Shares, each Target Shareholder:
- (i) without the need for any further act by that Target Shareholder, irrevocably appoints Bidder as its proxy to (and irrevocably appoints Bidder as its agent and attorney for the purpose of appointing any director or officer of Bidder as that Target Shareholder's proxy and, where appropriate, its corporate representative to):
 - (A) attend shareholders' meetings of Target;
 - (B) exercise the votes attaching to the Target Shares registered in the name of the Target Shareholder; and
 - (C) sign any Target Shareholders' resolution; and
 - (ii) must take all other action in the capacity of a Target Shareholder as Bidder reasonably directs.
- (b) From the Effective Date until Bidder is registered in the Target Register as the holder of all Scheme Shares, no Target Shareholder may attend or vote at any meetings of Target Shareholders or sign any Target Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause 9.6.



9.7 Alterations and conditions to Share Scheme

If the Court proposes to approve the Share Scheme subject to any alterations or conditions, Target may, by its counsel or solicitors, and with the prior consent of Bidder, consent on behalf of all persons concerned, including each Target Shareholder, to those alterations or conditions.

9.8 Binding effect of Share Scheme

The Share Scheme binds Target and all of the Target Shareholders from time to time (including those who did not attend the Scheme Meeting, did not vote at that meeting or voted against the Share Scheme) and, to the extent of any inconsistency, overrides the constitution of Target.

9.9 Enforcement of Bidder Deed Poll

Target undertakes in favour of each Scheme Shareholder that it will enforce the Bidder Deed Poll against Bidder, SEHAL or CNODCI on behalf of and as agent and attorney for the Scheme Shareholders.

9.10 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Share Scheme is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or by the Target Share Registry, as the case may be.

9.11 Costs and stamp duty

- (a) Subject to clause 9.11(b), each of Bidder and Target will pay their share of the costs of the Scheme in accordance with the Implementation Agreement.
- (b) Bidder will pay all stamp duty (including related fines, penalties and interest) payable on or in connection with the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Share Scheme.

9.12 Governing law and jurisdiction

This Share Scheme is governed by the laws of Queensland. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning the Share Scheme.

