

**ASX RELEASE  
22 October 2010**

**Australian Power & Gas announces successful capital raising of \$15million to underpin expansion into QLD and NSW markets and improved debt to equity ratio.**

Independent energy retailer Australian Power & Gas (ASX: APK) today confirmed, that as part of its ongoing funding and capital management plan, it has successfully agreed to place \$15m in equity at 45c per share.

Net proceeds from the capital raising will be used to:

- Underpin expansion into QLD & NSW markets
- Simplify the company's balance sheet
- Improve company gearing
- Reduce interest expenses

Commenting on the equity raising, Australian Power & Gas Chairman, Ian McGregor said:

"We are very pleased with the level of support shown for this raising, and look forward to welcoming a range of new investors onto our register."

"The funds raised will support our expansion into the QLD and NSW markets. The placement will also result in a simplified capital structure for Australian Power & Gas and enhance our appeal to the broader investment community. This placement will deliver a reduced debt to equity ratio, increased liquidity and attract further interest from institutional investors."

The placement was managed by Arthur Phillip and Southern Cross Equities was Lead Broker to the Issue.

**Placement**

The Placement has been priced at \$0.45 per share.

The placement will be conducted in two tranches with approximately 14.9 million shares issued in the 1<sup>st</sup> tranche under Listing Rule 7.1, with the balance following shareholder approval at the company's AGM on 29<sup>th</sup> November 2010.

A Share Purchase Plan capped at \$1 million will be offered to existing shareholders at the placement price of \$0.45, up to a maximum of \$10,000 per holder and subject to oversubscriptions being scaled back if required. Further details of the Share Purchase Plan, including the timetable, will be advised in due course.

The Convertible Note Facility, approved by shareholders on 29 September 2010, will be collapsed as part of this process. This will involve converting Tranche 1 of the Convertible Note Facility totalling \$6.3m into shares at \$0.45, through the allotment of 14.0m shares and the cancellation of Tranche 2 and 3 of the Convertible Note Facility totalling \$12.6m.

**About Australian Power & Gas**

Australian Power & Gas Company Ltd is listed on the Australian Stock Exchange (ASX) under the code APK. Australian Power & Gas holds a full suite of gas and electricity retail licences in Victoria, New South Wales, ACT, South Australia and Queensland and has been approved to operate by AEMO, the Australian Energy Market Operator. The company benefits from a strong management team with more than 50 years combined experience in the energy industry. Australian Power & Gas was announced as the fastest starting company in the 2010 Business Review Weekly Annual Fast Starters List.

**ENDS**

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