The Australian Gas Light Company
ABN 95 052 167 405

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney, on 6 April 2005 at 10.00am.

SPECIAL BUSINESS

Approval of an equal reduction of capital

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*'That, for the purposes of section 256B and section 256C(1) of the Corporations Act 2001 (Cth), approval is given for the Company to reduce its share capital by paying to each person who is a Shareholder of the Company at 7.00 pm on 13 April 2005 (***Record Date***) the amount of $0.50 per share held by that person on the Record Date.'*

Head Office
AGL Centre
Cnr Pacific Highway & Walker Street
North Sydney NSW 2060

By Order of the Board

Jane McAloon, Secretary
4 March 2005

NOTE:

(a) For the purpose of the Extraordinary General Meeting, the Directors have determined that shares will be taken to be held by persons registered as Shareholders as at 7.00 pm on 4 April 2005.

(b) A Shareholder who is entitled to attend and cast two or more votes at the Meeting may appoint two proxies. A proxy need not be a Shareholder. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.

(c) A proxy form and the power of attorney or other authority (if any) under which the proxy form is signed (or a certified copy) must be received by the Company, at least 48 hours before the time for holding the Meeting. Documents may be sent to the Company by:

(i) posting them in the accompanying reply-paid envelope or posting them to The Australian Gas Light Company, Locked Bag 944, North Sydney, NSW, 2059; or

(ii) sending them by fax to the Company's Share Registry on (02) 9921 2465; or

(iii) delivering them to the Company's Head Office.

EXPLANATORY NOTES

SPECIAL BUSINESS

Approval of an equal reduction of capital

1. What is the purpose of the Extraordinary General Meeting?

The purpose of the Extraordinary General Meeting is for Shareholders of the Company to consider and, if thought fit, pass a resolution approving the equal reduction of capital.

2. What is the equal reduction of capital?

2.1 The Company proposes to reduce its share capital by returning to each of its Shareholders the amount of $0.50 per ordinary share held, representing a total return to Shareholders of approximately $228 million.

2.2 The amount of $0.50 per share is being returned to Shareholders by way of an equal reduction of capital under Chapter 2J of the Corporations Act (**Reduction of Capital**). The date for determining which Shareholders receive the Reduction of Capital is the Record Date (as defined in the accompanying notice).

2.3 After the Reduction of Capital, the current share capital of the Company will be reduced by approximately $228 million, being $0.50 per share. The number of shares on issue in the Company will not change as a result of the Reduction of Capital.

2.4 These Explanatory Notes provide Shareholders with all information known to the Company that is material to the decision whether or not to vote in favour of the resolution to approve the Reduction of Capital.

3. What are the reasons for the Reduction of Capital?

3.1 The Directors have been reviewing the Company's capital management strategy and have considered various options to return surplus capital to Shareholders.

3.2 In determining the elements of the capital management program, the Directors have considered factors such as simplicity, equity between Shareholders, the availability of franking credits, and the tax effectiveness of various options for Shareholders. The options considered included combinations of one or more of an off-market share buy-back, an on-market share buy-back, a special dividend and a capital return.

3.3 This surplus capital has been accumulated primarily from the net proceeds of approximately $778 million (after transaction costs) from the sale by the Company of its 66.05 per cent shareholding in NGC Holdings Limited. The Company's debt has also been reduced through the consistently strong take-up of AGL's Dividend Reinvestment Plan (which was suspended in October 2003). The capital management initiatives set out in paragraph 3.5 below, including the Reduction of Capital, will be funded from existing cash reserves.

3.4 By reducing existing cash reserves, the Company will reduce its cost of capital and increase returns to Shareholders. However, these outcomes must be balanced with ensuring the Company has sufficient financial flexibility to fund existing operations and expansion opportunities.

3.5 The Directors have assessed that approximately $515 million is surplus to the Company's current and expected capital requirements, after payment of the Company's interim dividend of 31 cents per share. The Directors have determined that these surplus funds should be employed in the following capital management initiatives:

(a) the Reduction of Capital;

(b) a special dividend of 30 cents per share (totalling around $137 million); and

(c) an on-market buy-back of shares in the Company of up to a total of $150 million.

3.6 The special dividend of 30 cents per share will be paid on 24 March 2005 simultaneously with the interim dividend of 31 cents per share payable from the Company's profits for the six months to 31 December 2004. Both the special dividend and the interim dividend will be 90% franked.

3.7 It is intended that the on-market buy-back of shares in the Company will commence in May 2005 after payment of both the special dividend and, if approved by Shareholders, the Reduction of Capital.

3.8 The total amount targeted to be returned to Shareholders under the three capital management initiatives is approximately $515 million. The Directors believe that a combination of initiatives (rather than one single proposal) is likely to be more attractive to the widest cross-section of the Company's Shareholders and will achieve the best results for the Company and its long term Shareholders. By the date of the Extraordinary General Meeting, Shareholders will have received both the interim and special dividends.

4. What is the effect of the Reduction of Capital on the Company?

4.1 The Company has approximately 456.6 million fully paid ordinary shares on issue as at the date of the accompanying notice. There are no other classes of shares other than ordinary shares, and there are no options or other convertible instruments issued by the Company other than the performance share rights granted under the Company's Long-Term Incentive Plan (see section 5 below).

4.2 The effect of the Reduction of Capital is that the Company's issued share capital will be reduced by approximately $228 million, being $0.50 per share. The Company will, however, continue to have 456.6 million fully paid ordinary shares on issue.

4.3 The Directors of the Company consider that the Reduction of Capital will not adversely affect the Company's capacity to fund existing businesses and growth opportunities.

5. The impact of the Reduction of Capital on share rights under AGL's Long-Term Incentive Plan

5.1 Senior employees are entitled to performance share rights under the Company's Long-Term Incentive Plan (LTIP). To compensate for the diminution in the value of the share rights issued in 2003 and 2004 (that would otherwise occur by reason of the payments of the Reduction of Capital of 50 cents per share and the special dividend of 30 cents per share), participating employees will be paid $0.80 per share as share rights vest and are converted into shares in the Company.

5.2 This will affect the two-thirds of the rights issued under the LTIP in 2003 which have not yet been converted into shares in the Company and all of the rights issued in 2004. It will not apply to future issues under the LTIP. Payments will also not be made in respect of rights issued in 2003 or 2004 which do not vest in the senior employees (for example, because the senior employee's employment terminates before the relevant vesting dates).

5.3 Payments will be made to approximately 100 senior employees over the financial years ending on 30 June 2006, 2007 and 2008. The maximum amounts payable in each year will be:

2006	$232,222
2007	$268,172
2008	$142,673

6. What approvals are required?

6.1 Under section 256B(1) of the Corporations Act 2001 (Cth) (**Corporations Act**), a company may reduce its share capital as long as the reduction:

(a) is fair and reasonable to the Company's Shareholders as a whole (see section 7 below);

(b) does not materially prejudice the Company's ability to pay its creditors (see section 8 below); and

(c) is approved by Shareholders under section 256C.

6.2 The resolution of the Company proposed at the Extraordinary General Meeting seeks the approval of the Shareholders as required under section 256C.

7. Is the Reduction of Capital fair and reasonable to Shareholders?

7.1 The Directors of the Company consider that the Reduction of Capital is fair and reasonable to all Shareholders of the Company, as it applies to all Shareholders equally having regard to the number of shares in the Company held by each of them.

8. Is there any material prejudice to creditors?

8.1 The Directors of the Company believe that the Company has sufficient cash reserves to pay the Reduction of Capital, the interim dividend, the special dividend and conduct the on-market buy-back without materially prejudicing the Company's ability to pay its creditors.

9. Tax ruling

9.1 The Company has sought a Class Ruling from the Australian Tax Office (ATO) as to the tax implications of the Reduction of Capital for Shareholders. However, for specific taxation advice, Shareholders should consult their own taxation adviser so that their particular circumstances are taken into consideration. The broad description below is only relevant to Shareholders who hold shares on capital account.

9.2 The ATO has given an indicative Class Ruling that no part of the $0.50 per share returned to Shareholders will be deemed to be a taxable dividend. As a general statement, and without taking each Shareholder's specific circumstances into account, the Reduction of Capital received by Shareholders should be tax free for those Shareholders who hold their shares in the Company on capital account on the basis of the ATO's indicative Class Ruling as long as a Shareholder does not have a cost base of less than $0.50 per share. The Reduction of Capital will then be treated as a reduction of each Shareholder's cost base when they acquired their shares in the Company, with any capital gain or loss arising on eventual disposal of the shares being calculated by reference to this lower cost base.

9.3 Non-resident Shareholders should not be liable for capital gains tax in respect of the Reduction of Capital provided that they and their associates have not, at any time during the five years preceding the Reduction of Capital, beneficially owned at least 10% by value of the shares in the Company.

10. Lodgement

10.1 In accordance with section 256C(5) of the Corporations Act, copies of the Notice of Extraordinary General Meeting and these Explanatory Notes have been lodged with the Australian Securities and Investments Commission.

11. Timetable for the Reduction of Capital

11.1 Subject to Shareholder approval, the Reduction of Capital will take effect in accordance with the following timetable:

Event	Date
Shareholder meeting to approve the Reduction of Capital	6 April 2005
AGL shares trade on an "ex" return of capital basis	7 April 2005
Record Date for determining entitlements to participate in the Reduction of Capital	13 April 2005
Dispatch Date for payment of the Reduction of Capital	29 April 2005

12. Are there any reasons against the Reduction of Capital?

12.1 The Directors of the Company believe that the Reduction of Capital is in the Company's best interests.

12.2 You may wish to vote against the resolution if you believe that the Company should retain these surplus funds or use them in a different way, even though the Directors do not believe that the funds could be used in any way that is more beneficial to Shareholders than the Reduction of Capital.

13. Directors' interests

13.1 As at the date of the Notice of Extraordinary General Meeting, the following Directors of the Company have an interest in the proposed Reduction of Capital as they are Shareholders of the Company:

(a) Mark Johnson – 178,969 shares;

(b) Greg Martin – 547,745 shares;

(c) Sir Ronald Brierley – 67,310 shares;

(d) Graham Reaney – 69,918 shares;

(e) Charles Allen – 68,561 shares;

(f) Carolyn Hewson – 46,166 shares;

(g) Tony Daniels – 26,485 shares; and

(h) Max Ould – 4,970 shares.

13.2 Mr Greg Martin also has an interest in the proposed Reduction of Capital as the holder of performance share rights issued under the Company's Long-Term Incentive Plan. He holds 36,832 rights issued in 2003 and 65,223 rights issued in 2004. As set out in section 5, Mr Martin may become entitled to additional payments of up to $81,644 as a result of being issued these rights.

14. Directors' recommendation

14.1 The Directors of the Company unanimously recommend that Shareholders vote in favour of the resolution to approve the Reduction of Capital.

AGL