SINO CONSTRUCTION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200613299H)

RESPONSE TO QUERIES RAISED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON 23 JULY 2014 WITH RESPECT TO THE COMPANY'S ANNOUNCEMENT ON 22 JULY 2014 ON THE PROPOSED ACQUISITION OF 52% OF JEMS EXPLORATION PTY LTD

The Board of Directors ("**Board**") of Sino Construction Limited (the "**Company**" and together with its subsidiaries the "**Group**") would like to respond to queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 23 July 2014 with respect to the Company's announcement on 22 July 2014 on the proposed acquisition of 52% of JEMS Exploration Pty Ltd. Unless otherwise defined herein, terms defined in such announcement shall have the same definitions herein.

(1) Background

At 10.15 am on 23 July 2014 after an initial phone call by the SGX-ST, the SGX-ST emailed the Company attaching a copy of the ASX announcement of MUI Corporation Limited dated 14 March 2014 ("**MUI - 14 March 2014 Announcement**") requesting the Company to clarify the contents of the MUI - 14 March 2014 Announcement vis-à-vis the Company's announcement dated 22 July 2014.

In the same email, the SGX-ST requested the Company to "*call for a trading halt immediately pending further clarifications*".

(A copy of the MUI - 14 March 2014 Announcement is attached.)

As directed by the SGX-ST, the Company had called for a trading halt at 10:23 am.

In a subsequent email from the SGX-ST at 11.19 am, the SGX-ST had informed the Company that "*[t]he matter raised by SGX to the Board is serious. Please ensure that the Board satisfies itself of the information in its clarification announcement before it requests for the lifting of the trading halt. We expect the Board to undertake sufficient and proper due diligence to satisfy themselves of the representations made by the vendors including, inter alia, the significant difference in the valuation of the mining assets, the transaction with MUI, the Vendor of the assets and other pertinent and material information relating to the acquisition before the Board requests for the lifting of the halt. The market must be fully informed of true and accurate information for the operation of a fair, orderly and transparent market. Thank you.*"

Thereafter, the SGX-ST emailed the Company at 11.40 am to send the SGX-ST "*an advance copy of your draft announcement for information.*"

(2) Summary of the Proposed Acquisition

To summarise for the benefit of all concerned, pursuant to the Proposed Acquisition:-

(A) the Company had on 22 July 2014 entered into a conditional sale and purchase agreement (the "**SPA**") with **Bizcap Investments Ltd** (the "**Vendor**") for the acquisition of shares (the "**Sale Shares**") constituting 52% of the entire issued share capital of **JEMS Exploration Pty Ltd** ("**JEMS**").

(B) As clearly stated in the Company's announcement dated 22 July 2014, completion of the SPA is conditional upon:–

(i) **the completion by the Company of a due diligence exercise on JEMS and the Grey Range Project, and the results of such due diligence exercise being satisfactory to the Company; and**

(ii) the approval in-principle being given by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the listing and quotation of the Conversion Shares (defined below) on the SGX-ST upon the allotment and issue thereof; and

(iii) **the approval of the shareholders of the Company for the transactions contemplated under the SPA being obtained at a general meeting of such shareholders; and**

(iv) **all necessary consents or approvals (if any) being granted by third parties** or governmental or regulatory bodies or competent authorities **having jurisdiction over the sale of the Sale Shares or the transactions contemplated under the SPA** and where any such consent or approval is subject to any conditions, such conditions being reasonably acceptable to the Party on which they are imposed, and if such conditions being fulfilled before Completion and such consents or approvals not being revoked or repealed on or before Completion.

(C) The aggregate consideration for the purchase of the Sale Shares is the sum of USD 20 million (the "**Purchase Consideration**").

(D) Of the Purchase Consideration of USD 20 million, the Company shall only be liable to make payment of 50% of the Purchase Consideration (i.e. USD10 million) provided that JEMS either:-

(i) secures funding (on terms acceptable to the Company) for the capital expenditure requirements of the Company to develop and operate the mining operations of the Grey Range Project; or

(ii) procures offtake (on terms acceptable to the Company) for the thermal coal to be produced from the Grey Range Project.

(E) The balance amount of USD 10 million shall be payable within 12 months of the date of the Promissory Note to be issued in Completion.

(F) The Purchase Consideration was determined after arms' length negotiations between the Company and the Vendor, on a willing buyer willing seller basis, taking into consideration, inter alia:-

(i) the gross in situ resources of the Grey Range Project.

Based on the "**Independant JORC Compliant Geological Report in the Grey Range Coal Project Area, Western Queensland Australia**" dated **24 May 2013** prepared by Dr. Brian R. Senior of B.R. Senior & Associates Pty Ltd, exploration JORC compliant drilling of only 22% of the probable 700km^2 area in EPCs 2544, 2510 and 2557 (covering the Grey Range Project area) has provided **a JORC Inferred Coal Resource of 858 million tonnes**.

In respect of this inferred coal resource, the Company has taken a view of a **USD 0.05** valuation per Gross in Situ tonne of coal, equating to approximately **USD 42,920,000**;

(ii) the payment of 50% of the Purchase Consideration being subject to the achievement of the milestones referred to in 3.5(B) of the Company's announcement dated 22 July 2014 (reproduced in 2(D) above); and

(iii) the rationale referred to in Section 4 of the Company's announcement dated 22 July 2014.

(G) As some of the relative figures under Rule 1006 for the Proposed Acquisition exceed 5% but none exceeds 20%, the Proposed Acquisition constitutes a Discloseable transaction for the purposes of Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is not required to be subject to the approval of the Company's shareholders. Nevertheless, the Company shall convene an EGM to seek the specific approval of Shareholders for the Proposed Acquisition.

(3) Clarification on the earlier proposed transaction in respect of JEMS Exploration Pty Ltd

The Company agrees that the market must be fully informed of true and accurate information for the operation of a fair, orderly and transparent market. As such, the Board would like to provide a complete transaction structure for the earlier proposed transaction in respect of JEMS Exploration Pty Ltd, instead of just providing clarification on the MUI - 14 March 2014 Announcement.

The Company has clarified the proposed transaction in respect of JEMS Exploration Pty Ltd with MUI, AusAsia and Bizcap Investments Ltd, and understand from them as follows:-

In September 2011, ASX listed MUI Corporation Limited ("**MUI**") entered into a call option deed to acquire all of the issued capital of AusAsia Energy Pty Ltd ("**AusAsia**"). AusAsia's primary asset was its wholly owned subsidiary JEMS Exploration Pty Ltd which holds the Grey Range Project. The purchase price on the exercise of this option was AUD 4,650,000 in cash and 2,175,000,000 shares in MUI valued at the time at AUD0.002 per share or AUD 4,350,000.

(A copy of the announcement dated 15 September 2011 by MUI in respect of the above is attached.)

In August 2012, this agreement was revised to 2,475,000,000 shares in MUI. At that time, MUI had agreed to lend up to AUD2,500,000 to AusAsia for the development of the Grey Range Project.

(A copy of the announcement dated 2 August 2012 by MUI in respect of the above is attached.)

On 14 March 2014, MUI agreed to increase the loan facility to AusAsia to AUD4 million. MUI and AusAsia also entered into a new agreement for a put and call option to acquire JEMS Exploration Pty Ltd from AusAsia for full repayment of the loan subject to a number of pre-conditions.

(A copy of the MUI - 14 March 2014 Announcement is attached.)

MUI has not completed these pre-conditions. MUI has been reviewing options to develop the coal tenements held by JEMS and, given sustained depressed market conditions for coal and their effect particularly on the junior coal sector, MUI has explored a number of alternatives to maximize the value of the call option.

MUI has now agreed binding terms with AusAsia for the repayment of MUI's loan to AusAsia, and to relinquish MUI's call option to purchase JEMS whereby AusAsia will pay MUI a non-refundable cash payment of AUD 1.2 million by 29 August 2014; and AUD4.8 million in cash by 15 December 2015.

We have received from MUI a copy of the announcement dated 23 July 2014 by MUI in respect of the above which MUI has been announced this morning. (A copy of such announcement is attached.)

AusAsia and Bizcap Investments Ltd have subsequently entered into an agreement for the acquisition of 100% of JEMS Exploration Pty Ltd. The terms of such agreement are confidential between the parties.

Nevertheless, the Company has taken its own view on the valuation of JEMS for the purposes of the Purchase Consideration. This has been clearly set out in the Company's announcement dated 22 July 2014 and repeated above for ease of reference.

As clearly stated in the Company's announcement dated 22 July 2014, the Proposed Acquisition is subject to due diligence, shareholders' approval and all necessary third party consents. These would have been undertaken in due course as part of the Proposed Acquisition.

As such, the clarifications sought would have been covered by the abovementioned protective measures put in place to protect the Company in the best interests of all Shareholders.

However, as the Company has been requested by the SGX-ST to call for a trading halt immediately pending further clarifications of the MUI - 14 March 2014 Announcement, the Board has taken expeditious and immediate action to provide the necessary response.

BY ORDER OF THE BOARD

Andy Chee / Kenneth Lim
Chairman / Executive Director
24 July 2014