

MEDIA RELEASE

Hunter exploration further update

Sydney Gas Ltd (SGL) is pleased to advise details of the following Hunter exploration activities which have continued at an accelerated pace following the deployment of the second coring rig on 1 August 2008 from McDermott Drilling.

Corehole drilling

Rothanal 01 (RN01) is located in PEL 267 approximately 15.6kms south-east of the township of Singleton. RN01 was spudded on 13 June 2008 and reached a total depth of 864.6m on 10 July 2008 after intersecting a total net coal thickness of 7.76m, being the targeted Middle Permian Lower Coal Measures (Greta).

Roughit 01 (RI01) is located in PEL 267 approximately 8.5kms east of Singleton. RI01 was spudded on 30 July 2008 and reached a total depth of 1,064.3m on 18 September 2008 after intersecting a total net coal thickness of 6.69m, being the targeted Middle Permian Lower Coal Measures (Greta).

Paynes Crossing 01 (PC01) was spudded on 4 August 2008 and is located 14kms south of the township of Broke. The corehole reached a total depth of 1,079.05m after intersecting a total net coal thickness of 54.21m, being the Late Permian Upper Coal Measures (Newcastle and Wittingham).

Maison Dieu (MD01) is located in PEL 267, approximately 11 kms of north-west of Singleton. MD01 was spudded on the 20 October 2008 with a targeted depth of 350m. Coal was encountered at 24m, being the Foybrook Formation of the Wittingham Coal Measures. A further update will be provided on this corehole when it is completed.

The SGL/AGL Joint Venture plans to drill, a total of 10 coreholes during the initial phase of the exploration program. This includes the two coreholes (HC03 and HC06) already drilled in PEL 4 and four coreholes (HC05, RN01, RI01 and PC01) in PEL 267. An extended corehole program over the large areas in both exploration licences is planned for further CSG flow testing and to prove up potentially significant 2P gas reserves in these exploration licences for commercialisation.

Conclusions to be drawn from these Coreholes

The reservoir characterisation study of the sample cores from the above coreholes is currently underway. This is to determine primarily the gas content, gas composition and gas saturation values with a view to optimising future drilling locations for Coal Seam Gas (CSG) flow testing.

So far, the Rothanal and Roughit core holes indicate that the Greta coal seams are prospective. Accordingly, the Joint Venture is planning a production pilot for the Greta coals. A production pilot is required to determine the extent of gas flow

from the coals and is an important step in determining the magnitude of 2P gas reserves for the Hunter.

The Paynes Crossing core hole has intersected a significant amount of coal. The area is a narrow valley amongst heavily timbered hills and the gas production in such a confined space may be limited. The core hole has given valuable information regarding the regional geology and its wider potential.

Seismic Data Acquisition

A 2D high resolution seismic survey is scheduled to commence late November 2008 to acquire a minimum of 160kms seismic data in both PEL 4 and PEL 267. This will further define geological modelling of the subsurface geological structures and the lateral continuity of the seams targeted for CSG exploration.

Sydney Gas Ltd is the operator for exploration activities in the Hunter Region in a 50-50 Joint Venture with AGL Energy Limited.

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