

Form 603

Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name **Sydney Gas Limited**

ACN 003 324 310

1. Details of substantial holder (1)

Name **AJ Lucas Group Limited**

ACN 060 309 104

The holder became a substantial holder on 05/02/2008

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
ORDINARY SHARES	61,802,102	61,802,102	15.35%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
AJ Lucas Group Limited	The relevant interest was acquired via a number of on-market purchases of fully paid ordinary shares – see annexure	9,296,437 ordinary shares
AJ Lucas Group Limited	Relevant interest was acquired via an off-market purchase of fully paid ordinary shares under a subscription agreement	52,505,665 ordinary shares

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
AJ Lucas Group Limited	AJ Lucas Group Limited	AJ Lucas Group Limited	61,802,102 ordinary shares

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
AJ Lucas Group Limited	See annexure	\$3,264,651.98	-	9,296,437 ordinary shares
AJ Lucas Group Limited	05/02/2008	\$17,851,926.10	-	52,505,665 ordinary shares

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
AJ Lucas Group Limited	157 Church Street, Ryde, New South Wales, 2112

Signature

print name **Nicholas Swan** Capacity Company Secretary

sign here



Date 13 / 02 / 2008

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of 'associate' in section 9 of the Corporations Act 2001.
- (3) See the definition of 'relevant interest' in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.

- (7) Include details of:
- (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of 'relevant agreement' in section 9 of the Corporations Act 2001.

- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write 'unknown'.
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

ANNEXURE

The dates of acquisition and consideration paid for each relevant interest acquired via on-market purchases and referred to in paragraphs 3 and 5 of the notice, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant Interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
AJ Lucas Group Limited	21/11/07	\$38,381.74		93,614 ordinary shares
AJ Lucas Group Limited	28/11/07	\$12,994.95		31,695 ordinary shares
AJ Lucas Group Limited	29/11/07	\$49,032.31		119,591 ordinary shares
AJ Lucas Group Limited	3/12/07	\$89,841.60		224,604 ordinary shares
AJ Lucas Group Limited	4/12/07	\$202,438.91		508,535 ordinary shares
AJ Lucas Group Limited	5/12/07	\$85,808.48		217,512 ordinary shares
AJ Lucas Group Limited	6/12/07	\$9,936.00		24,840 ordinary shares
AJ Lucas Group Limited	7/12/07	\$1,007,084.48		2,515,196 ordinary shares
AJ Lucas Group Limited	18/01/08	\$832,600.00		2,500,000 ordinary shares
AJ Lucas Group Limited	21/01/08	\$126,236.08		400,000 ordinary shares
AJ Lucas Group Limited	22/01/08	\$103,800.03		361,000 ordinary shares
AJ Lucas Group Limited	23/01/08	\$600,000.00		2,000,000 ordinary shares
AJ Lucas Group Limited	24/01/08	\$72,470.01		243,000 ordinary shares
AJ Lucas Group Limited	25/01/08	\$17,785.00		57,000 ordinary shares

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Deacons

Dated 1 February 2008

Share Subscription Agreement

Parties

SYDNEY GAS LIMITED
ACN 003 324 310

AJ LUCAS GROUP LIMITED
ACN 060 309 104

Contact

Deacons
225 George Street, Sydney, New South Wales
Telephone: +61 (0) 2 9330 8000
Website: www.deacons.com.au
Our ref: 2585784

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Agreement dated 1 February 2008

Parties **SYDNEY GAS LIMITED** ACN 003 324 310
of Level 11, 1 O'Connell Street, Sydney, New South Wales
(**Company**)

AJ LUCAS GROUP LIMITED ACN 060 309 104
of 157 Church Street, Ryde, New South Wales
(**Lucas**)

Introduction

- A. Lucas has agreed to subscribe for, and the Company has agreed to issue the Subscription Shares on the terms and conditions of this Agreement.

It is agreed

1. Definitions and interpretation

1.1 Definitions

In this Agreement:

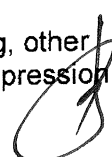
- (1) **Agreement** means this document, including any schedule or annexure to it;
- (2) **ASIC** means the Australian Securities & Investments Commission;
- (3) **ASX** means the Australian Stock Exchange Limited ABN 98 008 624 691;
- (4) **ASX Listing Rules** means the listing rules of the ASX;
- (5) **Business Day** means a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in the place where an act is to be performed or a payment is to be made;
- (6) **Corporations Act** means the Corporations Act 2001 (Cth);
- (7) **Encumbrances** means any mortgage, pledge, lien, hypothecation, charge or other form of security interest or interest in the nature of a security interest;

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- (8) **Issue Price** means \$0.34 per Share;
- (9) **Placement Term Sheet** means the term sheet signed by the parties on 11 January 2008 regarding, inter alia, the Placement Undertaking;
- (10) **Placement Undertaking** means Lucas's undertaking under the Placement Term Sheet to subscribe for the Subscription Shares at an issue price of \$0.38;
- (11) **Shares** means fully paid ordinary shares in the capital of the Company;
- (12) **Subscription Amount** means \$17,851,926.10;
- (13) **Subscription Date** means 4 February 2008
- (14) **Subscription Shares** means 52,505,665 Shares;

1.2 Interpretation

- (1) Reference to:
 - (a) one gender includes the others;
 - (b) the singular includes the plural and the plural includes the singular;
 - (c) a person includes a body corporate;
 - (d) a party includes the party's executors, administrators, successors and permitted assigns;
 - (e) a statute, regulation or provision of a statute or regulation (**Statutory Provision**) includes:
 - (i) that Statutory Provision as amended or re-enacted;
 - (ii) a statute, regulation or provision enacted in replacement of that Statutory Provision; and
 - (iii) another regulation or other statutory instrument made or issued under that Statutory Provision; and
 - (f) money is to Australian dollars, unless otherwise stated.
- (2) "Including" and similar expressions are not words of limitation.
- (3) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.



- (4) Headings and any table of contents or index are for convenience only and do not form part of this Agreement or affect its interpretation.
- (5) A provision of this Agreement must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement.
- (6) If an act must be done on a specified day which is not a Business Day, it must be done instead on the next Business Day.

2. Subscription

2.1 Lucas must on the Subscription Date:

- (1) subscribe for the Subscription Shares at the Issue Price for the total Subscription Amount; and
- (2) provide the Subscription Amount to the Company in immediately available funds.

2.2 Subject to Lucas complying with its obligations under clause 2.1, the Company will:

- (1) allot and issue the Subscription Shares to Lucas and/or its nominees;
- (2) deliver a certificate or holding statement for the Subscription Shares in the name of Lucas and/or its nominees to Lucas and/or its nominees (as appropriate);
- (3) enter Lucas's and/or its nominees' (as appropriate) name as the registered holder of the Subscription Shares in the register of members of the Company or ensure that the Company's Share Registry does so; and
- (4) apply to ASX for quotation of the Subscription Shares.

3. Subscription Shares

3.1 The Subscription Shares will be issued free of Encumbrances and will rank pari passu in all respects with the then existing ordinary shares on issue in the capital of the Company.

3.2 Lucas acknowledges that:

- (1) the Company is making a private placement of the Subscription Shares to Lucas; and



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- (2) the issue of the Subscription Shares to Lucas falls within section 708 of the Corporations Act and the Company will not be preparing or lodging a disclosure document with the ASIC in connection with the issue of the Subscription Shares.

4. Release from Placement Undertaking

- 4.1 Subject to Lucas complying with its obligations under this Agreement, the Company releases Lucas from its obligations in relation to the Placement Undertaking.

5. Termination

- 5.1 Either party (**Terminating Party**) may terminate this Agreement (without prejudice to its other rights and remedies under this Agreement or at law) at any time by notice in writing to the other party (**Defaulting Party**), provided the Terminating Party is not in breach of its obligations under this Agreement, if:

- (1) the Defaulting Party fails to perform any provision of this Agreement;
- (2) the Defaulting Party becomes an Externally-administered Body Corporate under the Corporations Act;
- (3) steps are taken by any person towards making Lucas an externally-administered body corporate;
- (4) a controller (as defined in section 9 of the Corporations Act) is appointed of any of the property of the Defaulting Party or any steps are taken for the appointment of such a person;
- (5) Lucas is taken to have failed to comply with a statutory demand within the meaning of section 459F of the Corporations Act; or

- 5.2 If:

- (a) an injunction is issued by a court of competent jurisdiction which expressly or by necessary implication restrains any party from carrying out any obligation under this Agreement; or
- (b) any person (other than the Company and Lucas) brings any proceedings before any court of competent jurisdiction seeking an order for the imposition of damages or other relief in connection with, or as a result of, the performance of this Agreement or the transactions contemplated by it.



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the Company or Lucas may terminate this Agreement by notice in writing to the other party.

5.3 Termination of this Agreement under clause 5.2 is not a breach of this Agreement by any party.

6. Confidentiality

6.1 The parties acknowledge that the existence and terms of, and the identity of the parties to, this Agreement are strictly confidential (**Confidential Information**).

6.2 Except as stated in this Agreement, each party must not and must not permit any of its officers, employees, agents, contractors or related bodies corporate to disclose any Confidential Information to any person, other than its professional advisers or as required by law (including the ASX Listing Rules), without the prior written consent of the party to whom the Confidential Information relates.

6.3 If a party is required to disclose any Confidential Information by law (including the ASX Listing Rules), it must consult with the other party before making the disclosure and use reasonable endeavours to agree on the form and content of the disclosure.

6.4 This clause 6:

- (1) operates for the benefit of all parties; and
- (2) continues despite the termination of this Agreement.

7. Further assurance

7.1 Each party must promptly at its own cost do all things (including executing and if necessary delivering all documents) necessary or desirable to give full effect to this Agreement.

8. Entire understanding

8.1 This Agreement:

- (1) is the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement; and
- (2) supersedes any prior agreement or understanding on anything connected with that subject matter.



9. Variation

9.1 An amendment or variation to this Agreement is not effective unless it is in writing and signed by the parties.

10. Waiver

10.1 A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.

10.2 The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right.

10.3 A waiver is not effective unless it is in writing.

10.4 Waiver of a power or right is effective only in respect of the specific instance to which it relates and for the specific purpose for which it is given.

11. Costs and outlays

11.1 Each party must pay its own costs and outlays connected with the negotiation, preparation and execution of this Agreement.

12. Notices

12.1 A notice or other communication connected with this Agreement (**Notice**) has no legal effect unless it is in writing.

12.2 In addition to any other method of service provided by law, the Notice may be:

- (1) sent by prepaid post to the address of the addressee set out in this Agreement or subsequently notified;
- (2) sent by facsimile to the facsimile number of the addressee; or
- (3) delivered at the address of the addressee set out in this Agreement or subsequently notified.

12.3 If the Notice is sent or delivered in a manner provided by clause 12.2, it must be treated as given to and received by the party to which it is addressed:

- (1) if sent by post, on the 2nd Business Day (at the address to which it is posted) after posting;



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- (2) if sent by facsimile before 5pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
- (3) if otherwise delivered before 5pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.

12.4 Despite clause 12.3(2):

- (1) a facsimile is not treated as given or received unless at the end of the transmission the sender's facsimile machine issues a report confirming the transmission of the number of pages in the Notice;
- (2) a facsimile is not treated as given or received if it is not received in full and in legible form and the addressee notifies the sender of that fact within 3 hours after the transmission ends or by 12 noon on the Business Day on which it would otherwise be treated as given and received, whichever is later.

12.5 A Notice sent or delivered in a manner provided by clause 12.2 must be treated as validly given to and received by the party to which it is addressed even if:

- (1) the addressee has been liquidated or deregistered or is absent from the place at which the Notice is delivered or to which it is sent; or
- (2) the Notice is returned unclaimed.

12.6 Any Notice by a party may be given and may be signed by its solicitor.

12.7 Any Notice to a party may be given to its solicitor by any of the means listed in clause 12.2 to the solicitor's business address or facsimile number.

13. Governing law and jurisdiction

13.1 The law of New South Wales governs this Agreement.

13.2 The parties submit to the non-exclusive jurisdiction of the courts of New South Wales and of the Commonwealth of Australia.

Executed as an agreement.

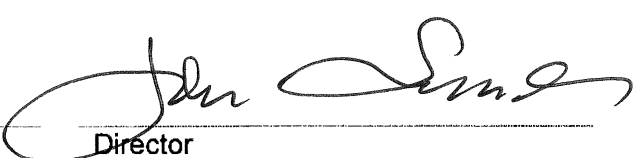
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Executed by **Sydney Gas Limited**
ACN 003 324 310 in accordance with
section 127 of the *Corporations Act*
2001:

Director/company secretary


RAYMOND FUNG
Name of director/company secretary
(BLOCK LETTERS)

Director


JOHN SAUNDERS
Name of director
(BLOCK LETTERS)

Executed by **AJ Lucas Group**
Limited ACN 060 309 104 in
accordance with section 127 of the
Corporations Act 2001:

Director/company secretary


NEW SWAN
Name of director/company secretary
(BLOCK LETTERS)

Director


AS CAMPBELL
Name of director
(BLOCK LETTERS)