

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN THAT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF AUSTRALIAN POWER AND GAS COMPANY LIMITED ABN 96 077 206 583 (COMPANY) WILL BE HELD ON:

Date Monday 30 November 2009
Time 10.30am (EDST)
Place Boardroom, Australian Power & Gas,
Level 9, 341 George Street, Sydney, New South Wales

This Notice is issued by the Company.

ITEMS OF BUSINESS

ORDINARY BUSINESS

Item 1 Financial Statements

To receive and consider the Financial Statements together with the Directors' Report and the Auditor's Report for the 12 months ended 30 June 2009.

Item 2 Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary, non-binding resolution of the Company:

"That for the purposes of section 250R(2) of the *Corporations Act 2001* (Cth), the Company be authorised to adopt the Remuneration Report."

Item 3 Re-election of Michael Hogg as Director

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

"That Mr Michael Hogg, being a Director of the Company who retired by rotation pursuant to Clause 16.1 of the Company's Constitution, and being eligible, is re-elected as a Director of the Company."

SPECIAL BUSINESS

**Item 4
Ratification of the previous issue of options to Fortress
Credit Corporation (Australia) II Pty Limited**

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

"That for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited, the previous issue of 1,000,000 options each to acquire one fully paid ordinary share in the Company to Fortress Credit Corporation (Australia) II Pty Ltd, details of which are set out in the Explanatory Memorandum accompanying the Notice of Annual General Meeting convening this meeting, be ratified and approved."

**Item 5
Ratification of the previous issue of options to David Franks**

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

"That for the purposes of Listing Rule 7.4 of the Listing Rules of ASX Limited, the previous issue of 250,000 options each to acquire one fully paid ordinary share in the Company to Mr David Franks or his nominee, details of which are set out in the Explanatory Memorandum accompanying the Notice of Annual General Meeting convening this meeting, be ratified and approved."

**Item 6
Approval of issue of options under Employee Share Option
Plan**

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

"That for the purposes of exception 9 of Listing Rule 7.2 of the Listing Rules of ASX Limited and for all other purposes, the issue of options to, or for the benefit of employees of the Company under the Company's Employee Share Option Plan (Option Plan) be authorised and approved, details of which are described in the Explanatory Memorandum accompanying the Notice of Annual General Meeting convening this meeting."

**Item 7
Approval of issue of shares under Employee Share Plan**

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

"That for the purposes of exception 9 of Listing Rule 7.2 of the Listing Rules of ASX Limited and for all other purposes, the issue of shares to, or for the benefit of employees of the Company under the Company's Employee Share Plan (ESP) be authorised and approved, details of which are described in the Explanatory Memorandum accompanying the Notice of Annual General Meeting convening this meeting."

**Item 8
Approval to issue options to Ian McGregor**

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

"That for the purposes of section 208 of the *Corporations Act 2001* (Cth) and Listing Rule 10.11 of the Listing Rules of ASX Limited and in accordance with the resolution of Directors announced on 17 June 2009, approval is given for the Directors to complete the allotment and issue of 1,000,000 options each to acquire a fully paid ordinary share in the Company to Mr Ian McGregor or his nominee on the terms described in the Explanatory Memorandum accompanying the Notice of Annual General Meeting convening this meeting."

**Item 9
Approval to issue performance options to James Myatt
under Employee Share Option Plan**

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

"That for the purposes of section 208 of the *Corporations Act 2001* (Cth) and Listing Rule 10.14 of the Listing Rules of ASX Limited, approval is given for the Directors to allot and issue 2,000,000 performance options each to acquire a fully paid ordinary share in the Company to Mr James Myatt or his nominee under the Company's Employee Share Option Plan and otherwise on the terms described in the Explanatory Memorandum accompanying the Notice of Annual General Meeting convening this meeting."

**Item 10
Approval of contingent loan arrangements for James Myatt
under the terms of his employment contract**

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

"That for the purposes of sections 208 and 260B of the *Corporations Act 2001* (Cth) approval is given for the Company to provide financial assistance to Mr James Myatt or his nominee to fund (if required) the exercise of his 2,000,000 performance options previously approved by shareholders on 31 July 2008, which are exercisable in four tranches at \$0.50, \$0.60, \$0.70 and \$0.80 and subscribe for new fully paid ordinary shares in the capital of the Company, in the form of a loan of up to \$1,300,000 on the terms described in the Explanatory Memorandum accompanying the Notice of Annual General Meeting convening this meeting."

VOTING EXCLUSION STATEMENTS

The Company will disregard any vote cast on resolutions by excluded shareholders detailed in the table below. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution	Shareholders excluded from voting
Item 4 Ratification of the previous issue of options to Fortress Credit Corporation (Australia) II Pty Limited	Fortress Credit Corporation (Australia) II Pty Ltd and its associates
Item 5 Ratification of the previous issue of options to David Franks	Mr David Franks, his associates and Sarah Franks & BJ Retail Pty Ltd <BFD Partnership>
Item 6 Approval of issue of options under Employee Share Option Plan	Any employee (including Executive Directors) of the company that is eligible to participate in the Company's Employee Share Option Plan or any of the employee's respective associates
Item 7 Approval of issue of shares under Employee Share Plan	Any employee of the company that is eligible to participate in the Company's Employee Share Plan or any of the employee's respective associates
Item 8 Approval to issue options to Ian McGregor as previously approved by Directors	Mr Ian McGregor and his associates
Item 9 Approval to issue performance options to James Myatt under Employee Share Option Plan	Mr James Myatt and his associates
Item 10 Approval of contingent loan arrangements for Mr James Myatt under the terms of his employment contract	Mr James Myatt and his associates

EXPLANATORY MEMORANDUM

The Explanatory Memorandum forms part of this Notice of Annual General Meeting (AGM) and should be read in conjunction with it.

PROXY

Appointment of Proxy

A shareholder entitled to attend and vote at the AGM may appoint a person as the shareholder's proxy to attend and vote for the shareholder at the AGM. The person appointed as a proxy may be an individual or a body corporate. If a shareholder chooses to appoint a body corporate as its proxy, the body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the shareholder's proxy.

Number of proxies and proportion of votes per proxy

A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote in their place. If two proxies are appointed, the shareholder may specify the proportion or number of votes which each proxy may exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

Proxy need not be shareholder

A proxy need not be a shareholder of the Company.

Lodgement of Proxy Forms

A Proxy Form is enclosed with this Notice of Annual General Meeting. A Proxy Form and the authority (if any) under which it is signed or a certified copy of that authority must be received by the Company no later than 7.00pm (EDST) on Saturday 28 November 2009.

To be valid, you must send your completed Proxy Form by post, fax or email to:

Mr David Franks

Company Secretary
Australian Power and Gas Company Limited
Suite 206, The Bentleigh
1 Katherine Street
Chatswood NSW 2067

Fax: +61 2 9419 2944
Email: dfranks@fa.com.au

Appointing a proxy will not stop you attending the AGM in person and voting at the AGM instead of your proxy.

Directing your proxy

You can direct your proxy how to vote by marking the 'for', 'against' or 'abstain' boxes on the Proxy Form. If you choose to direct your proxy but do not mark the boxes correctly, the proxy's vote will be invalid. If you have appointed someone other than the Chair as your proxy and do not direct them how to vote, that person may vote, or abstain from voting, at their discretion.

No direction of proxy (where Chair is proxy)

If the Chair is your proxy and you do not specifically direct how your proxy is to vote on a resolution, you will be taken to have directed your proxy to vote in favour of that resolution.

VOTING ENTITLEMENTS

Pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001*, the Directors have determined that the shareholding of each shareholder for the purposes of ascertaining the voting entitlements for the Annual General Meeting will be as it appears in the share register of the Company at 7.00pm (EDST) on Saturday 28 November 2009.

QUESTIONS FROM SHAREHOLDERS IN RELATION TO ITEM 1 FINANCIAL STATEMENTS

The Chair of the AGM will allow a reasonable opportunity for questions about or comments on the management of the Company at the AGM. The auditors responsible for preparing the Auditor's Report for the year ended 30 June 2009 will attend the AGM. The Chair of the AGM will allow a reasonable opportunity for members to ask the auditor questions at the AGM about:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
- the independence of the auditor in relation to the conduct of the audit.

To assist the Board of Directors and the auditors of the Company in responding to questions, please submit any question you may have no later than 10.30am (EDST) Monday 23 November 2009, by post, fax or email to:

Mr David Franks

Company Secretary
Australian Power and Gas Company Limited
Suite 206, The Bentleigh
1 Katherine Street
Chatswood NSW 2067

Fax: +61 2 9419 2944
Email: dfranks@fa.com.au

By order of the Board



David Franks
Company Secretary
15 October 2009

EXPLANATORY MEMORANDUM

THIS EXPLANATORY MEMORANDUM HAS BEEN PREPARED FOR THE INFORMATION OF SHAREHOLDERS OF THE COMPANY IN CONNECTION WITH THE BUSINESS TO BE CONDUCTED AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 10.30AM (EDST) ON MONDAY 30 NOVEMBER 2009 AT BOARDROOM, AUSTRALIAN POWER & GAS, LEVEL 9, 341 GEORGE STREET, SYDNEY, NEW SOUTH WALES.

This information is important. You should read the information relating to the Annual General Meeting carefully and if necessary, seek your own independent advice.

Ordinary Business

Item 1 Financial Statements

The Financial Statements, Directors' Report and Auditor's Report are set out in the Company's 2009 Annual Report (Annual Report) which can be viewed on the Company's website at www.australianpowerandgas.com.au.

A reasonable opportunity will be provided for discussion of the Annual Report at the Annual General Meeting.

Item 2 Adoption of Remuneration Report

The Remuneration Report is set out on pages 34 to 39 of the Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for the Directors and other key management personnel. A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Under section 250R(2) of the *Corporations Act 2001* (Cth), the Company must put the adoption of the Remuneration Report to a vote at the Annual General Meeting. This vote is advisory only and does not bind the Directors or the Company.

Item 3 Re-election of Michael Hogg as Director

The Company's Constitution requires that one third of Directors, other than a Managing Director, must retire at each Annual General Meeting of the Company. A Director retiring can offer him/herself for re-election.

Mr Michael Hogg has retired by rotation and offers himself for re-election. A profile of Mr Hogg is included in the Directors' Report contained in the 2009 Annual Report.

Special Business

Item 4

Ratification of the previous issue of options to Fortress Credit Corporation (Australia) II Pty Ltd

Background

The Company is seeking shareholder approval under Listing Rule 7.4 of the ASX Listing Rules to ratify the previous issue to Fortress Credit Corporation (Australia) II Pty Ltd (Fortress), a Sophisticated Investor, on 27 March 2009 of a total of 1,000,000 options, with each option to acquire a fully paid ordinary share in the Company (Fortress Options).

The Fortress Options were issued as part of a revision to the Syndicated Revolving Facility Agreement dated 15 May 2009 (as amended), agreed by the parties in March 2009.

Approval under the ASX Listing Rules

Listing Rule 7.1 of the ASX Listing Rules restricts the number of equity securities that a listed company may issue in any 12 month period, without the approval of shareholders, to 15% of the number of ordinary securities on issue at the start of the period, subject to certain adjustments and permitted exceptions. In calculating the 15% limit, the entity is entitled to deduct any ordinary securities issued in the 12 month period that were issued with the approval of shareholders for the purposes of Listing Rule 7.1.

Under Listing Rule 7.4 of the ASX Listing Rules an issue of securities without approval under Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of Listing Rule 7.1 if the original issue did not breach the 15% limit under Listing Rule 7.1 and shareholders subsequently approve the issue.

The Company has on 27 March 2009 made an issue of 1,000,000 options for which it is seeking approval under Item 4 for the purposes of Listing Rule 7.4. The options were issued to a Sophisticated Investor, Fortress Credit Corporation (Australia) II Pty Ltd as a result of a revision to the Syndicated Revolving Facility Agreement between the Company and Fortress.

The following information is provided to shareholders for the purposes of requirements of Listing Rule 7.5 of the ASX Listing Rules:

- the total number of securities issued were 1,000,000 options;
- the Fortress Options were issued as part of a revision to an existing agreement between the Company and Fortress;
- the Fortress Options were a new class of unlisted options and their terms and conditions are attached to this Explanatory Memorandum as Appendix 1;
- the exercise price of each Fortress Option is \$0.35, however, the Fortress Option holder may elect not to pay the exercise price in connection with the Fortress Options being exercised in which case the number of

shares issued on the exercise of a Fortress Option will be reduced using the following formula:

$$AS = OS - (AEP/SP)$$

Where:

AS is the adjusted number of shares issued on the exercise of the Fortress Options,
OS is the number of shares that would have been issued if the exercise price was paid,
AEP is the aggregate exercise price of the Fortress Options being exercised,
SP is the 10 day historical volume weighted average price of shares quoted on the ASX from one business day before the Fortress Options were exercised.

A cashless exercise of a Fortress Option will reduce the number of shares issued to the Fortress Option holder and will not result in the payment of cash to the Fortress Option holder by the Company. For example: If 1000 Fortress Options were exercised, on a cashless basis, the number of shares which would be issued on the exercise of the 1000 Fortress Options would be calculated in accordance with the following:

$$AS = OS - (AEP/SP)$$

Where:

$$OS = 1000$$

$$AEP = 1000 \times \$0.15$$

$$SP \text{ is assumed to be } \$0.45$$

$$AS = 1000 - (150/0.45)$$

$$AS = 666;$$

- all Fortress Options were allotted to Fortress Credit Corporation (Australia) II Pty Ltd, a Sophisticated Investor. Fortress is not a related party or associate of the Company;
- there were no funds raised from the issue of Fortress Options; and
- funds raised from the exercise of the Fortress Options will be used by the Company for working capital purposes. No funds will be raised if the Fortress Options were exercised on a cashless basis under the terms of the Fortress Options.

The approval of shareholders of Item 4 will provide the Company with flexibility in considering any necessary further fundraising and will enable the Company to raise further funds at any time during the next 12 months by issuing up to the full 15% of its issued share capital, in addition to any options issued and approved under Items 5, 6, 7, 8 and 9 set out in this Notice of Annual General Meeting and Explanatory Memorandum. Any Shares issued in accordance with Item 4 will not be counted towards the calculation of the 15% limit.

Directors' Recommendation

Based on the reasons set out above, the Directors recommend that shareholders vote in favour of Item 4 as they intend to do with regard to their own shareholdings in the Company.

Item 5

Ratification of the previous issue of options to David Franks

Background

The Company is seeking shareholder approval under Listing Rule 7.4 of the ASX Listing Rules to ratify the previous issue to Sarah Franks and BJ Retail Pty Ltd <BFD Partnership> as nominee for Mr David Franks, a Sophisticated Investor, on 27 March 2009 of a total of 250,000 options with each option to acquire a fully paid ordinary share in the Company (Franks Options). The Franks Options were issued as part of a review of his remuneration package as Company Secretary of the Company. Mr Franks has been the Company Secretary of the Company since October 2003. The Board considered the issue of the Franks Options as part of his remuneration package as appropriate to reflect Mr Franks' ongoing commitment to the Company.

Approval under the ASX Listing Rules

Listing Rule 7.1 of the ASX Listing Rules restricts the number of equity securities that a listed company may issue in any 12 month period, without the approval of shareholders, to 15% of the number of ordinary securities on issue at the start of the period, subject to certain adjustments and permitted exceptions. In calculating the 15% limit, the entity is entitled to deduct any ordinary securities issued in the 12 month period that were issued with the approval of shareholders for the purposes of Listing Rule 7.1.

Under Listing Rule 7.4 of the ASX Listing Rules an issue of securities without approval under Listing Rule 7.1 will be treated as having been made with shareholder approval for the purposes of Listing Rule 7.1 if the original issue did not breach the 15% limit under Listing Rule 7.1 and shareholders subsequently approve the issue.

The Company has on 27 March 2009 made an issue of 250,000 options for which it is seeking approval under Item 5 for the purposes of Listing Rule 7.4. The options were issued to a Sophisticated Investor, Sarah Franks and BJ Retail Pty Ltd <BFD Partnership> as nominee for Mr David Franks as part of his remuneration package as Company Secretary of the Company.

The following information is provided to shareholders for the purposes of requirements of Listing Rule 7.5 of the ASX Listing Rules:

- the total number of securities issued were 250,000 options;
- the Franks Options were issued as part of Mr Franks' remuneration package;
- the Franks Options were a new class of unlisted options and their terms and conditions are attached to this Explanatory Memorandum as Appendix 2;
- all of the Franks Options were allotted to Sarah Franks and BJ Retail Pty Ltd <BFD Partnership> as nominee for Mr David Franks, a Sophisticated Investor. Mr Franks is not a related party or associate of the Company;

- there were no funds raised from the issue of the Franks Options; and
- funds raised from the exercise of the Franks Options will be used by the Company for working capital purposes.

The approval of shareholders of Item 5 will provide the Company with flexibility in considering any necessary further fundraising and will enable the Company to raise further funds at any time during the next 12 months by issuing up to the full 15% of its issued share capital, in addition to any options issued and approved under Items 4, 6, 7, 8 and 9 set out in this Notice of Annual General Meeting and Explanatory Memorandum. Any Shares issued in accordance with Item 5 will not be counted towards the calculation of the 15% limit.

Directors' Recommendation

Based on the reasons set out above, the Directors recommend that shareholders vote in favour of Item 5 as they intend to do with regard to their own shareholdings in the Company.

Item 6

Approval to issue of options under Employee Share Option Plan

Background

Shareholders approved an Employee Share Option Plan (ESOP) on 28 August 2007 as part of the Company's employee remuneration and incentive program. The ESOP was amended by the Company on 16 September 2008 to include participation by Managing Directors of the Company in the ESOP.

The Company is seeking shareholder approval under exception 9 to Listing Rule 7.2 of the ASX Listing Rules to issue of options under the ESOP to employees (excluding Executive Directors) for a period of three years from the date of the Annual General Meeting.

Employee Share Option Plan

The key terms of the ESOP are as follows:

(i) Operation

The ESOP is administered by the Board. Each year, the Board determines:

- the total number of options to be issued under the ESOP for that year (ESOP Options);
- the Managing Directors, executives, senior managers and other employees of the group eligible to receive ESOP Options (Eligible Employees) in that year and their relevant entitlement;
- the offer date of the ESOP Options and the closing date for acceptance; and
- the conditions of the offer, such as the performance conditions, exercise price, period to price and any other terms the Board may determine.

A letter of offer is then given to each Eligible Employee, together with a booklet which provides details of the ESOP rules and taxation implications.

If an offer of options is made under the ESOP that is subject to the satisfaction of performance conditions then the Eligible Employee will only obtain an entitlement to those ESOP Options granted upon satisfaction of the performance conditions on or before the date determined by the Board for satisfaction of the conditions.

The ESOP may be suspended or the participation of an Eligible Employee in the ESOP, may be suspended at any time by a resolution of the Board.

(ii) Eligibility

The Board has discretion to determine an Eligible Employee. Factors which the Board may take into account when considering an employee include:

- period of employment, including years of service;
- past contribution made to the Group;
- likely future contribution to the Group; and
- any other matters which the Board so determines.

As mentioned above, the Company amended the ESOP to include participation by Managing Directors of the Company in the ESOP.

(iii) Lapse of ESOP Options

Unless otherwise determined by the Board, an ESOP Options will immediately lapse on the first to occur of:

- the last day of the relevant exercise period;
- if the optionholder resigns or retires, 30 days after the date of cessation of employment (or such longer period as the Board determines);
- if the optionholder is retrenched, or dies, becomes permanently ill or physically or mentally incapacitated, six months after the date of cessation of employment (or such longer period as the Board determines);
- if the optionholder ceases to be employed for any other reason, 60 days after the date of cessation of employment (or such longer period as the Board determines); or
- a determination of the Board that the optionholder has been dismissed without notice or acted fraudulently, dishonestly or in breach of their obligations to the group, and the ESOP Option is to be forfeited for that reason.

If an option holder ceases to be employed before the satisfaction of any performance condition attaching to an ESOP Option, any entitlement to that ESOP Option lapses.

(iv) Maximum number of options available under the ESOP

The ESOP was amended by the Company in September 2009 to allow for the Board to determine the maximum number of options that may be granted under the ESOP.

(v) Reconstruction of capital

In the event of a reconstruction of capital, the ESOP provides that the number of ESOP Options or the exercise price or exercise period will be reconstructed in a manner determined

by the Board in a manner not inconsistent with the ASX Listing Rules or any applicable law, including ASIC class orders.

(vi) Change of Control

If a change in control of the Company occurs, the Board may consider that performance conditions and other restrictions have been satisfied and facilitate exercise of the ESOP Options.

(vii) Restriction on disposal

Shares obtained as a result of exercising ESOP Options granted under the ESOP are subject to restrictions on sale as determined by the Board. The restrictions applied are in accordance with the Company's Share Trading Policy.

ASX Listing Rules

Listing Rule 7.1 of the ASX Listing Rules restricts the number of equity securities that a listed company may issue in any 12 month period, without the approval of shareholders, to 15% of the number of ordinary securities on issue at the start of the period, subject to certain adjustments and permitted exceptions. In calculating the 15% limit, the Company is entitled to deduct any ordinary securities issued in the 12 month period that were issued with the approval of shareholders for the purposes of Listing Rule 7.1.

Listing Rule 7.2 provides several circumstances where particular issues of securities are excluded from the calculation of the 15% limit under Listing Rule 7.1, including issues under an employee incentive scheme if within three years before the date of issue, shareholders approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

The ESOP is an employee incentive scheme for the purposes of Listing Rule 7.2. Approval is being sought under Item 6 for the purposes of exception 9 to Listing Rule 7.2 in connection with the issue of options under the ESOP to employees (excluding Executive Directors) over the three year period from the date of the Annual General Meeting.

Approval for the issue of options under the ESOP was obtained at a general meeting of shareholders of the Company on 28 August 2007. The total number of options issued under the ESOP from 28 August 2007 to the date of this Notice of Annual General Meeting and Explanatory Memorandum is 4,169,388 options. In addition, the total number of options issued under superseded Company employee share option plans in the last five years is 7,143 options.

The approval of shareholders of this Item 6 will provide the Company with flexibility in considering any necessary further fundraising and will enable the Company to raise further funds (if necessary) at any time by issuing up to the full 15% of its issued share capital, in addition to any options issued and approved under Items 4, 5, 7, 8, and 9, without further reference to shareholders. Any options issued (and any shares issued upon exercise of the options) under Item 6 will not be counted towards the calculation of the 15% limit.

Directors' recommendation

Based on the reasons set out above, the Directors (other than Mr James Myatt) recommend that shareholders vote in favour of Item 6 as they intend to do with regard to their own shareholdings in the Company. As Mr Myatt has an interest in the outcome of the proposed resolution, he has declined to provide a recommendation on Item 6. With the exception of Mr Myatt, no other Director has an interest in Item 6.

Item 7

Approval to issue shares under Employee Share Plan

Background

The Company has an existing Employee Share Plan (ESP) as part of its employee remuneration and incentive program.

The Company is seeking shareholder approval under exception 9 to Listing Rule 7.2 of the ASX Listing Rules for the issue of shares under the ESP for a period of three years from the date of the Annual General Meeting. The Company has previously issued shares under the ESP under its 15% capacity in Listing Rule 7.1 of the ASX Listing Rules.

Employee Share Plan

The key terms of the ESP are as follows:

(i) Operation

The ESP is administered by the Board. Each year, the Board determines:

- the total number of shares to be issued under the ESP (ESP Shares) for that year;
- the executives, senior managers and other employees (excluding Executive Directors) of the Group eligible to receive ESP Shares (Eligible Employees) in that year and their relevant entitlement;
- the offer date of the ESP Shares and the closing date for acceptance; and
- the conditions of the offer, such as restrictions on disposal and any other terms the Board may determine.

A letter of offer is then given to each Eligible Employee, together with a booklet which provides details of the ESP rules and taxation implications.

The ESP may be suspended or the participation of an Eligible Employee in the ESP may be suspended at any time by a resolution of the Board.

(ii) Eligibility

The Board has discretion to determine an Eligible Employee. Factors which the Board may take into account when considering an employee include:

- period of employment, including years of service;
- past contribution made to the Group;
- likely future contribution to the Group;
- number of Shares held by the employee; and
- any other matters which the Board so determines.

Executive Directors of the Company are not eligible to participate under the ESP.

(iii) Maximum number of Shares available under the ESP

The ESP was amended by the Company in September 2009 to allow for the Board to determine the number of shares available for issue under the ESP.

(iv) Reconstruction of capital

If there is any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, ESP Shares are affected in the same way as other Shares in the same class.

(v) Change of Control

If a change in control of the Company occurs, the Board may consider that restrictions applicable to the ESP Shares will cease to apply to the ESP Shares.

(vi) Restriction on disposal

ESP Shares are subject to restrictions on sale and disposal as determined by the Board. The restrictions applied are in accordance with the Company's Share Trading Policy.

ASX Listing Rules

Listing Rule 7.1 of the ASX Listing Rules restricts the number of equity securities that a listed company may issue in any 12 month period, without the approval of shareholders, to 15% of the number of ordinary securities on issue at the start of the period, subject to certain adjustments and permitted exceptions. In calculating the 15% limit, the Company is entitled to deduct any ordinary securities issued in the 12 month period that were issued with the approval of shareholders for the purposes of Listing Rule 7.1.

Listing Rule 7.2 provides several circumstances where particular issues of securities are excluded from the calculation of the 15% limit under Listing Rule 7.1, including issues under an employee incentive scheme if within three years before the date of issue, shareholders approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

The ESP is an employee incentive scheme for the purposes of Listing Rule 7.2. Approval is being sought under Item 7 for the purposes of exception 9 to Listing Rule 7.2 in connection with the issue of ESP Shares under the ESP over the three year period from the date of the Annual General Meeting.

No shareholder approval to date has been obtained for the issue of ESP Shares. The total number of ESP Shares issued under the ESP to date is 111,100 shares. This previous issue of ESP Shares was in accordance with ASX Listing Rule 7.1 and do not form part of the shareholder approval sought under Item 7.

The approval of shareholders to the issue of the ESP Shares on the terms of the ESP will provide the Company with flexibility in considering any necessary further fundraising and will enable the Company to raise further funds (if necessary) at any time by issuing up to the full 15% of its issued share capital without further reference to

shareholders. Any ESP Shares issued under Item 7 will not be counted towards the calculation of the 15% limit.

Directors' recommendation

The Directors recommend that shareholders vote in favour of Item 7 as they intend to do with regard to their own shareholdings in the Company.

Item 8

Approval to issue of options to Ian McGregor

Background

As part of the remuneration of Mr Ian McGregor as Chair of the Company, the Company has agreed to, subject to shareholder approval, grant Mr McGregor 1,000,000 options (McGregor Options) to each acquire a fully paid ordinary share in the Company (Share), as announced by the Company on 17 June 2009. Mr McGregor's remuneration package, including the terms of the McGregor Options was approved by the Board on 16 June 2009 and the valuation of the McGregor Options was considered on 1 July 2009.

Mr McGregor is a related party of the Company under the *Corporations Act 2001* (Cth) (Corporations Act) and the ASX Listing Rules by virtue of his directorship in the Company.

Approval is being sought under Item 8 to approve the grant of the McGregor Options to Mr McGregor, as a reflection of Mr McGregor's contribution to the Company as Director since 14 April 2000, as Chair since 24 October 2007 and his continued commitment to the Company.

The above approvals are sought for the purposes of:

- Chapter 2E of the Corporations Act, which governs the giving of financial benefits to directors and other 'related parties' of a company; and
- Listing Rule 10.11 of the ASX Listing Rules which provides that, subject to certain exceptions, a company listed on ASX cannot issue or grant securities to a director without shareholder approval.

In determining the number of McGregor Options to be granted, consideration was given to the relevant experience and role of Mr McGregor and his overall remuneration terms.

Approval under Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A 'financial benefit' is defined in the Corporations Act in broad terms and includes a public company issuing securities.

Under the Corporations Act, a director (including a chair) of a company is a related party of that company. As Mr

McGregor is the Chair of the Company, the proposed grant of the McGregor Options to Mr McGregor involves the provision of a financial benefit to a related party of the Company.

Where no exception is applicable (as in the case in these circumstances), section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of the company, the public company must:

- obtain the approval of members in the way set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months after the approval is obtained.

Information for shareholders under the Corporations Act

For the purposes of section 217 to 227 of the Corporations Act, the following information is provided to allow shareholders to assess the proposed grant of McGregor Options.

Key terms of the McGregor Options are that:

- the options and valuation components were considered in June 2009;
- the McGregor Options will be granted to Mr Ian McGregor or his nominee;
- a maximum number of securities (being the nature of the financial benefit being given) of 1,000,000 McGregor Options;
- the McGregor Options will be granted for no consideration, accordingly no funds will be raised from the grant of the McGregor Options;
- the exercise price of the McGregor Options is \$0.20 per McGregor Option;
- the McGregor Options expire 1 July 2014;
- the McGregor Options vest immediately once granted;
- the terms and conditions of the McGregor Options are set out in Appendix 3 to this Explanatory Memorandum;
- the value of the McGregor Options and the pricing methodology is set out in the section titled Value of Options below; and
- the McGregor Options will likely to be granted within one month, and in any event within 15 months, from the date of the Annual General Meeting.

Mr McGregor's interest in the Company is:

- as at the date of this Notice of Annual General Meeting and Explanatory Memorandum, the estimated annual remuneration for the 2009-10 financial year (inclusive of superannuation where applicable) payable to Mr McGregor is \$84,000;
- during the 2008-09 financial year, the remuneration (inclusive of superannuation where applicable) paid to Mr McGregor was \$84,000;
- as at the date of this Notice of Annual General Meeting and Explanatory Memorandum, Mr McGregor has an interest in the securities of the Company consisting:
 - 1,072,499 ordinary share in the Company;
 - 183,291 options, each to acquire a fully paid ordinary share in the Company at \$0.60 on or before 30 September 2010;

- 200,000 options, each to acquire a fully paid ordinary share in the Company at \$0.70 on or before 30 September 2010; and
- 100 convertible notes in the Company, with a coupon of 8.0% per annum, face value of \$1,000, maturity of 16 September 2010 and able to be converted in ordinary shares at \$0.20;
- other than as set out above and in the proposed Item 8 of this Notice of Annual General Meeting and Explanatory Memorandum, Mr McGregor receives no other emoluments from the Company; and
- if the McGregor Options granted to Mr McGregor are exercised, a total of 1,000,000 fully paid ordinary shares in the Company (Shares) will be allotted and issued. Based on the issued share capital of the Company as at the date of this Notice of Annual General Meeting and Explanatory Memorandum, and assuming no other options are exercised and no further options are issued as per a pro rata adjustment at the time of exercise, the dilutionary impact of the issue of the McGregor Options would be:

Number of options to be issued	Issued shares upon exercise of options	Dilutionary effect if all McGregor Options are exercised
1,000,000	1,000,000	0.98%

The market price for Shares during the term of the McGregor Options would additionally determine whether or not they are exercised. If, at any time any of the McGregor Options are exercised and the shares are trading on ASX at a price that is higher than the exercise price of the McGregor Options, there may be a perceived cost to the Company. Information on the trading history of the shares on ASX in the past 12 months is set out in the section Additional Information contained in this Explanatory Memorandum.

Approval under the ASX Listing Rules

Listing Rule 10.11 of the ASX Listing Rules requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party. As noted above, Mr McGregor is considered a related party of the Company by virtue of the fact that he is the Chair and Director of the Company. Approval pursuant to Listing Rule 7.1 of the ASX Listing Rules is not required in order to grant the McGregor Options to Mr McGregor as approval is being obtained under ASX Listing Rule 10.11. If approval is obtained, the grant of the McGregor Options will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

Listing Rule 10.13 of the ASX Listing Rules sets out a number of matters which must be included in a notice of meeting for a proposed approval under Listing Rule 10.11. The following information is provided to shareholders for the purposes of Listing Rule 10.13:

- the maximum number of McGregor Options to be issued is 1,000,000;

- the McGregor Options will be issued no later than one month from the date of approval of Item 8 (or such later date as approved by ASX) and it is anticipated that the McGregor Options will be issued on one date;
- the full terms and conditions of the McGregor Options are set out in Appendix 3 to this Explanatory Memorandum;
- the shares issued upon exercise of the McGregor Options will rank equally in all respects with the existing Shares;
- the McGregor Options will be granted for no monetary consideration and as consideration for his commitment to the Company as Chair and Director, both previously and into the future; and
- funds raised from the exercise of the McGregor Options will be used by the Company for working capital purposes.

Value of Options

For the purposes of this Notice of Annual General Meeting and Explanatory Memorandum, the Board has prepared a valuation of the McGregor Options.

Based on the assumptions set out below, the Board has valued the McGregor Options in total at \$39,188 or 3.92 cents per McGregor Option as at 1 July 2009 (Initial Valuation), being around the time the Board considered Mr McGregor's remuneration package on 16 June 2009.

The valuation was derived using the Black Scholes option valuation methodology, based on the following assumptions:

- the valuation date for the McGregor Options is 1 July 2009, although the McGregor Options will not be granted until shareholders have approved the issue of the McGregor Options;
- the price of a fully paid Share as quoted on ASX is based on the Share price at 1 July 2009, was \$0.135;
- the exercise price of the McGregor Options is \$0.20;
- the McGregor Options expire at 5.00pm (EDST) on 1 July 2014;
- a risk free rate of 5.23%;
- an expected volatility rate of 38.5% has been applied;
- the McGregor Options will be issued at a price of \$0.00; and
- the Company will not be seeking listing of the McGregor Options and a discount factor of 0.00% has been applied as the options are in the money at the date of this Notice. No discount is applied in relation to the vesting conditions, noting that there are no vesting conditions.

The Board agreed at the time the McGregor Options were approved by the Company, that to save the expense of holding a further shareholders' meeting, the shareholder approval for the McGregor Options would be deferred until the Company's 2009 Annual General Meeting.

If the valuation of the McGregor Options was performed as at the date of this Notice of Annual General Meeting and Explanatory Memorandum, the valuation of the McGregor

Options would vary from the Initial Valuation, as the Company's share price has risen since 1 July 2009. As at 9 October 2009, the Company's share price as quoted on the ASX was \$0.36. Based on this share price, if all other assumptions applicable to the Initial Valuation as listed above were held constant, the McGregor Options would be valued in total at \$222,392 or \$0.222 cents per McGregor Option.

Directors' Recommendation

Based on the reasons set out above, the Directors (other than Mr Ian McGregor) recommend that shareholders vote in favour of Item 8 as they intend to do with regard to their own shareholdings in the Company. As Mr McGregor has an interest in the outcome of the proposed resolution, he has declined to provide a recommendation on Item 8. With the exception of Mr McGregor, no other Director has an interest in Item 8.

**Item 9
Approval to issue performance options to James Myatt under Employee Share Option Plan**

Background

The Company has been in negotiations with Mr Myatt regarding his options package and has agreed to, subject to shareholder approval, grant Mr James Myatt 2,000,000 options (Myatt Options), to each acquire a fully paid ordinary share in the Company (Share). The proposed Myatt Options will link to Mr Myatt's ongoing tenure with the Company and the achievement of further performance targets.

The Board considers it appropriate considering Mr Myatt's role as Managing Director and Chief Executive Officer of the Company, in particular the financial, legal and other responsibilities assumed by Mr Myatt, to issue the Myatt Options to Mr Myatt under the Company's Employee Share Option Plan (ESOP). The Myatt Options are subject to the rules of the ESOP Plan and have the following key characteristics:

- the Myatt Options will be granted to Mr James Myatt or his nominee;
- a maximum number of securities (being the nature of the financial benefit being given) of 2,000,000 Myatt Options, comprising 1,000,000 Type 1 Myatt Options and 1,000,000 Type 2 Myatt Options;
- the Myatt Options will be granted for no consideration, accordingly no funds will be raised from the grant of the Myatt Options;
- the exercise price of the Myatt Options is:

Class	Exercise Price
Type 1	\$0.40
Type 2	\$0.45

- the Myatt Options expire on 30 October 2014;
- the Myatt Options vest six months after the satisfaction of the relevant performance conditions detailed as follows:

Class	Vesting Date	Performance Conditions
Type 1	On achievement of performance conditions	<ul style="list-style-type: none"> • The Company achieving 150,000 billable customer accounts by 31 December 2010; and • Mr Myatt remaining employed by the Company for 12 months after the date the Myatt Options are issued.
Type 2	On achievement of performance conditions	<ul style="list-style-type: none"> • The Company achieving 150,000 billable customer accounts by 31 December 2010; and • Mr Myatt remaining employed by the Company for 24 months after the date the Myatt Options are issued.

If Mr Myatt's employment is terminated for non-performance, negligence or misconduct, the Myatt Options do not vest. If Mr Myatt's employment is terminated for other reasons, then the Myatt Options will vest on a pro rata basis;

- the terms and conditions of the Myatt Options are set out in Appendix 4 to this Explanatory Memorandum;
- the value of the Myatt Options and the pricing methodology is set out in section titled Value of Options following; and
- the Myatt Options will likely to be granted within one month, and in any event within 15 months, from the date of the Annual General Meeting.

Employee Share Option Plan

The details of the ESOP are set out in Item 6 of this Explanatory Memorandum. The ESOP allows for participation by Managing Directors of the Company in the ESOP.

Approvals for the issue of Myatt Options

Mr Myatt is a related party of the Company under the *Corporations Act 2001* (Cth) (Corporations Act) and the ASX Listing Rules by virtue of his role as Managing Director of the Company.

Approval is being sought under Item 9 to approve the grant of the Myatt Options under the ESOP to Mr Myatt.

- The approvals are sought for the purposes of:
- Chapter 2E of the Corporations Act, which governs the giving of financial benefits to directors and other 'related parties' of a company; and

- Listing Rule 10.14 of the ASX Listing Rules which provides that a company listed on ASX cannot issue or grant securities under an employee incentive scheme to a director without shareholder approval.

The Board considers that equity participation by way of the grant of Myatt Options under the ESOP to secure Mr Myatt's ongoing commitment to the Company is appropriate in these circumstances. In addition, the Board considers that the issuing of Myatt Options under the ESOP will contribute to the preservation of the Company's cash reserves.

In determining the number of Myatt Options to be granted under the ESOP, consideration was given to Mr Myatt's overall remuneration terms and the current market price of shares at the time the negotiations were being undertaken.

Approval under Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A 'financial benefit' is defined in the Corporations Act in broad terms and includes a public company issuing securities.

Under the Corporations Act, a director (including a managing director) of a company is a related party of that company. Mr Myatt is the Managing Director of the Company. Accordingly, the proposed grant of the Myatt Options under the ESOP to Mr Myatt involves the provision of a financial benefit to a related party of the Company.

Where no exception is applicable (as in the case in these circumstances), section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of the company, the public company must:

- obtain the approval of members in the way set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months after the approval is obtained.

Information for shareholders under the Corporations Act

For the purposes of section 217 to 227 of the Corporations Act, the following information is provided to allow shareholders to assess the proposed grant of Myatt Options under the ESOP.

Key terms of the Myatt Options are that:

- the Myatt Options will be granted to Mr James Myatt or his nominee;
- a maximum number of securities (being the nature of the financial benefit being given) of 2,000,000 Myatt Options, comprising 1,000,000 Type 1 Myatt Options and 1,000,000 Type 2 Myatt Options;
- the Myatt Options will be granted for no consideration, accordingly no funds will be raised from the grant of the Myatt Options;
- the exercise price of the Myatt Options is:

Class	Exercise Price
Type 1	\$0.40
Type 2	\$0.45

- the Myatt Options expire on 30 October 2014;
- the Myatt Options vest as outlined below after the satisfaction of the relevant performance conditions detailed below:

Class	Vesting Date	Performance Conditions
Type 1	On achievement of performance conditions	<ul style="list-style-type: none"> • The Company achieving 150,000 billable customer accounts by 31 December 2010; and • Mr Myatt remaining employed by the Company for 12 months after the date the Myatt Options are issued.
Type 2	On achievement of performance conditions	<ul style="list-style-type: none"> • The Company achieving 150,000 billable customer accounts by 31 December 2010; and • Mr Myatt remaining employed by the Company for 24 months after the date the Myatt Options are issued.

If Mr Myatt's employment is terminated for non-performance, negligence or misconduct, the Myatt Options do not vest. If Mr Myatt's employment is terminated for other reasons, then the Myatt Options will vest on a pro rata basis;

- the terms and conditions of the Myatt Options are set out in Appendix 4 to this Explanatory Memorandum;
- the value of the Myatt Options and the pricing methodology is set out in section titled Value of Options below; and
- the Myatt Options will likely to be granted within one month, and in any event within 15 months, from the date of the Annual General Meeting.

Mr Myatt's interests in the Company are:

- as at the date of this Notice of Annual General Meeting and Explanatory Memorandum, the estimated annual remuneration for the 2009-10 financial year (inclusive of superannuation where applicable) payable to Mr Myatt is \$450,000 (TFR), with a short term incentive structure of up to 20% of the TFR based on achievement of company KPIs;
- during the 2008-09 financial year, the remuneration (inclusive of superannuation where applicable) paid to Mr Myatt was \$384,965. In addition Mr Myatt received, non cash, share based payments of \$218,674;

- as at the date of this Notice of Annual General Meeting and Explanatory Memorandum, Mr Myatt has an interest in the securities of the Company consisting :
 - 918,026 Shares; and
 - three tranches of options totalling 3,428,572 with terms and conditions outlined below.

Tranche 1

Exercise Price	Expiry Date	Performance Conditions 1,2,3,4,5	Options issued No.
\$0.84	30 Sept 10	Second 25,000 customer accounts	428,571
\$0.98	30 Sept 11	Next 50,000 customer accounts	571,429
\$1.12	30 Sept 11	100,000 customer accounts	285,714
			1,285,715

1. Customers are defined as those that have been through one billing cycle.
2. Options vest 6 months after performance conditions satisfied.
3. Performance conditions must be satisfied by the earlier of three years from grant date or the expiry date of 1 December 2006.
4. Number of options will be adjusted pro rata if the number of ordinary shares on issue exceeds 100,285,714 on a fully diluted basis.
5. Options do not vest if employment is terminated during probation period. If employment is terminated for non-performance, negligence or misconduct options do not vest. If employment terminated for other reasons, then options will vest on a pro rata basis.

Tranche 2

Number of Initial Options	Date Initial Options to be issued to the employee	First date upon which Initial Options may be exercised	Last date upon which Initial Options may be exercised	Exercise price for each Initial Option
500,000	On commencement of appointment to the Board of Directors of the Company	Upon issue	30 Oct 12	\$0.50
500,000	On commencement of appointment to the Board of Directors of the Company	Upon agreeing terms for Queensland power supply as agreed by the Board	30 Oct 12	\$0.60
500,000	On commencement of appointment to the Board of Directors of the Company	Meeting Board agreed KPIs by 31 Dec 2008 including customer acquisition targets, complying with financing facility covenants and operational targets	30 Oct 13	\$0.70
500,000	On commencement of appointment to the Board of Directors of the Company	Meeting Board agreed KPIs by 31 Dec 2009 including customer acquisition targets, complying with financing facility covenants and operational targets	30 Oct 13	\$0.80

Tranche 3

Exercise Price	Expiry Date	Performance Conditions	Notes	Options issued
\$0.35	1 Oct 13	Vest 1 Mar 09	1	142,857

- other than as set out on page 14 and in the proposed Item 10 of this Notice of Annual General Meeting and Explanatory Memorandum, Mr Myatt receives no other emoluments from the Company;
- if the Myatt Options granted to Mr Myatt under this Item 9 are exercised, a total of 2,000,000 fully paid ordinary shares in the Company (Shares) will be allotted and issued. Based on the issued share capital of the Company as at the date of this Notice of Annual General Meeting and Explanatory Memorandum, and assuming no other options are exercised, the dilutionary impact of the issue of the Myatt Options would be:
- the Myatt Options will be granted for no monetary consideration and as consideration for performance of work, both previously and into the future by Mr Myatt for the Company and to secure the ongoing commitment of Mr Myatt to the Company;
- funds raised from the exercise of the Myatt Options will be used by the Company for working capital purposes. No funds will be raised if the Myatt Options were exercised on a cashless basis under the terms of the Myatt Options;
- there have been no other issues of securities under the ESOP to a Director or an associate of a Director of the Company, other than:
 - the proposed issue of Myatt Options under this Item 9; and
 - 142,857 options issued to Mr Myatt under the ESOP as previously approved by shareholders on 21 November 2009, with an exercise price of \$0.35, expiring on 1 October 2013 and issued for nil consideration;
- as at the date of this Notice of Annual General Meeting and Explanatory Memorandum, Mr Myatt is the only eligible Director (or an associate of a Director) of the Company to participate in the ESOP;
- the full terms and conditions of the Myatt Options are set out in Appendix 4 to this Explanatory Memorandum and are subject to the rules of the ESOP;
- the Myatt Option holder may elect, in accordance with the terms of the Myatt Options, to not pay the exercise price in connection with the Myatt Options being exercised in which case the number of Shares issued on the exercise of a Myatt Option will be reduced using the following formula:

Number of Myatt Options to be issued	Issued Shares upon exercise of Myatt Options	Dilutionary effect if all Myatt Options are exercised
2,000,000	2,000,000	1.94%

The market price for Shares during the term of the Myatt Options would additionally determine whether or not they are exercised. If, at any time any of the Myatt Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Myatt Options, there may be a perceived cost to the Company. Information on the trading history of the Shares on ASX in the past 12 months is set out in the section Additional Information contained in this Explanatory Memorandum.

Approval under the ASX Listing Rules

Listing Rule 10.14 of the ASX Listing Rules requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) under an employee incentive scheme to a related party. As noted above, Mr Myatt is considered a related party of the Company by virtue of the fact that he is the Managing Director of the Company. The ESOP is considered an employee incentive scheme.

Approval pursuant to Listing Rule 7.1 or Listing Rule 10.11 of the ASX Listing Rules is not required in order to grant the Myatt Options under the ESOP to Mr Myatt as approval is being obtained under ASX Listing Rule 10.14. Further, if approval is obtained, the grant of the Myatt Options under the ESOP will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

Listing Rule 10.15 of the ASX Listing Rules sets out a number of matters which must be included in a notice of meeting for a proposed approval under Listing Rule 10.14. The following information is provided to shareholders for the purposes of Listing Rule 10.15:

- Mr Myatt is the Managing Director of the Company;
- the maximum number of Myatt Options under the ESOP to be issued is 2,000,000. The Myatt Options will be issued no later than twelve months from the date of approval of the resolution (or such later date as approved by ASX) and it is anticipated that the Myatt Options will be issued on one date;

$$AS = OS - (AEP/SP)$$

Where:

AS is the adjusted number of Shares issued on the exercise of the Myatt Options,
 OS is the number of Shares that would have been issued if the exercise price was paid,
 AEP is the aggregate exercise price of the Myatt Options being exercised,
 SP is the 10 day historical volume weighted average price of Shares quoted on the ASX from one business day before the Myatt Options were exercised.

A cashless exercise of a Myatt Option will reduce the number of Shares issued to the Myatt Option holder and will not result in the payment of cash to the Myatt Option holder by the Company. For example: If 1000 Type 1 Myatt Options (as defined in Appendix 4) were exercised, on a cashless basis, the number of Shares which would be issued on the exercise of the 1000 Type 1 Myatt Options would be calculated in accordance with the following:

$$AS = OS - (AEP/SP)$$

Where:

$$OS = 1000$$

$$AEP = 1000 \times \$0.40$$

$$SP \text{ is assumed to be } \$0.45$$

$$AS = 1000 - (400/0.45)$$

$$AS = 111;$$

- the Shares issued upon exercise of the Myatt Options will rank equally in all respects with the existing shares; and
- the Company has not agreed to grant any loan to Mr Myatt in relation to the issue of the Myatt Options.

Value of Options

For the purposes of this Notice of Annual General Meeting and Explanatory Memorandum, the Board has prepared a valuation of the Myatt Options.

Based on the assumptions set out below, the Board has valued the Myatt Options in total at \$75,557 or \$0.046 per Type 1 Myatt Option and \$0.029 cents per Type 2 Myatt Option.

The valuation has been derived using the Black Scholes option valuation methodology, based on the following assumptions:

- the valuation date for the Myatt Options is 12 October 2009, although the Myatt Options will not be granted until shareholders have approved the grant of the Myatt Options;
- the price of a fully paid share as quoted on ASX is based on the share price at 9 October 2009, being \$0.36;
- the exercise price of the Myatt Options is:

Class	Exercise Price
Type 1	\$0.40
Type 2	\$0.45

- the Myatt Options expire at 5.00pm (EDST) on 30 October 2014;

- a risk free rate of 5.23%;
- an expected volatility rate of 38.5% has been applied;
- the Myatt Options will be issued at a price of \$0.00;
- the Company will not be seeking listing of the Myatt Options and a discount factor of 35% has been applied; and
- a discount of 30% for Type 1 and 40% for Type 2 has been applied for the possibility that the Myatt Options may not fully vest.

Directors' Recommendation

Based on the reasons set out above, the Directors (other than Mr James Myatt) recommend that shareholders vote in favour of Item 9 as they intend to do with regard to their own shareholdings in the Company. As Mr Myatt has an interest in the outcome of the proposed resolution, he has declined to provide a recommendation on Item 9. With the exception of Mr Myatt, no other Director has an interest in Item 9.

Item 10

Approval of contingent loan arrangements for James Myatt under the terms of his employment contract.

As part of the appointment of James Myatt as Managing Director and Chief Executive Officer of the Company, Mr Myatt was granted 2,000,000 options (Initial Options), to each acquire a fully paid ordinary share in the Company. The Initial Options were approved by shareholders at the General Meeting of the Company held on 31 July 2008. A summary of the Initial Options are detailed below.

Number of Initial Options	Date Initial Options to be issued to the employee	First date upon which Initial Options may be exercised	Last date upon which Initial Options may be exercised	Exercise price for each Initial Option
500,000	On commencement of appointment to the Board of Directors of the Company	Upon issue	30 Oct 12	\$0.50
500,000	On commencement of appointment to the Board of Directors of the Company	Upon agreeing terms for Queensland power supply as agreed by the Board	30 Oct 12	\$0.60
500,000	On commencement of appointment to the Board of Directors of the Company	Meeting Board agreed KPIs by 31 Dec 2008 including customer acquisition targets, complying with financing facility covenants and operational targets	30 Oct 13	\$0.70
500,000	On commencement of appointment to the Board of Directors of the Company	Meeting Board agreed KPIs by 31 Dec 2009 including customer acquisition targets, complying with financing facility covenants and operational targets	30 Oct 13	\$0.80

As part of Mr Myatt's appointment as Managing Director as announced on 25 January 2008, the Company also agreed, subject to shareholder approval, to provide a loan to Mr Myatt to enable him to exercise the Initial Options at the appropriate time (Myatt Loan).

Approval is being sought under Item 10 to approve the Myatt Loan, to comply with the terms of Mr Myatt's employment agreement.

The above approvals are sought for the purposes of:

- section 260 of the *Corporations Act 2001* (Corporations Act), which governs a company providing financial assistance to a person to acquire shares in a company;
- Chapter 2E of the Corporations Act, which governs the giving of financial benefits to directors and other 'related parties' of a company; and

The Board considers that in view of the financial, legal and other responsibilities assumed by the Managing Directors of public companies, the payment of monetary fees alone is not an adequate reward and does not provide an adequate incentive to enable the Company to attract and keep Executive Directors of the requisite level of experience and qualifications. The Board considers that the provision of the options assists to motivate the performance of Mr Myatt and the Myatt Loan is being put in place in the event it is necessary to assist Mr Myatt to exercise the Initial Options thereby giving certainty to the benefit and value to the motivational tool. The Myatt Loan is only available to Mr Myatt for the exercise of the Initial Options. If the Initial Options expire unexercised, or if the Myatt Loan is not required by Mr Myatt on the exercise of the Initial Options, the Company will have no further obligations to provide the Myatt Loan to Mr Myatt.

In originally determining the amount of the Initial Options to be granted and in reviewing the amount of the Myatt Loan to be granted, consideration was given to the relevant experience and role of Mr Myatt, his overall remuneration terms, the current market price of Shares and the terms of options packages granted to managing directors of other companies within the listed company and energy sector.

Approval under sections 260A and 260B of the Corporations Act

Section 260A of the Corporations Act provides that a company may financially assist a person to acquire shares in the company only if giving the assistance does not materially prejudice the interests of the company or its shareholders or the company's ability to pay its creditors; or the assistance is approved by shareholders; or a number of additional exceptions which are not relevant.

Where no exception is applicable (as in the case of these circumstances), section 260B of the Corporations Act provides that a company may financially assist a person to acquire shares in the company if shareholders by special resolution at a general meeting approve the financial assistance.

Approval under Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A 'financial benefit' is defined in the Corporations Act in broad terms and includes a public company issuing loans.

Under the Corporations Act, a director (including a managing director) of a company is a related party of that company. Mr Myatt is the Managing Director of the Company. Accordingly, the proposed grant of the Myatt Loan to Mr Myatt involves the provision of a financial benefit to a related party of the Company.

Where no exception is applicable (as in the case in these circumstances), section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of the company, the public company must:

- obtain the approval of members in the way set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months after the approval is obtained.

Information for shareholders under the Corporations Act

For the purposes of section 217 to 227 and section 260B of the Corporations Act, the following information is provided to allow shareholders to assess the Myatt Loan.

Key terms of the Myatt Loan are that:

- the Myatt Loan will be granted to Mr James Myatt;
- a maximum amount being loaned under the Myatt Loan (being the nature of the financial benefit being given) is \$1,300,000. This amount is the aggregate exercise price payable of all of the Initial Options which are exercisable in four tranches at \$0.50, \$0.60, \$0.70 and \$0.80. The loan can be made in stages upon exercise of each or any of the Initial Options (Advance);
- each Advance under the Myatt Loan will be interest free for six months, with the interest rate thereafter being BBSY + 2%, with interest accruing day to day. In the event that the loan is subject to fringe benefits tax or any other tax, Mr Myatt's remuneration under his employment contract shall be reduced accordingly to take into account the amount of tax payable;
- Mr Myatt must give seven days written notice to the Company that he wishes to enter into an Advance under the Myatt Loan for an amount equal to the aggregate exercise price of the Myatt Options being exercised by Mr Myatt;
- each Advance (plus any accrued interest) must be repaid by Mr Myatt on the earlier of two years from the date of the respective Advance and the date that Mr Myatt's employment with the Company ceases;
- Mr Myatt is responsible for all stamp and other duties, imposts, taxes and levies arising directly or indirectly in relation to the Myatt Loan and each Advance;

- My Myatt undertakes that he will not dispose, sell, redeem, transfer or otherwise deal in the shares issued to him upon exercise of the Initial Options under the Myatt Loan until the Myatt Loan has been repaid in full. In the event Mr Myatt defaults in any payment obligation under the terms of the Myatt Loan, the Company may demand in its absolute discretion and at any time irrespective of delay, and Mr Myatt must immediately pay to the Company, the amount of each Advance together with interest accrued to the date of payment; and
- the Myatt Loan may be issued in Advances in accordance with the exercise of the Initial Options. In the event that the Myatt Loan is not issued within 15 months of the approval of Item 10, the Company will be required to seek further shareholder approval to issue the balance of the Myatt Loan after the expiry of the 15 month period.

Mr Myatt's interest in the Company are detailed under the paragraph 'Mr Myatt's interest in the Company are' in Item 9 of this Explanatory Memorandum.

Directors' Recommendation

Based on the reasons set out above, the Directors (other than Mr James Myatt) recommend that shareholders vote in favour of Item 10 as they intend to do with regard to their own shareholdings in the Company. As Mr Myatt has an interest in the outcome of the proposed resolution, he has declined to provide a recommendation on Item 10. With the exception of Mr Myatt, no other Director has an interest in Item 10.

ADDITIONAL INFORMATION

Historical trading price of shares

In the last 12 months before the date of this Notice of Annual General Meeting and Explanatory Memorandum the highest, lowest and latest trading price of shares on ASX were:

Highest	\$0.38	on 22 Sep 09
Lowest	\$0.12	on 10 Dec 08, 25 Feb 09, 2 Mar 09, 6 Mar 09, 10-20 Mar 09, 20-22 May 09
Last	\$0.35	on 14 Oct 09

APPENDIX 1

Terms and Conditions of Fortress Options

Each Fortress Option will entitle the holder to subscribe for one fully paid ordinary share in the Company (Share) on the following terms:

- the Fortress Options may be exercisable at any time prior to 5.00pm (EDST) on 31 October 2012 (Expiry Date). Fortress Options not exercised on or before the Expiry Date will automatically lapse;
- the exercise price of each Fortress Option is \$0.15. The Fortress Option holder may elect to not pay the exercise price in connection with the Fortress Options being exercised in which case the number of Shares issued on the exercise of a Fortress Option will be reduced by the following formula:

$$AS = OS - AEP/SP$$

Where:

AS is the adjusted number of Shares issued on the exercise of the Fortress Options,

OS is the number of Shares that would have been issued if the exercise price was paid,

AEP is the aggregate exercise price of the Fortress Options being exercised,

SP is the 10 day historical volume weighted average price of Shares quoted on the ASX from one business day before the Fortress Options were exercised;

- the Fortress Options may be exercised wholly or in part by completing an application form for Shares (Notice of Exercise) delivered to the Company's share registry and received by it at any time prior to the Expiry Date;
- upon the exercise of a Fortress Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking equally with the then issued Shares. The Fortress Options will not be listed on ASX;
- a summary of the terms and conditions of the Fortress Options, including the Notice of Exercise, will be sent to all holders of Fortress Options when the initial holding statement is sent;
- there will be no participating entitlement inherent in the Fortress Options to participate in the new issues of capital which may be offered to shareholders during the currency of the Fortress. Prior to any new pro rata issue of securities to shareholders, holders of Fortress Options will be notified by the Company in accordance with the requirements of the ASX Listing Rules;
- in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Fortress Options, the exercise price of the Fortress Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2 of the ASX Listing Rules;
- in the event the Company proceeds with a bonus issue of securities to the holder of Shares after the date of issue of the Fortress Options, the number of Shares over which a Fortress Option is exercisable will be increased by the number of Shares which the holder of the Fortress Option would if the holder had exercised the Fortress Option

before the bonus issue, in accordance with Listing Rule 6.22.3 of the ASX Listing Rules;

- in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, all rights of a holder of a Fortress Option is to be changed in a manner consistent with the ASX Listing Rules; and
- Shares issued pursuant to the exercise of a Fortress Option will be issued no more than five business days after the date of the Notice of Exercise.

APPENDIX 2

Terms and Conditions of Franks Options

Each Long Term Incentive Option will entitle the holder to subscribe for one fully paid ordinary share in the Company (Share) on the following terms:

- the Franks Options may be exercisable at any time prior to 5.00pm (EDST) on 31 March 2014 (Expiry Date). Franks Options not exercised on or before the Expiry Date will automatically lapse;
- the exercise price of each Franks Option is \$0.35;
- the Franks Options may be exercised wholly or in part by completing an application form for Shares (Notice of Exercise) delivered to the Company's share registry and received by it at any time prior to the Expiry Date;
- upon the exercise of a Franks Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking equally with the then issued Shares. The Franks Options will not be listed on ASX;
- a summary of the terms and conditions of the Franks Options, including the Notice of Exercise, will be sent to all holders of Franks Options when the initial holding statement is sent;
- there will be no participating entitlement inherent in the Franks Options to participate in the new issues of capital which may be offered to shareholders during the currency of the Franks Options. Prior to any new pro rata issue of securities to shareholders, holders of Franks Options will be notified by the Company in accordance with the requirements of the ASX Listing Rules;
- in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Franks Options, the exercise price of the Franks Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2 of the ASX Listing Rules;
- in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, all rights of a holder of a Franks Option is to be changed in a manner consistent with the ASX Listing Rules; and
- Shares issued pursuant to the exercise of a Franks Option will be issued no more than 14 days after the date of the Notice of Exercise.

APPENDIX 3

Terms and Conditions of Fortress Options

Each McGregor Option will entitle the holder to subscribe for one fully paid ordinary share in the Company (Share) on the following terms:

- the McGregor Options may be exercisable at any time prior to 5.00pm (EDST) on 30 November 2014 (Expiry Date). McGregor Options not exercised on or before the Expiry Date will automatically lapse;
- the exercise price of each McGregor Option is \$0.20;
- the McGregor Options may be exercised wholly or in part by completing an application form for Shares (Notice of Exercise) delivered to the Company's share registry and received by it at any time prior to the Expiry Date;
- upon the exercise of a McGregor Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking equally with the then issued Shares. The McGregor Options will not be listed on ASX;
- a summary of the terms and conditions of the McGregor Options, including the Notice of Exercise, will be sent to all holders of McGregor Options when the initial holding statement is sent;
- there will be no participating entitlement inherent in the McGregor Options to participate in the new issues of capital which may be offered to shareholders during the currency of the McGregor Options. Prior to any new pro rata issue of securities to shareholders, holders of McGregor Options will be notified by the Company in accordance with the requirements of the ASX Listing Rules;
- in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the McGregor Options, the exercise price of the McGregor Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2 of the ASX Listing Rules;
- in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, all rights of a holder of a McGregor Option is to be changed in a manner consistent with the ASX Listing Rules; and
- Shares issued pursuant to the exercise of a McGregor Option will be issued no more than 14 days after the date of the Notice of Exercise.

APPENDIX 4

Terms and Conditions of Myatt Options

Each Myatt Option will entitle the holder to subscribe for one fully paid ordinary share in the Company (Share) on the following terms:

- the Myatt Options vest in accordance with the achievement of the following performance conditions:

Class	Vesting Date	Performance Conditions
Type 1	On achievement of performance conditions	APK achieving 150,000 billable customer accounts by 31 Dec 2010. Remaining employed by APK for 12 months after option issue
Type 2	On achievement of performance conditions	APK achieving 150,000 billable customer accounts by 31 Dec 2010. Remaining employed by APK for 24 months after option issue.

If employment is terminated for non-performance, negligence or misconduct options do not vest. If employment terminated for other reasons, then options will vest on a pro rata basis;

- the Myatt Options, once vested, may be exercisable at any time prior to 5.00pm (EDST) five years from the date of issue (Expiry Date). Myatt Options not exercised on or before the Expiry Date will automatically lapse;
- the exercise price of each Myatt Option is:

Class	Exercise Price
Type 1	\$0.40
Type 2	\$0.45

Where, at the time the Myatt Option is exercised, the exercise price of the Myatt Option is less than the 10 day historical volume weighted average price of APK, the Myatt Option holder may elect to not pay the exercise price in connection with the Myatt Options being exercised in which case the number of Shares issued on the exercise of a Myatt Option will be reduced by the following formula: