



AGL secures investment in CSM Energy

06 June 2007

AGL Energy Limited (AGL) today announced it had reached agreement with CSM Energy Limited to acquire a cornerstone investment of 35 per cent in CSM Energy for \$3.0 million.

CSM Energy is an unlisted public company with a strategic business focus of pursuing Coal Mine Methane (CMM) gas extraction and commercialisation businesses.

Announcing this deal, AGL Managing Director Paul Anthony said, "AGL is pleased to be making this investment in a company which has a corporate goal of becoming a world class specialist service provider to the coal industry. As part of this deal, AGL has secured valuable rights to access any gas production and power generated from future CMM projects, and we have the further option to acquire a minimum 35% direct equity stake in all projects pursued by CSM Energy."

CSM Energy has a number of agreements with coal mine operators to pursue CMM projects in Queensland and has originated a number of project opportunities in New South Wales. Last year AGL acquired a 50% interest in the Moranbah Gas Project which is adjacent to one of CSM Energy's CMM project areas.

CMM is potentially a major natural gas resource within mining leases. CMM gas has traditionally been a waste product for coal miners, however tighter environmental development conditions are leading to numerous opportunities to provide gas extraction services to the coal mine sector. A range of gas commercialisation initiatives arise from participating in CMM projects such as power generation and wholesale gas sales.

"This transaction is another upstream initiative supporting AGL's four corners strategy by taking a shareholding in a company that will enable us to secure further access to equity gas positions in eastern Australia" Mr Anthony said.

"This is a modest but exciting entry for AGL into an industry which is showing rapid signs of growth in response to the environmental and development pressures on Australia's burgeoning coal industry".

AGL will fund the acquisition through existing cash reserves. The transaction is expected to be completed prior to the end of June when AGL's nominees will assume two seats on the reconstituted Board of CSM Energy.

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