



AGL announces lapse of conditional obligation to take PNG gas

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AGL announced today that the conditional gas supply agreement it had entered into with Esso Highlands Limited and other PNG Gas Project participants to take PNG gas has lapsed.

Notice of such lapse was received today as a result of the PNG pipeline project not proceeding. At the same time ExxonMobil, the operator of the PNG Gas Project, has advised participants that the cooperative heads of agreement between the parties has also lapsed.

AGL still believes that the PNG Gas Project remains potentially viable in view of eastern Australia's long term demand for natural gas. AGL will be working closely with all parties in the project to extract maximum value from its gas reserves which it acquired for a very modest consideration. The future developments will include a range of other gas project concepts including LNG and petrochemicals and we expect to make a decision on these projects later this year.

AGL's equity gas interests in PNG are 11.9% of PDL 2 (Kutubu field) and 66.7% of PDL 4 (Gobe field). AGL's equity oil reserves and production interests in PNG are unaffected by these developments.

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