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| Miscellaneous | |
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Announcement Title * SALES, PURCHASE AND SERVICES AGREEMENT

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SALES, PURCHASE AND SERVICES AGREEMENT

1. INTRODUCTION

1.1 SPS Agreement. The Board of Directors of Chemoil Energy Limited ("**Chemoil**") is pleased to announce that it has today entered into a Sales, Purchase and Services Agreement (the "**SPS Agreement**") with Glencore International AG ("**Glencore**") and ST Shipping and Transport Pte. Ltd. ("**ST Shipping**", and collectively with Glencore and Chemoil, the "**Parties**", and each a "**Party**").

1.2 Glencore. Glencore and its Subsidiaries (as defined in the SPS Agreement, and where used in respect of Glencore for purposes of the SPS Agreement shall exclude Chemoil and its Subsidiaries) (collectively, the "**Glencore Group**") is one of the world's largest suppliers of commodities and raw materials to industrial consumers. Customers around the world, in industries such as automotive, power generation, steel production and food processing, rely upon the Glencore Group's established global network of operations as a source of metals and minerals, crude oil and oil products, coal and agricultural products. These commodities originate either from the Glencore Group's owned production assets, are secured from third parties, or benefit from the refining, processing or marketing expertise of the Glencore Group. The Glencore Group also provides financing, logistics and other supply chain services to producers and consumers of commodities.

The Glencore Group, founded in 1974, is a privately held group owned by its management and employees. Headquartered in Baar, Switzerland, the Glencore Group employs over 2,000 people in its global marketing operations in some 50 offices in over 40 countries. In its industrial operations, the Glencore Group employs over 50,000 people at 15 plants in 13 countries. Additionally, the Glencore Group has interests in various publicly listed companies including 34.5 per cent. in Xstrata, 44 per cent. economic (39 per cent. voting) in Century Aluminum, 70.6 per cent. in Minara Resources, 72.2 per cent. in Katanga Mining and 32.2 per cent. in Recylex.

1.3 ST Shipping. ST Shipping is a Subsidiary of Glencore incorporated in Singapore and is engaged in the provision of shipping services.

2. PRINCIPAL TERMS OF THE SPS AGREEMENT

2.1 Principal Terms. The principal terms of the SPS Agreement are as follows:

2.1.1 Purchase Offer for Bunker Fuel and Fuel Oil

For each calculation period referred to in the SPS Agreement, Chemoil shall, and shall cause its Subsidiaries to, grant Glencore and its Subsidiaries an opportunity to supply on a First Look Basis (as defined in the SPS Agreement as one Party providing the other Party with the first notice of an opportunity to bid on Fuel Oil (as defined in the SPS Agreement) supply, Bunker Fuel (as defined in the SPS Agreement) supply, Shipping Requirements (as defined in the SPS Agreement and sub-paragraph 2.1.4 of this Announcement) or hedging requirements, as the case may be, before that notice is provided to third parties) a mutually agreed volume of the aggregate requirements of Chemoil and its Subsidiaries (collectively, the "**Chemoil Group**") for Bunker Fuel and Fuel Oil at the Chemoil Group's worldwide bunkering and marine fuels facilities, provided that:

- (i) Glencore and Chemoil anticipate that the Chemoil Group's facilities to be covered under the first look protocol under the SPS Agreement shall primarily be those located in Singapore, Fujairah, Rotterdam, the U.S. East Coast, the U.S. Gulf Coast and Panama; and
- (ii) the Chemoil Group's facilities to be supplied shall not include those located in Russia, India or the Philippines unless and until the Parties agree otherwise.

2.1.2 Procedure for Cargo Sales to Glencore

In the event any company within the Chemoil Group wishes to sell any cargo of petroleum products to any member of the Glencore Group and such member of the Glencore Group wishes to purchase such cargo, the Parties shall negotiate in good faith the terms of a sales agreement.

2.1.3 Singapore, Russia, the Philippines and India

The Parties shall:

- (i) review and discuss further whether or not the purchases of Bunker Fuel or Fuel Oil by the Chemoil Group from Glencore or its Subsidiaries for use in the Chemoil Group's Singapore facilities shall be on a Netback Basis (as defined in the SPS Agreement as a supply arrangement under which the purchase prices on products purchased by the Chemoil Group from the Glencore Group is set relative to the prices for which such products are then sold by the Chemoil Group, following consultation with Glencore, to third parties such that the Chemoil Group earns a set profit, commission or margin). If either Party concludes that such arrangement

is not workable then the Parties will in good faith explore other alternatives;

- (ii) review areas of cooperation (A) in order to maximise revenues and profits regarding Chemoil Group's supply of Bunker Fuel or Fuel Oil out of Russia and its activities in the Philippines, and (B) with respect to India on the understanding that Chemoil will need to consult with and reach agreement with its joint venture partner prior to making any commitments with respect to India.

2.1.4 Supply of Shipping and Transport Services by ST Shipping

As and when Chemoil or its Subsidiaries need to charter vessels, Chemoil shall on a First Look Basis provide ST Shipping with an opportunity to bid to arrange such charter. This shall apply to all of the Chemoil Group's worldwide shipping and transport requirements for Bunker Fuel or Fuel Oil other than for destinations in Russia, India and the Philippines ("**Shipping Requirements**") during the Term (as defined in sub-paragraph 2.1.9(i) of this Announcement), except for (a) Chemoil's third-party trading business, (b) products carried on barges, and (c) products carried on vessels owned by an entity within the Chemoil Group.

2.1.5 Right to Supply Bunker Fuel to ST Shipping

ST Shipping shall on a First Look Basis, provide Chemoil with an opportunity to bid to supply Bunker Fuel to ST Shipping when a vessel owned or chartered by ST Shipping for its oil activities requires Bunker Fuel in a port that is serviced by Chemoil or its Subsidiaries.

2.1.6 Supply of Risk Management Services to Chemoil

Glencore shall use commercially reasonable efforts to assist Chemoil with its price risk management for the Chemoil Group's worldwide Bunker Fuel business and to share its relevant market intelligence. As and when Chemoil or its Subsidiaries need to place a hedge on any over-the-counter markets in Fuel Oil worldwide, Chemoil shall on a First Look Basis provide Glencore with an opportunity to arrange such hedge on 100 per cent. of its hedging requirements.

2.1.7 Terminal Leases

In the event that any company within the Chemoil Group wishes to lease any terminal capacity or provide other terminal services to any member of the Glencore Group and such member of the Glencore Group wishes to lease such capacity or receive such terminal services from a member of the Chemoil Group, the Parties shall negotiate in good faith the terms of a terminaling agreement.

2.1.8 Related Party Procedures

The SPS Agreement stipulates certain procedures to ensure that any transaction entered into by any member of the Chemoil Group pursuant to the SPS Agreement is done on arm's-length commercially reasonable grounds ("**Related Party Procedures**"). The Parties have agreed that prior to agreeing to (a) the purchase from or sale of Bunker Fuel or Fuel Oil or other petroleum product to Glencore or its Subsidiaries, (b) placing a hedge with Glencore or its Subsidiaries, (c) entering into any shipping transaction with Glencore or its Subsidiaries or (d) entering into a terminal capacity lease or providing other terminal services to any member of the Glencore Group, the relevant member of the Chemoil Group shall follow such Related Party Procedures.

2.1.9 Term and Termination

- (i) **Term:** The term of the SPS Agreement (the "**Term**") shall begin, and the SPS Agreement shall not become effective until the later of (a) the date on which the SPS Agreement is approved by the shareholders of Chemoil ("**Shareholders**") and (b) completion of the Share Purchase Agreement (as defined in sub-paragraph 4.1.1 of this Announcement) and subject to this sub-paragraph 2.1.9, shall terminate on the date in 2011 of Chemoil's regular annual general meeting of Shareholders, which the Parties anticipate will occur during April 2011 (the "**Termination Date**"). Accordingly, the SPS Agreement is contingent upon and will not come into effect unless the Shareholders approve the SPS Agreement in accordance with Chapter 9 of the Listing Manual and the Share Purchase Agreement is completed.
- (ii) **Termination:** The SPS Agreement may be terminated prior to the Termination Date upon the occurrence of any of the following events:
 - (a) by either Party to the SPS Agreement immediately if the other Party has failed to make any payment within 10 days after the date such payment is due under the SPS Agreement;
 - (b) by either Party to the SPS Agreement immediately if the other Party is in breach of any obligation thereunder in any material respect (other than those specifically set out in this sub-paragraph 2.1.9(ii)) and such breach is not cured within 30 days after notice thereof by the non-breaching Party to the breaching Party;
 - (c) by Chemoil immediately if certain events of insolvency have occurred with respect to Glencore or ST Shipping; or
 - (d) by Glencore immediately if certain events of insolvency have occurred with respect to Chemoil.

3. RATIONALE FOR THE SPS AGREEMENT

Chemoil is one of the marine fuel industry's leading physical suppliers and it delivers energy through controlling all key stages of the marine fuel supply chain. It purchases fuel oil, diesel oil and blend components from national oil companies, refineries, major oil producers and other sources. It transports, stores and blends marine fuel, which it sells and delivers to a broad base of customers. These customers include a diverse group of ocean-going ship operators, international container and tanker fleets, time charter operators, marine fuel traders and other customers.

Chemoil has integrated operations in Los Angeles, New York, Houston, Singapore, Panama, United Arab Emirates and the ARA (Antwerp, Rotterdam and Amsterdam) region. In relation to supply chain integration, Chemoil exerts firm control over the key stages of the marine fuel supply chain from sourcing, shipping, storage, blending to delivery. By acquiring, developing and controlling the physical infrastructure, Chemoil converts operational expenses into strategic assets to maximise profitability while optimising the quality and agility of its operations.

As mentioned above in sub-paragraph 1.2 of this Announcement, the Glencore Group is one of the world's largest suppliers of commodities and raw materials to industrial consumers, and customers around the world, in industries such as automotive, power generation, steel production and food processing, rely upon the Glencore Group's established global network of operations as a source of metals and minerals, crude oil and oil products, coal and agricultural products. These commodities originate either from the Glencore Group's owned production assets, are secured from third parties, or benefit from the refining, processing or marketing expertise of the Glencore Group. The Glencore Group also provides financing, logistics and other supply chain services to producers and consumers of commodities.

Given Glencore's strength and breadth of expertise across various industries, including the energy sector, the SPS Agreement represents an opportunity for Chemoil to strengthen operational and sourcing synergies which will naturally be achieved with the Glencore Group pursuant to the SPS Agreement and the transactions contemplated therein.

Chemoil believes the synergies that can be derived from the entry of Glencore will provide support for the execution of Chemoil's three-pronged strategy that forms the core fundamentals of its business, offering – (a) market expansion, (b) supply chain integration, and (c) development of Chemoil's product portfolio.

4. CHAPTER 9 OF THE LISTING MANUAL

4.1 Interested Person Transaction

- 4.1.1 Glencore is the holding company of Singfuel Investment Pte. Ltd. (the "**Offeror**"), and DBS Bank Ltd. announced, for and on behalf of the Offeror, that the Offeror had on 14 December 2009 entered into a share purchase agreement (the "**Share Purchase Agreement**") with the Chandran Family Trust (the "**Vendor**") whereby the Vendor agreed to offer and sell to the Offeror and the Offeror agreed to purchase from the Vendor, on the terms and subject to the conditions set out in the Share Purchase Agreement, 656,748,194 issued ordinary shares in the capital of Chemoil ("**Shares**"), representing approximately 50.81 per cent.¹ of the issued share capital of Chemoil.
- 4.1.2 Upon completion of the Share Purchase Agreement, the Offeror will hold directly 15 per cent. or more of the total number of Shares and will be regarded as a controlling shareholder of Chemoil under the Listing Manual. In addition, Glencore, as the holding company of the Offeror, and ST Shipping, as a Subsidiary of Glencore, will each be regarded as an associate of a controlling shareholder of Chemoil, being the Offeror, and therefore an interested person vis-à-vis Chemoil.
- 4.1.3 Accordingly, upon the completion of the Share Purchase Agreement, the SPS Agreement and the transactions contemplated therein will be regarded as interested person transactions under Chapter 9 of the Listing Manual, which sets out the applicable requirements for any transaction between an entity at risk (as defined in Chapter 9 of the Listing Manual) and an interested person of an issuer listed on the Singapore Exchange Securities Trading Limited ("**Interested Person Transactions**").
- 4.2 **NTA.** Based on the audited consolidated financial statements of the Chemoil Group for the financial year ended 31 December 2008, being the latest available audited consolidated financial statements of the Chemoil Group as at the date of the SPS Agreement, the net tangible assets (the "**NTA**") of the Chemoil Group was US\$ 274.70 million. For the purposes of Chapter 9 of the Listing Manual, in the current financial year and until such time as the audited consolidated financial statements of the Chemoil Group for the financial year ended 31 December 2009 are published, five (5) per cent. of the latest audited NTA of the Chemoil Group would be US\$ 13.74 million, and three (3) per cent. of the latest audited NTA of the Chemoil Group would be US\$ 8.24 million.

¹ For the purposes of computation, the total number of issued Shares was 1,292,612,000 (excluding treasury shares) based on the unaudited financial statements of Chemoil for the nine months ended 30 September 2009.

4.3 Approval of Shareholders. Based on information available to Chemoil as at the date of this Announcement, the aggregate value of the transactions contemplated in the SPS Agreement is likely to exceed five (5) per cent. of the latest audited NTA of the Chemoil Group. Accordingly, on the basis that the SPS Agreement and the transactions contemplated therein constitute Interested Person Transactions under Chapter 9 of the Listing Manual, the approval of Shareholders for the SPS Agreement and the transactions contemplated therein will be required in accordance with Chapter 9 of the Listing Manual. Chemoil will be convening an extraordinary general meeting of Shareholders (the "**EGM**") to approve the SPS Agreement and the transactions contemplated therein in due course. As the SPS Agreement is for a fixed term that will expire on a date in 2011 of Chemoil's regular annual general meeting (as more specifically explained in sub-paragraph 2.1.9(i) of this Announcement), Chemoil will be seeking from Shareholders specific approval (rather than a general mandate) for the SPS Agreement and the transaction contemplated therein at the EGM to be convened. Upon the expiry of the SPS Agreement in 2011, in the event that Chemoil, Glencore and ST Shipping decide to renew or continue with any of the transactions contemplated under the SPS Agreement, Chemoil will then seek the necessary Shareholders' approval(s) at the next annual general meeting, in accordance with the applicable requirements of the Listing Manual.

4.4 Total Value of Interested Person Transactions. As at the date of this Announcement, the total value:

4.4.1 of all transactions with Glencore and ST Shipping entered into by Chemoil since the beginning of the current financial year (based on the unaudited financial information of the Chemoil Group for the third quarter and nine months ended 30 September 2009) is US\$ 400.58 million; and

4.4.2 of all Interested Person Transactions since the beginning of the current financial year (based on the unaudited financial information of the Chemoil Group for the third quarter and nine months ended 30 September 2009) is US\$ 17.12 million.

5. INDEPENDENT FINANCIAL ADVISER

5.1 Independent Financial Adviser. Pursuant to Rule 921(4)(a) of the Listing Manual, the Directors of Chemoil who are independent for the purposes of the SPS Agreement ("**Independent Directors**") have appointed Ernst & Young Corporate Finance Pte Ltd ("**IFA**") to provide an opinion on whether the terms of the SPS Agreement, including the procedures set out in the SPS Agreement, are sufficient to ensure that transactions conducted pursuant to the SPS Agreement are on normal commercial terms and are not prejudicial to the interests of Chemoil and its minority Shareholders.

- 5.2 Opinion.** The IFA will issue an opinion on whether the terms of the SPS Agreement, including the procedures set out in the SPS Agreement, are sufficient to ensure that transactions conducted pursuant to the SPS Agreement are on normal commercial terms and are not prejudicial to the interests of Chemoil and its minority Shareholders ("**IFA Opinion**"), which will be included in the circular (the "**Circular**") to be despatched to the Shareholders in connection with the SPS Agreement and to convene the EGM to approve the SPS Agreement and the transaction contemplated therein.

6. AUDIT COMMITTEE STATEMENT

The Audit Committee will form its view as to whether the terms of the SPS Agreement, including the procedures set out in the SPS Agreement, are sufficient to ensure that transactions conducted pursuant to the SPS Agreement are on normal commercial terms and are not prejudicial to the interests of Chemoil and its minority Shareholders after considering the IFA Opinion referred to in sub-paragraph 5.2 above ("**AC Opinion**"). The AC Opinion will be set out in the Circular.

7. DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors or the controlling shareholders of Chemoil has any interest, direct or indirect, in the SPS Agreement and the transactions contemplated therein.

- 7.1 Interest of Directors.** As stated above in sub-paragraph 2.1.9(i) of this Announcement, the SPS Agreement will not come into effect unless Shareholders' approval for the SPS Agreement and the transactions contemplated therein is obtained at the EGM to be convened and the Share Purchase Agreement is completed. As Ms. Vivian Pearl Johnston Chandran, Ms. Sharon Stacey Johnston Chandran and Mr. Harrison Chang, are each a nominee director of the Vendor, each of Ms. Vivian Pearl Johnston Chandran, Ms. Sharon Stacey Johnston Chandran and Mr. Harrison Chang have abstained from voting on board resolutions relating to the entry of Chemoil into the SPS Agreement.

- 7.2 Interest of Controlling Shareholders.** As the SPS Agreement will not come into effect unless Shareholders' approval for the SPS Agreement and the transactions contemplated therein is obtained at the EGM to be convened and the Share Purchase Agreement is completed, each of Ms. Vivian Pearl Johnston Chandran (as trustee for the Vendor) and Andorra Services Limited will abstain, and will procure that each of their associates (as defined under Chapter 9 of the Listing Manual) will abstain, from voting in respect of each of their shareholdings in Chemoil at the EGM to be convened to seek Shareholders' approval for the SPS Agreement and the transactions contemplated therein.

Each of the interested persons will abstain, and will procure that each of their associates will abstain, from voting in respect of each of their shareholdings in Chemoil at the EGM to be convened to seek Shareholders' approval for the SPS Agreement and the transactions contemplated therein.

In the event that completion of the Share Purchase Agreement takes place prior to the EGM, the Offeror (which will then become an interested person, as explained in paragraph 4.1 of this Announcement) will abstain, and will procure that each of its associates will abstain from voting in respect of each of their shareholdings in Chemoil at the EGM to be convened to seek Shareholders' approval for the SPS Agreement and the transactions contemplated therein.

8. CIRCULAR

The Circular containing, *inter alia*, further details of the SPS Agreement, the IFA Opinion, the AC Opinion and the notice of EGM to be convened to seek Shareholders' approval for the SPS Agreement and the transactions contemplated therein, will be despatched to the Shareholders in due course.

By Order of the Board
Clyde Michael Bandy
Executive Chairman and Chief Executive Officer
5 February 2010