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RELEASE TO SHAREHOLDERS

AGL to invest A\$37 million in Joint Venture with Galilee Energy in Queensland's Galilee Basin

Galilee Energy Limited and AGL Energy Limited (AGL) today announced a \$37 million investment by AGL in a coal seam gas production pilot and exploration and appraisal program with Beaconsfield Energy Development Pty Ltd (Beaconsfield) and Capricorn Energy Pty Ltd (Capricorn), wholly owned subsidiaries of Galilee Energy Limited, in Queensland's Galilee Basin.

Galilee Energy holds two tenements covering approximately 10,000 square kilometres in the Galilee Basin - ATP 529P held through Beaconsfield and Capricorn and ATP 799P held directly. Galilee Energy is 68% owned by listed company Eastern Corporation Limited (ECU).

The farmin agreement will see AGL acquire 50% ATP 529P in the Galilee Basin for an expenditure of \$37 million. The agreement is subject to an affirmative indicative approval from the Minister to the transfer of the farmin interest and confirmation that the conditions imposed on the ATP do not vary materially to those that currently exist.

Under the terms of the farmin, AGL will be the operator of the joint venture under a Joint Operating Agreement. Stage 1 of the program will involve the Rodney Creek production pilot in ATP 529P and Stage 2 of the program will involve an exploration and appraisal work program. The parties have also entered into a 10 year gas marketing agreement.

AGL will lead the two stage program under the Joint Operating Agreement executed this month. Work on Stage 1 of the program is expected to commence before November 2008.

Galilee Energy Chairman Mr Rino Camarri said that the agreement with AGL was an excellent outcome for shareholders of Galilee Energy.



“AGL is providing the capital to build on Galilee Energy’s exploration and test work. As a major integrated energy company, AGL brings to the project its expertise in exploration, development, production and marketing,” Mr Camarri said.

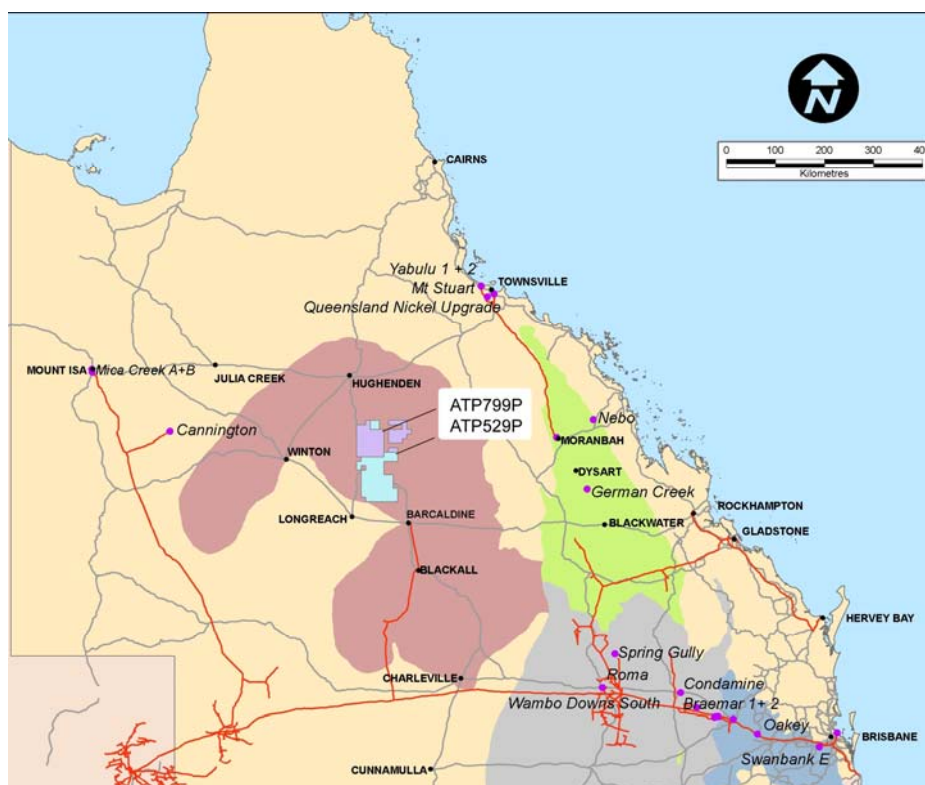
“ATP’s 529P and ATP 799P are both highly prospective for the development of coal seam gas production.

“With AGL engaged in ATP 529P, Galilee Energy will now focus on capital raising to fund further exploration and development in 799P,” Mr Camarri said.

As previously reported, consultants J R Holland & Associates concluded in a preliminary Exploration & Well Completion Report for the Rodney Creek 8 well in ATP 529P that

- the gas resource is substantial,
- is characterised by 24 net metres of gassy coal measures (considered thick enough to enable coal seam gas production),
- coal seams are dull, low in ash and exhibit strong cleating (fracturing), and
- gas composition is of pipeline quality with 97-98% methane.

The gas in place in ATP 529P and ATP 799P, as currently held, is estimated to be greater than 20 TCF, based on the observed coal thicknesses and the measured gas contents of the coals in Rodney Creek 8.



ATP 529P is located 80 km north-west of Barcaldine where a gas power station is fed by a pipeline linked to Moomba and Brisbane.

AGL Managing Director Mr Michael Fraser said that the farmin agreement announced today “builds on AGL’s stated strategy to grow gas reserves through targeted exploration and appraisal drilling.

“The two stage program (production pilot and exploration/appraisal) provides an appropriate balance for AGL between investment size, probability of success and overall valuation metrics and presents an opportunity for AGL to capture additional profit pools in its overall value chain.

“AGL is pleased to be working with Galilee Energy in developing the Galilee Basin.

“This is an excellent transaction for Galilee Energy and also for ECU, its major shareholder, as it provides 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,” Mr Fraser said.

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About Galilee Energy

Galilee Energy Limited 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 799P. ATP 529P is held through Galilee’s wholly owned subsidiaries, Capricorn Energy Limited and Beaconsfield Energy Development Pty Ltd. 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 51% of Galilee in 2003. Eastern now holds 68% of Galilee.

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.

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