



QUEENSLAND GAS COMPANY LIMITED

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11 November 2008

Company Announcement Officer
Australia Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2008

Dear Sirs,

**BG International (AUS) Investments Pty Limited's on-market takeover bid for Queensland Gas Company Limited
Target's Statement**

In accordance with item 10 of section 635(1) *Corporations Act 2001* (Cth) (**Corporations Act**), we attach a copy of Queensland Gas Company Limited's target's statement as lodged with the Australia Securities and Investments Commission and sent to BG International (Aus) Investments Pty Limited today.

Yours faithfully

Mark Anning
Company Secretary

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT
YOU ACCEPT THE BG OFFER

IN THE ABSENCE OF A SUPERIOR PROPOSAL



TARGET'S STATEMENT

In response to an unconditional on-market offer by:

BG International (AUS) Investments Pty Limited
ACN 131 104 651 (BG AUS), a wholly-owned
subsidiary of BG Group plc (BG Group), (Registered
in England and Wales with company number
3690065) to acquire all of your ordinary shares in:

Queensland Gas Company Limited
ACN 089 642 553 (QGC)

**For each QGC Share you
will receive \$5.75 cash**

For assistance, please call the QGC Shareholder
Information Line on **1300 135 403** (within Australia) or
+61 2 8280 7482 (outside Australia) between 9.00am
and 5.00pm (Sydney time) Monday to Friday.

**THIS DOCUMENT IS IMPORTANT AND
REQUIRES YOUR IMMEDIATE ATTENTION**

IF YOU ARE IN ANY DOUBT AS TO HOW TO
DEAL WITH IT YOU SHOULD CONSULT YOUR
STOCKBROKER, LEGAL OR FINANCIAL ADVISER.

FINANCIAL ADVISERS



BROKERS



LEGAL ADVISER





Important Notices

About this document

This document is a Target's Statement issued by QGC under Part 6.5 Division 3 of the Corporations Act in response to a Bidder's Statement issued by BG AUS and is dated 11 November 2008.

A copy of this Target's Statement has been lodged with the Australian Securities and Investments Commission (ASIC) and sent to ASX on 11 November 2008. Neither ASIC nor ASX take any responsibility for the content of this Target's Statement.

If you are in any doubt as to how to deal with this document, you should consult your broker or your legal, financial or other professional adviser as soon as possible.

Shareholder information

You should read this Target's Statement in full. If you have any questions, please call the QGC Shareholder Information Line on 1300 135 403 (within Australia) or +61 2 8280 7482 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

The Directors are committed to ensuring QGC Shareholders are kept informed of developments. Important developments under the control of QGC will be notified direct to QGC Shareholders.

Defined terms

Terms used in this Target's Statement are defined in the Definitions in section 11.

Forward looking statements

This Target's Statement contains forward looking statements. The forward looking statements in this Target's Statement reflect views held at the date of this Target's Statement. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

None of QGC, any of its officers, or any person named in this Target's Statement with their consent or involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied), as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

Reserves

Unless otherwise indicated, the statements in this Target's Statement about QGC's Reserves have been compiled by Dr Steve Scott BSc (Hons), PhD, who is General Manager, Exploration and Technical Services, at QGC, based on advice received from Netherland, Sewell & Associates, Inc. Dr Scott consents to the inclusion of that information in the form and context in which it appears.

QGC's Reserves are consistent with the Petroleum Resources Management System 2007 published by Society of Petroleum Engineers, known as the SPE-PRMS. This document may be found at the SPE website <http://www.spe.org/spe-app/spe/industry/reserves/prms.htm>.

The statements in this Target's Statement about Sunshine's Reserves have been prepared by Sunshine and have been extracted without material amendment from information included in public documents filed by Sunshine.

Privacy statement

QGC has collected your information from the register of QGC Shareholders. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to QGC's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by QGC, please contact us.

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11 November 2008

Dear QGC Shareholder

On 28 October 2008, BG Group plc (**BG Group**) announced an on-market takeover offer by its wholly-owned subsidiary, BG International (AUS) Investments Pty Limited (**BG AUS**), for all of the shares in Queensland Gas Company Limited (**QGC**).

The offer by BG AUS is \$5.75 cash for each QGC Share held by QGC Shareholders (**BG Offer**). Accompanying this document is a Bidder's Statement from BG Group setting out the information about the BG Offer.

This Target's Statement sets out your Directors' formal response to the BG Offer and contains the unanimous recommendation of the Directors that you accept the BG Offer in the absence of a Superior Proposal.¹ The reasons for that recommendation and other important information you should consider in deciding whether or not to accept the BG Offer are also set out in the Target's Statement.

The Directors intend to accept the BG Offer for the QGC Shares they hold or control in the absence of a Superior Proposal, and most have already done so for the majority of their interest. QGC's largest institutional shareholders, Sentient Group and ANZ SAM, have either sold or committed to sell their QGC Shares to BG AUS, and QGC's largest shareholder, AGL, has recently sold its QGC Shares to BG AUS pursuant to the BG Offer. Since announcing the BG Offer on 28 October 2008, BG AUS has obtained majority control of QGC with a relevant interest in more than 75 per cent of the issued share capital of QGC.

The BG Offer is unconditional and the cash Offer Price represents substantial premiums of:

- (a) 80 per cent on QGC's share price prior to the announcement of the Offer;
- (b) 58 per cent based on QGC's 30-day VWAP; and
- (c) 34 per cent based on QGC's 90-day VWAP.

The BG Offer provides compelling and tangible value for QGC Shareholders in a time of uncertainty. The crisis in global financial markets has increased the risks associated with high capital expenditure projects, such as QGC's Queensland Curtis LNG Project, to such an extent that, it is the QGC Board's view that the BG Offer is in the best interests of QGC Shareholders when compared to available alternative courses of action.

BG AUS is willing to pay cash for your QGC Shares, at a time when the credit market is very constrained. The certainty of a cash payment for your investment in QGC is particularly attractive in light of the significant turmoil and uncertainty in global and Australian markets.

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

I am also pleased to confirm that in the event of the friendly takeover being successful, BG Group intends to retain and further develop the excellent staff and brand of QGC. The people who have contributed to this remarkable success, and the branding which is now synonymous with cleaner energy in Queensland and Australia, will be retained and, I believe, enhanced under the global umbrella of BG Group.

We encourage you to read this document carefully and to also read the Bidder's Statement for more details about the BG Offer and about BG Group and BG AUS. The BG Offer is open for your acceptance until the close of trading on 15 December 2008, unless extended or withdrawn.

If you have any questions in relation to the BG Offer, please contact your legal, financial or other professional adviser or call the shareholder information line on 1300 135 403 (within Australia) or +61 2 8280 7482 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

Yours faithfully

Robert Bryan
Chairman

¹ Given that BG AUS now has a relevant interest in more than 75 per cent of QGC, the Directors consider it unlikely that a Superior Proposal will emerge.



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What should you do?

1 You should read this Target's Statement, which contains your Directors' unanimous recommendation to accept the BG Offer and their reasons for this recommendation.

2 To accept the BG Offer, you will need to instruct your Broker to accept the BG Offer on-market.

- If your QGC Shares are held in a **CHESS Holding (your HIN starts with "X")**, you must instruct your Controlling Participant to accept the BG Offer.
- If your QGC Shares are held in an **Issuer Sponsored Holding (your SRN starts with "I")** and do not have a Broker, you will need to appoint a Broker to accept the BG Offer.
- If you are a **Broker or a ASTC Participant**, you will need to initiate acceptance in accordance with the requirements of the ASTC Settlement Rules.
- If you are a **beneficial owner** whose QGC Shares are held in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact that nominee for assistance in accepting the BG Offer.

If you want to appoint a Broker to accept the BG Offer, you can contact Austock Securities Ltd on (03) 8601 2000 or ABN AMRO Morgans Limited on 134 226. Brokerage will apply.

3 If you have any questions, please call the shareholder information line on 1300 135 403 (within Australia) or +61 2 8280 7482 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.



Why you should accept the BG Offer

1

The BG Offer is supported by QGC Directors and major shareholders

Your Directors unanimously recommend that you accept the BG Offer, in the absence of a Superior Proposal

In addition, the Directors have stated that they intend to accept the BG Offer in respect of QGC Shares they own or control personally, in the absence of a Superior Proposal.

A number of the Directors have already accepted the BG Offer (refer to section 1.2).

QGC Chairman and Managing Director have signed pre-bid agreements

The QGC Chairman, Robert Bryan, has agreed to sell 5,000,000 QGC Shares and the QGC Managing Director, Richard Cottee, has agreed to sell 4,898,367 QGC Shares under pre-bid acceptance agreements at the Offer Price (refer to section 8.2). The QGC Shares the subject of those agreements have since been sold to BG AUS under the BG Offer.

Major shareholder support

BG AUS also has pre-bid agreements to secure the acquisition of the entire shareholdings of QGC's two largest institutional investors, ANZ SAM and Sentient Group, who together held approximately 7.2 per cent of QGC Shares at the date of the announcement of the BG Offer. All of the QGC Shares held by ANZ SAM have since been sold to BG AUS under the BG Offer.

AGL has also accepted the BG Offer in respect of its entire shareholding in QGC.²

Since announcing the BG Offer on 28 October 2008, BG AUS has obtained majority control of QGC with a relevant interest in more than 75 per cent of the issued share capital of QGC.

2

The BG Offer represents fair value for your QGC shares

Your Directors believe that \$5.75 per QGC Share represents fair value for your QGC Shares. In formulating this view, the Directors have had regard to the company's future growth potential, the forecast capital expenditure required to achieve that potential, the inherent risks associated with such developments and QGC's access to debt and equity financing in the current financial climate.

Your Directors consider that the BG Offer provides compelling and tangible value in a time of extreme uncertainty. The global financial crisis has severely restricted the availability of finance and the cost of debt, when available, has significantly increased. The cost of equity has also increased significantly with increased market volatility and over the past four months oil prices have declined sharply from a peak of USD 145 per barrel to less than USD 70 per barrel.³ The increased cost of debt and equity has significantly increased QGC's weighted average cost of capital (WACC). Based on current oil prices and USD/AUD exchange rates, the Directors consider it a real risk that QGC would be unable to raise the necessary capital to fund a two train LNG project at a rate that would secure superior returns for QGC Shareholders than those under the BG Offer.

The Directors believe that these factors have had a significant impact on the value of QGC and, accordingly, consider that the BG Offer represents fair value for QGC.

² At the date of acceptance, AGL held approximately 21.5 per cent of QGC's issued capital.

³ On 28 October 2008, the oil price was USD 63 per barrel (source: IRESS).

3

The BG Offer represents a significant premium to trading prices of QGC shares

The BG Offer of \$5.75 represents:

- (a) a premium of 80 per cent to the closing price of QGC Shares on 23 October 2008, the last day on which QGC Shares traded prior to the announcement of the BG Offer; and
- (b) a considerable premium over the VWAP of QGC Shares traded on ASX for the periods of 30 and 90 days prior to the announcement of the BG Offer.



* Closing price on 23 October 2008.

** All VWAP calculations are based on Trading Days in the period leading up to and including QGC's share price on 23 October 2008.

The BG Offer is an unconditional 100 per cent cash offer

4

The BG Offer is an unconditional 100 per cent cash offer. BG Group anticipates that the consideration payable under the BG Offer will be satisfied from its own cash reserves supplemented as required by existing committed lines. The BG Offer provides immediate and certain value for your QGC shares with settlement occurring three Trading Days after your acceptance (T +3), in accordance with usual rules for settlement of on-market transactions on ASX.

5

There may be adverse consequences associated with not accepting the Offer

If you do not accept the BG Offer and BG AUS gains effective control of QGC but is not entitled to proceed to compulsory acquisition of the outstanding QGC Shares, then you might remain a minority shareholder in QGC. If QGC remains listed, it is unlikely that the QGC share price would sustain the current takeover premium and, accordingly, would likely fall below the Offer Price. In particular, if only a limited number of minority shareholders remain, it is also possible that the market for your QGC Shares may become less liquid, making it more difficult to sell your QGC Shares in the future.

There is also a risk that, if there is insufficient spread of QGC Shareholders, QGC may be de-listed from the ASX, which could have an adverse effect on the price and marketability of your QGC Shares.

6

No superior proposal has emerged

At the date of this Target's Statement, your Directors have not received a competing proposal from any other potential acquirers, nor are they aware of any party with an intention to make such a proposal.

Given that BG AUS now has a relevant interest in more than 75 per cent of QGC, the Directors consider it unlikely that a competing proposal will emerge.

Frequently asked questions about the BG Offer

The process governing takeovers is complex. This section of the Target's Statement is designed to help you understand some of the issues relating to the BG Offer.

Question	Answer	Further Information
What is the BG Offer?	BG AUS has made an on-market offer of \$5.75 cash for each QGC Share. The entity offering to acquire QGC Shares is BG International (AUS) Investments Pty Limited, a wholly-owned subsidiary of BG Group plc.	Sections 2 and 4
What do the QGC directors recommend?	The Directors unanimously recommend that you accept the BG Offer, in the absence of a Superior Proposal. The reasons for this recommendation are set out in this Target's Statement.	'Why you should accept the offer' on pages 5 to 6 Section 1.1
When does the BG Offer close?	Close of trading on 15 December 2008 (unless extended or withdrawn).	Section 2.3
When will I be paid?	If you accept the BG Offer, you will be paid three Trading Days after your acceptance (T +3), in accordance with usual rules for settlement of on-market transactions on ASX.	Section 2.8
Is the BG Offer conditional?	No.	Section 2.4
How do I accept the BG Offer?	To accept the BG Offer you need to instruct your Broker to sell your shares on-market. Details of how to accept the BG Offer are set out in section 1.2 of the Bidder's Statement and section 5.1 of this Target's Statement. Brokerage may apply.	Section 5.1
What are the consequences of accepting the BG Offer now?	If you accept the BG Offer for your QGC Shares, payment will be three Trading Days after your acceptance (T +3), in accordance with usual rules for settlement of on-market transactions on ASX. If you accept the BG Offer and BG AUS subsequently increases its Offer Price, you will not receive the higher price. BG AUS has stated that the Offer Price is final and will not be increased in the absence of a superior proposal. Given that BG AUS now has a relevant interest in more than 75 per cent of QGC, the Directors consider it unlikely that a superior proposal will emerge.	Section 2.6
When do I have to decide?	If you want to accept the BG Offer, you must do so before the end of the Offer Period. BG AUS has stated that the BG Offer will remain open until close of trading on 15 December 2008, unless extended or withdrawn. If you do not want to accept the BG Offer, you need not do anything.	Section 2.3
Can BG AUS withdraw the BG Offer?	BG AUS may only withdraw the BG Offer under limited circumstances or with the written consent of ASIC. You will lose the ability to accept the BG Offer if it is withdrawn before you accept it. If you have already accepted the BG Offer, BG AUS may not withdraw the Offer made to you.	Section 2.5
What happens if I do nothing?	You will remain a QGC Shareholder unless BG AUS can compulsorily acquire your QGC Shares.	Sections 5.3 and 2.9

Question	Answer	Further Information
Can I be forced to sell my QGC Shares?	You cannot be forced to sell your QGC Shares unless BG AUS proceeds to compulsory acquisition of your QGC Shares. BG AUS (and its associates) will need to acquire at least 90 per cent of QGC Shares, or hold at least 90 per cent of QGC Shares on a fully diluted basis in order to exercise compulsory acquisition rights. In this event, you will be paid the same consideration as is payable by BG AUS under the BG Offer, although the consideration would be paid later than if you had accepted the BG Offer.	Section 2.9
What are the tax implications of accepting the BG Offer?	You may be liable for tax. You should consult your financial or taxation adviser for individual advice.	Section 6
Who pays my brokerage if I accept the BG Offer?	Any QGC Shareholder that accepts the BG Offer will bear the cost of any brokerage charged by their Broker.	Section 2.2
Can BG AUS vary the BG Offer?	Yes. BG AUS can vary the BG Offer by extending the Offer Period or increasing the Offer Price. BG AUS has stated that the Offer Price is final and will not be increased in the absence of a superior proposal.	Section 2.8
If BG AUS acquires more than 50 per cent but less than 90 per cent of the QGC Shares, will I still be able to sell my QGC Shares on the ASX?	If you retain your QGC Shares, you will still be able to sell them on the ASX unless QGC is delisted in the future. If QGC is removed from the official list of the ASX, you will not be able to sell your QGC Shares on the ASX. On 6 November 2008, BG AUS announced that it had a relevant interest in 77.43 per cent of QGC Shares.	Section 2.11
What is a bidder's statement?	The documents accompanying this Target's Statement include a document called a bidder's statement. It has been prepared by BG AUS and contains information about the BG Offer.	
What is a target's statement?	This document is a target's statement. It contains information prepared by your Directors to help you decide whether to accept the BG Offer.	
What if I have other questions about the BG Offer?	If you have any questions, please call the QGC Shareholder Information Line on 1300 135 403 (within Australia) or +61 2 8280 7482 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.	

1. Directors' recommendation

1.1 Directors' unanimous recommendation

After taking into account the terms of the BG Offer (including information set out in the Bidder's Statement) and the matters in this Target's Statement, your Directors unanimously recommend that you accept the BG Offer, in the absence of a Superior Proposal.

A summary of the reasons for the Directors' recommendation is set in the section entitled 'Why you should accept the BG Offer' on pages 5 to 6.

On 5 November 2008, before the date of this Target's Statement, three AGL nominee Directors on the QGC board resigned, (Msrs Fraser, Moraza and Mikkelsen), following AGL accepting the BG Offer in respect of its entire shareholding in QGC.⁴ Given the arrangements between AGL and BG Group (summarised in section 8.4), the AGL nominee Directors considered that they had a conflict of interest and did not vote at the QGC Board meeting to approve entry into the Bid Implementation Agreement.

1.2 Directors' acceptance of the BG Offer

Each Director that holds or controls QGC Shares personally intends to accept the BG Offer in respect of those QGC Shares, in the absence of a Superior Proposal.

Details of the relevant interests of each Director in QGC Shares are set out in section 7.1.

The table in section 7.2 sets out the QGC Shares held or controlled personally by Directors on the date of the announcement of the BG Offer, which have been accepted into the BG Offer and the percentage that those QGC Shares represented to the shares held or controlled personally by the Directors at that time.

On 24 October 2008, BG AUS entered into pre-bid agreements with Richard Cottee and Robert Bryan to acquire 4,898,367 and 5,000,000 QGC Shares (respectively). A summary of those agreements is set out in section 8.2 of the Bidder's Statement. Mr Bryan and Mr Cottee have since accepted the BG Offer in respect of the QGC Shares the subject of those agreements. Accordingly, those agreements have no further effect. Full copies of those agreements are attached to the change of interests of substantial holder notice (form 604) that BG AUS lodged with ASX on 28 October 2008.

The QGC Board has approved the withdrawal of 574,182 QGC Shares the subject of the Deferred Non-executive Director Share Plan. Each Director entitled to QGC Shares under the Deferred Non-executive Director Share Plan has instructed the plan trustee to accept the BG Offer in respect of those QGC Shares.

⁴ At the date of acceptance, AGL held approximately 21.5 per cent of QGC's issued capital.

2. Key terms of the BG Offer

2.1 History

On 28 October 2008, BG Group and QGC announced that BG Group's subsidiary, BG AUS, would make an on-market takeover bid for all the ordinary shares in QGC.

From that date, J.P. Morgan Securities Australia Limited (**JP Morgan**), on behalf of BG AUS, has offered to buy QGC Shares on-market at the Offer Price.

2.2 Summary of the BG Offer

BG Group has appointed JP Morgan to acquire QGC Shares on-market at \$5.75 per share. The BG Offer is unconditional – there is no minimum acceptance condition. BG AUS has stated that the Offer Price is final and will not be increased in the absence of a superior proposal.

BG AUS is offering to acquire all of the QGC Shares that exist or will exist and are listed for quotation on ASX at any time during the Offer Period. This includes:

- (a) all QGC Shares currently on issue and quoted on ASX;
- (b) all QGC Shares issued or quoted during the Offer Period, including QGC Shares under the Deferred Non-executive Director Share Plan and the Deferred Employee Share Plan for which quotation is sought during the Offer Period and QGC Shares issued as consideration under QGC's off-market takeover bids for Roma and Sunshine.

You may accept the BG Offer in relation to some or all of your QGC Shares.

If you accept the BG Offer, you will be liable for any brokerage levied by your Broker.

2.3 Offer Period

The BG Offer will officially open on 12 November 2008 and will end at the close of trading on 15 December 2008 (unless extended or withdrawn).

BG AUS may (but is not obliged to) extend the Offer Period. The extension must be announced to the ASX at least five Trading Days before the end of the Offer Period. However, the announcement may be made up to the end of the Offer Period if during those five Trading Days:

- (a) another person lodges with ASIC a bidder's statement for a takeover bid for QGC Shares;
- (b) another person announces a takeover bid for QGC Shares;
- (c) another person makes offers under a takeover bid for QGC Shares; or
- (d) the consideration for offers under another takeover bid for QGC Shares is improved.

The Offer Period is extended by having the extension announced to the ASX.

2.4 No conditions

The BG Offer is not subject to any conditions.

2.5 Withdrawal of the BG Offer

The BG Offer can only be withdrawn in limited circumstances, and only in the cases of offers which have not yet been accepted. Those circumstances are:

- (a) with the consent in writing of ASIC, which consent may be given subject to such conditions (if any) as are specified in the consent;
- (b) if BG AUS' voting power in QGC is at or below 50 per cent when the following events happen during the Offer period:
 - (i) QGC converts all or any of its shares into a larger or smaller number of shares;
 - (ii) QGC or a subsidiary resolves to reduce its share capital in any way;
 - (iii) QGC or a subsidiary enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement;
 - (iv) QGC or a subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (v) QGC or a subsidiary issues, or agrees to issue, convertible notes;
 - (vi) QGC or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) QGC or a subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property; or
 - (viii) QGC or a subsidiary resolves to be wound up; or
- (c) if one of the following happens during the Offer Period:
 - (i) a liquidator or provisional liquidator of QGC or of a subsidiary is appointed;
 - (ii) a court makes an order for the winding up of QGC or of a subsidiary;
 - (iii) an administrator of QGC, or of a subsidiary, is appointed under sections 436A, 436B or 436C of the Corporations Act;
 - (iv) QGC or a subsidiary executes a deed of company arrangement;
 - (v) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of QGC or of a subsidiary.

Under the Bid Implementation Agreement, BG AUS has agreed to not withdraw the BG Offer in the event of an issue of QGC Shares during the Offer Period, where those QGC Shares are issued as consideration under the off-market takeover bids for Roma and Sunshine.

2.6 Effect of acceptance

If you accept the BG Offer, you will forfeit the opportunity to benefit from any superior offer made by another bidder for your QGC Shares, if such an offer were to eventuate or any increase in the Offer Price. BG AUS has stated that the Offer Price is final and will not be increased in the absence of a superior proposal.

Given that BG AUS now has a relevant interest in more than 75 per cent of QGC, the Directors consider it unlikely that a superior proposal will emerge.

2.7 Payment of consideration

If you accept the BG Offer, you will be paid three Trading Days after your acceptance (T +3), in accordance with usual rules for settlement of on-market transactions on ASX.

2.8 Changes to the BG Offer

BG AUS can vary the BG Offer by:

- (a) extending the Offer Period; or
- (b) increasing the consideration offered under the BG Offer if there is a superior proposal.

If you accept the BG Offer and BG AUS subsequently increases its Offer Price, you are not entitled to receive the higher price. However, BG AUS has stated that the Offer Price is final and will not be increased in the absence of a superior proposal.

2.9 Funding

The funding for the acquisition of QGC Shares will be provided to BG AUS from a combination of BG Group's own cash reserves and third party debt.

Further details about these arrangements are set out in section 6 of the Bidder's Statement.

2.10 Compulsory acquisition

BG AUS has indicated in section 4.3 of its Bidder's Statement that, if it is entitled to do so, it will proceed to compulsorily acquire all remaining QGC Shares.

Under section 661A of the Corporations Act, BG AUS will be entitled to compulsorily acquire any QGC Shares in respect of which it has not received acceptances on the same terms of the BG Offer if, during or at the end of the Offer Period, BG AUS and its associates have a relevant interest in at least 90 per cent (by number) of QGC Shares. The consideration per QGC Share that is payable to QGC Shareholders whose QGC Shares are compulsorily acquired is the same as that payable under the BG Offer.

On 6 November 2008, BG AUS announced that it had a relevant interest in 77.43 per cent of QGC Shares on issue.

If BG AUS is entitled to proceed to compulsory acquisition, it will have one month after the end of the Offer Period to give compulsory acquisition notices to QGC Shareholders who have not accepted the BG Offer. QGC Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the QGC Shareholders to establish to the satisfaction of a court that the BG Offer does not represent 'fair value' for the QGC Shares.

2.11 BG AUS's intention if 90 per cent threshold not met

BG AUS has stated in section 4.4 of its Bidder's Statement that if it acquires less than 90 per cent of the QGC Shares (so that it cannot proceed to compulsorily acquire the remaining Shares) but still gains effective control of QGC, then it intends to maintain QGC's listing on the official list of the ASX (subject to there being an ongoing requirement under the Listing Rules to maintain such a listing, including there being a sufficient spread of QGC Shareholders).

BG AUS intends to procure the appointment of a majority of the QGC Board, after acquiring more than 50 per cent ownership of QGC, but BG AUS has agreed that the QGC Board will continue to have at least two independent directors while QGC remains listed on ASX.

If QGC becomes a controlled entity but not a wholly-owned subsidiary of BG AUS, there are also a number of other objectives and goals that a newly constituted QGC Board would attempt to implement, as set out in section 4.4 of the Bidder's Statement.

BG AUS has stated that to the extent that QGC does not become a wholly-owned subsidiary of BG AUS and there are minority shareholders of QGC, it intends that its nominees appointed as directors of QGC will act at all times in accordance with their fiduciary duties and that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined in the Bidder's Statement. Those requirements may require the approval of minority shareholders to the implementation of any particular objective.

3. Profile of QGC

3.1 A short history of QGC

QGC is a rapidly-evolving integrated energy business strategically positioned to meet rising demand for its abundant CSG, cleaner power and water.

QGC listed on the ASX in August 2000 with a market capitalisation of \$16 million. Since listing, QGC has become the country's leading specialist CSG producer, one of Queensland's largest companies with a market capitalisation of more than \$5.4 billion⁵ and an award-winning business noted for nimble and innovative action. It has a workforce of more than 240 people and had cash reserves of approximately \$336 million at the date of this Target's Statement.

The proceeds of QGC's initial public offer in 2000 were used to fund the exploration and appraisal drilling of the Walloon coals in certain tenements in the Surat Basin. Since then, QGC has focused on exploiting its productive capacity. In May 2006, QGC completed the Berwyndale South Gasfield and in July 2007 the Argyle-Kenya Gasfield was completed. Gas produced from those fields is delivered to CS Energy's Swanbank E Power Station, Braemar Power Station and IPL's fertilizer plant.

Water is a by-product in the production of CSG. In January 2008, QGC entered into an agreement to supply half a billion litres of drinking water annually to the town of Miles.

In January 2008, QGC also announced an agreement with AGL under which AGL will construct the Wallumbilla pipeline to link QGC's gasfields with markets in the north, south and west. Under the agreement, AGL is developing the pipeline and QGC has an option to acquire a 50 per cent interest in the pipeline at cost, exercisable by 30 November 2008.

QGC and BG Group announced the Queensland Curtis LNG Project in February 2008, which involves targeting more than 7,000 PJ of 2P reserves, construction of a 380km pipeline to Gladstone and development of an LNG terminal, a project supporting about 4,400 new jobs. The project contractor, Bechtel, is developing the front-end engineering and design (FEED) process for a two-train project, each with a capacity to produce 3-4 million tonnes of LNG annually.

BG Group has committed to purchase 100 per cent of the planned production of the LNG plant under an initial 20 year agreement. Subject to a positive Final Investment Decision, which is expected in 2010, QGC and BG Group anticipate the first shipment of LNG in 2013. The project will be built to a potential capacity of 12 million tonnes per annum.

In May 2008, QGC announced plans to conduct a feasibility study into building and part-owning a new gas-fired power station in New South Wales, with a capacity of up to 600 MW. It would be supplied by QGC's CSG, which would be transported by a proposed new pipeline stretching from the heart of QGC's acreage to the city of Newcastle.

On 10 June 2008, QGC announced an offer to acquire all of the shares in Roma Petroleum NL (**Roma**). Roma is an oil production and exploration company and has interests in conventional oil and gas and CSG Tenements. QGC has a relevant interest in 96.54 per cent of Roma. The offer for Roma shares has closed and QGC expects to complete compulsory acquisition of the remaining shares in Roma by 28 November 2008.

On 23 June 2008, QGC was promoted to the S&P/ASX 100 index of public companies.

On 20 August 2008, QGC announced an offer to acquire all of the shares in Sunshine Gas Limited (Sunshine), a Queensland coal seam gas explorer and developer which has interests in 13 authorities to prospect and three petroleum leases covering more than 30,000 sq km of acreage in the Bowen, Surat and Cooper basins. Sunshine's interests in these projects are included in the tenement schedule contained in section 3.2. Sunshine has extensive CSG acreage and several projects in various stages of development. Significant 2P Reserves have been certified at its 100 per cent owned Lacerta CSG project near Roma in Queensland and Sunshine has also progressed a number of other CSG projects, including Atria and Polaris, as it continues to expand its Reserve position.

QGC has a relevant interest in more than 90 per cent of Sunshine. The offer for Sunshine shares has closed and QGC expects to complete compulsory acquisition of the remaining shares in Sunshine by 11 December 2008.

In February 2009, QGC is scheduled to join the National Electricity Market, when QGC will be supplying coal seam gas to its new Condamine Power Station. The 140 MW power station will produce electricity with lower greenhouse gas emissions than coal-fired power stations and only utilising water produced as a by-product of CSG production.

A summary of QGC's financial results is set out in section 3.10.

3.2 Tenements

The table below sets out QGC's interests, including interests held through Roma and Sunshine, in certain Tenement, including ATPs, PLs, PLAs, PPLs, PPLAs, PELs, PPRLs, PRLs and PSLs.

All Tenements are prospective for CSG, unless otherwise stated.

⁵ Based on the Offer Price of \$5.75 per QGC Share and the number of QGC Shares on issue at the date of this Target's Statement.

Tenement ¹	Name	Area	Interest	Joint venturer
Exploration licences				
ATP 545P ²			3.95% royalty	
ATP 574P	Pinelands	Shallows ⁵	48%	BG International 12% Victoria Petroleum 30% Australian CBM 6.25% SEQ Oil 3.75%
ATP 632P	Connor, Arvin	Blocks 2161, 2449, 2450, 2521, 2522, 2594	80%	BG International 20%
		All other blocks	100%	
ATP 645P ³ (conventional gas)	Overston	Southern Bowen Basin and Surat Basin	100%	
ATP 647P ⁷	Myall Creek East	Myall Creek East ⁸ (graticular block 2656)	50%	Origin 50%
	Andrew	Blocks 2377, 2378	80%	BG International 20%
		All other blocks	100%	
ATP 648P	Barney, Broadwater, Jordan	Shallows ⁵	55%	BG International 13.75% Origin 31.25%
		Deep ⁶ s	48%	BG International 12% Pangaea 40%
ATP 651P	Woleebee Creek, Kathleen	All of Tenement area (Royalty applies)	68%	BG International 17% Lucas Coal Seam Gas 15%
ATP 676P	Avon Downs, Wyalla	Section 1 blocks (i.e. graticular blocks numbered 2237, 2386, 2456, 2457 and 2458)	40%	BG International 10% Australian CBM 50%
	McNulty, Owen	Section 2 blocks (i.e. graticular blocks 2309, 2528, 2529 and 2530)	20%	BG International 5% Australian CBM 75%
ATP 684P ³	Atria	Northern Bowen Basin	100%	
ATP 684P ³ (Conventional gas)	Red Rock	Northern Bowen Basin	100%	
ATP 768P ³ (Conventional gas)	Champagne Creek Project	Southern Bowen Basin	100%	
ATP 685P ³	Crocker Gully & Tardrum	Southern Bowen Basin	50%	Santos Limited 50%
ATP 688P ³	Tilbrook	Northern Bowen Basin	50%	WestSide Corporation Limited 50%
ATP 693P ³	Cullin	Northern Bowen Basin	100%	
ATP 722P ³	(dormant)		100%	
ATP 767P ^{3,10}	Lacerta	Southern Bowen Basin and Surat Basin	100%	

Tenement ¹	Name	Area	Interest	Joint venturer
ATP 768P ^{3,10}	Polaris	In the Walloon Fairway, NNW of Wandoan	100%	
ATP 769P ³	Paranui	Northern Bowen Basin	50%	WestSide Corporation Limited 50%
ATP 789P ³ (Oil)	Cooper Basin	Cooper Basin	100%	
ATP 795P ^{3,10}	Lacerta	Southern Bowen Basin and Surat Basin	100%	
ATP 811P ³	Foxleigh	Northern Bowen Basin	100%	
PEL 87 ⁴		In the Jurassic Oil Fairway	20% ⁴ (subject to 1% native title royalty and 4% private royalty)	Victoria Oil Exploration (1977) Pty Ltd 40% Impress (Cooper Basin) Pty Ltd 25% Springfield Oil and Gas Pty Ltd 15%
PEL 104 ⁴	Wirraway Oilfield	In the Jurassic Oil Fairway	20% (subject to 1% native title royalty)	Victoria Oil Exploration (1977) Pty Ltd 40% Impress (Cooper Basin) Pty Ltd 25% Springfield Oil and Gas Pty Ltd 15%
PEL 111 ⁴		In the Jurassic Oil Fairway	20% (subject to 1% native title royalty and 4% private royalty)	Victoria Oil Exploration (1977) Pty Ltd 40% Impress (Cooper Basin) Pty Ltd 25% Springfield Oil and Gas Pty Ltd 15%
PEL 424 ⁴		In the Jurassic Oil Fairway	20% (subject to 1% native title royalty and 4% private royalty)	Victoria Oil Exploration (1977) Pty Ltd 40% Impress (Cooper Basin) Pty Ltd 25% Springfield Oil and Gas Pty Ltd 15%
Petroleum leases				
PL 2A & PL 2B (Oil)	Kooroon	Surat Basin	24.25%	Santos (QNT) Pty Ltd 52.50% Hyland Bay Pty Ltd 23.25%
PL 2C (Oil)	Alton	Surat Basin	36.50%	Santos (QNT) Pty Ltd 51.00% Santos Australian Hydrocarbons Pty Ltd 12.50%
PL 171 ²	Cherwondah	South of Wandoan in the Surat Basin	80% (subject to 5% private royalty)	Victoria Petroleum NL 20%
PL 179	Argyle	Shallows ⁵	47.5%	BG International 11.875% Origin 40.625%
		Deep ⁶	21%	BG International 5.25% Pangaea 73.75%
PL 201	Berwyndale South	All of Petroleum lease area	80%	BG International 20%

Tenement ¹	Name	Area	Interest	Joint venturer
PL 228	Kenya/Kate	Shallows ⁵	47.50%	BG International 11.875% Origin 40.625%
		Deeps ⁶	21%	BG International 5.25% Pangaea 73.75%
PL 229	Argyle East	Shallows ⁵	47.50%	BG International 11.875% Origin 40.625%
		Deeps ⁶	21%	BG International 5.25% Pangaea 73.75%
PPRL 213 ⁴	Mirage Oilfield	In the Jurassic Oil Fairway, South Australia	20% (subject to 1% native title royalty and 4% private royalty)	Victoria Oil Exploration (1977) Pty Ltd 40% Impress (Cooper Basin) Pty Ltd 25% Springfield Oil and Gas Pty Ltd 15%
PPRL 214 ⁴	Ventura Oilfield	In the Jurassic Oil Fairway, South Australia	20% (subject to 1% native title royalty and 4% private royalty)	Victoria Oil Exploration (1977) Pty Ltd 40% Impress (Cooper Basin) Pty Ltd 25% Springfield Oil and Gas Pty Ltd 15%
PRL 15 ⁴	Growler Oilfield	In the Jurassic Oil Fairway, South Australia	20% (subject to 1% native title royalty)	Victoria Oil Exploration (1977) Pty Ltd 40% Impress (Cooper Basin) Pty Ltd 25% Springfield Oil and Gas Pty Ltd 15%
Petroleum lease applications				
PLA 180	Lauren/Codie	Shallows ⁵	47.50%	BG International 11.875% Origin 40.625%
		Deeps ⁶	21%	BG International 5.25% Pangaea 73.75%
PLA 211	Berwyndale	All of petroleum lease application area	80%	BG International 20%
PLA 212	Berwyndale Deep	All of petroleum lease application area	80%	BG International 20%
PLA 247	Bellevue	Shallows ⁵	56.5%	BG International 14.125% Origin 29.375%
		Deeps ⁶	51%	BG International 5.25% Pangaea 43.75%
PLA 257	Kenya East/Jammat	Shallows ⁶	55%	BG International 13.75% Origin 31.25%
		Deeps ⁵	48%	BG International 12% Pangaea 40%
PLA 259	Sean/David	Shallows ⁵	55%	BG International 13.75% Origin 31.25%
		Deeps ⁶	48%	BG International 12% Pangaea 40%

Tenement ¹	Name	Area	Interest	Joint venturer
PLA 261	Ridgewood/ Myrtle	All of petroleum lease application area	80%	BG International 20%
PLA 262	Aberdeen/ Teviot	All of petroleum lease application area	80%	BG International 20%
PLA 263	Matilda-John	Shallows ⁵	47.5%	BG International 11.875% Origin 40.625%
		Deeps ⁶	21%	BG International 5.25% Pangaea 73.75%
PLA 269	Jen/Isabella	Shallows ⁵	55%	BG International 13.75% Origin 31.25%
		Deeps ⁶	48%	BG International 12% Pangaea 40%
Pipeline licences				
PPL 91 ⁹	Windibri Export Pipeline		80%	BG International 20%
PPL 107	Kenya Export Pipeline		47.5%	BG International 11.875% Origin 40.625%
PPL 108 ⁹	Kenya Trunkline		80%	BG International 20%
PPL 125 ⁹	The Northern Corridor Pipeline		80%	BG International 20%
PSL 29	Corridor for QCLNG Pipeline Miles to Gladstone		50%	BG International 50%

Notes:

1. QGC or a subsidiary of QGC is the operator of all areas except the Myall Creek East block in ATP 647P, ATP 688P, ATP 679P, Alton JV in PL 2C, Kooroon JV in PL 2A and 2B, PEL 104, PEL 111 and PRL 15.
2. Held by Roma Petroleum NL. QGC has a relevant interest in more than 90 per cent of Roma at the date of this Target's Statement and has commenced compulsory acquisition of the remaining Roma shares (expected to be completed by 28 November 2008).
3. Held by Sunshine Gas Limited. QGC has a relevant interest in more than 90 per cent of Sunshine and has commenced compulsory acquisition of the remaining Sunshine shares (expected to be completed by 11 December 2008).
4. Held through Permian Oil Pty Ltd, a wholly owned subsidiary of Roma.
5. Shallows are all stratigraphic divisions underlying the surface area down to a depth of 100 feet below the Walloon Coal Measures.
6. Deeps are all stratigraphic divisions below a depth of 100 feet below the Walloon Coal Measures. QGC has agreed to assign to BG International 20 per cent of QGC's interests in the deeps of each of ATP 61OP, ATP 62OP and ATP 648P (and their associated petroleum leases), conditional upon first obtaining the consent of QGC's joint venture partner to those areas, Pangaea Oil & Gas Limited.
7. QGC's interest in ATP 647P is held through its wholly-owned subsidiary, Starzap Pty Ltd.
8. Operated by Origin.
9. QGC's interests are held through QGC (Infrastructure) Pty Ltd, a wholly-owned subsidiary of QGC.
10. The Tenement is the subject of an option granted in favour of AGL (refer to section 8.4).

BG Group may acquire a further 10 per cent of QGC's interests in the Walloon CSG acreage in certain circumstances, excluding CSG acreage held by Roma and Sunshine (refer to section 3.8).

3.3 Reserves

Category	QGC's Reserves	Sunshine's Reserves	Total Reserves
Total Proved (1P)	705 PJ	44 PJ	749 PJ
Total Proved + Probable (2P)	2,703 PJ	469 PJ	3,172 PJ
Total Proved + Probable + Possible (3P)	7,103 PJ	1,097 PJ	8,200 PJ

Note

On 11 April 2008, a 20 per cent share of QGC's interests in each Tenement was transferred to BG International. Reference in the table above to 'QGC's Reserves' includes the interests of BG Group. This is consistent with the Reserves estimate last conducted by NSAI in December 2007 (before BG International had any interest in QGC's Tenements).

3.4 Recent exploration activity

A summary of recent exploration activities is set out in the recent announcements for each of QGC, Roma and Sunshine. Those announcements are available of ASX (www.asx.com.au).

3.5 Gas production

By 30 June 2008, gas production had increased to 91.1 TJ per day. During this period QGC's production potential rose to 108.2 TJ per day (equivalent to 39.5 PJ a year). QGC / BG Group's combined revenue from gas sales for the financial year ended 30 June 2008 was \$59.6 million, from sales of 23.2 PJ of gas.

QGC has expanded its production potential to a level greater than current requirements, in line with a strategy of shutting-in a proportion of wells for future use. QGC has demonstrated that its production wells can be shut-in and re-opened without water recharge or a decrease in production. Production potential is increasing as more wells are drilled, completed and brought online and it is increasing further with the dewatering of existing wells.

Five gasfields operated by QGC are contributing to total gas production:

- Berwyndale South (PL 201) (QGC – 80 per cent);
- Berwyndale (PLA 211) (QGC – 80 per cent);
- Argyle/Kenya (currently PL 228 and PL 179 only) (QGC – 47.55 per cent);
- Bellevue (PLA 247) (QGC – 56.5 per cent); and
- Codie/Lauren (both PLA 180) (QGC – 47.25 per cent).

In the same vicinity are several appraisal areas that have been connected to the gas processing facility at Berwyndale South to minimise flaring.

3.6 Gas infrastructure

In 2008, QGC increased its overall processing capacity from 100 TJ per day to about 160 TJ per day at the Berwyndale South processing plant through the addition of three reciprocating compressors, one triethylene glycol (TEG) dehydration unit and an upgrade of the Windibri sales station.

QGC has installed about 110km of both gas and water gathering systems in Berwyndale South (PL 201), Bellevue (PLA 247), Argyle (PL 229), Kenya (PL 228) and Codie/Lauren (PLA 180) to connect the wells drilled during the financial year to existing infrastructure.

In addition, construction of the 70ha Kenya water disposal pond was completed in PLA 180. This pond provides another location for storage of water from production activities.

Hunter Valley pipeline

In May 2008, QGC announced a proposal to investigate the feasibility of a new gas-fired power station in New South Wales and a gas transportation agreement that would cause the development of a new 820 kilometre underground gas pipeline from Queensland to Newcastle.

If constructed, the pipeline would transport QGC's CSG from southern Queensland to the proposed New South Wales gas-fired power station to be built and owned by a QGC-led consortium.

Wallumbilla pipeline

In January 2008, QGC and AGL agreed to develop a 115 kilometre gas pipeline connecting QGC's gasfields with Wallumbilla. The pipeline will provide a new gas transport corridor between QGC's gasfields and markets to the north, south and west.

Under the terms of the agreement, AGL assumes full responsibility for the development costs of the project (PPLA 123) and commits to develop the pipeline with a target completion date of January 2009. QGC has an option to buy back into the pipeline at cost, exercisable by 30 November 2008, following which the pipeline would be owned equally by QGC and AGL under a 50/50 joint venture.

3.7 Electricity

Condamine Power Station

In February 2009, QGC will start supplying gas to QGC's new Condamine Power Station. The Condamine Power Station will be owned by ANZ Infrastructure Services and utilised by QGC under a long-term lease arrangement.

The Condamine Power Station is located 8 kilometres east of Miles in southern Queensland, close to existing electricity infrastructure including the major power line connecting the Queensland and New South Wales markets.

The project encompasses a 140 MW gas-fired combined cycle power station, a 2.7 kilometre power line and switchyard connecting the power station to the existing Miles-Chinchilla transmission line, and related surface infrastructure including gas and water supply and operational items including trading systems for electricity and gas.

The power station will generate electricity in 'open-cycle' from February 2009 and in 'closed-cycle' from its original commissioning date of August 2009. Practical completion of the project is due in October 2009.

CSG and coal seam water system infrastructure design has progressed and the procurement of long-lead items is almost complete. Construction of the infrastructure that supplies CSG and water for use at the power station, and provides waste water collection, has commenced and is expected to be completed in readiness for the commissioning of the power station.

In November 2007, QGC and AGL entered into a swap agreement whereby AGL agreed to pay a fixed price in exchange for a variable revenue stream, for 66 per cent of the Condamine Power Station's output capacity for three years.

On 28 October 2008, BG AUS announced that it had granted AGL an option to acquire the Condamine Power Station project (refer to section 8.4).

Gas-fired power station in New South Wales

In May 2008, QGC announced that it entered into an agreement with two joint venture partners to examine the feasibility of building and owning a new gas-fired power station in New South Wales – to be supplied from QGC's CSG Reserves in southern Queensland.

3.8 Liquefied Natural Gas – Queensland Curtis LNG Project

In February 2008, QGC announced it had entered into an alliance with BG Group to build a world-scale LNG plant at Curtis Island, near Gladstone, to export coal seam gas from QGC's Surat Basin acreage. The project is called Queensland Curtis LNG.

QGC and BG Group are seeking approval to produce up to 12 million tonnes per annum (mtpa) of LNG for export over 20 years, in liquefaction trains of 3 to 4 mtpa each.

QGC and BG Group aim to produce 3 to 4 million tonnes of LNG a year in the initial production train for Australian and international markets using CSG from QGC's and BG Group's Tenements in the Surat Basin.

The estimated \$8 billion project involves substantial gasfield development in southern Queensland, construction of a 380 kilometre gas pipeline and development of a liquefaction and export facility at Curtis Island, as well as 220 kilometres of gas and water pipelines to link QGC's production areas to the main pipeline. Several thousand jobs are expected to be involved in the development of the project.

BG Group has committed to purchase 100 per cent of the planned production of the LNG plant under an initial 20 year agreement.

Pending a positive Final Investment Decision due in early 2010, QGC and BG Group anticipate the first shipment of LNG in 2013. Based on annual CSG supplies of 190 PJ for the first production train, export of LNG is expected to continue until at least 2033.

QGC and BG Group achieved a major milestone on 11 April 2008 when the parties completed the transaction.

As a result of the transaction, QGC received \$664 million from BG Group. Of this total about \$415 million was in return for a 20 per cent share of QGC's existing interests in its Walloon CSG acreage and about \$249 million was payment for 81,278,451 new shares equivalent to 9.9 per cent of QGC's expanded capital at \$3.07 a share.

QGC will receive a further \$207 million (subject to various adjustments) from BG Group for the sale of a further 10 per cent of QGC's interests in the Walloon CSG acreage upon the earlier of a positive Final Investment Decision or the certification of 7,000 PJ of proved and probable 2P Reserves.

In July 2008, the Queensland Curtis LNG Project announced it had secured Bechtel Oil, Gas and Chemicals, Inc. as the project contractor for the proposed LNG plant. Under the agreement with Bechtel, front-end engineering design of the plant will begin immediately. This announcement followed the project being granted 'significant project status' by the Queensland Government.

3.9 Water

Municipal water supply

QGC is negotiating with the newly amalgamated Dalby Regional Council (representing Dalby and the former shires of Chinchilla, Murilla, Tara, Wambo and part of Taroom) to supply treated coal seam water for local townships – that is, potable water that meets Australian Drinking Water Standards.

Pre-amalgamation, negotiations between QGC and Murilla Shire Council for the supply of potable water for Miles had reached an advanced stage. These negotiations to supply up to half a billion litres annually are now being detailed in Water Project Agreements. QGC intends for water to be delivered to regional towns within the expanded Regional Council area soon.

Industrial supply

In March 2008, QGC and Syntech Resources agreed a 15 year arrangement to supply the proposed open cut export coal mine at Cameby Downs with 2 million litres a day of raw coal seam water. The mine is about 15 kilometres north-east of Condamine Power Station and, initially, will share the power station's water gathering and accumulation infrastructure.

A dedicated water delivery pipeline will be constructed by Syntech Resources to supply Cameby Downs, with first water deliveries expected in 2010.

QGC is pursuing water supply opportunities with other coalminers. Using coal seam water will help to preserve supplies of traditional water sources such as the Great Artesian Basin as well as existing and new groundwater supply storage infrastructure.

Water management

With the new Rhynie Pond having come into use in September 2008, QGC has about 310ha of evaporation pond storage area with a capacity of 9,500 ML.

QGC closely monitors water quality from ponds and wells and it conducts detailed drilling and testing before selecting a new site for an evaporation pond.

3.10 Financial profile of QGC

This section includes historical financial information in relation to QGC.

In summary, the information included is standalone financial information for the QGC Group for the years ended 30 June 2006, 2007 and 2008.

Reference to financial information relating to QGC refers to the consolidated entities shown in QGC's 2008 financial statements and also comprises Roma and Sunshine as at 30 June 2008, assuming that QGC had already acquired 100 per cent of Roma and Sunshine.

The financial information has been produced with reference to the audited financial reports for QGC, Sunshine and Roma as at 30 June 2008.

The financial information does not include any other changes to results or balances as a result of subsequent announcements not otherwise mentioned in this document.

The historical financial information of QGC has been presented in an abbreviated form and therefore it does not contain all the disclosures usually provided in an Annual Report prepared in accordance with Australian Accounting Standards and the Corporations Act.

Summary income statements

The historical summary income statements have been produced with reference to the audited financial statements for QGC for the years ended 30 June 2006, 30 June 2007 and 30 June 2008 and the audited financial statements of Sunshine and Roma for the year ended 30 June 2008.

	Year ended 30 June 2006 Audited A\$000	Year ended 30 June 2007 Audited A\$000	Year ended 30 June 2008 ¹ Aggregated A\$000
Revenue from operations ²	2,857	34,449	84,675
EBITDA	(5,926)	4,902	24,605
Depreciation and Amortisation	(1,200)	(5,876)	(12,669)
Non-recurring Income / Costs ³	1,714	(6,186)	319,515
Reported EBIT	(5,412)	(7,160)	331,451
Net Finance Cost	(842)	(5,062)	(707)
Income Tax (Expense) / Benefit	-	-	(79,381)
NPAT	(6,254)	(12,222)	251,363

Notes:

1. The historical summary income statement for the year ended 30 June 2008 is an aggregation of the income statements of QGC, Sunshine, and Roma as though the group had operated as a single entity for the entire year.
2. Revenue from operations includes interest and rental income.
3. Non-recurring income and costs represent gains realised on disposal of interests in Tenements of \$8.3m, netted against takeover response costs of \$14.5m incurred during the year ended 30 June 2007 and \$305.7m in relation to the gain on disposal of Tenements and related assets to BG Group during the year ended 30 June 2008. During the year ended 30 June 2008, non-recurring items also included approximately \$14.5m non-recurring income in Sunshine, being the net of profit on sale of subsidiary of \$24.9m, write off of exploration costs of \$6.5m, and loss on sale of bonds of \$3.9m.

Summary cash flow statements

The standalone historical summary cash flow statements have been produced with reference to the audited financial statements for QGC for the years ended 30 June 2006, 30 June 2007 and 30 June 2008 and the audited financial statements of Sunshine and Roma for the year ended 30 June 2008.

	Year ended 30 June 2006 Audited A\$000	Year ended 30 June 2007 Audited A\$000	Year ended 30 June 2008 ¹ Aggregated A\$000
Receipts from customers	488	23,514	71,861
Payments to suppliers	(10,313)	(33,492)	(74,159)
Refunds of goods and services tax	4,872	3,598	15,086
Net interest received / (paid)	1,126	(162)	22,107
Non-recurring costs ²	-	(11,471)	(2,759)
Net cash inflow / (outflow) from operating activities	(3,827)	(18,013)	32,136
Net cash inflow / (outflow) from investing activities ³	(57,106)	(83,099)	178,738
Net cash inflow from financing activities ⁴	47,857	337,727	293,553
Net cash inflow / (outflow)	(13,076)	236,615	504,427

Notes:

1. The historical summary cash flow statement for the year ended 30 June 2008 is an aggregation of the cash flow statements of QGC, Sunshine, and Roma as though the group had operated as a single entity for the entire year.
2. Non-recurring costs represent takeover response costs incurred during the year ended 30 June 2007, and loss realised on the sale of bonds by Sunshine during the year ended 30 June 2008.
3. Net cash flows from investing activities reflect QGC's investment in property, plant and equipment, and exploration activities. In the year ended 30 June 2008, QGC also recognised cash proceeds of \$414m in relation to the sale of Tenement interests to BG Group.
4. Financing cash flows in the year ended 30 June 2007 include the issue of \$327m in share capital to AGL Limited. During the year ended 30 June 2008, QGC also issued \$249m in share capital to BG Group, and Sunshine raised \$42.5m (net of issue costs) through a share issue.

Historical and pro forma combined balance sheets

The standalone historical and pro forma balance sheets have been produced with reference to the audited financial statements for QGC for the years ended 30 June 2006, 30 June 2007 and 30 June 2008 and the audited financial statements of Sunshine and Roma for the year ended 30 June 2008.

The unaudited pro forma balance sheet as at 30 June 2008 presented below is for illustrative purposes only and is based on numerous assumptions that may or may not reflect the actual financial position of the QGC Group after completion of the Sunshine and Roma acquisitions. The pro forma combined balance sheet does however, reflect the issue of new shares to Sunshine Shareholders, and other adjustments required as a result of the acquisitions of Sunshine and Roma.

	Year ended 30 June 2006 Audited A\$000	Year ended 30 June 2007 Audited A\$000	Year ended 30 June 2008 ¹ Unaudited, Pro Forma A\$000
Current Assets			
Cash and cash equivalents	13,082	248,252	502,420
Trade and other receivables	4,037	16,956	55,987
Inventories	3,097	6,518	9,608
Other current assets	-	-	1,380
Derivative financial instruments	28	-	-
Total Current Assets	20,244	271,726	569,395

	Year ended 30 June 2006 Audited A\$000	Year ended 30 June 2007 Audited A\$000	Year ended 30 June 2008 ¹ Unaudited, Pro Forma A\$000
Non-current Assets			
Deferred tax asset ²	-	-	264,366
Development and production assets	101,317	164,835	287,290
Other property, plant and equipment	1,083	5,245	17,971
Intangible assets – exploration and evaluation costs	7,131	27,605	73,395
Intangible assets – Tenements and gasfield information ³	-	74,335	821,373
Intangible assets – other	-	-	255
Other non-current assets	-	-	139
Available-for-sale financial assets ⁴	-	-	17,557
Total Non-current Assets	109,531	272,020	1,482,346
Total Assets	129,775	543,746	2,051,741
Current Liabilities			
Trade and other payables	13,210	10,868	29,218
Borrowings	11,887	756	669
Provisions	292	816	1,538
Derivative financial instruments	285	67	1,165
Current tax liability	-	-	59,339
Total Current Liabilities	25,674	12,507	91,929
Non-current Liabilities			
Borrowings	30,628	1,590	1,626
Provisions	2,763	6,027	13,345
Deferred tax liabilities	-	-	272,490
Derivative financial instruments ⁵	-	-	16,897
Total Non-current Liabilities	33,391	7,617	304,358
Total Liabilities	58,065	20,124	396,287
Net Assets	70,710	523,622	1,655,454
Equity			
Contributed Equity	92,379	556,784	1,444,468
Reserves	4,883	5,612	(1,557)
Retained earnings / (Accumulated losses)	(26,552)	(38,774)	212,543
Total Equity	70,710	523,622	1,655,454

Notes:

1. The historical balance sheet for the year ended 30 June 2008 has been prepared on a pro forma basis from an aggregation of the 30 June 2008 balance sheets of QGC, Sunshine, and Roma, adjusted to reflect the effect of the acquisitions as though they had occurred prior to 30 June 2008.
2. QGC has recognised a deferred tax asset of \$17.7m and a deferred tax liability of \$32.6m as at 30 June 2008. The balance represents the deferred tax balances which are expected to arise on the acquisition of Sunshine and Roma.
3. As part of the long-term alliance entered with BG Group in February 2008, QGC sold 20 per cent of its interest in the Walloons Coal Seam Gas acreage to BG Group. Additional intangible assets are expected to arise on the acquisition of Sunshine and Roma (see discussion below).
4. Available for sale assets relate to QGC's investment in Victoria Petroleum N.L.
5. Derivative Financial Instruments relate to electricity swaps entered into with AGL for approximately 66 per cent of the Condamine Power Station output for a period of 3 years.

The following key assumptions have been made in producing the pro forma combined balance sheet as at 30 June 2008:

(a) General

- (i) The pro forma information has been prepared using AIFRS and reflects the accounting policies of QGC. It has not been audited. Note that amounts presented have been rounded.
- (ii) The pro forma information has been prepared by aggregating QGC's, Sunshine's, and Roma's balance sheets as at 30 June 2008. A number of pro forma adjustments have been made to reflect the acquisitions, as set out in the notes to the pro forma information below.

(iii) The pro forma information excludes the impact of general trading and other non-recurring transactions which have occurred since 30 June 2008, but are not considered to materially impact the financial position presented in the pro forma combined balance sheet.

(b) Sunshine and Roma acquisitions

(i) Financial information regarding Sunshine and Roma has been obtained from publicly available sources. QGC is not aware of any events subsequent to the balance date used in the pro forma of 30 June 2008 which would materially alter the information presented above.

(ii) The pro forma combined balance sheet as at 30 June 2008 assumes the acquisitions of Sunshine and Roma by QGC had been completed by that date. The actual date of the acquisition will be at a later date. AASB 3 'Business Combinations' states that the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at that date. Accordingly, QGC will assess the fair value of identifiable net assets of Sunshine and Roma on completion of the acquisition.

(iii) The calculation of purchase consideration payable by QGC for Sunshine of \$866 million has assumed 50% of Sunshine shareholders opt for the scrip alternative, and 50% opt for the cash and scrip alternative. Consideration is calculated at the closing price on 19 August 2008 of \$4.32 for QGC Shares.

(iv) The pro forma combined balance sheet is based on the assumption that the fair value of assets (other than intangible exploration assets) and liabilities of Sunshine and Roma are equal to their book value. The difference between the book value of these assets and the purchase consideration at the acquisition date has been assumed to relate to intangible exploration assets. A full purchase price allocation exercise will be undertaken post acquisition, and the fair value of the assets will be more accurately assessed at that time. This will not impact the valuation of the businesses, but may impact the classification between tangible, identifiable intangible assets and goodwill.

(v) Identifiable intangible assets recognised on acquisition may need to be amortised over the period of their economic benefit to the QGC Group and such amortisation charges will reduce future reported earnings. Due to limited public information available on Sunshine and Roma, it is not possible for QGC to identify all such intangible assets and consequent amortisation charges at this stage.

(vi) Deferred tax assets and deferred tax liabilities have been calculated by assuming that:

- QGC will acquire 100% of Sunshine and Roma, and both entities will join the QGC tax consolidated group;
- QGC will be entitled to an income tax deduction in respect of the re-calculated tax value attributed to exploration tenements.

3.11 Issued capital

At the date of this Target's Statement, QGC's issued capital consisted of 960,073,939 listed QGC Shares and 793,865 unlisted QGC Shares.

QGC has applied for quotation of 574,182 QGC Shares under the Deferred Non-executive Director Share Plan. Each Director entitled to QGC Shares under the Deferred Non-executive Director Share Plan has instructed the plan trustee to accept the BG Offer.

The unlisted QGC Shares are held in the Exempt Employee Share Plan and the Deferred Employee Share Plan. QGC will permit participants in those plans to withdraw their QGC Shares, in which case QGC will apply for quotation of those QGC Shares on ASX. On quotation of those QGC Shares, participants in the Exempt Employee Share Plan and the Deferred Employee Share Plan will be able to accept the BG Offer.

QGC has granted 496,689 Options. The Options are exercisable at \$2.567 and expire on 1 July 2012. QGC proposes to enter into agreements with each Option Holder to cancel their Options for the Option Consideration. The payments under those agreements will be funded by BG Group. A summary of those agreements is set out in section 8.2.

In addition, QGC has granted LTI Rights and LTR Rights to certain employees, which entitle those employees to be issued QGC Shares or granted Options, subject to the satisfaction of certain vesting conditions. QGC proposes to enter into agreements with each of the LTI Rights Holders and the LTR Rights Holders for the payment of LTI Rights Consideration and the LTR Rights Consideration (respectively). The payments under those agreements will be funded by BG Group. A summary of those agreements is set out in section 8.2.

3.12 QGC ASX Announcements

QGC is a company listed on ASX (code: QGC) and is subject to the continuous and periodic disclosure requirements of ASX and the Corporations Act. A substantial amount of information concerning QGC is publicly available and may be accessed by referring to QGC on www.asx.com.au.

Further information about QGC can be found on QGC's website: www.qgc.com.au.

4. Information about BG Group

4.1 Important information

The following information about BG Group and BG AUS is based on public information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, QGC does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on BG Group and BG AUS in this Target's Statement should not be considered comprehensive.

BG International (AUS) Investments Pty Ltd (BG AUS)

BG AUS is a special purpose entity incorporated in Australia. BG AUS has only recently been incorporated and has not yet traded. BG AUS is a wholly-owned subsidiary of BG Group.

The following are the directors of BG AUS.

- (a) David Maxwell – Managing Director, BG Australia
- (b) James Seaton – Vice-President, Commercial and Business Development, BG Australia

BG Group plc (BG Group)

BG Group is a leading gas major, with operations in 27 countries across five continents employing around 5,000 employees. It is a top 10 UK business, with a market capitalisation of approximately £24 billion (approximately \$61 billion) as at 24 October 2008, and a strong balance sheet and investment grade rating. BG Group (through its subsidiaries, undertakings, joint ventures and associated undertakings) is engaged in the exploration, development, production, transmission, distribution and supply of natural gas, and gas-fired power generation to industrialised countries and developing markets around the world. In relation to the supply of natural gas, it distributes gas to domestic markets and also exports LNG to international LNG markets, supported by a dedicated shipping fleet. Key countries of operation include the United States, Trinidad & Tobago, Brazil, Tunisia, Egypt, the UK, Kazakhstan and India.

BG Group has recently entered the Australian gas industry as a major investor by way of its investment in, and alliance with QGC in relation to the Queensland Curtis LNG Project. Further information is set out in section 3.8 of this Target's Statement.

The following are the directors of BG Group. Further details about the qualifications and experience of the directors are available from www.bg-group.com:

Non-executive

- (a) Sir Robert Wilson KCMG – Chairman
- (b) Peter Backhouse – Non-executive director
- (c) Paul Collins – Non-executive director
- (d) Jürgen Dormann – Non-executive director
- (e) Baroness Hogg – Non-executive director
- (f) Dr John Hood – Non-executive director
- (g) Lord Sharman – Non-executive director
- (h) Philippe Varin – Non-executive director
- (i) Sir David Manning GCMG – Non-executive director

Executive

- (j) Frank Chapman – Chief Executive
- (k) Ashley Almanza – Chief Financial Officer

BG Group history

Information about the history of BG Group is set out in section 2.1 of the Bidder's Statement.

4.2 Overview of BG Group and its principal activities

BG Group's business operates in the following key business segments:

Exploration and production

BG Group's exploration and production division is critical to its integrated gas strategy and accounted for around two-thirds of its revenues in 2007. Around 70 per cent of its production in 2007 was gas, whilst 30 per cent was oil and other liquids, such as condensate. BG Group uses its technical, commercial and gas chain skills to deliver projects at a competitive cost. BG Group has expertise in upstream gas, with exploration interests in five continents, from deep water offshore Brazil and Nigeria to remote desert locations in Algeria and Oman. It also operates major production facilities in Egypt, India, Kazakhstan, Tunisia, Trinidad & Tobago and the UK North Sea. In 2007, production averaged 604,000 barrels of oil equivalent per day, while total reserves and resources currently exceed 10 billion barrels of oil equivalent.

Liquefied natural gas

BG Group's LNG activities combine liquefaction and re-gasification facilities with the purchasing, shipping and sale of LNG worldwide. BG Group has a global LNG portfolio and long-term supply position, serving 14 out of the 17 nations that currently import LNG worldwide. BG Group has a leading Atlantic Basin position, was the largest importer of LNG into the USA in 2007, and is a leading importer serving Asia-Pacific markets. In 2007, BG Group marketed around 13 million tonnes of LNG.

Transmission and distribution

BG Group has skills and capabilities in competitive downstream markets around the world. It understands how to work effectively and profitably in regulated and competitive environments. Those skills are derived from BG Group's long history in the UK downstream market and are now deployed internationally. BG Group has a customer base of around three million customers in transmission and distribution in Brazil, Argentina and India.

Power generation

BG Group also develops, owns and operates gas-fired power generation plants. Its power generation portfolio consists of modern gas-fired power stations in the USA, Europe and South-East Asia. Equity capacity totals 4.3 GW – equivalent to around half of the total installed capacity in Queensland.

4.3 Overview of BG Group's existing Australian activities

BG Group has recently entered the Australian gas industry as a major investor by way of its investment in, and alliance with, QGC.

Under the terms of the agreement reached with QGC, BG Group acquired:

- (a) 20 per cent interest in QGC's Tenements; and
- (b) a 9.9 per cent shareholding in QGC itself.

Also, BG Group has a right to acquire a further 10 per cent interest in QGC's CSG and other assets subject to the satisfaction of certain conditions. If there is a change of control of QGC, the rights to this additional 10 per cent interest vest immediately. In addition, on a change of control in QGC, QGC is required to support the transfer of operatorship to BG Group for the Tenements currently operated by QGC. BG Group would also have the right to terminate certain arrangements relating to the alliance, including the joint marketing of gas and downstream co-operation, and decisions relating to the terms of new gas sales under the alliance arrangements would not require the approval of QGC.

Under the agreement between BG Group and QGC, both companies will co-operate in the exploration and development of onshore CSG acreage as well as in the development of domestic market opportunities. BG Group and QGC will also co-operate in developing a new LNG export facility on the Queensland coast, in which, in relation to Train 1, BG Group will hold a 70 per cent interest and is entitled to lift and market 100 per cent of its initial planned production.

4.4 Publicly available information

The shares of BG Group are admitted to the official list of the United Kingdom Listing Authority and are admitted to trading on the main market of the London Stock Exchange for listed securities and to listing on the International OTC QX in the United States. As such, BG Group is subject to the continuing reporting obligations of the United Kingdom Listing Authority.

Information about BG Group is publicly available and may be accessed by referring to www.bg-group.com.

5. Your choices as a QGC Shareholder

Your Directors unanimously recommend that you accept the BG Offer, in the absence of a Superior Proposal.

As a QGC Shareholder, you can respond to the BG Offer in three ways:

- (a) accept the BG Offer;
- (b) sell your QGC Shares on-market to a person other than BG AUS; or
- (c) not sell your QGC Shares.

5.1 Accept the BG Offer

Before accepting the BG Offer you should:

- (a) **Read** the Bidder's Statement and this Target's Statement in full.
- (b) **Consult** your broker, financial or other professional adviser if you are in any doubt as to what action to take or how to accept the BG Offer. If you have any queries about the BG Offer you may also call the QGC shareholder information line on 1300 135 403 (within Australia) or +61 2 8280 7482 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

Your Directors unanimously recommend that you accept the Offer, in the absence of a Superior Proposal.

If you choose to accept the BG Offer, you should follow the instructions in this Target's Statement. The BG Offer remains open until 15 December 2008, unless extended or withdrawn.

CHESSE Holdings

If your QGC Shares are in a CHESSE Holding, you will need to instruct your Controlling Participant to accept the BG Offer on your behalf before the end of the Offer Period.

Issuer Sponsored Holdings

If your QGC Shares are held on QGC's issuer sponsored subregister, you will need to instruct a Broker to accept the BG Offer on your behalf before the end of the Offer Period.

QGC has appointed Austock Securities Limited and ABN AMRO Morgans Limited as QGC's brokers in relation to the BG Offer. You can contact Austock Securities Limited on (03) 8601 2000 (within Australia) or ABN AMRO Morgans Limited on 134 226 (within Australia) to instruct either of them to accept the BG Offer on your behalf. Brokerage charges may apply.

Nominee holdings

Beneficial owners whose QGC Shares are held in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance in accepting the BG Offer.

5.2 Sell your QGC Shares on market

During the Offer Period, you can still sell your shares on market for cash to a person other than BG Group, provided you have not already accepted the BG Offer for those Shares.

The latest price for QGC Shares may be obtained from the ASX website www.asx.com.au.

If you choose to sell your Shares on market, you should be aware that you:

- (a) will lose the ability to accept the BG Offer and any higher offer for your QGC Shares (which may or may not eventuate);
- (b) will lose the opportunity to receive future returns from QGC;
- (c) may be liable for capital gains tax on the sale (refer to section 6 for further details); and
- (d) may incur a brokerage charge.

Apart from paragraph (a) above, the effect of accepting the BG Offer is likely to be the same.

5.3 Do not sell your QGC Shares

The Directors unanimously recommend that you accept the BG Offer. However, if you do not want to sell your QGC Shares on market you should do nothing.

You should note that:

- (a) if BG Group acquires a relevant interest in 90 per cent of the Shares it may be entitled to compulsorily acquire your Shares (notwithstanding that you did not accept the BG Offer (see section 2.9 for further details)); and
- (b) if BG Group acquires more than 50 per cent but less than 90 per cent of the QGC Shares, you will be a minority shareholder and may be subject to the risks set out at part 5 of the section of this Target's Statement entitled "Why you should accept the BG Offer" on page 6.

6. Taxation consequences

6.1 Introduction

The following is a general summary of the potential Australian income tax consequences generally applicable to a QGC Shareholder who disposes of QGC Shares under the BG Offer. This summary is based on the law and practice in effect on the date this Target's Statement was lodged with ASIC.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every QGC Shareholder.

In particular the summary is only applicable to QGC Shareholders that are Australian residents for income tax purposes and hold their QGC Shares on capital account for income tax purposes. This summary does not apply to QGC Shareholders that hold their QGC Shares in the course of a business of trading or dealing in such securities. The summary does not apply to QGC Shareholders who acquired their QGC Shares as part of an employee share scheme operated by QGC.

All QGC Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident QGC Shareholders should seek their own advice on the Australian and foreign taxation consequences associated with any sale of their QGC Shares.

6.2 CGT consequences on the disposal of QGC Shares

A QGC Shareholder that accepts the BG Offer and whose QGC Shares are subsequently transferred to BG AUS, will be taken to have disposed of their QGC Shares for Australian capital gains tax (**CGT**) purposes. Shareholders will make a capital gain equal to the amount by which the BG Offer consideration exceeds the cost base that the QGC Shareholder has for the QGC Shares. Subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain, this amount will be included in the QGC Shareholder's taxable income.

A QGC Shareholder will alternatively make a capital loss equal to the amount by which the reduced cost base of the QGC Shares exceeds the consideration. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests applicable to companies and trusts.

Cost base of QGC Shares generally

The cost base of QGC Shares would generally be equal to the amount the relevant QGC Shareholder paid to acquire the QGC Shares which includes certain incidental costs (such as brokerage) associated with the acquisition or disposal of the QGC Shares.

QGC Shareholders that acquired QGC Shares under CGT scrip for scrip rollover

Where a QGC Shareholder acquired their shares in QGC as a result of the acquisition by QGC of a company, including Sunshine or Roma, and the shareholder was eligible and claimed scrip for scrip rollover on the disposal of the shares in the acquired company under that transaction, the cost base of their QGC shares will be based on their prior cost base in the acquired company's shares.

Where a QGC shareholder had acquired their shares in the acquired company prior to 20 September 1985 scrip for scrip rollover would not have applied and the cost base of their QGC shares would be the market value of their shares in the acquired company.

6.3 CGT discount

Any QGC Shareholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain provided that:

- (a) the QGC Shares were acquired at least 12 months before disposal to BG AUS;
- (b) the QGC Shareholder did not choose to index the cost base of their QGC Shares; and
- (c) the CGT discount is applied to the capital gain after any available capital losses are first offset against that capital gain.

However, for a QGC Shareholder that acquired their QGC Shares as a result of the acquisition by QGC of a company, including Sunshine or Roma, and the shareholder was eligible for and claimed scrip for scrip rollover on the disposal of their shares under that transaction:

- (a) the 12 month requirement will be met if their shares in the acquired company, including Sunshine or Roma, were acquired at least 12 months before the disposal of their QGC Shares to BG AUS; and
- (b) the requirement to have not chosen indexation is not breached if indexation had been used in calculating the cost base of the shares in Sunshine or Roma which became part of the cost base of their QGC Shares.

The CGT discount allows a QGC Shareholder who is an individual or the trustee of a trust to discount the capital gain by 50 per cent and include 50 per cent of the capital gain in the taxable income of that individual or trust.

A QGC Shareholder who is a complying superannuation entity may discount the capital gain by $33\frac{1}{3}$ per cent and include $66\frac{2}{3}$ per cent of the capital gain in the taxable income of that complying superannuation entity.

The CGT discount is not available to a QGC Shareholder that is a company.

6.4 CGT rollover

The BG Offer is \$5.75 cash for each QGC Share. Therefore, CGT rollover relief will not be available to QGC Shareholders.

6.5 Obtain your own taxation advice

Section 7 of the Bidder's Statement also sets out an overview of the Australian income tax and capital gains tax implications for Australian residents (for taxation purposes) and non-residents who accept the BG Offer.

Do not rely on the comments or the statements contained in this Target's Statement or the Bidder's Statement as advice about your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Target's Statement and the Bidder's Statement.

Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, QGC does not accept any responsibility for tax implications for individual QGC Shareholders.

7. Directors' interests

7.1 Directors' interests in QGC Shares and Options

The Directors have the following relevant interests in QGC Shares at the date of this Target's Statement:

Director	Number of QGC Shares
Robert Bryan	221,914 ⁶
Richard Cottee	1,700 ⁷
Timothy Crommelin	54,542 ⁸
Peter Cassidy	110,954 ⁹
Frank Connolly	367,218 ¹⁰
Dale Elphinstone	112,445 ¹¹

Each Director above intends to accept the BG Offer in respect of the QGC Shares personally held or controlled by him in the absence of a superior proposal.

No Director has an interest in Options.

Mr Cottee has an interest in LTI Rights. Those LTI Rights entitle Mr Cottee to be granted, subject to satisfaction of vesting conditions, the Options set out in the table below.

Vesting date	Number of Options	Expiry date	Exercise price
30 June 2009	1,577,718	1 July 2014	\$2.567

Mr Cottee also has, subject to QGC Shareholder approval, an interest in two tranches of LTI Rights under his remuneration arrangements agreed with QGC in July 2008. That interest is set out in QGC's notice of annual general meeting dated 28 October 2008 and lodged with ASX on 29 October 2008. The notice of meeting says that each tranche is valued at \$3,500,000 (as at 1 July 2008). Mr Cottee's employment contract includes provisions dealing with the vesting of unvested LTI Rights in certain circumstances, in which case he is entitled to receive a cash payment having regard to the value of QGC Shares.

In accordance with the terms of the Bid Implementation Agreement, QGC must use reasonable endeavours to ensure executives and employees of QGC who have unvested LTI Rights, enter into LTI Rights Cancellation Deeds to cancel any outstanding LTI Rights for the LTI Rights Consideration.

Section 8.2 sets out further information in relation to the arrangements between BG AUS and QGC for dealing with LTI Rights, LTR Rights and Options.

⁶ Mr Bryan has a relevant interest in 221,914 QGC Shares held by QGC IPT Pty Ltd, trustee of the Deferred Non-Executive Director Share Plan.

⁷ Mr Cottee has a relevant interest in 1,700 QGC Shares held by S Cottee (spouse).

⁸ Mr Crommelin has a relevant interest in 54,542 QGC Shares held by QGC IPT Pty Ltd, trustee of the Deferred Non-Executive Director Share Plan.

⁹ Mr Cassidy has a relevant interest in 110,954 QGC Shares held by QGC IPT Pty Ltd, trustee of the Deferred Non-Executive Director Share Plan.

¹⁰ Mr Connolly has a relevant interest in 250,796 QGC Shares held by a self-managed superannuation fund and 116,422 QGC Shares held by QGC IPT Pty Ltd, trustee of the Deferred Non-Executive Director Share Plan.

¹¹ Mr Elphinstone has a relevant interest in 112,445 QGC Shares held by QGC IPT Pty Ltd, trustee of the Deferred Non-Executive Director Share Plan.

7.2 Directors' recent dealings in QGC Shares

Except as disclosed below, no Director has acquired or disposed of a relevant interest in any QGC Shares in the four month period immediately preceding the date of this Target's Statement.

The following Directors acquired QGC Shares during the last four months under the Deferred Non-Executive Director Share Plan:

Director	Number of QGC Shares
Robert Bryan	20,263
Timothy Crommelin	11,323
Peter Cassidy	10,131
Frank Connolly	13,409
Dale Elphinstone	11,025

Mr Crommelin also acquired a relevant interest in 20,000 QGC Shares on 10 September 2008 as a result of entities related to him acquiring QGC Shares on-market and 17,700 QGC Shares on 29 July 2008 as a result of entities related to him accepting QGC's takeover offer for shares in Roma held by those entities.

On 15 and 16 September 2008, Mr Cottee disposed of 1,200,000 QGC Shares on-market.

The table below sets out the QGC Shares held or controlled by Directors on the date of the announcement of the BG Offer, which have already been accepted into the BG Offer and the percentage that those QGC Shares represented to the QGC Shares held or controlled by the Directors at that time.

Director	QGC Shares accepted into the BG Offer	Percentage of Director's holding
Robert Bryan	16,942,577 ¹²	98.7%
Richard Cottee	4,904,837 ¹³	99.9%
Tim Crommelin	144,381	72.6%
Peter Cassidy	62,500	36.0%
Dale Elphinstone	52,635,647	99.8%

7.3 Directors' interests in BG Group securities

At the date of this Target's Statement, no Director had a relevant interest in any securities of BG Group.

7.4 Directors' recent dealings in BG Group securities

No Director has, in the four month period immediately preceding the date of this Target's Statement, acquired or disposed of a relevant interest in any securities in BG Group.

7.5 Benefits and agreements

No person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the QGC Board or a related body corporate of QGC as a result of the BG Offer.

Except as set out elsewhere in this Target's Statement, there are no agreements made between a Director and another person in connection with, or conditional upon, the outcome of the BG Offer, other than in the Director's capacity as a holder of QGC Shares and no Director has an interest in any contract entered into by BG Group.

¹² 5,000,000 of those QGC Shares were the subject of a pre-bid agreement with BG AUS, which terminated on acceptance of the BG Offer by Mr Bryan (refer to section 8.3).

¹³ 4,898,367 of those QGC Shares are the subject of a pre-bid agreement with BG AUS, which terminated on acceptance of the BG Offer by Mr Cottee (refer to section 8.3).

8. Important documents

8.1 Bid Implementation Agreement

On 28 October 2008, QGC, BG AUS and BG Group entered into a Bid Implementation Agreement (**BIA**) in relation to the takeover bid by BG AUS.

The terms of the BIA include:

- (a) QGC must make a statement in this Target's Statement and in the announcement of the BG Offer that each of the Voting Directors recommend acceptance of the BG Offer to QGC Shareholders, in the absence of a Superior Proposal;
- (b) until the end of the Offer Period, QGC must comply with the no shop, no due diligence, no talk conditions and other limitations on QGC's conduct; and
- (c) a break fee of \$50 million is payable by QGC to BG Group in certain circumstances.

A summary of the key terms of the Bid Implementation Agreement is set out below and in section 8.1 of the Bidder's Statement.

Exclusivity

QGC has agreed that it will not:

- (a) take any actions with a view to obtaining any offer, proposal or expression of interest from any person in relation to any Competing Transaction (**no shop condition**);
- (b) negotiate or participate in negotiations or discussions regarding a Competing Transaction or respond to a Competing Transaction (**no talk condition**); or
- (c) permit due diligence on itself or its Subsidiaries with a view to obtaining any offer, proposal or expression of interest from any person in relation to any Competing Transaction (**no due diligence condition**).

The 'no talk' and 'no due diligence' conditions do not apply where the QGC Board determines (after consultation with its financial advisers) that a bona fide Competing Transaction is capable of being superior to the BG Offer and receives legal advice that failing to respond to the Competing Transaction would be reasonably likely to constitute a breach of the QGC Board's fiduciary duties.

Before QGC can recommend a Competing Transaction, it must first notify BG AUS of the identity of the person making the Superior Proposal and the material terms of the Superior Proposal and must give BG Group three Business Days to match or improve the terms of the BG Offer so that it provides at least the same value as the terms of the Competing Transaction.

Break fee

QGC will pay BG AUS a break fee of \$50 million if:

- (a) another person (other than AGL or BG Group) acquires a relevant interest of at least 25 per cent of QGC, that interest exceeds BG Group's relevant interest in QGC and the QGC Board has failed to confirm its recommendation of the BG Offer;
- (b) any Voting Director withdraws or changes his recommendation;
- (c) a Superior Proposal arises and QGC terminates the BIA;
- (d) QGC is in material breach of the BIA and fails to remedy the breach within 10 business days;
- (e) QGC breaches the exclusivity provisions and does not cease the conduct causing the breach within one day of written notice from BG AUS; and
- (f) a Prescribed Event occurs that was within the control of QGC and QGC fails to rectify it within 10 business days of written notice from BG AUS and if the Prescribed Event had occurred prior to the date of the BIA, it could reasonably be expected to have resulted in BG AUS and BG Group not entering into the BIA.

The break fee is not payable:

- (a) in any circumstances if BG AUS acquires a relevant interest in more than 50 per cent of QGC Shares on issue; and
- (b) must be refunded, to the extent that the Takeovers Panel or a Court determines that the Break Fee is unlawful, involves a breach of the duties of the QGC Board or constitutes unacceptable circumstances within the meaning of the Corporations Act.

Conduct of business

From the date of the Bid Implementation Agreement until the end of the Offer Period, QGC is required to conduct its business in the ordinary course and to regularly consult with BG Group on the manner of conduct of its business. QGC is also required to use all reasonable endeavours to undertake certain specific obligations in respect of its business during the Offer Period and to refrain from undertaking certain prohibited actions without the consent of BG Group (such consent not to be unreasonably withheld).

Termination

The Bid Implementation Agreement may be terminated by notice:

- (a) by either party, if the other party has breached a material obligation under the Bid Implementation Agreement;
- (b) by either party, if BG AUS has not acquired more than 50 per cent of the QGC Shares by 30 April 2009;
- (c) by QGC, if a Superior Proposal arises and the independent directors of QGC publicly recommend that the Superior Proposal is in the interests of QGC Shareholders;
- (d) by BG AUS if QGC becomes Insolvent, or by QGC if BG AUS or BG Group becomes Insolvent; or
- (e) if agreed to in writing by BG AUS, BG Group and QGC.

8.2 Arrangements to cancel Options, LTI Rights and LTR Rights

Under the Bid Implementation Agreement, QGC must use reasonable endeavours to ensure that holders of Options, LTI Rights and LTR Rights enter into arrangements pursuant to which their Options, LTI Rights and LTR Rights will be cancelled.

QGC intends to enter into:

- (a) Option Cancellation Deeds;
- (b) LTI Rights Cancellation Deeds; and
- (c) LTR Rights Cancellation Deeds

to cancel those Options, LTI Rights and LTR Rights. Payments under those agreements will be funded by BG Group.

Options

Under the Option Cancellation Deed, the Option Holder is entitled to receive the Option Consideration in consideration for the cancellation of their Options. The Option Cancellation Deed is subject to ASX granting a waiver of Listing Rules 6.23.2 and 6.23.4 to permit the Options to be cancelled for the payment of consideration without QGC Shareholder approval.

LTI Rights

QGC operates a Long Term Incentive Plan for senior executives, pursuant to which executives are awarded LTI Rights which vest based on QGC's relative total shareholder return, as against other ASX 100 companies, over a defined period. The number of LTI Rights granted to each executive is calculated as a percentage of that executive's total fixed remuneration for the period. When LTI Rights are granted, executives can elect to receive them (subject to the satisfaction of the vesting criteria) either as Options or DESP Shares.

Under the LTI Rights Cancellation Deed, the LTI Rights Holder is entitled to receive the LTI Rights Consideration in consideration for the cancellation of their LTI Rights.

LTR Rights

Under the Long Term Retention Initiative, employees of QGC are awarded LTR Rights which vest into DESP Shares subject to the participating employee remaining in employment with QGC for a defined period. LTR Rights vest early if a participating employee has their employment terminated during that period as a result of a takeover of QGC, or resigns as a result of a material change in their employment as a result of a takeover.

Under the LTR Rights Cancellation Deed, the LTR Rights Holder is entitled to receive the LTR Rights Consideration in lieu of the issue of QGC Shares which QGC would have otherwise been obliged to issue to the LTR Rights Holder, subject to any vesting conditions.

8.3 Agreements with QGC Shareholders

On 24 October 2008, BG AUS entered into pre-bid agreements to acquire a total of 77,448,161 QGC Shares (representing approximately 8.3 per cent of the QGC Shares on issue at that time) with the following QGC Shareholders:

- (a) ANZ SAM;
- (b) Sentient Group;
- (c) Richard Cottee; and
- (d) Robert Bryan.

A summary of those agreements is set out in section 8.2 of the Bidder's Statement. Full copies of those agreements are attached to the change of interests of substantial holder notice (form 604) that BG Group lodged with ASX on 28 October 2008.

8.4 Option agreements with AGL

BG AUS has granted AGL an option to acquire:

- (a) the whole of the Lacerta gas field (which comprises ATP 795P and ATP 767P); and
- (b) a 15 per cent interest in the Polaris exploration licence (which comprises ATP 768P),

for \$855.66 million (subject to certain adjustments) (**Lacerta and Polaris Option**), exercisable by AGL within 4 months after the close of the BG Offer, provided that BG AUS acquires at least 50.1 per cent of the QGC Shares; and

- (c) the Condamine Power Station project (**CPS Option**) for a price equal to the greater of the cost of the Condamine Power Station project and the fair market value of the Condamine Power Station project, as determined by an independent valuer.

If the CPS Option is exercised, BG AUS will procure the supply of up to 10 PJs of gas per annum to the Condamine Power Station at a market price until 1 January 2014.

The Lacerta and Polaris Option is subject to QGC and Sunshine shareholder approval (if required) and necessary Ministerial approvals. The CPS Option is subject to QGC Shareholder approval (if required) and QGC obtaining third party consents.

A more detailed summary of those agreements is set out in section 8.3 of the Bidder's Statement. The information in this section is based on public disclosure by BG Group and AGL. Neither QGC nor any of the Voting Directors were involved in negotiations between BG Group and AGL in relation to the matters set out in this section, and QGC has not reviewed the documents relating to the Lacerta and Polaris Option or the CPS Option in order to verify the accuracy of statements made by BG Group and AGL.

9. Additional information

9.1 Consents

McCullough Robertson has given and has not before the date of this Target's Statement withdrawn its consent to be named in this Target's Statement as QGC's legal adviser in the form and context in which it is named.

Austock Corporate Finance Pty Ltd and ABN AMRO Morgans Corporate Limited have given and have not before the date of this Target's Statement withdrawn their consent to be named in this Target's Statement as QGC's financial advisors in the form and context in which they are named.

Austock Securities Ltd and ABN AMRO Morgans Limited have given and have not before the date of this Target's Statement withdrawn their consent to be named in this Target's Statement as QGC's brokers in the form and context in which they are named.

Link Market Services Limited has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to being named in this Target's Statement as QGC's share registry in the form and context in which it is named.

Each of McCullough Robertson, Austock Corporate Finance Pty Ltd, Austock Securities Ltd, ABN AMRO Morgans Corporate Limited, ABN AMRO Morgans Limited and Link Market Services Limited:

- (a) has not authorised or caused the issue of this Target's Statement;
- (b) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

9.2 Publicly available information

This Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX by BG AUS and BG Group.

As permitted by ASIC class order 01/1543, the consent of BG AUS and BG Group is not required for the inclusion of those statements in this Target's Statement. Any QGC Shareholder may obtain a copy of those documents free of charge during the Offer Period by contacting QGC's company secretary on 07 3020 9000.

As permitted by ASIC class order 03/635, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or published book, journal or comparable publication,

and the consent of the persons to whom those statements are attributed is not required to be included in this Target's Statement.

9.3 No other material information

This Target's Statement is required to include all of the information that QGC Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the BG Offer, but:

- (a) only to the extent to which it is reasonable for QGC Shareholders and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director.

The Directors of QGC are of the opinion that the information that QGC Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (a) the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- (b) QGC's annual reports and releases to the ASX, and documents lodged by QGC with ASIC before the date of this Target's Statement, including the bidder's statements and supplementary bidder's statements lodged by QGC in relation to its takeover bids for Roma and Sunshine; and
- (c) this Target's Statement.

10. Approval of Target's Statement

The copy of this Target's Statement that is to be lodged with ASIC has been approved by a resolution passed by the Directors of QGC on 6 November 2008.

Signed by Robert Bryan, Chairman of QGC, in accordance with section 351 Corporations Act.



Robert Bryan
Chairman
Queensland Gas Company Limited

11. Definitions and interpretation

11.1 Definitions

1P Reserves means all Reserves certified to be 'Proved' (developed plus undeveloped) in accordance with the SPE-PRMS.

2P Reserves means all Reserves certified to be 'Proved' plus 'Probable' in accordance with the SPE-PRMS.

3P Reserves means all Reserves certified to be 'Proved', 'Probable' plus 'Possible' in accordance with the SPE-PRMS.

AGL means AGL Energy Limited ACN 115 061 375.

ANZ SAM means ANZ Specialist Management Limited ACN 098 827 671 in its capacity as trustee and responsible entity of Energy Infrastructure Trust.

ASIC means Australian Securities and Investments Commission.

ASTC means the ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532, the body which administers the CHESS system in Australia.

ASTC Participant means an ASTC participant under the ASTC Settlement Rules.

ASTC Settlement Rules means the settlement rules of ASTC, a copy of which is available at www.asx.com.au.

ASX means ASX Limited ACN 008 624 691 or, where appropriate, the securities exchange operated by it.

ASX Listing Rules means the official listing rules of ASX, as amended or replaced.

ATP means an authority to prospect under the *Petroleum and Gas (Production and Safety) Act 2004* (Qld).

BG AUS means BG International (AUS) Investments Pty Limited ACN 131 104 651.

BG Group means BG Group plc, registered in England and Wales with company number 3690065.

BG International means BG International Limited (ABN 72 114 818 825) (wholly-owned by BG Group).

BG Offer or **Offer** or **Offers** means the offer by BG Group, through its subsidiary BG AUS, to acquire QGC Shares for \$5.75 cash per QGC Share.

Bid Implementation Agreement means the agreement between QGC and BG Group dated 28 October 2008 documenting BG AUS's proposal to make a takeover bid to acquire all the QGC Shares.

Bidder's Statement means the bidder's statement prepared by BG AUS under Part 6.5 Division 2 of the Corporations Act relating to the BG Offer.

Broker means a person who is a share broker and a participant in CHESS.

Business Day means a business day as defined in the ASX Listing Rules.

CHESS means the Clearing House Electronic Subregister System, which provides for electronic share transfer in Australia.

CHESS Holding means a holding of QGC Shares on the CHESS subregister of QGC.

Competing Transaction means a transaction or arrangement which, if completed, would mean a person (other than BG Group or its related bodies corporate or any person acting for or on behalf of them including any director, officer, employee, agent, contractor or professional advisor of BG Group and or its related bodies corporate) would:

(a) directly or indirectly:

(i) acquire, or agree to acquire, an interest (legal or beneficial) or a Relevant Interest in or become the holder of 25 per cent or more of the QGC Shares (but not as a custodian, nominee or bare trustee); or

(ii) acquire, or agree to acquire, an interest in (including an economic interest) or become the holder of all, or a substantial or a material part of, the business conducted by the QGC Group,

including by way of takeover bid, scheme of arrangement, reverse takeover or other acquisition of shares, capital reduction, share buy-back, amalgamation, restructuring, sale of assets, sale of shares or joint venture or other synthetic merger or any other transaction or arrangement;

(b) acquire control of QGC, within the meaning of section 50AA of the Corporations Act; or

(c) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with QGC.

Controlling Participant means the Broker or non-Broker participant who is designated as the controlling participant for shares in a CHESS Holding in accordance with the ASTC Settlement Rules.

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

CS Energy means CS Energy Limited ACN 078 848 745 and, as applicable, its related bodies corporate.

CSG means coal seam gas, which is natural gas (mostly methane) contained within coals.

Deferred Employee Share Plan means the plan of that name, as operated by QGC.

Deferred Non-executive Director Share Plan means the plan of that name, as operated by QGC.

DESP Shares means the QGC Shares issued pursuant to the Deferred Employee Share Plan.

Directors means the directors of QGC.

DNEDSP Shares means QGC Shares issued pursuant to the Deferred Non-executive Director Share Plan.

EBIT means earning before interest and tax.

EBITDA means earnings before interest, tax, depreciation and amortisation.

EESP Shares means QGC Shares issued pursuant to the Exempt Employee Share Plan.

Employee Share Option Plan means the plan of that name, as operated by QGC.

Exempt Employee Share Plan means the plan of that name, as operated by QGC.

Fairway means a region in the Surat Basin where the depth to the top of the Walloon Subgroup is between 150m and 600m and the coals display optimal potential for CSG production.

FEED means Front End Engineering Design.

Field (or gasfield) means an area containing single or multiple gas reservoirs.

Final Investment Decision means a determination by QGC and BG Group regarding their proposed investment in Queensland Curtis LNG.

HIN means a Holder Identification Number, which is the number that starts with an "X", allocated by a Controlling Participant, to identify a QGC Shareholder with a CHESS Holding.

IPL means Incitec Pivot Limited and, as applicable, its related bodies corporate.

Issuer Sponsored Holding means a holding of QGC Shares on QGC's issuer sponsored subregister.

LNG means liquefied natural gas.

Long Term Incentive Plan means the plan of that name, as operated by QGC.

Long Term Retention Initiative means the initiative of that name, as operated by QGC.

LTI Rights means rights to Options or DESP Shares granted pursuant to the Long Term Incentive Plan.

LTI Rights Cancellation Deed means a deed (in the form agreed by the LTI Rights Holder, BG Group and QGC) pursuant to which the LTI Rights Holder agrees to forego his or her LTI Rights for the LTI Rights Consideration.

LTI Rights Consideration means:

- (a) for each LTI Rights to acquire a QGC Share, the Offer Price; and
- (b) for each LTI Right to be granted an Option, the Offer Price less the exercise price of that Option.

LTI Rights Holder means each person who has LTI Rights.

LTR Rights means the rights to DESP Shares granted pursuant to the Long Term Retention Incentive.

LTR Rights Cancellation Deed means a deed (in the form agreed by the LTR Rights Holder, BG Group and QGC) executed by each LTR Rights Holder and QGC pursuant to which the LTR Rights Holder agrees to forego his or her LTR Rights in return for the LTR Rights Consideration.

LTR Rights Consideration means an obligation on QGC to pay the Offer Price to an LTR Rights Holder in lieu of the issue of each QGC Share which QGC would otherwise have been liable to issue to the LTR Rights Holder in accordance with the vesting criteria of the LTR Rights.

LTR Rights Holder means each person who has LTR Rights.

MW means megawatts.

National Electricity Market means a wholesale market for electricity supplies on Australia's eastern seaboard, which commenced operating on 13 December 1998.

NSAI means Netherland, Sewell & Associates Inc.

Offer Period means the period commencing on 12 November 2008 and ending at the close of trade on 15 December 2008, or such later date to which the BG Offer is extended.

Offer Price means \$5.75 per QGC Share.

Option means an option to acquire QGC Shares granted pursuant to the Employee Share Option Plan.

Option Cancellation Deed means a deed (in the form agreed by the Option Holder, BG Group and QGC) executed by each Option Holder and QGC pursuant to which the Option Holder agrees to the cancellation of each Option held by him or her in return for the Option Consideration.

Option Consideration in respect of an Option means a cash amount equal to the Offer Price less the exercise price for that Option.

Option Holder means each person who has Options.

Origin means Origin Energy CSG Limited and, as applicable, its related bodies corporate.

PEL means a petroleum exploration licence under the *Petroleum and Gas (Production and Safety) Act 2004 (Qld)*.

PJ means petajoule (being 1 x 10¹⁵ joules of energy).

PL means a petroleum lease under the *Petroleum and Gas (Production and Safety) Act 2004 (Qld)*.

PLA means an application for a PL.

PPL means a pipeline licence under the *Petroleum and Gas (Production and Safety) Act 2004 (Qld)*.

PPLA means a Pipeline Licence Application under the *Petroleum and Gas (Production and Safety) Act 2004 (Qld)*.

PPRL means petroleum production licence.

Prescribed Event means:

- (a) QGC converts all or any of its shares into a larger or smaller number of shares;
- (b) QGC or any of its Subsidiaries resolves to reduce its share capital in any way;
- (c) QGC or any of its Subsidiaries:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) QGC or any of its Subsidiaries:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make such an issue or grant such an option,

(excluding issues pursuant to QGC's takeover offers for Sunshine and Roma or compulsory acquisition of Sunshine and Roma or the grant or exercise of Options or the issue of QGC Shares in connection with LTI Rights or LTR Rights granted prior to the date of the BIA);
- (e) QGC or any of its Subsidiaries issues, or agrees to issue, convertible notes;
- (f) QGC or any of its Subsidiaries disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) QGC or any of its Subsidiaries charges, or agrees to charge, the whole, or a substantial part of, of its business or property;
- (h) QGC or any of its Subsidiaries resolves to be wound up;
- (i) a liquidator or provisional liquidator of QGC or any of its Subsidiaries is appointed;
- (j) a court makes an order for the winding up of QGC or any of its Subsidiaries;
- (k) an administrator of QGC or any of its Subsidiaries is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (l) QGC or any of its Subsidiaries executes a deed of company arrangement;
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of QGC or any of its Subsidiaries,

provided that a Prescribed Event listed in paragraphs (a) to (m) above will not occur where QGC has first consulted with BG Group in relation to the event and BG Group has approved the proposed event.

PRL means petroleum retention licence.

PSL means petroleum survey licence.

QGC means the target, Queensland Gas Company Limited ACN 089 642 553.

QGC Board means the board of Directors of QGC.

QGC Group means QGC and each of its Subsidiaries.

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

QGC Shareholder means a registered holder of QGC Shares.

Queensland Curtis LNG means a project announced jointly by QGC and BG Group on 3 February 2008 which involves the construction of an LNG facility on the Queensland coast.

Reserve means a Reserve as defined in the SPE-PRMS.

Roma means Roma Petroleum NL ACN 006 018 979.

Sentient Group means each of Sentient Executive GP I Limited, Sentient Executive GP II Limited and Sentient (Aust) Pty Limited.

SPE-PRMS means the Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers.

SRN means a Securityholder Reference Number, which is the number which starts with an "I", allocated by QGC to identify a QGC Shareholder with an Issuer Sponsored Holding.

Subsidiaries has the meaning given to that term in the Corporations Act.

Sunshine means Sunshine Gas Limited ACN 098 563 663.

Superior Proposal means a publicly announced Competing Transaction which the QGC Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and
- (b) if completed substantially in accordance with its terms would result in a transaction more favourable to QGC Shareholders than the BG Offer.

Surat Basin means sedimentary basin of Jurassic to Cretaceous age in southern Queensland and northern New South Wales.

T + 3 means settlement occurs on the third Business Day (except where that day is a non-settlement day) after the date of a transaction in accordance with ASX practice.

Target's Statement means this document, prepared by QGC in response to the Bidder's Statement.

Tenement means an ATP, PEL, PL, PLA, PPL, PPLA, PPRL, PRL or PSL (depending on the context).

TJ means terajoule, (being 1×10^9 joules of energy).

Trading Day has the meaning given to that term in the ASX Listing Rules.

Voting Directors means, in respect of the period from the Announcement Date to (and including) 5 November 2008 (when those Directors nominated by AGL resigned), each Director excluding those nominated by AGL and, in respect of the period after 5 November 2008, each Director.

VWAP means the volume weighted average price of a security.

Walloon Subgroup means a collection of rock formations in the Surat Basin which contains abundant coal seams and is of middle Jurassic age.

11.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) a reference to time is a reference to Sydney time;
- (b) headings are for convenience only and do not affect interpretation;
- (c) the singular includes the plural and conversely;
- (d) a reference to a section is a reference to a section of this Target's Statement;
- (e) a gender includes all genders;
- (f) where a word or phrase is defined, its grammatical forms have a corresponding meaning;
- (g) A\$, \$ or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (h) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (i) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including but not limited to, persons taking by novation) and assigns;
- (j) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (k) a reference to any instrument or document includes any variation or replacement of it;
- (l) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be;
- (m) a reference to a right or obligation on any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually; and
- (n) a reference to 'you' is a person to whom the BG Offer is made.

CORPORATE DIRECTORY

Company

Queensland Gas Company Limited

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www.qgc.com.au

Directors

Robert Bryan – Chairman
Richard Cottee – Managing Director
Frank Connolly – Non-executive Director
Dale Elphinstone – Non-executive Director
Peter Cassidy – Non-executive Director
Tim Crommelin – Non-executive Director
Vincent De Santis – Alternate Director
Michael de Leeuw – Alternate Director
Martin Houston – Alternate Director

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