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

PROPOSED ACQUISITION OF THE AUSTRALIAN COAL ASSETS OF GUILDFORD COAL LIMITED - ENTRY INTO NON-BINDING TERMS

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1. INTRODUCTION

The Board of Directors (the "**Board**") of Sino Construction Limited (the "**Company**", and together with its subsidiaries, collectively, the "**Group**") wishes to announce that it has, on 31 July 2014, entered into non-binding terms with **Guildford Coal Limited** (the "**Vendor**") in respect of the proposed acquisition of the Vendor's entire portfolio of coal assets in Australia (the "**Proposed Acquisition**").

The Proposed Acquisition is subject to contract. The non-binding terms are meant to form the basis of a definitive sale and purchase Agreement (the "Sale and Purchase Agreement") to be entered into between the Company and the Vendor in respect of the Proposed Acquisition, which agreement would also contain, among other things, usual representations and warranties, appropriate conditions of completion (including those set out below) and other provisions usually found in similar agreements.

2. THE VENDOR

The Vendor is a company incorporated in Australia whose shares are listed and quoted for trading on the Australian Stock Exchange (ASX: GUF). Further details on the Vendor can be found at its website: www.guildfordcoal.com.au.

3. THE NON-BINDING TERMS

Subject to negotiations, the definitive terms of the Sale and Purchase Agreement shall be based on the following non-binding terms:-

3.1 **Sale Assets:** The Company shall acquire from the Vendor its entire portfolio of coal assets in Australia ("**Sale Assets**") including, without limitation, the following projects and all rights, benefits, obligations and liabilities relating to them ("**Australian Projects**"):-

- Clyde Park Project;
- Pentland Project;
- Springsure Project;
- Hughenden Project (Galilee/Eromanga Basins);
- Sunrise Project (Surat/Bowen Basin);
- Monto Project (Nagoorin Graben and Mulgildie Basin);
- Sierra Project (Bowen Basin); and
- Kolan Project (Maryborough Basin).

The coal resources as reported by the Vendor in respect of the Australian Projects can be found at: www.guildfordcoal.com.au/table/.

Generally, the coal resources comprise of thermal, Pulverized Coal Injection (PCI) and coking coal and are reported to have a total JORC compliant indicated resource of 227 million tonnes, JORC compliant inferred resources of 1.901 billion tonnes and an upper exploration target of 7.170 billion tonnes of coal.

3.2 **Restructuring:** Prior to completion of the Proposed Acquisition ("**Completion**") and provided there are no adverse tax consequences for the Vendor in doing so, the Vendor will restructure its ownership of the Australian Projects so that:

(a) all of the issued ordinary shares owned by the Vendor in the companies which hold the Australian Projects; and

(b) the Australian mining tenements held directly by the Vendor (being EPC 2057, EPC 2058, EPC 2503 and EPC 2504),

will be transferred to a new entity ("**Newco**") which is wholly owned by the Vendor ("**Restructuring**"). The Company will therefore acquire the Sale Assets through the acquisition of all of the issued ordinary shares in Newco from the Vendor.

3.3 **Consideration:** The consideration for the acquisition of the Sale Assets shall consist of:

(a) **United States Dollars Twenty Five Million (USD25,000,000)** (the "**Principal Sum**") paid in accordance with paragraph 3.4 below; and

(b) a royalty paid to the Vendor which is equal to **USD0.35 per tonne of coal sold** from the Sale Assets. Such royalty payments will be made for a period of 5 years from commencement of commercial production from the Sale Assets.

3.4 **Promissory Note:** On Completion, the Company shall issue to the Vendor a non-interest bearing convertible promissory note ("**Promissory Note**") with the following terms:-

(a) subject to sub-paragraph (b) below, the Principal Sum shall mature and be due and payable in cash on the date falling six (6) months after the date of issuance of the Note (the "**Maturity Date**"); and

(b) if, on the date that is two (2) business days prior to the Maturity Date ("**Assessment Date**"), the volume weighted average price of SCL shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") during the 30 trading days prior to the Assessment Date is at least 20% above SGD 0.20, then the Company has the option to redeem the Promissory Note from the Vendor by converting the Principal Sum of the Promissory Note into new ordinary shares of the Company ("**Conversion Shares**") and allotting and issuing such Conversion Shares to the Vendor at the issue price of SGD 0.20 per Conversion Share, in full and final settlement of all sums due (whether as principal or otherwise) under the Promissory Note. For the foregoing purposes, the exchange rate between USD and SGD shall be USD1:SGD1.26.

3.5 **Conditions Precedent:** Completion of the Proposed Acquisition shall be subject to, inter alia:-

(a) the completion by the Company of a due diligence exercise on the Australian Projects, Newco and the Restructuring, and the results of such due diligence exercise being satisfactory to the Company;

(b) the approval in-principle being given by the SGX-ST for the listing and quotation of the Conversion Shares on the SGX-ST upon the allotment and issue thereof;

(c) the approval of the shareholders of the Company for the transactions contemplated under the Proposed Acquisition being obtained at a general meeting of such shareholders;

(d) (if required by the Vendor) the approval of the shareholders of the Vendor for the transactions contemplated under the Proposed Acquisition being obtained at a general meeting of such shareholders;

(e) completion of the Restructuring in a manner that does not have adverse tax consequences for the Vendor;

(f) 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 Assets or the transactions contemplated under the Proposed Acquisition (in particular, the Vendor's existing financiers and underwriters) 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; and

(g) entry into a management agreement by the Company and the Vendor (on terms and conditions to be agreed by the Parties) whereby, on and from Completion, the Vendor will be appointed as the sole and exclusive manager of the Sale Assets on behalf of the Company and the Vendor will have a first and last right to be appointed as the contract miner for each Sale Asset that moves into commercial production.

For the avoidance of doubt, the Parties only agree to Completion of the Proposed Acquisition if the conditions in paragraphs 3.5(a) to (g) are satisfied or waived.

3.6 No Encumbrances: On Completion:-

(a) the Sale Assets (including the shares of Newco and the shares owned by the Vendor in the companies which hold the Australian Projects) shall be acquired free from all encumbrances whatsoever; and

(b) the mining tenements in respect of the Australian Projects shall be free from all encumbrances whatsoever.

3.7 Drop Dead Date: If Completion does not occur by the date falling four (4) months after the dale of the signed Sale and Purchase Agreement (referred to below), either Party may terminate the arrangement, in which case the Parties will have no further obligations to each other, other than those of confidentiality.

4. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as directors or shareholders of the Company) has any interest, direct or indirect, in the Proposed Acquisition.

5. FURTHER ANNOUNCEMENTS

The Company will make further announcements as and when there are material developments on the Proposed Acquisition and/or upon execution of the Sale and Purchase Agreement, in compliance with the requirements of the Listing Manual of the SGX-ST.

6. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in their trading of the Shares of the Company as there is no certainty nor assurance as at the date of this announcement that the Sale and Purchase Agreement will be entered into, the terms and conditions in the Sale and Purchase Agreement will not differ from those set out above, or the Proposed Acquisition will be undertaken at all. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

By Order of the Board

Andy Chee
Chairman
1 August 2014