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ASX and Media release

AGL finalises sale of PNG assets for A\$1.127 billion net

18 December 2008

AGL Energy Limited (AGL) has today completed the sale of its oil and gas interests in Papua New Guinea (PNG) for a price of A\$1,127 million after the close out of oil and currency hedges.

No capital gains tax will be payable in either PNG or Australia on proceeds from the sale. AGL anticipates receiving the bulk of the proceeds by close of business Friday 19 December 2008 with minor cash flows relating to purchase price adjustments and a pipeline licence interest occurring in January 2009.

Two joint venture parties exercised their pre-emptive rights and purchased the assets at the same price as announced on 30 October 2008. The sole buyer of the bulk of the interests for US\$795 million was Merlin Petroleum Company (Merlin) – an existing co-venturer and an affiliate of Nippon Oil Exploration Limited. A pipeline licence interest was sold for US\$5 million and split approximately 50/50 between Merlin and an existing landowner company – Petroleum Resources Kutubu Limited.

Commenting on the transaction, AGL Managing Director Michael Fraser said, "These proceeds will provide a valuable buffer against the current financial markets turmoil. They also gives us the flexibility and capacity to transact on future growth options across all our businesses as evidenced by our recent purchase of the Gloucester basin coal seam gas assets."

Further enquiries:

Media

Andrew Scannell, Head of Media
Direct: + 61 3 8633 6167
Mobile: + 61 (0) 407 290 658
e-mail: ascannell@agl.com.au

Analysts & Investors

Graeme Thompson, Head of Investor Relations
Direct: + 61 2 9921 2789
Mobile: + 61 (0) 412 020 711
e-mail: gthompson@agl.com.au

About AGL

AGL is one of Australia's leading integrated energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest retail energy and dual fuel customer base. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.