

ASX AND MEDIA RELEASE

PLACEMENT RAISES \$17.9 MILLION

5 February 2008

Sydney Gas Ltd ("Sydney Gas") has today raised \$17.9 million by issuing 52.5 million shares to A J Lucas Group Limited ("Lucas").

The Chairman of Sydney Gas, Dr John Saunders, said that, "We welcome the opportunity to work with A J Lucas and this additional capital will allow Sydney Gas to accelerate its exploration programs and the development of its coal seam gas assets. The Hunter Gas Exploration is the current focus of activity and will be progressed taking fully into account technical, environmental and social benefit cost considerations".

The issue was a component of the arrangements with Lucas announced on 14 January.

Today's placement comprised 52,505,665 shares issued at a price of 34 cents.

The issue price is less than the 38 cents announced on 14 January. The Directors of Sydney Gas believe that the reduction in price is reasonable in view of the early receipt of funds in a period of increased market uncertainty, the recent trading prices of SGL shares and benefits Sydney Gas expects under the Technical Services Agreement and Drilling Services Agreement which are being finalised.

There is no change to the exercise prices of the options that may be issued to Lucas.

Finalisation of the services agreements is expected shortly and, as previously announced, a meeting of Sydney Gas shareholders will be held in due course to approve key elements of the arrangements.

For further information please contact:

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