



Mark Harper
General Manager
Sydney Gas Ltd
Level 11
1 O'Connell Street
Sydney
NSW 2000

5 August 2008

Dear Mr Harper,

Thank you for your kind offer. The information recently provided to myself and others during your presentation to Wollombi Chamber of Commerce is being relied upon and has been relayed through the community.

The meeting we are holding on the 9th August is open to the public and you are free to attend, if you so wish. It is not intended to generate hostility but to present facts to the community from which they can draw their own conclusions.

We understand that two 10cm exploration core holes have little impact compared to a fully operational gas field being developed. However, we realise that if, after the core holes have been completed, your Company consider the coal seam to be a viable source of methane gas then you would install a test well which involves dewatering and fracturing with the associated risks and there are various arguments as to the magnitude of those risks, though you have agreed that risks exist. We can only assume that Sydney Gas is exploring for coal seam methane gas to assess the feasibility of developing a productive field with your joint venture partner AGL Energy.

You have confirmed that a viable gas field would involve as many as 200 wellheads or more, with all the associated infrastructure, which would all be connected to a compressor station. You described a compressor station as being about the size of Wollombi Village or six football fields.

This type of industrial development is wholly inappropriate in the Wollombi Valley, which has been listed by The National Trust as a landscape conservation area, and parts of which are recognised by the NSW State Government as being of significant heritage value. The majority of our local businesses rely on tourism as their main source of income. The natural environment of the Wollombi Valley is especially precious and provides increasingly rare habitat for numerous species of flora and fauna, many of which are listed as endangered, as noted in your REF.

Your claim that Sydney Gas is not proposing gas production in the Wollombi Valley is fallacious and insulting. It is the sort of statement that invites hostility. You confirmed that each exploratory drill hole costs in the region of \$1 million and you now expect us to believe that that is as far as your consortium's activity would proceed if your exploration proved a viable gas field exists under the Wollombi Valley?

Yours sincerely,



Sean Gough
Chairman