



Dear Unitholder,

Welcome to this tenth edition of "In the Pipeline".

In this newsletter, we will address the current state of our regulatory endeavours, the provision we have made against the carrying value of our interest in the Mid West Pipeline, and report on our work in attempting to acquire additional pipelines which are presently for sale.

Regulatory

Moomba to Sydney Pipeline Revocation

The Australian Pipeline Trust's (APA) wholly-owned subsidiary East Australian Pipeline Limited, was joined as a party to the review by the Australian Competition Tribunal (the Tribunal) of the decision by the Honourable Ian MacFarlane, Minister for Industry, Tourism and Resources, to partially revoke coverage of the Moomba to Sydney Pipeline System (MSP). Three parties who had originally objected to the Minister's decision progressively withdrew their objections. Following withdrawal by the last of the objectors, the Tribunal decided to cease the review. The result is that the Minister's decision is confirmed and the Moomba to Sydney pipeline is now free from regulation from Moomba to Marsden (approximately 800kms of its length).

APA welcomes finalisation of the revocation process, and we can now get on with our real business of supporting and enhancing regional development and pipeline competition. In due course, APA will develop a revised access arrangement for the balance of the MSP (possibly including the Central West Pipeline, the Interconnect with Victoria's GasNet System and future spur lines or extensions). This will be identified as the NSW/ACT Regional Gas Transmission Grid (RGTG).

This is a good outcome for APA and will offer greater flexibility in developing our gas markets in eastern Australia.

Review of the ACCC Final Determination on MSP

Notwithstanding the decision to confirm partial revocation of the MSP, the Tribunal agreed to continue to hear the review of the ACCC final determination on the access arrangement for the MSP. This is considered necessary to establish an initial capital base for the NSW/ACT Regional Gas Transmission Grid. It is hoped that the Tribunal will provide guidance on how APA might address the access arrangement principles for the NSW/ACT RGTG.

The Tribunal hearing commenced in late March and continued throughout much of April. It is expected that the Tribunal will hand down a decision by early July.

Pipeline Operations

Windimurra

In the February 2003, APA advised the Australian Stock Exchange that the Xstrata vanadium mine at Windimurra in WA would be temporarily placed in care and maintenance pending a further review. No income from the mining operation was budgeted in APA's books for YEJ 2004.

On 24 March 2004, the Australian Stock Exchange was advised that Xstrata had informed APA that it would be discontinuing operations and was unlikely to sell the mine to other operators. Xstrata has confirmed that it intends to permanently cease mining operations and remove all equipment, thereby removing the ability for any other miner to resume vanadium mining at the site.

In the light of these developments, APA has provided \$20 million (pre-tax) against the major proportion of the asset carrying value of the Mid West Pipeline while the future of the pipeline is being clarified. This will have the effect of reducing net profit before tax for YEJ 2004 by the same amount. A decision to write-down the carrying value of the pipeline will be made upon further clarification of the future of the mine site.



The provision is a non-cash adjustment and will therefore not impact the amount of cash available for distribution.

APA will maintain cash distribution levels for year ending June 2004 through return of capital and available income.

Acquisitions

APA continues to pursue acquisitions arising out of the gas transmission industry rationalisation.

The sales processes have proven to be lengthy, costly and complex. They are subject to confidentiality regimes that preclude any discussion of the sales. However, I can report that whilst we were unsuccessful in our bid for the Epic South West Queensland and Pilbara Pipeline systems, we are still actively pursuing Epic's Dampier to Bunbury pipeline and the CMS interests in the Goldfields and Parmelia pipelines. It is now likely that the outcome of the remaining sales processes will not be completed until some time in FY 2005.

APA is also shortlisted in a consortium which has expressed interest in developing a 1000km Trans Territory Pipeline to deliver gas to Alcan's Bauxite Refinery at Gove in the Northern Territory.

Third Interim Distribution YEJ 2004

You will have received notification that the third interim distribution for YEJ 2004 was 5.0 cents per unit, paid wholly out of capital. It is likely that this will be the only distribution which is paid wholly out of capital, and reflects the impact of the provision against the carrying value of the Mid West Pipeline.

APA is able to maintain its cash yield by paying the capital distribution (also called tax deferred) from the free cash generated in excess of accounting profit. Free cash arises from charges such as depreciation and amortisation. All cash amounts distributed to unitholders (whether income or capital) are covered by operating cash flow.

Returns of capital are not assessable, but reduce the unitholder's cost base for capital gains tax purposes.

Distribution Reinvestment Plan (the Plan)

You have also been advised that the Board has decided to offer a further issue of units under the Plan. As with previous issues, cash from the distribution is applied against the number of units offered, at the discounted price as calculated under the Plan.

Full Year Results

APA is intending to release its full year results to the market on 26 August 2004. As in previous years, APA will be using webcast so that all unitholders may view the presentation to analysts. Details of how to access the presentation will be placed on the website, several days before the release.

Annual Meeting

The annual meeting is scheduled to be held on 20 October 2004. Details will be available in the Annual Report, which is due for release at the end of September.

Yours sincerely

JK McDonald
Managing Director
Australian Pipeline Trust

**Questions or feedback please email to:
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