

23 February 2010

JOINT ASX ANNOUNCEMENT

CLOUGH AND FORGE CREATE LONG TERM STRATEGIC ALLIANCE

CLOUGH TO TAKE STRATEGIC POSITION IN FORGE, \$19.5M PLACEMENT AND 50% CASH PROPORTIONAL TAKEOVER OFFER

- **Clough and Forge have agreed to create a Strategic Alliance which provides the foundation for long-term strategic co-operation between the companies.**
- **Clough to become cornerstone investor in Forge – potential investment range of \$55-98 million.¹**
- **Targeting substantial increases in project revenues for both companies with material positive impact on earnings.**
- **Key transaction components include:**
 - **Clough investing approximately \$19.5m in Forge via a 15% share placement (“Placement”) subject to shareholder approval.**
 - **On Placement approval and completion, Clough intends to make a proportional cash takeover offer at \$2.10 per share to all existing Forge shareholders for 50% of their shares in Forge (“Offer”).**
 - **Clough to become a cornerstone investor in Forge with a potential shareholding of 31%-56.5%, depending on Offer acceptance level.²**
 - **Strategic Alliance Agreement between the companies to leverage complementary services in the oil and gas, mining and civil infrastructure sectors.**
- **Supported by Forge’s Board of Directors and major shareholders in the absence of a superior proposal.**

The Boards of Clough Limited (“**Clough**”, **ASX: CLO**) and Forge Group Limited (“**Forge**”, **ASX: FGE**) are pleased to announce the intention to create a new Strategic Alliance to jointly target project opportunities in the LNG / oil and gas sectors and to support Forge’s anticipated continued growth.

The Strategic Alliance will be underpinned by Clough becoming a cornerstone shareholder in Forge, creating an alignment of interests that aims to generate substantial benefits for both companies in FY11 and beyond through a material, positive impact on their earnings.

The Strategic Alliance and cornerstone shareholding will be facilitated through a series of transactions for a potential maximum investment by Clough of approximately \$98 million.

¹ Subject to: (i) Forge shareholder approval of the Placement to Clough; (ii) the 50% proportional takeover offer by Clough being made and becoming unconditional; (iii) the level of acceptances under the Offer; and (iv) the acquisition of 3 million Forge options from existing Forge optionholders.

² Also subject to Forge shareholder approval of the placement to Clough.

The Strategic Alliance will formally be triggered in various circumstances, including when Clough's interest in Forge reaches 31% or the Offer is declared unconditional by Clough.

Clough and Forge believe the Strategic Alliance will allow both companies to leverage their complementary expertise and to capitalise on significant growth opportunities in the oil and gas, mining and civil infrastructure sectors. Key target markets are Australasia and West Africa.

This provides compelling logic for the transactions, immediately and in the long term.

The Placement has the unanimous support of the Forge Board of Directors and is recommended by them to Forge shareholders, in the absence of a superior proposal.

It also has the support of several major shareholders of Forge who have entered into agreements with Clough to facilitate the transaction.

Upon completion of the Placement, Clough intends to nominate John Smith, Chief Executive Officer of Clough, to the Board of Forge, adding substantial experience and capability to the Forge Board. The appointment will take effect following completion of the Offer.

In addition, a new Independent Non-Executive Chairman will be appointed to the Board in due course.

Transaction Rationale, Strategic Alliance Agreement and Benefits

The proposed transactions provide both companies with access to growth and operational benefits that the companies believe would not otherwise be available if they continued to operate in isolation.

As reported to the market in August 2009, Forge has been seeking a major strategic partner to provide corporate and operational capability to support and accelerate its next phase of growth. The transaction with Clough meets Forge's objectives to strengthen its balance sheet to pursue growth and acquisition opportunities while allowing Forge to retain a multi-market focus.

For Clough, the transaction provides complementary construction capabilities to its existing engineering-led EPC service offering.

The Strategic Alliance Agreement provides an operational framework to deliver the expected benefits and facilitate long-term strategic co-operation between the companies. In practice, this includes:

- immediate access for Forge, on a commercial basis, to Clough's proven project management, resources and control systems to accelerate and support Forge's individual growth strategy;
- identification of mutually advantageous partnering opportunities while continuing to act independently in the provision of services in the markets in which they operate;
- Forge becoming Clough's partner of choice in construction activities that align with Forge's capability and capacity; and
- Clough assisting Forge to identify and assess acquisition opportunities which complement Forge's strategic growth plan.

All of Forge's management team is being retained and augmented in co-operation with Clough. In addition, it is anticipated that a senior Clough executive will join Forge's executive management team.

Complementary Growth Opportunities

Clough Chief Executive Officer John Smith said Clough was excited by the opportunities presented by the new Strategic Alliance.

"The potential of this win-win relationship will accelerate the opportunities for both parties, individually and in partnership, to participate in future project spend," said Mr Smith.

"Forge has demonstrated its ability to deliver both operationally and financially and its proven engineering and construction capabilities are complementary to our own capabilities.

"We believe we have here a unique blend of skills and expertise, sitting on top of an unprecedented time and place opportunity.

"Clough's focus will remain on oil and gas. On a case by case basis Clough and Forge will work together to provide clients a greatly enhanced Engineering, Procurement and Construction ("EPC") capability and capacity relative to the oil and gas market, in particular for domestic, conventional LNG and coal seam gas projects."

Forge Managing Director Peter Hutchinson said the Clough proposal represented an outstanding opportunity for Forge to capture additional value from the current market activity.

"Forge has grown substantially in the two and a half years since listing on the ASX and the time is right to partner with a major contractor to take our business to the next level.

"We have performed very strongly to date and recognised last year that we needed the support of an experienced major contractor to effectively build revenue and earnings in the immediate and longer term.

"We have considered a number of alternatives and believe that Clough is the best fit for the Forge business.

"Clough is a highly respected engineering led EPC contractor both locally and internationally with a strong oil and gas engineering focus and proven expertise which exactly fit our stated requirements.

"We are pleased that the Board of Forge is able to recommend a series of transactions with Clough that significantly strengthens our balance sheet in the short term, but which will also deliver long term value for shareholders through a large strategic partner.

"Under the terms of the proposed Offer, all Forge shareholders will have opportunity to sell 50% of their holding in Forge to Clough should they wish to do so. Equally, our shareholders have the choice not to accept the Offer and to retain their shareholding in Forge."

Key Transaction Terms

- Clough to subscribe for approximately 10.25m Forge shares at \$1.90 per share (for approximately \$19.5m), subject to Forge shareholder approval.
- Subject to shareholder approval and completion of the Placement, Clough intends to make a proportional cash takeover offer at \$2.10 per share to all existing Forge shareholders for 50% of their shares in Forge.³
- The Forge Directors⁴ and certain Forge shareholders (“**Major Shareholders**”) holding approximately 41.9% of the issued shares of Forge intend to vote in favour of the Placement and accept the Offer in the absence of a superior proposal. If the Placement is approved and the Forge Directors and Major Shareholders accept into the Offer (and it becomes unconditional), Clough will acquire a total interest of 31% in Forge.
- Clough and Forge have entered into a Strategic Alliance Agreement that provides a foundation for long-term strategic co-operation. This includes Clough providing Forge with access to its resources, processes and systems through a services agreement. The key alliance principles under the agreement become effective on certain triggers, including Clough obtaining 31% of Forge or the Offer being declared unconditional.
- Clough has also agreed to offer to acquire 50% of all unlisted options held by Forge Option Holders at \$1.75 per option (being the same price as the Offer less the option exercise price). The Executive Directors, Messrs Peter Hutchinson and Andrew Ellison, have agreed to sell 50% of their options (totaling 3 million options) with settlement of this acquisition subject to the Offer being declared unconditional.
- Clough has entered into call option agreements with the Major Shareholders in respect of 19.99% of the issued shares of Forge at a price of \$2.10 per share. If the Placement is approved and completed, the agreements automatically reduce to approximately 6.96% of Forge’s issued shares.
- The proposed Offer will be made to all Forge shareholders so that they all have equal opportunity to sell 50% of their holdings in Forge should they wish to do so.
- Forge Directors have stated their intention to accept the Offer in relation to the shares they hold and intend to recommend shareholders accept the Offer in the absence of a superior offer and subject to an independent expert concluding the Offer is reasonable.
- If the pre-conditions to making the Offer are satisfied, the Offer itself will be subject to certain conditions being fulfilled (“**Conditions**”) which are set out in Appendix A, including third party consents from existing clients of Forge where required and a minimum acceptance condition of 31% of the issued shares in Forge.

³ Also subject to certain conditions not being triggered on or before the date of making the Offer.

⁴ Other than the independent non-executive Director who holds no Forge shares.

Forge Director Recommendations

The Forge Directors are very supportive of the proposed transactions with Clough. In addition to the strategic benefits, Forge shareholders are able to retain some or all of their holdings in Forge at their discretion and share in the future upside and growth of Forge going forward. The Forge Directors believe this upside is significantly more likely to be realised through the proposed transactions with Clough than without this partnership.

The Forge Directors unanimously recommend Forge shareholders vote in favour of the Placement in the absence of a superior proposal. Forge Directors also unanimously recommend Forge shareholders accept the Offer in the absence of a superior proposal and subject to the independent expert concluding the Offer is reasonable.

Shareholder Support

The Major Shareholders holding 41.9% in aggregate of the issued capital of Forge intend to vote in favour of the Placement and to accept into the Offer in the absence of a superior proposal. Clough has entered into call option agreements with certain Forge shareholders in respect of 19.99% of the issued shares of Forge at a price of \$2.10 per share.

Shareholder Documentation and Indicative Timetable

Forge will send to shareholders a Notice of Meeting with an Explanatory Statement providing comprehensive information in relation to the proposed Placement, including the reasons for the Directors' recommendations and the benefits to Forge and its shareholders. The meeting is expected to be held on or about 6 April 2010.

If the Placement is approved by Forge shareholders, Clough's Bidder's Statement and Forge's Target's Statement will be sent to all Forge shareholders. The Target's Statement will include Forge Directors' recommendations and an Independent Expert's Report so that shareholders are fully informed when making a decision as to whether to accept the Offer.

The indicative timetable for the implementation of the above transactions is set out below. Note the approval of the Placement is a pre-condition to the Offer proceeding. This is not a legal requirement and Clough reserves its right to waive this condition.

Event	Target Date
Notice of Meeting and Explanatory Statement in relation to Placement sent to Forge Shareholders	5 March 2010
Lodgment of Bidder's and Target's Statements with ASX and ASIC	6 April 2010
Meeting of Forge Shareholders to consider Placement	6 April 2010
Expected dispatch of Bidder's and Target's Statements to Forge Shareholders (if Placement is approved)	9 April 2010
Expected opening of Offer	9 April 2010
Earliest date Offer can close	11 May 2010
The above timetable is indicative only and may vary.	

Key Transaction Documentation

Clough, Forge, certain Forge Directors and the Major Shareholders have entered into a series of agreements to effect the proposed transactions. A summary of the key terms of each of these agreements is attached at Appendix B.

Advisers

Blackswan Equities is acting as corporate adviser to Forge and Blakiston & Crabb is acting as legal adviser to Forge.

Euroz Securities Limited is acting as corporate adviser to Clough and Blake Dawson is acting as legal adviser to Clough.

Further information

For further information, please contact:

Clough Contacts

John Smith
Chief Executive Officer
Clough Limited
08 9281 9407

John McGlue/Shane Murphy
FD Third Person
08 9386 1233
0417 926 915 / 0420 945 291

Forge Contacts

Peter Hutchinson
Managing Director
Forge Limited
08 6222 6400

Warrick Hazeldine / Ryan McKinlay
Purple Communications
08 6314 6300
0417 944 616 / 0408 347 282

ABOUT CLOUGH

Established in 1919, Clough delivers an integrated Engineering, Procurement and Construction service primarily to oil and gas projects in Australia, South East Asia and the USA. The Group's services range from concept development through design, construction, installation, commissioning, operations and maintenance.

Backed by an experienced management team, over 2,000 personnel around the world and sophisticated project management systems, we are recognised for our commitment to safety, sustainable development and the wellbeing of the people, communities and environments in which we operate.

For more about Clough visit www.clough.com.au

ABOUT FORGE

Forge Group Limited (ASX: FGE) is a Western Australian based public company. Its core business is engineering, construction, management and maintenance, particularly for the resource and oil and gas sectors. Listed on the ASX in 2007, the Company has established operations in WA and West Africa, with more than 550 staff and a suite of blue chip clients including Woodside, BHP Billiton, Rio

Tinto, Newmont and Goldfields. Forge provides a “whole of life” engineering, construction and asset management service to clients, through three wholly owned subsidiaries:

Cimeco: provides a complete suite of construction services to the resources industry including civil and concrete, mechanical, electrical and maintenance services.

Abesque Engineering: is a specialist provider of engineering design, construction and project management services to the resource and oil and gas sectors.

Webb Construction: based in Ghana for more than 15 years, Webb provides a comprehensive mine and project construction service to the resource sector in West Africa.

For more about Forge visit www.forgegroup.com.au

Appendix A

Conditions to the Offer

1. Minimum acceptance condition

At or before the end of the Offer Period, Clough has a relevant interest in more than 31% (by number) of the Forge Shares on issue at that time.

2. No prescribed occurrences

None of the following events happen during the Condition Period:

- (a) Forge or a subsidiary of Forge converting all or any of its shares into a larger or smaller number of shares;
- (b) Forge or a subsidiary of Forge resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) Forge or a subsidiary of Forge:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Forge or a subsidiary of Forge issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than pursuant to the exercise of a Forge Option in accordance with its terms (save for the exercise of a Forge Option the subject of an Option Acquisition Deed) or the issue of Forge Shares to Clough pursuant to the Implementation Agreement;
- (e) Forge or a subsidiary of Forge issuing or agreeing to issue, securities or other instruments convertible into shares or debt securities;
- (f) Forge or a subsidiary of Forge disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) Forge or a subsidiary of Forge charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) Forge or a subsidiary of Forge resolves to be wound up;
- (i) a liquidator or provisional liquidator of Forge or a subsidiary of Forge is appointed;
- (j) a court makes an order for the winding up of Forge or a subsidiary of Forge;
- (k) an administrator of Forge, or a subsidiary of Forge, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Forge, or a subsidiary of Forge, executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Forge or a subsidiary of Forge.

3. No action by Governmental Agency adversely affecting the Proportional Takeover Bid

During the Condition Period:

- (a) there is not in effect any preliminary or final decision, order or decree issued by a Governmental Agency;
- (b) no action or investigation is instituted, or threatened by any Governmental Agency with respect to Forge or any subsidiary of Forge; or
- (c) no application is made to any Governmental Agency (other than an application by Clough or any company within the Clough Group, an application under section 657G of the Corporations Act or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Proportional Takeover Bid),

in consequence of, or in conjunction with, the Proportional Takeover Bid, which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or may otherwise materially adversely impact upon, the making of the Proportional Takeover Bid or the completion of any transaction contemplated by the Proportional Takeover Bid or seeks to require the divestiture by Clough of any Forge Shares, or the divestiture of any assets by Forge or by any subsidiary of Forge or by any company within the Clough Group.

4. Approvals by Governmental Agency

During the Condition Period Clough receives all Approvals which are required by law or by any Governmental Agency:

- (a) to permit the Offers to be made to and accepted by Forge Shareholders in all applicable jurisdictions;
- (b) as a result of the Offers or the successful acquisition of the Forge Shares; and
- (c) which are necessary for the continued operation of the Business or of Forge and its subsidiaries,

and those Approvals are on an unconditional basis and remain in force in all respects and there is no notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals.

5. No material acquisitions, disposals, etc.

Except for any proposed transaction publicly announced by Forge before the Announcement Date, none of the following events occur during the Condition Period without the prior written consent of Clough:

- (a) Forge, or any subsidiary of Forge, acquires, offers to acquire or agrees to acquire (including by option agreement) one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$5,000,000, other than for matters in the nature of Construction Capex or an Operational Commitment (regardless of whether it involves expenditure in excess of \$1,000,000 in the case of Construction Capex or \$350,000 in the case of an Operational Commitment), or makes an announcement about such an acquisition;

- (b) Forge, or any subsidiary of Forge, disposes, offers to dispose or agrees to dispose, of one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$5,000,000, other than for matters in the nature of Construction Capex or an Operational Commitment (regardless of whether it involves expenditure in excess of \$1,000,000 in the case of Construction Capex or \$350,000 in the case of an Operational Commitment), or makes an announcement about such a disposal;
- (c) Forge, or any subsidiary of Forge, enters into, offers to enter into or announces that it proposes to enter into any joint venture or partnership involving a commitment of greater than \$1,000,000, or makes an announcement about such a commitment; or
- (d) other than in the ordinary course of business, Forge, or any subsidiary of Forge, incurs or commits to, or grants to another person a right the exercise of which would involve Forge or any subsidiary of Forge incurring or committing to any capital expenditure or liability for one or more related items of greater than \$500,000 (other than for matters in the nature of Construction Capex or an Operational Commitment) or makes an announcement about such a commitment.

6. No break/inducement fees

- (a) Subject to clause 6(b), during the Condition Period none of Forge, and any body corporate which is or becomes a subsidiary of Forge, pays or provides or agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:
 - (i) a takeover offer for Forge or any body corporate which is or becomes a subsidiary of Forge; or
 - (ii) any other proposal to acquire any interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, Forge or any body corporate which is or becomes a subsidiary of Forge, or to operate Forge as a single economic entity with another body corporate.
- (b) Clause 6(a) does not apply to a payment, benefit or agreement:
 - (i) for providing professional advisory services to Forge;
 - (ii) which is approved in writing by Clough;
 - (iii) which is approved by a resolution passed at a general meeting of Forge; or
 - (iv) which is made to, provided to, owed by or made with Clough.

7. Conduct of Forge's business

During the Condition Period, none of Forge, or any body corporate which is or becomes a subsidiary of Forge, without the written consent of Clough:

- (a) declares, or distributes any dividend (excluding the 2010 financial year fully franked interim dividend of two cents per Forge Share as announced on the Announcement Date), bonus or other share of its profits or assets;
- (b) issues or grants options over, or agrees to issue or grant options over, or otherwise makes any commitments regarding any shares or other securities, or alters its capital structure or the rights attached to any of its shares or other securities, or issues or agrees to issue any convertible securities;
- (c) makes any change in its constitution or passes any special resolution;
- (d) borrows or agrees to borrow any money (except for temporary borrowing from its bankers in the ordinary course of business);
- (e) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- (f) accepts as a settlement or compromise of any matter an amount that is at least \$350,000 less than the amount claimed by Forge;
- (g) has appointed any additional director to its board of directors whether to fill a casual vacancy or otherwise;
- (h) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date);
- (i) conducts its business otherwise than in the ordinary course;
- (j) has threatened or commenced against it any claims or proceedings in any court or tribunal which may result in damages or compensation payable greater than \$500,000 in aggregate;
- (k) executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to investigation under the *Australian Securities and Investments Commission Act 2001* (Cth) or any corresponding legislation;
- (l) creates or agrees to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property, other than for any hire purchase agreement or similar arrangement which is entered into after the Announcement Date in connection with the purchase of any single item of plant and

equipment for less than \$1,000,000 that is intended to be used exclusively for on-site constructions under a Construction Contract;

- (m) increases the total remuneration for its employees (other than its Senior Executives) by greater than a 6% overall increase in total remuneration costs incurred by Forge for that group as at the Announcement Date, or otherwise varies the employment arrangements with any of its employees;
- (n) increases the remuneration of any of its non-executive directors or the Senior Executives, or otherwise varies the employment arrangements with any of the Senior Executives or its arrangements with any of its non executive directors;
- (o) accelerates the rights of any of its non-executive directors, Senior Executives or employees to compensation or benefits of any kind (including under any Forge executive or employee share plans);
- (p) pays any of its non-executive directors, Senior Executives or employees a termination or retention payment (otherwise than in accordance with an existing contract in place at the Announcement Date);
- (q) enters into, or agrees to enter into, a Construction Contract, or enters into any contract where there is no cap on total liability or with a cap on liability that is greater than the value of the contracted margin;
- (r) incurs, or commits to incur, any Construction Capex;
- (s) enters into, or agrees to enter into, an Operational Commitment or a contract that is not in the ordinary course of business;
- (t) terminates or amends in a material manner a Construction Contract, Construction Capex, Operational Commitment or any other contract material to the conduct of the business of Forge and its subsidiaries;
- (u) waives any material third party default; or
- (v) makes any change to its accounting practices or policies, other than to comply with generally accepted Australian accounting standards and any domestically accepted international accounting standards or electing to form a consolidated group for the purposes of the *Income Tax Assessment Act 1997* (Cth).

8. Rights under certain agreements or instruments

During the Condition Period, no person exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which Forge or any of its subsidiaries is a party, or by or to which Forge or any of its subsidiaries or any of its assets or businesses may be bound or be subject, which results, or which could be reasonably expected to result, in:

- (a) any moneys borrowed by Forge or any of its subsidiaries being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;

- (b) any such agreement or other such instrument being terminated or modified or any action being taken or arising under such agreement or instrument;
- (c) the interest of Forge or any of its subsidiaries in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified;
- (d) all or substantially all of the assets of Forge or any of its subsidiaries being sold transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions; or
- (e) the business of Forge or any of its subsidiaries with any other person being adversely affected.

9. No material adverse change to Forge

During the Condition Period, no change occurs, is discovered or becomes public or becomes known to Clough (whether or not it becomes public) which has, or could reasonably be expected to have, a materially adverse effect on the business, assets, liabilities, financial or trading position, performance, profitability or prospects of Forge and its subsidiaries taken as a whole or of any of them, including (but not limited to):

- (a) any creditor demanding repayment of a debt of \$250,000 or more;
- (b) any act or omission which would adversely impact upon any title, licence, permit or other authority remaining, in good standing and in full force and effect; and
- (c) a diminution or prospective diminution in value of Forge's assets (including, without limitation, the assets, liabilities, financial position, financial performance, financial position, profitability or prospects of Forge or its subsidiaries) in aggregate of \$2,500,000 or more or an increase or prospective increase in actual or contingent liabilities in aggregate of \$2,500,000 or more.

10. Index decline

During the Condition Period, the S&P ASX200 Index does not close below 4,010 on any two consecutive trading days.

11. Option acquisition deed

During the Condition Period, a Nominated Forge Optionholder being in breach of any provisions of an Option Acquisition Deed.

12. Call option over shares agreements

During the Condition Period, a Forge Shareholder who is a party to a Call Option Over Shares Agreement being in breach of any provisions of that agreement.

Definitions

The following definitions apply in this Appendix A and Appendix B:

Acquisition means:

- (a) the purchase by Forge or any of its subsidiaries of an asset, business or security where the purchase price of that asset, business or security is paid, whether in whole or in part, through the allotment by Forge of Equity Securities to the vendor of that asset, business or security;
- (b) an off-market bid within the meaning of the Corporations Act made by Forge or any of its subsidiaries; or
- (c) a scheme of arrangement under Part 5.1 of the Corporations Act.

Announcement Date means the date the Proportional Takeover Bid is publicly announced.

Approval means a licence, authority, consent, approval, order, exemption, waiver, ruling or decision.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 trading as the Australian Securities Exchange.

Business means the business of project management, construction services and engineering design carried on by Forge as at the date of the Implementation Agreement.

Business Day means a weekday on which trading banks are open for business in Perth, Western Australia.

Call Option Over Shares means the call options over certain Forge Shares in favour of Clough contained in Call Option Over Shares Agreements.

Call Option Over Shares Agreements means the agreements dated on or about the Execution Date between Clough and Forge Shareholders which provide Clough with call options over certain Forge Shares.

Call Period means

- (a) if Subscription Completion occurs on or before 8 April 2010 and Clough makes the Offer, the period from the sixth Business Day after the first day of the Offer Period to the 6.00pm (Perth time) on the day which is 10 Business Days after the last day of the Offer Period;
- (b) if Subscription Completion occurs on or before 8 April 2010 and Clough does not make the Offer, the period of 10 Business Days from the day Clough publicly announces it does not intend to make the Offer;
- (c) if the Forge Shareholders do not approve the Subscription, the period of 10 Business Days commencing on the date of the shareholder meeting to approve the Subscription; or
- (d) if Subscription Completion does not occur for any reason on or before 8 April 2010 and the Call Period has not commenced under paragraph (c) above, the period of 10 Business Days from 8 April 2010.

Competing Proposal means:

- (a) any expression of interest, proposal or offer by any person (other than Clough or its associates) made in writing to Forge to evaluate or enter into any transaction (whether a scheme of arrangement, a takeover bid or otherwise) or under which, other than as required or contemplated by the Proportional Takeover Bid:

- i. that person (together with its associates) may acquire a relevant interest in 15% or more of the Forge Shares;
 - ii. that person may acquire, directly or indirectly (including by way of joint venture, dual listed company structure, strategic alliance or otherwise), any interest in all or a substantial part of the Business or assets of Forge; or
 - iii. that person may otherwise acquire control of, or merge or amalgamate with, Forge; or
- (b) any acquisition of, or agreement to acquire, a relevant interest in 15% or more of the Forge Shares by any person (other than Clough or its associates).

Condition Period means the period beginning on the Announcement Date and ending at the end of the Offer Period.

Conditions means the conditions which are set out in Appendix A to this announcement (and **Condition** means any one of them).

Construction Capex means capital expenditure in excess of \$1,000,000 on a single item of plant or equipment intended to be used exclusively for on-site construction operations under a Construction Contract.

Construction Contract means:

- (a) a construction contract or commitment;
- (b) a tender for a construction contract or commitment; or
- (c) a letter of intent for a construction contract or commitment, involving revenue or expenditure of more than \$25,000,000 over the term of the contract or commitment, but does not include any of (a) to (c) where they were entered into, submitted or received (or arise from any such matter, in each case, as appropriate) prior to the date of the Implementation Agreement.

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

Counterproposal means an offer by Clough to amend the terms of the Transaction or propose any other transaction.

Equity Security has the meaning given to that term in the Listing Rules.

Execution Date means the date upon which the last party to the Implementation Agreement executes the Implementation Agreement.

Fully Diluted Capital means the total number of Forge Shares plus the number of Forge Shares that would be issued on exercise or conversion of any Equity Securities (other than Forge Shares) which are on issue (or which Forge has agreed or proposes to agree to issue).

Clough means Clough Operations Pty Limited (ACN 109 444 279).

Clough Group means Parent and each of its subsidiaries (including Clough).

Clough Shareholder means:

- (a) Clough, if it beneficially holds Forge Shares; and
- (b) any member of the Clough Group who beneficially holds Forge Shares.

Implementation Agreement means the Placement and Bid Implementation Agreement between Clough, Forge and Parent executed on the Execution Date.

Forge means Forge Group Limited ABN 58 065 464 226.

Forge Board means the board of directors of Forge.

Forge Option means an option to subscribe for a new Forge Share, which option is on issue as at the Execution Date.

Forge Optionholder means each person who is registered in Forge's register of optionholders as a holder of a Forge Option.

Forge Shares means fully paid ordinary shares in Forge.

Forge Shareholders means the holders of Forge Shares.

Governmental Agency means any government or any governmental, semi-governmental, administrative, statutory or judicial entity, authority or agency, whether in Australia or elsewhere, including the Australian Competition and Consumer Commission (but excluding the Takeovers Panel, ASIC and any court that hears or determines proceedings under section 657G or proceedings commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Proportional Takeover Bid). It also includes any self-regulatory organisation established under statute or any stock exchange.

Listing Rules means the official listing rules of ASX.

Nominated Forge Optionholder means Seafire Holdings Pty Ltd ACN 087 510 861 and Molonglo Pty Ltd ACN 009 305 944.

Offer means each offer to acquire Forge Shares to be made by Clough to each Forge Shareholder under the Proportional Takeover Bid on terms consistent with the Implementation Agreement.

Offer Date means the date Clough's bidder's statement is first dispatched to Forge Shareholders or such other date agreed on in writing by the parties.

Offer Period means the period during which the Offer is open for acceptance.

Operational Commitment means a contract (other than for matters in the nature of a Construction Contract regardless of whether it involves revenue or expenditure of more than \$25,000,000) or commitment (other than for matters in the nature of Construction Capex regardless of whether it involves expenditure in excess of \$1,000,000) requiring payments over the term of the contract or commitment in excess of \$350,000.

Option Acquisition Deed means a deed (in the form agreed by the relevant Forge Optionholder and Clough) executed by certain Forge Optionholders and Clough on or about the date of the Implementation Agreement pursuant to which each such Forge Optionholder agrees, subject to the Offer becoming unconditional and the close of the Offer, to the transfer to Clough of 50% of Forge Options held by him or her in return for the consideration set out in that deed.

Parent means Clough Limited ACN 008 678 813.

Participation Exception means:

- (a) an issue of Forge Shares as a result of the exercise of options or other Equity Securities in Forge;
- (b) an issue of Forge Shares or other Equity Securities in Forge to employees, officers, consultants or directors of Forge pursuant to a compensation or incentive scheme established before the date of this document for the benefit of employees, officers, directors or consultants of Forge;
- (c) an issue of Forge Shares under a dividend reinvestment plan or bonus share plan of Forge which does not exclude participation by Clough; or
- (d) an issue of Forge Shares or other Equity Securities pursuant to an Acquisition.

Proportional Takeover Bid means an off-market takeover bid for 50% of each Forge Shareholder's Forge Shares to be implemented in accordance with Chapter 6 of the Corporations Act.

Senior Executives means the senior executives of Forge being each of Peter Hutchinson, Andrew Ellison, Greg McRostie, Brett Leyonhjelm, Richard Eden, Max Evans, James Todhunter, Michael Kenyon and Stefan Willett.

Standstill Period means a period of two years commencing on the date on which the condition to the Strategic Alliance Agreement is satisfied.

Subscription means the application by Clough to Forge for the allotment and issue of the Subscription Shares.

Subscription Completion means completion of the subscription for, and allotment and issue of, the Subscription Shares in accordance with the Implementation Agreement.

Subscription Completion Date means the later of:

- (a) two Business Days after satisfaction (or waiver) of the Subscription Conditions Precedent; and
- (b) any other date agreed in writing by Clough, Forge and Parent.

Subscription Conditions Precedent means the conditions precedent to Subscription Completion which are set out in the Implementation Agreement.

Subscription Shares means 10,257,262 fully paid Forge Shares.

Superior Proposal means a Competing Proposal that in the determination of the Forge Board acting in good faith:

- (a) is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and
- (b) in order to satisfy what the Forge Board considers to be its fiduciary or statutory duties would, if completed substantially in accordance with its terms, result in a transaction more favourable to Forge Shareholders than the Transaction, provided that an independent financial adviser has provided a written opinion to the Forge Board which supports the determination of the matters in paragraphs (a) and (b) above.

Transaction means the proposed subscription by Clough for the Subscription Shares and acquisition of 50% of Forge's issued share capital by Clough through implementation of the Proportional Takeover Bid in accordance with the terms of the Implementation Agreement.

TPA means the *Trade Practices Act 1974* (Cth).

APPENDIX B

Summary of Key Terms of Transaction Documents

Following is a brief summary of the key terms of the transaction documents.

PLACEMENT AND BID IMPLEMENTATION AGREEMENT (IMPLEMENTATION AGREEMENT)

1. Subscription

- (a) Clough has agreed to subscribe for 10,257,262 Forge Shares at \$1.90 per share.
- (b) Completion of the Subscription is subject to:
 - (i) the Forge Shareholders approving the Subscription at a general meeting; and
 - (ii) none of the Conditions (except the Condition in respect of minimum acceptance of the Offer) being triggered on or before the Subscription Completion Date.
- (c) Clough acknowledges and agrees that the Subscription Shares will not have any rights to receive the 2010 financial year interim fully franked dividend per Forge Share declared by Forge on or about the Execution Date.

2. Proportional Takeover Bid

- (a) Clough has agreed to make an off-market proportional takeover offer to all Forge Shareholders to acquire 50% of each Forge Shareholder's Forge Shares at \$2.10 per share, to be implemented in accordance with the Corporations Act.
- (b) Conditions precedent to Clough making the Offer are:
 - (i) Subscription Completion occurring; and
 - (ii) none of the Conditions (except the Condition in respect of minimum acceptance of the Offer) being triggered on or before the Offer Date.
- (c) The Offer will be subject to various conditions, including a minimum acceptance condition that at or before the end of the Offer Period, Clough has a relevant interest in more than 31% (by number) of the Forge Shares on issue at that time.

The conditions to the Offer are set out in full in **Appendix A**.
- (d) Prior to entering into the Implementation Agreement, Forge was advised by each of its directors that they intend to recommend acceptance of the Offer to Forge Shareholders subject to:
 - (i) there being no Superior Proposal; and
 - (ii) the independent expert commissioned by the Forge Board giving an opinion that the Proportional Takeover Bid is reasonable,

in the terms of the public announcement concerning the Proportional Takeover Bid accompanying this Appendix.

3. Exclusivity arrangements

(a) No shop

From the Execution Date to the day which is the end of the Offer Period, Forge must not, and must not authorise, permit or require any of its associates, agents or advisers to:

- (i) directly or indirectly solicit, invite, facilitate, encourage or initiate any enquiries, negotiations, discussions or proposal in relation to, or which might reasonably be expected to lead to, a Competing Proposal; or
- (ii) communicate to any person any intention to do any of these things.

(b) No talk

From the Execution Date to the Offer Date, Forge must not, and must not authorise, permit or require any of its associates, agents or advisers to:

- (i) directly or indirectly participate in any discussions or negotiations;
- (ii) enter into any agreement, arrangement or understanding; or
- (iii) communicate any intention to do any of these things,

with another person in relation to, or which might reasonably be expected to lead to, a Competing Proposal.

(c) Notice of Competing Proposal

Amongst other things and subject to certain exceptions, Forge must give Clough notice immediately upon becoming aware of any:

- (i) negotiations or discussions;
- (ii) approach or attempt to initiate any negotiations or discussions;
- (iii) intention to make such an approach or attempt to initiate any negotiations or discussions; or
- (iv) any request for information relating to Forge or the Business or any request for access to Forge's books and records, which Forge reasonably believes is made,

in respect of any expression of interest, offer or proposal that may lead to any Competing Proposal.

(d) Superior Proposal and fiduciary duties

Nothing referred to in paragraph (b) above prevents Forge, the Forge Board or any associates of Forge from doing or not doing anything with respect to a Competing Proposal in relation to any person, if:

- (i) the Forge Board has determined (in good faith and acting reasonably), after receiving written legal advice from its external legal counsel that to do so, or

not to do so, as the case may be, would constitute or would be likely to constitute a breach of any fiduciary or statutory duty of the members of the Forge Board; and

- (ii) the Competing Proposal is or can reasonably be considered to become a Superior Proposal,

provided that the Competing Proposal has not arisen as a consequence of a breach of the circumstances referred to in paragraphs (a) and (b) above.

(e) Matching right

If, at any time prior to completion of the Offer, Forge receives a proposal in relation to a Superior Proposal, the following provisions apply:

- (i) Forge must immediately give Clough notice in writing of that fact and that notice must provide all material details of the Superior Proposal, including details of the proposed acquirer; and
- (ii) if Forge gives Clough a notice in accordance with paragraph (e)(i) above:
 - (A) Forge agrees that it will not, until the end of the third Business Day following the receipt of that notice by Clough, enter into any legally binding agreement with respect to the Superior Proposal;
 - (B) Clough agrees that such notice and its contents are to be kept confidential and;
 - (C) Clough will have the right, but not the obligation, at any time until the end of the third Business Day following receipt of such notice to make a Counterproposal and, if Clough does so, the Forge Board must review the Counterproposal in good faith and in what the Forge Board considers is required to comply with its fiduciary and statutory duties, to determine whether the Counterproposal is more favourable to Forge Shareholders than the Superior Proposal and, if so, the parties must take steps to implement the Counterproposal.

4. Reimbursement of costs

(a) Payment by Forge to Clough

Provided that Clough has not failed to perform any material covenant required to be performed by Clough (and such failure remains unremedied) and no Clough representation and warranty is untrue in any material respect, Forge must reimburse Clough for the costs it has incurred by paying Clough \$700,000 if:

- (i) a Competing Proposal is made:
 - (A) the maker of the Competing Proposal (together with its associates) acquires a relevant interest in more than 15% of the Forge Shares; and
 - (B) the Competing Proposal becomes unconditional;

- (ii) the Forge Board fails to recommend unanimously the Proportional Takeover Bid or makes a public statement that it no longer supports the Proportional Takeover Bid or the Transaction, or any member of the Forge Board withdraws a recommendation previously made;
- (iii) the resolution to approve the issue of the Subscription Shares is not passed at the relevant general meeting; or
- (iv) if the rights and obligations of the parties terminate under the terms of the agreement (other than by reason of the non-fulfilment of a Condition set out in any of paragraphs 1, 3, 4, 8, 9, 10, 11, or 12 of Appendix A) or Clough validly terminates the Implementation Agreement (other than by reason of the non-fulfilment of a Condition set out in any of paragraphs 1, 3, 4, 8, 9, 10, 11, or 12 of Appendix A).

(b) Exceptions to payment under paragraph 4(a)

Forge is not obliged to make the payment referred to in paragraph 4(a) if:

- (i) Subscription Completion occurs and the Offer becomes unconditional;
- (ii) Clough (or its nominee) becomes the registered holder and beneficial owner of 19.99% or more of the issued ordinary share capital of Forge under the Transaction, by reason of the exercise by Clough of its rights under any one or more of the Call Option Over Shares Agreements, or because Subscription Completion occurs and the Clough exercises its rights under any one or more of the Call Option Over Shares Agreement;
- (iii) the independent expert commissioned by the Forge Board gives an opinion that the Proportional Takeover Bid is not fair and not reasonable; or
- (iv) Forge validly terminates the Implementation Agreement due to a material breach by Clough that remains unremedied for the period specified in the Implementation Agreement.

(c) Reduction to payment under paragraph 4(a)

If:

- (i) Subscription Completion does not occur; and
- (ii) Clough exercises its rights under the Call Option Over Shares Agreements to purchase some (but not all) of the Forge Shares the subject of the Call Option Over Shares Agreements and Clough (and/or its nominee) becomes the registered holder and beneficial owner of those Forge Shares under the relevant Call Option Over Shares Agreements,

the amount payable referred to in paragraph 4(a) will be reduced by a proportion which is equal to the proportion of the Forge Shares purchased by Clough (and/or its nominee) under the circumstances set out in sub-paragraph (c)(c) above bears to the total number of Forge Shares the subject of the relevant Call Option Over Shares Agreements.

(d) Payment by Clough to Forge

Provided that Forge has not failed to perform any material covenant required to be performed by Forge and such failure remains unremedied and no Forge representation and warranty is untrue in any material respect, if Forge validly terminates the Implementation Agreement due to a material breach by Clough that remains unremedied for the period specified in the Implementation Agreement, Clough must reimburse Forge for the costs it has incurred by paying Forge \$700,000.

(e) Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel, a Court or any other Governmental Agency that all or any part of the amount payable in accordance with paragraph 4(a) or paragraph 4(c) ("**Impugned Amount**"):

- (i) is unlawful;
- (ii) involves a breach of the duties of the Forge Board or the board of directors of Clough (as the case may be); or
- (iii) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then:

- (iv) Forge's or Clough' obligation (as the case may be) to pay the amount referred to in paragraph 4(a) or paragraph 4(c) respectively does not apply to the extent of the Impugned Amount; and
- (v) if Clough or Forge has received an Impugned Amount, it must refund it to the other within ten Business Days of the final determination being made.

STRATEGIC ALLIANCE AGREEMENT

5. Board nominations

- (a) For so long as the Clough Group holds in aggregate such number of Equity Securities which is not less than:
 - (i) 13% of the issued ordinary share capital of Forge at any time, Clough may nominate one person to be a member of the Forge Board (**Nominee Director**); and
 - (ii) 31% of the issued ordinary share capital of Forge at any time, Clough may nominate a person to be the independent chairman of the Forge Board, which is addition to the right it has to appoint a Nominee Director.
- (b) Forge will do all things necessary to procure the resignation of existing members of the Forge Board immediately prior to the appointments pursuant to a nomination referred to above so that at no time are there more than four members of the Forge Board.

- (c) Clough may by notice to Forge remove and replace the Nominee Director, but Clough does not have the right to remove or replace the independent chairman nominated as set out in paragraph 5(a)(ii) above.
- (d) Clough and Forge agree that during the Standstill Period, the Forge Board will consist of four persons, namely:
 - (i) an independent chairman;
 - (ii) a CEO and executive director;
 - (iii) an independent director; and
 - (iv) the Nominee Director.
- (e) If at any time during the Standstill Period the Clough Group holds in aggregate such number of Equity Securities which is greater than 60% of the issued ordinary share capital of Forge at any time, the agreement set out in paragraph 5(d) will cease to apply.

6. Participation rights

- (a) Forge must give Clough three Business Days notice of any proposed offer of Equity Securities by it (other than a Participation Exception) (**Proposed Equity Offer**).
- (b) Forge must ensure that each Clough Shareholder may participate pro rata in the Proposed Equity Offer by offering for issue to each Clough Shareholder such number of Equity Securities so that the Clough Shareholder maintains its interest in the Fully Diluted Capital.
- (c) Subject to certain exceptions, Forge may suspend (but not terminate) Clough participation rights if Clough Shareholders beneficially own (in aggregate) less than 10% of the Fully Diluted Capital for a continuous period of 30 days after Forge gives notice to each Clough Shareholder of that fact.
- (d) Subject to certain exceptions, Forge may terminate Clough participation rights if Clough Shareholders beneficially own (in aggregate) less than 10% of the Fully Diluted Capital for a continuous period of six months after Forge gives notice to each Clough Shareholder of that fact.
- (e) Clough' participation rights described in this section are subject to Forge receiving written notice from ASX that the participation rights do not contravene Listing Rule 6.18 or a relevant waiver from ASX of Listing Rule 6.18.

7. Principles of cooperation

The Strategic Alliance Agreement sets out various ways by which Clough and Forge will assist and support each other, provided that any such arrangements do not contravene the provisions of the TPA.

8. Procedure for orderly sell down

- (a) During the Standstill Period, Clough Group agrees that none of the Clough Group will dispose of all or any interest in its Forge Shares without first giving Forge written notice of the intention to dispose of its Forge Shares (**Disposal Notice**).
- (b) Forge may give written notice to Clough Group within three Business Days from the date of receipt of a Disposal Notice of an alternative bona fide buyer or buyers for the Forge Shares the subject of the Disposal Notice at a price not less than the sale price specified in the Disposal Notice, in which event the member of the Clough Group holding the Forge Shares must Dispose of the Forge Shares the subject of the Disposal Notice to the buyer provided that the terms and conditions of the proposed sale (other than price) to the buyer are acceptable to Clough (acting reasonably and in good faith).
- (c) The restrictions set out in paragraphs 8(a) and 8(b) above do not apply in respect of any disposal of Forge Shares which: (i) taken together with any other disposal of Forge Shares by any member of the Clough Group in the preceding three-month period, does not exceed 5% of the issued ordinary share capital of Forge at the time of the later disposal; (ii) by way of acceptance of an offer made under a takeover bid for all of the Forge Shares, or pursuant to a pre-bid arrangement in respect of such a takeover bid; or (iii) pursuant to a scheme of arrangement between Forge and its shareholders under Chapter 5 of the Corporations Act.

9. Condition

The rights set out in paragraphs 6, 7 and 8 do not become binding if the Implementation Agreement terminates or unless, within four months:

- (a) the Clough Group holds in aggregate such number of Forge Shares which represents in aggregate not less than 31% of the issued ordinary share capital of Forge; or
- (b) Clough has made offers under the Proportional Takeover Bid, and has declared those offers unconditional; or
- (c) Subscription Completion occurs and:
 - (i) Clough does not make offers under the Proportional Takeover Bid, or Clough does make offers under the Proportional Takeover Bid but those offers lapse without becoming unconditional;
 - (ii) Clough exercises any Call Option Over Shares; and
 - (iii) as a result of Subscription Completion and the exercise of a Call Option Over Shares, the Clough Group holds in aggregate such number of Forge Shares which represents in aggregate not less than 19.98% of the issued ordinary share capital of Forge.

10. Termination

- (a) Clough and Forge each have the right to terminate if the other party becomes insolvent or if the other party commits a material breach that continues to exist for 14 days from the time of receiving notice of the material breach.

- (b) If the Clough Group does not hold voting power in at least 19.98% of the Forge Shares on issue at any time, each of Clough and Forge has the right to terminate the rights and obligations set out in paragraphs 7 and 8 above.
- (c) If a person other than a member of the Clough Group obtains at any time voting power in 20% or more (in aggregate) of the Forge Shares on issue at that time, Clough may terminate the rights and obligations set out in paragraphs 7 and 8 above.

CALL OPTION OVER SHARES

- (a) Clough has entered into call option over shares with certain Forge Shareholders in respect of 19.99% of the issued shares capital of Forge.
- (b) These Forge Shareholders are unassociated with the directors of Forge and have agreed to sell Clough a portion of their Forge Shares at \$2.10 per share (being the same price as the Offer price) should Clough elect to exercise the call option.
- (c) If the Subscription is approved by Forge Shareholders, the relevant interest that may be acquired by Clough under the call option agreements will reduce from 19.99% to approximately 6.96%.
- (d) The Call Option Over Shares can only be exercised by Clough during the Call Period.

OPTION ACQUISITION DEED

- (a) Clough has entered into option acquisition deeds with certain Forge Optionholders to acquire 3 million Forge Options at the Offer price (as may be varied in accordance with the Corporations Act) less the option exercise price of \$0.35.
- (b) Transfer of the Forge Options the subject of the option acquisition deeds is subject to the Offer becoming unconditional and the close of the Offer.
- (c) Either Clough or the optionholder may terminate the option acquisition deed if a Superior Proposal is made or announced before the close of the Offer and Clough:
 - (i) does not make a Counterproposal by the third Business Day after being provided with the required details of the Superior Proposal by Forge; or
 - (ii) does make a Counterproposal which the Forge Board considers is not more favourable to Forge Shareholders than the Superior Proposal.

Definitions

The definitions set out at the end of Appendix A apply in this Appendix B.