



ASX and Media release

AGL invests in Galilee Basin coal seam gas production pilot and exploration

11 July 2008

AGL Energy Limited (AGL) today announced a \$37 million investment in a coal seam gas production pilot and exploration and appraisal program with Galilee Energy Limited (Galilee Energy) in Queensland's Galilee Basin.

Galilee Energy's majority owner is Eastern Corporation Limited (ASX:ECU).

The Farm-in Agreement, between AGL and two of Galilee Energy's wholly-owned subsidiaries, will see AGL investing up to \$37 million over two stages to acquire a 50 per cent interest in exploration tenement ATP 529P.

Stage 1 of the program will involve the Rodney Creek production pilot in ATP 529P at a cost to AGL of \$20 million. Work on Stage 1 is expected to commence by November 2008. Stage 2 will involve an exploration and appraisal work program during FY10 and FY11 at a cost to AGL of \$17 million. The parties have also entered into a 10-year gas marketing agreement. Under the terms of the farm-in, AGL will assume operatorship of the joint venture under a Joint Operating Agreement.

AGL Managing Director Michael Fraser said "This Farm-in Agreement is a further step in growing AGL's gas reserves through targeted exploration and appraisal drilling, utilising the skills AGL has developed as operator of the Camden Gas Project joint venture.

"AGL is pleased to be working with Galilee Energy in developing the Galilee Basin. This transaction provides Galilee Energy certainty for the next stage of development to prove up reserves, and provides a joint venture partner in AGL who has the capabilities to develop and commercialise gas discovered in the Galilee Basin."

Further enquires:

Media

Andrew Scannell, Head of Media
Direct: + 61 3 8633 6167
Mobile: + 61 (0) 407 290 658
e-mail: ascannell@agl.com.au

Analysts & Investors

Graeme Thompson, Head of Investor Relations
Direct: + 61 2 9921 2789
Mobile: + 61 (0) 412 020 711
e-mail: gthompson@agl.com.au



About AGL

AGL is one of Australia's leading integrated energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest retail energy and dual fuel customer base. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

About ATP 529P

ATP 529P was granted from vacant land for a four-year term commencing 1 December 1992 to Enron Exploration Australia Pty Ltd. On 8 June 1995 Beaconsfield Energy Development Pty Ltd acquired 50% of ATP 529P and on 5 November 1997 Galilee Energy Pty Ltd acquired Enron's remaining 50% interest. Currently Capricorn Energy Pty Ltd and Beaconsfield Energy Development Pty Ltd - wholly owned subsidiaries of Galilee Energy Limited - are the registered holders of ATP 529P.

The most recent renewal was for a four-year term commencing 1 December 2004. Work completed during the current term includes:

- Drilling of the Rodney Creek 8 well to a total depth of 1,110 metres was completed in July 2007. Seven major coal seams were cored with thicknesses ranging from 1.56 metres to 7.37 metres, and together with some minor seams within the interval, gave an aggregate thickness of 24.77 metres. All the coals encountered were gassy. Well testing has indicated encouraging coal permeabilities;
- Review and interpretation of existing seismic survey data; and
- Comprehensive review of ATP 529P and the Rodney Creek Pilot Project, including a study of the conventional and coal seam gas prospectivity.

AGL's proposed pilot program will more than adequately discharge the outstanding tenement obligations under the current term.

About Galilee Energy Limited

Galilee Energy Limited (Galilee Energy) has been engaged in coal seam gas exploration in the Galilee Basin in central Queensland since 1999. The company holds two tenements in the basin: ATP 529P and ATP 799P. Both tenements cover an area of approximately 10,000 square kilometres. Eastern Corporation Limited (Eastern), an emerging energy company with operating coal mines in New Zealand and a coking coal tenement in Australia, originally acquired a 51% shareholding in Galilee Energy in 2003. Eastern now holds 68% of Galilee Energy.

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