

To:	COMPANY ANNOUNCEMENTS OFFICE		
Company:	THE AUSTRALIAN STOCK EXCHANGE LIMITED		
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## STOCK EXCHANGE ANNOUNCEMENT

### **\$15 MILLION RAISING TO EXPAND SYDNEY GAS PRODUCTION**

We attach a copy of a media release.

Patrick Sam Yue  
Company Secretary

# MEDIA RELEASE

## \$15 MILLION RAISING TO EXPAND SYDNEY GAS PRODUCTION

2 July 2003

Sydney Gas Ltd (ASX: SGL) has launched a \$15 million convertible notes issue to fund expansion of its existing gas production in New South Wales.

Sydney Gas is the first commercial gas producer in NSW and has been continuously producing and selling gas from its Camden Gas Project to AGL for more than two years.

The Company produces coal seam gas in the Camden region, 50 km south-west of Sydney, and is currently expanding production through the addition of 100 new production wells and a second gas plant.

Sydney Gas has two 10 year gas sales contracts to sell up to 14.5 petajoules (PJ) annually to AGL, Australia's biggest gas retailer. By fulfilling these contracts, Sydney Gas would earn revenues of between \$40-45 million from this annualised production, which represents almost 8% of the NSW gas market.

The convertible notes have an issue price of \$0.60, approximately three year term, pay 12% interest per year (quarterly in arrears) and mature on 1 June 2006. The notes are convertible into fully paid Sydney Gas shares on a one for one basis at the noteholder's election, at any time during that three year term.

The \$15 million convertible notes issue forms part of Sydney Gas' broader capital management programme, unanimously approved by shareholders at the Company's general meeting on 17 June 2003, which also includes:

- A \$5 million placement of ordinary shares in May 2003, predominantly with sophisticated investors in North America and Europe;
- The conversion of August 2003 Options to raise \$11 million, fully underwritten by Findlay & Co Stockbrokers (Underwriters) Pty Ltd; and
- The balance of \$10 million of convertible notes issued during 2002.

Sydney Gas' Chief Executive Officer, Dr Bruce Butcher said that, "Sydney Gas is intent upon completing its 100 well drilling programme by the end of 2003. A second gas plant, and a high pressure steel sales line connecting the plant to AGL's main transmission line (just 500 metres away), are planned for completion later this year."

“With a further \$21 million available from Sydney Gas’ project finance facility with Westpac Institutional Bank, the Company should have \$52 million of new capital available before 2003 calendar year end to fund its ongoing expansion”, said Dr Butcher.

Dr Butcher said that, “We expect operations in Camden to grow to around 300 wells within the next three to four years.”

The Camden Gas Project represents only 4% of Sydney Gas’ 23,800 km<sup>2</sup> acreage, which includes Sydney, Wollongong, Newcastle and the Hunter Valley.

Dr Butcher added that the expansion of operations in Camden will put Sydney Gas on a strong footing to pursue gas production elsewhere in the Company’s acreage.

“Our initial focus outside Camden is on the Hunter region, following the completion of a NSW Government backed commercial feasibility study, which found that the geological potential of the Hunter is at least as promising as that we are experiencing in and around Camden”, said Dr Butcher.

Dr Butcher said that, “Given the current lack of gas supplies to much of the Hunter, and the establishment of new energy-intensive industries there, Sydney Gas and the NSW Government believe the market opportunities for low-cost, locally-sourced gas are significant.”

Sydney Gas’ strategic planning contemplates the Company producing up to 40 PJ of gas per annum from 300 wells in the Singleton, Muswellbrook and Newcastle regions within the next seven years.

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