

Site	Key Environment and Planning legislation	Comments
AGL–Arrow Energy Moranbah Gas Project JV, Qld (Arrow is the Operator)	Petroleum Act 1923; Environmental Protection Act 1994; and Queensland Petroleum and Gas (Production and Safety) Act 2004	<p>In September 2010, protected vegetation on PL191 was overcleared by the Operator. A \$2,000 Penalty Infringement Notice was issued by DERM in relation to the breach to CH4 Pty Ltd (the Arrow Energy entity named as Principal Holder on the relevant Environmental Authority).</p> <p>In December 2010 the Operator submitted a Program Notice to DERM advising of the threat of water storage overtopping due to heavy rain. A Transitional Environment Program (TEP), to return the operation to compliance, was submitted but prior to its approval by DERM an initial unauthorised release of 3ML from a water storage dam to the Isaac River occurred following further sustained heavy rain. Subsequently the TEP was approved by DERM.</p> <p>In March 2011, an administrative non-compliance was identified by DERM in relation to non-submission of reports required as part of a TEP.</p> <p>In April 2011, between 11,000L and 20,000L of produced water leaked onto the ground leading to short-term saturation. The spill was a breach of the Environmental Authority. DERM has been notified about the incident.</p> <p>In May 2011, approximately 3,000L of diesel fuel was spilt to land. DERM was notified about the incident.</p>

Proceedings on Behalf of the Company

No person has applied under Section 237 of the Corporations Act for leave of the Court to bring proceedings on behalf of AGL or intervene in any proceedings to which AGL is a party for the purpose of taking responsibility on behalf of AGL for all or any part of those proceedings. AGL was not a party to any such proceedings during the year.

Non-Audit Services

Non-audit services have been provided during the year by the external auditor, Deloitte Touche Tohmatsu. Disclosure of the details of these services can be found in this Annual Report on page 97.

The Board has a formal policy on the provision of auditing and related services. Specifically, the external auditor is precluded from providing any services that might threaten its independence or conflict with its assurance and compliance role. Reports on the provision of auditing and related services are provided at regular intervals to the Board through the Audit and Risk Management Committee. Directors are satisfied that the provision of \$2,056,000 of non-audit services by the external auditor is compatible with the general standard of independence for auditors.

The policy and procedures in place, and the review by the Audit and Risk Management Committee, enable Directors to conclude that non-audit services provided did not compromise the external auditor's independence requirements of the Corporations Act. There is also in place an agreed rotation policy for the senior auditor of Deloitte Touche Tohmatsu. The external auditor annually provides a letter to the Company Secretary on its independence within the meaning of relevant legislation and professional standards. No officers of AGL were partners or Directors of Deloitte Touche Tohmatsu during this reporting period.

Indemnification and Insurance of Directors and Officers

AGL's constitution indemnifies, to the extent permitted by law, officers of the consolidated entity when acting in their capacity in respect of:

- > liability to third parties (other than related entities) when acting in good faith; and
- > costs and expenses of successfully defending legal proceedings and ancillary matters.

The Directors named earlier in this report and the Company Secretaries, Paul McWilliams and John Fitzgerald, have the benefit of the indemnity, together with any other person concerned in or who takes part in the management of the consolidated entity.

During the year AGL paid premiums in respect of contracts insuring all Directors of AGL as listed earlier, all Directors of related bodies corporate of AGL, secretaries and other officers of the consolidated entity against liabilities incurred in their capacity as Director or Officer, as the case may be, of the consolidated entity.

The contract prohibits disclosure of the nature of the liabilities and the amount of premium paid and the Corporations Act does not require disclosure of the information.

Auditor's Independence Declaration

A copy of the external auditor's declaration under Section 307C of the Corporations Act in relation to the audit for the financial year is on page 135 of this Annual Report.

Rounding

AGL is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.