

PEL 456 SANTOS JV - EXPLORATION UPDATE

Apollo Gas Ltd, ("Apollo"), is pleased to announce that Phase 2 exploration drilling in PEL 456 (Upper Hunter) has commenced.

The CSG exploration program is operated by Santos QNT Pty Ltd ("Santos"), who have earned 15% interest in the CSG rights of PEL 456 following the completion of Phase 1.

Under the Phase 2 program, the drilling will focus on the Murrurundi Trough where CSG potential has been demonstrated in Phase 1 drilling.

Murrurundi Trough CSG

Drilling at Brawboy-1 in 2009 demonstrated CSG potential within the Late Permian Upper Black Jack Group of the Murrurundi Trough, the southernmost part of the Gunnedah Basin. Drilling over the next 12 months will include:

Brawboy-2

Drilling at Brawboy-2 will commence on 29 May 2010 to a target depth of approximately 1,000m. The initial aim of this non-cored drilling is to measure permeabilities within coal seams identified in Brawboy-1, where hole stability issues previously precluded permeability testing. The primary target is the Hoskissons seam, with secondary targets in the Clift and Breeza seams.

Cuan-1

Corehole drilling at Cuan-1 is designed to test the southern extension of the Late Permian Black Jack Group coal development encountered at Brawboy-1.

Cuan-1 was spudded on 20 May 2010, with a target depth of 1,350m. The sequence will be cored from 780m to total depth, including the principal coal seam targets within the Black Jack Group. Coal-gas desorption, wireline logging and drill stem tests (DST) are scheduled for this hole.

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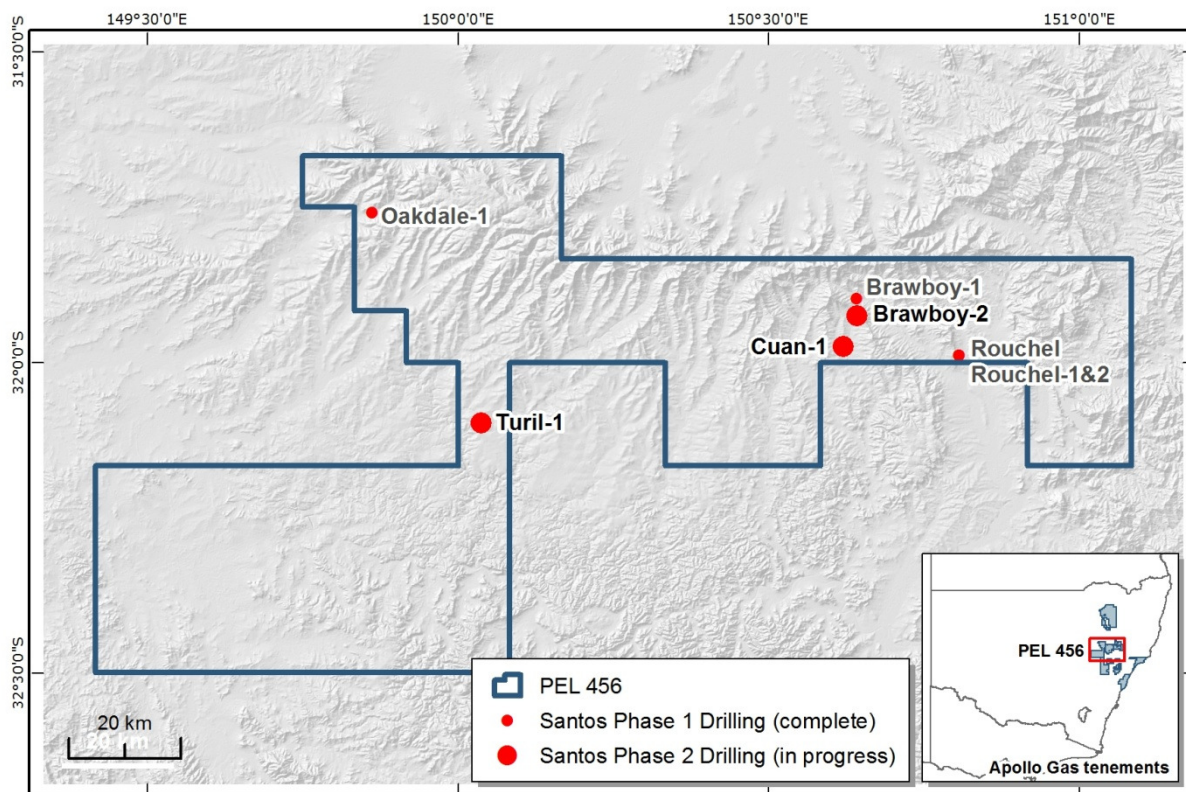
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Regional Exploration

Turil-1

Corehole drilling at Turil-1 will commence mid to late June following completion of Cuan-1. The Late Permian coal measures are being targeted in this western portion of the tenement. Gas desorption, wireline logging and drill stem tests (DST) are scheduled for this hole.

Apollo is encouraged by the work undertaken by Santos to date and looks forward to the results of the Phase 2 exploration and appraisal program of PEL 456.



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