

13 February 2008

- **SAPEX FARMS OUT CSG EXPLORATION INTEREST**
- **AWARDED S.A. GOVERNMENT “PACE” GRANT**

SAPEX Limited (ASX code: SXP) is pleased to announce that it has reached an agreement with Eastern Star Gas (ESG) whereby ESG will earn interests in coal seam gas (CSG) in three of SAPEX's Arckaringa Basin licences in South Australia.

ESG is a Sydney-based company focussed on exploration, development and production of coal seam gas with its main operations including the Narrabri Coal Seam Gas Project in New South Wales.

Mr Andrew Andrejewskis, Managing Director of SAPEX, said the Company had decided it was in its best interests to bring in a partner with the necessary expertise after receiving and considering several farm-in proposals.

“SAPEX welcomes the farm-in by ESG as it has the expertise and demonstrated ability to explore for, develop and commercialise CSG resources,” Mr Andrejewskis said.

“The Arckaringa Basin has enormous potential for coal seam gas with previous work clearly demonstrating the presence of large quantities of sub-bituminous Permian-age coal,” he said.

“The world-scale mining developments in this region and the prospect of more to come, mean that there is a rapidly expanding market for energy that could be met by CSG.”

The SAPEX farmout involves a two-stage earning process. Stage 1 includes the drilling and testing of three coreholes, one in each of PEL 117, PEL 121 and PEL 122 to earn a 25% interest in the coals seam gas rights of the PELs. ESG will operate and fund the farmin program and envisages that the stage 1 program will be completed by late in 2008, although preliminary results of the testing are expected earlier during the second half of 2008.

Stage 2 of the farm-in will involve the drilling and testing of a five-well production pilot, for which ESG will earn a further 25% interest and operatorship in coal seam gas rights of the exploration licences. Performance of the stage 2 work programme will be dependent upon the outcome of the stage 1 programme.

#### **\$100,000 “PACE” grant from SA Government**

SAPEX is also pleased to advise that is has been successful in its application for a grant from the South Australian Government for funding under its PACE program. The grant is \$100,000 towards a CSG program in the Arckaringa Basin.

The PACE (Plan for Accelerating Exploration) program was instituted to assist explorers in frontier areas and is administered by PIRSA (Primary Industries and Resources SA).

Mr Andrejewskis said: “SAPEX is delighted to be the recipient of this grant for CSG exploration, which could be of significance in providing a new energy source in the remote areas of South Australia.”

## **CSG search is first for SA**

SAPEX's ongoing exploration includes the first ever CSG investigation into South Australia's vast coal deposits.

SAPEX's focus is on the under-explored Arckaringa Basin in SA's Far North, where it holds a 100% interest in the entire Basin, with 65,000 sq km under 7 granted PELs. Native Title Agreements were reached ahead of the grant of the PELs.

While there has been considerable coal-mining exploration and drilling undertaken in the Basin, no assessment has ever been made of the gas content in the coal and no major CSG investigation has ever been undertaken on SA's coal deposits.

SAPEX is undertaking a thorough appraisal of the potential of the CSG with the view of supplying clean energy to the significant energy markets emerging in this region of South Australia, viz. to major mineral projects.

Contact: Andrew Andrejewskis  
Managing Director  
0417 872 230  
e-mail: [info@sapex.com.au](mailto:info@sapex.com.au)

John Field  
Field Public Relations  
0418 819 527