

Dear Shareholder,

I am writing to invite you, as a shareholder in Australian Power & Gas, to attend the Annual General Meeting on Tuesday 20 November at 10am at Computershare Investor Services, Level 4, 60 Carrington Street, Sydney.

Details of the Annual General Meeting can be found in the enclosed Notice of Meeting and Explanatory Notes. The Australian Power & Gas Annual Report for 2012 is available for download from our website australianpowerandgas.com.au/investorandmediacentre/financialreports

I am pleased to report that as Australia's leading independent energy retailer, Australian Power & Gas delivered strong results in fiscal 2012. The Company's revenue grew by 58%, driven by our solid growth in customer numbers which reached 341,000 accounts at 30 June.

As a reflection of the Company's strong performance, we are pleased to have been able to announce a return to shareholders of an unfranked dividend of 0.8 cents per share, up 60% from fiscal 2011.

The coming year is an exciting period for Australian Power & Gas, as we continue to strive towards our vision of achieving \$1 billion in revenue by fiscal 2015. In addition to developing opportunities to expand the range of services offered to our customers, we will continue to drive growth in other deregulated sectors which complement our existing energy load profile, including small commercial and manufacturing sectors.

The Company is also committed to being industry pioneers in identifying and delivering innovative solutions for improving the customer experience. In the past year, we have introduced the use of tablet technology across our door to door sales activities to provide customers with real-time accurate energy information, leading to an increase in customer and quality assurance.

I look forward to welcoming you at the Annual General Meeting, listening to your views and answering any questions you may have. Australian Power & Gas Directors and Senior Executives would also like to extend an invitation to shareholders to join them for light refreshments after the meeting. If you are unable to attend the meeting, I encourage you to complete and return the enclosed Proxy Form. Proxy Forms must be received by 7:00pm on Sunday, 18 November 2012.

I would like to thank our CEO, James Myatt, his Executive Management Team and all our staff at Australian Power & Gas for their commitment, skill and enthusiasm that has enabled us to deliver these results and our growth going forward. Further, I would also like to recognise my fellow Directors for their dedication and support over the past year.

Most importantly, to you, our shareholders, I thank you for your continued confidence and support.

Yours sincerely

Ian McGregor
Chairman

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