



Industry & Investment

Mr John C Thomson
Executive Officer
Hunter Valley Protection Alliance
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Dear Mr Thomson

I refer to your email of 17 August 2010 to Ms Karen Smith, Executive Director, Energy & Legal, Industry & Investment NSW, concerning a potential breach of environmental conditions by AGL on the 'Windermere' property in the Broke-Bulga area.

I am advised that, on the basis of preliminary investigation, the incident that is referred to was the drilling of several water monitoring bores by AGL on the property using a licensed water well drilling contractor. The bores were not gas wells but shallow bores to permit monitoring of the groundwater table between the gas wells. AGL obtained a bore license for the construction program from the NSW Office of Water prior to commencing the work. The works would appear to have been completed in accordance with the bore license conditions, although further information has been requested by Industry & Investment NSW as to the quality of water discharged.

Industry & Investment NSW has confirmed that the drill site is located in an area more than 400m from Wollombi Brook and the discharged water has not entered any watercourse that leads to Wollombi Brook.

The water bore drill cuttings were contained within sediment pits and most of the water taken to licensed disposal sites in the Hunter and Western Sydney. The final 120,000L of produced water, once the cuttings had settled, was discharged onto the adjacent lucerne paddock.

AGL reports that the water quality was brackish and did not contain any known contaminants. AGL states that this activity was in accordance with the NOW bore license conditions and the practice is typical for the construction of water bores on agricultural properties.

Officers from Industry & Investment NSW have inspected the site and have requested further information to complete its investigation.

Yours sincerely

BRAD MULLARD
EXECUTIVE DIRECTOR
MINERAL RESOURCES
August 2010

19/8/10