



The Honourable Anna Bligh MP
Premier
PO Box 15185
CITY EAST QLD 4002

Cc The Honourable Paul Lucas MP
Deputy Premier and Minister for Infrastructure and Planning

Cc The Honourable Geoff Wilson MP
Minister for Mines and Energy

October 28, 2008

Dear Premier

LACERTA COAL SEAM GAS PROJECT: LANDHOLDER COMPENSATION ISSUES

Sunshine Gas Limited (ASX Code: SHG) is currently progressing the first phase of the Company's Lacerta Coal Seam Gas (CSG) project near Roma in accordance with approvals from all relevant government authorities.

The Company is presently subject to a friendly takeover offer from fellow CSG sector participant Queensland Gas Company Ltd (ASX Code: QGC). This offer was declared free of all conditions on Friday, October 10 after QGC received acceptances for in excess of 50.1 percent of the shares on issue – a development which triggers a change of corporate control. However, the Lacerta project's field development program is expected to continue as planned.

Sunshine Gas considers itself to be a good corporate citizen and as such is committed to transparently engaging with all relevant stakeholders to keep them fully informed. In relation to affected landholders, the Company has sought to reach negotiated and agreed outcomes with respect to access to land and compensation for disruption caused by Sunshine's activities.

Unfortunately, this is not always achievable, resulting in Land Court involvement where necessary to adjudicate in the event of disputes. One current such dispute relates to our proposed drilling of a well on property owned and/or leased near Roma for the purposes of operating the Brindley Park Feedlot. Brindley Park is part of Queensland agribusiness Australian Country Choice (ACC).

As a result of enquiries made by Department of Mines and Energy, Sunshine Gas has learned that the chief executive of ACC, Mr David Foote, has recently raised with the Premier's Department concerns he holds about Sunshine Gas's plans and proposed activities on Brindley Park properties.

To ensure that you are fully informed, please find attached a briefing paper on the Lacerta CSG project, the Company's approach to negotiating Landholder Compensation Agreements and a summary of dealings to date in relation to Brindley Park.

Yours sincerely,

ANTHONY (TONY) GILBY
MANAGING DIRECTOR

Sunshine Gas Limited
ABN 44 008 563 663

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Tel: +617 3221 4400 • Fax: +617 3221 4477 • sunshinogas@sunshinogas.com.au • www.sunshinogas.com.au



Briefing Paper

Sunshine Gas Limited (ASX Code: SHG) is currently progressing the first phase of the Company's Lacerta Coal Seam Gas (CSG) project near Roma.

Phase I of Lacerta's gas field development includes construction of a 30Pj/a gas processing and dehydration plant, 8Pj/a of compression capacity and the establishment of 40 production wells.

The Company is presently subject to a friendly takeover offer from fellow CSG sector participant Queensland Gas Company Ltd (ASX Code: QGC). However, Lacerta's development drilling program is expected to continue as planned.

Key Points

- An independent valuation of a specific land holding (and hence the Compensatable effect of its activities) has recently been sought by Sunshine Gas to establish a benchmark for landholder negotiations.
- A fair and just Compensation Package is being offered by the Company to affected landholders for activities during the exploration and appraisal phase in the Lacerta area – underpinned by the valuation of the Compensatable effect of its activities.
- Sunshine Gas has always preferred negotiated and agreed outcomes.
- Landholders are generally supportive, underpinned by access to water and an environment of co-operation.
- Initial dealings some 12 to 18 months ago with the representatives of the Brindley Park feedlot resulted in the parties getting off on the wrong foot with Sunshine Gas believing the Company had verbal permission from Brindley Park Feedlot management to enter and conduct exploration work as a result of initial conversations.
- Brindley Park Feedlot management subsequently changed their position regarding access for the first exploration well drilled on the Feedlot, resulting in Sunshine vacating the property and suspending operations in accordance with the directions of the Landholder.
- Subsequent attempts to negotiate access arrangements have proved fruitless resulting in the necessity to file proceedings in the Land Court in order for Sunshine to lawfully gain access.
- That compensation hearing is still before the Court and was listed for a directions hearing 23 October 2008.
- Sunshine Gas has indicated it will be seeking directions then but has also proposed consent orders be made to avoid the parties having to incur the expense of attending a hearing.
- This, coupled with the Company's indication of an intention to build a gas processing plant on the property, has signalled to ACC chief executive and Brindley Park operator David Foote the inevitability of Sunshine's plans to proceed.



- While Sunshine Gas's involvement with Brindley Park was not initially handled in accordance with due process the Company has since endeavored to conduct all discussions in the most contrite of manners and no request has been unreasonably refused.

Brindley Park Background

The Brindley Park Feedlot is in fact a conglomerate of 3 separate landowners who lease their properties to Australian Country Choice Pty Ltd (ACC), which in turn operates the Feedlot. The Three Landowners are:

- Chesterton Holdings Pty Ltd;
- Trevor James Lee, (who is also the beneficial owner of Chesterton Holdings); and
- Mooga Hills Pty Ltd in which ACC's CEO David Foote is a significant shareholder.

History

- April/May 2007 Sunshine Gas commenced drilling at Brindley Park based on amicable negotiations and for which verbal approval from David Foote and the on site manager was thought to have been obtained.
- David Foote subsequently changed his position and denied agreement for access and Sunshine is directed to vacate the property in the absence of formal procedures being followed - a request it immediately complies with.
- Subsequent attempts in June 2007 to negotiate a resolution proved unsuccessful when the landowner insisted on compensation of \$80,000.00 if for any reason the well when abandoned did not produce water.
- Sunshine Gas paid legal fees in excess of \$7000.00 on behalf of Brindley Park in an effort to negotiate an outcome, with no resultant agreed Compensation Agreement for the drilling of the single Corehole/Pilot Production well that was initially drilled on the Brindley Park Property.
- Sunshine Gas then withdrew its offer to continue to cover legal costs for Brindley Park.
- Nothing further was heard from Brindley Park, the Landholders or Mr. Foote until Sunshine Gas made contact in May 2008 regarding renewed exploration activities.

Developments since May 2008

- May 27, 2008 Sunshine Gas contacted Chesterton Holdings' solicitors Kinneally Miley advising of intention to drill a core hole on the property owned by Trevor James Lee and inviting negotiation of a Landholder Compensation Agreement and access to the property on satisfactory terms.



Developments since May 2008 (cont)

- After receiving no response Sunshine Gas instructed lawyers in late June to prepare Land Court proceedings.
- June 30, 2008 Sunshine Gas legal counsel met with David Foote where agreement was reached to enable Sunshine Gas to demonstrate capacity to conduct operations professionally.
- July 4, 2008 Sunshine Gas wrote to David Foote at his request with Compensation Agreement, detailing steps for drilling, procedures such as wash down certificates and gate protocols etc and suggested his manager contact Sunshine's Landholder Liaison Officer to discuss issues.
- Subsequent to meeting with Mr. Foote, the Land Court application was filed and served by lawyers without further consultation with Sunshine Gas, undermining efforts to re-establish goodwill with David Foote who complained. Sunshine apologised and agreed to seek an adjournment of proceedings.
- July 15, 2008 Land Court advised that the matter had been listed for a directions hearing on August 20 2008.
- July 22, 2008 Sunshine Gas wrote to David Foote advising him and expressing hope that the matter could be resolved before the August 20 hearing.
- August 6, 2008 Sunshine Gas wrote again to David Foote seeking a response to the Company's proposal.
- August 18, 2008 David Foote responded, advising that Sunshine's proposal was sent to Operational Management at Roma for review, and requested consent to a 30-day adjournment. David Foote emailed his appreciation for Sunshine Gas's consent to an adjournment to September 10 2008.
- On August 19, 2008 Sunshine Gas wrote to David Foote to raise with him the possibility of the construction of a Production Facility on the property owned by Chesterton Holdings Pty Ltd.
- September 1, 2008, David Foote requested an electronic copy of the Compensation Agreement. Kinneally Miley, who is subsequently appointed to act for the Landholder, then sought another adjournment of the matter to October 1, 2008, with Sunshine Gas's consent in order to facilitate negotiations.
- September 26, 2008 a Notice of Entry in respect to the drilling of a Core Well was issued to Trevor James Lee
- Land Court hearing was adjourned again from October 1, 2008 at the request of the Court. Draft consent orders were provided to Kinneally Miley to try and avoid the expense of appearing at hearing.
- Despite numerous requests that the Landowner respond to Sunshine Gas's offer of compensation no reply or counter offer has been forthcoming.



Lacerta Production Plant

- Sunshine Gas advised that plans to construct a Production Facility on the property owned by Chesterton Holdings Pty Ltd were preliminary and the Company would like the opportunity to meet representatives of the Landowner and ACC to discuss the matter.
- Sunshine Gas sought to keep this meeting (which took place on September 9, 2008) as informal as possible so both parties would feel free to discuss any concerns. Only technical and construction team members took part.
- The discussions with Brindley Park ended on the understanding a single option would be submitted to the final decision makers for each party to discuss and decide.

Lacerta Project Background

- Phase I of Lacerta's gas field development contemplates construction of a 30Pj/a gas processing and dehydration plant on Brindley Park, 8Pj/a of compression capacity and the drilling of 40 production wells which are not situated on Brindley Park.
- At this time, Sunshine Gas is conducting a Front End Engineering and Design study for the gas plant and has as such has yet to reach a Final Investment Decision (FID) on the project.
- First Lacerta gas production scheduled for March quarter 2009.
- The Phase 1, 40-well drilling campaign is underway as are engineering design studies to build a gas processing plant to service the project.
- Lacerta produced water quality (where data is available) relatively low in Total Dissolved Solids (in the range 1400 ppm to 2500 ppm) and is generally suitable for watering stock.
- Potential to aggregate and treat up to 4 megalitres a day by reverse osmosis or deionisation to a standard suitable for irrigation.
- Sunshine Gas is undertaking studies to establish the cost and feasibility of such treatment options.

For additional information about the Company please visit: www.sunshinegas.com.au.

The Hon Anna Bligh MP
Premier of Queensland
PO Box 15185
City East QLD 4002

12 March 2009

Dear Premier,

I am writing to introduce myself as the new Managing Director of QGC, a BG Group business.

As you would be aware, BG Group acquired QGC in late 2008 and the combined business is developing coal seam gas resources in Queensland for a multi-billion-dollar investment in a liquefied natural gas plant at Gladstone.

In my new role, I am also a member BG Group's executive reporting to the Chief Executive, Frank Chapman.

I was previously Executive Vice President, Gas & Power with Shell, with responsibility for Shell's LNG, gas transmission and power generation interests across Africa. I began my career in Brisbane as a lawyer and worked for BHP Petroleum in Melbourne during the 1990s. I have worked in the oil and gas sector in Asia, Europe, Latin America and Africa.

Having grown up in Gladstone and Brisbane, I am enjoying being back home and look forward to renewing acquaintances.

It is my intention to foster the relationship that Frank has built with you over the past year since BG Group's entry to Australia. In particular, the group is keenly appreciative of your support as we have worked to develop the Queensland Curtis LNG Project.

The capacity of BG Group to work with the political system for mutual benefit is also an element of my role that I intend to foster. To that end, my office will be in touch soon for an opportunity to meet you and to explain our Queensland plans.

I look forward to working with you.

Yours sincerely

Catherine Tanna

CATHERINE TANNA
Managing Director

Please quote: MCU
TF/09/7184

Ms C Tanna
Managing Director
Queensland Group Company Ltd
GPO Box 3107
BRISBANE QLD 4001

Dear Ms Tanna

Thank you for your letter of 12 March 2009 introducing yourself as the new Managing Director of QCG, A BG Group business. I have been requested to reply to you on the Premier's behalf.

Please be assured the contents of your letter have been noted.

This matter has been referred to the Honourable Stirling Hinchliffe MP, Minister for Infrastructure and Planning for consideration and reply direct to you.

Please be assured that the Minister will give your inquiry his full consideration.

Again, thank you for contacting the Premier.

Yours sincerely

Nick Williams
Senior Policy Advisor

B/C The Honourable the Minister for Infrastructure and Planning

By direction. For your information and direct reply, please. Copy of inwards correspondence is attached.

Nick Williams
Senior Policy Advisor

Released under RTI - DPC

1 December 2008

The Honorable Anna Bligh
 Premier of Queensland
 Executive Building
 100 George Street
 BRISBANE
 Queensland 4000
 Australia

Digitised?	YES	<input checked="" type="checkbox"/>	NO
If digitised, this is now an ELECTRONIC DOCUMENT LABEL ALL DATA IN TRIM			
11 DEC 2008	Date Received in DFC		
Doc Ref No:	DOC/08/60067 58264		
File No:	TF/08/18931		
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Dear Premier

Thank you for taking the time to meet me on 19 November.

As I outlined to you, BG Group continues to be absolutely committed to the Queensland Curtis LNG Project and we are determined to work with the Queensland Government to bring the project to fruition. We remain on track to make a final investment decision by late 2009/early 2010, with first LNG scheduled for late 2013.

To reach these milestones, there are some key issues which need resolution: acquisition and tenure of land on Curtis Island; incremental infrastructure requirements and; coal seam gas royalty.

Our ambition is to reach agreement with your Government on this agenda by end March 2009. I propose that we bring all these issues together in one negotiating remit and give responsibility for reaching agreement to teams from BG and your Government. David Maxwell will lead for BG.

On the broader issue of policy, we share the Government's desire to develop a clear policy framework for LNG, particularly around gas reserves for the domestic market and domestic gas prices. We see this as a key foundation for a robust and secure gas and LNG industry in Queensland. We would be happy to work with your Government to help develop this framework and will make available the experience we have of operating LNG projects in a range of other countries. We believe that it might be helpful to involve other LNG aspirants in Queensland in this process.

I would be grateful for your support for these approaches. Please let me know how you would like to go forward.

Yours sincerely

Frank Chapman

BG GROUP PLC
 Frank J Chapman
 Chief Executive
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 www.bg-group.com

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 Fax +44 (0)118 929 2007
 frank.chapman@bg-group.com



1 December 2008

The Honorable Anna Bligh
Premier of Queensland
Executive Building
100 George Street
BRISBANE
Queensland 4000
Australia

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I would be grateful for your support for these approaches. Please let me know how you would like to go forward.

Yours sincerely

Frank Chapman

Frank J Chapman
Chief Executive
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Registered in England & Wales No. 3690065. Registered Office: 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT



5 December 2008

Mr Ken Smith
Director-General
Department of Premier and Cabinet
PO Box 15185
City East Qld. 4002

Mr Colin Jensen
Coordinator-General and Director-General
Department of Infrastructure and Planning
PO Box 15009
City East Qld. 4002

Dear Ken and Colin,

At the meeting between the Premier and Mr Frank Chapman, Chief Executive of the BG Group, on 19 November 2008, they discussed the need to develop a process for the resolution of issues that are significant to the timely development of BG's Queensland Curtis LNG Project. At that time the Premier indicated her willingness to commit to such a process

Following that meeting Mr. Chapman has written to the Premier (please see attached) confirming BG's interest in seeing the issue resolution process created by the establishment of a "high level group" as soon as possible

I am now writing to you to seek your cooperation in expediting the establishment of the "high level group".

In our view this "high level group" would not take over negotiations but rather oversee and deal with difficult issues. It is not our intention to subvert proper approval or policy processes. There are significant matters that require urgent attention and that cross departmental boundaries that we propose be addressed by the "high level group".

Currently, BG and the Government deal with issues on an ad hoc basis. We have to make commitments on particular issues in isolation. We are currently faced with requests from different Government agencies that sum up to very significant figures. Ultimately, this could jeopardise the economic proposition of the project.

As indicated in Mr. Chapman's letter, BG is targeting the resolution of a significant suite of issues by 30 March 2009. This is to facilitate the launch of the Queensland Curtis LNG project on schedule to capture the LNG market window and, importantly, position Queensland ahead of competitors elsewhere in the Asia Pacific region.

In this context we feel it would be productive for the "high level group" to begin to understand issues in an on-going way rather than wait until the penultimate moment to clarify issues.

To this end I believe it would be useful if we could bring together the "high level group" prior to the end of 2008 to agree a process and to identify a list of issues that we would seek to settle by the end of March 2009.

I hope that this approach and package of issues can include measures to give us all confidence that the project can proceed with value fairly distributed and impacts properly managed.

BG AUSTRALIA
Level 2, 10 Felix Street
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Tel +61 7 3837 8000
Fax +61 7 3837 8001

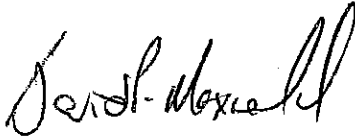
I have been charged by BG to lead our side and expect that I will be joined by probably two of my senior colleagues.

To ensure that these important discussions are able to move quickly and with the appropriate authority I suggest a core team of Director General level for the relevant departments.

Could you please advise who you propose to lead and represent the Government for these discussions.

I will contact your offices soon to make arrangements for a preliminary meeting to plan implementation of the proposal from Frank Chapman to the Premier and identify the list of issues to be addressed.

Yours sincerely,



David P. Maxwell
MANAGING DIRECTOR
BG AUSTRALIA

Released under RTI - DPC



Premier of Queensland

For reply please quote: EP/GM – TF/08/18931 – DOC/09/6050

9 FEB 2009

Mr David Maxwell
Managing Director
BG Australia
Level 2, 10 Felix Street
BRISBANE QLD 4000

David

Liquefied Natural Gas Projects

Thank you for your letter of 5 December 2008 to Mr Ken Smith, Director-General, Department of the Premier and Cabinet and Mr Colin Jensen, Coordinator-General and Director-General, Department of Infrastructure and Planning.

Your proposal to establish a high level group to progress issues associated with the proposed Liquefied Natural Gas (LNG) project on Curtis Island has also been raised by Mr Frank Chapman, Chief Executive, BG Group.

The Coordinator-General is leading the Queensland Government's response to the proposed LNG industry. A dedicated LNG Projects Unit has been established within the Department of Infrastructure and Planning led by Mr Mal Hellmuth and reporting directly to the Coordinator-General.

I have instructed the Coordinator-General to establish a high-level steering group which will meet for the first time on 24 February 2009. Membership of the steering group will include the Directors-General from the Departments of the Premier and Cabinet, Transport, Mines and Energy, the Environmental Protection Agency, the Under Treasurer and representatives from LNG projects in Queensland. The steering group will also include a representative from Gladstone Ports Corporation.

I expect the Steering Group to provide well considered direction and facilitation to address issues associated with the LNG industry development in Queensland.

The Coordinator-General has also established several cross-departmental working groups to ensure seamless Government assessment processes.

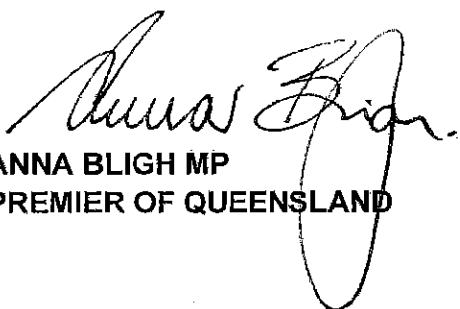
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Facsimile +61 7 3221 3631
Email ThePremier@premiers.qld.gov.au
Website www.thepremier.qld.gov.au



**Queensland
Government**

I look forward to your future participation in Queensland's LNG Industry. If you require any further information, please contact Mr Mal Hellmuth, Executive Director, LNG Projects, Department of Infrastructure and Planning on (07) 3404 8302.

Yours sincerely



ANNA BLIGH MP
PREMIER OF QUEENSLAND

Released under RTI - DPC



Premier of Queensland

For reply please quote: EP/GM – TF/08/18931 – DOC/08/65728

9 FEB 2009

Mr Frank Chapman
Chief Executive
BG Group PLC
Thames Valley Park
Reading Berkshire
RG6 1PT
UNITED KINGDOM

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Queensland 4002 Australia
Telephone +61 7 3224 4500
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Email ThePremier@premiers.qld.gov.au
Website www.thepremier.qld.gov.au

Frank,

Thank you for your letter of 1 December 2008 in which you propose the establishment of a high level group to progress issues associated with your Liquefied Natural Gas (LNG) project.

Mr David Maxwell, Managing Director, BG Australia, also raised this proposal with my Director-General, Mr Ken Smith and Mr Colin Jensen, Coordinator-General and Director-General, Department of Infrastructure and Planning, who is leading the Queensland Government's response to the proposed LNG industry.

I have instructed the Coordinator-General to establish a high-level steering group which will meet for the first time on 24 February 2009. Membership of the steering group comprises of the Directors-General from the Departments of the Premier and Cabinet, Transport, Mines and Energy, the Environmental Protection Agency, the Under Treasurer and representatives from LNG projects in Queensland. The steering group will also include a representative from the Gladstone Ports Corporation.

I expect the Steering Group to provide well considered direction and facilitation to address issues associated with the LNG industry development in Queensland. The Coordinator-General has also established several cross-departmental working groups to ensure seamless Government assessment processes.

I look forward to your future participation in Queensland's LNG Industry. If you require any further information, please contact Mr Mal Hellmuth, Executive Director, LNG Projects, Department of Infrastructure and Planning on (07) 3404 8302.

Yours sincerely


ANNA BLIGH MP
PREMIER OF QUEENSLAND



Queensland
Government

Chris McKenna

From: Emma Robertson <Emma.Robertson@ministerial.qld.gov.au>
Sent: Friday, 14 November 2008 1:42 PM
To: Brief Premier
Cc: Mary Weaver
Subject: URGENT BRIEF REQUIRED FOR PREMIER

The Premier has accepted an invitation to meet with Frank Chapman CEO BG Group on Wednesday 19 November 2008.

It would be appreciated if a brief could be coordinated regarding the briefing below, in preparation for the Premier's attendance at this meeting.

This brief should be returned to Emma Robertson, Office of the Premier **NO LATER THAN MONDAY 17 NOVEMBER, 2008.**

Regards

Emma Robertson

Office of the Hon Anna Bligh MP

Premier of Queensland

(07) 3224 5746

I'll confirm attendees, other than Frank Chapman, next week. Frank would like to cover the following:

- Thank the Premier for her support for BG's FIRB application regarding the purchase of 100% of the issued shares of QGC
- Outline how this positively impacts their \$8 Bn LNG investment on Curtis Island at Gladstone
- Discuss the critical path for the development of the LNG project and outline a proposal for closer communication with the Government
- Discuss the BG view of the short to medium term outlook for the East Coast gas sector

Kind regards
Scott

Scott Gartrell

Director

Government Relations Australia Advisory Pty Ltd

Tel: 612 8353 0408 Fax: 612 9380 5307 Mob: s.73 WMTN

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PREMIER'S BRIEFING NOTE
Policy

Tracking Folder No. TF/08/16533
Document No.DOC/08/49122

To: THE PREMIER
Date: 18 November 2008
Subject: Meeting with Mr Frank Chapman, CEO BG Group on 19 November 2008

Approved / Not Approved / Noted
Premier *[Signature]*
Date *20/11/08*
Date Action Required by:/...../.....
Requested by:
(If appropriate)

• RECOMMENDATION

- It is recommended that you **note** the following brief for your meeting with Mr Frank Chapman, CEO, BG Group (BG) on Wednesday 19 November 2008.

• KEY ISSUES

- BG Group's subsidiary BG International proposes to construct an \$8b LNG plant on Curtis Island near Gladstone. BG International operates in 27 countries in areas such as exploration and production, power transmission and distribution and LNG.
- BG's acquisition of the Queensland Gas Company (QGC) further increases market concentration in the wholesale gas market in Queensland. There are concerns that reduced competition has the potential to lead to higher energy prices.
- In October 2008, QGC indicated that 30 per cent of its Coal Seam Gas (CSG) reserves were to be committed to the domestic energy market. BG has not indicated if this will continue to be the case. While BG representatives have verbally indicated it will continue to supply local markets with gas, they did not indicate the extent of this supply.

Exempt Sch.3(2)(1)(b) Reveal Cabinet consideration

- The Terms of Reference for the project's EIS are currently subject to public consultation.
- Prior to making a final investment decision (expected towards the end of 2009) BG will need to consider a range of issues including assessment of the future state royalty regime, development impacts and mitigation costs, land ownership and costs (plant), common user infrastructure costs, water treatment requirements, possible State gas reservation policy and other Government policy positions.

• CONSULTATION

- Department of Infrastructure and Planning, Department of Mines and Energy.

[Signature]
Ken Smith
Director-General
18/11/08

Comments (Premier or DG)

Action Officer: Paul Sariban Approvals by Director / ED / DDG
Area: Economic Policy documented in notes in TRIM
Telephone: 34056663