



media release

May 25, 2006

AGL and CS Energy join forces in Mount Isa

The Australian Gas Light Company (AGL) and CS Energy Limited today executed a Joint Development Agreement (JDA) to investigate upgrading the 325 megawatt (MW) Mica Creek gas-fired power station at Mount Isa.

Under the terms of the JDA, AGL will take the lead role in procuring and transporting the additional long term supply of gas for the power station which will be sourced as part of AGL's wholesale gas activities. In addition, AGL and CS Energy will investigate joint funding and equity arrangements for the upgrade of the Mica Creek power station.

CS Energy will oversee the redesign and repowering study and will operate the upgraded Mica Creek station which is planned to be expanded by 70 to 100 MW at a projected cost of \$150-\$200 million by 2010.

The power station expansion is designed to improve operational efficiency and cater for anticipated growth in energy demand, in line with expected future development of the Carpentaria Minerals Province around Mount Isa.

AGL Managing Director Paul Anthony said: "This agreement with Queensland's largest government-owned generator secures a platform for growth for both parties given the complementary nature of AGL's and CS Energy's future business interests in the Mount Isa region, a fast growing region in Australia.

"The JDA with CS Energy further cements AGL's interests in Queensland, which includes the development of a 370 MW gas-fired power station at Townsville and the proposed Papua New Guinea to Queensland natural gas pipeline in a 50 per cent consortium with Petronas Australia Ltd."

CS Energy Chief Executive Mark Chatfield said: "Entering into this arrangement with AGL will enhance viability of the upgrade project by joining up with a partner that has the capability of securing competitively priced energy supplies from 2010 and utilising the complementary development and marketing skills of each organisation."

The JDA sets out terms for both AGL and CS Energy to work exclusively on this initiative and to jointly fund the cost of investigating the development.

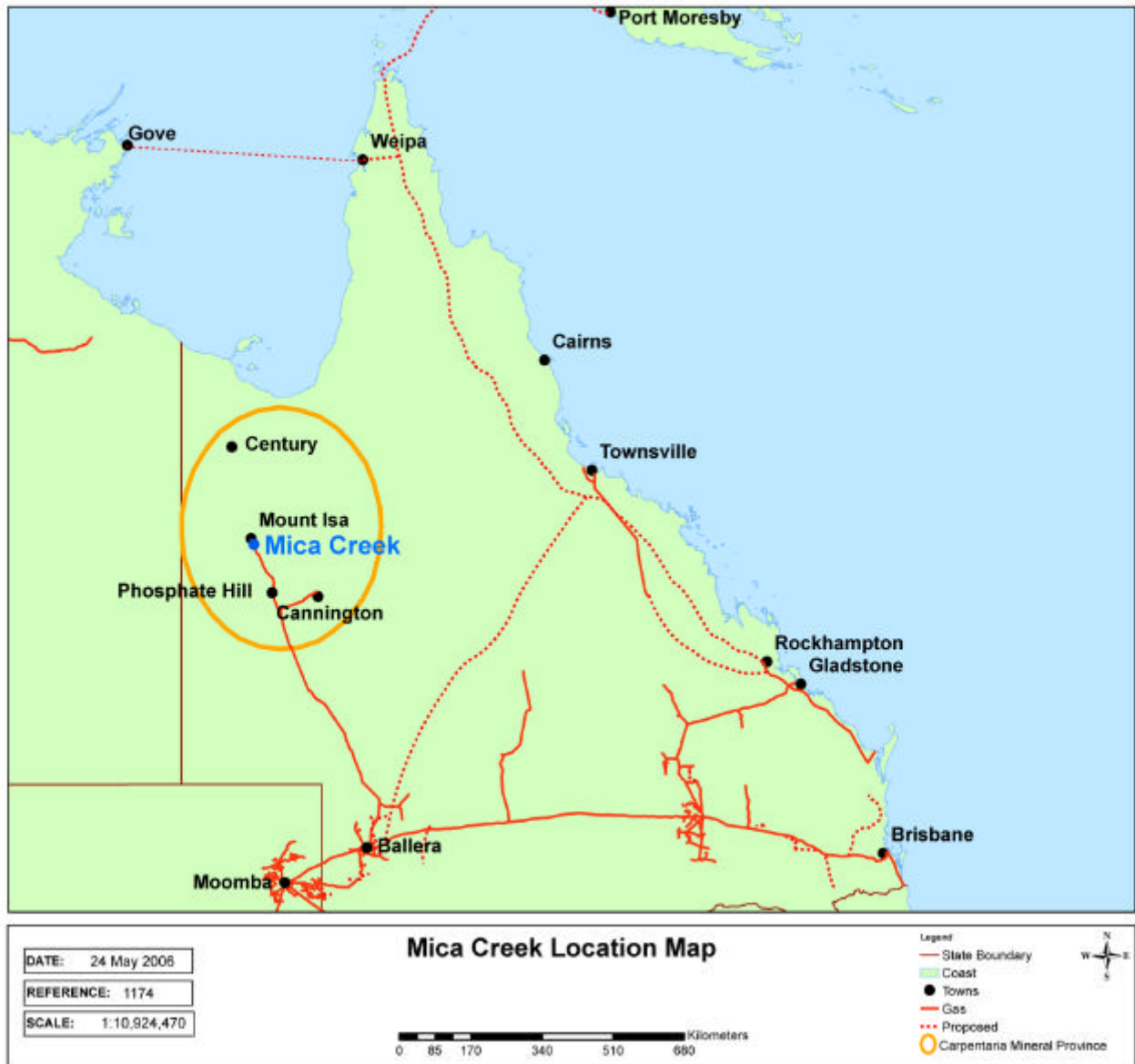
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Mica Creek Power Station Fact Sheet



The Mica Creek power station, was acquired by CS Energy in two tranches from MIM (now owned by Xstrata) concluding in 1998. Soon after, natural gas was introduced to Mount Isa following the construction and commissioning of the Carpentaria Gas Pipeline.

Since the introduction of natural gas, the Mount Isa region has seen over \$3 billion of investment including the Century Zinc, Phosphate Hill, Cannington, Enterprise and Ernest Henry mineral projects.

Total natural gas demand in the region is approximately 30 PJ pa, with the Mica Creek power station demand representing approximately 21 PJ pa of this total. Gas supply for the power station is currently supplied from Ballera gas plant under a gas contract between the Cooper Basin producers and Xstrata and transported through the Carpentaria Gas Pipeline for use by CS Energy. The remaining term of the gas contract is approximately six years.

General Plant Information:

Permanent Workforce:	85 CS Energy employees
Station Capacity	325 MW
Fuel Consumption	22 PJ per annum natural gas
Mica Creek A	Steam turbine, commissioned 1960–1973, 4 x 33 MW units
	Combined cycle, commissioned 1985–1997, 3x 35 MW units
Mica Creek B	Open Cycle Gas Turbine, commissioned 1990 1 x 33 MW unit
Mica Creek C	Combined Cycle, commissioned 1999, 1 x 55 MW unit