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TO: Company Announcements Office
ASX Limited

FROM: Company Secretary

DATE: 18 July 2011

SUBJECT: SCHEME IMPLEMENTATION DEED

Please find attached the Scheme Implementation Deed with respect to the acquisition of 100% of the outstanding shares in Eastern Star Gas Limited.

David Lim
Company Secretary

Deed

Scheme Implementation Deed

Santos

ESG

Freehills

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Scheme Implementation Deed

Date ► 18 July 2011

Between the parties

Santos Limited

ACN 007 550 923

60 Flinders Street, Adelaide, SA 5000

(Santos)

Eastern Star Gas Limited

ACN 094 269 780

Level 7, 51 Pitt Street, Sydney, NSW, 2000

(ESG)

Recitals

- 1 The parties have agreed that Santos will propose to acquire ESG by means of a scheme of arrangement under Part 5.1 of the Corporations Act between ESG and Scheme Shareholders.
 - 2 The parties have agreed to implement the scheme of arrangement on the terms of this deed.
-

This deed witnesses as follows:

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this deed are set out below.

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12 of the Corporations Act.
ASX	ASX Limited ABN 98 008 624 691.
Business Day	a business day as defined in the Listing Rules.
Competing Transaction	a transaction or arrangement to which ESG (or a related body corporate) is a party pursuant to which a Third Party will, if the transaction or arrangement is entered into or completed: 1 acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in all or a material part of the business of the ESG Group (which, for this purpose, will include an acquisition of rights, or right to acquire, in respect of 10% or more in the ESG Group's petroleum interests, by value); 2 acquire a Relevant Interest in, become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in 10% or more of the ESG Shares; 3 acquire control (as determined in accordance with section 50AA of the Corporations Act) of ESG; or 4 otherwise acquire or merge with ESG; 5 enter into an agreement to purchase from, or sell gas to, a member of the ESG Group; or 6 enter into any agreement, arrangement or understanding requiring ESG to abandon, or otherwise fail to proceed with, the Transaction whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction or buy back, sale or purchase of shares or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement.
condition precedent	each of the conditions set out in clause 3.1.

Term	Meaning
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by ESG and Santos.
Deed Poll	a deed poll substantially in the form of Attachment 3 under which Santos covenants in favour of the Scheme Shareholders to perform the obligations attributed to it under the Scheme.
Effective	the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
End Date	1 February 2012.
ESG Board	the board of directors of ESG.
ESG Group	ESG and each of its Related Bodies Corporate and a reference to an ESG Group Member or a member of the ESG Group is to ESG or any of its Related Bodies Corporate.
ESG Indemnified Parties	ESG and its Related Bodies Corporate and their respective directors, officers and employees.
ESG Information	information regarding the ESG Group prepared by ESG for inclusion in the Scheme Booklet, being all the contents of the Scheme Booklet other than the Santos Information and the Independent Expert's Report.
ESG Material Adverse Change	1 a reduction in ESG's last published reserves by 5% or more; 2 one or more changes, events, occurrences, conditions, circumstances or matters which results wholly or substantially from an act or omission of ESG and which (in any such case, individually or when aggregated with all such changes, events, occurrences, conditions, circumstances or matters) has resulted in,

Term	Meaning
	will or is reasonably likely to result in a material adverse change to: - the business, operations or financial condition (including contingent liabilities) of ESG and its Subsidiaries taken as a whole; or - the ability of ESG to perform its obligations under this deed, other than those changes, events, occurrences, conditions, circumstances or matters: - required or permitted by this deed, the Scheme or the transactions contemplated by them; - which took place with the consent of Santos; or - which ESG specifically, fully and fairly disclosed in a document lodged with the ASX or ASIC that was publicly available 2 Business Days prior to the date of this deed (but this does not include any general description of risks, or risk factors, sensitivity analysis or similar information in such a document).
ESG Prescribed Occurrence	the occurrence of any of the following between the date of this deed and 8.00am on the Second Court Date: - ESG converting all or any of its shares into a larger or smaller number of shares; - ESG resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares; - ESG: - entering into a buy-back agreement; or - resolving to approve the terms of a buy-back agreement under the Corporations Act; - ESG declaring, paying or distributing any dividend, bonus or other extraordinary share of its profits or assets or returning or agreeing to return any capital to its members; - a member of the ESG Group issuing securities, including without limitation shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than to ESG or to a direct or indirect wholly owned Subsidiary of ESG; - a member of the ESG Group issuing or agreeing to issue securities convertible into shares; - a member of the ESG Group making any change to its constitution; - a member of the ESG Group: - acquiring, leasing or disposing of; - agreeing to acquire, lease or dispose of; or - irrevocably offering, proposing, announcing a bid or tendering for, any business, assets, entity or undertaking, the value of which exceeds \$10 million (individually or in aggregate); - a member of the ESG Group entering into a contract or

Term	Meaning
	commitment which materially restrains a member of the ESG Group from competing with any person or conducting activities in any material market;
10	a member of the ESG Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due (which does not include the granting of security to financiers in the ordinary course over property acquired by a member of the ESG Group);
11	a member of the ESG Group: • entering into any contract or commitment with a value in excess of \$10 million (individually or in aggregate); • (without limiting the foregoing) entering into any gas sale agreement or pipeline agreement; • (without limiting the foregoing) incurring or agreeing to incur capital expenditure from the date of this deed of more than \$10 million (individually or in aggregate); otherwise than in accordance with joint venture work programs and budgets approved before the date of this deed, or: • waiving any material third party default where the financial impact on the ESG Group will be in excess of \$10 million (individually or in aggregate); • accepting as a compromise of a matter less than the full compensation due to a member of the ESG Group where the result of the compromise is that the member will receive an amount which is more than \$10 million (individually or in aggregate) less than the amount of full compensation; or • otherwise waiving, releasing, granting or transferring any rights with a value of more than \$10 million (individually or in aggregate);
12	a member of the ESG Group incurring any Financial Indebtedness in excess of \$10 million (individually or in aggregate);
13	a member of the ESG Group entering into or resolving to enter into a transaction with any related party of ESG (other than a related party which is a member of the ESG Group) as defined in section 228 of the Corporations Act;
14	ESG or any of its Subsidiaries being deregistered as a company or otherwise dissolved;
15	a member of the ESG Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards;
16	a member of the ESG Group doing anything that would result in a de-consolidation of the ESG consolidated tax group;
17	a member of the ESG Group resolving that it be wound up or the making of an application or order for the winding up or dissolution of any ESG Group Member other than where the application or order (as the case may be) is set aside within 14 days;
18	a liquidator or provisional liquidator of a member of the ESG Group

Term	Meaning
	being appointed; 19 a court making an order for the winding up of a member of the ESG Group; 20 an administrator of a member of the ESG Group being appointed under the Corporations Act; 21 a member of the ESG Group is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act; or 22 a member of the ESG Group executing a deed of company arrangement, other than: 23 as required by this deed, the Scheme or the transactions contemplated by them; or 24 with the consent of Santos.
ESG Registry	Link Market Services Limited ACN 083 214 537
ESG Representations and Warranties	the representations and warranties of ESG set out in Schedule 2.
ESG Share	a fully paid ordinary share of ESG.
ESG Shareholders	each person who is registered as the holder of ESG Shares.
Excluded Shareholder	any ESG Shareholder who: 1 is a Santos Group Member; or 2 holds an ESG Share on behalf of any Santos Group Member; or 3 holds an ESG Share in which a Relevant Interest is held by a Santos Group Member and who is nominated for the purpose of this definition by Santos.
Exclusivity Period	the period from and including the date of this deed to the earlier of: 1 the termination of this deed; and 2 the End Date.
Financial Adviser	any financial adviser retained by ESG in relation to the Scheme or a Competing Transaction from time to time.
Financial Indebtedness	any debt or other monetary liability (whether actual or contingent) in

Term	Meaning
	respect of moneys borrowed or raised or any financial accommodation including under or in respect of any: 1 bill, bond, debenture, note or similar instrument; 2 acceptance, endorsement or discounting arrangement; 3 guarantee; 4 finance or capital lease; 5 agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or 6 obligation to deliver goods or provide services paid for in advance by any financier.
First Court Date	the first day on which an application made to the Court for an order under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
Implementation Date	the fifth Business Day after the Scheme Record Date or such other day as the parties agree.
Independent Expert	the independent expert appointed by ESG to express an opinion on whether the Scheme is in the best interests of Scheme Shareholders.
Independent Expert's Report	the report to be issued by the Independent Expert for inclusion in the Scheme Booklet.
Ineligible Overseas Shareholder	means a Scheme Shareholder whose Registered Address at the Scheme Record Date is a place outside Australia and its external territories, New Zealand and other jurisdictions agreed between the parties.
Listing Rules	the official listing rules of the ASX.
Registered Address	in relation to an ESG Shareholder, the address shown in the Share Register.

Term	Meaning
Regulator's Draft	the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.
Reimbursement Fee	\$9.24 million.
Related Bodies Corporate	has the meaning set out in the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	1 in respect of a party or its Related Bodies Corporate, each director, officer, employee, adviser, agent or representative of that party or Related Body Corporate; and 2 in respect of a Financial Adviser, each director, officer, employee or contractor of that Financial Adviser.
RG 60	Regulatory Guide 60 issued by ASIC on 11 December 2009 relating to schemes of arrangement, the application of section 411(17) of the Corporations Act and ASIC review of schemes of arrangement.
Santos Group	Santos and each of its Related Bodies Corporate and a reference to a Santos Group Member or a member of the Santos Group is to Santos or any of its Related Bodies Corporate.
Santos Indemnified Parties	Santos, each of its Related Bodies Corporate and their directors, officers and employees.
Santos Information	information regarding the Santos Group provided by Santos to ESG in writing for inclusion in the Scheme Booklet.
Santos Representations and Warranties	the representations and warranties of Santos set out in Schedule 1.
Santos Share	a fully paid ordinary share of Santos.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between ESG and the Scheme Shareholders, substantially in the form attached as Attachment 2 to this deed, subject to any alterations or conditions made or required by the Court under section 411(6) of the

Term	Meaning
	Corporations Act and agreed to by Santos and ESG.
Scheme Booklet	the information described in clause 5.1(a) to be approved by the Court and despatched to the ESG Shareholders (other than Excluded Shareholders) and which must include the Scheme, an explanatory statement in respect of the Scheme complying with the requirements of the Corporations Act and the Corporations Regulations, an independent expert's report, notices of meeting and proxy form.
Scheme Consideration	the consideration to be provided by Santos to each Scheme Shareholder for the transfer to Santos of each Scheme Share, as described in the Scheme, being 0.06803 Santos Shares for each Scheme Share held by each Scheme Shareholder, subject to clause 4.5.
Scheme Meeting	the meeting of ESG Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under section 411(1) of the Corporations Act.
Scheme Record Date	5.00pm on the fifth Business Day after the Effective Date.
Scheme Share	an ESG Share held by a Scheme Shareholder as at the Scheme Record Date.
Scheme Shareholders	ESG Shareholders (other than Excluded Shareholders) as at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard.
Share Register	the register of members of ESG maintained in accordance with the Corporations Act.
Subsidiary	has the meaning given to that term in the Corporations Act.
Superior Proposal	a bona fide Competing Transaction (and not resulting from a breach by ESG of its obligations under clause 9) which the ESG Board, acting in good faith, and after taking advice from its legal and Financial Advisers, determines 1 is reasonably capable of being completed in a timely basis taking into account all aspects of the Competing Transaction, including

Term	Meaning
	without limitation, having regard to legal, regulatory and financial matters including any conditions precedent; and
	2 is more favourable to ESG Shareholders (other than Excluded Shareholders) than the Scheme taking into account all terms and conditions of the Competing Transaction.
Third Party	a person other than Santos and its Associates.
Timetable	the indicative timetable for the implementation of the Transaction set out in Attachment 1.
Transaction	the acquisition of ESG by Santos through implementation of the Scheme in accordance with the terms of this deed.

1.2 Interpretation

In this deed, headings are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any Government Agency;
- (e) a reference to a clause, party, attachment, exhibit or schedule is a reference to a clause of, and a party, attachment, exhibit and schedule to this deed, and a reference to this deed includes any attachment, exhibit and schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this deed) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word “includes” in any form is not a word of limitation;
- (i) a reference to “\$”, “A\$” or “dollar” is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to the time in Sydney, New South Wales;
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this deed; and

- (l) a reference to the Listing Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Contra proferentem excluded

No term or condition of this deed will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this deed or a provision of it.

2 Agreement to proceed with the Transaction

- (a) ESG agrees to propose the Scheme on and subject to the terms of this deed.
- (b) Santos agrees with ESG to assist ESG to propose the Scheme on and subject to the terms of this deed.

3 Conditions precedent and pre-implementation steps

3.1 Conditions precedent

Subject to this clause 3, the Scheme will not become Effective, and the obligations of Santos under clause 4.3 will not become binding, until each of the following conditions precedent is satisfied or waived to the extent and in the manner set out in clauses 3.2 and 3.3:

- (a) **Quotation of Santos Shares:** before 8.00am on the Second Court Date, the Santos Shares to be issued to Scheme Shareholders pursuant to the Scheme have been approved for official quotation by ASX (any such approval may be subject to customary conditions and to the Scheme becoming Effective).
- (b) **Shareholder approval of the Scheme:** ESG Shareholders (other than Excluded Shareholders) agree to the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act.
- (c) **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
- (d) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or Government Agency or other material legal restraint or prohibition preventing the Transaction is in effect at 8.00am on the Second Court Date.

3.2 Reasonable endeavours

Each party must use its reasonable endeavours to procure that:

- (a) the conditions precedent in clause 3.1 are satisfied; and

- (b) there is no occurrence within the control of ESG or Santos (as the context requires) that would prevent any of the conditions precedent in clause 3.1 being satisfied.

3.3 Benefit and waiver of conditions precedent

- (a) The condition precedent in clause 3.1(a) is for the benefit of each party and any breach or non fulfilment of it may only be waived (if capable of waiver) with the written consent of both parties.
- (b) A party entitled to waive a condition precedent pursuant to this clause 3.3 may do so in its absolute discretion. Any waiver of a condition precedent by a party for whose benefit the condition applies must take place on or prior to 8.00am on the Second Court Date.
- (c) If a party waives the breach or non-fulfilment of any of the conditions precedent in clause 3.1, that waiver will not preclude it from suing the other party for any breach of this deed including without limitation a breach that resulted in the non-fulfilment of the condition precedent that was waived.
- (d) The conditions precedent in clauses 3.1(b), 3.1(c) and 3.1(d) cannot be waived.

3.4 Termination on failure of condition precedent

- (a) If any event occurs which would prevent any of the conditions precedent in clause 3.1 being satisfied, or there is an occurrence that will prevent any of the conditions precedent being satisfied by the time and date specified in this deed for its satisfaction or if it becomes probable that the Scheme will not become Effective by the End Date, the parties must consult in good faith to:
 - (1) consider and if agreed determine whether the Transaction may proceed by way of alternative means or methods;
 - (2) consider and if agreed change the date of the application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourn that application (as applicable) to another date agreed to in writing by Santos and ESG (being a date no later than 5 Business Days before the End Date); or
 - (3) consider and if agreed extend the relevant date or End Date.
- (b) Subject to clause 3.4(d), if the parties are unable to reach agreement under clause 3.4(a) within 5 Business Days of becoming aware of the relevant occurrence (or, if earlier, by 8.00am on the Second Court Date), then either party may terminate this deed by notice in writing to the other party without any liability to the other party because of that termination, unless the relevant occurrence or the failure of the condition precedent to be satisfied, or the failure of the Scheme to become Effective, arises out of a breach of clauses 3.2 or 3.5 by the terminating party of this deed (for the avoidance of doubt, in such circumstances, the party which is not the terminating party of this deed may still terminate this deed).
- (c) Subject to any rights or obligations arising under or pursuant to clauses that are expressed to survive termination (including by virtue of clause 11.2), on termination of this deed, no party shall have any rights against or obligations to any other party under this deed except for those rights and obligations which accrued prior to termination.
- (d) If the condition precedent in clause 3.1(b) is not satisfied only because of a failure to obtain the majority required by section 411(4)(a)(ii)(A) of the Corporations Act, then either party may by written notice within 3 Business

Days after the date of the conclusion of the Scheme Meeting require the approval of the Court to be sought, pursuant to the Court's discretion in that section, provided the party has in good faith formed the view that the prospect of the Court exercising its discretion in that way is reasonable.

3.5 Certain notices

- (a) If, before the time specified for satisfaction of a condition precedent, an event that will prevent that condition precedent being satisfied occurs, the party with knowledge of that event must immediately give the other party written notice of that event.
- (b) ESG and Santos (as the case may be) must promptly advise each other orally and in writing of any change or event causing, or which, so far as can reasonably be foreseen, would cause:
 - (1) a representation or warranty provided in this deed by a relevant party to be false;
 - (2) a breach or non-fulfilment of any of the conditions precedent; or
 - (3) a material breach of this deed by a relevant party.

4 Transaction steps

4.1 Scheme

ESG must propose a scheme of arrangement under which all of the Scheme Shares will be transferred to Santos and the Scheme Shareholders will be entitled to receive the Scheme Consideration.

4.2 No amendment to the Scheme without consent

ESG must not consent to any modification of, or amendment to, or the making or imposition by a court of any condition in respect of, the Scheme without the prior written consent of Santos.

4.3 Scheme Consideration

- (a) In consideration of the transfer to Santos of each ESG Share held by a Scheme Shareholder under the terms of the Scheme, on the Implementation Date, Santos will:
 - (1) accept that transfer; and
 - (2) provide or procure the provision of the Scheme Consideration in accordance with the Scheme.
- (b) Any fractional entitlement of a Scheme Shareholder to a part of a Santos Share will be rounded in accordance with the terms of the Scheme.

4.4 Ineligible Overseas Shareholders

The Santos Shares to which an Ineligible Foreign Shareholder would otherwise become entitled under the Scheme will be issued to a nominee appointed by Santos who will sell those shares and deal with the proceeds received in accordance with the Scheme. Santos agrees to appoint the nominee at least 2 weeks prior to the Scheme Meeting.

4.5 Santos Shares

Santos covenants in favour of ESG (in its own right and on behalf of each Scheme Shareholder) that:

- (a) the Santos Shares issued as Scheme Consideration will, on their issue, rank equally in all respects with all other Santos Shares;
- (b) it will use best endeavours to ensure that the Santos Shares issued as Scheme Consideration will be listed for quotation on the official list of the ASX with effect from the Business Day after the Effective Date (or such later date as ASX may require), initially on a deferred settlement basis and, with effect from the Business Day following the Implementation Date, on an ordinary (T+3) settlement basis; and
- (c) on issue, each Santos Share will be fully paid and, to the extent within the control of Santos, free from any encumbrance.

If a dividend is paid on Santos Shares after the date of this deed and before the Implementation Date, the Scheme Consideration will be recalculated to be equal to \$0.90 divided by the remainder of \$13.23, which is the closing price of Santos Shares on the trading day before the date of this deed, minus the amount per share of the dividend. Any calculation will be to five decimal places.

4.6 Treatment of unquoted shares

ESG must ensure that all ordinary shares in ESG that are unquoted as at the date of this deed will be acquired by Santos under the Scheme as Scheme Shares (including procuring that the ESG Board exercise any powers to free those shares of any transfer restrictions).

5 Implementation

5.1 ESG's obligations

ESG must take all necessary steps to implement the Scheme as soon as is reasonably practicable and without limiting the foregoing use reasonable endeavours to ensure that each step in the Timetable is met by the relevant date set out beside that step (and must consult with Santos on a regular basis about its progress in that regard), including doing any acts it is authorised and able to do, on behalf of ESG Shareholders, and including each of the following:

- (a) **preparation of Scheme Booklet:** subject to clause 5.1(m), prepare and despatch the Scheme Booklet in accordance with all applicable laws and in particular with the Corporations Act, the Corporations Regulations, RG 60 and the Listing Rules;
- (b) **directors' recommendation:** unless there has been a change of recommendation permitted by clause 5.5, include in the Scheme Booklet a statement by the ESG Board:
 - (1) unanimously recommending that ESG Shareholders (other than Excluded Shareholders) vote in favour of the Scheme in the absence of any Superior Proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of ESG Shareholders (other than Excluded Shareholders); and

- (2) that each ESG Board member will (in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of ESG Shareholders (other than Excluded Shareholders)) vote, or procure the voting of, any ESG Shares held by or on their behalf in favour of the Scheme;
- (c) **section 411(17)(b) statement:** apply to ASIC for the production of:
 - (1) an indication of intent letter stating that it does not intend to appear before the Court on the First Court Date; and
 - (2) a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (d) **Court direction:** apply to the Court for orders pursuant to section 411(1) of the Corporations Act directing ESG to convene the Scheme Meeting;
- (e) **Scheme Meeting:** convene and hold the Scheme Meeting to agree to the Scheme in accordance with the orders made by the Court pursuant to section 411(1) of the Corporations Act and not adjourn the Scheme Meeting without Santos's prior consent;
- (f) **Court documents:** consult with Santos in relation to the content of the documents required for the purpose of each of the Court hearings held for the purpose of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith, for the purpose of amending drafts of those documents, comments from Santos and its Representatives on those documents;
- (g) **Court approval:** (subject to all conditions precedent in clause 3.1, other than the condition in clause 3.1(c) being satisfied or waived in accordance with this deed) apply to the Court for orders approving the Scheme as agreed to by the ESG Shareholders (other than Excluded Shareholders) at the Scheme Meeting;
- (h) **Certificate:** at the hearing on the Second Court Date provide to the Court a certificate confirming whether or not the conditions precedent in clause 3.1, other than the condition in clause 3.1(c), have been satisfied in accordance with this deed. A draft of that certificate must be provided by ESG to Santos by 4.00pm on the Business Day prior to the Second Court Date;
- (i) **lodge copy of Court order:** lodge with ASIC an office copy of the Court order in accordance with section 411(10) of the Corporations Act approving the Scheme on the day such office copy is received (or such later date as agreed in writing by Santos);
- (j) **appeal process:** if the Court refuses to make any orders directing ESG to convene the Scheme Meeting or approving the Scheme:
 - (1) consult with Santos in good faith as to whether they should appeal the Court's decision; and
 - (2) appeal the Court decision at Santos's cost unless the parties agree otherwise or an independent senior counsel opines that, in his view, an appeal would have no reasonable prospect of success;
- (k) **Scheme Consideration:** close the Share Register as at the Scheme Record Date and determine entitlements to the Scheme Consideration in accordance with the Scheme and the Deed Poll;
- (l) **registration:** subject to Santos having issued the Scheme Consideration in accordance with the Scheme and Deed Poll, register all transfers of ESG Shares held by Scheme Shareholders to Santos on the Implementation Date;

- (m) **consultation with Santos:** consult with Santos as to the content and presentation of the Scheme Booklet including:
 - (1) providing to Santos drafts of the Scheme Booklet for the purpose of enabling Santos to review and comment on those draft documents;
 - (2) taking all comments made by Santos into account in good faith when producing a revised draft of the Scheme Booklet;
 - (3) providing to Santos a revised draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised; and
 - (4) obtaining written approval from Santos for the form and content in which the Santos Information appears in the Scheme Booklet;
- (n) **information:** provide all necessary information, or procure that the ESG Registry provides all necessary information, in each case in a form reasonably requested by Santos, about the Scheme and ESG Shareholders to Santos and its Representatives which Santos reasonably requires in order to assist Santos to discuss the merits of the Scheme with ESG Shareholders before the Scheme Meeting (including disclosure of any information held by ESG about the beneficial ownership of ESG Shares) and to facilitate the provision by Santos of the Scheme Consideration;
- (o) **ASIC and ASX review:** keep Santos informed of any matters raised by ASIC or ASX in relation to the Scheme Booklet or the Transaction, and use reasonable endeavours to take into consideration in resolving such matters any issues raised by Santos;
- (p) **Independent Expert:** promptly appoint the Independent Expert and provide assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Scheme Booklet (including any updates to that report);
- (q) **compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws and regulations applicable in relation to the Transaction;
- (r) **ESG Prescribed Occurrence:** ensure that no ESG Prescribed Occurrence occurs between the date of this deed and 8.00am on the Second Court Date;
- (s) **Shareholders support:** after the mailing of the Scheme Booklet and subject to the Independent Expert concluding that the Scheme is in the best interests of ESG Shareholders (other than Excluded Shareholders), promote to its shareholders the merits of the Scheme, including, on the reasonable request of Santos, engaging a proxy solicitation firm to solicit proxies to be voted in favour of the Scheme and holding meetings between representatives of ESG and key ESG Shareholders;
- (t) **listing:** not do anything to cause ESG Shares to cease being quoted on the ASX or to become permanently suspended from quotation prior to completion of the Transaction unless Santos has agreed in writing; and
- (u) **information:** prepare and promptly provide to Santos any information regarding the ESG Group that Santos reasonably requires to prepare the Santos Information for inclusion in the Scheme Booklet.

5.2 Santos's obligations

Santos must take all necessary steps to implement the Scheme as soon as is reasonably practicable and without limiting the foregoing use reasonable endeavours to ensure that each step in the Timetable is met by the date set out beside that step (and consult with

ESG on a regular basis about its progress in that regard), including doing each of the following:

- (a) **Santos Information:** prepare and promptly provide to ESG the Santos Information for inclusion in the Scheme Booklet as required by all applicable Australian laws, and in particular by the Corporations Act, the Corporations Regulations, RG 60 and the Listing Rules;
- (b) **review of Scheme Booklet:** review the drafts of the Scheme Booklet prepared by ESG and provide comments as soon as practicable;
- (c) **Independent Expert's report:** provide any assistance or information reasonably requested by ESG or by the Independent Expert in connection with the preparation of the Independent Expert's report to be sent together with the Scheme Booklet;
- (d) **representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act, at which through its counsel, Santos will undertake (if requested by the Court) to do all such things and take all such steps within its power as are necessary in order to ensure the fulfilment of its obligations under this deed and the Scheme;
- (e) **Deed Poll:** by not later than the Business Day prior to the First Court Date, enter into the Deed Poll;
- (f) **accuracy of Santos Information:** confirm to ESG the accuracy of the Santos Information in the Scheme Booklet (other than any information regarding the ESG Group contained in, or used in the preparation of, the Santos Information);
- (g) **Share transfer:** if the Scheme becomes Effective, accept a transfer of the ESG Shares as contemplated by clause 4.3(a)(1);
- (h) **compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws and regulations applicable in relation to the Transaction; and
- (i) **Santos Scheme Consideration:** if the Scheme becomes Effective, provide the Scheme Consideration in the manner and amount contemplated by clause 4 and the terms of the Scheme.

5.3 Conduct of business

- (a) Subject to clause 5.3(b), from the date of this deed up to and including the Implementation Date, and without limiting any other obligations of ESG under this deed, ESG must:
 - (1) conduct its business, and must cause each Related Body Corporate to conduct their respective businesses, in the ordinary and proper course of business and in a matter generally consistent with the manner in which each such business has been conducted in the 12 month period prior to the date of this deed;
 - (2) ensure that its, and its Related Bodies Corporates', expenditure in relation to the ESG Group's petroleum titles is in accordance with approved joint venture work programs and budgets;
 - (3) not, without the prior consent of Santos (which must not be unreasonably withheld) and subject to ESG's obligations under clause 5.1(s), make any announcement, media release or other public disclosure or give any external presentations on ESG's operations to brokers, portfolio investors, analysts, industry conferences,

Government Agencies or the like, in each case other than to the extent required by law or the ASX Listing Rules;

- (4) where an action contemplated by clause 5.3(a)(3) is required by law or the ASX Listing Rules, to the extent lawful to consult with Santos prior to taking such action;
 - (5) not, and must procure that none of its Related Bodies Corporate:
 - (A) either:
 - (i) enter into a new employment contract with a potential employee of the ESG Group (other than to replace an employee who has ceased to be an employee of the ESG Group);
 - (ii) enter into a new employment contract or amend (other than as part of any annual salary review conducted in the ordinary course, after consultation with Santos) an employment contract with an existing employee of the ESG Group, in respect of which the total employment costs payable to that existing or potential employee is in excess of \$100,000 per annum;
 - (B) pay any bonus, termination, severance or retention payments to any employee except in accordance with existing contractual entitlements as at the date of this deed, provided however that the ESG Board may, after consultation with Santos, in its absolute discretion approve any such payments;
 - (C) other than as contemplated by clause 4.6, accelerate the rights of any employees of a member of the ESG Group to compensation or benefits of any kind; or
 - (D) waive or forgive any loan (or part of a loan) to any employee of the ESG Group other than as required by the 'Eastern Star Employee Incentive Plan' rules; and
 - (6) make all reasonable efforts to:
 - (A) keep available the services of their directors, officers and employees;
 - (B) maintain its corporate records in accordance with the procedures in place as at the date of this deed;
 - (C) maintain and preserve its relationships with customers, suppliers, Government Agencies, the community, licensors, licensees and others having business dealings with the ESG Group (including using reasonable endeavours to obtain consents from Third Parties to any change of control provisions which Santos reasonably requests in contracts or arrangements to which a member of the ESG Group is a party); and
 - (D) not enter into any lines of business or other activities in which the ESG Group is not engaged as of the date of this deed.
- (b) Nothing in clause 5.3(a) restricts the ability of ESG to take any action:

- (1) required by this deed, the Scheme or the transactions contemplated by them; or
- (2) which took place with the consent of Santos.

5.4 Appointment of directors

ESG must:

- (a) as soon as practicable after the Second Court Date (provided the Scheme is approved by the Court), take all actions necessary to cause the appointment of 3 nominees of Santos to the ESG Board; and
- (b) on the Implementation Date:
 - (1) ensure that all directors on the ESG Board, other than the Santos nominees appointed pursuant to clause 5.4(a), resign;
 - (2) ensure that all directors on the boards of ESG's Related Bodies Corporate resign; and
 - (3) cause the appointment of additional nominees of Santos (if requested by Santos) to ESG and those boards of its Related Bodies Corporate.

5.5 ESG Board recommendation

- (a) Subject to clause 5.5(b), ESG must use its best endeavours to procure that the ESG Board unanimously recommends that, subject to the Independent Expert concluding that the Scheme is in the best interests of ESG Shareholders (other than the Excluded Shareholders), ESG Shareholders (other than Excluded Shareholders) vote in favour of:
 - (1) the Scheme in the absence of a Superior Proposal; and
 - (2) all of the resolutions in the Scheme Booklet,and the Scheme Booklet must include a statement by the ESG Board to that effect; provided that, ESG shall not be required to do anything in the foregoing if the Independent Expert does not conclude in the Independent Expert's Report (either initially or in any updated report) that the Scheme is in the best interests of ESG Shareholders.
- (b) ESG must use its best endeavours to procure that the ESG Board collectively, and the members of the ESG Board individually, must not change, withdraw or modify, its or his recommendation in favour of the Scheme, or recommend a Competing Transaction, unless either:
 - (1) the Independent Expert does not conclude in the Independent Expert's Report (either initially or in any updated report) that the Scheme is in the best interests of ESG Shareholders; or
 - (2) a Superior Proposal is publicly recommended by a majority of the ESG Board.

5.6 Access

In the period from the date of this deed to the Implementation Date, ESG must:

- (a) procure that representatives of ESG's executive management team are available to meet with Representatives of Santos on a weekly basis to assist with, among other things:

- (1) keeping Santos fully informed of the matters contemplated by clause 5.6(b) below; and
 - (2) providing Santos with access to information and people it has requested under clause 5.6(c) below;
- (b) keep Santos fully informed of all material developments relating to the ESG Group and provide to Santos the following:
 - (1) monthly management, financial and operational reports provided to the ESG Board;
 - (2) monthly balance sheets and cashflow statements for the ESG Group;
 - (3) information regarding material regulatory developments including licence renewals, communications with regulatory authorities and Government Agencies;
 - (4) information regarding any new material contracts proposed to be entered into; and
 - (5) all information regarding material acquisition and development proposals;
- (c) promptly following a request by Santos, provide Santos (and its Representatives) with access to:
 - (1) documents and information relating to the ESG Group; and
 - (2) executives and employees of the ESG Group,which is reasonably required for the purpose of or in connection with:
 - (3) planning the transition of the ESG Group and other matters relating to the conduct of the ESG Group following the Implementation Date; and
 - (4) otherwise facilitating the Transaction.

5.7 Conduct of Court proceedings

- (a) Santos and ESG are entitled to separate representation at all Court proceedings affecting the Transaction.
- (b) This deed does not give Santos or ESG any right or power to give undertakings to the Court for or on behalf of the other party without that party's written consent.
- (c) Santos and ESG must give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Transaction as contemplated by this deed.

5.8 Responsibility statement

The Scheme Booklet will contain a responsibility statement to the effect that:

- (a) Santos is responsible for the Santos Information (other than any information provided by ESG to Santos or obtained from ESG public filings on ASX regarding the ESG Group contained in, or used in the preparation of, the Santos Information) contained in the Scheme Booklet; and
- (b) ESG is responsible for the ESG Information contained in the Scheme Booklet and is also responsible for the information contained in the Scheme Booklet provided by ESG to Santos or obtained from ESG's public filings on ASX regarding the ESG Group contained in, or used in the preparation of, the Santos Information.

5.9 Acquisition resolution

- (a) ESG will convene and hold a general meeting (held on the same day as, and immediately following, the Scheme Meeting) for the purpose of ESG Shareholders considering, and if thought fit, approving (in accordance with item 7 in the table in section 611 of the Corporations Act), the acquisition by Santos at the same time as implementation of the Scheme of 38,546,256 ESG Shares held by TRUenergy Investments Pty Ltd (**TRU**) for a price of \$0.90 per ESG Share (**Acquisition Resolution**).
- (b) ESG and Santos will prepare an explanatory statement in respect of the Acquisition Resolution complying with the requirements of the Corporations Act and include it in the Scheme Booklet. Santos will provide any information reasonably requested by ESG for inclusion in the Scheme Booklet in respect of the Acquisition Resolution.
- (c) ESG will instruct the Independent Expert to also express an opinion on whether the transaction the subject of the Acquisition Resolution is fair and reasonable to ESG Shareholders (other than Santos, TRU and their Associates).
- (d) ESG will promote to ESG shareholders the merits of the Acquisition Resolution in a manner consistent with its obligations under this deed to promote the Scheme.
- (e) Unless there has been a change of recommendation permitted by clause 5.5, ESG will use its best endeavours to procure that:
 - (1) the ESG Board unanimously recommends that ESG Shareholders (other than Santos, TRU and their Associates) vote in favour of the Acquisition Resolution in the absence of any Superior Proposal; and
 - (2) each ESG Board member (in the absence of a Superior Proposal) votes, or procures the voting of, any ESG Shares held by or on their behalf in favour of the Acquisition Resolution,and the Scheme Booklet must include statements to that effect.

6 Representations and warranties

6.1 Santos's representations

Santos represents and warrants to ESG (in its own right and separately as trustee or nominee for each of the other ESG Indemnified Parties) each of the Santos Representations and Warranties.

6.2 Santos's indemnity

Santos agrees with ESG (in its own right and separately as trustee or nominee for each of the other ESG Indemnified Parties) to indemnify the ESG Indemnified Parties against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which ESG or any of the other ESG Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the Santos Representations and Warranties.

6.3 ESG's representations

ESG represents and warrants to Santos (in its own right and separately as trustee or nominee for each of the other Santos Indemnified Parties) each of the ESG Representations and Warranties.

6.4 ESG's indemnity

ESG agrees with Santos (in its own right and separately as trustee or nominee for each Santos Indemnified Party) to indemnify Santos and each of the other Santos Indemnified Parties from any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which Santos or any of the other Santos Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the ESG Representations and Warranties.

6.5 Survival of representations

Each representation and warranty referred to in clauses 6.1 and 6.3:

- (a) is severable; and
- (b) survives the termination of this deed.

6.6 Survival of indemnities

Each indemnity in this deed (including those in clauses 6.2 and 6.4):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this deed; and
- (d) survives the termination of this deed.

6.7 Timing of warranties

Each representation and warranty made or given under clauses 6.1 or 6.3 is given:

- (a) at the date of this deed;
 - (b) again at the date the Scheme Booklet is dispatched to ESG Shareholders;
 - (c) again at 8.00am on the date of the Scheme Meeting; and
 - (d) again at 8.00am on the Second Court Date,
- or where expressed to be given at a particular time, at that time.

7 Releases

7.1 ESG directors and officers

- (a) Santos releases its respective rights, and agrees with ESG that it will not make a claim, against any ESG Indemnified Party (other than ESG) as at the date of this deed in connection with:

- (1) any breach of any representations, covenants and warranties of ESG or any member of the ESG Group in this deed; or
- (2) any disclosures containing any statement which is false or misleading whether in content or by omission,

except where the ESG Indemnified Party has not acted in good faith or has engaged in wilful misconduct.

- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly. ESG receives and holds the benefit of this clause to the extent it relates to each ESG Indemnified Party as trustee for each of them.

7.2 Santos directors and officers

- (a) ESG releases its rights, and agrees with Santos that it will not make a claim. against any Santos Indemnified Party (other than Santos) as at the date of this deed in connection with:

- (1) any breach of any representations, covenants and warranties of Santos in this deed; or
- (2) any disclosure containing any statement which is false or misleading whether in content or by omission,

except where the Santos Indemnified Party has not acted in good faith or has engaged in wilful misconduct.

- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly. Santos receives and holds the benefit of this clause to the extent it relates to each Santos Indemnified Party as trustee for each of them.

8 Public announcement

8.1 Announcement of transaction

Immediately after the execution of this deed, ESG and Santos must issue public announcements, in a form previously agreed to in writing between them, which include the recommendation referred to in clause 5.5(a) and a statement that each ESG director will vote the ESG Shares they control in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of ESG Shareholders (other than Excluded Shareholders).

8.2 Public announcements

Subject to clause 8.3, no public announcement or disclosure of the Transaction may be made other than in a form approved by each party (acting reasonably), but each party must use all reasonable endeavours to provide such approval as soon as practicable.

8.3 Required disclosure

Where a party is required by applicable law or the ASX Listing Rules to make any announcement or to make any disclosure in connection with the Transaction or any other transaction the subject of this deed or the Scheme, it must use reasonable endeavours, to the extent practicable and lawful to consult with the other party prior to making the relevant disclosure.

9 No-talk and no-shop obligations

9.1 No-talk

Subject to clause 9.3, during the Exclusivity Period, ESG must not, and must ensure that none of its Representatives, Related Bodies Corporate and none of their Representatives:

- (a) directly or indirectly participate in or continue any discussions or negotiations;
- (b) provide or make available any material confidential information concerning ESG's operations;
- (c) enter into any agreement, arrangement or understanding; or
- (d) communicate any intention or willingness to do any of the things referred to in paragraphs (a), (b) or (c),

in relation to, or which may reasonably be expected to lead to, a Competing Transaction.

9.2 No-shop

During the Exclusivity Period, ESG must not, and must ensure that none of its Representatives, Related Bodies Corporate and none of their Representatives:

- (a) directly or indirectly solicit, invite or encourage enquiries, discussions or proposals in relation to, or which would reasonably be expected to lead to, a Competing Transaction; or
- (b) communicate to any person an intention to do any of the things referred to in clause 9.2(a).

9.3 Limitation to no-talk

ESG, its Representatives, its Related Bodies Corporate and their Representatives may undertake any action that would otherwise be prohibited by clause 9.1 in relation to a bona fide written proposal for a Competing Transaction which was not brought about as a result of any breach by it of its obligations under clause 9.2, where the ESG Board acting in good faith determines, after taking advice from its legal and Financial Advisers, that the Competing Transaction is, or is reasonably likely to be, a Superior Proposal.

9.4 ESG warranty and undertakings

- (a) ESG warrants as at the date of this deed:
 - (1) that it has ceased any existing discussions or negotiations with any party which may reasonably be expected to lead to a Competing Transaction; and
 - (2) that it will, as soon as reasonably practicable after the date of this deed, request the return of ESG's confidential information in accordance with the terms of any relevant confidentiality agreement from all Third Parties conducting due diligence investigations on the ESG Group prior to the date of this deed.
- (b) During the Exclusivity Period, ESG must:
 - (1) diligently enforce all its rights under each confidentiality agreement entered into before the date of this deed in connection with a transaction that would constitute under this deed a Competing Transaction or an ESG Prescribed Occurrence, including its rights to

require the return of confidential information as referred to in clause 9.4(a)(2)

- (2) as soon as reasonably practicable, ensure that the electronic data room access granted to any third party prior to the date of this deed in connection with a Competing Transaction is withdrawn; and
- (3) not grant any waivers or agree to any amendments under any confidentiality agreements entered into in connection with a Competing Transaction (before the date of this deed).

9.5 Notification of approaches

- (a) During the Exclusivity Period, ESG must:
 - (1) promptly notify Santos in writing if it, its Representatives or any of its Related Bodies Corporate or any of their Representatives becomes aware of any:
 - (A) approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions in respect of any expression of interest, offer or proposal of a kind referred to in clause 9.1 or 9.2;
 - (B) proposal made to ESG, its Representatives or any of its Related Bodies Corporate or their Representatives, in connection with, or in respect of any exploration or consummation of, a Competing Transaction or a proposed or potential Competing Transaction (including any variation of such a proposal made prior to the date of this deed); or
 - (C) provision by ESG, its Representatives, its Related Bodies Corporate or their Representatives of any material confidential information concerning ESG's operations to any person in relation to a current or future Competing Transaction.
 - (2) promptly notify Santos in writing of the identity of the party or parties involved in any proposal referred to in clause 9.5(a)(1)(B) and the material terms of such proposal; and
 - (3) following any variation to any proposal referred to in clause 9.5(a)(1)(B), promptly notify Santos in writing of the varied details of such proposal.
- (b) The obligations in clauses 9.5(a)(2) and (3) do not apply to the extent that they require ESG to provide information the ESG Board has determined in good faith, and after having obtained written advice from its legal advisers, that the consequences of providing the relevant information would be likely to constitute a breach of the fiduciary duties owed by any ESG director.

9.6 Matching right

- (a) ESG must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) to undertake a Competing Transaction; and
- (b) ESG must use its best endeavours to procure that none of its directors change their recommendation in favour of the Transaction or publicly recommend a Competing Transaction,

unless:

- (c) the ESG Board acting in good faith determines, after taking advice from its legal and Financial Advisers, that the Competing Transaction is a Superior Proposal;
- (d) ESG has provided Santos with the material terms and conditions of the Competing Transaction (including price and the identity of the party or parties involved); and
- (e) ESG has given Santos at least 3 Business Days after the provision of the information referred to in paragraph (d) above to provide a matching or superior proposal to the terms of the Competing Transaction.

9.7 Compliance with law

- (a) If it is finally determined by the court, or the Takeovers Panel, that the agreement by ESG under this clause 9 or any part of it:
 - (1) constituted, or constitutes, or would constitute, a breach of the fiduciary or statutory duties of the ESG Board; or
 - (2) constituted, or constitutes, or would constitute, unacceptable circumstances within the meaning of the Corporations Act; or
 - (3) was, or is, or would be, unlawful for any other reason,then, to that extent (and only to that extent) ESG will not be obliged to comply with that provision of clause 9.
- (b) The parties must not make, cause or permit to be made, any application to a court or the Takeovers Panel for or in relation to a determination referred to in clause 9.7(a) and must use all reasonable endeavours to ensure that no such determination is made.

10 Payment of costs – Reimbursement Fee

10.1 Background

This clause 10 has been agreed to in circumstances where:

- (a) ESG and Santos believe the implementation of the Scheme will provide significant benefits to Santos, ESG and their respective shareholders, and ESG and Santos acknowledge that, if they enter into this deed and the Scheme is subsequently not implemented, Santos will incur significant costs, including significant opportunity costs;
- (b) Santos requested provision be made for the payments outlined in this clause 10, without which Santos would not have entered into this deed and the proposal would not have been put to ESG;
- (c) each of Santos's directors and the ESG Board believe that it is reasonable and appropriate for both parties to agree to the payment referred to in this clause 10 to secure Santos's entry into this deed and the benefits to ESG Shareholders from participation in the Transaction; and
- (d) both parties have received legal advice in relation to this deed and the operation of this clause 10.

10.2 Payment of Reimbursement Fee by ESG

Subject to clause 10.5, ESG must pay the Reimbursement Fee to Santos, without set-off or withholding, only if:

- (a) prior to the end of the Exclusivity Period, the ESG Board or any director of the ESG Board:
 - (1) withdraws or adversely modifies their support of or recommendation that ESG Shareholders (other than Excluded Shareholders) vote in favour of the Scheme; or
 - (2) makes a public statement indicating that they no longer support the Scheme, or that they support a Competing Transaction,unless the Independent Expert does not conclude in the Independent Expert's Report (either initially or in any updated report) that the Scheme is in the best interests of ESG Shareholders (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Transaction having been announced or made public);
- (b) within one year of the date of this deed, a Third Party completes a transaction resulting from a Superior Proposal; or
- (c) Santos is entitled to terminate this deed, and has terminated this deed, pursuant to clause 11.1(a)(1).

10.3 Written demand

- (a) If the Reimbursement Fee is payable by ESG to Santos, then ESG must pay the Reimbursement Fee to Santos within 10 Business Days after the date of receiving a written demand from Santos.
- (b) The demand for payment of the Reimbursement Fee can only be made after the occurrence of an event referred to in clause 10.2.
- (c) ESG is only liable to pay the Reimbursement Fee once.

10.4 Nature of payment

- (a) The amount payable by ESG to Santos under clause 10.2 is an amount to compensate Santos for:
 - (1) advisory costs (including costs of advisers other than success fees);
 - (2) costs of management and directors' time;
 - (3) out-of-pocket expenses; and
 - (4) reasonable opportunity costs incurred by Santos in pursuing the Scheme or in not pursuing other alternative acquisitions or strategic initiatives which Santos could have developed to further its business and objectives,in each case, incurred by Santos directly or indirectly as a result of having entered into this deed and pursuing the Transaction.
- (b) The parties acknowledge that:
 - (1) the amount of fees, costs and losses comprised in the Reimbursement Fee is inherently unascertainable and that, even after termination of this deed, the costs will not be able to be accurately ascertained; and

- (2) the amount of the Reimbursement Fee is a genuine and reasonable pre-estimate of those fees, costs and losses (it being acknowledged by the parties that the costs would most likely be in excess of this amount).

10.5 Compliance with law

- (a) This clause 10 does not impose an obligation on ESG to pay the Reimbursement Fee to the extent that the obligation to pay the Reimbursement Fee:
 - (1) constitutes unacceptable circumstances as declared by the Takeovers Panel; or
 - (2) is held to be unenforceable by Santos against ESG as determined by a court,after all proper avenues of appeal and review, whether judicial or otherwise, have been exhausted. The parties must take all reasonable steps to ensure that any such determination applies to the minimum extent possible.
- (b) The parties must not make, cause or permit to be made, any application to a court or the Takeovers Panel for or in relation to a determination referred to in clause 10.5(a) and must use all reasonable endeavours to ensure that no such determination is made.

11 Termination

11.1 Termination

- (a) Without prejudice to any other rights of termination under this deed, either party may terminate this deed by written notice to the other party:
 - (1) at any time before 8.00am on the Second Court Date if the other party has materially breached this deed, the party wishing to terminate has given written notice to the other party in a timely manner setting out the relevant circumstances and stating an intention to terminate this deed, and the relevant circumstances continue to exist 10 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date) after the date on which the notice is given;
 - (2) at any time before 8.00am on the Second Court Date if a Court or Government Agency has taken any action permanently restraining or otherwise prohibiting the Transaction, or has refused to do any thing necessary to permit the Transaction, and the action or refusal has become final and cannot be appealed; or
 - (3) in the circumstances set out in, and in accordance with, clause 3.4.
- (b) Santos may terminate this deed by written notice to ESG if at any time before 8.00am on the Second Court Date:
 - (1) an ESG director changes, withdraws or modifies his recommendation that ESG Shareholders (other than Excluded Shareholders) vote in favour of the Scheme, or makes a public statement indicating that it no longer supports the Transaction or that it supports another transaction;

- (2) an ESG Material Adverse Change occurs, is announced or is otherwise discovered by Santos (whether or not it becomes public); or
- (3) an ESG Prescribed Occurrence occurs, is announced or is otherwise discovered by Santos (whether or not it becomes public).

11.2 Effect of termination

If this deed is terminated by either party under clauses 3.4 or 11.1, except to the extent that the termination results from a breach by either party of its obligations under this deed, this deed will become void and have no further force or effect, without any liability or obligation on the part of any party, other than in relation to rights and obligations that accrued prior to termination and other than in relation to the provisions of this clause 11 and of clauses 1, 6.5 to 6.7, 10, 12, 13, 14.2, 14.4, 14.5 and 14.6, which will remain in force after termination.

11.3 Santos acknowledgement

- (a) Santos acknowledges and agrees that, if this deed is terminated by ESG pursuant to clause 11.1(a)(1) due to a material breach by Santos, Santos's liability to ESG may not adequately reflect any loss or damage suffered by ESG's Shareholders (unlike the position that would apply if the Transaction was to be implemented by takeover bid and section 670E of the Corporations Act applied).
- (b) Accordingly, subject to clause 11.3(d), if ESG terminates this deed due to a material breach by Santos pursuant to clause 11.1(a)(1), any ESG Shareholder who:
 - (1) enters into a transaction relating to ESG Shares in reliance on the announcement of the Transaction; and
 - (2) suffers loss or damage as a result of the Transaction not proceeding, may recover the amount of that loss or damage from Santos.
- (c) ESG holds Santos's obligations under clause 11.3(b) as trustee or nominee for each ESG Shareholder who is entitled to recover loss or damage against Santos under that clause.
- (d) Santos is not liable for any such loss or damage if Santos can show that it could not reasonably have been expected to proceed with implementation of the Scheme because:
 - (1) at the time this deed was entered into, circumstances existed affecting ESG which Santos did not know of and could not reasonably be expected to know of; or
 - (2) after the date of this deed, a change in such circumstances has occurred that was not caused, directly or indirectly, by Santos.

11.4 Terminable in writing

This deed is terminable if agreed to in writing by ESG and Santos.

12 Duty, costs and expenses

12.1 Stamp duty

Santos must pay all stamp duties and any fines and penalties with respect to stamp duty in respect of this deed or the Scheme or the steps to be taken under this deed or the Scheme.

12.2 Costs and expenses

Except as otherwise provided in this deed, each party must pay its own costs and expenses in connection with the negotiation, preparation, execution and performance of this deed and the proposed, attempted or actual implementation of this deed and the Transaction.

13 GST

- (a) Any consideration or amount payable under this deed, including any non-monetary consideration (as reduced in accordance with clause 13(e) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this deed, an additional amount (**Additional Amount**) is payable by the party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (**Supplier**) in accordance with the GST Law.
- (c) The Additional Amount payable under clause 13(b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice. However, the Additional Amount is only payable on receipt of a valid Tax Invoice.
- (d) If for any reason (including the occurrence of an Adjustment Event) the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under clause 13(b):
 - (1) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
 - (2) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
 - (3) the Supplier must notify the Recipient of the refund, credit or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within 14 days after becoming aware of the occurrence of the Adjustment Event.
- (e) Despite any other provision in this deed:
 - (1) if an amount payable under or in connection with this deed (whether by way of reimbursement, indemnity or otherwise) is calculated by

reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred; and

- (2) no Additional Amount is payable under clause 13(b) in respect of a Supply to which s 84-5 of the GST Law applies.
- (f) Any reference in this clause 13 to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of a GST Group of which the party is a member is entitled.
- (g) Any term starting with a capital letter in this clause 13 that is not defined in this deed has the same meaning as the term has in the *A New Tax System (Goods & Services Tax) Act 1999 (Cth)*.

14 General

14.1 No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this deed, except for representations or inducements expressly set out in this deed and (to the maximum extent permitted by law) all other representations, warranties and conditions implied by statute or otherwise in relation to any matter relating to this deed, the circumstances surrounding the parties' entry into it and the transactions contemplated by it are expressly excluded.
- (b) Each party acknowledges that it has performed its own searches, enquiries, investigations and evaluations prior to entering into this deed and has formed its own views on the Transaction, with no targets, projections, forecasts or other forward looking statements having been relied on by that party.
- (c) Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this deed.
- (d) Each party acknowledges and confirms that clauses 14.1(a) and 14.1(b) do not prejudice any rights a party may have in relation to information which has been filed by the other party with ASIC or ASX.

14.2 No merger

The rights and obligations of the parties do not merge on completion of the Transaction. They survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Transaction.

14.3 Consents

Any consent referred to in, or required under, this deed from any party may be withheld at that party's absolute discretion, unless this deed expressly provides for that party to not unreasonably withhold its consent, in which case its consent must not be unreasonably withheld.

14.4 Notices

A notice or other communication including, but not limited to, a request, demand, consent or approval, to or by a party to this deed:

- (a) must be in legible writing and in English;
- (b) may be delivered personally to the addressee, or sent by email to the email address of the addressee given below:

(1) if to Santos:

Address: 60 Flinders Street, Adelaide, SA, 5000

Attention: Company Secretary

Email: david.lim@santos.com

With a copy to Freehills:

Address: Level 43, 101 Collins Street, Melbourne, Victoria 3000

Attention: Baden Furphy, Partner

Email: baden.furphy@freehills.com

(2) if to ESG:

Address: Level 7, 51 Pitt Street, Sydney, NSW, 2000

Attention: Company Secretary

Email: ian.kirkham@easternstar.com.au

With a copy to Piper Alderman:

Address: Level 23, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000

Attention: Gordon Grieve

Email: ggrieve@piperalderman.com.au

or as specified to the sender by the other party by notice;

- (c) must, if the sender is a company, be signed by an authorised signatory or legal adviser;
- (d) is regarded as being given by the sender and received by the addressee if delivered in person, when delivered to the addressee but if the delivery or receipt is on a day which is not a Business Day or is after 4.00pm (addressee's time), it is regarded as received at 9.00am on the next Business Day;
- (e) if sent by email, is regarded as being sent by the sender and received by the addressee when sent by the sender to the addressee's email address (unless the sender receives a delivery failure notification indicating that the email has not been delivered to the addressee) but if the sending is on a day which is not a Business Day or is after 4.00pm (addressee's time), it is regarded as received at 9.00am on the next Business Day; and
- (f) can be relied on by the addressee, and the addressee is not liable to any other person for any consequences of that reliance, if the addressee believes it is genuine, correct and authorised by the sender.

In this clause 14.4, a reference to an addressee includes a reference to an addressee's officers, agents or employees.

14.5 Service of process

Without preventing any other mode of service, any document in an action (including any writ of summons or other originating process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of notices under clause 14.4.

14.6 Governing law and jurisdiction

- (a) This deed is governed by the laws of New South Wales.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales and courts competent to hear appeals from those courts.

14.7 Waivers

- (a) Failure to exercise or enforce, a delay in exercising or enforcing, or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed by any party does not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed.
- (b) Any waiver or consent given by any party under this deed is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of any term of this deed operates as a waiver of another breach of that term or of a breach of any other term of this deed.

14.8 Variation

This deed may only be varied by a document signed by or on behalf of each of the parties.

14.9 Assignment

A party may not assign, novate or otherwise transfer any of its rights or obligations under this deed without the prior written consent of the other party.

14.10 Acknowledgement

Each party acknowledges that the remedy of damages may be inadequate to protect the interests of the parties for a breach of clause 9 and that Santos is entitled to seek and obtain without limitation injunctive relief if ESG breaches clause 9.

14.11 No third party beneficiary

This deed shall be binding on and inure solely to the benefit of each party to it and each of their respective permitted successors and assigns, and nothing in this deed, express or implied, is intended to or shall confer on any other person, other than the Santos Indemnified Parties and the ESG Indemnified Parties to the extent set forth in clause 6, any third party beneficiary rights.

14.12 Further action

Each party will do all things and execute all further documents necessary to give full effect to this deed.

14.13 Entire agreement

This deed supersedes all previous agreements, understandings, negotiations or deeds in respect of its subject matter and embodies the entire agreement between the parties.

14.14 Counterparts

- (a) This deed may be executed in any number of counterparts.
- (b) All counterparts, taken together, constitute one instrument.
- (c) A party may execute this deed by signing any counterpart.

Schedule 1

Santos Representations and Warranties

Santos represents and warrants to ESG (in its own right and separately as trustee or nominee for each of the other ESG Indemnified Parties) that:

- (a) **Santos Information:** the Santos information contained in the Scheme Booklet:
 - (1) will be prepared and included in the Scheme Booklet in good faith; and
 - (2) will comply in all material respects with the requirements of the Corporations Act, Corporations Regulations, Listing Rules and relevant ASIC regulatory guides;
- (b) **Information provided to the Independent Expert:** all information provided by Santos to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purposes of preparing its report for inclusion in the Scheme Booklet;
- (c) **Scheme Booklet:** the Santos Information provided for inclusion in the Scheme Booklet (other than any information regarding the ESG Group contained in, or used in the preparation of, the Santos Information), as at the date of the Scheme Booklet, will not contain any statement which is materially misleading or deceptive including by way of omission from that Santos Information;
- (d) **New information:** it will, as a continuing obligation, provide to ESG all further or new information which arises after the date of the Scheme Booklet until the Second Court Date which is necessary to ensure that the Santos Information is not misleading or deceptive in any material respect (including because of any material omission);
- (d) **Continuous disclosure:** Santos has, at the date of this deed, complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1 and, other than in connection with this Transaction or otherwise as disclosed to ESG in writing on or before the date of this deed, it is not relying on the carve-out in Listing Rule 3.1A to withhold any material information from public disclosure;
- (a) **Validly existing:** it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) **Authority:** the execution and delivery of this deed has been properly authorised by all necessary corporate action of Santos;
- (c) **Power:** it has full corporate power and lawful authority to execute, deliver and perform this deed; and
- (d) **No default:** this deed does not conflict with or result in the breach of or a default under any provision of Santos's constitution or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it is bound.

Schedule 2

ESG Representations and Warranties

ESG represents and warrants to Santos (in its own right and separately as trustee or nominee for each of the other Santos Indemnified Parties) that:

- (a) **Information in Scheme Booklet:** the information contained in the Scheme Booklet (other than the Santos Information and the Independent Expert's Report):
 - (1) will be prepared and included in the Scheme Booklet in good faith; and
 - (2) will comply in all material respects with the requirements of the Corporations Act, Corporations Regulations, Listing Rules and relevant ASIC regulatory guides;
- (b) **Information provided to the Independent Expert:** all information provided by ESG to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing its report for inclusion in the Scheme Booklet;
- (c) **Scheme Booklet:** no information (other than the Santos Information) contained in the Scheme Booklet, as at the date of the Scheme Booklet, will contain any statement which is materially misleading or deceptive, including by way of omission from that statement;
- (d) **New information:** it will, as a continuing obligation, ensure that the Scheme Booklet (but in respect of Santos Information, subject to Santos complying with its obligations to update Santos Information) will be updated by all further or new information which may arise after the date of the Scheme Booklet until the Scheme Meeting which is necessary to ensure that the Scheme Booklet is not misleading or deceptive in any material respect (including because of any material omission);
- (e) **Continuous disclosure:** ESG has complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1 and, other than in connection with this Transaction or otherwise as disclosed to Santos in writing on or before the date of this deed, it is not relying on the carve-out in Listing Rule 3.1A to withhold any material information from public disclosure;
- (f) **Validly existing:** it is a validly existing corporation registered under the laws of its place of incorporation;
- (g) **Authority:** the execution and delivery of this deed has been properly authorised by all necessary corporate action of ESG;
- (h) **Power:** ESG has full corporate power and lawful authority to execute and deliver this deed;
- (i) **Capital structure:** as at the date of this deed there are:
 - (1) 991,717,041 quoted ordinary shares on issue; and
 - (2) 34,830,000 unquoted ordinary shares on issue;
- (j) **Options:** ESG has not issued or agreed to issue any other securities, options, performance rights or instruments which are still outstanding and which may convert into ESG Shares;

- (k) **No default:** this deed does not conflict with or result in the breach of or default under any provision of ESG's constitution or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it is bound;
- (l) **No change of control provisions:**
- (1) no material contract to which a member of the ESG Group is a party contains a provision that would entitle the counterparty to terminate the contract upon the Transaction being implemented without that counterparty's consent;
 - (2) no term or condition of any petroleum title held by a member of the ESG Group requires the Minister of Energy and Resources to approve the change of control of the titleholder contemplated by the Scheme,
- other than as disclosed by ESG to Santos or its Representative before the date of this deed; and
- (m) **Prior actions:** other than as disclosed by ESG to Santos or its Representative before the date of this deed, between 11 July 2011 and the date of this deed, it has not taken any action, or failed to take any action which if it had taken, or failed to take (as applicable) after the date of this deed it would have been a breach of clause 5.3 of this deed or constituted an ESG Prescribed Occurrence.

Executed as a deed

Santos

Signed sealed and delivered by
Santos Limited
by

sign here ► _____
Attorney

print name _____

sign here ► _____
Attorney

print name _____

ESG

Signed sealed and delivered on behalf of
ESG Limited
by

sign here ► _____
Company Secretary/Director

print name _____

sign here ► _____
Director

print name _____

Attachment 1

Indicative Timetable

Event	Target date
Announcement	Monday, 18 July 2011
First complete draft of Scheme Booklet (including expert's report)	Monday, 15 August 2011
Scheme Booklet complete and provided to ASIC	Monday, 22 August 2011
First Court hearing	Wednesday, 7 September 2011
Mailing of Scheme Booklet complete	Monday, 12 September 2011
Scheme Meeting	Wednesday, 12 October 2011
Second Court hearing	Friday, 14 October 2011
Effective Date	Friday, 14 October 2011
Scheme Record Date	Friday, 21 October 2011
Implementation Date	Friday, 28 October 2011

Scheme of Arrangement

Deed Poll

Deed poll

Date ► **[insert date]** 2011

This deed poll is made

By **Santos Limited**
ACN 007 550 923 of 60 Flinders Street, Adelaide, SA, 5000
(Santos)

in favour of each person registered as a holder of fully paid ordinary shares in ESG in the Share Register as at the Scheme Record Date (other than the Excluded Shareholders).

Recitals

- 1 ESG and Santos entered into the Implementation Deed.
- 2 In the Implementation Deed, Santos agreed to enter into this deed poll.
- 3 Santos is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 1 of the Scheme applies to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Santos acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and

- (b) under the Scheme, each Scheme Shareholder irrevocably appoints ESG and each of its directors and officers (jointly and severally) as its agent and attorney to enforce this deed poll against Santos.

2 Conditions to obligations

2.1 Conditions

The obligations of Santos under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Santos under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Santos is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against Santos in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

3.1 Undertaking to pay Scheme Consideration

Subject to clause 2, Santos undertakes in favour of each Scheme Shareholder to:

- (a) provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- (b) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the provisions of the Scheme.

3.2 Shares to rank equally

Santos covenants in favour of each Scheme Shareholder that the New Santos Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally with all existing Santos Shares; and
- (b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4 Warranties

Santos represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of the constitution of Santos, or any writ, order or injunction, judgment, law, rule or regulation to which either is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Santos has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to Santos in accordance with the details set out below (or any alternative details nominated by Santos by Notice).

Attention	Company secretary
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Address	60 Flinders Street, Adelaide, SA, 5000
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Email address	david.lim@santos.com
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6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business**

hours period), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By email to the nominated email address	When the email (including any attachment) comes to the attention of the recipient party or a person acting on its behalf.

7 General

7.1 Stamp duty

Santos:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in New South Wales, Australia.
- (b) Santos irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Santos irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.3 Waiver

- (a) Santos may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of Santos as a waiver of any right unless the waiver is in writing and signed by Santos, as appropriate.
- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.

right	any right arising under or in connection with this deed and includes the right to rely on this clause.
--------------	--

waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.
---------------	---

7.4 Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by ESG; or
- (b) if on or after the First Court Date, the variation is agreed to by ESG and the Court indicates that the variation would not of itself preclude approval of the Scheme, in which event Santos will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Santos and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to Santos and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Santos.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

Santos must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

Signing page

Executed as a deed poll

Signed sealed and delivered by **Santos Limited**
by

sign here ► _____
Company Secretary/Director

print name _____

sign here ► _____
Director

print name _____

Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Eastern Star Gas Limited ACN 094 269 780 of Level 7, 51 Pitt Street,
Sydney, NSW, 2000

Each person registered as a holder of fully paid ordinary shares in
ESG in the Share Register as at the Scheme Record Date (other than
the Excluded Shareholders)

(Scheme Shareholders)

1 Definitions, interpretation and scheme components

1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Business Day	a business day as defined in the Listing Rules.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Court	the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by ESG and Santos.

Term	Meaning
Deed Poll	the deed poll under which Santos covenants in favour of the Scheme Shareholders to perform its obligations under this Scheme.
Effective	when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Court order made under section 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	the date on which this Scheme becomes Effective.
End Date	1 February 2012.
Excluded Shareholder	any ESG Shareholder who: • is a Santos Group Member; or • who holds an ESG Share on behalf of any Santos Group Member; or • holds an ESG Share in which a Relevant Interest is held by a Santos Group Member and who is nominated for the purpose of this definition by Santos.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
Implementation Deed	the scheme implementation deed dated 18 July 2011 between ESG and Santos relating to the implementation of this Scheme.
Implementation Date	the fifth Business Day after the Scheme Record Date or such other day as the parties agree.
Ineligible Overseas Shareholder	means a Scheme Shareholder whose Registered Address at the Scheme Record Date is a place outside Australia and its external territories, New Zealand and other jurisdictions agreed between the parties.
New Santos Share	a fully paid ordinary share in Santos to be issued to Scheme Shareholders under this Scheme.

Term	Meaning
ESG	Eastern Star Gas Limited ACN 094 269 780 of Level 7, 51 Pitt Street, Sydney, NSW, 2000
ESG Registry	Link Market Services Limited ACN 083 214 537.
ESG Shares	a fully paid ordinary share of ESG.
ESG Shareholders	each person who is registered as the holder of ESG Shares.
Registered Address	in relation to an ESG Shareholder, the address shown in the Share Register as at the Scheme Record Date.
Sale Agent	the person appointed by Santos to sell the New Santos Shares that are to be issued under clause 5.3(a)(1) of this Scheme.
Santos	Santos Limited ACN 007 550 923 of 60 Flinders Street, Adelaide, SA 5000
Santos Group	Santos and each of its Related Bodies Corporate and a reference to a Santos Group Member or a member of the Santos Group is to Santos or any of its Related Bodies Corporate.
Santos Register	the register of shareholders maintained by Santos or its agent.
Scheme	this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by ESG and Santos.
Scheme Consideration	an amount of 0.06803 Santos Shares for each Scheme Share held by each Scheme Shareholder, subject to the terms of this Scheme and the Implementation Deed.
Scheme Record Date	5.00pm on the fifth Business Day after the Effective Date.
Scheme Share	an ESG Share held by a Scheme Shareholder as at the Scheme Record Date.

Term	Meaning
Scheme Shareholder	ESG Shareholders (other than Excluded Shareholders) as at the Scheme Record Date.
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour Santos, which may be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard.
Share Register	the register of members of ESG maintained in accordance with the Corporations Act.

1.2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party or part is a reference to a clause or part of, and a party to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re enactments of any of them;
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency unless denominated otherwise;
- (j) a reference to any time is a reference to that time in Melbourne, Victoria;
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;

- (n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally; and
- (p) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

1.3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day

2 Preliminary matters

- (a) ESG is a public company limited by shares, registered in New South Wales and has been admitted to the official list of the ASX.
- (b) As at **[insert date of Scheme Booklet]**:
 - (1) **[•]** ESG Shares were on issue which are officially quoted on the ASX; and
 - (2) **[•]** ESG Shares were on issue which are not quoted on any stock exchange.
- (c) Santos is a listed public company limited by shares incorporated in South Australia.
- (d) If this Scheme becomes Effective:
 - (1) Santos will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with this Scheme and the Deed Poll; and
 - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Santos and ESG will enter the name of Santos in the Share Register in respect of the Scheme Shares.
- (e) ESG and Santos have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to Santos but does not itself impose an obligation on it to perform those actions. Santos has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the providing or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

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

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Santos and ESG;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Santos and ESG; and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme coming into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date (or any later date ESG and Santos agree in writing).

3.2 Certificate

- (a) ESG and Santos will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent are satisfied, waived or taken to be waived.

4 Implementation of the Scheme

4.1 Lodgement of Court orders with ASIC

ESG will lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court order approving the Scheme as soon as possible and in any event on the date on which the Court approves the Scheme or the following Business Day.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Santos, without the need for any further act by any Scheme Shareholder (other than acts performed by ESG as attorney and agent for Scheme Shareholders under clause 8.5), by:

- (1) ESG delivering to Santos a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by ESG, for registration; and
 - (2) Santos duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to ESG for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), ESG must enter, or procure the entry of, the name of Santos in the Share Register in respect of all the Scheme Shares transferred to Santos in accordance with this Scheme.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

Santos must, subject to clauses 5.2, 5.3 and 5.4:

- (a) on or before the Implementation Date, issue the New Santos Shares to which each Scheme Shareholder is entitled under this clause 5 and procure that the name and address of each Scheme Shareholder is entered in the Santos Register in respect of those New Santos Shares; and
- (b) procure that on or before the date that is five Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New Santos Shares issued to the Scheme Shareholder pursuant to this Scheme.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) the New Santos Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Share Register as at the Scheme Record Date; and
- (c) any other document required to be sent under this Scheme, will be forwarded to the holder whose name appears first in the Share Register as at the Scheme Record Date.

5.3 Ineligible Overseas Shareholders

- (a) Santos will be under no obligation to issue any New Santos Shares under this Scheme to any Ineligible Overseas Shareholder and instead:
 - (1) subject to clause 5.4, Santos must, on or before the Implementation Date, issue the New Santos Shares which would otherwise be required to be issued to the Ineligible Overseas Shareholders under this Scheme to the Sale Agent;
 - (2) Santos must procure that as soon as reasonably practicable after the Implementation Date, the Sale Agent, in consultation with Santos sells or procures the sale of all the New Santos Shares issued to the Sale Agent and remits to ESG the proceeds of the sale (after deduction of any applicable brokerage, stamp duty, currency conversion costs and other costs, taxes and charges) (**Proceeds**);
 - (3) promptly after receiving the Proceeds in respect of the sale of all of the New Santos Shares referred to in clause 5.3(a)(1), ESG must pay, or procure the

payment, to each Ineligible Overseas Shareholder, of the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where

B = the number of New Santos Shares that would otherwise have been issued to that Ineligible Overseas Shareholder had it not been an Ineligible Overseas Shareholder and which are issued to the Sale Agent;

C = the total number of New Santos Shares which would otherwise have been issued to all Ineligible Overseas Shareholders and which are issued to the Sale Agent; and

D = the Proceeds (as defined in clause 5.3(a)(2)).

- (b) None of Santos, ESG or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Santos Shares described in clause 5.3(a).
- (c) ESG must make payments to Ineligible Overseas Shareholders under clause 5.3(a) by either (in the absolute discretion of ESG):
 - (1) where an Ineligible Overseas Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the ESG Registry to receive dividend payments from ESG by electronic funds transfer to a bank account nominated by the Ineligible Overseas Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (2) otherwise, whether or not the Ineligible Overseas Shareholder has made an election referred to in clause 5.3(c)(1), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Overseas Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Ineligible Overseas Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) If ESG receives professional advice that any withholding or other tax is required by law to be withheld from a payment to an Ineligible Overseas Shareholder, ESG is entitled to withhold the relevant amount before making the payment to the Ineligible Overseas Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme including clause 5.3(a)(3)). ESG must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Overseas Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Overseas Shareholder.
- (e) Each Ineligible Overseas Shareholder appoints ESG as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Overseas Shareholders under the Corporations Act.
- (f) Payment of the amount calculated in accordance with clause 5.3(a) to an Ineligible Overseas Shareholder in accordance with this clause 5.3 satisfies in full the Ineligible Overseas Shareholder's right to Scheme Consideration.
- (g) Where the issue of New Santos Shares to which a Scheme Shareholder would otherwise be entitled under this Scheme would result in a breach of law:
 - (1) Santos will issue the maximum possible number of New Santos Shares to the Scheme Shareholder without giving rise to such a breach; and
 - (2) any further New Santos Shares to which that Scheme Shareholder is entitled, but the issue of which to the Scheme Shareholder would give rise to such a

breach, will instead be issued to the Sale Agent and dealt with under the preceding provisions in this clause 5.3, as if a reference to Ineligible Overseas Shareholders also included that Scheme Shareholder and references to that person's New Santos Shares in that clause were limited to the New Santos Shares issued to the Sale Agent under this clause.

5.4 Fractional entitlements and splitting

- (a) Where the calculation of the number of New Santos Shares to be issued to a particular Scheme Shareholder would result in the issue of a fraction of a New Santos Share, the fractional entitlement will be rounded down to the nearest whole number of New Santos Shares.
- (b) If Santos is of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds a holding of ESG Shares which results in a fractional entitlement to New Santos Shares have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, Santos may direct ESG to give notice to those Scheme Shareholders:
 - (1) setting out the names and Registered Addresses of all of them;
 - (2) stating that opinion; and
 - (3) attributing to one of them specifically identified in the notice the ESG Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of the Scheme, be taken to hold all those ESG Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of the Scheme, be taken to hold no ESG Shares.

5.5 Unclaimed monies

- (a) ESG may cancel a cheque issued under clause 5.3 if the cheque:
 - (1) is returned to ESG; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request from a Scheme Shareholder, ESG must reissue a cheque that was previously cancelled under this clause.

5.6 Orders of a court

If:

- (a) written notice is given to ESG (or the ESG Registry) of an order made by a court of competent jurisdiction that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by ESG in accordance with clause 5.3, then ESG shall be entitled to procure that payment is made in accordance with that order; or
- (b) written notice is given to ESG (or the ESG Registry) of an order made by a court of competent jurisdiction that prevents ESG from making a payment by ESG to any particular Scheme Shareholder in accordance with clause 5.3, or such payment is otherwise prohibited by applicable law, ESG shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with clause 5.3 is permitted by that order or otherwise by law.

6 Dealings in ESG Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in ESG Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant ESG Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept,

and ESG will not accept for registration, nor recognise for any purpose (except a transfer to Santos pursuant to the Scheme and any subsequent transfer by Santos or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

- (a) ESG must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) on or before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires ESG to register a transfer that would result in an ESG Shareholder holding a parcel of ESG Shares that is less than a 'marketable parcel' (as defined in the Operating Rules of the ASX).
- (b) If the Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and ESG shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, ESG must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been issued to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for ESG Shares (other than statements of holding in favour of any Excluded Shareholders) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the ESG Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, ESG will ensure that details of the names, Registered Addresses and holdings of ESG Shares for each Scheme Shareholder as shown in the Share Register are available to Santos in the form Santos reasonably requires.

7 Quotation of ESG Shares

- (a) ESG will apply to ASX to suspend trading on the ASX in ESG Shares with effect from the close of trading on the Effective Date.

- (b) On a date on or after the Implementation Date to be determined by Santos, ESG will apply:
 - (1) for termination of the official quotation of ESG Shares on the ASX; and
 - (2) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Consent to amendments to the Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions:

- (a) ESG may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Santos has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for ESG has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (1) agrees to the transfer of their ESG Shares together with all rights and entitlements attaching to those ESG Shares in accordance with the Scheme;
 - (2) agrees to the variation, cancellation or modification of the rights attached to their ESG Shares constituted by or resulting from the Scheme;
 - (3) agrees to become a shareholder in Santos and to be bound by the constitution of Santos; and
 - (4) acknowledges that the Scheme binds ESG and all Scheme Shareholders (including those who do not attend the Scheme Meeting or those who do not vote, or vote against the Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to ESG and Santos, and appointed and authorised ESG as its attorney and agent to warrant to Santos, that all their ESG Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their ESG Shares to Santos together with any rights attaching to those shares. ESG undertakes that it will provide such warranty to Santos as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares transferred under the Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.
- (b) On and from the Effective Date, Santos will be beneficially entitled to the Scheme Shares to be transferred to it under the Scheme pending registration by ESG of Santos in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

On the Implementation Date, and until ESG registers Santos as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Santos as attorney and agent (and directed Santos in each such capacity) to appoint any director, officer, secretary or agent nominated by Santos as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution;
- (b) no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Santos reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Santos and any director, officer, secretary or agent nominated by Santos under clause 8.4(a) may act in the best interests of Santos as the intended registered holder of the Scheme Shares.

8.5 Authority given to ESG

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints ESG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Santos, and ESG undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Santos on behalf of and as agent and attorney for Scheme Shareholders; and
- (b) on the Implementation Date, irrevocably appoints ESG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and ESG accepts each such appointment. ESG as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to ESG binding or deemed binding between the Scheme Shareholder and ESG relating to ESG or ESG Shares (including any email addresses, instructions relating to communications from ESG, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from ESG) will be deemed from the Implementation Date (except to the extent determined otherwise by Santos in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Santos and to be a binding instruction, notification or election to, and accepted by, Santos in respect of the New Santos Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to Santos at its registry.

8.7 Binding effect of Scheme

This Scheme binds ESG and all of the Scheme Shareholders (including those who did not attend the meeting of ESG Shareholders to vote on this Scheme, did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of ESG.

9 General

9.1 Stamp duty

Santos will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1.

9.2 Consent

Each of the Scheme Shareholders consents to ESG doing all things necessary or incidental to the implementation of this Scheme.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to ESG, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at ESG's registered office or at the office of the ESG Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by an ESG shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

- (a) The Scheme is governed by the laws in force in New South Wales, Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

ESG must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.