

ASX Announcement



22 March 2010

Arrow Energy recommends acquisition by Shell / PetroChina Joint Venture following planned demerger

The Board of Arrow Energy Limited ("Arrow Energy") is pleased to recommend transactions that if implemented will deliver shareholders

- one share in a new listed entity, Dart Energy Limited; and
- cash of \$4.70 per share.

Shareholders to receive cash consideration of \$4.70 per share

- Cash offer of \$4.70 per share from CS CSG (Australia) Pty Ltd ("CSCo"), a company jointly owned by a subsidiary of Royal Dutch Shell Plc ("Shell") and a subsidiary of PetroChina Company Limited ("PetroChina"), to acquire all of the post Demerger (as defined below) issued capital of Arrow Energy ("the Acquisition scheme").
 - Cash component alone represents a 35 percent premium to both the last closing price and one month volume weighted average price prior to 8 March 2010 (date of original non-binding, indicative and conditional proposal from CSCo).
 - Cash component crystallizes significant value with monetisation and funding risks transferred to CSCo.

Shareholders to receive one share in a new coal seam gas (CSG) growth company

- The new entity will be created by a demerger of Arrow Energy's international business and certain Australian assets into a new company to be named Dart Energy Limited ("the Demerger").
- Dart Energy Limited to be listed on the ASX and will comprise:
 - Arrow Energy's 90% interest in Arrow Energy International Pte Ltd which holds the existing portfolio of international assets in China, India, Vietnam and Indonesia (including removal of Shell's existing 50% back-in rights to these opportunities¹) with expansion opportunities under evaluation in Europe and Southern Africa.
 - Certain Arrow Energy stakes in listed ASX companies including:
 - 21.04% shareholding in Apollo Gas Ltd;
 - 1.4% shareholding in Bow Energy Ltd; and
 - 7.5% shareholding in Liquefied Natural Gas Ltd;

¹ Conditional upon the Acquisition scheme being implemented

- Farm-in rights into two of Apollo Gas Ltd's exploration licenses in New South Wales, Australia;
 - Cash of A\$45 million;
 - US\$25 million loan facility from Shell²; and
 - Co-operation with PetroChina in relation to future potential CSG opportunities in China.
- Shell will retain its 10 percent interest in Arrow Energy's existing portfolio of international assets (through its shareholding in Arrow Energy International Pte Ltd).
 - Dart Energy will be led by the existing Arrow Energy management team (Nick Davies, Shaun Scott, Stephen Bizzell, Graham Yerbury) and the previously announced new CEO/MD Simon Potter.
 - The Demerger allows Arrow Energy Shareholders to continue to participate, through Dart Energy, in Arrow Energy's dynamic international growth strategy and NSW coal seam gas opportunities.

Recommendation of Demerger and Acquisition scheme

The Arrow Board unanimously recommends that Arrow Energy Shareholders vote in favour of both Schemes, and the Directors of Arrow Energy have each stated that they intend to vote the shares they control in favour of the Schemes, in the absence of a superior proposal, and subject to the Independent Expert stating that in its opinion, the Schemes are in the best interests of Arrow Energy Shareholders.

Arrow Energy Chairman, John Reynolds, commented that: "This transaction crystallises the value of more mature assets that have been built in Arrow's Queensland business through the rigorous execution of our business strategy. In addition, we are creating an exciting opportunity for Arrow Energy shareholders to continue to participate in a portfolio of earlier-stage development assets in Australia and the broader Asian region. That company will be led by the same management team that successfully grew Arrow Energy into a major Australian energy company."

Arrow Energy CEO, Nick Davies, said: "Dart Energy, with its portfolio of assets, and strong funding position has the opportunity to become a leading global coal seam gas company. The existing portfolio of assets and additional opportunities we have in the pipeline provide a great platform to replicate our Queensland success. We look forward to continuing the journey with existing Arrow Energy shareholders."

Acquisition scheme – Shareholder Benefits

- The cash payment of \$4.70 per share delivers an attractive premium to the recent trading price of Arrow Energy's shares.
- Immediate crystallisation of Arrow Energy's long term value proposition without needing to address risks associated with achieving Arrow Energy's LNG development plans.

² Conditional upon the Acquisition scheme being implemented

Demerger – Shareholder Benefits

The Demerger provides significant benefits to Arrow Energy's shareholders:

- Replication of Arrow Energy's business model regionally and globally.
- Access to large, early stage CSG acreage in high growth markets.
- Proven management team.
- Projected substantial 2P reserves by end 2011.
- Continuation of Shell's 10 percent shareholding in Arrow Energy International Pte Ltd.
- Co-operation with PetroChina in relation to CSG opportunities in China.

Overview of Transactions – Demerger & Acquisition

In line with ongoing plans, as announced in February, Arrow Energy has commenced the process to demerge its international business. The Demerger Scheme is not conditional on the Acquisition Scheme. While accelerating this demerger activity we have significantly enhanced the asset package for the proposed Demerger through removal of the Shell back in rights into international projects, planned addition of the Dajing PSC in China, addition of the shareholdings in a number of ASX listed companies and NSW CSG interests, and the injection of \$70m in cash and funding into the business.

The Demerger and the Acquisition will occur under two separate Court approved Schemes of Arrangements. Under the Schemes, Arrow Energy shareholders will receive one share in the demerged Dart Energy for each Arrow Energy share and separately a cash payment from CSCo for the Acquisition of the Queensland CSG business if both Schemes are approved. The proposed demerger will be achieved by distributing the shares in Dart Energy to Arrow Energy's shareholders prior to Acquisition of Arrow Energy by CSCo. Arrow Energy, CSCo and Dart Energy have agreed to a 9 month transitional services agreement to facilitate an orderly demerger process.

The terms of the Scheme dealing with the Acquisition (the Acquisition scheme) are set out in the Scheme Implementation Agreement ("SIA") signed on 22 March 2010 by Arrow Energy and CSCo, a copy of which is attached to this announcement.

Exclusivity Arrangements and Break Fee

Arrow Energy has agreed to customary obligations that limit Arrow Energy's ability to engage with third parties on a competing proposal, although these obligations are subject to fiduciary duty exceptions. The SIA attached to this announcement contains full details of these arrangements including a no shop obligation and a no talk obligation. A break fee of 1% of the transaction value is payable in certain circumstances.

Scheme Meetings

Subject to the Federal Court of Australia making appropriate orders, Arrow is targeting dispatch of Scheme Booklets to shareholders in June 2010 for shareholder meetings in July 2010. The Scheme Booklets will include Independent Expert Reports which will include an opinion as to whether each Scheme is in the best interests of Arrow Energy shareholders.

Acquisition Approvals

The Offer is subject to Foreign Investment Review Board (“**FIRB**”) approval in Australia, customary regulatory approvals in China (including approval by the National Development and Reform Commission of China (“**NDRC**”) and the State Administration of Foreign Exchange of China (“**SAFE**”), and the other conditions that are set out in the SIA that is attached to this announcement.

Target Implementation Timetable

Demerger and Acquisition announcement	22 nd March 2010
Scheme booklets lodged with ASIC for regulatory review	mid May 2010
Scheme booklets dispatched to Arrow Energy shareholders	early June 2010
Arrow Energy scheme meetings	mid July 2010
Demerger Scheme approved and implemented	late July 2010
Court hearing Acquisition Scheme	late July 2010
Implementation date Acquisition Scheme	early August 2010

These dates are indicative only and may change.

Advisers

Arrow Energy has retained Citi and UBS as financial advisers and Gilbert & Tobin as legal advisers.

ENDS

For and on behalf of the Board
Paul Marshall, Company Secretary

For further information contact:

Mr Nick Davies	Managing Director & Chief Executive Officer	Tel: +61 7 3012 4000
Mr Shaun Scott	Chief Executive Officer – Australia	Tel: +61 7 3012 4000
Mr Andrew Barber	General Manager Investor Relations	Tel: +61 7 3012 4000
Mr Gareth Quinn	Public Relations & External Affairs Manager	Tel: +61 7 3012 4000

www.arrowenergy.com.au

About Arrow Energy

Arrow Energy is a leading Australian integrated energy company focused on the development of coal seam gas throughout eastern Australia and Asia. Our worldwide interests span coal seam gas developments, pipeline assets, electricity generation and investments in liquefied-natural gas projects. Arrow Energy is one of Australia's top 100 publicly listed companies.

About Royal Dutch Shell

Royal Dutch Shell plc is incorporated in England and Wales, has its headquarters in The Hague and is listed on the London, Amsterdam, and New York stock exchanges. Shell companies have operations in more than 100 countries and territories with businesses including oil and gas exploration and production; production and marketing of liquefied natural gas and gas to liquids; manufacturing, marketing and shipping of oil products and chemicals and renewable energy projects.

About PetroChina

PetroChina Company Limited ("PetroChina") is the largest oil and gas producer and distributor in China and plays a dominant role in the national oil and gas industry. It is one of the companies with the biggest sales revenue in China, and is one of the largest oil companies in the world. PetroChina was established as a joint stock company with limited liabilities by China National Petroleum Corporation under the Company Law and the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies on November 5th, 1999.

Scheme Implementation Agreement

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CS CSG (Australia) Pty Ltd**

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Scheme Implementation Agreement

Date	2010
Parties	
1.	Arrow Energy Limited (ACN 078 521 936) of Level 19, AM-60, 42-60 Albert Street, Brisbane, Queensland, Australia, 4000 (<i>Target</i>).
2.	CS CSG (Australia) Pty Ltd (ACN 141 385 293) of Level 31, Riverside Centre, 123 Eagle Street, Brisbane, Queensland, Australia, 4000 (<i>Bidder</i>).
Recitals	
A	Bidder proposes to acquire all of the Scheme Shares pursuant to the Share Scheme.
B	Target has agreed to propose the Share Scheme to Target Shareholders and to issue the Scheme Booklet to Target Shareholders and Bidder and Target have agreed to implement the Share Scheme, upon and subject to the terms and conditions of this Agreement.
C	SEHAL and PetroChina International have agreed to become parties to the Bidder Deed Poll to guarantee the Bidder's obligation to pay the Scheme Consideration if the Share Scheme becomes Effective.

It is agreed as follows.

1. Definitions and Interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise.

ACCC means the Australian Competition and Consumer Commission.

Adviser means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity.

Agreed Form means in relation to any document, such document in the form agreed between the Bidder and Target, such agreement not to be unreasonably withheld or delayed.

Announcement Date means:

- (a) the date on which this Agreement is executed; or
- (b) if this Agreement is executed on a day that is not a Trading Day, the first Trading Day immediately following the day of execution.

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Arrow Energy International means Arrow Energy International Pty Ltd (ACN 122 588 505) and is the entity that holds (or will on the implementation date of the Demerger Scheme, if it proceeds, hold) all of the Demerged Assets and Liabilities.

Arrow Singapore means Arrow Energy International Pte Ltd (20080521BW).

Apollo means Apollo Gas Limited (ACN 136 673 186).

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.

ATO means the Australian Taxation Office.

BBSW means (in respect of any day) the bank bill swap reference rate for 90 day bills as published from time to time in the Australian Financial Review or if no such rate is so published, then the rate discount expressed as a percentage yield to maturity per annum at which the Commonwealth Bank of Australia is prepared to purchase on the relevant day bills of exchange accepted by itself which have a face value equal to A\$100,000 and a tenor of 60 Business Days as advised by the Commonwealth Bank of Australia to the parties.

Bidder Board means the board of directors of Bidder.

Bidder Committee Members means Mr Zhao Dong, Ms Ge Aiji, Ms Liu Hongna, Mr Guy Outen, Mr Andrew Faulkner and Mr Bernard Samuels, or such other persons as are nominated by Bidder in place of those individuals.

Bidder Deed Poll means a deed poll to be executed by Bidder, SEHAL and PetroChina International in favour of the Scheme Shareholders substantially in the form of annexure B (or in such other form as Bidder, SEHAL, PetroChina International and Target may agree in writing, such agreement not to be unreasonably withheld or delayed).

Bidder Disclosed Information means all written information provided by Bidder or any of its Representatives to Target or any of its Representatives in connection with the Share Scheme or relating to the Bidder Group's past, present or future operations, affairs, business and/or strategic plans, whether provided before or after entry into this Agreement.

Bidder Group means Bidder, Bidder's Subsidiaries, Forever Glowing, SEHAL and the Related Bodies Corporate of each of Forever Glowing and SEHAL.

Bidder Group Member means each member of the Bidder Group.

Bidder Indemnified Parties means:

- (a) each Bidder Group Member; and
- (b) the Officers of each Bidder Group Member.

Bidder Provided Information means all written information regarding the Bidder Group that is provided by or on behalf of Bidder to Target or any of its Representatives to enable:

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- (a) the Scheme Booklet to be prepared and completed in accordance with clause 5.1 (and that is specifically identified as such by Bidder or any of its Representatives), and any updates to that information provided by or on behalf of Bidder to Target or any of its Representatives in accordance with clause 5.4(f); and
- (b) the applications for the Regulatory Approvals to be made.

Black Box Due Diligence means the due diligence investigations of Target to be undertaken by Bidder during the Black Box Due Diligence Period.

Black Box Due Diligence Event means the discovery by the Bidder during the Black Box Due Diligence of a fact or matter which is materially inconsistent with the Target Disclosed Information or which contains information not disclosed in the Target Disclosed Information and which has, or is likely to have, individually or when aggregated a material adverse effect on the value or prospects of the Target Group (taken as a whole) excluding Arrow Energy International and its Subsidiaries, and for this purpose, the effect must be demonstrable, sustained and diminishing the value or prospects of that Target Group by not less than \$50 million.

Black Box Due Diligence Period means a period of two Business Days immediately following Target advising Bidder that the Black Box Information is complete and available to Bidder and that it can commence the Black Box Due Diligence.

Black Box Information means the two (2) contracts provided to Bidder prior to execution of this Agreement.

Bow means Bow Energy Limited (ACN 111 019 857).

Break Fee means an amount equal to 1% of the Scheme Consideration (exclusive of GST) payable in accordance with this Agreement.

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.

Claim means in relation to any person, a claim, action, proceeding, judgment, damage, loss, cost, expense or liability incurred by or to or made or recovered by or against the person, however arising and whether past, present, unascertained, immediate, future or contingent.

Communications means all forms of communications, whether written, oral, in electronic format or otherwise, and whether direct or indirect via agents or Representatives.

Competing Proposal means any expression of interest, proposal, offer, transaction or arrangement (other than any Transaction that may be made and implemented in accordance with this Agreement) by or with any person pursuant to which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in accordance with its terms:

- (a) a person or persons will (other than as custodian, nominee or bare trustee):

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- (i) acquire an interest in, or a Relevant Interest in, or become the holder of, 20% or more of the shares in any Target Group Member (other than pursuant to the Demerger Scheme);
 - (ii) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in, all or a substantial part of the assets or business of any Target Group Member (other than pursuant to the Demerger Scheme);
 - (iii) otherwise acquire control (within the meaning of section 50AA of the *Corporations Act*) of any Target Group Member (other than pursuant to the Demerger Scheme); or
 - (iv) otherwise directly or indirectly acquire, merge or amalgamate with, or acquire a significant shareholding or economic interest in, any Target Group Member (other than pursuant to the Demerger Scheme) or in all or a substantial part of their respective assets or business, whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding company for the Target Group or other synthetic merger or any other transaction or arrangement; or
- (b) Target would be required to abandon or otherwise fail to proceed with the Share Scheme or the Transactions, by whatever means.

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

Confidentiality Deed means the deed of that name between Bidder, Target, SEHAL and Forever Glowing dated 12 March 2010.

Confidential Information has the same meaning given to that term in the Confidentiality Deed.

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.

Cut Off Date means 3pm on the day one Business Day before the date of this Agreement.

Demerged Assets and Liabilities means:

- (a) all shares held by Arrow Energy International in Arrow Singapore and all related obligations and liabilities of any Target Group Member (other than Arrow Energy International and its Subsidiaries) to Arrow Energy International, Arrow Singapore or any of their Subsidiaries;
- (b) all shares held by Target Group as at the Reference Date in, and all agreements with any of Apollo, Bow and LNG Limited (or any Related Body Corporate of any of these entities) and all related obligations and liabilities of the Target Group in connection with those shareholdings and agreements including existing contractual rights under farm-in agreements to earn up to a 50% interest in PEL

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458 and PEL 464 held by a Wholly-Owned Subsidiary of Apollo in New South Wales together with any remaining funding obligations for completing the work programs required to earn the 50% interest in these PELs which exceed \$2 million in aggregate;

- (c) cash of \$45 million to be provided by Target to Arrow Energy International, less net cash outflows from the Reference Date until the implementation date of the Demerger Scheme. Any intragroup debt between Target Group (other than Arrow Energy International and its Subsidiaries) and Arrow Energy International and its Subsidiaries owed to a Target Group Member (excluding Arrow Energy International and its Subsidiaries) must be extinguished in consideration for the issue of new equity;
- (d) all rights and liabilities associated with the Fisherman's Landing LNG Project including those under the Heads of Agreement (as extended) as publicly announced by LNG Limited to ASX on 16 March 2010; and
- (e) the right to receive the break fee payment of \$2 million from Energy Infrastructure Group or assets over which that amount is secured.

Demerged Assets Divestment means:

- (a) the removal of Arrow Energy International and the Demerged Assets and Liabilities from the Target Group, to be implemented by the Demerger Scheme or such other means agreed by the parties; and
- (b) the changing of Arrow Energy International's name (and any names of its Subsidiaries) to a name which does not include the word "Arrow", subject to and in accordance with the timeframe set out in the Transitional Services Agreement.

Demerger means the Demerged Assets Divestment to be implemented pursuant to the Demerger Scheme.

Demerger Deed means the deed of that name between Target and Arrow Energy International in the Agreed Form, which will include the matters set out in annexure D.

Demerger Implementation Deed means the deed of that name between Target and Arrow Energy International setting out the implementation steps preparatory to the Demerger in the Agreed Form.

Demerger Scheme means a mechanism for implementing the Demerged Assets Divestment (whether by way of scheme of arrangement, capital reduction, dividend or a combination or any of them) conditional only on the matters in annexure C, or otherwise as the Bidder and Target may agree, such agreement not to be unreasonably withheld or delayed.

Demerger Transaction Documents means each of:

- (a) the Demerger Deed;
- (b) the Demerger Implementation Deed;
- (c) the Transitional Services Agreement; and

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- (d) any other document, in the Agreed Form, which the Bidder and Target agree is necessary or desirable to be entered into between the Target and any Target Group Member in relation to the Demerger.

Due Inquiry means:

- (a) in the case of Target, the Target undertaking enquiries only of the Target Board and each of the following officers of the Target Group: Shaun Scott, Graham Yerbury, Daniel Gosewisch and Clint Adams; and
- (b) in the case of Bidder, the Bidder undertaking enquiries only of Mr Guy Outen and Ms Ge Aiji.

Effective means, when used in relation to a 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 that 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.

Exclusivity Period means the period commencing on the date of this Agreement and ending on the first to occur of the:

- (a) termination of this Agreement in accordance with its terms;
- (b) Implementation Date; or
- (c) End Date.

First Court Date means the first day of hearing of an application made to the Court by Target for orders, pursuant to section 411(1) of the *Corporations Act*, convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Fisherman's Landing LNG Project means the proposed LNG plant to be situated on the reclaimed area at the Fisherman's Landing site (which includes Lot 502 on SP 207298, and Fisherman's Landing Wharf Number 5 on Lot 500 on SP 120901 in the Western Basin of Gladstone Port, Gladstone, Queensland Australia including any associated agreements with or obligations to any of LNG Limited, Golar LNG Energy Limited, Toyota Tsusho, Laing O'Rourke, SK Engineering Company (or any of their Related Bodies Corporate) or any other Third Party, any arrangements for the supply or delivery of natural gas for use in the proposed LNG plant or any shipping, marketing, supply or sales of LNG that may be produced in the proposed LNG plant.

Forever Glowing means Forever Glowing International Pte. Ltd. (Entity Number 201001734D).

Governmental Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister (including, for the avoidance of doubt, the Commonwealth

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Treasurer), ASIC, the ACCC, the ATO, ASX, the Foreign Investment Review Board and any regulatory organisation established under statute or any stock exchange and includes any PRC Governmental Agency.

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the *Corporations Act* that the resolution to approve the Share Scheme is passed by a majority in number of Target Shareholders present and voting, either in person or by proxy at the Scheme Meeting.

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

- (a) Target and Bidder may agree in writing such agreement not to be unreasonably withheld or delayed;
- (b) ordered by the Court; or
- (c) may be required by ASX.

Independent Expert means an independent expert to be engaged by Target in accordance with clause 5.1(c) to express an opinion on whether the Share Scheme is in the best interests of Target Shareholders in accordance with the *Corporations Act* and ASIC policy and practice.

Independent Expert's Report means the report from the Independent Expert commissioned by Target for inclusion in the Scheme Booklet, and any update to such report that the Independent Expert issues prior to the Scheme Meeting.

LNG means liquefied natural gas.

LNG Limited means Liquefied Natural Gas Limited (ACN 101 676 779).

Material Adverse Effect means any event, occurrence or matter that individually or when aggregated with all such events, occurrences or matters:

- (a) has or is likely to have a material adverse effect on the value or prospects of the Target Group (taken as a whole) after excluding Arrow Energy International and its Subsidiaries, and for this purpose the effect must be demonstrable, sustained and diminishing the value or prospects of that Target Group by not less than \$100 million; or
- (b) has the result, or is reasonably likely to have the result, that the Target Group is unable to carry on its business in substantially the same manner as carried on at the date of this Agreement, or that otherwise materially and adversely affects the prospects of the Target Group.

Material Contract means any agreement, arrangement or understanding to which any Target Group Member is party that:

- (a) is for a period of one year or more;
- (b) requires or may result in receipt of revenue or expenditure by any Target Group Member (either alone or together with any other Target Group Member) of A\$2 million or more in any year; or

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(c) is otherwise material to the business or operations of any Target Group Member.

Notice of Meeting means the notice convening the Scheme Meeting, together with the proxy form for the Scheme Meeting.

Officer means, in relation to an entity, any of its directors, officers and employees.

parties means Bidder and Target or one or both of them (as the context requires).

PetroChina International means PetroChina International Investment Company Limited of No 6-1, Fuchengmen Beidajie, Xicheng, District Beijing, 10034, China.

PRC or China means the People's Republic of China.

PRC Governmental Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity of the PRC or any of its provinces, autonomous regions, municipalities, or special administrative regions, and includes:

- (a) the National Development and Reform Commission of China; and
- (b) the State Administration of Foreign Exchange of China.

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 or as may be required by ASX.

Reference Date means midnight on 4 March 2010.

Regulatory Approval means the approvals referred to in clauses 3.1(a) and 3.1(g).

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

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

Representative means, in relation to a person:

- (a) a Related Body Corporate of the person;
- (b) an Officer of the person or any of the person's Related Bodies Corporate;
- (c) an Adviser to the person or any of the person's Related Bodies Corporate; or
- (d) in the case of Bidder, any person to whom the Bidder has provided access to the Target Disclosed Information or the CD-Rom(s) referred to in clause 1.5.

Schemes means the Share Scheme and the Demerger Scheme and **Scheme** means either one of them as the context requires.

Scheme Booklet means the explanatory memorandum to be prepared in respect of the Share Scheme in accordance with the terms of this Agreement and to be despatched by Target to Target Shareholders, including the Independent Expert's Report, the Share Scheme, the Bidder Deed Poll and the Notice of Meeting (whether or not including information relating to the Demerger Scheme).

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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 4.2.

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 Orders means the orders of the Court made for the purposes of section 411(4)(b) of the *Corporations Act* in relation to the Share Scheme.

Scheme Resolution means the resolution to be put to Target Shareholders to approve the Share Scheme.

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 Transaction Documents means:

- (a) this Agreement;
- (b) the Share Scheme;
- (c) the Bidder Deed Poll;
- (d) the Confidentiality Deed; and
- (e) any other document, in the Agreed Form, which the Bidder and the Target agree is necessary or desirable to be entered into for the purposes of the Share Scheme.

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.

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

Share Scheme means the scheme of arrangement under Part 5.1 of the *Corporations Act* for the transfer of Scheme Shares to Bidder in the form of annexure A, or in such other form as Bidder and Target agree in writing, such agreement not to be unreasonably withheld or delayed.

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

Superior Proposal means a bona fide Competing Proposal that the Target Board determines, acting in good faith and in order to satisfy what the Target Board considers to be its fiduciary or statutory duties (and after having taken advice from its financial and legal advisers):

- (a) is capable of being valued and completed, taking into account all aspects of the Competing Proposal, including its conditions precedent; and
- (b) would, if completed substantially in accordance with its terms, be more favourable to the Target Shareholders than the Schemes and Transactions viewed in

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aggregate, taking into account all the terms and conditions of the Competing Proposal,

after taking into account a qualitative assessment of the identity, reputation and financial standing of the party making the Competing Proposal.

Target Board means the board of directors of Target.

Target Committee Members means Robbert de Weijer, Graham Yerbury and Mark Lockhore or such other persons as are nominated by Target in place of those individuals.

Target Director means a director of Target.

Target Disclosed Information means all written information provided by Target and its Representatives to Bidder and its Representatives prior to the date of this Agreement under the Confidentiality Deed including any notes of interviews of Target Group Officers provided to Target, and any changes notified by Target to Bidder within two Business Days of such notes being provided to Target, and as evidenced by a CD-Rom(s), two copies of which are initialled by and on behalf of Target and Bidder for the purposes of identification.

Target Group means Target and its Related Bodies Corporate.

Target Group Member means each member of the Target Group except for the purposes of the definition of "Target Regulated Event", where it means each member of the Target Group excluding Arrow Energy International and its Subsidiaries.

Target Indemnified Parties means:

- (a) each Target Group Member; and
- (b) the Officers of each Target Group Member.

Target Material Adverse Change means any event, occurrence or matter that individually or when aggregated with all such events, occurrences or matters:

- (a) has or is likely to have a material adverse effect on the value or prospects of the Target Group (taken as a whole) after excluding Arrow Energy International and its Subsidiaries, and for this purpose the effect must be demonstrable, sustained and diminishing the value or prospects of that Target Group by not less than \$100 million; or
- (b) has the result, or is reasonably likely to have the result, that the Target Group is unable to carry on its business in substantially the same manner as carried on at the date of this Agreement, or that otherwise materially and adversely affects the prospects of the Target Group,

other than an event, occurrence or matter:

- (c) which is solely a change in interest rates, commodity prices or currency exchange rates;
- (d) required to be undertaken or procured by the Target Group pursuant to the Scheme Transaction Documents;

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- (e) to the extent that event, occurrence or matter is fairly disclosed in the Target Disclosed Information;
- (f) which is required to give effect to any Demerged Assets Divestment prior to the Second Court Date; or
- (g) to the extent that event, occurrence or matter was known to Bidder prior to the date of this Agreement (which does not include knowledge of the risk of an event, occurrence or matter happening).

Target Option means an option either granted or agreed to be granted to subscribe for a Target Share as set out in clause 11.2(b)(ii).

Target Provided Information means all written information included in the Scheme Booklet, and any updates to that information prepared by or on behalf of Target in accordance with clause 5.1(k), other than:

- (a) the Bidder Provided Information and any information solely derived from, or prepared solely in reliance on, the Bidder Provided Information; and
- (b) the Independent Expert's Report.

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 Regulated Event means the occurrence of any of the following events:

- (a) any Target Group Member converts all or any of its securities into a larger or smaller number of securities;
- (b) any Target Group Member reduces, or resolves to reduce, its capital in any way;
- (c) any Target Group Member:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the *Corporations Act*;
- (d) any Target Group Member issues securities, or grants an option over or to subscribe for its securities, or agrees to make such an issue or grant such an option, other than to a Target Group Member which is a Wholly-Owned Subsidiary of Target, and excluding any Target Shares issued by Target as a result of the exercise of Target Options in existence as at the Reference Date or disclosed to the Bidder before the Cut Off Date;
- (e) any Target Group Member issues, or agrees to issue, convertible notes or any other security or instrument convertible into shares, other than to a Target Group Member which is a Wholly-Owned Subsidiary of Target;
- (f) any Target Group Member disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) any Target Group Member charges, or agrees to charge, the whole, or a substantial part, of its business or property;

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- (h) any Target Group Member issues, or agrees to issue, or grants an option to subscribe for, debentures (as defined in section 9 of the *Corporations Act*), other than to a Target Group Member which is a Wholly-Owned Subsidiary of Target;
 - (i) any Target Group Member agrees to pay, declares, pays or makes, or incurs a liability to pay or make, a dividend or any other form of distribution of profits or capital, other than the declaration and payment by any Subsidiary of Target of a dividend or any other form of distribution of profits or capital, where the recipient of that dividend is Target or a Target Group Member which is a Wholly-Owned Subsidiary of Target;
 - (j) any Target Group Member makes any change to its constitution or other constituent documents;
 - (k) any Target Group Member disposes legally or beneficially, or agrees to dispose legally or beneficially, of shares in a Related Body Corporate of Target;
 - (l) any Target Group Member resolves that it be wound up or an application or order is made for the winding up or dissolution of any Target Group Member other than where the application or order (as the case may be) is set aside within 14 days;
 - (m) a liquidator or provisional liquidator of any Target Group Member is appointed;
 - (n) a court makes an order for the winding up of any Target Group Member;
 - (o) an administrator of any Target Group Member is appointed under the *Corporations Act*;
 - (p) any Target Group Member ceases, or threatens to cease, to carry on business;
 - (q) any Target Group Member executes a deed of company arrangement;
 - (r) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any Target Group Member;
 - (s) any Target Group Member is deregistered as a company or otherwise dissolved;
 - (t) any Target Group Member is or becomes unable to pay its debts when they fall due;
 - (u) the trustee of any trust in which any Target Group Member has an interest of more than 50% and that would, if it were a company, be a Subsidiary of Target, undertaking an action in respect of that trust if the corresponding action, in the case of any Target Group Member, would (*mutatis mutandis*) constitute a Target Regulated Event; or
 - (v) any Target Group Member enters into any understanding, arrangement or commitment (of any nature) to do anything listed in paragraphs (a) to (t) (inclusive) of this definition;
- other than an event:
- (w) required to be undertaken or procured by the Target Group pursuant to the Scheme Transaction Documents;

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- (x) required to give effect to any Demerged Assets Divestment prior to the Share Scheme becoming Effective; or
- (y) agreed to in writing by the Bidder such agreement not to be unreasonably withheld or delayed.

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

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

Target Suspension Date means the date identified in the Timetable as the Target Suspension Date, or such other date as agreed by Bidder and Target.

Tax means a tax, levy, duty (including any stamp, transaction or registration duty or similar charge), charge, deduction or withholding, however it is described, that is imposed by law or by a Governmental Agency, together with any related interest, penalty, fine or other charge payable in relation to a tax.

Third Party means any of the following:

- (a) a person other than any Bidder Group Member; or
- (b) a consortium, partnership, limited partnership, syndicate or other group in which no Bidder Group Member has agreed in writing to be a participant.

Timetable means the indicative timetable in relation to the Share Scheme set out in schedule 1, or such other indicative timetable as Bidder and Target may agree in writing or as may be required by ASX.

Trading Day has the meaning given in the ASX Listing Rules.

Transaction Implementation Committee means the committee to be established under clause 9.3.

Transactions means the proposed transactions pursuant to which Bidder will acquire the Scheme Shares under the Share Scheme, in consideration for the provision of the Scheme Consideration and any action to be undertaken pursuant to, or in connection with, a Scheme Transaction Document.

Transitional Services Agreement means the agreement of that name between Target and Arrow Energy International in the Agreed Form which will include the matters set out in annexure E.

Voting Power has the meaning given in section 610 of the *Corporations Act*.

Wholly-Owned Subsidiary means, in relation to a party, a body corporate, all of the issued shares of which are or will be directly or indirectly owned by that party.

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.

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- (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 Agreement.
- (f) A reference to an agreement or document (including a reference to this Agreement 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 any electronic mail).
- (h) A reference to a party to this Agreement 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 Agreement 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

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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, whether or not resulting in any liability, and all amounts paid in settlement of any such Claims.
- (s) Nothing in this Agreement is to be interpreted against a party solely on the ground that the party put forward this Agreement or a relevant part of it.

1.3 Best and reasonable endeavours

A reference to a party using, an obligation on a party to use, its best endeavours or reasonable endeavours does not oblige that party to:

- (a) pay money:
 - (i) in the form of an inducement or consideration to a third party to procure something (other than the payment of immaterial expenses or costs, including costs of advisers, to procure the relevant thing); or
 - (ii) in circumstances that are commercially onerous or unreasonable in the context of this Agreement;
- (b) provide other valuable consideration to, or for the benefit of, any person; or
- (c) agree to commercially onerous or unreasonable conditions.

1.4 Apollo, Bow and LNG Limited

Nothing in this Agreement is to be taken as restricting any member of the Target Group's ability to dispose, offer to dispose, become bound to dispose or agree to dispose of, or vote in respect of, one or more shares (or an interest in one or more shares) that the member of the Target Group holds or controls in Apollo, Bow or LNG Limited.

1.5 Bidder's knowledge

References in this Agreement to the "Bidder's knowledge", or what the "Bidder knows" or of which Bidder is aware or similar expressions are limited to the actual knowledge of the Bidder and matters Bidder ought reasonably to be aware of from Target Disclosed Information and publicly available information and specifically does not otherwise include the knowledge of the wider Bidder Group entities but it includes the information provided by SEHAL to Forever Glowing, as evidenced by one CD-Rom, two copies of which are initialled by or on behalf of Target and Bidder for the purposes of identification (which information for all purposes related to this agreement is deemed to be within the actual knowledge of the Bidder).

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2. Agreement to Proceed with the Share Scheme

2.1 Target to propose the Share Scheme

Target agrees to propose and implement the Share Scheme upon and subject to the terms and conditions of this Agreement, and to use its best endeavours to do so as soon as is reasonably practicable and so far as practicable in accordance with the Timetable.

2.2 Bidder to assist

Bidder agrees to assist Target to implement the Share Scheme upon and subject to the terms and conditions of this Agreement, and to use its best endeavours to do so as soon as is reasonably practicable and so far as practicable in accordance with the Timetable.

2.3 Demerger Scheme

Target also intends to propose and implement the Demerger Scheme upon and subject to the terms and conditions of the Demerger Transaction Documents, and intends that:

- (a) the Demerger Scheme may become Effective even if the Share Scheme does not become Effective; and
- (b) if both the Demerger Scheme and the Share Scheme are approved by Target Shareholders, the Demerger will be implemented before the Second Court Date.

3. Conditions Precedent and Pre-Implementation Steps

3.1 Conditions Precedent

The obligations of Target under clause 5.1(n) and Bidder's obligation to pay the Scheme Consideration in accordance with the Bidder Deed Poll and clause 5.4(i) are subject to the satisfaction (or waiver in accordance with clause 3.2) of each of the following Conditions Precedent:

Conditions Precedent for the benefit of Bidder and Target

- (a) **(FIRB Approval)** before the Scheme Meeting, the Treasurer of the Commonwealth of Australia:
 - (i) **(approval)** gives (either himself or by his delegate) an approval under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) to the proposed acquisition of all of Target Shares by Bidder, and that approval is not subject to conditions, or is subject only to conditions that Bidder, acting reasonably, considers to be acceptable;
 - (ii) **(no objection)** provides (either himself or by his delegate) written advice or confirmation that there is no objection to the proposed acquisition of all of Target Shares by Bidder under the FATA or the foreign investment policy of the Australian Government, and that advice or confirmation is not subject to conditions, or is subject only to conditions that Bidder, acting reasonably, considers to be acceptable; or

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- (iii) **(expiry of notice period)** ceases to be empowered to make any order under Part II of the FATA in respect of the proposed acquisition of Target Shares by Bidder;
- (b) **(Independent Expert's Report)** the Independent Expert provides the Independent Expert's Report to Target, stating that in its opinion the Share Scheme is in the best interests of Target Shareholders, and the Independent Expert does not change their opinion or withdraw the Independent Expert's Report by notice in writing to Target prior to 8am on the Second Court Date;
- (c) **(Target Shareholder approval)** the Scheme Resolution is approved by the requisite majorities of Target Shareholders under section 411(4)(a)(ii) of the *Corporations Act*;
- (d) **(Court approval of Share Scheme)** the Share Scheme is approved by the Court in accordance with section 411(4)(b) of the *Corporations Act* and an office copy of the Scheme Orders are lodged with ASIC as contemplated by section 411(10) of the *Corporations Act*;
- (e) **(Court Approval of Demerger Scheme)** the Demerger Scheme is approved by the Court in accordance with section 411(4)(b) of the *Corporations Act* and an office copy of the Court Orders are lodged with ASIC as contemplated by section 411(10) of the *Corporations Act*;
- (f) **(no restraints)** no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Agency of competent jurisdiction, remains in effect as at 8am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Transactions or any Scheme Transaction Document;

Conditions Precedent for the benefit of Bidder only

- (g) **(PRC Regulatory Approvals)** before the Scheme Meeting, Bidder receives all Regulatory Approvals required in connection with the Transactions from the following PRC Governmental Agencies:
 - (i) the National Development and Reform Commission of China; and
 - (ii) the State Administration of Foreign Exchange of China,and those Regulatory Approvals are not withdrawn, cancelled or revoked;
- (h) **(no Target Regulated Events)** no Target Regulated Event occurs between the date of this Agreement and 8am on the Second Court Date;
- (i) **(no Target Material Adverse Change)** no Target Material Adverse Change occurs, or is discovered, announced or disclosed or otherwise becomes known to Bidder, between the date of this Agreement and 8am on the Second Court Date;
- (j) **(no Black Box Due Diligence Event)** no Target Black Box Due Diligence Event occurs during the Black Box Due Diligence Period;

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- (k) **(LNG Limited arrangements)** between the date of this Agreement and 8am on the Second Court Date, neither Target nor any of its Related Bodies Corporate has entered into an agreement, or commitment with LNG Limited or any of its Related Bodies Corporate on any account whatsoever or with any third party for the supply or delivery of natural gas for use in the Fisherman's Landing LNG Project or for the purposes of the acquisition, construction, operation or ownership of the Fisherman's Landing LNG Project or any shipping, marketing, supply or sales of LNG produced in that project.

3.2 Benefit and waiver of Conditions Precedent

- (a) The Conditions Precedent in clauses 3.1(a) to 3.1(f) are for the benefit of each of Bidder and Target, and (except in the cases of the Conditions Precedent in clauses 3.1(a), 3.1(c), 3.1(d) and 3.1(e), which cannot be waived, except as contemplated in clause 3.7) any breach or non-fulfilment of any of those Conditions Precedent may only be waived with the written consent of both Bidder and Target.
- (b) The Conditions Precedent in clauses 3.1(g) to 3.1(k) are for the sole benefit of Bidder, and any breach or non-fulfilment of any of those Conditions Precedent may only be waived in writing by Bidder.
- (c) A party entitled to waive the breach or non-fulfilment of a Condition Precedent pursuant to this clause 3.2 may do so in its absolute discretion.
- (d) If a waiver by a party of a Condition Precedent is itself expressed to be conditional and the other party accepts the conditions, the terms of the conditions apply accordingly. If the other party does not accept the conditions, the relevant Condition Precedent has not been waived.
- (e) If a party waives the breach or non-fulfilment of a Condition Precedent, that waiver will not preclude it from suing the other party for any breach of this Agreement constituted by the same event that gave rise to the breach or non-fulfilment of the Condition Precedent.
- (f) Waiver of a breach or non-fulfilment in respect of one Condition Precedent does not constitute:
- (i) a waiver of breach or non-fulfilment of any other Condition Precedent resulting from the same events or circumstances; or
 - (ii) a waiver of breach or non-fulfilment of that Condition Precedent resulting from any other event or circumstance.

3.3 Best endeavours and co-operation

Without prejudice to any other obligations of the parties under this Agreement:

- (a) each of Target and Bidder must use their respective best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 3.1(a), 3.1(d), 3.1(e), 3.1(f) and 3.1(g) to the extent that it is within their respective control;

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- (b) Target must use its best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 3.1(b), 3.1(c), 3.1(e), 3.1(h), 3.1(i), and 3.1(k); and
- (c) neither Target nor Bidder will take any action that will or is likely to hinder or prevent the satisfaction of any Condition Precedent, except to the extent that such action is required to be done or procured pursuant to, or is otherwise permitted by, the Scheme Transaction Documents, or is required by law.

For the purposes of paragraphs (a) and (b), the "best endeavours" of either Target or Bidder will require the other to (among other things):

- (d) observe and comply with clause 10.2;
- (e) satisfy the relevant Condition Precedent as soon as practicable after the date of this Agreement or ensure the relevant Condition Precedent continues to be satisfied at all times until the last time it is to be satisfied (as the case requires) with a view to the Effective Date occurring on or before the End Date provided that the parties are not obliged to waive any Condition Precedent; and
- (f) co-operate with the other or a Governmental Agency or Third Party in good faith with a view to satisfying the Conditions Precedent, including providing all information reasonably required by the other party in relation to the Bidder Group or Target Group (as applicable) in order to satisfy the Conditions Precedent and providing all information reasonably required by any Governmental Agency or other Third Party to such Governmental Agency or Third Party as appropriate. For the avoidance of doubt, where Bidder proposes to disclose any Confidential Information to a Government Agency or Third Party (whether pursuant to a request by a Government Agency or Third Party or otherwise), Bidder must seek Target's prior written consent to such disclosure which consent must not be unreasonably withheld or delayed.

3.4 Notifications

Each of Target and Bidder must:

- (a) keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent either directly or through its Advisers;
- (b) promptly notify the other party in writing if it becomes aware that any Condition Precedent has been satisfied, in which case the notifying party must also provide reasonable evidence that the Condition Precedent has been satisfied; and
- (c) promptly notify the other party in writing of a failure to satisfy a Condition Precedent or of any fact or circumstance that results in that Condition Precedent becoming incapable of being satisfied or that may result in that Condition Precedent not being satisfied in accordance with its terms (having regard to the obligations of the parties under clause 3.3 and the terms of clause 3.6).

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3.5 Failure of Conditions Precedent

- (a) If:
- (i) there is a breach or non-fulfilment of a Condition Precedent that is not waived in accordance with clause 3.2 before the End Date; or
 - (ii) a Condition Precedent becomes incapable of satisfaction, having regard to the obligations of the parties under clause 3.3 and the terms of clause 3.6 (and the breach or non-fulfilment of the Condition Precedent that would otherwise occur has not already been waived),
- either party may serve notice on the other party, and the parties must then consult in good faith with a view to determining whether:
- (iii) the Share Scheme or the Transactions may proceed by way of alternative means or methods and, if so, to agree on the terms of such alternative means or methods;
 - (iv) to extend the relevant time or date for satisfaction of the Condition Precedent;
 - (v) to change the date of the application to be made to the Court for orders under the *Corporations Act* approving the Share Scheme or to adjourn that application (as applicable) to another date agreed by the parties; or
 - (vi) to extend the End Date.
- (b) If Bidder and Target are unable to reach agreement under clauses 3.5(a)(iii), 3.5(a)(iv), 3.5(a)(v) or 3.5(a)(vi) within five Business Days after the delivery of the notice under that clause or any shorter period ending at 5pm on the day before the Second Court Date, a party may terminate this Agreement by notice in writing to the other party, provided that:
- (i) the Condition Precedent to which the notice relates is for the benefit of the party seeking to terminate the Agreement (whether or not the Condition Precedent is also for the benefit of the other party); and
 - (ii) there has been no failure by the party seeking to terminate the Agreement to comply with its obligations under this Agreement, where that failure directly and materially contributed to the Condition Precedent to which the notice relates becoming incapable of satisfaction, or being breached or not fulfilled before the End Date,

in which case clause 14.5 will have effect.

3.6 Conditions of Regulatory Approvals

Notwithstanding anything in this Agreement to the contrary and without limiting clauses 3.1(a) or 3.1(g), in obtaining any Regulatory Approval, Bidder will not be required to agree to conditions that the Bidder does not reasonably consider to be acceptable, including any conditions:

- (a) requiring it or any member of the Bidder Group to agree to or proffer to:

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- (i) divest or hold separate any of their or Target's or any of their respective Related Bodies Corporate's material businesses or assets; or
 - (ii) cease to conduct or materially reduce the scope of any business or operations in any jurisdiction in which the they or Target or any of their respective Related Bodies Corporate conducts business or operations as at the date of this Agreement; or
 - (iii) limit the type or scope of any proposed or potential business or operations in any jurisdiction (whether or not they or Target or any of their respective Related Bodies Corporate conducts business or operations in that jurisdiction as at the date of this Agreement); or
- (b) that do not merely impose procedural or other non material requirements incidental to the Regulatory Approval,

and any Regulatory Approval that is given subject to any such conditions will not satisfy the Condition Precedent to which it relates, unless the Bidder agrees otherwise (which agreement shall not be unreasonably withheld or delayed).

3.7 Share Scheme voted down

If the Share Scheme is not approved by Target Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test, then Target must if requested by Bidder acting reasonably:

- (a) seek the Scheme Order, notwithstanding the Headcount Test has not been satisfied;
- (b) make such submissions to the Court and file such evidence as counsel engaged by Target to represent it in Court proceedings related to the Share Scheme, in consultation with Bidder, considers is reasonably required to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the *Corporations Act* to disregard the Headcount Test; and
- (c) waive the Condition Precedent under clause 3.1(c).

3.8 Certificates in relation to Conditions Precedent and warranties

On the Second Court Date:

- (a) Target must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8am on the Second Court Date:
 - (i) the Conditions Precedent set out in clauses 3.1(b), 3.1(c), 3.1(e), 3.1(h), 3.1(i) and 3.1(k) have been satisfied or waived in accordance with this Agreement; and
 - (ii) to the best of Target's knowledge after Due Inquiry whether the Condition Precedent set out in clause 3.1(f) has been satisfied or waived in accordance with this Agreement;

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- (b) Bidder must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8am on the Second Court Date:
 - (i) the Conditions Precedent set out in clauses 3.1(a), 3.1(g) and 3.1(j) have been satisfied or waived in accordance with this Agreement; and
 - (ii) to the best of Bidder's knowledge after Due Inquiry whether the Conditions Precedent set out in clauses 3.1(f) has been satisfied or waived in accordance with this Agreement.

Each of Target and Bidder must also provide to the other by 8am, on the date of the Share Scheme Meeting, a certificate signed by two directors of that party confirming that as at that time, there is no fact, matter or circumstance known to it after Due Inquiry that constitutes or may constitute a breach of any of the warranties given by it under clause 11.

Each party must provide to the other party a draft of the relevant certificates to be provided by it pursuant to this clause 3.8 by 5pm on the day that is two Business Days prior to the date when it is due to be given, and must provide to the other party on the due date the final certificates or a copy of the final certificate or other evidence provided to the Court.

4. Share Scheme

4.1 Outline of Share Scheme

- (a) The parties agree that:
 - (i) Target will propose the Share Scheme in the form set out in annexure A, or in such other form as the parties agree in writing (such agreement not to be unreasonably withheld or delayed); and
 - (ii) the Share Scheme, if approved by the Court, will be subject to any alterations or conditions that are made or required by the Court and approved in writing by each party.
- (b) Subject to the Share Scheme becoming Effective, on the Implementation Date the Share Scheme will be implemented and:
 - (i) all of the Scheme Shares will be transferred to Bidder in accordance with the terms of the Share Scheme; and
 - (ii) in consideration for the transfer to Bidder of all Scheme Shares held by the Scheme Shareholders, the Scheme Shareholders will receive the Scheme Consideration in accordance with clause 4.2 and the terms of the Share Scheme.

4.2 Scheme Consideration

Subject to the Share Scheme becoming Effective, Bidder agrees in favour of Target that, in consideration of the transfer to Bidder of each Scheme Share under the Share Scheme, Bidder will accept such transfer, and will provide to each Scheme Shareholder \$4.70 in

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cash for each Scheme Share held by them, in accordance with the terms of the Share Scheme.

5. Steps for Implementation

5.1 Target's obligations in respect of the Share Scheme

Target must take all steps reasonably necessary to propose and implement the Share Scheme as soon as is reasonably practicable after the date of this Agreement and otherwise substantially in accordance with the Timetable, and in particular Target must:

- (a) **(public announcements)** make public announcements on the Announcement Date in accordance with clauses 8.2(a) and 10.1(a);
- (b) **(preparation of Scheme Booklet)** promptly prepare the Scheme Booklet in accordance with clause 5.5;
- (c) **(Independent Expert)** promptly appoint the Independent Expert (if the Independent Expert has not been appointed prior to the date of this Agreement), and promptly provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (d) **(liaison with ASIC)** as soon as reasonably practicable after the date of this Agreement but no later than 14 days before the First Court Date, provide an advanced draft of the Scheme Booklet to ASIC for its review and approval for the purposes of section 411(2) of the *Corporations Act*, and to Bidder, and (to the extent reasonably practicable) keep Bidder reasonably informed of any matters raised by ASIC in relation to the Scheme Booklet (and of any resolution of those matters), and use its best endeavours, in co-operation with Bidder, to resolve any such matters (which will include allowing Bidder to participate in Target's meetings and discussions with ASIC);
- (e) **(section 411(17)(b) statement)** as soon as reasonably practicable after the date of this Agreement, apply to ASIC for the production of statements in writing pursuant to section 411(17)(b) of the *Corporations Act* stating that ASIC has no objection to the Share Scheme;
- (f) **(approval of Scheme Booklet)** as soon as practicable after ASIC has confirmed that it has no objection to the Share Scheme or, if ASIC raises any objection to the Share Scheme, after that objection has been resolved, procure that a meeting of the Target Board is convened to approve the Scheme Booklet for despatch to Target Shareholders (and provide Bidder with a copy of an extract of the applicable resolutions from the applicable minutes of meeting, as soon as practicable after those minutes have been prepared and signed);
- (g) **(Court documents)** promptly prepare all documents necessary for the Court proceedings (including any appeals) relating to the Share Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) in accordance with all applicable laws, and provide Bidder with drafts of those

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- documents for review and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments from Bidder and its Representatives on those drafts;
- (h) **(first Court hearing)** promptly lodge all documents with the Court and take all other reasonable steps to ensure that an application is heard by the Court for orders under section 411(1) of the *Corporations Act* directing Target to convene the Scheme Meeting;
- (i) **(registration of Scheme Booklet)** if the Court directs Target to convene the Scheme Meeting, as soon as reasonably practicable after such orders are made, request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Share Scheme in accordance with section 412(6) of the *Corporations Act*;
- (j) **(Scheme Meeting)** promptly take all reasonable steps necessary to comply with the orders of the Court, including, as required, despatching the Scheme Booklet to Target Shareholders, convening and holding the Scheme Meeting in accordance with the Court orders, and putting the Scheme Resolution to Target Shareholders at the Scheme Meeting, provided that if this Agreement is terminated under clause 14 it will take all steps reasonably required to ensure the Scheme Meeting is not held;
- (k) **(update Scheme Booklet)** if it becomes aware of information after the date of despatch of the Scheme Booklet, that is material for disclosure to Target Shareholders in deciding whether to approve the Scheme Resolution or that is required to be disclosed to Target Shareholders under any applicable law, as soon as reasonably practicable:
- (i) inform Target Shareholders of the information in an appropriate and timely manner, and in accordance with applicable law and after consultation with Bidder as to the manner of provision of that information to Target Shareholders; and
- (ii) to the extent it is reasonably practicable to do so, provide Bidder with drafts of any documents that it proposes to issue to Target Shareholders under this clause 5.1(k) and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments received in a timely manner from Bidder or its Representatives on those drafts;
- (l) **(Court approval)** if the Scheme Resolution is passed by the requisite majorities of Target Shareholders under section 411(4)(a)(ii) of the *Corporations Act*, as soon as reasonably practicable after such time apply to the Court for orders approving the Share Scheme;
- (m) **(Target Register information)** as soon as reasonably practicable after the Record Date, and in any event at least three Business Days before the Implementation Date, give to Bidder (or as it directs) details of the names, registered addresses and holdings of Scheme Shares of every Scheme Shareholder, in such form as Bidder may reasonably require;

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- (n) **(implementation of the Share Scheme)** if the Court approves the Share Scheme:
- (i) lodge with ASIC an office copy of the orders approving the Share Scheme in accordance with section 411(10) of the *Corporations Act*, as soon as reasonably practicable after the Court makes those orders, and in any event by no later than 4pm on the first Business Day after the date on which the Court makes those orders or such other Business Day as Target and Bidder may agree in writing;
 - (ii) use best endeavours to ensure that ASX suspends trading in Target Shares with effect from the close of trading on the Effective Date;
 - (iii) close the Target Register as at the Record Date to determine the identity of Scheme Shareholders and to determine their entitlements to the Scheme Consideration in accordance with the Share Scheme;
 - (iv) promptly execute proper instruments of transfer of, and register all transfers of, the Scheme Shares to Bidder in accordance with the Share Scheme; and
 - (v) promptly do all other things contemplated by or necessary to give effect to the Share Scheme and the orders of the Court approving the Share Scheme and to effect the transfer of the Scheme Shares to Bidder;
- (o) **(information)** subject to compliance with law provide all necessary information, or have the share registry of Target provide all necessary information, to Bidder about the Target Shareholders, in each case in a form reasonably requested by Bidder and at least on a weekly basis, which Bidder reasonably requires in order to:
- (i) canvass approval of the Share Scheme by, or discuss the Share Scheme with, Target Shareholders (including the results of directions by Target to Target Shareholders under Part 6C.2 of the *Corporations Act*); and
 - (ii) facilitate the provision by Bidder of the Scheme Consideration;
- (p) **(representation)** allow, and not oppose, any application by Bidder for leave of the Court to be represented, or the separate representation of Bidder by counsel, at the Court hearings heard for the purposes of sections 411(1) and 411(4)(b) of the *Corporations Act* in relation to the Share Scheme, provided that in making any application for representation or in appearing before the Court, Bidder acts in accordance with the Scheme Transaction Documents and does not oppose any application by Target in exercise of its rights under the Scheme Transaction Documents;
- (q) **(Material Contracts)** provide all necessary assistance as reasonably required by Bidder to assist the Bidder to promptly obtain a waiver or consent from each person who is entitled to exercise any right under any provision of any Material Contract relating to Target's businesses that entitles the person to terminate or modify the contract as a result of the announcement or implementation of the

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- Share Scheme, and use its best endeavours, in co-operation with Bidder, to resolve any matters raised by any applicable counterparty to such Material Contract;
- (r) **(ASX listing)** use its best endeavours to ensure that the Target Shares continue to be quoted on ASX until the close of business on the Implementation Date;
 - (s) **(publication of information on website)** promptly after they become available, publish prominently on the 'home page' of its website, the date of the Scheme Meeting and the text of all announcements made to ASX in connection with the Share Scheme;
 - (t) **(keep Bidder informed)** from the First Court Date until the Implementation Date, promptly inform Bidder if it becomes aware that the Scheme Booklet contains a statement that is or has become misleading or deceptive in a material respect or that contains a material omission;
 - (u) **(Bidder Provided Information)** during the period until the Bidder Provided Information (or any information solely derived from, or prepared solely in reliance on, the Bidder Provided Information) becomes publicly available, only use that information with the prior written consent of Bidder (not to be unreasonably withheld);
 - (v) **(compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this Agreement and the other Scheme Transaction Documents are effected in accordance with all applicable laws and regulations;
 - (w) **(order of Scheme Meetings)** do everything reasonably within its power to ensure that the Meetings for the Schemes are held on the same date;
 - (x) **(all things necessary or desirable)** do all other things contemplated by or necessary or desirable to lawfully give effect to the Share Scheme and the orders of the Court approving the Share Scheme; and
 - (y) **(Black Box Information)** provide the Black Box Information to Bidder no later than 15 days after the date of this Agreement.

5.2 Target's obligations in respect of the Demerger Scheme

Target must:

- (a) execute, and procure that the counterparties execute, the Demerger Transaction Documents as soon as reasonably practicable after the date of this Agreement but no later than the date the Scheme Booklet is lodged with ASIC for regulatory review pursuant to clause 5.1(d) and not permit any changes to be made to the Demerger Transaction Documents without the consent of the Bidder which shall not be unreasonably withheld or delayed;
- (b) take all steps reasonably necessary to propose the Demerger Scheme and ensure the Demerger Scheme is implemented; and
- (c) ensure that if both the Demerger Scheme and the Share Scheme are approved by Target Shareholders, implementation of the Demerger Scheme occurs prior to the Second Court Date.

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5.3 Appeal process

- (a) If the Court refuses to make any orders convening the Scheme Meeting or approving the Share Scheme, Target must appeal the Court's decision to the fullest extent possible (except to the extent that the parties agree otherwise, or an independent barrister with at least 15 years' experience advises that, in their view, an appeal would have no reasonable prospect of success).
- (b) Each of Bidder and Target must vigorously defend, or must cause to be vigorously defended, any lawsuits or other Claims or proceedings (including any Takeovers Panel proceedings) brought against it (or any member of the Bidder Group or Target Group) challenging this document or the completion of the Transactions. Neither Bidder nor Target may settle or compromise (or permit any member of the Bidder Group or Target Group to settle or compromise) any Claim or proceeding brought in connection with this document without the prior written consent of the other, such consent not to be unreasonably withheld.
- (c) Any costs incurred as a result of the operation of this clause are to be borne equally by Bidder and Target.

5.4 Bidder's obligations in respect of the Share Scheme

Bidder must take all steps reasonably necessary to assist Target to propose and implement the Share Scheme as soon as is reasonably practicable after the date of this Agreement and otherwise substantially in accordance with the Timetable, and in particular Bidder must:

- (a) **(provide information)** provide to Target the information referred to in clause 5.5(d);
- (b) **(preparation of Scheme Booklet)** provide assistance with the preparation of the Scheme Booklet in accordance with clause 5.5;
- (c) **(Independent Expert information)** provide all assistance and information reasonably requested by Target or by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (d) **(liaison with ASIC)** provide reasonable assistance to Target to assist Target to resolve any matter raised by ASIC regarding the Scheme Booklet or the Share Scheme during its review of the Scheme Booklet;
- (e) **(approval of Scheme Booklet)** as soon as practicable after ASIC has confirmed that it has no objection to the Share Scheme or, if ASIC raises any objection to the Share Scheme, after that objection has been resolved, procure that a meeting of the Bidder Board (or of a committee of the Bidder Board appointed for the purpose) is convened to approve those sections of the Scheme Booklet that comprise the Bidder Provided Information as being in a form appropriate for despatch to Target Shareholders (and provide Target with a copy of an extract of the applicable resolutions from the applicable minutes of meeting, as soon as practicable after those minutes have been prepared and signed);
- (f) **(keep Target informed)** from the First Court Date until the Implementation Date, promptly inform Target if it becomes aware that the Bidder Provided

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- Information contains a statement that, in the form and context in which it appears in the Scheme Booklet, is or has become misleading or deceptive in any material respect or that contains any material omission, and provide such further or new information as is required to ensure that such information is no longer misleading or deceptive in any material respect or does not contain any material omission;
- (g) **(Court representation)** if requested by Target, be represented by counsel at the Court hearings convened in connection with the Share Scheme, at which, through its counsel and if requested by the Court, Bidder will undertake to do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this Agreement and the Share Scheme;
 - (h) **(Bidder Deed Poll)** prior to the First Court Date, execute the Bidder Deed Poll and procure the execution thereof by SEHAL and PetroChina International;
 - (i) **(Scheme Consideration)** within eight weeks of the date of this Agreement or by the date the Scheme Booklet is lodged with ASIC for regulatory review (whichever is the longer period) the Bidder will put in place binding finance arrangements conditional only on the Share Scheme becoming Effective, or on such other conditions approved by Target acting reasonably, and appropriate collateral arrangements therefor in a form approved by Target acting reasonably with a view to ensuring that the Court will not refuse the application of the Target to make orders under section 411(1) of the *Corporations Act* directing the Target to convene the Scheme Meeting by reason of such matters;
 - (j) **(Target Provided Information)** during the period until Target Provided Information becomes publicly available, only use the Target Provided Information with the prior written consent of Target (not to be unreasonably withheld);
 - (k) **(compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this Agreement are effected in accordance with all applicable laws and regulations. and
 - (l) **(order of Scheme Meetings)** do everything reasonably within its power to ensure that the Meetings for the Schemes are held on the same date.

5.5 Preparation of Scheme Booklet

- (a) **(Target to prepare)** Subject to Bidder complying with its obligations under clause 5.5(d), Target must prepare the Scheme Booklet as soon as is reasonably practicable after the date of this Agreement and otherwise substantially in accordance with the Timetable.
- (b) **(Compliance requirements)** Subject to clause 5.5, Target must ensure that the Scheme Booklet complies with the requirements of the *Corporations Act*, the ASX Listing Rules and all ASIC Regulatory Guides applicable to members' schemes of arrangement under Part 5.1 of the *Corporations Act*, except that the obligation to do so in respect of the Bidder Provided Information is subject to Bidder complying with its obligations under clauses 5.5(d) and 11.1(b).

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- (c) **(Content of Scheme Booklet)** Without limiting clause 5.5(b), the Scheme Booklet will include or be accompanied by:
- (i) the Share Scheme;
 - (ii) the Notice of Meeting;
 - (iii) a copy of this Agreement (without the schedules and annexures) or a summary of it;
 - (iv) a copy of the executed Bidder Deed Poll;
 - (v) the Independent Expert's Report;
 - (vi) a statement that the Target Board unanimously considers the Share Scheme to be in the best interests of Target Shareholders and recommends that Target Shareholders approve the Share Scheme, in the absence of a Superior Proposal, unless prior to the issue of the Scheme Booklet the Target Board has changed or withdrawn those statements and recommendations in accordance with clause 8.1; and
 - (vii) a statement that each Target Director who is able to control voting rights in relation to Target Shares intends to vote those Target Shares, or procure that those Target Shares are voted, in favour of the Scheme Resolution, in the absence of a Superior Proposal, unless prior to the issue of the Scheme Booklet the Target Director has changed his or her voting intention in accordance with clause 8.2.
- (d) **(Bidder Provided Information)** Bidder must provide the Bidder Provided Information to Target as soon as is reasonably practicable after the date of this Agreement and otherwise substantially in accordance with the Timetable, in a form that includes all information regarding the Bidder Group that is required by the *Corporations Act*, the ASX Listing Rules and all ASIC Regulatory Guides applicable to members' schemes of arrangement under Part 5.1 of the *Corporations Act*, including all the information that would be required under sections 636(1)(c), (f), (g), (h), (i), (k)(ii), (l) and (m) of the *Corporations Act* to be included in a bidder's statement if Bidder were offering the Scheme Consideration as consideration under a takeover bid, and must provide to Target such assistance as Target may reasonably require in order to adapt such information for inclusion in the Scheme Booklet.
- (e) **(Review by Bidder)** Target must make available to Bidder drafts of the Scheme Booklet (including any draft of the Independent Expert's Report), consult with Bidder in relation to the content of those drafts (including the inclusion of any Bidder Provided Information and any information solely derived from, or prepared solely in reliance on, the Bidder Provided Information), and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments from Bidder and its Representatives on those drafts.
- (f) **(Dispute as to Scheme Booklet)** If, after two Business Days of consulting on any part of the Scheme Booklet (including the advanced draft of the Scheme Booklet to

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be submitted to ASIC) and reasonable compliance by Target with its obligations under clauses 5.5(e), Bidder and Target, acting reasonably and in good faith, are unable to agree on the form or content of the Scheme Booklet (including the advanced draft of the Scheme Booklet to be submitted to ASIC), then:

- (i) if the disagreement relates to the form or content of the Bidder Provided Information (or any information solely derived from, or prepared solely in reliance on, the Bidder Provided Information), Target will, acting in good faith, make such amendments to that information in the Scheme Booklet as Bidder may reasonably require; and
 - (ii) if the disagreement relates to the form or content of the Target Provided Information, Target will, acting in good faith, decide the final form of that information in the Scheme Booklet but, if requested to do so by Bidder, will include a statement from the Bidder noting that it disagrees with the relevant information.
- (g) **(Consent of Bidder)** Without limiting clause 5.5(f), Target must obtain written consent from Bidder in relation to the form and context in which any Bidder Provided Information (and any information solely derived from, or prepared solely in reliance on, the Bidder Provided Information) is used, such consent not to be unreasonably withheld or delayed by Bidder.
- (h) **(Verification)** Target must undertake appropriate verification processes in relation to the Target Provided Information included in the Scheme Booklet, and Bidder must undertake appropriate verification processes in relation to the Bidder Provided Information included in the Scheme Booklet.

5.6 Responsibility Statement

Each party represents to the other that, subject to compliance by the other party with the relevant terms of this agreement, the responsibility statement to appear in the Scheme Booklet will be in the form of annexure F, or in such other form as the Bidder and Target reasonably agree.

5.7 Target Board changes

As soon as practicable after the Implementation Date, Target will use its best endeavours to:

- (a) take all action necessary to procure that any director of Target and of any Target Subsidiary (as designated by Bidder in writing) resigns their office; and
- (b) cause the appointment to the Target Board and to the boards of each of its Subsidiaries of such persons as nominated by Bidder, subject to those persons having provided a consent to act as directors of the relevant company/companies.

6. Deliberately Omitted

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7. Conduct of Business and Requests for Access

7.1 Conduct of Target business

During the period from the date of this Agreement up to and including the Implementation Date, Target must:

- (a) procure that the Target Group conducts its business and operations in the ordinary and usual course and substantially consistent (subject to any applicable laws, regulations and Regulatory Approvals) with the manner, policies and procedures in which each such business and operation has been conducted in the period prior to the date of this Agreement and in compliance in all material respects with all applicable laws, regulations and Regulatory Approvals; and
- (b) to the extent consistent with that obligation, use its best endeavours to preserve intact the Target Group's current business organisation, to keep available the services of the current Officers of it and the other Target Group Members, and to preserve the Target Group's relationship with Governmental Agencies, ratings agencies, customers, suppliers, licensors, licensees and others having business dealings with it,

except to the extent required to be done or procured by Target pursuant to, or that is otherwise expressly permitted by, the Scheme Transaction Documents, or the undertaking of which Bidder is aware at the date of this Agreement or has approved in writing, such approval not to be unreasonably withheld or delayed.

7.2 Ordinary Course of Business

For the avoidance of doubt:

- (a) any action by a Target Group Member (other than Arrow Energy International or any of its Subsidiaries) described in annexure G will be deemed to be an action that complies with the obligation of Target under clause 7.1;
- (b) Target will breach its obligations under clause 7.1 if it or a Target Group Member (other than Arrow Energy International or any of its Subsidiaries):
 - (i) enters into an agreement or commitment with a third party in connection with or for the purposes of the Fisherman's Landing LNG Project;
 - (ii) by exercising any rights under the following arrangements, without the prior written consent of Bidder:
 - (A) Sale and Purchase Heads of Agreement between Gladstone LNG Pty Ltd, LNG Limited, LNG International Pty Ltd, Gladstone OSMR Pty Limited, LNG Technology Pty Ltd and Target dated 10 February 2010 (as varied from time to time);
 - (B) Cooperation Agreement between Target and LNG Limited dated 25 March 2008;
 - (C) Heads of Agreement between Target and Golar LNG Energy Limited dated 22 February 2010;

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- (iii) subject to clause 7.2(a), without the prior written consent of Bidder which must not be unreasonably withheld or delayed:
 - (A) entering into a Material Contract;
 - (B) exercising any rights or giving a notice under any agreement, arrangement or understanding (including in relation to any option deed) or taking any other steps, that would:
 - (1) cause a Material Contract, that has not yet commenced, to commence;
 - (2) result in a Material Contract, that is not already in effect, coming into effect; or
 - (3) require a third party to enter into a Material Contract with a Target Group Member;
- (iv) incurs any financial indebtedness or issues any indebtedness or debt securities, other than in the ordinary course of business or pursuant to advances under its credit facilities in existence as at the date of this Agreement where the funds drawn pursuant to those advances are used other than in the ordinary course of business; or
- (v) makes any loans, advances or capital contributions to, or investments in, any other person, other than to or in Target or any Wholly-Owned Subsidiary of Target in the ordinary course of business;
- (c) any related party transaction that is undertaken by a Target Group Member without the approval of Bidder will breach clause 7.1 unless that transaction is permitted by or taken for the purposes of a Scheme Transaction Document;
- (d) any action that is not in the ordinary course will require Bidder approval, not to be unreasonably withheld or delayed, unless that action combined with any related actions results in expenditure not exceeding A\$1 million or entering into a commitment that is binding on a Target Group Member for a period of less than six months;
- (e) any action by Arrow Energy International or its Subsidiaries will be deemed to be action taken in compliance with clause 7.1 unless it:
 - (i) creates any liability on the part of any member of the Target Group other than Arrow Energy International or any of its Subsidiaries whether to Arrow Energy International or any of its Subsidiaries or any other person; or
 - (ii) relates to assets situated in Queensland other than assets in Queensland owned by Apollo, Bow, or LNG Limited; or
 - (iii) causes any loss to any member of the Target Group other than Arrow Energy International and its Subsidiaries; or
 - (iv) leads to a breach of a Demerger Transaction Document.

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7.3 Access to information and co-operation

- (a) **(Provision of access and information)** During the period from the date of this Agreement up to and including the Implementation Date, Target must, and must procure each of its Subsidiaries to, respond to reasonable requests from Bidder and its Representatives (including in response to requests for information from the stock exchanges on which and the regulatory bodies in jurisdictions where PetroChina International or SEHAL or their Related Bodies Corporate are listed or carry on business) for information concerning the Target Group businesses and operations, and give Bidder and its Representatives reasonable access to its Officers and records, and otherwise provide reasonable co-operation to Bidder and its Representatives, in each case only for the purposes of:
- (i) the implementation of the Transactions;
 - (ii) planning for the integration of the Target Group (excluding Arrow Energy International or any of its Subsidiaries) and the Bidder Group following the implementation of the Share Scheme;
 - (iii) considering any matters set out in this clause 7 or annexure G which require the Bidder's consent or approval; or
 - (iv) any other purpose that is agreed in writing between the parties, including for the avoidance of doubt, the Black Box Due Diligence;
- subject to the proper performance by the directors and officers of Target and its Subsidiaries of their fiduciary duties.
- (b) **(Co-operation regarding tax calculations)** During the period from the date of this Agreement up to and including the Implementation Date, Target will do all things reasonably necessary, and provide Bidder with all information reasonably necessary, to enable Bidder to calculate any necessary tax consolidation calculations, subject to the proper performance by the directors and officers of Target of their fiduciary duties.
- (c) **(Limits on Target obligations)** Without limiting clause 11.2(c), the obligations in clauses 7.3(a) and 7.3(b) do not require Target to:
- (i) provide information to Bidder concerning the Target Directors' and management's consideration of the Share Scheme;
 - (ii) provide any commercially sensitive or competitive information; or
 - (iii) breach an obligation of confidentiality to any person,
- and, for the avoidance of doubt, nothing in those clauses entitles either party to terminate this Agreement or to claim damages for breach of contract in the event that they are not satisfied.
- (d) The parties acknowledge that all information that is provided pursuant to this clause 7.3 will be provided subject to the terms of the Confidentiality Deed.

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8. Target Board Recommendations and Intentions

8.1 Target Board recommendation

- (a) The public announcements to be issued by Target and Bidder immediately after execution and in accordance with clause 10.1(a) must state that the Target Board unanimously considers the Share Scheme to be in the best interests of Target Shareholders and recommends that Target Shareholders approve the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Share Scheme is in the best interests of Target Shareholders.
- (b) Target must use its best endeavours to procure that the Target Board and each of the Target Directors:
 - (i) does not withdraw the statements and recommendations set out in the public announcements issued in accordance with clause 10.1(a);
 - (ii) in the Scheme Booklet states that the Target Board unanimously considers the Share Scheme to be in the best interests of Target Shareholders and recommends that Target Shareholders approve the Scheme Resolution, in the absence of a Superior Proposal, and does not withdraw those statements or recommendations once made; and
 - (iii) does not make any public statement to the effect, or take any other action that suggests, that the Share Scheme is no longer so considered or recommended,

unless the requirements in both clause 8.1(b)(iv) and clause 8.1(b)(v) below are satisfied:

- (iv) either:
 - (A) the Independent Expert concludes in the Independent Expert's Report that the Share Scheme is not in the best interests of Target Shareholders (including in any update to that report); or
 - (B) the Target Board determines, after complying with all requirements of clause 12.5, that a Competing Proposal constitutes a Superior Proposal; and
- (v) a majority of the Target Board, after considering the matter in good faith and after consulting in good faith with Bidder in relation to its proposed change of statement and recommendation, no longer considers the Share Scheme to be in the best interests of Target Shareholders.

8.2 Target Director intentions

- (a) The public announcements to be issued by Target and Bidder immediately after execution of this Agreement in accordance with clause 10.1(a), and the Scheme Booklet despatched to Target Shareholders, must state that each Target Director who holds Target Shares, or who has control over voting rights attaching to Target

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Shares, will vote in favour of the Scheme Resolution, and/or procure that the Target Shares the voting rights of which the Target Director has control over are voted in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Share Scheme is in the best interests of Target Shareholders.

- (b) Target must use its best endeavours to ensure that each Target Director who holds Target Shares, or who has control over voting rights attaching to Target Shares:
- (i) will vote in favour of the Scheme Resolution, or procure that the Target Shares the voting rights of which the Target Director has control over are voted in favour of the Scheme Resolution; and
 - (ii) does not change that voting intention,
- unless the requirements in both clause 8.2(b)(iii) and clause 8.2(b)(iv) below are satisfied:
- (iii) either:
 - (A) the Independent Expert concludes in the Independent Expert's Report that the Share Scheme is not in the best interests of Target Shareholders (including in any update to that report); or
 - (B) the Target Board determines, after complying with all requirements of clause 12.5, that a Competing Proposal constitutes a Superior Proposal; and
 - (iv) the applicable Target Director, after considering the matter in good faith and after consulting in good faith with Bidder in relation to this proposed change of intention, no longer considers the Share Scheme to be in the best interests of Target Shareholders.

8.3 Exception for Consultation

- (i) Notwithstanding anything in clause 8.1(b)(v) or clause 8.2(b)(iv) but subject to Target complying with its obligations under clause 12.5, the obligations on the Target to consult with the Bidder do not apply to the extent that the Target Board, acting in good faith and in order to satisfy what the Target Board reasonably considers to be its fiduciary or statutory duties, after having received written advice from its external legal advisors, determines that any such consultation would be likely to constitute a breach of the Target Board's fiduciary or statutory duties.

9. Other Obligations of Target and Bidder

9.1 Promotion of the Share Scheme

During the Exclusivity Period, Target must procure that the Chairman of the Target Board, the Managing Director of Target and such other senior executives of Target or its Related

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Bodies Corporate as reasonably requested by Bidder participate in efforts reasonably required by Bidder to promote the merits of the Share Scheme, including:

- (a) meeting with key Target Shareholders if requested to do so by Bidder;
- (b) communicating with Target's employees, customers and suppliers and the employees, customers and suppliers of Target's Related Bodies Corporate; and
- (c) meeting and communicating with Governmental Agencies together with Bidder, subject only to:
 - (d) the Independent Expert not having concluded in the Independent Expert's Report (including in any update to that report) that the Share Scheme is not in the best interests of Target Shareholders; and
 - (e) there being no Superior Proposal.

9.2 Scheme Transaction Documents

The parties agree that they will negotiate in good faith and use their respective best endeavours to agree the terms of all Scheme Transaction Documents which are not in Agreed Form at the date of this Agreement as soon as reasonably practicable and in any event before the date of the Scheme Booklet.

9.3 Transaction Implementation Committee

- (a) As soon as practicable after the date of this document, the parties are to establish the Transaction Implementation Committee comprising the Target Committee Members and of the Bidder Committee Members and such other persons as the parties may agree. The Transaction Implementation Committee is to be a forum for consultation and planning by the parties to implement the Transactions.
- (b) The specific functions of the Transaction Implementation Committee are:
 - (i) to act as the primary forum for the parties to agree on the form and content of the Scheme Booklet although this will involve (among other things) using its reasonable endeavours to resolve any dispute regarding the content of the draft Scheme Booklet; and
 - (ii) such other matters as the Transaction Implementation Committee sees fit to carry out its role as a forum for consultation and planning between the parties in relation to the implementation of the Share Scheme.
- (c) The Transaction Implementation Committee is to meet at least fortnightly.
- (d) If any clause of this document requires Bidder's consent in relation to the ongoing business operations of the Target, such consent is to be taken to have been given by Bidder if each of the Bidder Committee Members indicates their support for the matter at a properly convened meeting of the Transaction Implementation Committee at which all Bidder Committee Members are present.
- (e) Nothing in this clause requires either party to act at the direction of the other, and each party acknowledges that:

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- (i) the business of each party and its Subsidiaries is intended to continue to operate independently until the Implementation Date; and
- (ii) nothing in this document is intended to constitute the relationship of a partnership or similar.

10. Public Announcements and Communications

10.1 Required announcements

- (a) On the Announcement Date, each of Bidder and Target must make a public announcement in the terms required by clause 8.2, which has attached to it a copy of this Agreement without the annexures.
- (b) Where a party is required by applicable law, the ASX Listing Rules or any other applicable stock exchange regulation to make any announcement or to make any disclosure in connection with this Agreement (including its termination), the Share Scheme, the Transactions or any other transaction contemplated by this Agreement or the Share Scheme, it may do so only after it has given the other party as much notice as is reasonably practicable in the context of any deadlines imposed by law or applicable requirement, but in any event prior notice, and has consulted with the other party as to (and has given the other party a reasonable opportunity to comment on) the form and content of that announcement or disclosure and taken all reasonable steps to restrict that disclosure to the greatest extent possible. Nothing in this clause requires the giving of prior notice or the taking of any action if doing so would lead to a party breaching an applicable law, the ASX Listing Rules or any other stock exchange regulation.

10.2 Agreement on other Communications

Except in relation to Communications regulated by clauses 10.1 and 10.3 and to the extent permitted by applicable law:

- (a) Bidder and Target must in good faith and on a timely and pragmatic basis:
 - (i) consult with and keep each other informed about the progress of:
 - (ii) any Communications by Bidder or Target with any Governmental Agency in relation to the implementation of the Share Scheme, whether or not such Communications are for the purposes of satisfying a Condition Precedent; and
 - (iii) consult with each other and agree in advance all aspects (including timing, form, content and manner) of any public announcement or disclosure in connection with this Agreement (including its termination), the Share Scheme or the Transactions; and
- (b) each of Bidder and Target must ensure that any other Communications with third parties in relation to the Share Scheme (such as with employees or shareholders or with the media other than by way of public announcement or disclosure) must be in accordance with the communication protocols and messages agreed between

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the parties (and if branded with the name or logo of the other party, must be consented to by that party).

10.3 Disclosure on termination of this Agreement

The parties agree that, if this Agreement is terminated under clause 14, either party may disclose by way of announcement to ASX and any other applicable stock exchange the fact that this Agreement has been terminated, where such disclosure is in the reasonable opinion of that party required to ensure that the market in its securities is properly informed, and provided, where reasonably practicable, that party consults with the other party as to (and gives the other party a reasonable opportunity to comment on) the form and content of the announcement prior to its disclosure.

11. Warranties

11.1 Warranties by Bidder

Bidder warrants to Target (on its own behalf and separately as trustee for each of the Target Indemnified Parties) that, except as consented to in writing by Target:

- (a) on the date of this Agreement, the time of giving of its certificate under clause 3.8 and the Second Court Date:
 - (i) it is a corporation validly existing under the laws of its place of incorporation;
 - (ii) it has the power to enter into and perform its obligations under this Agreement and to carry out the transactions contemplated by this Agreement;
 - (iii) it has taken all necessary corporate action to authorise its entry into this Agreement and has taken or will take all necessary corporate action to authorise the performance of this Agreement;
 - (iv) this Agreement constitutes legal, valid and binding obligations on it; and
 - (v) the execution and performance by it of this Agreement and each transaction contemplated by this Agreement did not and will not violate in any respect a provision of:
 - (A) a law, judgment, ruling, order or decree binding on it;
 - (B) its constitution; or
 - (C) any other document or agreement that is binding on its assets; and
- (b) on the date of this Agreement, the First Court Date, the date of the Scheme Meeting, the time of giving of its certificate under clause 3.8, and the Second Court Date, the Bidder Disclosed Information has been disclosed in good faith.

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11.2 Warranties by Target

Target warrants to Bidder (on its own behalf and separately as trustee for each of the Bidder Indemnified Parties) that, except as consented to in writing by Bidder or as fairly disclosed in the Target Disclosed Information:

- (a) on the date of this Agreement, the time of giving of its certificate under clause 3.8, and the Second Court Date:
 - (i) Target is a corporation validly existing under the laws of its place of incorporation;
 - (ii) Target has the power to enter into and perform its obligations under this Agreement and, subject to the satisfaction or, as appropriate, waiver of each Condition Precedent, to carry out the transactions contemplated by this Agreement;
 - (iii) Target has taken all necessary corporate action to authorise the entry into this Agreement and has taken or will take all necessary corporate action to authorise the performance of this Agreement;
 - (iv) this Agreement constitutes valid and binding obligations on Target enforceable in accordance with its terms;
 - (v) the execution and performance by Target of this Agreement and each transaction contemplated by this Agreement did not and will not violate in any respect a provision of:
 - (A) a law or treaty or a judgment, ruling, order or decree binding on it or any of its Related Bodies Corporate;
 - (B) its constitution; or
 - (C) so far as Target is aware after making Due Inquiry, any other document or agreement that is binding on it or its assets, or any of its Related Bodies Corporate or their assets;
 - (vi) each Target Group Member is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against any Target Group Member for the winding up, dissolution or termination of that Target Group Member or for the appointment of a liquidator, receiver, administrator, or similar officer over any or all of any Target Group Member's assets;
 - (vii) so far as Target is aware after making Due Inquiry, there has been no material breach by any Target Group Member of any Australian or foreign laws or regulations applicable to a Target Group Member or orders of Australian or foreign Governmental Agencies having jurisdiction over a Target Group Member and, so far as the Target is aware, the Target Group has all material licences, permits and franchises necessary for it to conduct its activities as presently being conducted;

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- (viii) as at the date of this Agreement, neither ASIC nor ASX (as applicable) has notified Target that a determination has been made against any Target Group Member for any contravention of the requirements of the *Corporations Act* or the ASX Listing Rules or any rules, regulations or regulatory guides under the *Corporations Act* or the ASX Listing Rules;
 - (ix) so far as Target is aware after making Due Inquiry, as at the date of this Agreement there has not been any event, change, effect or development that would require Target to restate Target's financial statements as disclosed to ASX in any material respect;
 - (x) no Target Group Member is legally committed to supply gas to any Third Party LNG plant or to supply LNG produced by any Third Party LNG plant to any Third Party, including but not limited to Golar Energy Limited or Toyota Tsusho Corporation;
 - (xi) as at the date of this Agreement, there are no current disputes with Governmental Agencies that may lead to or have already resulted in assessments (or amended assessments) for Tax in excess of \$1 million in aggregate; and
 - (xii) there are no agreements or commitments with a third party for the supply or delivery of natural gas for use in the Fisherman's Landing LNG Project or for the purposes of the acquisition, construction, operation or ownership of the Fisherman's Landing LNG Project, or any shipping, marketing, supply or sales of LNG produced in the Fisherman's Landing LNG Project;
- (b) as at the date of this Agreement, the total securities of Target on issue are as follows:
- (i) 733,503,047 Target Shares; and
 - (ii) 10,322,465 Target Options,
- and no Target Group Member at the date of this Agreement has issued (or is actually or contingently required to issue) any other securities or instruments that are still outstanding (or may become outstanding) and that may convert into Target securities except as notified to the Bidder; and
- (c) on the date of this Agreement, the time of giving of its certificate under clause 3.8(a), and the Second Court Date:
- (i) following the making by Target of the public announcements issued in accordance with clause 10.1(a), Target:
 - (A) so far as it is aware after making Due Inquiry, is not in breach of its continuous disclosure obligations under ASX Listing Rule 3.1; and
 - (B) is not withholding any information from Bidder that is being withheld from public disclosure in reliance on ASX Listing Rule 3.1A; and

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- (ii) the Target Disclosed Information has been disclosed in good faith and, to the best of Target's knowledge after Due Inquiry, Target has not withheld from disclosure to the Bidder any material information that the Bidder requested in writing to be provided as part of its due diligence investigations (other than Black Box Information), or any information that is material for the purposes of any Target warranty in clause 11.2.

11.3 Reliance by parties

Each party (*Warrantor*) acknowledges that:

- (a) in entering into this Agreement the other party has relied on the warranties provided by the Warrantor under this clause 11;
- (b) any breach of the warranties provided by the Warrantor under this clause 11 after the Share Scheme becomes Effective may only give rise to a Claim in damages and cannot result in a termination of this Agreement; and
- (c) it has not entered into this Agreement in reliance on any warranty made by or on behalf of the other party except those warranties set out in this Agreement. This acknowledgment does not prejudice the rights any party may have in relation to the Target Provided Information, the Target Disclosed Information, the Bidder Provided Information, the Bidder Disclosed Information or any information filed by the other party with ASX or ASIC.

11.4 Notifications

Each party will promptly advise the other party in writing if it becomes aware of any fact, matter or circumstance that constitutes or may constitute a breach of any of the warranties given by it under this clause 11.

11.5 Status of warranties

Each warranty in this clause 11 merges on the Share Scheme becoming Effective and otherwise will survive termination of this Agreement in relation to breaches prior to termination whether discovered prior to or after termination.

12. Exclusivity

12.1 Termination of existing discussions

- (a) Target warrants that, as at the time of execution of this Agreement, it is not in any negotiations or discussions, and has ceased any existing negotiations or discussions, in respect of any Competing Proposal with any person (other than, for the avoidance of doubt, the discussions with Bidder and its Representatives in respect of the Share Scheme and the Transactions).
- (b) Target agrees that if it has provided any confidential information to a Third Party (or to any current or former Adviser to Target or a Third Party) in connection with a Third Party's consideration of a possible Competing Proposal after 4 March 2009, Target has requested or will promptly request in writing the immediate return or

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destruction by the Third Party (and any relevant Adviser) of such confidential information.

12.2 No shop restriction

During the Exclusivity Period, Target must not, and must ensure that each of its Representatives do not, except with the prior written consent of Bidder, directly or indirectly solicit, invite, facilitate, encourage or initiate any Competing Proposal or any enquiries, negotiations or discussions with any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, or communicate any intention to do any of those things.

12.3 No talk restriction

During the Exclusivity Period, Target must not, and must ensure that each of its Representatives do not, except with the prior written consent of Bidder, enter into, continue or participate in negotiations or discussions with, or enter into any agreement, arrangement or understanding with, any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, even if:

- (a) the Competing Proposal was not directly or indirectly solicited, invited, facilitated, encouraged or initiated by Target or any of its Representatives; or
- (b) the Competing Proposal has been publicly announced,

unless the Target Board, acting in good faith and in order to satisfy what the Target Board reasonably considers to be its fiduciary or statutory duties, determines that, where there is a Competing Proposal, the Competing Proposal is a Superior Proposal and:

- (c) the Target Board has received written advice from its external financial advisers to the effect that the Competing Proposal could reasonably be considered to be a Superior Proposal; and
- (d) the Target Board has received written advice from its external legal advisers that failing to respond to that Competing Proposal would be likely to constitute a breach of the Target Board's fiduciary or statutory obligations.

12.4 No due diligence

Without limiting the general nature of clause 12.3, during the Exclusivity Period, Target must not, and must ensure that each of its Representatives do not, except with the prior written consent of Bidder, make available to any Third Party or permit any such Third Party to receive any non-public information relating to any Target Group Member in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal, unless, in respect of a Competing Proposal that has not been directly or indirectly solicited, invited, facilitated, encouraged or initiated in breach of this clause or clauses 12.2 or 12.3:

- (a) the Target Board, acting in good faith and in order to satisfy what the Target Board reasonably considers on the basis of written advice from its external legal advisers to be its fiduciary or statutory duties, determines that the Competing Proposal is or could reasonably be considered to be a Superior Proposal; and

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- (b) if Target proposes to provide any confidential information to a Third Party, before Target provides such information to the Third Party, the Third Party has entered into a written agreement in favour of Target regarding the use and disclosure of the confidential information by the person and that restricts the Third Party's ability to solicit the employees of the Target Group.

12.5 Notification by Target

- (a) During the Exclusivity Period, Target must promptly notify Bidder if:
 - (i) it is approached by any Third Party to take any action of a kind referred to in clause 12.3; or
 - (ii) it proposes to take any action of a kind that is set out in clause 12.4.
- (b) If Target receives a Competing Proposal, and as a result the Target Board proposes to publicly change or withdraw its statement that it considers the Share Scheme to be in the best interests of Target Shareholders and/or its recommendation that Target Shareholders vote in favour of the Scheme Resolution, Target must give Bidder five clear Business Days prior notice (such notice to be in writing) of such proposed change or withdrawal and provide to Bidder all material terms of the applicable Competing Proposal, including details of the proposed price or implied value (including details of the consideration if not simply cash), conditions, timing and break fee (if any). Target must ask the person who has made the applicable Competing Proposal (the *Competing Party*) for their consent to their name and other identifying details which may identify the Competing Party (*Identifying Details*) being provided by Target to Bidder on a confidential basis. If consent is refused, Target may only withhold the Identifying Details from Bidder to the extent necessary to satisfy what the Target Board reasonably considers on the basis of written advice from its external legal advisers to be its fiduciary or statutory duties. If information is withheld pursuant to this clause 12.5(b), Target must immediately notify Bidder. Any information provided pursuant to this clause 12.5(b) will be provided subject to the terms of the Confidentiality Deed.
- (c) During the period of five clear Business Days referred to in clause 12.5(b), Bidder will have the right to offer to amend the terms of the Share Scheme or the Transactions (a *Bidder Counterproposal*) so that the terms of the Share Scheme or the Transactions (as amended) would provide an equivalent or superior outcome for the Target Shareholders than the applicable Competing Proposal.
- (d) Target must procure that the Target Board considers any such Bidder Counterproposal and if the Target Board, acting in good faith, determines that:
 - (i) the Bidder Counterproposal would provide an equivalent or superior outcome for the Target Shareholders than the applicable Competing Proposal; and
 - (ii) the other terms and conditions of the Bidder Counterproposal taken as a whole are not less favourable than those in the applicable Competing Proposal,

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then Target and Bidder must use their best endeavours to agree the amendments to the Scheme Transaction Documents that are reasonably necessary to reflect the Bidder Counterproposal (including amendments to the Scheme Consideration that are reasonably necessary to reflect the Bidder Counterproposal), and to enter into one or more appropriate amended agreements to give effect to those amendments and to implement the Bidder Counterproposal, in each case as soon as reasonably practicable, and Target must use its best endeavours to procure that each of the Target Directors continues to recommend the Bidder's Counterproposal to its shareholders and not the applicable Competing Proposal.

- (e) Any material modification to any Competing Proposal (which will include any modification relating to the price or value of any Competing Proposal) will be taken to make that proposal a new Competing Proposal in respect of which Target must comply with its obligations under this clause 12.5.
- (f) Notwithstanding anything in clause 12.5, each obligation of the Target under this clause 12.5 (except for its obligations under clause 12.5(a)) does not apply to the extent that the Target Board, acting in good faith and in order to satisfy what the Target Board reasonably considers to be its fiduciary or statutory duties after having received written advice from its external legal advisors, determines that complying with such obligation would be likely to constitute a breach of the Target Board's fiduciary or statutory duties.

12.6 Normal provision of information

Nothing in this clause 12 prevents a party from:

- (a) providing information to its Representatives;
- (b) providing information to any Governmental Agency;
- (c) providing information to its auditors, Advisers, customers, joint venturers and suppliers acting in that capacity in the ordinary course of business;
- (d) providing information required to be provided by law, including without limitation to satisfy its obligations of disclosure in accordance with the ASX Listing Rules, or any Governmental Agency; or
- (e) making presentations to brokers, portfolio investors, analysts and other third parties in the ordinary course of business.

12.7 Acknowledgement

Bidder has required Target to agree to the obligations set out in this clause 12 in consideration of it proceeding with the Share Scheme and incurring significant costs in doing so. In the absence of obtaining these obligations from Target, Bidder would not have entered into this Agreement.

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13. Break Fee

13.1 Payment of costs

- (a) Target and Bidder believe that the Transactions will provide benefits to Target, Bidder and their respective shareholders, and acknowledge that if they enter into this Agreement and the Share Scheme is subsequently not implemented, each of Bidder and Target will incur significant costs.
- (b) In the circumstances referred to in clause 13.1(a):
 - (i) each of Bidder and Target requested that provision be made for the payments referred to in clause 13.2, without which the parties would not have entered into this Agreement; and
 - (ii) the Target Board and Bidder Board believe that it is appropriate for Target and Bidder respectively to agree to the payments referred to in clause 13.2 in order to secure Bidder's and Target's participation.
- (c) Target and Bidder acknowledge that the Break Fee represents a reasonable amount to compensate Bidder and Target for the following:
 - (i) advisory costs (including costs of Advisers);
 - (ii) costs of management and directors' time;
 - (iii) out of pocket expenses; and
 - (iv) reasonable opportunity costs in pursuing the Transactions or not pursuing other alternative transactions or strategic initiatives.
- (d) Each of Target and Bidder agree that clause 13.2 does not limit its rights in respect of any other Claims that it may have against the other, whether under this Agreement or otherwise, except that the amount of any such other Claim must be reduced or extinguished (as the case may be) by the amount of the Break Fee that it receives or becomes entitled to receive under this clause 13.
- (e) Where Target receives or becomes entitled to receive the Break Fee under clause 13.2(a)(iv), Target shall be entitled to Claim against Bidder and Bidder will be liable for and will indemnify Target in respect of any and all additional costs and expenses that the Target Group incurs as a result of the Fisherman's Landing LNG Project being delayed from 5 March 2010 until the date when this Agreement is terminated in accordance with clause 14.3(b).

13.2 Break Fee

- (a) Subject to clauses 13.2(c) and 13.2(d), Target must pay Bidder the Break Fee in accordance with clause 13.4(a), without withholding or set off, if:
 - (i) any Target Director fails to state that they consider the Share Scheme to be in the best interests of Target Shareholders or fails to recommend that Target Shareholders approve the Share Scheme, or publicly changes (including by attaching qualifications to) or withdraws (including by abstaining) that statement or recommendation, other than in any case in

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- accordance with clauses 8.1(b)(iv)(A) and 8.1(b)(v) and provided that the reasons for the Independent Expert's conclusions do not include the existence of a Competing Proposal and this Agreement is terminated;
- (ii) a Competing Proposal is announced or made and is publicly recommended, promoted or otherwise endorsed by the Target Board or by any of the Target Directors;
 - (iii) a Competing Proposal is announced or made prior to the End Date and is completed at any time prior to the first anniversary of the date of this Agreement and, as a result, a Third Party acquires a Relevant Interest and/or economic interest in at least 50% of the Target Shares;
 - (iv) Bidder terminates this Agreement in accordance with clause 14.2(a); or
 - (v) Bidder terminates this Agreement in accordance with clause 14.2(b) and the breach has a Material Adverse Effect.
- (b) Subject to clauses 13.2(c) and (d), Bidder must pay Target the Break Fee in accordance with clause 13.4(a), without withholding or set off, if Target terminates this Agreement in accordance with clause 14.3(b).
- (c) Despite any other term of this Agreement, the Break Fee is only payable once.
- (d) Despite any other term of this Agreement, the Break Fee will not be payable to Bidder or Target if the Share Scheme becomes Effective notwithstanding the occurrence of any event in clause 13.2(a) or 13.2(b) (in which case the Break Fee, if already paid, must be refunded by the Bidder or Target (as the case may be)).

13.3 Compliance with law

- (a) If a court or the Takeovers Panel determines that any part of the Break Fee:
 - (b) constitutes or would, if performed, constitute:
 - (i) a breach of the fiduciary or statutory duties of the Target Board; or
 - (ii) unacceptable circumstances within the meaning of the *Corporations Act*;
or
 - (c) is unenforceable or would, if paid, be unlawful for any reason,
- and all rights of appeal or review in respect of that determination have expired or been exhausted, then Target will not be obliged to pay such part of the Break Fee and, if such fee has already been paid, then Bidder must within five Business Days after receiving written demand from Target refund that part of the Break Fee to Target.

13.4 Time for payment

- (a) Target or Bidder must pay to the other the Break Fee, if it is payable pursuant to clause 13.2(a) or 13.2(a)(iv), within five Business Days after receiving a written notice from the other setting out the relevant circumstances and requiring payment of the Break Fee.

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- (b) If a party fails to pay the Break Fee when due, it will also be required to pay simple interest on the Break Fee from the due date for payment until that amount is paid in full at the rate of BBSW plus 300 basis points, calculated daily.

14. Termination

14.1 Termination by either party

Either the Target or the Bidder (each a terminating party) may terminate this Agreement by notice to the other in accordance with clause 3.5.

14.2 Termination by Bidder

- (a) Subject to the proviso Bidder (*terminating party*) may terminate this Agreement by notice in writing to Target at any time before 8am on the Second Court Date if Target materially breaches a warranty given by Target under clause 11.2 or if a Target Regulated Event occurs.
- (b) Subject to the proviso Bidder (*terminating party*) may terminate this Agreement by notice in writing to Target at any time before 8am on the Second Court Date if Target is in material breach of any provision of this Agreement (other than a warranty given by Target in clause 11.2).
- (c) Bidder (*terminating party*) may terminate this Agreement by notice in writing to Target at any time before 8am on the Second Court Date if any Target Director publicly changes (including by attaching qualifications to) or withdraws (including by abstaining) their statement that they consider the Share Scheme to be in the best interests of Target Shareholders or their recommendation that Target Shareholders approve the Share Scheme, or publicly recommends, promotes or otherwise endorses a Competing Proposal, whether or not in accordance with clause 8.1(b).
- (d) Bidder (*terminating party*) may terminate this Agreement by notice in writing to Target at any time before 8am on the Second Court Date if a Competing Proposal is announced, made, or becomes open for acceptance and is recommended or endorsed by Target.

14.3 Termination by Target

- (a) Subject to the proviso Target (*terminating party*) may terminate this Agreement at any time before 8am on the Second Court Date by notice in writing to Bidder if Target publicly recommends a Superior Proposal, having complied fully with clauses 8.1(b) and 12 (including all requirements of clause 12.5).
- (b) Subject to the proviso Target (*terminating party*) may terminate this Agreement at any time before 8am on the Second Court Date if by notice in writing to Bidder if Bidder is in material breach of any clause of this Agreement.

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14.4 Proviso

For the purposes of this clause 14 “proviso” means that the terminating party has given notice to the other party setting out the relevant circumstances and stating an intention to terminate this Agreement and the relevant circumstances have continued to exist for five Business Days (or any shorter period ending at 5pm on the last Business Day before the Second Court Date) from the time such notice is given.

14.5 Effect of termination

In the event of termination of this Agreement by either Bidder or Target pursuant to clause 14.1, this Agreement will have no further force or effect and the parties will have no further obligations under this Agreement, provided that:

- (a) this clause 14 and clauses 1, 10.3, 13, 15, 16.1, 16.5 and 16.12 will survive termination; and
- (b) each party will retain any accrued rights and remedies, including any rights and remedies it has or may have against the other party in respect of any past breach of this Agreement.

15. Goods and Services Tax

15.1 Definitions

Unless the contrary intention appears, words or expressions used in this clause 15 which are defined in the *A New Tax System (Goods and Services Tax) Act 1999* have the same meaning in this clause. A reference in this clause 15 to any party includes a reference to the representative member of any GST group of which that party is a member.

15.2 GST

- (a) All amounts payable under this Agreement have been calculated without including an amount for GST (unless GST-inclusive amounts have been clearly stated).
- (b) If GST is payable on a supply made under this Agreement, the party providing the consideration for that supply must pay as additional consideration an amount equal to the amount of GST payable on that supply (the *GST Amount*). This clause does not apply to the extent that the consideration for the supply is expressly stated to be GST inclusive.
- (c) Each party agrees that, to the extent it makes taxable supplies under this Agreement, it shall issue a tax invoice to the other party. No GST Amount is payable under this clause 15 until the supplier gives the recipient a tax invoice.
- (d) If any party is required to pay, reimburse or contribute to an amount paid or payable by another party in respect of an acquisition from a third party, the amount for payment, reimbursement or contribution shall be the acquisition price paid by the acquiring party, less any input tax credit it is entitled to claim, plus any GST payable by the other party.

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- (e) This clause 15 will continue to apply after expiration or termination of this Agreement.

16. Miscellaneous

16.1 Notices

Any notice, demand, consent or other communication (a *Notice*) given or made under this Agreement:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand or fax to the address or fax number below or the address or fax number last notified by the intended recipient to the sender:

- (i) **Target:** Arrow Energy Limited
Level 19, AM-60
42-60 Albert Street
Brisbane Qld 4000

Attention: Paul Marshall and Daniel
Gosewisch

Fax No: +61 7 3012 4001

Arrow Energy International Pty Limited
Level 19 AM-60
42-60 Albert Street
Brisbane Qld 4000;

Attention: Paul Marshall and Daniel
Gosewisch
- (ii) **Bidder:** to Forever Glowing International Pte. Ltd:
No. 6-1, Fuchengmen Beidajie, Xicheng
District, Beijing, China, 10034

Attention: Ms Liu Hongna
Fax No: +86 10 5855 1000; and

Attention: Mr Mao Jingen
Fax No. +86 10 5855 1000;

and to SEHAL:

Shell EP International Limited
83 Clemenceau Avenue, 7 West,
Singapore 239920

Attention: Bernard Samuels
Fax No: +65 6 215 1295;

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and

Shell Energy Holdings Australia Limited
8 Redfern Road
Hawthorn Vic, 3123

Attention: Peter Weston

Fax No: +61 3 8823 4039

- (c) will be taken to be duly given or made:
- (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country); and
 - (iii) in the case of fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 4pm (local time of the recipient) it will be taken to have been duly given or made at the start of business on the next business day in that place.

16.2 No agency of partnership

Nothing in this Agreement is to be construed as constituting an agency, partnership, joint venture, or any other form of association between the parties in which one party may be liable for the acts or omissions of any other party. No party has the authority to incur any obligation or make any representation or warranty on behalf of, or to pledge the credit of, any other party.

16.3 Entire agreement

Except as otherwise agreed by the parties this Agreement and the Confidentiality Deed contain the entire agreement between the parties as at the date of this Agreement with respect to its subject matter and supersedes all prior agreements and understandings between the parties in connection with it.

16.4 Amendment

No amendment or variation of this Agreement is valid or binding on a party unless made in writing executed by Bidder and Target, which may so make an amendment or variation notwithstanding that one or more other parties or persons may be entitled to the benefit of all or any of the provisions of this Agreement.

Scheme Implementation Agreement

16.5 Assignment

The rights and obligations of each party under this Agreement are personal. They cannot be assigned, encumbered or otherwise dealt with and no party may attempt, or purport, to do so without the prior consent of the other party.

16.6 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by a party operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

16.7 Remedies cumulative

The rights, powers and remedies provided to each party in this Agreement are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

16.8 Further assurances

Each party agrees to do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Agreement and the transactions contemplated by it.

16.9 No merger

The rights and obligations of the parties will not merge on the completion of any transaction contemplated by this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing a transaction.

16.10 Costs and stamp duty

Except as provided below, each party must bear its own costs, charges and expenses arising out of or incidental to the negotiations leading to or the preparation of this Agreement and the proposed, attempted or actual implementation of this Agreement. Bidder must pay any stamp duty that is payable on the transfer to Bidder of the Scheme Shares pursuant to the Share Scheme.

16.11 Severability of provisions

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this Agreement nor affect the validity or enforceability of that provision in any other jurisdiction.

Scheme Implementation Agreement

16.12 Governing law and jurisdiction

- (a) This Deed is governed by the law in force in Queensland, Australia.
- (b) The parties irrevocably agree that the courts of Australia have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this agreement and that accordingly any suit, action or proceeding (**Proceeding**) arising out of or in connection with this agreement may, subject to this deed, be brought in such courts.
- (c) **PetroChina** irrevocably agrees that any notice, writ, judgment, notice of process or other notice in connection with any Proceedings shall be sufficiently and effectively served on it:
 - (i) if delivered to Blake Dawson, Level 26, 181 William Street, Melbourne, Victoria 3000, Attention: Justin Shmith in the case of any writ, judgment, notice of process or other notice in connection with Proceedings in Queensland, with a copy to Forever Glowing at the address set forth in clause 16.1(b); or
 - (ii) in the case of Proceedings other than in Queensland, if a copy thereof is mailed by registered or certified air mail, postage prepaid, to the address for the time being for the services of notices on Forever Glowing identified in clause 16.1(b).
- (d) Each party irrevocably waives any objection which it may have now or in the future to:
 - (i) the laying of the venue of any Proceedings in any such courts; and
 - (ii) any claim that any such Proceedings have been brought in an inconvenient forum, and further irrevocably agrees that a judgment in any Proceedings brought in the courts of Queensland will be conclusive and binding upon the party and may be enforced in the courts of any other jurisdiction.
- (e) To the extent that a party may be entitled in any jurisdiction to claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or legal process or to the extent that in any such jurisdiction there may be attributed to it or its assets such immunity (whether or not claimed), that party among other things irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction with the intent that the above waivers of immunity have irrevocable effect.

16.13 Counterparts

This Agreement may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

Scheme Implementation Agreement

Schedule 1

Indicative Timetable

Event	Date
Target lodges draft Scheme Booklet with ASIC	17 May 2010
Deed Poll executed by Bidder	2 June 2010
First Court Date	3 June 2010
Scheme Booklet registered by ASIC and released on ASX	3 June 2010
Scheme Booklet despatched to Target Shareholders	11 June 2010
Scheme Meeting	14 July 2010
Second Court Date	26 July 2010
Effective Date: office copy of Court order approving the Share Scheme lodged with ASIC	27 July 2010
Target Suspension Date	27 July 2010
Record Date	3 August 2010
Implementation Date	9 August 2010

The parties acknowledge that the above timetable has been prepared on the basis of the parties' best estimate of the timing of key events for the Schemes, and that certain events may be delayed for reasons outside of the control of the parties, such as:

- the period of consideration by ASIC of the draft Scheme Booklet;
- the Court hearing to obtain orders to convene the Scheme Meetings may occur after the time specified in the above timetable; and
- the Court hearing to obtain orders approving the Schemes may occur after the time specified in the above timetable.


In the case of any delay, the parties will endeavour in good faith to agree to a substitute timetable (to the extent possible, with the same relative timing between events), while having regard to (amongst other things) the desire of each party to complete the Transactions as soon as is practicable.

Scheme Implementation Agreement

Executed in Brisbane, Queensland.


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

Executed in accordance with section 127 of the *Corporations Act 2001* by **Arrow Energy Limited** in the presence of:



Director Signature
Nicholas Davies

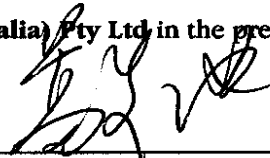
Print Name



Director/Secretary Signature
Stephen Grant Bizzell

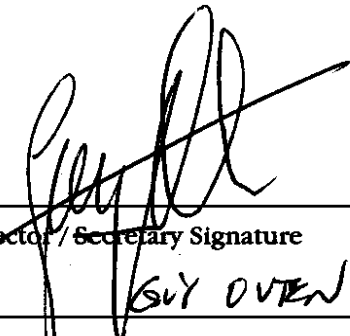
Print Name

Executed in accordance with section 127 of the *Corporations Act 2001* by **CS CSG (Australia) Pty Ltd** in the presence of:



Director Signature
GEARJI

Print Name



Director / Secretary Signature
GUY OWEN

Print Name