

# ASX/Media Release



28 October 2008

## BG GROUP PLC RECOMMENDED TAKEOVER OFFER FOR QUEENSLAND GAS COMPANY

**Sunshine Gas Limited** (ASX Code: SHG) advises that BG Group plc (BG Group) has announced an on-market takeover offer for all the shares in Queensland Gas Company Limited (QGC) (BG Offer).

The BG Offer is \$5.75 cash for each QGC Share, which values QGC at approximately \$5.6 billion. A copy of the announcement made by QGC and BG Group, which contains more details about the BG Offer, is attached.

The BG Offer is an on-market offer, which means that it is not subject to any conditions.

The Voting Directors of QGC recommend that QGC Shareholders accept the BG Offer in the absence of a superior proposal.

### Implications for the QGC Offer for Sunshine Shareholders

The BG Offer can be accepted for QGC Shares received under the QGC Offer for Sunshine Gas. Shareholders who accept the QGC Offer for their Sunshine Gas shares will be paid consideration within 5 business days of their acceptance being processed. Part or all of that consideration will consist of QGC Shares.

For additional information about the Company, please visit [www.sunshinegas.com.au](http://www.sunshinegas.com.au)

A handwritten signature in black ink, appearing to read "A.R. Gilby", is written over a light blue rectangular background.

**Anthony (Tony) Gilby**  
Managing Director  
SUNSHINE GAS LIMITED

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# ASX Announcement Media Release



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## BG GROUP PLC RECOMMENDED TAKEOVER OFFER FOR QUEENSLAND GAS COMPANY LIMITED

The Boards of BG Group plc ("BG Group" – LSE:BG.L) and Queensland Gas Company Limited ("QGC" – ASX:QGC) are pleased to announce that they have agreed the terms of a recommended transaction under which BG Group will offer to acquire all the issued shares in QGC at \$5.75 per share by means of an unconditional on-market takeover bid on the Australian Securities Exchange (ASX). The all-cash offer values the entire issued share capital of QGC at approximately \$5.6 billion (£2.2 billion). BG Group's consideration to increase its ownership of QGC to 100 per cent<sup>1</sup> will total some \$5.2 billion (£2.0 billion).

### Key points

- The offer price represents an 80 per cent premium to QGC's closing price of \$3.20 on 23 October 2008, the last full day of trading in QGC shares prior to the two companies' announcement today, 28 October.
- The offer price is final and will not be increased in the absence of a superior proposal.
- The QGC Voting Directors<sup>2</sup> unanimously recommend that QGC shareholders accept BG Group's offer in the absence of a superior proposal. On the same basis, the Voting Directors who hold or control QGC shares have indicated that they intend to accept BG Group's offer in respect of the entirety of their shareholdings in QGC. Those holdings (excluding the shares held by the QGC Chairman and Managing Director that are the subject of the pre-bid agreements referred to below) amount to, in aggregate, 7.1 per cent of the issued share capital of QGC.
- Separately, BG Group has pre-bid agreements to acquire the entire shareholdings of QGC's two largest institutional investors, ANZ Infrastructure Services Pty Ltd and Sentient Group, as well as pre-bid agreements to acquire certain shares held by QGC Chairman Robert Bryan and QGC Managing Director Richard Cottee. Those agreements, combined with BG Group's existing stake<sup>3</sup>, take BG Group's relevant interest in QGC to 17.1 per cent.
- BG Group has received advice from the Foreign Investment Review Board that there are no objections to the Group's plans to acquire 100 per cent of QGC in terms of Australian foreign investment policy.
- BG Group intends to retain and further develop the QGC brand, management and staff.

### Recommended offer

QGC Chairman Robert Bryan said: "In the eight years since QGC was founded, the Company has prospered beyond our most optimistic expectations, delivering very significant value to shareholders. The next phase of QGC's evolution would require a step-change in the Company's skills base, organisational resources and balance sheet capacity. While QGC's deepening relationship with BG Group has been fruitful and positive, it has also clearly revealed the opportunity to create additional value through efficiencies from the integration of the two companies' assets and skills under single-company ownership."

<sup>1</sup> Assumes QGC will acquire 100 per cent of Sunshine Gas Ltd ("Sunshine" – ASX:SHG) and Roma Petroleum NL ("Roma" – ASX:RPM) and that Sunshine shareholders who have yet to accept into the QGC bid elect for 100 per cent scrip consideration.

<sup>2</sup> Voting Directors of QGC means all the Directors other than the nominees of AGL Energy Limited ("AGL" – ASX:AGK), all of whom were conflicted and did not vote.

<sup>3</sup> BG Group's initial 9.9 per cent stake acquired in April 2008 has been diluted to 8.7 per cent as a result of QGC shares being issued by QGC as consideration offered under the terms of QGC's takeover bids for Roma Petroleum and Sunshine Gas.





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Mr Bryan continued: "This offer represents a full and fair premium for QGC shareholders. Given this, the Voting Directors have unanimously decided to recommend BG Group's offer, which the Board regards as an excellent outcome for QGC's many supporters."

QGC Managing Director Richard Cottee said: "BG Group's unconditional all-cash offer is an attractive reward for our loyal shareholders. It is appropriate that I am today to be a cornerstone seller into this on-market offer. QGC is a world-class coal seam gas producer. BG Group is a world leader in natural gas, with a very strong track record in exploration, production and liquefied natural gas (LNG), as well as superb project management skills. This transaction will meld two specialist skill sets to create the only seamless, vertically-integrated LNG proponent in Eastern Australia."

"BG Group and QGC are absolutely dedicated to ensuring the success of the Queensland Curtis LNG Project – and the jobs and revenues for Queensland that the project represents. It is clear that BG Group has the market knowledge, global experience and financial muscle to make one of Australia's largest capital infrastructure projects happen over the next five years."

"We are tremendously proud of everything QGC has achieved in its maturation from junior explorer to a leader in the coal seam gas sector. The technical expertise of our outstanding staff has underpinned that transformation, creating a lasting legacy of jobs, wealth and cleaner energy as part of our major contribution to the community. I believe QGC will continue to prosper as BG Group expands on our vision of creating a world-class energy facility in Queensland."

## How to accept

Shareholders can only accept BG Group's cash offer by selling their QGC shares on-market on ASX through a stockbroker. QGC shareholders who hold their shares in Issuer Sponsored Holdings will need to appoint a broker to sell their shares on ASX. QGC has appointed Austock Securities Limited and ABN AMRO Morgans Limited to provide broking services to QGC shareholders who do not have a stockbroker.

J.P. Morgan Securities Australia Limited (together with its affiliates, "J.P. Morgan") has been appointed as the on-market broker to acquire QGC shares on the ASX on behalf of BG Group's wholly-owned Australian subsidiary, BG International (AUS) Investments Pty Limited ("BG AUS").

In line with usual ASX practice, QGC shareholders will receive the proceeds of the sale of their shares on a T+3 basis, i.e. within three trading days after their sale. QGC shareholders can contact BG Group's offer information line on 1300 656 831 (callers within Australia, toll-free) or +61 2 8986 9358 (callers outside Australia), or should consult their financial or other professional adviser.

## Transaction rationale

BG Group Chief Executive Frank Chapman said: "This transaction brings together two highly successful companies with complementary skills and assets and a shared focus on the creation of long-term value for shareholders. Our offer builds on the successful alliance between BG Group and QGC, which has already led to the establishment of effective collaborative relationships at all levels."

"Establishing a single integrated organisation within a one-company ownership structure allows BG Group to optimise the development of the LNG scheme as well as expand QGC's resource base for the supply of both domestic and export markets. The benefits arising from this transaction accrue to both sets of shareholders, with BG Group gaining the opportunity to invest in the long-term growth of upstream production and LNG liquefaction, and QGC shareholders gaining a certain and fair cash premium."





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It is anticipated that there will be an immaterial impact on earnings per share until the Queensland Curtis LNG Project begins production, after which the acquisition is expected to be earnings-accretive for BG Group.

The transaction is driven by several strategic factors. It would:

- establish a material BG Group business in Australia – a stable and attractive OECD investment environment;
- mark a step-change in the scale of BG Group's Asia-Pacific business, with undeveloped resource potential located close to valuable domestic and regional markets;
- enhance BG Group's global LNG position by securing new equity supplies from the Queensland Curtis LNG Project; and
- offer a key opportunity to extend QGC's industry-leading coal seam gas (CSG) skills internationally, as access to conventional hydrocarbon sources becomes increasingly challenging and resource holders seek partners with expertise in the development of unconventional gas alternatives.

### BG Group investment in Queensland and Australia

BG Group is a committed long-term investor in Queensland and Australia. Anticipated benefits arising from BG Group's investment plans include:

- the expansion in the supply available to Australian downstream and export gas markets resulting from the development of QGC's reserves and resources;
- a long-term positive economic impact for businesses and consumers as a consequence of the increased availability of cost-competitive gas resources;
- the development of a new skills base in Queensland as the state becomes home to a new world-class industrial sector;
- the addition of new LNG export revenues flowing to the state of Queensland; and
- the creation of up to 4,400 new jobs during the construction and operational phases of the Queensland Curtis LNG Project.

The expansion in gas supply will also play a role in supporting Government climate change strategies. There is widespread support across Australia for greater gas utilisation, as a lower-carbon alternative to coal or oil, in response to the challenge of global warming linked to the use of other fossil fuels.

### People and assets

- QGC management and employees have highly valuable skills and experience. BG Group intends to retain QGC's people while further developing their careers within a global energy company. BG Group also intends to create new jobs as part of its investment plans.
- BG Group intends to retain and further develop QGC's existing assets, including its current operations, and to maintain the head office in Brisbane.
- BG Group intends to retain and further develop the distinctive and respected QGC brand.





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### QGC-BG Group relationship

Since listing on the ASX in 2000, QGC has become one of Queensland's largest companies and a leading Australian coal seam gas producer. The centre of QGC's resource base lies in the world-class coal seam gas play of the Walloon Fairway in the Surat Basin. QGC has an industry-leading track record in exploration and production and consistently strong reserves growth from its extensive acreage.

BG Group is a world leader in natural gas. Active in 27 countries on five continents, BG Group has a broad portfolio of exploration and production, LNG, transmission and distribution and power generation business interests.

In February 2008, BG Group and QGC announced an alliance to co-operate in CSG exploration and production, the development of domestic market opportunities and the construction of a new LNG export facility on the Queensland coast.

Under the terms of the alliance agreement, which was completed in April 2008, BG Group acquired a 9.9 per cent stake in QGC and a 20 per cent interest in QGC's coal seam gas assets in the Surat Basin. BG Group and QGC are also developing the Queensland Curtis LNG Project (BG Group 70 per cent; QGC 30 per cent), to be built on Curtis Island near Gladstone.

BG Group has the rights to purchase and market 100 per cent of the LNG produced by that facility.

Since the alliance was formed, QGC has announced increases in reserves held by QGC and BG Group, taking 2P reserves to 2,703 petajoules (PJ) and 3P reserves to 7,103 PJ. QGC will also acquire an additional 469 PJ of 2P reserves upon completion of its recommended takeover of Sunshine, set out below. For an explanation of reserves classification, please see the Notes for Editors.

The Final Investment Decision for the Queensland Curtis LNG Project is anticipated in 2010, with two trains of LNG planned in the first phase of development producing 7.5 million tonnes per annum (mtpa) of LNG, and total planned capacity of up to 12 mtpa. The Front-End Engineering and Design (FEED) study is now underway, led by the project contractor Bechtel Oil, Gas & Chemicals, Inc., and commissioning is expected to begin in 2013.

### Change of control provisions

BG Group has rights to acquire, for approximately \$207 million, another 10 per cent interest in QGC's Walloon CSG acreage when certain conditions are met. If there is a change of control in QGC, the rights to this additional 10 per cent direct interest would vest immediately.

In addition, in the event of a change of control in QGC, QGC is committed to support the transfer of operatorship to BG Group for the licences currently operated by QGC. BG Group also has the right to terminate the arrangements relating to the alliance, including the joint marketing of gas and downstream co-operation. Decisions relating to the terms of new gas sales under the alliance arrangements would not require the approval of QGC.

### Bid Implementation Agreement

BG Group and QGC have entered into a Bid Implementation Agreement (BIA), details of which are set out in BG Group's Bidder's Statement. Under the BIA, QGC has entered into conventional "no shop" and "no talk" obligations, subject to fiduciary "carve-outs". BG Group also has a right to match any competing proposal.





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QGC has agreed to pay a break fee to BG Group of \$50 million under certain circumstances, including: if a QGC Voting Director changes his recommendation and does not support the BG Group bid; if there is a superior proposal and QGC terminates the BIA; or if QGC breaches its "no shop" and "no talk" obligations and BG Group does not acquire more than 50 per cent of QGC. A full summary of the break fee triggers is set out in BG Group's Bidder's Statement.

### Roma Petroleum and Sunshine Gas

In June 2008, QGC and Roma Petroleum NL ("Roma" – ASX:RPM) announced a recommended takeover offer for all of the issued share capital in Roma; and in August 2008, QGC and Sunshine Gas Ltd ("Sunshine" – ASX:SHG) announced a recommended takeover offer for all of the issued share capital in Sunshine.

To date, the holders of more than 98 per cent of Roma shares have accepted into the QGC offer, and QGC is accordingly proceeding with the compulsory acquisition of all remaining Roma shares. The QGC offer for Roma has been extended to 31 October 2008. The holders of more than 81 per cent of Sunshine shares have indicated that they will accept QGC's takeover offer. QGC's offer for Sunshine closes on 4 November 2008, unless extended. Roma and Sunshine shareholders who accept QGC's offers and are issued QGC shares will be able to receive \$5.75 cash per QGC share.

### Indicative timing of BG Group's offer

The on-market takeover offer is being made by BG AUS.

J.P. Morgan, as the BG AUS appointed broker, will be ready to stand in the market on ASX from the re-commencement of trading in QGC expected to be around 11am (Sydney) today, 28 October 2008, offering to acquire QGC shares on behalf of BG AUS at the offer price. Accepting shareholders will receive their sale proceeds on a T+3 basis, i.e. within three trading days of sale.

BG AUS will lodge a Bidder's Statement today which will be dispatched to QGC shareholders by 12 November 2008. QGC will also dispatch its Target's Statement by that date.

The offer will close on 15 December 2008, unless extended.

### Financing

BG Group will finance this acquisition from its cash reserves, supplemented as required from the Group's existing committed facilities.

### Advisers

BG Group is being advised by J.P. Morgan, Goldman Sachs International and Morgan Stanley Australia Limited. Legal advisers are Mallesons Stephen Jaques.

QGC has retained Austock Corporate Finance Pty Ltd and ABN AMRO Morgans Corporate Limited as financial advisers. Legal advisers are McCullough Robertson.





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## Media and analyst communications

QGC and BG Group will hold a joint briefing for analysts and media at 9.30am (Brisbane) / 10.30am (Sydney/Melbourne) on 28 October 2008. The briefing will be available via dial-in teleconference. Dial in numbers are:

1800 148 258 (Australia)  
0800 667 018 (New Zealand)  
0800 056 9662 (UK)  
+61 2 8524 6650 (International)

The briefing will also be webcast at [http://www.waa-akam.thomson-webcast.net/au/dispatching/conf\\_briefing\\_20081027](http://www.waa-akam.thomson-webcast.net/au/dispatching/conf_briefing_20081027)

Please quote Conference ID number 70848175

Ends.

## Notes for Editors

### About BG Group

BG Group plc (LSE: BG.L) is a world leader in natural gas, with a strategy focused on connecting competitively-priced resources to specific, high-value markets. Active in 27 countries on five continents, BG Group has a broad portfolio of exploration and production, Liquefied Natural Gas (LNG), transmission and distribution and power generation business interests. It combines a deep understanding of gas markets with a proven track record in finding and commercialising reserves.

### About QGC

QGC is a leading and award-winning Australian integrated energy business with a strategy focused on developing its world-class coal seam gas reserves in the Surat Basin for domestic supply and power generation, and international supply. Founded in 2000 as a junior explorer, QGC now employs more than 240 staff who are developing projects including the 140 MW gas-fired Condamine Power Station and the Queensland Curtis LNG Project.

As at 30 June 2008, the audited accounts of QGC showed total revenues of \$81.1 million (£33.3 million), net profit after taxation (NPAT) of \$244.6 million (£100.5 million), underlying NPAT (unaudited) of \$30.6 million (£12.6 million) and total assets of \$1.161 billion (£477 million). This financial information is extracted, without material amendment, from QGC's audited financial statements for the financial year ended 30 June 2008.





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QGC's executive management team, led by Managing Director Richard Cottee, comprises:

- Mark Anning, Company Secretary
- Ian Davies, Chief Financial Officer
- Leon Devaney, General Manager, Commercial and Financing
- Mike Herrington, Chief Operating Officer
- Steve Scott, General Manager, Exploration and Technical Services
- Brett Smith, General Manager, Shared Services
- Hedley Thomas, General Manager, Communications and External Relations
- Carsten Thomsen, General Manager, LNG
- Andrew Varvari, General Counsel

## Coal seam gas

Natural gas in coals (coal seam gas or CSG) occurs when the coal is formed deep underground by a process of heating and compressing plant matter. The gas is trapped in coal seams (typically 300-600 metres underground) by water pressure.

The coal seam gas is extracted via wells which are drilled down through the coal seams. The water is pumped out, and the natural gas is released from the coal. The gas is then processed to remove water and piped to a compression plant for injection into gas transmission pipelines.

The produced water is usually conveyed to an evaporation pond, although QGC is conducting trials to use it for agricultural irrigation and as potable water, after treatment.

Coal seam gas in the Surat Basin of Queensland typically contains more than 98 per cent methane, with very small amounts of nitrogen and carbon dioxide.

## Reserves classification

Under Society of Petroleum Engineers (SPE) guidelines, reserves are categorised according to their probability of production. 1P reserves are reserves with a 90 per cent probability of successful commercial production. 2P reserves consist of 1P reserves plus other reserves with a 50 per cent probability of successful commercial production. 3P reserves consist of 1P reserves plus 2P reserves plus other reserves with a 10 per cent probability of successful commercial production.

1P reserves are known as proved reserves; 2P reserves are known as proved plus probable reserves; and 3P reserves are known as proved plus probable plus possible reserves.







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## Contacts

### BG Group

#### Communications Australia:

+61 (0) 419 588 166 – Rob Millhouse (BG Australia)  
+61 (0) 2 8284 9901 – John Hurst (Cannings)

#### Investor Relations Australia:

+44 (0) 7920 230093 – Siobhán Andrews (BG Group)

#### Communications UK:

+44 (0) 118 929 3508/3110 – Edel McCaffrey/Jo Thethi (BG Group)

#### Out of hours UK media mobile:

+44 (0) 791 718 5707

#### Investor Relations UK:

+44 (0) 118 929 3025 – Chris Lloyd/Damien Bird (BG Group)

### QGC

#### Corporate Communications:

Hedley Thomas

#### Out of hours Australia media mobile

+61 (0) 417 797 419

#### Investor Relations:

Ian Davies

#### Out of hours Australia mobile

+61 (0) 412 522 215

*BG Group: There are matters discussed in this media information that are forward looking statements. Such statements are only predictions and actual events or results may differ materially. For a discussion of important factors which could cause actual results to differ from the forward looking statements, refer to BG Group plc's annual report and accounts for the year ended 31 December 2007. BG Group plc does not undertake any obligation to update publicly, or revise, forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.*

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