



ASX and Media release

AGL acquires Gloucester Basin coal seam gas assets

17 December 2008

AGL Energy (AGL) today announced the acquisition from AJ Lucas Group Limited (AJL) and Molopo Australia Limited of the companies which hold 100% of the interests in PEL 285 in the Gloucester Basin for \$370m.

AGL anticipates completing the acquisition on or about 19 December 2008.

PEL 285 has 175 PJ of 2P reserves certified by NSAI as at February 2008, representing approximately 26% of New South Wales certified reserves. Based on additional drilling data obtained by AJL (the operator of the Gloucester Basin joint venture) since February 2008 and applying assumptions consistent with the NSAI methodology, AGL expects that reserves will be upgraded to between 400-500 PJ (2P) and 700-800 PJ (3P). AGL anticipates formal certification of these updated reserves in the first half of calendar 2009.

AGL Managing Director Michael Fraser said, "This is a prudent allocation of capital that expands AGL's equity gas footprint in our core New South Wales market. The timely development of the Gloucester and Hunter gas projects will provide AGL with a new source of long term wholesale gas supplies for the Sydney and Newcastle markets."

AGL has been conducting a review of a range of opportunities in the upstream gas market, including due diligence on the options it holds to acquire 100% of the Lacerta and 15% of the Polaris gas fields in Queensland from BG Group plc. These options expire in April 2009.

Mr Fraser added, "We continue to assess opportunities in upstream gas markets against the backdrop of our stated intention to maintain the company's BBB Credit Rating".

AGL has significantly strengthened its Balance Sheet over the last 12 months with asset sales totalling \$3.2 billion. AGL's investment in the Gloucester Basin will be funded from existing internal cash reserves.

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Attachment A: PEL 285 Gloucester Basin NSW Facts Sheet



Interests to be acquired by AGL

- 100% of Molopo (Gloucester) N.L. which holds 30% interest in PEL 285;
- 100% of Lucas Energy Pty Limited, which holds 70% interest in PEL 285.

Rationale for investment

- The Gloucester Basin sits in close proximity to AGL's core NSW gas market;
- The acquisition is consistent with AGL seeking equity gas reserves of around 2,000 PJ; and
- There is an opportunity to extract operational synergies and economies of scale from developing the adjacent Hunter and Sydney Basin permit areas.

Exploration, Appraisal and Development Program

- AGL will undertake a further detailed review of the existing exploration, appraisal and development program of PEL 285. AGL's present intention is to continue the existing exploration and appraisal plans in 2009.

Acquisition price

- The agreed acquisition price is \$370m.
- Cost adjustments will be made to take into account working capital movements between 30 November and completion.
- On the basis of the anticipated reserves upgrade, the effective acquisition price is \$0.74 - 0.93 per GJ of 2P reserves and \$0.46 - 0.53 per GJ of 3P reserves. This compares favourably against recent CSG transactions as illustrated in the following table.

Recent Transaction Comparables	Transaction value (\$m)	Reserves (PJ)		Transaction metrics (\$/GJ)	
		2P	3P	2P	3P
BG-QGC (Feb 08)	415	263	623	1.58	0.67
Petronas-Santos (May 08)	2,114	538	1,600	3.93	1.32
Shell-Arrow (Jun 08)	435	238	837	1.83	0.52
QGC-Sunshine (Aug 08)	811	476	1,097	1.70	0.74
Conoco-Origin (Sep 08)	6,000	2,376	5,069	2.53	1.18
BG-QGC (Nov 08)	5,208	2,631	6,779	1.98	0.77
Total/Average	14,983	6,522	16,005	2.26	0.87

Source: AGL estimates based on company announcements

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Industry Comparisons of Important Reservoir Characteristics

	Comet Ridge	Undulla Nose	Gloucester
Average Net Coal (metres)	8	20	23 [#]
Average Gas Content (m3/tonne)	12	8	16 [#]
Permeability (mD)	100	500 - >1000	0.5-200
Time to peak (years)	~ 2 - 5	~1- 2	0.1
Average peak production rate (GJ/day)	~1,000	~2,000	1000*

Note: Comet ridge and Undulla Nose data presented in Origin Energy ASX release dated 23 October 2008, Presentation to JPMorgan CSG Corporate Access Day

Data taken from Monte Carlo analysis

* Based on current well data

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Attachment B: Map of the Gloucester Basin Assets

