ESCROW AGREEMENT  
 THIS ESCROW AGREEMENT (the “Agreement”) is dated as of June\_\_\_, 2008 among (i) PNG Ventures, Inc., a Nevada corporation ("PNGX" and individually a “Party”), (ii) Earth Biofuels, Inc., a Delaware limited liability company (“EBOF” and individually a “Party”), and (iii) Madison Stock Transfer, Inc. (the “Escrow Agent” and individually a “Party”). PNGX, EBOF and the Escrow Agent may hereinafter be referred to collectively as the “Parties.”  
  
RECITALS  
  
WHEREAS, on or about June \_\_\_\_, 2008, EBOF and PNGX were named as defendants in an action entitled Earth Biofuels, Inc. v. Earth Biofuels, Inc. et al. Case No: 2008 CA 008514 NC (the “Action”) in the Circuit Court of the Twelfth Judicial Circuit, Sarasota County, Florida (the “Court”), whereby certain parties (the “Plaintiffs”) asserted claims against EBOF and PNGX alleging that EBOF and PNGX failed to pay these parties certain monies due and owing;  
  
WHEREAS, on or about June \_\_\_, 2008, PNGX and EBOF entered into a Settlement Agreement and Release (the “Settlement Agreement” attached hereto as Exhibit A) whereby EBOF agreed to resolve certain bona fide claims with PNGX in connection with the monies due and owing to the Plaintiff and release PNGX from all such claims with such settlement consideration being a $171,000 convertible promissory note (the “EBOF Note” attached hereto as Exhibit B). Capitalized terms used and not otherwise defined herein that are defined in the Settlement Agreement or EBOF Note shall have the meanings given to such terms in such agreements;  
  
WHEREAS, pursuant to the terms of the Settlement Agreement, PNGX is required to deposit into escrow 1,900,000 shares of PNGX’s common stock (the “Settlement Shares Pool”) which shall be disbursed to EBOF pursuant to the terms of this Agreement and the Settlement Agreement;  
  
WHEREAS, pursuant to the Settlement Agreement and only upon the Closing of the Merger (as defined in the Settlement Agreement), the EBOF Note may be converted, in whole or in part, at the sole discretion of EBOF, into freely tradable non-legend bearing shares of PNGX common stock (the “Settlement Shares”), which shall be delivered from the Settlement Shares Pool, the number of which shall be derived by dividing a dollar amount of the EBOF Note to be converted by ..09;  
  
WHEREAS, pursuant to the terms of the Settlement Agreement, PNGX and EBOF have agreed, pursuant to 15 U.S.C. §77(3)(a)(10), to immediately submit the terms and conditions of the Settlement Agreement to the Court for a hearing on the fairness of such terms and conditions, for the issuance of an exemption from registration of the Settlement Shares Pool and an order approving the Agreement;  
  
  
  
WHEREAS, the Escrow Agent is willing to serve as escrow agent pursuant to the terms and conditions of this Agreement and the Settlement Agreement;  
  
AGREEMENT  
  
NOW, THEREFORE, in consideration of the mutual covenants and other agreements described in this Agreement, and for good and valuable consideration, receipt of which is hereby acknowledged, the Parties hereby agree as follows:  
  
ARTICLE I  
  
DELIVERIES TO THE ESCROW AGENT  
  
1.1 PNGX Deliveries. Simultaneously or before an entry of an order by the Court in connection with the Action described herein, PNGX shall deliver the Settlement Shares Pool to the Escrow Agent.  
  
1.2 Intention to Create Escrow. PNGX and EBOF intend that Settlement Shares Pool shall be held in escrow by the Escrow Agent pursuant to this Agreement and the Settlement Agreement for EBOF’s sole benefit as set forth herein.  
  
1.3 Escrow Agent Deliveries. The Escrow Agent shall hold and release the Settlement Shares Pool only in accordance with the terms and conditions of this Agreement.  
  
1.4 Ownership and Dispositive Rights. All shares of the Settlement Shares Pool shall be deemed owned and under the dispositive and voting control of PNGX until released (and, once released, deemed owned by the person to whom released) from escrow, for purposes of Section 13 and Section 16 of the Securities Exchange Act of 1934, as amended.  
  
ARTICLE II  
  
RELEASE OF ESCROWED ITEMS  
  
2.1 Disbursement of Settlement Shares. Only upon the Closing of the Merger, the Escrow Agent shall release to EBOF or any of its assignees the Settlement Shares from the Settlement Shares Pool upon EBOF’s delivery to the Escrow Agent of a notice of conversion (a “Conversion Demand” a form of which has been attached hereto as Exhibit C) which shall state: (i) the amount of the EBOF Note being converted; (ii) the number of Settlement Shares being converted from the Settlement Shares Pool; and (iii) the current balance of the EBOF Note remaining after each Conversion Demand.  
  
  
  
2.3 Instructions to Release Escrow. Notwithstanding the above and with no notice to or confirmation by PNGX, upon receipt by the Escrow Agent of written instructions by EBOF, the Escrow Agent shall deliver the Settlement Shares Pool in accordance with the terms of such instructions.  
  
2.4 Court Order to Release Escrow. Notwithstanding the above, upon receipt by the Escrow Agent of a final and non-appealable judgment, order, decree or award of a court of competent jurisdiction (a "Court Order"), the Escrow Agent shall deliver the Settlement Shares Pool in accordance with the Court Order. Any Court Order shall be accompanied by an opinion of counsel for the Party presenting the Court Order to the Escrow Agent (which opinion shall be satisfactory to the Escrow Agent) to the effect that the court issuing the Court Order has competent jurisdiction and that the Court Order is final and non-appealable.  
  
2.5 Acknowledgement of EBOF, PNGX and Escrow Agent; Disputes. The Parties acknowledge that the only terms and conditions upon which the Settlement Shares Pool is to be released are set forth in this Agreement. The Parties reaffirm their agreement to abide by the terms and conditions of this Agreement with respect to the release of the Settlement Shares Pool. Any dispute with respect to the release of Settlement Shares Pool shall be resolved pursuant to Section 3.2 or by agreement between EBOF and PNGX.  
  
ARTICLE III  
  
CONCERNING THE ESCROW AGENT  
  
3.1 Duties and Responsibilities of the Escrow Agent. The Escrow Agent's duties and responsibilities shall be subject to the following terms and conditions:  
  
3.1.1 EBOF and PNGX acknowledge and agree that the Escrow Agent (i) once in receipt of a Conversion Demand from EBOF, shall not be responsible for or bound by, and shall not inquire into whether EBOF is entitled to receipt of Settlement Shares pursuant to, any other agreement or otherwise; (ii) shall be obligated only for the performance of such duties as are specifically assumed by the Escrow Agent pursuant to this Agreement; (iii) may rely on and shall be protected in acting or refraining from acting upon any written notice, instruction, instrument, statement, request or document furnished to it hereunder and believed by the Escrow Agent in good faith to be genuine and to have been signed or presented by the proper person or Party, without being required to determine the authenticity or correctness of any fact stated therein or the propriety or validity or the service thereof; and (iv) may assume that any person believed by the Escrow Agent in good faith to be authorized to give notice or make any statement or execute any document in connection with the provisions hereof is so authorized.  
  
3.1.2 In the event of the Escrow Agent’s resignation and/or termination, EBOF and only EBOF will issue to the Escrow Agent instructions authorizing delivery of the Settlement Shares Pool to a substitute Escrow Agent selected by the EBOF. If no successor Escrow Agent is named by EBOF, the Escrow Agent may apply to a court of competent jurisdiction in Florida for appointment of a successor Escrow Agent, and to deposit the Settlement Shares Pool with the clerk of any such court.  
  
3.1.3 The provisions of this Section shall survive the resignation of the Escrow Agent or the termination of this Agreement.  
  
3.2 Dispute Resolution: Judgments. If any dispute shall arise with respect to the delivery, ownership, right of possession or disposition of the Settlement Shares Pool, the Escrow Agent shall continue to follow the terms of the Escrow Agreement and issue shares of PNGX’s common stock pursuant to a Conversion Demand unless the Transfer Agent (i) receives instructions otherwise from EBOF, or (ii) deposits the Settlement Shares Pool with any court of competent jurisdiction in Florida, in which event the Escrow Agent shall give 20 days advance written notice thereof to the PNGX and EBOF and shall thereupon be relieved and discharged from all further obligations pursuant to this Agreement.  
  
3.3 Maximum Conversion. The Escrow Agent shall not issue to EBOF, upon a Conversion Demand, a number of shares of PNGX’s Common Stock which would result in beneficial ownership by EBOF and its affiliates of more than 4.99% of the outstanding shares of Common Stock of PNGX on the date of such a Conversion Demand. For the purposes of the provision to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder.  
  
ARTICLE IV  
  
GENERAL MATTERS  
  
4.1 Termination. This escrow shall terminate upon the release of all of the shares in the Settlement Shares Pool or at any time upon the agreement in writing of PNGX and EBOF.  
  
4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such Party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:  
  
If to PNGX, to:  
PNG Ventures, Inc.  
Attn: Xxxxx Xxxxxx  
0000 Xxxx Xxxxxx, Xxxxx 000  
Xxxxxxx, Xxxxx 00000  
Fax: (000) 000-0000  
If to EBOF, to:  
 Earth Biofuels, Inc.  
Attn: Xxxxxx X. XxXxxxxxxx, III  
0000 Xxxx Xxxxxx, Xxxxx 000  
Xxxxxx, Xxxxx 00000  
Fax: (000) 000-0000  
If to the Escrow Agent, to:  
   
4.3 Assignment; Binding Agreement. Neither this Agreement nor any right or obligation hereunder shall be assignable by any Party without the prior written consent of EBOF. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective legal representatives, successors and assigns.  
  
4.4 Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal, or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all of the rights and privileges of the Parties hereto shall be enforceable to the fullest extent permitted by law.  
  
4.5 Counterparts/Execution. This Agreement may be executed in any number of counterparts and by different signatories hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. This Agreement may be executed by facsimile transmission and delivered by facsimile transmission.  
  
4.6 Agreement. Each of the undersigned states that he has read the foregoing Agreement and understands and agrees to it.  
  
4.7 Entire Agreement. This Agreement along with Settlement Agreement constitute the entire agreement between the Parties hereto pertaining to the Settlement Shares Pool and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. There are no warranties, representations and other agreements made by the Parties in connection with the subject matter hereof except as specifically set forth in this Agreement and the Settlement Agreement.  
  
4.8 Waivers and Amendments. This Agreement may be amended, modified, superseded, cancelled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by all Parties, or, in the case of a waiver, by the Party waiving compliance. Except as expressly stated herein, no delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege hereunder preclude any other or future exercise of any other right, power or privilege hereunder.  
  
4.9 Headings. The division of this Agreement into articles, sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.  
  
4.10 Law Governing this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida without regard to principles of conflicts of laws. Any action brought by any Party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of Florida or in the federal courts located in the state of Florida. All Parties and the individuals executing this Agreement agree to submit to the jurisdiction of such courts and waive trial by jury. The prevailing Party (which shall be the Party which receives an award most closely resembling the remedy or action sought) shall be entitled to recover from the other Party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement.  
  
4.11 Specific Enforcement, Consent to Jurisdiction. The Parties acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof or thereof, this being in addition to any other remedy to which any of them may be entitled by law or equity. The Parties hereby waive, and agree not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Nothing in this Section shall affect or limit any right to serve process in any other manner permitted by law.  
  
  
\*\*\*SIGNATURE PAGE FOLLOWS\*\*\*  
  
  
  
  
SIGNATURE PAGE  
  
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the day and year first written above.  
   
PNGX:  
 PNG VENTURES, INC.  
 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
By: Xxxxx Xxxxxx  
Its: Interim Chief Executive Officer  
 EBOF:  
 EARTH BIOFUELS, INC.  
 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
By: Xxxxxx X. XxXxxxxxxx, III  
Its: Chief Executive Officer  
 ESCROW AGENT  
   
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
EXHIBIT A  
  
Settlement Agreement and Release  
  
  
  
  
  
  
  
\_\_\_\_\_\_EBOF \_\_\_\_\_\_Escrow Agent \_\_\_\_\_\_PNGX  
  
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 EXHIBIT B  
  
EBOF Note  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
  
EXHIBIT C  
  
Form of Conversion Demand  
  
Dated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
  
Pursuant to the terms of the Settlement Agreement and Release and Escrow Agreement by between Earth Biofuels, Inc. (“EBOF”), PNG Ventures, Inc. (“PNGX”) and Madison Stock Transfer, Inc. (the “Transfer Agent”), EBOF hereby demands the issuance of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ shares of PNGX’s common stock (the “Settlement Shares”) to be issued in the name of Earth Biofuels, Inc. and delivered as follows:  
  
Earth Biofuels, Inc.  
Attn: Xxxxxx X. XxXxxxxxxx, III  
0000 Xxxx Xxxxxx, Xxxxx 000  
Xxxxxx, Xxxxx 00000  
  
Amount of EBOF Note converted……………………  
 Number of Settlement Shares to be Issued…………………………..  
 Remaining EBOF Note……………………………….  
   
Please send the certificate representing the Settlement Shares via Federal Express overnight delivery using Federal Express Account No.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.  
  
Very truly yours,  
  
EARTH BIOFUELS, INC.  
  
  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
By: Xxxxxx X. XxXxxxxxxx, III  
Its: Chief Executive Officer  
  
  
  
  
\_\_\_\_\_\_EBOF \_\_\_\_\_\_Escrow Agent \_\_\_\_\_\_PNGX  
  
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