



AGL Energy Limited

ABN 74 115 061 375

72 Christie Street
St Leonards NSW 2065

Notice of Annual General Meeting of shareholders

27 September 2007

Dear shareholder,

I am pleased to invite you to attend the 2007 Annual General Meeting of shareholders (AGM), which has been scheduled as follows:

Date: Thursday, 8 November 2007
Time: 10.30am (Sydney time)
Venue: City Recital Hall, Angel Place, Sydney

A map and transportation instructions (whether travelling by train, bus, car or taxi) follow, for your information.

The business to be dealt with at the AGM is provided on pages 3 & 4 of this Notice of Meeting.

If you are able to attend the AGM, please bring the enclosed proxy form with you to facilitate registration at the AGM.

If you do not plan on attending the AGM, you are encouraged to appoint a proxy to attend and vote on your behalf by lodging your proxy appointment online at www.linkmarketservices.com.au or by completing the enclosed proxy form and returning it in the envelope provided.

Instructions on how to appoint a proxy are detailed on the back of the proxy form. Proxies must be received no later than 10.30am (Sydney time) on Tuesday, 6 November 2007 to be valid for the AGM. Proxies may be lodged online or returned by mail or by fax on 02 9287 0309.

You are encouraged to let us know of any questions you may have before the AGM. Details of how to lodge those questions prior to the AGM are on the last page of this Notice.

We look forward to seeing you at the AGM.

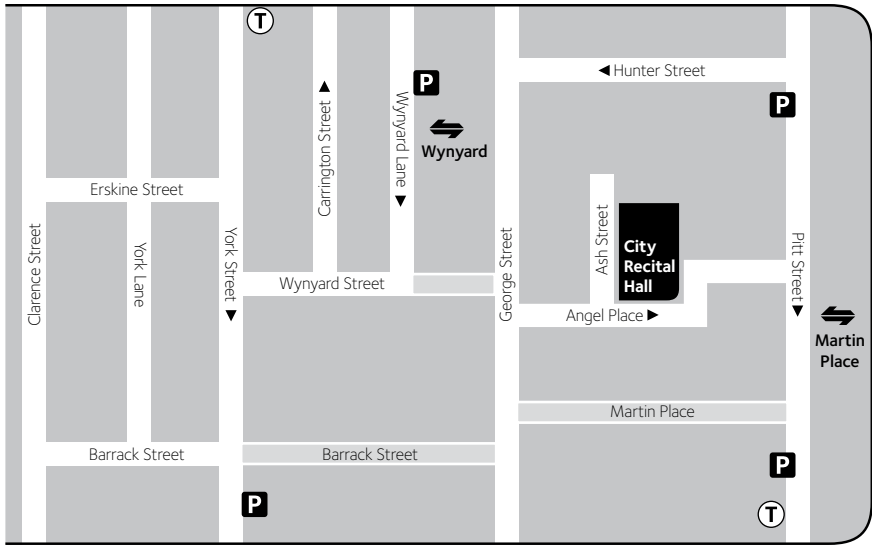
Yours sincerely

A handwritten signature in black ink that reads 'Mark Johnson'.

Mark Johnson
Chairman

How to find the City Recital Hall

You can use the map below to find the nearest transport routes and the location of the Meeting – the City Recital Hall, Angel Place, Sydney NSW.



By Train ⇄
The City Recital Hall is a short walk from Wynyard Station.

By Bus
Major bus interchanges are nearby at George and York Streets.

By Car P
There are many car parks located within walking distance.

By Taxi T
Your taxi can enter from George Street.

For more specific information about public transport routes and timetables, contact the State Transit Authority on 131500 or visit 131500.com.au

Ordinary Business

1. To receive and consider the Financial Report of the Company and the consolidated entity and the Reports of the Directors and Auditor for the financial year ended 30 June 2007.
2. To adopt the Remuneration Report for the financial year ended 30 June 2007, as set out in the Directors' Report section of the Annual Report. *(Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.)*
3. To elect Directors:
 - (a) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
'That Mr M R G Johnson, a Director who retires by rotation at the close of the Meeting in accordance with Clause 58 of the Company's Constitution and being eligible, is re-elected as a Director of the Company.'
 - (b) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
'That Mr M G Ould, a Director who retires by rotation at the close of the Meeting in accordance with Clause 58 of the Company's Constitution and being eligible, is re-elected as a Director of the Company.'
 - (c) To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
'That Mr B Phillips, a person who has been appointed as a Director in accordance with Clause 56.1 of the Company's Constitution, be re-elected as a Director of the Company in accordance with Clause 56.2 of the Company's Constitution.'

Special Business

4. Approval of a placement of fully-paid ordinary shares by the Company in the last twelve months:

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
'That for the purposes of listing rule 7.4 of the Listing Rules of ASX Limited, approval is given to the issue of 56,550,000 fully-paid ordinary shares in the Company on 27 February 2007 made by way of placement.'

5. Approval of financial assistance by certain of the Company's subsidiaries in connection with the acquisition of the Sun Gas, Powerdirect and Torrens Island Power Station businesses.

To consider, and if thought fit, to pass the following resolution as a special resolution:

'That, for the purposes of section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the financial assistance to be provided, from time to time, by the following subsidiaries of the Company:

- (a) *AGL Sales (Queensland) Pty Limited ACN 121 177 740 in connection with the Sun Gas Acquisition*;*
- (b) *Each of AGL Energy Services (Queensland) Pty Limited ACN 104 759 471, AGL Sales (Queensland Electricity) Pty Limited ACN 078 875 902, Australian Energy Ltd ACN 083 183 028 and Powerdirect Pty Limited ACN 067 609 803 in connection with the Powerdirect Acquisition*;*
- (c) *Each of AGL SA Generation Pty Limited ACN 081 074 204, AGL Torrens Island Pty Limited ACN 081 074 197 and AGL Torrens Island Holdings Pty Limited ACN 071 611 017 in connection with the TIPS Acquisition*;*
and
- (d) *Any other subsidiary of any of the Targets*, if required in the future, each as described in the Explanatory Notes to the Notice of Meeting.*

** Defined in the Explanatory Notes to the Notice of Meeting.'*

By Order of the board



Paul McWilliams

Company Secretary
27 September 2007

Determination of entitlement to vote

For the purpose of the Meeting, the Directors have determined that shares will be taken to be held by persons registered as shareholders as at 7.00pm (Sydney time) on Tuesday, 6 November 2007.

Voting exclusion

The Company will disregard any vote cast on Item 4 by any shareholder of the Company who participated in the issue made by way of placement on 27 February 2007 and by any associate of any such shareholder.

However, the Company will not disregard a vote cast on Item 4 if:

- (i) it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Proxies

Each shareholder may appoint a proxy, who need not be a shareholder, to attend and vote at the AGM on the shareholder's behalf. A shareholder who is entitled to attend and cast two or more votes at the Meeting may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise on a poll. If the shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes that each may exercise, each may exercise half of the votes (disregarding fractions) on a poll.

A proxy form and, if not signed by the shareholder, the power of attorney or other authority (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company at least 48 hours before the time for holding the Meeting – that is, by 10.30am (Sydney time) on Tuesday, 6 November 2007.

Documents may be lodged with the Company by:

- (i) appointing a proxy online at the AGL Share Registry site www.linkmarketservices.com.au; or
- (ii) posting them in the accompanying reply-paid envelope to Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235; or
- (iii) sending them by fax to the AGL Share Registry on (02) 9287 0309; or
- (iv) delivering them to the AGL Share Registry located at Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

Corporate representatives

A company wishing to appoint a person to act as its representative at the meeting must provide that person with a letter executed in accordance with the company's constitution and the Corporations Act authorising him or her to act as the member's representative.

Explanatory Notes

Ordinary Business

Item 1

To receive and consider the Financial, Directors' and Auditor's Reports for the financial year ended 30 June 2007

The AGL Concise Annual Report 2007 has been sent to shareholders (other than those who have elected not to receive it or to receive the AGL Full Annual Report 2007). The AGL Full Annual Report 2007 has been sent to those shareholders who have requested it. Both Reports can be found on the Company's website (www.agl.com.au) under 'Investor Centre'. During discussion of this item, there will be an opportunity for shareholders to ask questions about, or comment on, the Reports and the management and performance of the Company.

Item 2

Adoption of the Remuneration Report for the financial year ended 30 June 2007

The Company is required under the *Corporations Act 2001* (Cth) to include, in the business of its Annual General Meeting, a resolution that its Remuneration Report for the financial year ended 30 June 2007 be adopted. The resolution is advisory only and does not bind the Directors or the Company. During discussion of this item, there will be an opportunity for shareholders to ask questions about, or comment on, the Remuneration Report.

The Remuneration Report is set out in the Directors' Report section of the AGL Concise Annual Report 2007 and the AGL Full Annual Report 2007. The Remuneration Report:

- sets out the Company's policy in respect of remuneration paid to the board, the Managing Director and senior executives;
- explains how Directors' fees are determined within the aggregate limit approved by shareholders;
- describes the elements of remuneration paid to the Managing Director and senior executives, the links to Company and individual performance and the criteria used to assess performance; and
- sets out the remuneration details for each Director and nine specified executives.

The Directors recommend that shareholders vote in favour of Item 2.

Item 3
Election of Directors



(a) **Mark Johnson** LLB MBA Age: 66

Term: Non-executive Director and Chairman since 17 February 2006.

Independent: Yes.

Committees: Chairman of the People and Performance, and Health, Safety and Environment Committees.

Directorships: Chairman of Macquarie Infrastructure Group (commenced as a Director in 1996). Mark is also Chairman of the Australian Strategic Policy Institute and Chairman of the APEC Business Advisory Council.

Experience: Previously non-executive Deputy Chairman of Macquarie Bank Limited (commenced as a Director in 1987 and retired on 19 July 2007), a Director of Pioneer International, Sydney Futures Exchange, the Victor Chang Cardiac Research Institute and Chairman of The Australian Gas Light Company (commenced as a Director in 1988 and retired on 25 October 2006).

The Directors (excluding Mr M R G Johnson) recommend that shareholders vote in favour of Item 3(a).



(b) **Max Ould** BEc Age: 60

Term: Non-executive Director since 17 February 2006.

Independent: Yes.

Committees: Member of the People and Performance, and Health, Safety and Environment Committees.

Directorships: Chairman of Goodman Fielder Limited (commenced in 2005 and appointed Chairman in September 2006). Director of Pacific Brands Limited (commenced in 2004) and Foster's Group Limited (commenced in 2004).

Experience: Previously he was Managing Director of National Foods Limited and a Director of The Australian Gas Light Company (commenced in 2004 and retired on 25 October 2006).

The Directors (excluding Mr M G Ould) recommend that shareholders vote in favour of Item 3(b).



(c) **Bruce Phillips** BSc (Hons) Age: 52

Term: Non-executive Director since 23 August 2007.

Independent: Yes.

Committees: Member of the Health, Safety and Environment Committee.

Directorships: Managing Director of Australian Worldwide Exploration Limited (AWE) (commenced in 1997 and retired on 31 August 2007).

Experience: Previously Business Development Manager of Command Petroleum and Consulting Energy Advisor to Prudential-Bache Securities. Bruce is a petroleum industry expert with more than 30 years of technical, financial and managerial experience in the upstream sector of the petroleum industry. He founded and managed AWE, was chief technical advisor to Petroleum Securities Australia Limited, and was an expert advisor to News Corporation Limited.

The Directors (excluding Mr B Phillips) recommend that shareholders vote in favour of Item 3(c).

Special Business

Item 4

Approval of a placement of fully-paid ordinary shares in the Company made in the last twelve months.

The Company is seeking the approval of shareholders, for the purposes of listing rule 7.4 of the Listing Rules of ASX Limited ('ASX Listing Rules'), in respect of the issues of shares that has been made by the Company in the last twelve months set out in the following table:

Reason for the issue and persons to whom the issue was made	Date of issue	No. of shares issued	Issue price	Terms of shares issued	Use of the funds raised
Issued under an institutional placement to persons nominated by Goldman Sachs JB Were, J P Morgan and UBS, who acted as joint lead managers and underwriters for the placement.	27/02/2007	56,550,000	\$16.50	Fully-paid ordinary shares	To partially fund the acquisition of Powerdirect Australia Pty Ltd and Powerdirect Utility Services Pty Ltd from the Queensland Government for a total consideration of \$1,234 million.

The shares issued rank equally with other existing fully-paid ordinary shares in the Company (except that they were not entitled to the interim dividend of 9.5 cents per share declared for the period to 31 December 2006).

What is the effect of listing rule 7.1?

In general terms, listing rule 7.1 of the ASX Listing Rules imposes a 15% cap on the number of shares that can be issued by the Company, without approval of shareholders or ASX waiver, in any twelve month period (**15% limit**). However, the Company is permitted to issue shares (or other securities) in excess of the 15% limit if those shares are issued in reliance on an exception to listing rule 7.1 or the issue is approved by shareholders or an ASX waiver is obtained.

Why is the Company seeking approval for the issues of shares?

The effect of the proposed approval by shareholders of Item 4 would be that the shares set out in the table, that have been issued by the Company in the last twelve months, will not count toward the 15% limit. A consequence of approval is that the share issues which are approved will increase the number of shares from which the 15% limit is calculated.

The Directors do not currently have any specific intention to make an issue of shares prior to 28 February 2008 without approval of shareholders under listing rule 7.1, unless the issue falls under an exception to the 15% rule in listing rule 7.2. However, the Directors consider that it is appropriate and prudent for approval to be sought at the Meeting, in respect of the relevant issues of shares in the last twelve months, as this approval will enhance the Company's flexibility to finance strategic transactions through raising equity capital, should the Directors consider that it is in the best interests of the Company to do so. If this approval is not given at the Meeting, the Company may need to incur the costs and delay of convening a special general meeting of the Company during the period up to 28 February 2008, if the Directors propose to issue securities which do not fall under an exception to the 15% rule in listing rule 7.2.

The Company is seeking the approval of shareholders, for the purposes of listing rule 7.4, in Item 4, so that the issue will not count towards the 15% limit. The Directors believe that it is in the best interests of the Company that the Directors maintain their ability to issue up to 15% of the issued capital of the Company in the period up to 28 February 2008. Listing rule 7.4 enables shareholders to subsequently approve the issue of such shares for the purposes of listing rule 7.1.

The Directors unanimously recommend that shareholders vote in favour of Item 4.

Item 5

Approval of financial assistance by certain of the Company's subsidiaries in connection with the acquisition of the Sun Gas, Powerdirect and Torrens Island Power Station businesses.

Background

On 24 October 2006 (but amended subsequently), the Company entered into the following debt facilities to fund the general corporate purposes of the Company and its subsidiaries (AGL Group):

- a \$1,900,000,000 subscription agreement (**Subscription Agreement**) between, the Company (as the Borrower), The Royal Bank of Scotland plc ABN 30 101 464 528 and Westpac Banking Corporation ABN 33 007 457 141 (as the Mandated Lead Arranger and Underwriter), the financial institutions listed in Part II of Schedule 1 to the Subscription Agreement (as the Lenders) and Westpac Banking Corporation (as the Agent); and
- a \$500,000,000 revolving facility agreement (**Revolving Facility Agreement**) between the Company (as the Borrower), The Royal Bank of Scotland plc ABN 30 101 464 528 and Westpac Banking Corporation ABN 33 007 457 141 (as the Mandated Lead Arranger and Underwriter), the financial institutions listed in Part II of Schedule 1 to the Revolving Facility Agreement (as the Lenders) and Westpac Banking Corporation (as the Agent).

On 27 June 2007, the Company entered into a \$300,000,000 bridge facility agreement (**Bridge Facility Agreement**) between the Company (as the Borrower), the subsidiaries of the Company listed in Part I of Schedule 1 to the Bridge Facility Agreement (as the Original Guarantors) and JPMorgan Chase Bank, N.A., Sydney Branch ABN 43 074 112 011 and Australia and New Zealand Banking Group Limited ABN 11 005 357 522 (as the Lenders). The Bridge Facility Agreement was entered into to fund, directly or indirectly, the acquisition of the Torrens Island Power Station Target (defined below) and any transaction costs incurred by the Company in connection with such acquisition.

The borrower under each of the facilities is the Company. The Subscription Agreement, Revolving Facility Agreement and Bridge Facility Agreement (**Facility Agreements**) charge interest and include events of default and undertakings (including negative pledges and undertakings not to dispose of assets), representations and warranties from the Company consistent with facilities of the nature granted or as required by the lenders in the particular circumstances. The Facility Agreements also require the Company to ensure that certain subsidiaries of the Company (determined by 'guarantor tests' in the Facility Agreements) are guarantors in respect of the facilities (**Guarantor Undertaking**).

The AGL Group has made the following acquisitions (Acquisitions) in the past twelve months:

- AGL Sales Pty Limited ACN 090 538 337 has purchased the entire issued share capital of AGL Sales (Queensland) Pty Limited ACN 121 177 740 (**Sun Gas Target**) under an agreement dated 25 November 2006 (**Sun Gas Acquisition**);
- AGL Sales Pty Limited ACN 090 538 337 has purchased the entire issued share capital of each of AGL Energy Services (Queensland) Pty Limited ACN 104 759 471 and AGL Sales (Queensland Electricity) Pty Limited ACN 078 875 902 (each a **Powerdirect Target**) under an agreement dated 16 February 2007 (**Powerdirect Acquisition**); and
- AGL Sales Pty Limited ACN 090 538 337 has purchased the entire issued share capital of AGL Torrens Island Holdings Pty Limited ACN 071 611 017 (**Torrens Island Power Station Target** or **TIPS Target**) under an agreement dated 1 July 2007 (**Torrens Island Power Station Acquisition** or **TIPS Acquisition**).

On completion of each of the Acquisitions, each of the Sun Gas Target, Powerdirect Targets and TIPS Target (each a **Target**) and its subsidiaries (each Target and its subsidiaries referred to as a **Target Group**) became subsidiaries of the Company. Funds drawn under the Facility Agreements were used to fund part of the purchase price for some or all of the Acquisitions. In accordance with the 'guarantor tests' in the Facility Agreements, the Company is now required to ensure that the members of the Target Groups referred to in paragraphs (a) to (d) of the proposed resolution (**Target Guarantors**) become guarantors of the Facility Agreements.

Restrictions on companies giving financial assistance

Section 260A(1) of the Corporations Act provides that a company may financially assist a person to acquire shares in the company or a holding company of the company if the assistance is approved by shareholders under section 260B of the Corporations Act.

Approval by the shareholders of the Target Guarantors has already been given. However, under section 260B of the Corporations Act, if immediately after the acquisition, the company will be a subsidiary of another corporation which is listed in Australia (**Listed Australian Holding Company**), the financial assistance must also be approved by a special resolution of the holding company. Because the Company is the Listed Australian Holding Company of the Target Guarantors, shareholders of the Company are asked to approve the giving of financial assistance.

A company may be regarded as giving financial assistance if it gives something needed in order that a transaction be carried out or something in the nature of aid or help. Common examples of financial assistance include issuing a debenture, giving security over the company's assets, and giving a guarantee or indemnity in respect of another person's liability. The giving of guarantees (and the undertaking of the other obligations described below) by the Target Guarantors in respect of the Facility Agreements would give financial assistance to the Company and hence to the purchaser referred to above in connection with the relevant acquisitions.

Current Guarantees

The facilities under the Subscription Agreement are currently guaranteed by certain of the subsidiaries of the Company (**Initial Guarantors**). The Initial Guarantors entered into a Deed of Guarantee and Indemnity dated 24 October 2006 (**Subscription Agreement Guarantee**). Under the Subscription Agreement Guarantee, in addition to the guarantee and indemnities included in that document, the Initial Guarantors give representations, warranties and undertakings which are substantially similar to those given by the Company under the Subscription Agreement.

The facilities under the Revolving Facility Agreement are currently guaranteed by the Initial Guarantors. The Initial Guarantors entered into a Deed of Guarantee and Indemnity dated 25 October 2006 (**Revolving Facility Agreement Guarantee**). Under the Revolving Facility Agreement Guarantee, in addition to the guarantee and indemnities included in that document, the Initial Guarantors give representations, warranties and undertakings which are substantially similar to those given by the Company under the Revolving Facility Agreement.

The facilities under the Bridge Facility Agreement are currently guaranteed by the Initial Guarantors. The guarantee and indemnities given by the Initial Guarantors are included in the Bridge Facility Agreement which the Initial Guarantors, together with the Company, executed on 27 June 2007. Under the terms of the Bridge Facility Agreement, the Initial Guarantors also give representations, warranties and undertakings which are substantially similar to those given by the Company.

Accession to the Guarantees

It is proposed that, in order for the Company to comply with the Guarantor Undertakings under the Subscription Agreement, the Revolving Facility Agreement and the Bridge Facility Agreement, the Target Guarantors accede as guarantors to each of the Subscription Agreement Guarantee, the Revolving Facility Agreement Guarantee and the Bridge Facility Agreement pursuant to:

- (a) a guarantor accession letter under the Subscription Agreement Guarantee;
- (b) a guarantor accession letter under the Revolving Facility Agreement Guarantee; and
- (c) a guarantor accession letter under the Bridge Facility Agreement,

(each a **Subsidiary Deed of Accession**).

Upon execution of each of the Subsidiary Deeds of Accession, the Target Guarantors would (among other things) become bound by the guarantees, indemnities and undertakings and give the representations and warranties referred to above.

In addition, the Target Guarantors may, or may be required to:

- subordinate intercompany claims;
- transfer assets to, or assume other liabilities of, the Company or other subsidiaries or related parties of the Company;
- make available directly or indirectly their cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable the Company and the other guarantors to comply with their payment and other obligations in respect of the Subscription Agreement, the Subscription Agreement Guarantee, the Revolving Facility Agreement, the Revolving Facility Agreement Guarantee, the Bridge Facility Agreement and all other related documents (**Finance Documents**);
- consent or agree to amendments to the financing documents, including amendments that make their obligations more onerous;
- provide additional support which may include incurring additional obligations and/or providing additional guarantees on the same or different terms to the Subscription Agreement Guarantee, the Revolving Facility Agreement Guarantee and guarantee contained in the Bridge Facility Agreement (**Guarantees**); and
- provide other financial assistance in connection with the Acquisitions including, without limitation, in connection with any refinancing.

Other subsidiaries of the Targets may in the future also provide or be required to provide financial assistance in connection with the Acquisitions in the same form as that to be provided by the Target Guarantors or in another form.

Future Financial Assistance

The resolution proposed would, if passed, also approve the giving of financial assistance by other subsidiaries of the Targets if required in the future. Where financial assistance is required to be given by such subsidiaries of the Targets in the future, the approval of shareholders of the relevant subsidiaries under section 260B(1) of the Corporations Act will be sought at that time.

Reasons for giving financial assistance

The reason for the giving of the financial assistance described above is to enable the Company to comply with certain of its obligations under the Finance Documents, namely the Guarantor Undertaking set out in each of the Facility Agreements.

If such obligations are not complied with an 'Event of Default' will occur under the Facility Agreements and the funding under the Facility Agreements may be required to be repaid.

Effect of financial assistance

As the Company is already liable for the amounts payable under the Finance Documents, the giving of the financial assistance described in this memorandum by each of the Target Guarantors is unlikely to have any adverse effect on the Company.

The substantial effect of the financial assistance on the Target Guarantors is that each Target Guarantor will have guaranteed all amounts payable under the Finance Documents. The operations of the Target Guarantors will also be restricted by the representations and undertakings given by them under the Guarantees.

The Directors of the Company do not currently believe that the Company, any of the Initial Guarantors or any of the Target Guarantors are likely to default in their obligations under the Finance Documents.

Advantages of the proposed resolution

The advantage to the Company of the proposed resolution is that the Target Guarantors will be able to accede to the Guarantees and so allow the Company to meet the guarantor tests under the Facility Agreements mentioned above and avoid the occurrence of an Event of Default. If an Event of Default occurs, the financiers may require immediate repayment of the amounts due under the Finance Documents. The Directors of the Company believe that the utilisation of its existing corporate facilities under the Subscription Agreement and the Revolving Facility Agreement is, or was, the most efficient form of financing available to finance, in part, each of the Acquisitions and that the utilisation of the bridge facility under the Bridge Facility Agreement is, or was, the most efficient form of financing available to finance, in part, the TIPS Acquisition.

The principal advantage of the proposed resolution to the Target Guarantors is that the Company will be able to maintain its ownership of the Target Group. The Directors of the Company believe that this is in the interests of the Target Guarantors because:

- the Target Guarantors will have greater access to funding in the bank and capital markets as a result of integration in the AGL Group;
- the Target Guarantors will benefit from synergies, cost savings and greater growth potential through that integration with the AGL Group; and
- the Target Guarantors will be able to retain existing management expertise and will have access to new management expertise provided by the Company and its affiliates.

The Directors of the Company believe that approving the financial assistance described above is in the interests of the Company.

Disadvantages of the proposed resolution

As the Company is already liable for the amounts due under the Finance Documents, the Directors of the Company do not believe there are any disadvantages to the Company of the proposed resolution.

The disadvantages of the proposed resolution for the Target Guarantors include the following:

- (a) they will become liable for the amounts due under the Finance Documents;
- (b) their operations will be restricted by the representations and undertakings given by them under the Guarantees;
- (c) although the Directors consider this unlikely, the Company may default under the Finance Documents; and
- (d) the financiers may then make a demand under the guarantees provided by the Target Guarantors requiring immediate repayment of the amounts due under the Finance Documents, which may result in a winding up of the Target Guarantors.

Passing the Financial Assistance Resolution

The resolution proposed is proposed as a special resolution and will be passed if 75% of the votes cast by shareholders are in favour of the resolution.

Prior notice to Australian Securities & Investments Commission

As required by section 260B(5) of the Act, copies of the Notice including these Explanatory Notes, as sent to the shareholders, were lodged with the Australian Securities & Investments Commission prior to their dispatch to shareholders.

Disclosure

The Directors consider that these Explanatory Notes contain all information known to the Company that would be material to the shareholders in deciding how to vote on the proposed resolution other than information which it would be unreasonable to require the Company to include because it has been previously disclosed to the shareholders of the Company.

Recommendation

The Directors unanimously recommend that the shareholders vote in favour of Item 5 to approve the giving of financial assistance.

Questions from shareholders

AGL Energy Limited (AGL) aims to ensure that Annual General Meetings and the Annual Report meet shareholders' expectations. Your views are essential to this.

If you would like further information on AGL, or would like to ask a question to AGL or the Auditor at this AGM, you may lodge your questions online by visiting the AGL Share Registry's website www.linkmarketservices.com.au or by completing the enclosed form and returning it in the enclosed reply paid envelope.

Questions for the AGM should be relevant to the business of the Meeting, and may include questions relating to the financial or other statutory reports or the motions before the Meeting, or general questions on AGL's management or performance, or questions to the Auditor concerning the content of the Auditor's Report or the conduct of the audit.

Questions for the AGM (including written questions to the Auditor) must be received at any of the addresses below by 5.00pm (Sydney time) on Thursday, 1 November 2007.

The Chairman of the Meeting will answer as many of the frequently asked questions as possible. The AGM will be webcast live at www.agl.com.au and a copy of the Chairman's speech will be available on the AGL website.

In accordance with the Corporations Act 2001 (Cth), shareholders will also be given a reasonable opportunity, as a whole, to:

- ask questions about, or make comments on, the management of the Company and on the Remuneration Report, at the Meeting; and
- ask the Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company and the independence of the Auditor, at the Meeting.

If you would like to make a suggestion or comment on the Annual Report, please advise the Company in one of the following ways (this will allow us to incorporate your views into the content and design of future Annual Reports):

- **Online** at the AGL Share Registry's website www.linkmarketservices.com.au
- **Write** to the AGL Share Registry or Company Secretary by completing the enclosed form and sending it to the Share Registry in the enclosed reply paid envelope to: Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
or post to: Company Secretary, AGL Energy Limited, Locked Bag 1837, St Leonards NSW 2065
- **Fax** to the AGL Share Registry on fax number 02 9287 0309.