



CSM Energy Limited
ABN: 46 114 795 229

ANNOUNCEMENT

26th September 2006

Heads of Agreement

The Board of CSM Energy Limited are pleased to announce that the company has entered into a Heads of Agreement ("HOA") with an ASX listed coal company.

The HOA relates to a prospective coal mine project within the Moranbah coal measures of Queensland's northern Bowen Basin and covers an area of 22 square kilometers. Based upon third party assessments, CSM Energy believes that the gas in place estimate for this resource appears sufficiently attractive to proceed with a staged test drilling program to assess the coal seam gas reservoir properties.

Under the HoA, CSM Energy is prepared to complete a Feasibility Study, including drilling test holes. Subject to the outcome of the Feasibility Study and an agreement with the coal company, CSM Energy will extract CSG from coal seams and construct, finance and operate a gas sales plant or a power generation facility to provide electrical power for on-site use for the coal mine and possibly surplus power used for off-site use.

CSM Energy has commenced discussions with the overlapping PL owner regarding a farm-in which may allow for offsite commercialization of the CSG. Regarding offsite gas, water or electricity sales, the project is located favourably in relation to established infrastructure, including several neighboring coal mines and a major operating CSG project.

For further information, please visit www.csmenergy.com.au or contact:

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