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# Quarterly Report to Shareholders

1 July 2008 to 30 September 2008

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### **Front page images**

**Top left:** Environmental officer Jill Melton demonstrates the quality of coal seam water from Berwyndale South gasfield's evaporation pond. (Photo: Luke Marsden, The Sunday Mail)

**Top centre:** A QGC contractor builds a safe parking area for school bus passengers from recycled drill rods on Chinchilla-Tara Road.

**Top right:** Property supervisor Peter Dougall surveys the 160ha of barley he tends on QGC's Windibri acreage.

**Below left:** QGC lands manager Greg Mills, left, in conversation with Glenn Tilly of Tilly Farming, at Well Head 78 on Tilly's Nangram property.

**Below centre:** Exploration geologist Zoe Stackhouse examines a drill site.

**Below right:** Condamine Power Station manager Steve Carter watches the new 140 megawatt station take shape.



# 1 Company profile

Queensland Gas Company is a rapidly-evolving integrated energy business strategically positioned to meet rising demand for its abundant coal seam gas, cleaner power and ample water.

Since listing on the Australian Stock Exchange in 2000, QGC has become the country's leading specialist coal seam gas producer, one of Queensland's largest companies and an award-winning business noted for nimble and innovative action. It has a workforce of more than 240 people.

The qualities and depth of QGC's assets and management have been recognised by BG Group (formerly British Gas), a global energy company seeking to partner with QGC to export gas to higher-value overseas markets through the Queensland Curtis LNG (QCLNG) Project. On 28 October, the Boards of BG Group and QGC announced that they had agreed the terms of a recommended transaction under which BG Group would offer to acquire all the issued shares in QGC at \$5.75 per share by means of an unconditional on-market takeover bid on the Australian Securities Exchange.

In June 2008, QGC was admitted to the S&P/ASX 100 index and at the close of trade on 30 October, QGC had a market capitalisation of \$5.4 billion. QGC has been confirmed by Link Market Services as the standout leader in the S&P/ASX 100 in terms of Total Shareholder Return over both one and two years to 30 June.

QGC has dedicated a significant proportion of its fast-growing coal seam gas reserves in the Surat Basin to meet Australia's energy needs. These world-class reserves are projected to supply about 20 per cent of Queensland's domestic gas market in 2009.

The Company's strengths are underpinned by Queensland Government policy, firm long-term contracts, Australia's move to cleaner, more efficient fuel sources and the advent of a national carbon trading scheme.

In the world-scale QCLNG Project, QGC and BG Group are seeking approval to develop a potential capacity of up to 12 million tonnes a year of liquefied natural gas (LNG) to be produced on Curtis Island, near the city of Gladstone. The LNG alliance involves targeting more than 7,000 PJ of 2P reserves, construction of a 380km pipeline to Gladstone, development of an LNG terminal and about 4,400 new jobs. The project contractor, Bechtel Oil, Gas & Chemicals, Inc., is developing the front-end engineering and design (FEED) process for a two-train project. The first production train will export 3 to 4 million tonnes a year.

QGC is scheduled to join the National Electricity Market in February, when the Company will be supplying coal seam gas to its new Condamine Power Station. The ground-breaking 140 MW power station will produce electricity with relatively lower emissions.

In 2008, the Company has made two agreed takeover offers, securing control of Sunshine Gas, a Queensland coal seam gas explorer and developer with more than 30,000sq km of acreage in the Surat and Bowen basins, and Roma Petroleum. QGC has also acquired a major shareholding in Victoria Petroleum. All three companies are expected to significantly expand QGC's existing coal seam gas assets.

Innovation is the Company's core value, driving the development of Condamine Power Station, QGC's unique well-completion technique and its approach to water yielded during the release of coal seam gas. QGC invests in applications for large volumes of coal seam water, which has the potential to help drought-affected communities, towns and farms in the Surat Basin.



## 2 Highlights including significant events after 30 September

**Agreed takeover offer from BG Group** – On 28 October the Boards of BG Group and QGC announce that they have agreed the terms of a recommended transaction under which BG Group will offer to acquire all the issued shares in QGC at \$5.75 per share by means of an unconditional on-market takeover bid on the Australian Securities Exchange.

**Offer for Sunshine Gas unconditional** – The agreed takeover offer by QGC for Sunshine Gas, made on 20 August, is declared unconditional on 10 October after clearance by the Australian Competition and Consumer Commission. On 9 October, QGC announces that it had taken effective control of the company after acceptances exceed 51.8 per cent of Sunshine's shares. By 30 October, that has increased to more than 90 per cent.

**Record financial results** – On 10 August, QGC announces its best financial results, including net profit after tax (NPAT) of \$244.6 million and underlying NPAT of \$30.6 million. Total revenue for QGC, in its second full year as a producer, increases 135 per cent to \$81.1 million, with gas sales revenue more than doubling to \$55.1 million.

**Further increase in certified reserves** – Independent certifiers confirm on 17 September another significant increase in the QGC/BG share of proved (1P) and proved and probable (2P) reserves, up 16 per cent to 705 PJ and 12 per cent to 2,703 PJ respectively.

**QLNG Project advances** – Queensland Curtis LNG Project, the alliance of QGC and BG Group, takes a significant step forward on 3 September with the granting of a survey licence for a pipeline that will transport coal seam gas 380km from the Chinchilla area to the world-scale LNG plant in Gladstone.

**Roma acquisition moves towards completion** – QGC begins the process for compulsory acquisition of the shares that it does not already own in Roma Petroleum on 17 October. QGC announces on 20 October that acceptances have reached more than 97 per cent. Roma holds a significant interest in PL 171, which is prospective for coal seam gas and near the proposed pipeline for the QLNG Project.

**Record drilling** – In the September quarter QGC drills 29 wells, comprising a record 24 exploration and appraisal wells drilled in a single quarter and five development wells. This eclipses the 22 exploration and appraisal wells drilled in the June quarter as part of an ongoing exploration and appraisal program to certify additional 1P and 2P reserves.

**Daily gas production potential** – Production potential is increasing as more wells are drilled, completed and brought online. By 30 September 2008, production potential reaches 124.4 TJ per day.

**Board nomination** – BG Group's Executive Vice President and Managing Director for the Americas and Global LNG, Martin Houston, is nominated as an Alternate Director of the Board of QGC on 25 September.

**Victories for Drama At The Gasfields** – On 16 October, QGC and its partner La Boite Theatre Company are awarded a national business-arts prize for this year's Drama At The Gasfields, the highlight of QGC's community calendar. The victory in the Australia Business Arts Foundation's (AbaF) City of Melbourne Encouragement Award comes just a month after the partners clinch the Queensland-wide AbaF QantasLink Regional Award.

**Exploration and development capital expenditure** – During the quarter QGC spends \$15.1 million on exploration to prove up reserves and \$41.8 million on development projects. The projects include the Kenya processing plant (\$10.9 million), an upgrade of Berwyndale South processing plant (\$10.7 million) and field development in ATP 620/PL180 (\$12.6 million).

Indicator	30 September 2008	30 September 2007	Increase
Gas sales (QGC share) <sup>2</sup>	4.4 PJ	4.8 PJ	-8%
Gas sales (QGC/BG) <sup>1, 2</sup>	5.5 PJ	4.8 PJ	15%
Total revenue (QGC share) <sup>3</sup>	\$25.7m	\$16.6m	55%
Total revenue (QGC/BG) <sup>1, 3</sup>	\$28.6m	\$16.6m	72%
Total production (QGC share)	4.6 PJ	4.8 PJ	-4%
Total production (QGC/BG) <sup>1</sup>	5.7 PJ	4.8 PJ	19%
2P reserves (QGC share)	2,163 PJ	1,317 PJ	64%
2P reserves (QGC/BG) <sup>1</sup>	2,703 PJ	1,317 PJ	105%

1 On 11 April 2008 QGC completed a transaction to transfer 20 per cent of QGC's interests in the Company's Walloon coal seam gas acreage and certain infrastructure to BG Group. Combined QGC/BG figures are supplied to enable direct comparison with the previous year.

2 Excludes banked gas sales, which are not recorded as a sale until the gas has been supplied.

3 Includes interest and tolling revenue of \$14.3 million for the September quarter and \$3.6 million for the corresponding period in 2007.



## 3 Acquisitions

**QGC made an agreed \$830 million takeover offer for Sunshine Gas and advanced the friendly bid for Roma Petroleum, in M&A activity that is expected to expand significantly the Company's existing coal seam gas assets.**

The Company has taken effective control of Sunshine Gas, with more than 90 per cent acceptances, since the agreed takeover offer of 20 August. Sunshine Gas is a Queensland coal seam gas explorer and developer with more than 30,000sq km of acreage in the Surat, Bowen and Cooper basins.

The scrip or cash/scrip offer was unanimously recommended by Sunshine's Voting Directors and on 22 September an independent expert's report determined that the offer was "fair and reasonable". The report said that a merger would increase the combined entity's scale and should improve its capacity to grow and benefit from market opportunities.

In early October, the largest shareholder in Sunshine accepted into the bid. On 9 October, QGC exceeded 50 per cent of acceptances from Sunshine shareholders and the next day the offer was declared unconditional following clearance by the Australian Competition and Consumer Commission. By 30 October, QGC had achieved acceptances of more than 90 per cent.

Sunshine Gas promises to add 469 PJ of proven and probable (2P) reserves. Furthermore, it will bring 1,097 PJ of proven, probable and possible (3P) reserves that, QGC's experience in the Surat Basin has shown, are likely to be converted to 2P.

The company has interests in 13 authorities to prospect (ATPs) and three petroleum leases (PLs). Its Surat Basin acreage is geographically aligned with QGC's and a merger would create a business with a significant portfolio of coal seam gas acreage across Queensland's premier gas basins, allowing it to pursue domestic gas opportunities including the development of gas-fired power stations. A merged entity would also have greater access and more paths to market for its gas, including the QCLNG Project.

The acquisition of Roma Petroleum, an oil and gas explorer and producer, will also expand QGC's coal seam gas acreage. QGC began the process for compulsory acquisition of the shares that it does not already own in Roma Petroleum on 17 October and, on 20 October, the Company announced that acceptances had reached more than 97 per cent.

QGC made a cash-and-scrip offer to Roma's shareholders on 25 June that was supported by the Board of Roma. By 31 July, QGC had effective control of the company.

Roma has interests in petroleum tenements in South Australia, Victoria and the Surat Basin in Queensland. It holds a significant interest in PL 171, which is prospective for coal seam gas and near the proposed pipeline for the QCLNG Project.



## 4 Queensland Curtis LNG Project

The Queensland Curtis LNG (QCLNG) Project, an alliance between QGC and BG Group to develop and export Queensland's coal seam gas resources, continues to advance on all fronts.

The alliance gained momentum during the September quarter in all key project development areas. This included progression of the design and engineering work for the gasfield development, the pipeline to Gladstone and the liquefaction facilities on Curtis Island. Additional gas reserves were proved up to underpin the associated long-term liquefied natural gas (LNG) sales agreements and considerable headway was made in advancing the permitting and stakeholder management phases of the project. The project teams of QGC and BG Group also improved integration at all levels of operational and development activities.

QGC and BG Group announced an agreement in February to build a world-scale LNG plant off the Queensland coast, to export coal seam gas from QGC's Surat Basin acreage.

The partners in the QCLNG Project are seeking approval to produce up to 12 million tonnes per annum (mtpa) of LNG for export over 20 years, in liquefaction trains of 3 to 4 mtpa each.

QGC's world-class coal seam gas resources are matched to BG Group's global leadership in LNG, with BG guaranteeing off-take for the first production train for 20 years. A final investment decision is due in early 2010.

In July, Bechtel Oil, Gas & Chemicals, Inc. was announced as project contractor for the liquefaction plant. The front-end engineering and design (FEED) phase began shortly after and continues to progress rapidly. There are also plans to accelerate FEED for the 380km pipeline, which will transport gas from QGC's Surat Basin tenements to the LNG plant near Gladstone off Queensland's central coast.

### Further recent significant developments

- QGC's Growth Acceleration Strategy (GAS) continued to increase certified reserves, achieving proved and probable (2P) QGC/BG reserves of 2,703 PJ on 17 September. This figure is ahead of schedule, with Sunshine Gas bringing a further 469 PJ of 2P reserves and 1,097 PJ of proved, probable and possible (3P) reserves.
- Land for the LNG plant site at North China Bay on Curtis Island, off Gladstone, was resumed by the Queensland Government on 10 October. The Government has given assurances that QCLNG will be granted access to the targeted site.
- A Pipeline Survey Licence for the 380km pipeline was issued on 3 September. The pipeline route survey will establish the best easement in which to lay the pipeline.
- QCLNG has responded to the Queensland Government on its proposed draft terms of reference for the environmental impact statement (EIS) process for the project. Studies to ensure that the proposed development is environmentally and socially acceptable began after the Government declared the project "significant" in July, triggering an assessment process under Queensland and Commonwealth environment legislation. The QCLNG alliance continues to progress these studies, which will result in an EIS, in anticipation of the finalisation of the draft terms of reference.
- Consultation with a range of stakeholders is continuing and QCLNG has purchased a site in Gladstone for a local project office.

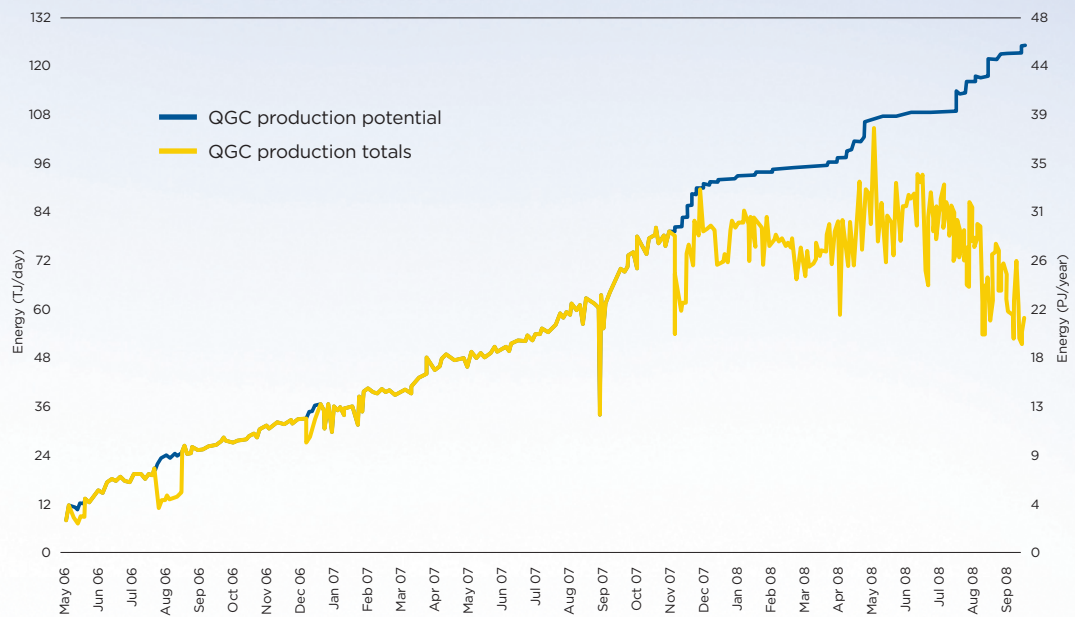
### Future developments

- Drilling of about 600 production wells by 2013 for the QCLNG Project – a target that will be achieved in line with the 2007-08 drilling record. A total of about 3,000 wells will supply the first two production trains over the life of the project.
- Construction of a 380km pipeline from QGC's Surat Basin tenements to the LNG plant near Gladstone; a 220km network of gas and water pipelines to link QGC's production areas to the main pipeline; and a 200km pipeline to connect third-party gasfields to the main pipeline.
- Construction of an LNG plant; storage tanks; marine jetty; dredging works; and other LNG site facilities on Curtis Island.
- About 3,000 workers will be employed in construction of the first train and 100 to 200 to operate the facility. Gasfield development and pipeline construction will require 400 to 600 workers and 600 staff will be employed to operate the gasfields over the life of the project.



# 5 Gas production and sales

## Production potential on the rise



### QGC continued to set new highs in gas production capability during the September quarter.

Total gas production for the September quarter totalled 5.7 PJ (QGC/BG share). The average daily production capability reached 124.4 TJ per day (equivalent to 45 PJ per year), eclipsing the record set last quarter of 108.2 TJ per day (equivalent to 39.5 PJ per year).

During the past 12 months, gas production potential has more than doubled as more wells have been drilled, completed and brought online.

Since the formation of the Queensland Curtis LNG Project with BG Group, production levels have been maintained at current sales requirements as resources are reallocated for the project. As production potential exceeds current gas requirements, a number of wells are shut in and there is excess well-flow potential. This is further increased by the dewatering of existing wells.

The Company has demonstrated to date that production wells can be shut in and re-opened without water recharge or a decrease in production.

Five gasfields operated by QGC contribute to production, including Berwyndale South (PL 201); Berwyndale (PLA 211); Bellevue (PLA 247); Argyle/Kenya (currently PL 228 and PL179 only); and Codie/Lauren (both PLA 180). Among these are several appraisal areas that have been connected to the gas processing facility at Berwyndale South to minimise flaring.

### Gasfields

#### Berwyndale South (PL201)

QGC's first gasfield, Berwyndale South, continues to prove itself as a world-class coal seam gas resource, producing 47 TJ per day from an average of 45 wells per day.

Total field production reached a peak of more than 90 TJ per day on 16 July 2008. Average peak flow rates had reached 0.99 TJ per day per well, with more than 75 per cent of wells reaching 1 TJ per day.

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## 5 Gas production and sales

### Kenya/Argyle (PL 179, 228 and 229)

Production at Argyle was 4.4 TJ per day, with an average of three wells per day contributing. At Kenya, production was 5.4 TJ per day, with six wells contributing on average.

Gas supplies to Incitec Pivot Limited began on 1 July 2007, in line with the customer's requirements. Gas supplies to IPL's fertiliser manufacturing facility at the Port of Brisbane increased to the full contract rate of 20.3 TJ per day (7.4 PJ per year) by late August 2007, in accordance with the 10-year contract with IPL.

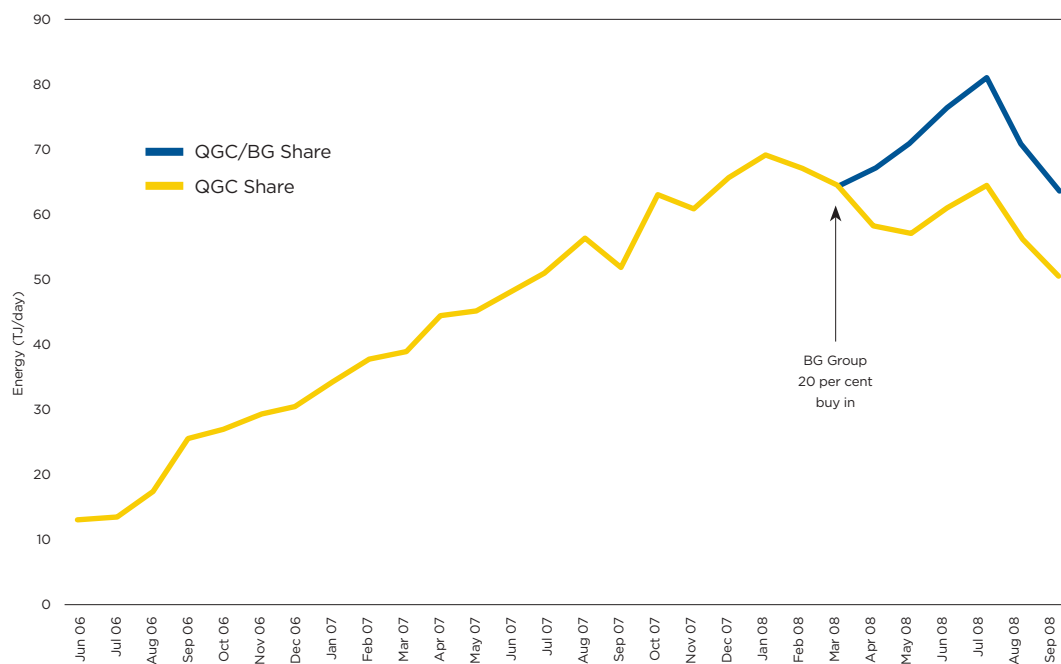
To date, results in the Kenya/Argyle gasfield have indicated that the well potential is as good as at Berwyndale South. By the end of September 2008, production had reached a peak of 13.8 TJ per day. Peak average flow rates had reached 1.7 TJ per day, with 15 wells having reached 1 TJ per day. At present, 60 per cent of producing wells are free-flowing.

### Plant performance and capability

All plant and pipelines operated without major interruption during the quarter. All nominations were met.

At the end of the September quarter, the Berwyndale South process plant facility was capable of delivering up to 160 TJ per day. Once the Kenya screw site is commissioned, screw compression deliverability will be in excess of 160 TJ.

Average daily gas sales by month



### Gas sales

Gas sales are on track to meet annual projections and underline QGC's market position as a secure and reliable producer and a market leader in the coal seam gas sector.

Total sales for QGC/BG in the September quarter totalled 5.5 PJ, which is a 15 per cent increase on the equivalent period last year. The associated revenue was \$14.3 million, which is a 9.7 per cent improvement on the first quarter of 2007.

This quarter, QGC continued to meet its gas sales obligations, including the contracts with CS Energy Limited, Braemar Power Project and Incitec Pivot Limited as well as the gas sale agreement with AGL Energy Limited.

Additional spot sales of gas contributed to total sales. Further, QGC is finalising preparations for its increased sales obligations for AGL Energy Limited this coming January, which will boost sales over the coming year.



## 6 Exploration and reserves

QGC achieved another significant increase in its proved (1P) reserves and its proved and probable (2P) reserves. The Company announced a 16 per cent upgrade of its 1P reserves and a 12 per cent upgrade of its 2P reserves on 17 September 2008 following a review by Netherland, Sewell & Associates, Inc. (NSAI), the independent certifiers. The new figures include BG Group's 20 per cent interest.

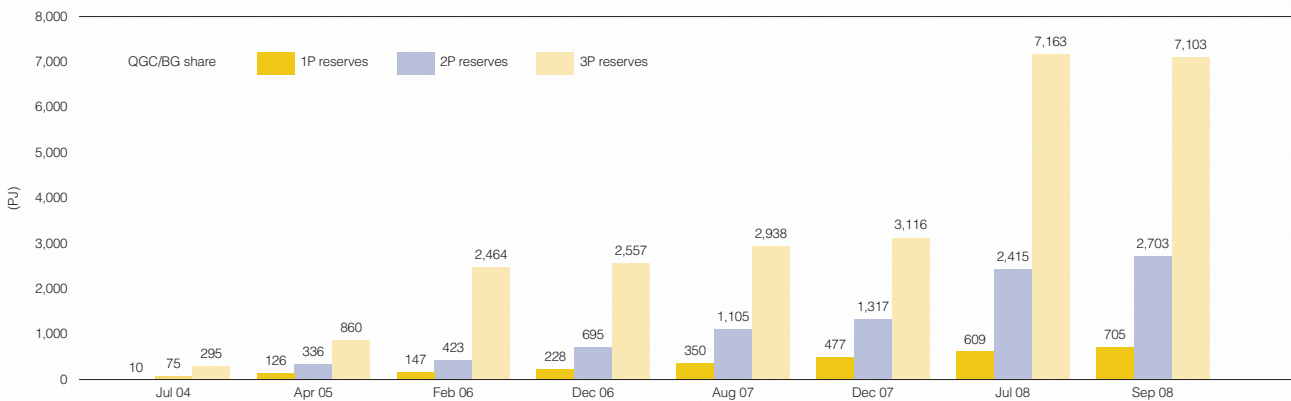
The 96 PJ upgrade of 1P reserves to 705 PJ and the 288 PJ upgrade of 2P reserves to 2,703 PJ provide further proof of QGC's ability to prove up large amounts of gas in a relatively short period of time. QGC/BG's proved, probable and possible (3P) reserves decreased slightly, but inside the margin for error, to 7,103 PJ. The focus of drilling since the last announced upgrade on 1 July 2008 has been on the development of 1P and 2P reserves.

The review included results from production testing of exploration and appraisal wells at: Mamdal and Ross in ATP 651P; Codie/Lauren in PLA 180; Berwyndale in PLA 211; Bellevue in PLA 247; Kenya East/Jammat in PLA 257; Sean in PLA 259; and at Myrtle in PLA 261. NSAI's review also included results from drill stem testing (DST) in wells drilled in ATP 648P, PLA 180, PLA 261, PLA 263, PL 201 and PL 228 and production from PL 201 (Berwyndale South), PL 179 (Argyle) and PL 228 (Kate/Kenya) between 1 July 2008 and 17 September 2008.

### Contingent resources

As part of the review, NSAI attributed total contingent resources (2C) of 2,601 PJ to: ATP 574P (60 per cent owned by QGC and BG Group); ATP 632P (QGC/BG 100 per cent); ATP 647P (QGC/BG 100 per cent); ATP 651P (QGC/BG 85 per cent); ATP 676P (Section 1) (QGC/BG 50 per cent); ATP 676P (Section 2) (QGC/BG 25 per cent); PLA 261 (QGC/BG 100 per cent); and PLA 262 (QGC/BG 100 per cent). Continuing work in these areas may enable QGC, its joint-venture partners and NSAI to convert some of these contingent resources to reserves status.

### Strong growth in certified reserves



### Exploration and appraisal activities

In the September quarter QGC drilled 29 wells, comprising a record 24 exploration and appraisal wells drilled in a single quarter and five development wells. This eclipsed the 22 exploration and appraisal wells drilled in the June quarter. The aim of this activity is to certify further 1P and 2P reserves in all of QGC's acreage, building on the exceptional growth in reserves of the past two years. During the December quarter QGC will increase its attention on the drilling of development wells.

### Central Fairway

#### PLA 180 (Codie/Lauren)

Pilots at Codie and Lauren continued production testing during the September quarter, with further encouraging results. During the quarter a further five appraisal wells – Codie No 17, Lauren No 9, Lauren No 13, Lauren No 14 and Lauren No 33 – were drilled to improve geological and engineering data and to increase reserves. The average net coal in these five wells in the Juandah Coal Measures ranged from 14.2m to 16.5m and averaged 15.2m. Net coal in the Tangalooma Sandstone ranged from 0m to 1.0m and averaged 0.5m. Net coal in the Taroom Coal Measures ranged from 6.1m to 8.4m and averaged 7.4m.

## 6 Exploration and reserves

### **PLA 211 (Berwyndale) and PLA 247 (Bellevue)**

Production testing is continuing.

### **PLA 263 (Matilda-John)**

A monitor well (Matilda-John Monitor No 1) was drilled to evaluate coal thickness and permeability and to enable pressure sensors to be installed at selected coal intervals. The net coal in the Juandah Coal Measures is 11.8m. Net coal in the Tangalooma Sandstone is 0.9m and net coal in the Taroom Coal Measures is 9.1m. Three successful DSTs were conducted across coals in the Macalister Upper, Argyle and Condamine seams.

### **PL 228 (Kate/Kenya)**

A core well (Kate No1), two exploration wells (Codie No 16 and Kate No 5) and two appraisal wells (Kate No 4 and Kate No 6) were drilled to evaluate coal thickness, gas content and saturation and permeability. Due to mechanical problems the well was terminated near the base of Juandah Coal Measures after intersecting 9.8m of net coal and the collection of 43 samples for desorption and adsorption testing. The average net coal in the other wells in the Juandah Coal Measures ranged from 12.0m to 19.1m and averaged 15.8m. Net coal in the Tangalooma Sandstone ranged from 1.0m to 2.8m and averaged 1.9m. Net coal in the Taroom Coal Measures ranged from 5.8m to 7.6m and averaged 6.8m.

### *Eastern Fairway*

### **ATP 648P (Barney, Clunie, Glendower, Jordan and Michelle)**

Work undertaken during previous quarters and this quarter has enabled QGC to apply for a petroleum lease (PL) over the Broadwater/Glendower/Harry area and two potential commercial areas (PCAs) over the Barney/Clunie/Cougals and Celeste/Jordan/Michelle areas.

- **Barney:** An exploration well (Barney No 2) was drilled to evaluate coal thickness and permeability. The well intersected 18.8m of coal in the Juandah Coal Measures, 0.5m in the Tangalooma Sandstone and 10.3m in the Taroom Coal Measures. Three successful DSTs were conducted across coals in the Macalister Upper, Wambo/Iona and Condamine seams.
- **Clunie:** An exploration well (Clunie No 1) was drilled to evaluate coal thickness and permeability. The well intersected 16.8m of coal in the Juandah Coal Measures, 2.9m in the Tangalooma Sandstone and 7.9m in the Taroom Coal Measures. Three successful DSTs were conducted across coals in the Macalister Upper, Argyle and Condamine seams.
- **Glendower:** Two more appraisal wells (Glendower No 3 and Glendower No 4) were drilled to finish a three-well pilot started last quarter. The average net coal in these two wells in the Juandah Coal Measures ranged from 11.3m to 15.0m and averaged 13.2m. Net coal in the Tangalooma Sandstone ranged from 0.2m to 0.8m and averaged 0.5m. Net coal in the Taroom Coal Measures ranged from 8.4m to 10.3m and averaged 9.3m.
- **Jordan:** An exploration well (Jordan No 2) was drilled to evaluate coal thickness and permeability. The well intersected 17.8m of coal in the Juandah Coal Measures, 0.2m in the Tangalooma Sandstone and 9.8m in the Taroom Coal Measures. Three successful DSTs were conducted across coals in the Macalister Upper, Argyle and Condamine seams.
- **Michelle:** Production testing commenced at Michelle No 2 during the quarter.

### **PLA 257 (Jamat/Kenya East)**

An exploration well (Margaret No 1) was drilled to evaluate coal thickness and permeability. The well intersected 17.8m of coal in the Juandah Coal Measures, 0.2m in the Tangalooma Sandstone and 9.8m in the Taroom Coal Measures. Three successful DSTs were conducted across coals in the Macalister Upper, Argyle and Condamine seams. Production testing at Kenya East No 3 and Kenya East No 4 and Jammat No 3 and Jammat No 4 began during the quarter.

### **PLA 259 (David/Sean)**

Two exploration wells (David No 1 and Poppy No 2) and three appraisal wells (Sean Nos 5-7) were drilled to evaluate coal thickness and permeability. The average net coal in these wells in the Juandah Coal Measures ranged from 20.5m to 25.2m and averaged 22.2m. Net coal in the Tangalooma Sandstone ranged from 0.9m to 3.4m and averaged 2.1m. Net coal in the Taroom Coal Measures ranged from 2.9m to 9.8m and averaged 5.3m.

Production testing started at the new Sean pilot in September 2008.

### **PLA 261 (Myrtle/Ridgewood)**

A core well (Myrtle No2) was drilled to evaluate coal thickness, gas content and saturation and permeability. The well intersected 14.6m of coal in the Juandah Coal Measures, 0m in the Tangalooma Sandstone and 9.4m in the Taroom Coal Measures. The well collected 43 samples for desorption and adsorption testing. Three successful DSTs were conducted across coals in the Macalister Lower, Iona and Bulwer seams.

### **PLA 262 (Aberdeen/Teviot)**

Production testing was completed at the Aberdeen No 8 well during the quarter.



## 6 Exploration and reserves

### PLA 269 (Jen/Isabella)

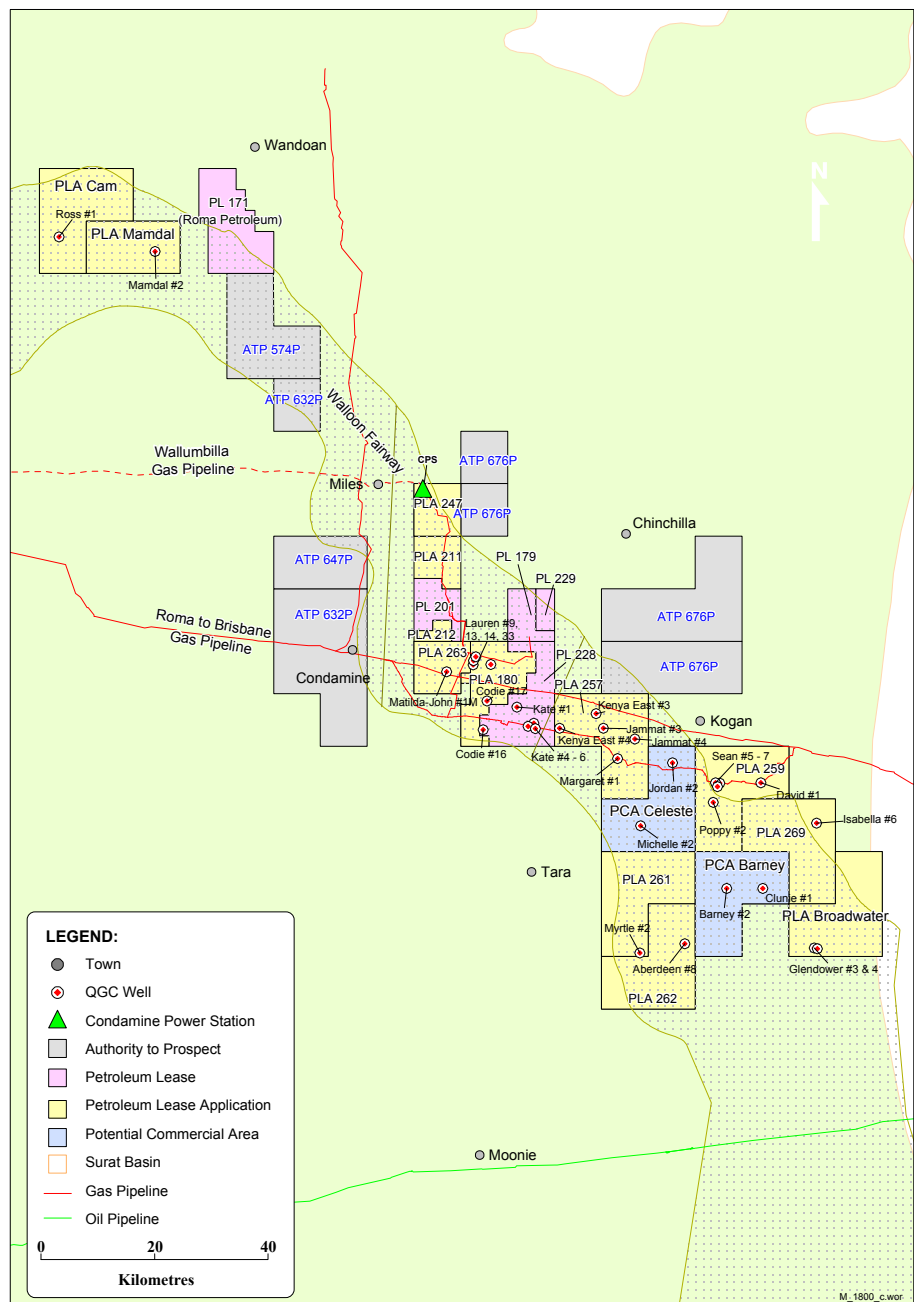
A core well (Isabella No 6) was drilled to evaluate coal thickness, gas content and saturation and permeability. The well intersected 24.1m of coal in the Juandah Coal Measures, 2.6m in the Tangalooma Sandstone and 7.4m in the Taroom Coal Measures. A total of 55 samples were collected for desorption and adsorption testing. Three successful DSTs were conducted across coals in the Macalister Upper, Argyle and Condamine seams. Work undertaken during previous quarters and in this quarter has enabled QGC to apply for a PL over this area.

### Northern Fairway

### ATP 651P (Mamdal and Ross)

These two areas were the subject of exploration activities in this tenement. Work undertaken during this and previous quarters has enabled QGC to apply for PLs over the Cam/Kathleen/Ross area and the Woleebee Creel/Mamdal area. Production testing was completed at the Ross No 1 well and testing has continued at the Mamdal No 2 well during this quarter.

### QGC's exploration and appraisal activities



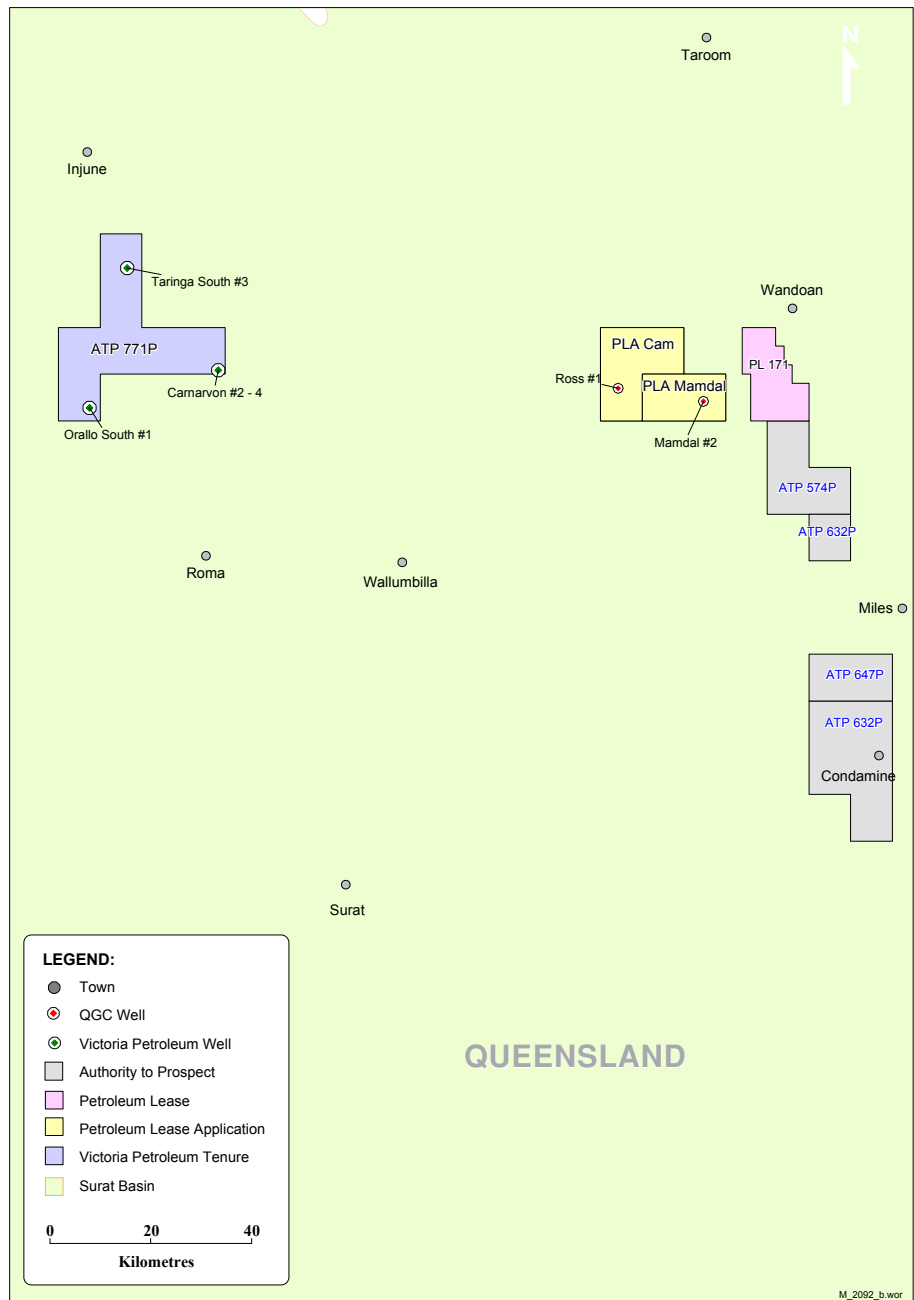
## 6 Exploration and reserves

### Roma Petroleum and Victoria Petroleum

QGC has become involved in further exploration and appraisal programs for coal seam gas, as well as conventional oil and gas, in Queensland and South Australia through its substantial shareholding in Victoria Petroleum and effective control of Roma Petroleum.

These include: the Don Juan CSG Project (ATP 771P), operated by Bow Energy Limited; the Victoria Petroleum-operated Western Margin Oil Project and PEL 115 drilling program in the Cooper Basin, South Australia; and the Santos/Avery Resources farm-in program in ATP 752P (Barta and Wompi blocks) in the Cooper Basin, Queensland.

#### Victoria Petroleum's coal seam gas activities





## 6 Exploration and reserves

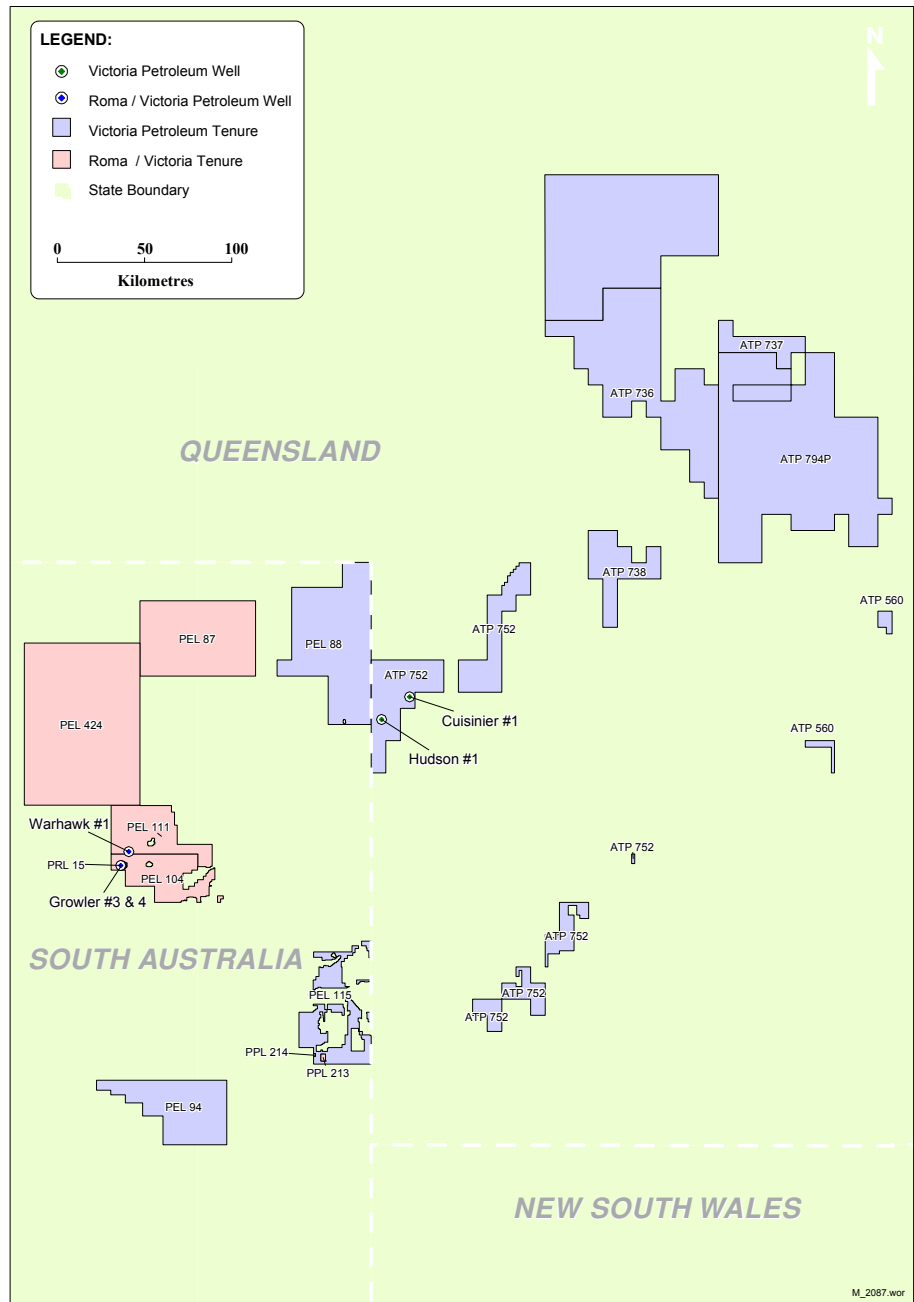
The Don Juan CSG Project began in late 2007 with the drilling of an initial three pilot wells, followed by 14 core and exploration/appraisal wells.

The Western Margin Oil Project, led and 45 per cent-owned by Victoria Petroleum, started in mid-August 2008 and comprises six wells relatively close to the oil discoveries (Growler and Wirraway) previously made by the joint venture.

The PEL 115 drilling program comprises five wells and should begin in October 2008.

The Santos/Avery Resources farm-in program comprises the drilling of up to seven wells and 3D seismic surveying over a minimum of 300sq km. The program began in April 2008 with the drilling of an oil discovery well, Cuisinier No 1.

*Conventional oil and gas activities of Victoria Petroleum and Roma Petroleum*



## 6 Exploration and reserves

### *Coal seam gas exploration and appraisal activities*

#### **ATP 771P (Don Juan)**

Five core wells (Orallo South No 1, Carnarvon Nos 2-4 and Taringa South No 3) were drilled to evaluate coal thickness, gas content and saturation. The joint venture will now review all data collected during the extended program and once desorption reports are complete, all data will be supplied to the reserve certifiers.

### *Conventional oil and gas exploration and appraisal activities*

#### **Western Margin Oil Project (Roma Petroleum 20 per cent, Victoria Petroleum 40 per cent)**

- PRL 15 (Growler): Two appraisal wells (Growler Nos 3 and 4) were drilled to evaluate the mid-Birkhead Formation oil reservoir discovered in Growler No 1. Growler No 3 intersected a 19m oil column with wireline logs, indicating 13m of net pay, and Growler No 4 intersected an 18m oil column with up to 9m of net pay. Growler No 3 has been production tested at over 2,000 barrels of oil per day.
- PEL 111: One exploration well (Warhawk No 1) was drilled to test the Warhawk Prospect, which had the potential to contain up to 1.48 million barrels of recoverable oil in the Birkhead Formation sandstones similar to those in the successful Growler wells, 10km to the south. Warhawk No 1 intersected oil shows over 9m in the mid-Birkhead Formation sandstones, which were not as well-developed as those at Growler. Several attempts were made to conduct DSTs across the interval but were unsuccessful due to equipment failure. The well was cased for future completion and production testing.

#### **Santos/Avery Resources farm-in (Victoria Petroleum 15 per cent)**

- ATP 752P (Barta Block): One exploration well (Hudson No 1) was drilled to test the Hudson Prospect, which had the potential to contain at least 1.2 million barrels of recoverable oil. Hudson No 1 intersected minor oil shows within the target formations, which were interpreted to be residual oil and/or indications of migration of oil through the area. The well was plugged and abandoned as a dry well.

The Cuisinier No 1 oil discovery well, drilled in early 2008, was flow tested and recovered 104.5 barrels of light oil and 0.74 barrels of water during a period of 29.3 hours. The well will be completed as a beam-pump oil producer.

*The statements in this report relating to reserves have been compiled by Dr Steve Scott BSc (Hons), PhD, who is General Manager, Exploration and Technical Services, at Queensland Gas Company Limited, based on advice received from Mr John G Hattner, P.G., a full-time employee of Netherland, Sewell & Associates, Inc. Dr Scott consents to the inclusion of that information in the form and context in which it appears.*



## 7 Condamine Power Station

QGC has taken significant steps toward realising its energy strategy of vertical integration. It is poised to enter the National Electricity Market with the imminent commissioning of its cleaner, greener, low-cost Condamine Power Station – the world's first combined-cycle power station to run entirely on coal seam gas.

QGC has targeted February 2009 for the operation of the open-cycle gas turbines, which would enable a nominal 84 megawatts (MW) of the total planned generation capacity of 140 MW to be available early. The completion of the combined cycle remains on schedule for October 2009.

The acceleration of the open-cycle stage allows earlier generation of electricity and enables QGC to sell power into the National Electricity Market – including power sales through the AGL Energy hedge agreement – in the first quarter of 2009 when seasonal conditions produce high market prices. The construction program is on track to meet this timetable.

Assembly of the two gas turbines for the open cycle was the focus of the construction effort during the reporting period. On-site earthworks and all major construction works have been completed, with the two heat-recovery steam generators, the two gas turbines and the cooling tower now in place. The steam turbine condenser is scheduled to be delivered to site mid-November and the steam turbine is to arrive on site in January. Major work now is focusing on electrical installations, including cabling and connection of all power and control electrical equipment.

The Columboola Switching Station, which connects Condamine Power Station with the Chinchilla-to-Roma 132-kilovolt transmission line, was completed in October. The power line connecting the infrastructure was finished earlier in the year. These developments will allow electricity to be back-fed to the power station.

The team recruited to operate the power station was permanently relocated to the facility in October. They have begun training and are developing maintenance strategies.

### Electricity trading

QGC is building trading systems to bid the available generating capacity of Condamine Power Station into the National Electricity Market. The market is a wholesaler for the supply and purchase of electricity, where the energy output from all power generators is dispatched into a central pool. Electricity generators compete for the right to generate electricity into the pool by submitting competitive price bids to supply nominated quantities of generation in certain timeslots throughout the day.

QGC plans to begin selling electricity generated by Condamine Power Station into this market pool from early 2009 and will be paid according to the spot price or existing hedge contracts with customers.

The trading business model is being designed and implemented, with a focus on compliance with QGC's governance and trading risk-management policies.

The Company's bidding platform and databases have been designed, built and tested in pre-production, which will give QGC the ability to dispatch the power station's output into the market.

Trading room displays have been built that will enable market analysis and monitoring. Energy traders and system analysts have been recruited to support the 24/7 operation.

Gas Electricity Certificate (GEC) registration is being finalised, which will allow QGC to enter Queensland's GEC scheme. Under this scheme, gas-fired generators can create and sell GECs to retailers at a significant premium to the underlying electricity price.



## 8 Water

QGC regards the management of water and its infrastructure as a significant part of QGC's contribution to stakeholders, the environment and the community.

The Company is dedicated to sustainably managing all aspects of surface water and groundwater on its tenements. We continue to monitor, plan and manage surface water in ponds and pipes and protect rainwater run-off from activities associated with our operations. Our extensive groundwater monitoring program has continued to demonstrate consistency of water quality and quantity from our operational wells.

We are pursuing the beneficial re-use of our associated water and have two re-use applications before Queensland's Environmental Protection Agency for approval. We are preparing two more for approval, with others to follow as we find and develop methods of beneficially re-using produced water.

QGC is working with stakeholder groups on coal seam water and is engaged with government and regulators to achieve the objectives set out in legislation and policies.

One new policy is the Queensland Coal Seam Gas Water Management Policy, released in October by the Department of Infrastructure and Planning. We regard our investments in beneficial re-use research and leading-edge pond design as well-placed to ensure that we fulfil our commitment to managing water resources appropriately and sustainably.

QGC has prepared a strategic water management strategy, comprising plans and objectives for the environmental, social and commercial management of the produced water.

Our efforts to achieve these objectives have gained momentum this quarter, with a significant contribution from our commercial water team:

- Discussions to finalise a municipal water supply agreement with Dalby Regional Council have continued in the hope of providing potable water to local communities in the immediate future. QGC has also explored opportunities to provide raw water to neighbouring industry in an effort to reduce the stress on existing water supply infrastructure.
- We are progressing with a laboratory trial and potential field trial of a bio-diverse constructed wetland biological filtration ecosystem. Evaluation work has begun on this project, with a final investment decision for a full-scale field system due in the second quarter of 2009. Implementation is targeted for next spring. This project has the potential to rehabilitate marginal land and leave a sustainable, lasting and positive environmental legacy.
- QGC remains committed to becoming a leader in the application of world-class processing and treatment technologies for the beneficial use of coal seam water. QGC's search for new technology to support the beneficial use of water has been global, including attendance at the world's leading trade exhibition for water, Aquatech 2008. QGC continues to ensure that it considers both existing and promising new processing and treatment technologies.
- The CSG Water Future Taskforce of industry and local government has been convened in Queensland. QGC is playing a leading part in helping the group to identify and implement sustainable solutions to the processing of associated water and management of the valuable salt by-products.

QGC believes that a multi-disciplinary approach will provide the solution for the management and treatment of raw coal seam water. The Company's solution will be visionary, sustainable, responsible and innovative.



## 9 Sustainability

Sustainability underpins QGC's policies and operations. We are committed to taking care of the environment and the society in which we operate. While our drive is to provide superior long-term growth for shareholders, this growth must be rooted in a solid foundation of sustainable environmental, community and operational practices.

To support the growth and diversification of QGC's business, the Company is implementing an Environmental Management System (EMS).

The foundation of the EMS is our Sustainability Policy, which has been approved by QGC's Board and the Managing Director. The policy sets out clearly the Company's commitment to all stakeholders, with a particular focus on the following strategic areas:

- Waste minimisation
- Water management
- Climate change
- Community interaction

The Sustainability Policy, which highlights QGC's approach to transparency, will help to ensure a high level of environmental performance. Management plans and procedures reinforce the policy and provide further guidance to enable QGC's staff to comply with legal and other requirements.

Environmental legislation and associated regulations governing QGC's exploration and gas production activities include:

- Environmental Protection Act 1994, administered by Queensland's Environmental Protection Agency (EPA)
- Petroleum and Gas (Production and Safety) Act 2004, administered by Queensland's Department of Mines and Energy and the EPA

For more details of our environmental management system, visit <http://www.qgc.com.au/> and click on Safety & Environment.

### Sustainable agriculture

As part of our commitment to sustainability and minimising our environmental footprint, QGC is rejuvenating 160ha of degraded agricultural land that existed when the Company purchased the Windibri property, the site of its Berwyndale South gasfield.

The property was suffering from erosion, overgrazing, introduction of weeds and loss of soil fertility.

This land now supports a successful barley crop. After the first harvest, half the crop will be sold to feedlots and the other half will be ploughed back into the soil for nourishment to help to restore the fertility of the land. Grout barley was sown in May and favourable but limited winter rainfall helped to produce a crop over 150ha with a yield expectation exceeding 1.7 tonnes per hectare.

Restoration of pastoral areas has been progressing to enable restocking of cattle. So far, restocking has been light to give the land sufficient time to regenerate and the soil surface to stabilise.

QGC hopes to restore about 70 per cent of Windibri to either useful and productive pasture or limited-irrigation cropping land. A big reduction in grass and broadleaf weeds has been an important focus, including extensive spraying for mother-of-millions, a significant weed pest on the property. Some areas will be left for recovery of natural vegetation and other areas as no-go zones because they have significant indigenous heritage.

## 9 Sustainability

### Drama At The Gasfields

QGC and the acclaimed La Boite Theatre Company clinched two more prizes for Drama At The Gasfields 08, proving once again that energy and the arts can be dynamic partners.

Drama At The Gasfields, the core of QGC's community funding and the highlight of its community calendar, won Australia Business Arts Foundation's (AbaF) QantasLink Regional Award 2008 on 10 September at a ceremony held, appropriately, at the Brisbane Powerhouse cultural centre. The event went on to win the nationwide AbaF City of Melbourne Encouragement Award on 16 October in Victoria's capital city.

It is the second consecutive year in which the partnership has scooped an AbaF award for bringing a day of free, quality drama, music, dance and entertainment to the people of the Surat Basin in southern Queensland. In 2007, QGC and La Boite won the Toyota Community Award for Queensland's Best Private Sector Arts Relationship, for the inaugural Drama At The Gasfields in 2006.

The award recognises partnerships with outcomes in rural and regional Australia. It celebrates the contribution that Drama At The Gasfields has made to the communities of Chinchilla, Miles, Dalby and other towns in the Surat Basin, where QGC's coal seam gas production sites are based.

On 1 March this year, Drama At The Gasfields attracted more than 1,200 people to the landscaped grounds of "Windibri Homestead" at the Company's Berwyndale South gasfields, including Deputy Premier Paul Lucas, State Opposition Leader Lawrence Springborg, BG Group's Chief Executive Frank Chapman and Chief Financial Officer Ashley Almanza as well as leading figures in the region.

On 7 August, a formal partnership was unveiled between QGC and La Boite at the opening night of the theatre's acclaimed production of *The Narcissist* in Brisbane. For 12 months, QGC's logo will appear on all La Boite tickets, posters and advertising and the Company will have the unique opportunity to host VIPs for corporate functions at various performances.

### Sponsorship

QGC is a prominent community sponsor throughout the communities in which it operates. As part of this program, the Company partnered with the Walkley Foundation for Journalism on 13 September as the major sponsor of the Queensland Media Awards 2008.

The awards support and encourage professional and ethical journalism. Previous winners at the Queensland Media Awards have gone on to win a Walkley Award, Australia's most prestigious journalism accolade, including Hedley Thomas, who joined QGC this year as General Manager, Communications and External Relations.

QGC sponsored the Most Outstanding Contribution to Journalism award, won by John Andersen, of the Townsville Bulletin, for long-term commitment to excellence in journalism and achievement in the industry.



## 10 People and safety

QGC's workforce continues to expand in line with the growth in the Company's operations. The number of employees increased by almost 20 per cent during the quarter, reaching a total of 243 by the end of September. The increases were predominantly in production and field operations.

Development of the Human Resources framework of the Company continued during the quarter, with the drafting and finalisation of five key strategic statements: talent and teamwork; coaching for success; reward and recognition; well-being and ethics; and values and obligations.

This framework will guide all of the department's future policies, guidelines and procedures and will ensure a first-rate working environment for our people.

Implementation of the SAP Human Resources module continued during the quarter with mapping of current and future HR processes. When completed, the HR module will allow accurate recording of all employee and contractor information – critical to ensure compliance and skills development to meet all current and future needs.

Work continues on the development of a company-wide health and well-being program. This initiative will formally be launched next February, with the aim of improving the overall well-being of QGC's employees.

### Health and safety

Two lost-time injuries were sustained by contractors during the reporting period. In one incident a drilling worker sustained a finger injury and in the other another worker was hurt in a water trailer incident. Both were short-term injuries. The incidents were investigated fully and appropriate corrective actions were implemented.

The Company's policy is to provide excellence in health and safety management for the benefit of all stakeholders. QGC's campaign to improve safety performance was strengthened during the September quarter through a series of developments.

The first of two external reviews of our safety systems, risks and performance was completed during the period. The second review, focusing on key safety risks, is expected to be completed in early November. These reviews are being used to finalise and implement a safety action plan for the next 24 months, which will provide a framework for a targeted effort and further improvement.

QGC is also implementing a company-wide integrated crisis management system, which has reached final-draft stage. This system will provide a framework for complete and quick response and recovery from any crisis that might occur within the Company's operations, including contractor projects. Site training began during the quarter and corporate training started in late October.

A company-wide incident reporting and management system has been selected and is expected to be rolled out in the December quarter. This system will provide a more consistent and robust platform for the reporting, investigation and follow-up of all incidents, not limited to safety.

In another development, the permit-to-work system, which allows for safe access to plant for maintenance, was received during the quarter. The system aims to ensure that proper consideration is given to the risks of a particular job, with the permit giving written authorisation to certain people to carry out specific work at a certain time. An updated system will be put into use during the December quarter.

A dedicated and focused safety team is taking shape across the Company, acting as guides and focus points for safety improvement. QGC employs six full-time safety professionals and is recruiting a further three. This enlarged safety team will have a significant presence at all of QGC's operational and project development sites.



# 11 Schedule of tenement interests

QGC has interests in eight petroleum exploration tenements known as authorities to prospect (ATP)<sup>1</sup>. In relation to some of those ATPs, QGC has interests in four production tenements known as petroleum leases (PL), in 10 applications for petroleum lease applications (PLAs), in four pipeline licences (PPL) and in one pipeline survey licence (PSL). These tenements and QGC's interests in them are described in the following table.

Tenement <sup>2</sup>	Name	Area	Interest	Joint venturer
<b>Exploration licences</b>				
ATP 574P	Pinelands	Shallows <sup>3</sup>	48%	BG International 12% Victoria Petroleum 30% Australian CBM 6.25% SEQ Oil 3.75%
ATP 632P	Connor, Arvin	Blocks 2161, 2449, 2450, 2521, 2522, 2594	80%	BG International 20%
		All other blocks	100%	
ATP 647P <sup>5</sup>	Myall Creek East	Myall Creek East <sup>6</sup> (graticular block 2656)	50%	Origin 50%
	Andrew	Blocks 2377, 2378	80%	BG International 20%
		All other blocks	100%	
ATP 648P	Barney, Broadwater, Jordan	Shallows <sup>3</sup>	55%	BG International 13.75% Origin 31.25%
		Deeps <sup>4</sup>	48%	BG International 12% Pangaea 40%
ATP 651P	Woleebee Creek, Kathleen	All of tenement area (Royalty applies)	68%	BG International 17% Lucas Coal Seam Gas 15%
ATP 676P	Avon Downs, Wyalla	Section 1 blocks (i.e. graticular blocks numbered 2237, 2386, 2456, 2457 and 2458)	40%	BG International 10% Australian CBM 50%
	McNulty, Owen	Section 2 blocks (i.e. graticular blocks 2309, 2528, 2529 and 2530)	20%	BG International 5% Australian CBM 75%
<b>Petroleum leases</b>				
PL 179	Argyle	Shallows <sup>3</sup>	47.50%	BG International 11.875% Origin 40.625%
		Deeps <sup>4</sup>	21%	BG International 5.25% Pangaea 73.75%
PL 201	Berwyndale South	All of petroleum lease area	80%	BG International 20%
PL 228	Kate/Kenya	Shallows <sup>3</sup>	47.50%	BG International 11.875% Origin 40.625%
		Deeps <sup>4</sup>	21%	BG International 5.25% Pangaea 73.75%
PL 229	Argyle East	Shallows <sup>3</sup>	47.50%	BG International 11.875% Origin Energy CSG 40.625%
		Deeps <sup>4</sup>	21%	BG International 5.25% Pangaea 73.75%
<b>Petroleum lease applications</b>				
PLA 180	Codie/Lauren	Shallows <sup>3</sup>	47.50%	BG International 11.875% Origin 40.625%
		Deeps <sup>4</sup>	21%	BG International 5.25% Pangaea 73.75%



## 11 Schedule of tenement interests

Tenement <sup>2</sup>	Name	Area	Interest	Joint venturer
<b>Petroleum lease applications</b>				
PLA 211	Berwyndale	All of petroleum lease application area	80%	BG International 20%
PLA 212	Berwyndale Deep	All of petroleum lease application area	80%	BG International 20%
PLA 247	Bellevue	Shallows <sup>3</sup>	56.50%	BG International 14.125% Origin Energy CSG 29.375%
		Deeps <sup>4</sup>	51%	BG International 5.25% Pangaea 43.75%
PLA 257	Jamat/ Kenya East	Shallows <sup>3</sup>	55%	BG International 13.75% Origin Energy CSG 31.25%
		Deeps <sup>4</sup>	48%	BG International 12% Pangaea 40%
PLA 259	David/Sean	Shallows <sup>3</sup>	55%	BG International 13.75% Origin 31.25%
		Deeps <sup>4</sup>	48%	BG International 12% Pangaea 40%
PLA 261	Myrtle/Ridgewood	All of petroleum lease application area	80%	BG International 20%
PLA 262	Aberdeen/Teviot	All of petroleum lease application area	80%	BG International 20%
PLA 263	Matilda-John	Shallows <sup>3</sup>	47.50%	BG International 11.875% Origin 40.625%
		Deeps <sup>4</sup>	21%	BG International 5.25% Pangaea 73.75%
PLA 269	Isabella/Jen	Shallows <sup>3</sup>	55%	BG International 13.75% Origin 31.25%
		Deeps <sup>4</sup>	48%	BG International 12% Pangaea 40%
<b>Pipeline licences</b>				
PPL 91 <sup>7</sup>	Windibri Export Pipeline		80%	BG International 20%
PPL 107	Kenya Export Pipeline		47.50%	BG International 11.875% Origin 40.625%
PPL 108 <sup>7</sup>	Kenya Trunkline		80%	BG International 20%
PPL 125 <sup>7</sup>	Northern Corridor Pipeline		80%	BG International 20%
PSL 29	Corridor for QCLNG pipeline Miles to Gladstone		50%	BG International 50%

Notes:

- ATPs 620 and 621 are covered by PLs or PLAs.
- QGC is the operator of all areas except the Myall Creek East block in ATP 647P.
- Shallows are all stratigraphic divisions underlying the surface area down to a depth of 100 feet below the Walloon Coal Measures.
- Deeps are all stratigraphic divisions below a depth of 100 feet below the Walloon Coal Measures.

- QGC's interest in ATP 647P is held through its wholly-owned subsidiary, Starzap Pty Ltd.
- Operated by Origin.
- QGC's interests are held through QGC (Infrastructure) Pty Ltd, a wholly-owned subsidiary of QGC.

## 12 Definitions and glossary

\$ or dollars	Australian dollars
1P	All reserves certified to be proved in accordance with the SPE/WPC definitions
2P	All reserves certified to be proved and probable in accordance with the SPE/WPC definitions
3P	All reserves certified to be proved, probable and possible in accordance with the SPE/WPC definitions
Contingent resource	Reserves which do not yet have the geological or engineering certainty to be certified as reserves
AGL Energy	AGL Energy Limited ACN 115 061 375
ANZ Infrastructure	ANZ Infrastructure Services Limited ACN 071 923 423 – a subsidiary of ANZ (Australia and New Zealand Services Banking Group ACN 005 357 522)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited ACN 008 624 691
ATP	An authority to prospect under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
BG Group	BG Group plc (formerly British Gas)
Board	The Board of Directors of QGC
Coal bed methane	Another name for coal seam gas
Coal seam gas	Natural gas (mostly methane) contained within coals
Compression	Gas is compressed to reduce volume and provide energy for transportation
Core	A cylindrical piece of rock taken as a sample by a special hollow drill bit
CS Energy	CS Energy Ltd ACN 078 848 745, a company owned by the State of Queensland
Dewatering	The pumping of water from coal seams to facilitate gas production
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIT	Energy Infrastructure Trust (managed by ANZ Infrastructure Services)
Elph	Elph Pty Ltd ACN 070 012 252
EPC	Engineering Procurement Construction contract
Fairway	A region of the Surat Basin where the depth to the top of the Walloon Subgroup is between 150m and 600m and the coals display optional potential for coal seam gas production
Field (or gasfield)	An area containing single or multiple gas reservoirs
Final investment decision (FID)	A determination by BG Group and QGC regarding their proposed investment in QCLNG, expected in 2010
“GAS”	QGC's Growth Acceleration Strategy announced to the ASX in July 2006
Gigajoule (GJ)	A measurement of the energy value of gas (1 GJ is approximately equal to 960 cubic feet of gas)
Greenhouse emissions	Natural and anthropogenic gases in the atmosphere that absorb and emit infrared or heat radiation, causing the greenhouse effect. The main greenhouse gases are carbon dioxide and methane
Incitec Pivot	Incitec Pivot Limited ACN 004 080 264
Liquefaction	The process of cooling natural gas to produce LNG
Liquefied natural gas (LNG)	Natural gas which has been cooled to -161 degrees Celsius to form a liquid
“LNG”	A term used by QGC to describe its objective of Long-term Natural Growth in relation to its proposed development of an LNG plant in Queensland
mcf	Thousand cubic feet per day
Methane	The lightest hydrocarbon gas, CH <sub>4</sub>



## 12 Definitions and glossary

mtpa	Million tonnes per annum
National Electricity Market	A wholesale market for electricity supplies on Australia's eastern seaboard, which commenced operating on 13 December 1998. The market delivers electricity to customers on an interconnected power system that stretches more than 4,000km from Port Douglas in Queensland to Port Lincoln in South Australia
NEMMCO	National Electricity Market Management Company
NSAI	Netherland, Sewell and Associates, Inc. independent reserves certifier
Options	Options to subscribe for shares
Origin Energy	Origin Energy CSG Ltd ACN 001 646 331
Pangaea	Pangaea Oil & Gas Pty Ltd ACN 068 812 171
Permeability	The capacity of a rock (coal) to transmit a fluid
Petajoule (PJ)	A measure of the energy value of gas (1 PJ is equivalent to one million gigajoules)
PL	A petroleum lease under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
PLA	A petroleum lease application under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
PPL	A pipeline licence under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
PPLA	A pipeline licence application under the Petroleum and Gas (Production and Safety) Act 2004 (Queensland)
QCLNG	A project announced jointly by QGC and BG Group on 3 February 2008 which involves the construction of a world-scale LNG facility on the Queensland coast
QGC (the Company)	Queensland Gas Company Limited ACN 089 642 553 or its controlled entities as the context requires
Reserves	The volume of hydrocarbons contained in a trap or stored in coals that is estimated to be economically recoverable
Sentient	Sentient Pty Ltd ACN 074 455 520
Shares	Ordinary shares in QGC
SPE/WPC definitions	Petroleum reserves definitions of the Society of Petroleum Engineers, the World Petroleum Congress and the current Guidelines for Evaluation of Petroleum Reserves and Resources of those bodies, together with the American Association of Petroleum Geologists (see <a href="http://www.spe.org">www.spe.org</a> to obtain these documents)
Spot gas sales	Short-term buying and selling of natural gas which is presented to customers as it becomes available
Stratigraphic divisions	The sub-division of sub-surface rocks into differing layers according to age and type
Surat Basin	Sedimentary basin of Jurassic to Cretaceous age in southern Queensland and northern New South Wales
Tenement	An ATP or PL
TJ	Terajoule, equivalent to one thousand gigajoules
Undulla Nose	A unique geological structural feature, bounded by faults, which is characterised by highly permeable Walloon coals
VWAP	Volume weighted average price
Walloon Subgroup	A collection of rock formations in the Surat Basin which contains abundant coal seams and is of Middle Jurassic age

# 13 Corporate directory

ABN 11 089 642 553

## Directors

Robert Bryan (Chairman)  
Richard Cottee (Managing Director)  
Timothy Crommelin (Chairman-elect)  
Peter Cassidy  
Francis Connolly  
Dale Elphinstone  
Michael Fraser  
Stephen Mikkelsen  
Michael Moraza  
Martin Houston (Alternate Director)  
James Galvin (Alternate Director)  
Vince De Santis (Alternate Director)  
Michael de Leeuw (Alternate Director)

## Company Secretary

Mark Anning

## Registered Head Office

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## Berwyndale South Office

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## Stock Exchange Listing

Queensland Gas Company Limited  
Shares are listed on the Australian Securities Exchange  
(Home Branch – Brisbane)  
ASX Code: QGC

## Auditors

PricewaterhouseCoopers  
Level 15, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

## Bankers

Australia and New Zealand Banking Group Limited  
324 Queen Street  
Brisbane QLD 4000

## Solicitors

Corrs Chambers Westgarth  
Level 35, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

## Share Register

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