

# NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM

Australian Power and Gas Company Limited  
ACN 077 206 583

For a general meeting of shareholders to be held at 9.30am on Thursday 31  
July 2008 at Level 33, Colonial Building, 52 Martin Place, Sydney NSW 2000



Australian Power & Gas<sup>TM</sup>

Dear Shareholder

### Notice of General Meeting

I am writing to invite you, as a shareholder of Australian Power and Gas Company Limited (**Company**), to attend a general meeting on Thursday 31 July 2008.

The general meeting will be held at the offices of Arthur Phillip Pty Ltd, Level 33, Colonial Building, 52 Martin Place, Sydney NSW 2000 and will begin at 9.30am.

The purpose of the general meeting is to seek your approval for:

- the ratification of the previous issue of shares and the refresh of the approval to issue shares to YA Global Investments, L.P. (**Yorkville**), formerly Cornell Capital Partners, L.P., a US based investment fund under the Standby Equity Facility Agreement entered into between the Company and Yorkville;
- the ratification of the previous issue of shares to Sophisticated Investors;
- the establishment of a Convertible Note Facility to issue convertible notes (**Convertible Notes**) with an initial placement of Convertible Notes to raise \$1.75m, to be underwritten by Arthur Phillip Pty Ltd (**Arthur Phillip**) and the ability to complete a placement of a further \$1.75m in Convertible Notes if determined by Directors, of which, at the date of this Notice of Meeting, the Directors have determined that a further \$1m in Convertible Notes be placed by Arthur Phillip.
- the approval for various related parties to participate in the issue including, The Cobra Group Pty Ltd, and Mr Richard Poole, or any of their related parties (including Arthur Phillip in its capacity as underwriter);
- the issue of options to Mr James Myatt, Managing Director and Chief Executive Officer of the Company.

Attached to this letter is a Notice of General Meeting and an Explanatory Memorandum setting out details on each of the resolutions to be proposed at the general meeting.

If you are unable to attend the general meeting, I encourage you to vote using the enclosed proxy form. If you are able to attend, please bring a copy of your proxy form with you to facilitate your entitlement to vote.

Should you have any questions, please contact the Company on (02) 8908 2700 or David Franks, Company Secretary, on (02) 9419 2966.

Thank you for your continued investment and support.

Yours sincerely



**Ian McGregor**  
**Chairman**

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# SECTION 1: NOTICE OF GENERAL MEETING

Notice is given that a general meeting of shareholders of Australian Power and Gas Company Limited ACN 077 206 583 (Company) will be held at 9.30am on Thursday 31 July 2008 at the offices of Arthur Phillip Pty Ltd, Level 33, Colonial Building, 52 Martin Place, Sydney NSW 2000.

This notice is issued by the Company.

## AGENDA

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### Securities under Standby Equity Facility Agreement

#### 1 Ratification of the previous issue of shares under Standby Equity Facility Agreement

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 the following fully paid ordinary shares in the Company (**Shares**) to YA Global Investments, L.P. (**Yorkville**) under the terms of the Standby Equity Facility Agreement between the Company and Yorkville dated 15 May 2007 (**SBEF**) details of which are set out in the Explanatory Memorandum accompanying the Notice of General Meeting convening this meeting, be ratified and approved:*

- (a) 258,026 Shares at an issue price of \$0.290668 per Share in connection with the drawdown of A\$75,000 under the SBEF, issued on 3 December 2007;
- (b) 425,170 Shares at an issue price of \$0.176400 per Share in connection with the drawdown of A\$75,000 under the SBEF, issued on 19 February 2008;
- (c) 425,170 Shares at an issue price of \$0.176400 per Share in connection with the drawdown of A\$75,000 under the SBEF, issued on 25 March 2008;
- (d) 577,590 Shares at an issue price of \$0.129850 per Share in connection with the drawdown of A\$75,000 under the SBEF, issued on 2 May 2008; and
- (e) 801,787 Shares at an issue price of \$0.187082 per Share in connection with the drawdown of A\$150,000 under the SBEF, issued on 10 June 2008.”

#### 2 Refresh of the approval to issue shares under Standby Equity Facility Agreement

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 7.1 of the Listing Rules of ASX Limited, the Company be authorised to issue up to a maximum of 3,500,000 fully paid ordinary shares in the Company (**Shares**) to YA Global Investments, L.P. (**Yorkville**) in accordance with the terms of the Standby Equity Facility Agreement between the Company and Yorkville dated 15 May 2007, details of which are set out in the Explanatory Memorandum accompanying the Notice of General Meeting convening this meeting.”*

### **Voting Exclusion Statement (Resolutions 1 and 2)**

The Company will disregard any vote cast on Resolutions 1 and 2 by YA Global Investments, L.P. and its associates. 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.

## Securities to Sophisticated Investors

### **3 Ratification of the previous issue of securities to Sophisticated Investors**

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 the following securities under the terms set out in the Explanatory Memorandum accompanying the Notice of General Meeting convening this meeting, be ratified and approved:*

- (a) 4,000,000 fully paid ordinary shares in the Company (**Shares**) at an issue price of \$0.35 per Share in connection with the placement to Sophisticated Investor clients of DFS Equities (**DFS Placement**), issued on 13 November 2007; and
- (b) 2,000,000 one for two free attaching options, each to acquire a Share, in connection with the DFS Placement to Sophisticated Investors, issued 13 November 2007.”

### **Voting Exclusion Statement (Resolution 3)**

The Company will disregard any votes cast on Resolution 3 by any person, or associate of any person, who will participate in the issue of the Shares. 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.

## Convertible Note Facility

### **4 Approval to issue convertible notes to Sophisticated Investors**

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 7.1 of the Listing Rules of ASX Limited, the issue of up to 3,500 convertible notes with a face value of \$1,000 to various Sophisticated Investors under the Convertible Note Facility on the terms set out in the Explanatory Memorandum accompanying the Notice of General Meeting convening this meeting, be authorised and approved.”*

### **Voting Exclusion Statement (Resolution 4)**

The Company will disregard any votes cast on Resolution 4 by any person, or associate of any person, who will participate in the issue of the convertible notes. 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.

## **5 Approval for Cobra Group or its related parties to participate in the issue of convertible notes set out in Resolution 4**

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

*“Subject to the approval of Resolution 4 of this Notice of General Meeting convening this meeting, that for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and Listing Rule 7.1 of the Listing Rules of ASX Limited, Cobra Group Pty Ltd or its related parties are authorised and approved to participate in and be issued up to 100% of the proposed issue of up to 3,500 convertible notes with a face value of \$1,000 under the Convertible Note Facility on the terms set out in the Explanatory Memorandum accompanying the Notice of General Meeting convening this meeting.”*

### **Voting Exclusion Statement (Resolution 5)**

The Company will disregard any votes cast on Resolution 5 by The Cobra Group Pty Ltd and any of its associates. 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.

## **6 Approval for Mr Richard Poole or his related parties to participate in the issue of convertible notes set out in Resolution 4**

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

*“Subject to the approval of Resolution 4 of this Notice of General Meeting convening this meeting, that for the purposes of section 208 of Corporations Act 2001 (Cth) (**Corporations Act**) and Listing Rule 10.11 of the Listing Rules of ASX Limited, Richard Poole or his related parties (including Arthur Phillip Pty Ltd) are authorised and approved to participate in and be issued up to 100% of the proposed issue of up to 3,500 convertible notes with a face value of \$1,000 under the Convertible Note Facility, provided that at all times the relevant interest of Richard Poole does not contravene the prohibitions contained in section 606 of the Corporations Act, and on the terms set out in the Explanatory Memorandum accompanying the Notice of General Meeting convening this meeting.*

### **Voting Exclusion Statement (Resolution 6)**

The Company will disregard any votes cast on Resolution 6 by Mr Richard Poole and any of his associates. 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.

## Options to Managing Director

### 7 Approval to issue options to Mr James Myatt

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, approval is given for the Directors to allot and issue 2,000,000 options each to acquire a fully paid ordinary share in the Company to Mr James Myatt (or his nominee) and otherwise on the terms described in the Explanatory Memorandum accompanying the Notice of General Meeting convening this meeting.”*

#### **Voting Exclusion Statement (Resolution 7)**

The Company will disregard any vote cast on Resolution 7 by Mr James Myatt and his associates. 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.

## EXPLANATORY MEMORANDUM

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

## PROXY

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### Appointment of Proxy

A shareholder entitled to attend and vote at the meeting may appoint a person as the shareholder's proxy to attend and vote for the shareholder at the meeting. 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 General Meeting. A proxy form and the authority (if any) under which it is signed or a certified copy of that authority must be deposited or faxed to the Company not less than 48 hours before the time for commencement of the general meeting.

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: 02 9419 2944  
Email: dfranks@fa.com.au

Proxy forms must be received by the Company no later than 9.30am Sydney time on Tuesday 29 July 2008.

Appointing a proxy will not stop you attending the meeting in person and voting at the meeting 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 Chairman 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 Chairman is proxy)

If the Chairman 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.

By order of the Board



**David Franks**  
**Company Secretary**  
13 July 2008

# SECTION 2: 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 General Meeting of the Company to be held at 9.30am on Thursday 31 July 2008 at Level 33, Colonial Building, 52 Martin Place, Sydney NSW 2000.

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

The Schedule at the end of this Explanatory Memorandum sets out a list of defined terms used in this Explanatory Memorandum.

## Standby Equity Facility Agreement

### **Resolutions 1 & 2      Ratification of the previous issue of shares and refresh of approval to issue shares under Standby Equity Facility Agreement with Yorkville**

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#### Background

On 15 May 2007, the Company entered into a Standby Equity Facility Agreement (**SBEF**) with YA Global Investments, L.P. (**Yorkville**), formerly Cornell Capital Partners, L.P., a US based investment fund, under which Yorkville has committed to lend the Company up to a total aggregate of A\$10,000,000.

The Company is seeking shareholder approval:

- (a) pursuant to Resolution 1, under Listing Rule 7.4 of the ASX Listing Rules for the ratification of the previous issue on 3 December 2007, 19 February 2008, 25 March 2008, 2 May 2008 and 10 June 2008 of a total of 2,487,743 fully paid ordinary shares in the Company (**Shares**) to Yorkville under the terms of the SBEF; and
- (b) pursuant to Resolution 2, under Listing Rule 7.1 of the ASX Listing Rules for the issue of Shares to Yorkville under the terms of the SBEF in the three month period from the date of this Notice of Meeting and Explanatory Memorandum.

#### Key terms of the Standby Equity Facility Agreement

##### *Advance of funds under the SBEF*

In consideration for the advance of funds to the Company, Yorkville agrees to subscribe for, and the Company agrees to issue Shares up to, the aggregate value of A\$10,000,000 over a period of 36 months from 15 May 2007. The amount and timing of any drawdown under the SBEF is at the discretion of the Company, subject to a maximum amount that may be advanced to the Company at any one time (**drawdown**) being the lesser of:

- (a) \$250,000;
- (b) 175% of the average daily "Traded Value" of the Shares on ASX for the 20 trading days immediately prior to the date of issue by the Company of a notice requesting funds (**Advance Notice**); and

- (c) 175% of the average daily “Traded Value” of the Shares on ASX for the 10 trading day period prior to the date of the issue by the Company of an Advance Notice.

The “Traded Value” of Shares is the amount obtained by multiplying the volume weighted average price of the Shares (**VWAP**) for that trading day by the number of Shares in the Company traded during the same trading day, as reported by Bloomberg LP.

*Pricing of the issue of Shares under the SBEF*

Each time the Company requests an advance of funds from Yorkville, the Company will be required to nominate a trading day on which the pricing of the Shares to be issued to Yorkville in consideration of the advance will commence. The pricing period will comprise the 10 consecutive trading days commencing on the day nominated by the Company (**Pricing Period**). The final price at which the Shares will be issued is 98% of the lowest daily VWAP (as adjusted to take into account any ex-dividend date that may fall within the Pricing Period) during the Pricing Period. If on any trading day on which the adjusted VWAP of Shares in the Company is less than 50% of the VWAP of Shares on the date of execution of the SBEF, that price will not be included for the purposes of calculating the final issue price. Yorkville may reduce the amount of the advance to the Company by up to 10% for each trading day that this occurs.

Once the issue price of the Shares has been calculated, the number of Shares issued at that price that equals the relevant amount of the advance will be issued to Yorkville. The number of Shares to be issued may be calculated in accordance with the following formula:

$$NS = \frac{\textit{Drawdown Amount}}{98\% \times TP}$$

Where:

*NS* is the number of Shares to be issued to Yorkville under the SBEF;

*Drawdown Amount* is the dollar amount which is to be drawn down under the SBEF; and

*TP* is the average share trading price of the 10 trading day period of the Pricing Period.

**Example**

Assuming the Company decided to draw down \$200,000 and had an average share trading price of \$0.22 over the 10 trading day period prior to 24 June 2008, the following number of Shares would need to be issued:

$$NS = \frac{200,000}{98\% \times 0.22}$$

$$NS = \frac{200,000}{0.2156}$$

$$NS = 927,644 \text{ Shares}$$

### *Issue of Shares under the SBEF*

The Company must issue the Shares to Yorkville and ensure that those Shares are admitted to quotation on the ASX before it can issue a further advance notice to Yorkville.

Any Shares issued by the Company in accordance with the SBEF must be issued subject to the Constitution of the Company, credited as fully paid up, rank equally with all other Shares then on issue, be entitled to all future dividends and be immediately tradeable on the ASX following quotation.

Yorkville undertakes that it will not offer any Shares issued to it under the SBEF for sale other than on-market through the ASX and without disclosure, other than in compliance with the Corporations Act.

The Company is not required to use the facility under the SBEF – its use is at the discretion of the Company.

The Company must pay Yorkville commission of 4% of the advance amount on each drawdown under the facility.

### *Termination of the SBEF*

The SBEF may be terminated in a number of ways, including:

- (a) at the expiry of the 36 month term, being 15 May 2010;
- (b) by mutual agreement of the parties;
- (c) by the Company notifying Yorkville that it wishes to terminate the agreement; and
- (d) by Yorkville if an event of default occurs.

An event of default includes:

- (a) the failure of the Company to perform its obligations under the SBEF or its failure to perform the steps to be followed to complete an issue of Shares as described under the SBEF;
- (b) the ASX suspending the Shares from quotation for more than 5 days, terminating the quotation of Shares or removing the Company from the ASX;
- (c) any warranty being found to be materially inaccurate when made or where the Company fails to notify Yorkville that a warranty is not accurate;
- (d) any misrepresentation made by the Company under the SBEF;
- (e) an event which in the reasonable opinion of Yorkville materially affects the Company's ability to observe its liabilities under the SBEF or the Company's business assets, value, operations, prospects, or financial or other condition in excess of \$100,000; and
- (f) if a liquidator or receiver is appointed over, or possession is taken by any secured party of, any assets of a member of the Company's corporate group.

Termination will release the parties from any further performance under the agreement, subject to certain accrued rights and liabilities.

## Resolution 1

### 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 previously made the following issues of Shares to Yorkville, or its nominee, under the terms of the SBEF:

- (a) on 3 December 2007, 258,026 Shares were issued at an issue price of \$0.290668 per Share in consideration for the drawdown of A\$75,000 under the SBEF;
- (b) on 19 February 2008, 425,170 Shares were issued at an issue price of \$0.176400 per Share in consideration for the drawdown of A\$75,000 under the SBEF;
- (c) on 25 March 2008, 425,170 Shares were issued at an issue price of \$0.176400 per Share in consideration for the drawdown of A\$75,000 under the SBEF;
- (d) on 2 May 2008, 577,590 Shares were issued at an issue price of \$0.129850 per Share in consideration for the drawdown of A\$75,000 under the SBEF; and
- (e) on 10 June 2008, 801,787 Shares were issued at an issue price of \$0.187082 per Share in consideration for the drawdown of A\$150,000 under the SBEF.

Approval is being sought under Resolution 1 for the purposes of Listing Rule 7.4 to ratify the previous issue of Shares to Yorkville on 3 December 2007, 19 February 2008, 25 March 2008, 2 May 2008 and 10 June 2008.

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

- (a) the total number of Shares that were issued was 2,487,743;
- (b) 577,590 of the Shares were issued at \$0.129850 per Share, 850,340 of the Shares were issued at \$0.176400 per Share, 258,026 of the Shares were issued at \$0.290668 per Share and 801,787 Shares were issued at \$0.187082 per Share;
- (c) the Shares were issued fully paid, ranked equally with all existing Shares and were issued in accordance with the Constitution of the Company;
- (d) the Shares were allotted to Yorkville's nominee, ANZ Nominees Limited <Cash Income A/C>. None of the allottees are related parties or associates of the Company; and
- (e) the funds raised from the issue of Shares were or will be used for working capital purposes and to continue the Company's current growth strategy.

The approval of shareholders of Resolution 1 will provide the Company with flexibility in considering any necessary further fundraising and will enable the Company to raise further funds (including under the SBEF, if necessary) at any time during the next 12 months by issuing up to the full 15% of its issued share capital, in addition to any Shares issued and approved under Resolutions 2, 3, 4, 5, 6 and 7 set out in this Notice of Meeting and Explanatory Memorandum. Any Shares issued in accordance with Resolution 1 will not be counted towards the calculation of the 15% limit.

## Resolution 2

### 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.

Approval is being sought under Resolution 2 for the purposes of Listing Rule 7.1 to issue Shares to Yorkville under the terms of the SBEF in the three month period from the date of this Notice of Meeting and Explanatory Memorandum.

The following information is provided to shareholders for the purposes of the requirements of Listing Rule 7.3:

- (a) the maximum number of Shares that the Company will issue under the approval in Resolution 2 is 3,500,000 Shares. The Company has adopted this maximum number to satisfy the requirements of Listing Rule 7.3.1. The actual number of Shares to be issued will depend on the level to which the Company needs to call on the funds available under the SBEF, as well as the price at which the Shares will be issued in accordance with the procedure set out in the SBEF. The Company currently estimates that it is likely that it will issue the maximum number of Shares in the 3 months period of the date of this Notice of Meeting.

By way of example, the following table sets out the maximum number of shares that would be issued to Yorkville based on different aggregate average share price over the Pricing Period and the total aggregate amount advanced under all drawdown notices issued during the period:

Aggregate amount advanced	Aggregate average share price			
	\$0.15	\$0.25	\$0.35	\$0.45
\$350,000	2,380,952	1,428,571	1,020,408	793,651
\$450,000	3,061,224	1,836,735	1,311,953	1,020,408
\$500,000	3,401,361	2,040,816	1,457,726	1,133,787

- (b) the Company will not issue any Shares for the purposes of the approval obtained under Resolution 2 after the date that is 3 months from the date of this Notice of Meeting;
- (c) it is intended that the allotment of Shares will occur on a progressive basis;
- (d) the Shares will be issued at a price that is calculated in accordance with the terms of the SBEF. If the price is less than 80% of the average market price over the last 5 trading days

before the date on which the issue is made, the Shares issued will be counted towards any calculation of the 15% limit for the purposes of Listing Rule 7.1;

- (e) the Shares will be allotted to YA Global Investments, L.P. or their appointed nominee;
- (f) the Shares will be issued fully paid, will rank equally with all existing Shares and will be issued in accordance with the Constitution of the Company; and
- (g) the funds raised from the issue of any Shares will be used for working capital purposes and to contribute the Company's current growth strategy.

The approval of shareholders to the issue of any Shares under the SBEF in the 3 month period from the date of this Notice of Meeting will provide the Company with flexibility in considering any necessary further fundraising and will enable the Company to raise further funds (including under the SBEF, if necessary) at any time during the next 12 months by issuing up to the full 15% of its issued share capital, in addition to any Shares issued and approved under Resolutions 1, 3, 4, 5, 6 and 7 set out in this Notice of Meeting and Explanatory Memorandum. Any Shares issued in accordance with Resolution 2 will not be counted towards the calculation of the 15% limit, unless the any issue price of the Shares is less than 80% of the average market price over the last 5 trading days before the date on which the issue is made (as described above).

Directors' recommendation on Resolutions 1 and 2

The Directors recommend that shareholders vote in favour of Resolutions 1 and 2 as they intend to do with regard to their own shareholdings in the Company.

## Securities to Sophisticated Investors

### **Resolution 3                      Ratification of the previous issue of securities to Sophisticated Investors**

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#### Background

Pursuant to Resolution 3, the Company is seeking shareholder approval under Listing Rule 7.4 of the ASX Listing Rules to ratify the previous issue to Sophisticated Investors who were clients of DFS Equities, on 13 November 2007 of a total of 4,000,000 fully paid ordinary shares in the Company (**Shares**) and 2,000,000 options to each to acquire a Share (**Placement Options**). These Shares were issued as part of a capital raising program for \$0.35 per Share, with a free Placement Option for each two Placement Shares issued, exercisable at \$0.60 on or before 30 September 2010. The capital raising program raised a total of \$1,400,000.

Arthur Phillip Pty Ltd (**Arthur Phillip**) assisted in discussions with DFS Equities. Mr Richard Poole, a Director of the Company, is also a Director and principal of Arthur Phillip. Arthur Phillip has been retained by the Company for a period of 24 months from 4 October 2006, to assist with the development of the business, corporate advisory, equity and debt funding, and structuring. This engagement is on normal commercial terms.

## 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 previously made the following issues of securities for which it is seeking approval under Resolution 3 for the purposes of Listing Rule 7.4:

- (a) on 13 November 2007, 4,000,000 Placement Shares were issued at an issue price of \$0.35 per Share in connection with the placement to Sophisticated Investor clients of DFS Equities (**DFS Placement**); and
- (b) on 13 November 2007, 2,000,000 one for two free attaching Placement Options were issued in connection with the DFS Placement to Sophisticated Investors.

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

- (a) the total number of securities issued were 4,000,000 Shares and 2,000,000 Placement Options;
- (b) 4,000,000 Shares were issued at \$0.35 per Share and the Placement Options were issued free on the basis of one Placement Option for two Shares issued under the DFS Placement;
- (c) the Shares were issued fully paid, ranked equally with all existing Shares and were issued in accordance with the Constitution of the Company;
- (d) the Placement Options were a new class of unlisted options and their terms and conditions are attached to this Explanatory Memorandum as Annexure 1;
- (e) 4,000,000 Shares and all Placement Options were allotted to Sophisticated Investors who were clients of DFS Equities. None of the allottees are related parties or associates of the Company; and
- (f) the funds raised from the issue of Shares and Placement Options were used for working capital purposes to continue the Company's current growth strategy.

The approval of shareholders of Resolution 3 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 Shares issued and approved under Resolutions 1, 2, 4, 5, 6 and 7 set out in this Notice of Meeting and Explanatory Memorandum. Any Shares issued in accordance with Resolution 3 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 Poole) recommend that shareholders vote in favour of Resolution 3 as they intend to do with regard to their own shareholdings in the Company. As Mr Poole has assisted with the discussions with DFS Equities, Mr Poole has declined to provide a recommendation on Resolution 3.

## Convertible Note Facility

### **Resolutions 4, 5, & 6 Approval to issue convertible notes under Convertible Note Facility**

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#### Background

The Company is seeking shareholder approval under the ASX Listing Rules and the *Corporations Act 2001* (Cth) (**Corporations Act**) for the proposed issue of at least 1,750, up to a total of 3,500, convertible notes (**Convertible Notes**) with a face value of \$1,000 to Sophisticated Investors under a Convertible Note Facility. The Convertible Note Facility will raise at least \$1,750,000, up to a total of \$3,500,000, comprising:

- (a) the first \$1,750,000 to be raised (**Initial Amount**) as underwritten by Arthur Phillip Pty Ltd (**Arthur Phillip**) under the terms of an underwriting agreement detailed below;
- (b) \$1,000,000 in addition to the Initial Amount (**Additional Amount**), that the Company, at the date of this Notice of Meeting and Explanatory Memorandum, has requested Arthur Phillip raise using its best endeavours; and
- (c) in the event that the Company so requests, up to \$750,000 in addition to Initial Amount and the Additional Amount (**Balance**), to be raised by Arthur Phillip using its best endeavours.

The Company is seeking approval under Resolution 4 for the proposed issue of Convertible Notes under the Convertible Note Facility to Sophisticated Investors.

The Company is also seeking approval for the following Sophisticated Investors to participate in and be issued up to 100% of the proposed issue of 3,500 Convertible Notes under the Convertible Note Facility:

- (a) The Cobra Group Pty Ltd (**Cobra Group**) or its related party under Resolution 5
- (b) Mr Richard Poole, or his related parties (including Arthur Phillip Pty Ltd) under Resolution 6

Mr Michael Hogg, a Director of the Company, is also Global Chief Executive Officer and a Director of Cobra Group.

Mr Richard Poole, a Director of the Company, is a Director and principal of Arthur Phillip Pty Ltd (**Arthur Phillip**), who have been retained by the Company, on commercial terms, for a period of 24 months from 4 October 2006, to assist with the development of the business, corporate advisory, equity and debt funding, and structuring.

The approval under Resolution 6 includes the issue of Convertible Notes to Arthur Phillip under an underwriting agreement with the Company on terms which are considered usual in an agreement of this nature (**Underwriting Agreement**).

## Underwriting Agreement

Under the terms of the Underwriting Agreement, the Convertible Note Facility is underwritten up to the Initial Amount by Arthur Phillip. Arthur Phillip has agreed to underwrite and arrange the placement of the Convertible Notes proposed to be issued under the Convertible Note Facility up to the Initial Amount to be raised under the Convertible Note Facility at a price of \$1,000 per Convertible Note (**Underwritten Amount**). Arthur Phillip has also agreed to use its best endeavours to place the Additional Amount under the Convertible Note Facility by 31 October 2008. Further, the Company may at its discretion, request Arthur Phillip to place all or part of the Balance by 31 October 2008.

The Company has been advised that Cobra Group may enter into arrangements with Arthur Phillip to sub-underwrite the Convertible Note Facility. In the event that this occurs, Resolution 5 will also include the approval to issue Convertible Notes to Cobra Group, up to the extent of Cobra Group's sub-underwritten commitment (which will be no more than the Underwritten Amount), to Cobra Group or its nominee.

## Terms and Conditions of Convertible Notes

The key terms of the Convertible Notes are set out below:

<b>Issuer</b>	Australian Power and Gas Company Limited ABN 96 077 206 583
<b>Security</b>	Convertible Notes
<b>Trustee</b>	Nil
<b>Issue size</b>	Up to 3,500 Convertible Notes to raise \$3,500,000 before costs. \$1,750,000 is expected to be raised before 4 August 2008 and is underwritten to \$1,750,000. The Company has requested Arthur Phillip to raise an additional amount of \$1,000,000 and may request Arthur Phillip raise a further amount of \$750,000, both of which will be expected to occur no later than 31 October 2008.
<b>Issue Date</b>	Subject to Shareholder approval, the Company intends to issue the Convertible Notes no later than 31 October 2008. This issue date may vary, but will be no later than 3 months from the date of the General Meeting, except for the Convertible Notes issued to Mr Richard Poole or his related party, which will be issued no later than 1 month from the date of the General Meeting.
<b>Issue Price</b>	\$1,000 per Convertible Note.
<b>Interest Rate</b>	The interest rate on the Convertible Note is fixed at 8% per annum. Interest accrues on the Convertible Notes from the Issue Date.
<b>Interest Payment Period</b>	Each 12 month period commencing from the Issue Date or each anniversary of the Issue Date thereafter, provided that if a period would otherwise end after the Maturity Date, it will be reduced to end on the Maturity Date.
<b>Interest Payment Dates</b>	Interest is paid in arrears on the last day of Business Day of each Interest Payment Period.
<b>Record Date</b>	The record date in relation to an interest period means 5.00pm Sydney time on the date that is 5 Business Days before the Interest Payment Date for an interest period.
<b>Maturity Date</b>	The maturity date for the Convertible Notes is 24 months from the date of issue of the Convertible Notes. The Company must redeem the Convertible Notes at the Redemption Price, or convert the Convertible Notes to Shares, (and pay all other outstanding amounts) on the Maturity Date unless the Convertible Notes are converted or redeemed earlier, provided that the Company provides prior notice to the Noteholder of redemption or conversion by the Company, to allow the Noteholder to elect to convert Convertible Notes prior to, or on, the Maturity Date.
<b>Early redemption by Issuer</b>	The Company may not redeem the Convertible Notes before the Maturity Date, other than in accordance with a Noteholder exercising its right to convert.

<b>Redemption Price</b>	Redemption is at \$1,000 per Convertible Note with interest accrued (but not paid) to the date of redemption.
<b>Conversion by Noteholders</b>	Some or all of the outstanding Convertible Notes may be converted in to fully paid ordinary shares of the Company at the election of Noteholders in the manner or at the time set out below.
<b>How to elect to convert</b>	A Noteholder may convert Convertible Notes in whole or in part at any time after the Issue Date up to and including the Maturity Date.
<b>Conversion Ratio</b>	Each Convertible Note is convertible into 5,000 fully paid ordinary shares in the Company, subject to certain adjustments in the event of bonus issues or a reconstruction of the Company's issued capital.
<b>Conversion Dates</b>	At any time after the issue of the Convertible Notes, up to the Maturity Date.
<b>Listing</b>	The Convertible Notes will not be listed on ASX.
<b>Classification</b>	Convertible Notes are convertible notes for the purposes of Chapter 2L of the Corporations Act.
<b>Underwriting</b>	The Convertible Note Facility is underwritten by Arthur Phillip Pty Ltd ( <b>Arthur Phillip</b> ) to the first \$1.75 million to be raised under the Convertible Note Facility. Arthur Phillip has also agreed, on the Company's request, to use its best endeavours to place Convertible Notes in excess of this amount up to an additional amount of \$1.75 million, of which, at the date of this Notice of Meeting and Explanatory Memorandum, the Company has requested Arthur Phillip to place \$1 million.
<b>Secured Obligations</b>	The Convertible Notes will be secured and subordinated to the rights of first ranking creditors of the Company.
<b>Participation</b>	Prior to conversion, Noteholders do not have a right to participate in issues of securities effected by the Company.
<b>Voting Rights</b>	Noteholders have no right to vote at any general meeting of the Company except as required by law.

## Resolution 4

### Approval of issue of convertible notes to Sophisticated Investors

The Company is seeking approval under Resolution 4 for the proposed issue of up to 3,500 Convertible Notes under the Convertible Note Facility to various Sophisticated Investors, comprising:

- (a) 1,750 Convertible Notes to be placed and underwritten by Arthur Phillip as part of the raising of the Initial Amount;
- (b) 1,000 Convertible Notes which the Company has, at the date of this Notice of Meeting and Explanatory Memorandum, requested Arthur Phillip place using its best endeavours, to raise the Additional Amount; and
- (c) if the Company further requests, up to 750 Convertible Notes to be placed by Arthur Phillip using its best endeavours, to raise up to the Balance.

Listing Rule 7.1 of the ASX Listing Rules restricts the number of equity securities (including convertible 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.

Approval is being sought under Resolution 4 for the purposes of Listing Rule 7.1 for the proposed issue of up to 3,500 Convertible Notes to various Sophisticated Investors.

The following information is provided to shareholders for the purposes of requirements of Listing Rule 7.3 of the ASX Listing Rules:

- the maximum number of Convertible Notes proposed to be issued is 3,500;
- the Company will not issue any Convertible Notes for the purposes of the approval obtained under Resolution 4 after the date that is 3 months from the date of the General Meeting;
- the Convertible Notes will be issued at a face value of \$1,000 per Convertible Note and should all proposed Convertible Notes be issued a total of \$3,500,000 will be raised;
- the Convertible Notes will have a maturity date of 24 months from the date of issue of the Convertible Note;
- the Convertible Notes will each be convertible to 5,000 fully paid ordinary shares in the Company (**Shares**) (being at an issue price of \$0.20) and the Shares will be issued fully paid, will rank equally with all existing Shares and will be issued in accordance with the Constitution of the Company;
- the Convertible Notes will be issued to various Sophisticated Investors. In the event that the Sophisticated Investors are related parties or associates of the Company, the Convertible Notes to be issued to such related parties or associates of the Company will be determined under Resolutions 5 and 6 set out in this Notice of Meeting and Explanatory Memorandum;
- it is intended that the issue of Convertible Notes will occur on a progressive basis; and
- the funds raised from the issue of Convertible Notes will be used for working capital purposes and to continue the Company's current growth strategy.

The approval of shareholders of Resolution 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 securities issued and approved under Resolutions 1, 2, 3, 5, 6 and 7 set out in this Notice of Meeting and Explanatory Memorandum. Any Convertible Notes issued in accordance with Resolution 4, and Shares issued on conversion of the Convertible Notes, 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 Richard Poole or Mr Michael Hogg) recommend that shareholders vote in favour of Resolution 4 as they intend to do with regard to their own shareholdings in the Company. Mr Poole and Mr Hogg have declined to make a recommendation on Resolution 4 as they may participate in the issue or have other interests in Resolution 4 as set out in this Notice of Meeting and Explanatory Memorandum.

## Resolution 5

Approval for Cobra Group to participate in the issue of convertible notes set out in Resolution 4

Subject to the approval of Resolution 4, the Company is seeking approval under Resolution 5 for Cobra Group or its related party to participate in and be issued up to 100% of the proposed issue of the Convertible Notes under the Convertible Note Facility, including through sub-underwriting arrangements with Arthur Phillip Pty Ltd (in its capacity as underwriter of the Convertible Note Facility).

### Approval under the Corporations Act

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% to below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting Shares in the Company in which the person and the person's associates have a relevant interest.

A person (**second person**) will be an "associate" of a person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
  - i. a body corporate that the first person controls;
  - ii. a body corporate that controls the first person; or
  - iii. a body corporate that is controlled by an entity that controls the person;
- (b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

As at the date of this Notice of Meeting and Explanatory Memorandum, Cobra Group holds a 37.98% voting power in the Company. This interest comprises of shares held directly by Cobra Group.

The proposed participation in and issue of up to 3,500 Convertible Notes of the proposed issue of Convertible Notes under the Convertible Note Facility to Cobra Group or its related party under Resolution 5 will, if converted into fully paid ordinary shares in the Company, increase Cobra Group's voting power in the Company.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in a company's voting shares with shareholder approval. Shareholder approval under item 7 of section 611 of the Corporations Act is therefore required for Resolution 5.

For the exemption of item 7 of Section 611 of the Corporations Act to apply, shareholders must be given all information known to the person proposing to make the acquisition or their associates, or known to the Company, that was material to the decision on how to vote on the resolution. In ASIC Regulatory Guide 74, the ASIC has indicated what additional information should be provided to shareholders in these circumstances. This information is set out in below.

#### Approval under the ASX Listing Rules

Listing Rule 7.1 of the ASX Listing Rules restricts the number of equity securities (including convertible 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.

Approval is being sought under Resolution 5 for the purposes of Listing Rule 7.1 to issue up to 3,500 Convertible Notes of the proposed issue of Convertible Notes under the Convertible Note Facility to Cobra Group or its related party.

#### Information for shareholders under the Corporations Act and the ASX Listing Rules

The following information is provided to shareholders for the purposes of requirements under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for item 7 of section 611 of the Corporations Act and Listing Rule 7.3 of the ASX Listing Rules:

- (a) the maximum number of Convertible Notes proposed to be issued is 3,500;
- (b) the Company will not issue any Convertible Notes for the purposes of the approval obtained under Resolution 5 after the date that is 3 months from the date of the General Meeting;
- (c) the Convertible Notes will be issued at a face value of \$1,000 per Convertible Note and should all proposed Convertible Notes be issued a total of \$3,500,000 will be raised;
- (d) the Convertible Notes will have a maturity date of 24 months from the date of issue of the Convertible Note;

- (e) each Convertible Note is convertible to 5,000 fully paid ordinary shares in the Company (**Shares**) (being at an issue price of \$0.20) and the Shares will be issued fully paid, will rank equally with all existing Shares and will be issued in accordance with the Constitution of the Company;
- (f) the Convertible Notes will be issued to Cobra Group or its related party. Cobra Group is not a related party of the Company;
- (g) as at the date of this Notice of Meeting and Explanatory Memorandum, Cobra Group has a relevant interest of 38,117,435 Shares representing a maximum voting power of 37.98%;
- (h) if the maximum number of Convertible Notes approved under Resolution 5 are issued to Cobra Group, and are converted into Shares, Cobra Group's relevant interest will increase to 55,617,435 Shares representing a maximum voting power of 50.97%. This increase assumes that the capital structure of the Company remains the same except for the Convertible Notes issued to Cobra Group under Resolution 5 and no options are exercised or other convertible notes converted;
- (i) it is intended that the issue of Convertible Shares to Cobra Group will occur on a progressive basis; and
- (j) the funds raised from the issue of Convertible Notes approved under Resolution 5 will be used to repay a \$250,000 loan made by Cobra Group to the Company in May 2008, on terms the Company considers to be arms length. Any remaining funds will be used for working capital purposes and to continue the Company's current growth strategy.

The Company has been advised by the Cobra Group, that the Cobra Group:

- (a) has no intention to change the business of the Company;
- (b) has previously assisted the Company in its financing needs through the provision of loans on an arm's length basis and the participation in capital raising programs and may do so in the future on a case by case basis subject to appropriate approval by the Company's shareholders if necessary;
- (c) intends to retain the employ of the present employees of the Company;
- (d) has no intention to transfer any property between the Company and Cobra Group or any person associated with Cobra Group; and
- (e) has no intention to redeploy the fixed assets of the Company.

The approval of shareholders of Resolution 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 Shares issued and approved under Resolutions 1, 2, 3, 4, 6, and 7 set out in this Notice of Meeting and Explanatory Memorandum. Any Convertible Notes issued in accordance with Resolution 5, and Shares issued on the conversion of the Convertible Notes, 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 Hogg) recommend that shareholders vote in favour of Resolution 5 as they intend to do with regard to their own shareholdings in the Company. As Mr Hogg is the Global Chief Executive Officer and Director of the Cobra Group, Mr Hogg has declined to provide a recommendation on Resolution 5.

## Resolution 6

Approval for Mr Richard Poole or his related parties to participate in the issue of convertible notes set out in Resolution 4

Subject to the approval of Resolution 4, the Company is seeking approval under Resolution 6 for Mr Richard Poole or his related parties (including Arthur Phillip Pty Ltd (**Arthur Phillip**)) as underwriter of the first \$1.75 million to be raised under the Convertible Note Facility) to participate in and be issued up to 100% of the proposed issue of the Convertible Notes under the Convertible Note Facility, provided that at all times, the relevant interest of Mr Poole does not contravene the prohibitions contained in section 606 of the *Corporations Act 2001* (Cth) (**Corporations Act**).

## 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 of a company is a related party of that company. Mr Richard Poole is a Director of the Company and by virtue of this is a related party of the Company. Under the Corporations Act, a company that is controlled by a Director is a related party of that company. Mr Poole controls Arthur Phillip in his capacity as a Director and principal of Arthur Phillip.

The proposed issue of Convertible Notes under Resolution 6 to Mr Poole or a related party of Mr Poole 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:

- (a) obtain the approval of members in the way set out in sections 217 to 227 of the Corporations Act; and
- (b) 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 (current as at the date of this Notice of Meeting and Explanatory Memorandum) is provided to allow Shareholders to assess the proposed issue of the Shares under Resolution 6:

- (a) the party to whom the Convertible Notes will be granted is Mr Richard Poole or a related party of Mr Poole (including Arthur Phillip Pty Ltd);
- (b) the maximum number of proposed Convertible Notes (being the nature of the financial benefit being given) to be granted is 3,500;
- (c) the Convertible Notes will be issued at a face value of \$1,000 per Convertible Note and should all proposed Convertible Notes be issued a total of \$3,500,000 will be raised;
- (d) the Convertible Notes will have a maturity date of 24 months from the date of issue of the Convertible Notes;
- (e) the Convertible Notes will each be convertible to 5,000 fully paid ordinary shares in the Company (**Shares**) (being at an issue price of \$0.20) and the Shares will be issued fully paid, will rank equally with all existing Shares and will be issued in accordance with the Constitution of the Company;
- (f) it is intended that the issue of Convertible Notes will occur on a progressive basis;
- (g) if the maximum number of proposed Convertible Notes approved under Resolution 6 are issued to Mr Poole or related party (including Arthur Phillip Pty Ltd), and are converted into Shares, there would be a dilutionary effect on the current issued share capital, assuming no other Shares are issued, options issued or exercised, or other convertible notes converted, of 8.00%. This calculation has been based on all current Shares on issue, including any Shares owned by Mr Poole or his related parties (including Arthur Phillip Pty Ltd);
- (h) as at the date of this Notice of Meeting and Explanatory Memorandum, Mr Poole and his related parties, including Arthur Phillip, have an interest in the securities of the Company comprising:

<b>Shares</b>	8,030,129
<b>Options<sup>1</sup></b>	1,758,005
<b>Class A Vendor Options<sup>2</sup></b>	3,571,429
<b>Class B Vendor Options<sup>3</sup></b>	1,785,714

1 Options are exercisable at 60 cents on or before 30 September 2010

2 50% of the Options are only exercisable after the Vendor (or nominee) first secures for the Company 25,000 new Customer Contracts, with the balance of 50% of the Options exercisable after the Vendor (or nominee) secures for the Company an additional 25,000 Customer Contracts (so that a total of 50,000 Customer Contracts have been secured). The Class A Vendor Options are exercisable at \$0.21 (post consolidation) and on or before 30 September 2011.

3 Class B Vendor Options are only exercisable if the Vendor (or nominee) has secured a total of 100,000 Customer Contracts for the Company. Class B Vendor Options are exercisable at \$0.35 (post consolidation) on or before 30 September 2011

## 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 Poole and his related parties are considered related parties of the Company.

Approval pursuant to Listing Rule 7.1 of the ASX Listing Rules is not required in order to grant the Convertible Notes, and Shares upon conversion, contemplated in Resolution 6, as approval is being obtained under ASX Listing Rule 10.11. If approval is obtained, the grant of the Shares under Resolution 6 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 set 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:

- (a) the party to whom the proposed Convertible Notes will be issued is Mr Richard Poole or a related party of Mr Poole (including Arthur Phillip Pty Ltd);
- (b) the maximum number of proposed Convertible Notes (being the nature of the financial benefit being given) to be granted is 3,500;
- (c) the Convertible Notes will be issued at a face value of \$1,000 per Convertible Note and should all proposed Convertible Notes be issued a total of \$3,500,000 will be raised;
- (d) the Company will not issue any Convertible Notes for the purposes of the approval obtained under Resolution 6 after the date that is 1 month from the date of the General Meeting;
- (e) the Convertible Notes will have a maturity date of 24 months from the date of issue of the Convertible Notes;
- (f) the Convertible Notes will each be convertible to 5,000 fully paid ordinary shares in the Company (**Shares**) (being at an issue price of \$0.20);
- (g) the Shares issued on conversion of the Convertible Notes, will be fully paid, rank equally with all existing Shares and will be issued in accordance with the Constitution of the Company;
- (h) it is intended that the issue of Convertible Notes will occur on a progressive basis;
- (i) the Convertible Notes will be issued to Mr Poole, or his related party (including Arthur Phillip Pty Ltd) in its capacity as underwriter of the first \$1.75 million to be raised under Convertible Note Facility. The funds raised the issue of Convertible Notes approved under Resolution 6 will be used to repay loans made by Arthur Phillip Pty to the Company in 2008 on terms the Company considers to be arm's length. Any remaining funds will be used for working capital purposes and to continue the Company's current growth strategy.

The approval of shareholders of Resolution 6 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 securities issued and approved under Resolutions 1, 2, 3, 4, 5 and 7 set out in this Notice of Meeting and Explanatory Memorandum. Any Convertible Notes issued in accordance with Resolution 6, and Shares issued on the conversion of the Convertible Notes, 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 Poole) recommend that shareholders vote in favour of Resolution 6 as they intend to do with regard to their own shareholdings in the Company. As Mr Poole has an interest in the outcome of the proposed resolutions, Mr Poole has declined to provide a recommendation on Resolution 6.

## Options to Managing Director

### Resolution 7 Issue to issue options to Mr James Myatt

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#### Background

As part of the appointment of Mr James Myatt as Managing Director and Chief Executive Officer of the Company, the Company agreed to, subject to shareholder approval, grant Mr Myatt 2,000,000 options (**Myatt Options**) each to acquire a fully paid ordinary share in the Company (**Share**) on the following terms:

Myatt Options	Number of Myatt Options	Date Myatt Options to be issued	First Date upon which Myatt Options may be exercised	Last Date upon which Myatt Options may be exercised	Exercise Price for each Myatt Option
A	500,000	On commencement of appointment to the board of Directors of the Company	Upon issue	30 October 2012	\$0.50
B	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 October 2012	\$0.60
C	500,000	On commencement of appointment to the board of Directors of the Company	Meeting board agreed KPIs by 31 December 08 including customer acquisition targets, complying with financing facility covenants and operational targets	30 October 2013	\$0.70
D	500,000	On commencement of appointment to the board of Directors of the Company	Meeting board agreed KPIs by 31 December 09 including customer acquisition targets, complying with financing facility covenants and operational targets	30 October 2013	\$0.80

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 Directorship in the Company.

Approval is being sought under Resolution 7 to approve the grant of the Myatt Options to Mr Myatt, to secure Mr Myatt's ongoing commitment to the growth of 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.

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 equity participation by way of the grant of options to the Managing Director is appropriate for these purposes. In addition, the Board considers that the issuing of options will contribute to the preservation of the Company's cash reserves.

In determining the number of Myatt Options 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 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 of a company is a related party of that company. Mr Myatt is a Director of the Company. Accordingly, the proposed grant of the Myatt Options 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 proposed grant of Myatt Options:

### *Key terms of the Myatt Options*

- 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;
- the Myatt Options will be granted for no consideration, accordingly no funds will be raised from the grant of the Myatt Options;
- the terms and conditions of the Myatt Options are set out in Appendix 2 to this Explanatory Memorandum;
- the value of the Myatt Options and the pricing methodology is set out in paragraph (h) below; and
- the Myatt Options will likely to be granted within 1 month, and in any event within 15 months, from the date of the General Meeting.

### *Mr Myatt's interest in the Company*

- as at the date of this Notice of Meeting, the estimated annual remuneration for the 2007/08 financial year (inclusive of superannuation where applicable) payable to Mr Myatt is \$463,124. In addition, Mr Myatt received share based payments of \$249,274;
- during the 2006/07 financial year, the remuneration (inclusive of superannuation where applicable) paid to Mr Myatt was \$397,500. In addition Mr Myatt received, non cash, share based payments of \$126,311;
- as at the date of this Notice of Meeting and Explanatory Memorandum, Mr Myatt has an interest in the securities of the Company consisting 1,857,143 options, each to acquire a Share and subject to performance conditions;
- other than as set out above and in the proposed Resolution 7 set out in this Notice of Meeting and Explanatory Memorandum, Mr Myatt receives no other emoluments from the Company;
- if the Myatt Options granted to Mr Myatt 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 Meeting and Explanatory Memorandum, the dilutionary impact of the issue of the Myatt Options would be:

Number of Options to be issued	Issued Shares upon exercise of Options	Dilutionary effect if all Myatt Options are exercised
2,000,000	2,000,000	1.95%

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 10.11 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 Myatt is considered a related party of the Company by virtue of the fact that he is a Director of the Company.

Approval pursuant to Listing Rule 7.1 of the ASX Listing Rules is not required in order to grant the Myatt Options to Mr Myatt as approval is being obtained under ASX Listing Rule 10.11. If approval is obtained, the grant of the Myatt 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 Myatt Options to be issued is 2,000,000;
- the Myatt Options will be issued no later than one (1) month 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;
- the full terms and conditions of the Myatt Options are set out in Appendix 2 to this Explanatory Memorandum;
- the Shares issued upon exercise of the Myatt Options will rank equally in all respects with the existing Shares; and
- the Myatt Options will be granted for no monetary consideration and as consideration for performance of work, both previously and into the future by My Myatt for the Company and to secure the ongoing commitment of My Myatt to the continued growth of the Company.

## Value of Options

For the purposes of this Notice of Meeting and Explanatory Memorandum, the Board appointed Stantons International Securities Pty Ltd to prepare a valuation of the Myatt Options.

Based on the assumptions set out below, Stantons International Securities Pty Ltd has valued the Myatt Options in total at \$204,750 or the following per Myatt Options:

- 10.17 cents per \$0.50 Myatt Option;
- 9.79 cents per \$0.60 Myatt Option;
- 10.59 cents per \$0.70 Myatt Option; and
- 10.40 cents per \$0.80 Myatt Option.

The independent valuation, prepared by Stantons International Securities Pty Ltd, has been derived using the Black Scholes option valuation methodology, based on the following assumptions:

- the valuation date for the Myatt Options is 12 June 2008, 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 1.15pm on 12 June 2008, being \$0.185;
- the exercise price of the Myatt Options is outlined in the table in the Background section above;
- the Myatt Options expire at 5.00pm (EST) on 30 October 2012 for the \$0.50 and \$0.60 Myatt Option, with 1,564 days to expiry and expire at 5.00pm (EST) on 30 October 2013 for the \$0.70 and \$0.80 Myatt Option, with 1,929 days to expiry;
- a risk free rate of 6.75%;
- a volatility rate of 125% has been applied;
- the Myatt Options will be issued at a price of \$0.00; and
- the Company will not be seeking listing of the Myatt Options and a discount factor of 25% has been applied. No discount is applied in relation to the vesting conditions.

#### Directors' Recommendation

Based on the reasons set out above, the Directors (other than Mr Myatt) recommend that shareholders vote in favour of Resolution 7 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 Resolution 7.

## ADDITIONAL INFORMATION

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#### Directors' interests

As at the date of this Notice of Meeting and Explanatory Memorandum, the Directors of the Company had the following direct and indirect interests in the securities of the Company:

Director	Shares	Options
Mr Ian McGregor (Chairman)	1,072,499	183,291
Mr Richard Poole	8,030,129	7,115,148
Mr Michael Hogg	3,867,144	Nil
Mr James Myatt	Nil	1,857,143

## Historical trading price of Shares

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

Highest \$0.73 on 6 July 2007

Lowest \$0.12 on 7 April 2008

Last \$0.185 on 12 June 2008

## Issued capital

As at the date of this Notice of Meeting and Explanatory Memorandum, the Company's issued capital is as follows:

- Total number of fully paid ordinary shares on issue 100,371,904
- The Company currently has 29,295,556 options on issue on the following terms:

Terms	No of Options
Cobra Group A Options – exercisable at \$0.21 each on or before 30 September 2011	7,142,858
Cobra Group B Options – exercisable at \$0.35 each on or before 30 September 2011	3,571,429
Underwriter Options – exercisable at \$0.28 each on or before 30 November 2008	1,714,291
Fortress Options – exercisable at \$0.64 each on or before 22 June 2012	3,500,000
Cornell Options Series A – exercisable at \$0.71918 each on or before 2 July 2012	400,000
Cornell Options Series B – exercisable at \$0.78456 each on or before 2 July 2012	400,000
Cornell Options Series C – exercisable at \$0.84994 each on or before 2 July 2012	400,000
Options – exercisable at \$0.60 each on or before 30 September 2010	6,285,690

Director Options and Employee Share Option Plan	
Marshall Options – exercisable at \$0.84 each on or before 30 September 2009 for the first 25,000 customers signed	123,229
Harley Options – exercisable at \$0.70 each on or before 30 September 2010	214,286
McGregor Options – exercisable at \$0.70 each on or before 30 September 2010	200,000
Bellman Options – exercisable at \$0.70 each on or before 30 September 2010	200,000
Old Series ESOP – exercisable at a range from \$0.343 to \$6.79 each on or before 15 December 2008 to 15 December 2009	263,883
Class 1A – exercisable at \$0.49 each on or before 30 September 2008 for the receipt of licences	400,000
Class 1B – exercisable at \$0.70 each on or before 30 September 2009 for the first 25,000 customer signed	685,714

Class 1C – exercisable at \$0.84 each on or before 30 September 2010 for the second 25,000 customers signed	685,714
Class 1D – exercisable at \$0.98 each on or before 30 September 2011 for the next 50,000 customer signed	828,572
Class 1E – exercisable at \$1.12 each on or before 30 September 2011 for 100,000 customers signed in the first 21 months	542,858
Class 2A – exercisable at \$0.84 each on or before 30 September 2009 for the signing of gas and electricity agreements	57,143
Class 2B – exercisable at \$0.98 each on or before 30 September 2009 for the first 25,000 customers signed	57,143
Class 2C – exercisable at \$1.12 each on or before 30 September 2010 for the second 25,000 customers signed	57,143
Class 2D – exercisable at \$1.26 each on or before 30 September 2011 for the next 50,000 customers signed	57,143
Class 2E – exercisable at \$1.26 each on or before 30 September 2011 for achieving an energy price on a settled basis with agreed budget pricing for the first four years of the company acquiring customers	57,143
Class 3A – exercisable at \$0.35 on or before 1 October 2012 for remaining an employee of the Company at 1 October 2008	483,771
Class 3B – exercisable at \$0.35 on or before 1 October 2012 for remaining an employee of the Company at 1 October 2009	483,772
Class 3C – exercisable at \$0.35 on or before 1 October 2012 for remaining an employee of the Company at 1 October 2010	483,774

- The Company currently has 4,000,000 Convertible Notes on issue on the following terms:

Terms	No of Convertible Notes
\$1.00 face value, with a conversion price of \$0.64 and a conversion and redemption date of 22 June 2011	2,000,000
\$1.00 face value, with a conversion price of \$0.59 and a conversion and redemption date of 22 June 2011	2,000,000
<b>TOTAL</b>	<b>4,000,000</b>

# APPENDIX 1

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## Terms and Conditions of Placement Options

The material terms and conditions of the Placement Options are:

- (a) each Placement Option entitles the holder to subscribe for one (1) fully paid ordinary share in the Company (**Share**);
- (b) the exercise price of each Placement Option will be \$0.60 each;
- (c) the Placement Options are exercisable at any time on or prior to 5.00pm Sydney time on 30 September 2010 by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Placement Options are exercised to the registered office of the Company;
- (d) a Placement Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Placement Options can be exercised;
- (e) subject to the Corporations Act, the Listing Rules and the Company's Constitution, the Placement Options are freely transferable;
- (f) all Shares issued upon exercise of the Placement Options will rank pari passu in all respects with the Company's then issued Shares. The Placement Options will not be quoted on the ASX;
- (g) there are no participating rights or entitlements inherent in the Placement Options and holders of Placement Options will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Placement Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give holders of Placement Options the opportunity to exercise their Placement Options prior to the date for determining entitlements to participate in any such issue; and
- (h) if at any time the issued capital of the Company is reconstructed, all rights of a holder of Placement Options are to be changed in a manner consistent with the Corporations Act and the Listing Rules.

## APPENDIX 2

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### 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:

- (a) the Myatt Options A and B may be exercisable at any time prior to 5.00pm (EST) on 30 October 2012, Myatt Options C and D at any time prior to 5.00pm (EST) on 30 October 2013 (**Expiry Date**). Myatt Options not exercised on or before the Expiry Date will automatically lapse;
- (b) the exercise price of each Myatt Option is:
  - i. for Myatt Options A that may be exercised upon issue, \$0.50;
  - ii. for Myatt Options B that cannot be exercised until a Queensland power agreement on terms agreed by the board of Directors of the Company is secured, \$0.60;
  - iii. for Myatt Options C that cannot be exercised until meeting board agreed KPIs by 31 December 2008 including customer acquisition targets, complying with financing facility covenants and operational targets, \$0.70; and
  - iv. for Myatt Options D that cannot be exercised until meeting board agreed KPIs by 31 December 2008 including customer acquisition targets, complying with financing facility covenants and operational targets, \$0.80;
- (c) the Myatt 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;
- (d) upon the exercise of a Myatt 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 Company will apply to ASC to have the Shares granted Official Quotation. The Myatt Options will not be listed on ASX;
- (e) a summary of the terms and conditions of the Myatt Options, including the Notice of Exercise, will be sent to all holders of Myatt Options when the initial holding statement is sent;
- (f) there will be no participating entitlement inherent in the Myatt Options to participate in the new issues of capital which may be offered to shareholders during the currency of the Myatt Options. Prior to any new pro rata issue of securities to shareholders, holders of Myatt Options will be notified by the Company in accordance with the requirements of the ASX Listing Rules;
- (g) 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 Myatt Options, the exercise price of the Myatt Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2 of the ASX Listing Rules;
- (h) 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 Myatt Options is to be changed in a manner consistent with the ASX Listing Rules; and
- (i) Shares issued pursuant to the exercise of a Myatt Option will be issued no more than 14 days after the date of the Notice of Exercise.

# SCHEDULE

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## Definition of terms used in Explanatory Memorandum

**Additional Amount** means an amount of \$1,000,000 in addition to the Initial Amount, to be raised under the Convertible Note Facility.

**Advance Notice** means the notice by the Company requesting funds under the SBEF.

**Arthur Phillip** means Arthur Phillip Pty Ltd.

**ASX Listing Rules** means the Listing Rules of ASX Limited.

**Balance** means the amount of up to \$750,000, in addition to the Initial Amount and the Additional Amount, that may be raised under the Convertible Note Facility at the Company's discretion.

**Cobra Group** means The Cobra Group Pty Limited.

**Company** means Australian Power and Gas Company Limited ACN 077 206 583.

**Convertible Note** means a convertible note with a face value of \$1,000, convertible to 5,000 Shares on or before 24 months from the date of issue of the Convertible Note on the terms and conditions outlined in the Explanatory Memorandum.

**Convertible Note Facility** means the facility to raise up to \$3,500,000, comprising the Initial Amount and the Additional Amount, through the issue of 3,500 Convertible Notes and partially underwritten by Arthur Phillip.

**Corporations Act** means *Corporations Act 2001* (Cth).

**Drawdown** means the amount that may be advanced to the Company at any one time under the SBEF.

**Highgate Administration** means Highgate Administration Pty Ltd, an entity associated with Mr Michael Hogg, a Director of the Company.

**Initial Amount** means the first \$1,750,000 to be raised under the Convertible Note Facility.

**Myatt Options** means the options each to acquire a Share on the terms set out in the Background to Resolution 7 and Appendix 2 to this Explanatory Memorandum.

**Placement Options** means an option to acquire a Share, exercisable at \$0.60 on or before 30 September 2010 on the terms and conditions outlined in Appendix 1 to this Explanatory Memorandum.

**Pricing Period** means 10 consecutive trading days commencing on the day nominated by the Company.

**Share** means a fully paid ordinary share in the Company.

**Standby Equity Facility Agreement or SBEF** means the standby equity facility agreement entered into by the Company and Yorkville on 15 May 2007.

**Underwriting Agreement** means the underwriting agreement entered into by the Company and Arthur Phillip to underwrite the first \$1,750,000 to be raised under the Convertible Note Facility.

**Underwritten Amount** means the first \$1,750,000 to be raised under the Convertible Note Facility underwritten by Arthur Phillip under the Underwriting Agreement.

**VWAP** means the volume weighted average price of Shares.

**Yorkville** means YA Global Investments, LP (formerly Cornell Capital Partners, LP).

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