



QUEENSLAND GAS COMPANY LIMITED

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ASX ANNOUNCEMENT

Dear Fellow Shareholder,

As you are probably aware from recent media reports, yesterday the ACCC announced its decision to oppose Santos' improved offer to acquire QGC. This means that the AGL proposal, which is recommended by the Board in the absence of a superior offer, is the only proposal capable of acceptance. The AGL proposal and the related Sentient transaction will be subject to a shareholder vote on Friday 2 March 2007.

In opposing the Santos offer, the ACCC found that QGC "acts as a strong competitive constraint on Origin and Santos" and as a result, believed that if Santos acquired QGC it would "substantially lessen competition for the wholesale supply of gas in southern Queensland".

The ACCC decision affirms QGC's strength as a vigorously competitive and growing independent coal seam methane explorer and producer.

In the light of the ACCC announcement, Santos have today announced that they do not intend to proceed with their offer.

With AGL as a strategic shareholder, QGC will be well capitalised to continue rapid development of our gas fields and our highly prospective unexplored tenements with strong cashflow from AGL's investment and gas sales underpinning our growth strategy.

QGC has already commissioned independent certifiers Netherland Sewell and Associates Inc to certify another 2P reserves upgrade in the coming weeks, which we expect to be at least 125 PJ. With the addition of Sentient's permit interests, QGC's 2P reserves position will rise to 741 PJ, and a reserves upgrade of at least 125 PJ would take our 2P reserves to at least 866 PJ.

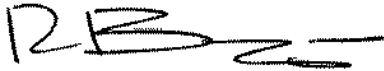
Following the Extraordinary General Meeting with shareholders on Friday next week we will focus our energies on aggressively positioning ourselves for growth ahead. The key areas of our expansion efforts will be gas field development and production in and around Argyle, Aberdeen and Woleebee Creek. We will also continue with the Condamine Power Station development and pursuing pipeline opportunities to grow our market access.

Your Directors have great confidence in QGC's future as an independent coal seam methane producer and look forward to shareholders support for the AGL and Sentient transactions on Friday 2 March 2007.

Your Board encourages you to vote in favour of the AGL and Sentient transactions by lodging your proxy before 10am (QLD time) next Wednesday, 28 February 2007 or by attending the meeting in person. Your proxy form, and details of how to lodge it, can be found in the Notice of General

Meeting and Explanatory Memorandum sent to you on 1 February 2007. If you have any questions, or you require another proxy form, please call the QGC Shareholder Infoline on 1800 043 134 (within Australia) or +61 2 8307 2433 (outside Australia) Monday to Friday between 8.00am and 6.00pm (QLD time).

Yours sincerely,



Robert Bryan
Chairman

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