

TAKEOVER OF ALINTA

You are most likely aware Alinta's Board has recommended a takeover offer by a consortium of Babcock & Brown and Singapore Power. The offer includes a scrip component under which Alinta shareholders will receive a pro-rata share of the APA securities Alinta presently owns. This does not require any action from APA securityholders but we will keep you informed of any developments. APA support the Babcock & Brown and Singapore Power proposal recommended by the Alinta board on the basis that it will remove the uncertainty surrounding Alinta's ownership of APA securities. Alinta shareholders are due to vote on the proposal by the end of August.

HEAD OFFICE

During the quarter, APA announced it had moved its head office from Mascot to Sydney's CBD to accommodate its growing staff numbers and increasing interaction with other CBD based organisations. Since 2000, APA's head office staff has grown nearly seven-fold to 40 full-time employees. Our telephone (switch and extension numbers) remain the same: + 61 2 9693 0000.

Our new head office address is:

HSBC Building
Level 19
580 George Street
Sydney NSW 2000.

Our new postal address is:

PO Box R41
Royal Exchange NSW 1225.

DISTRIBUTION CHEQUES

Our unit registry, Link Market Services Limited (Link), has advised that there are a number of investors who have not yet presented their distribution cheque/s. We encourage you to bank your distribution cheque/s as soon as possible. If you have lost or misplaced your distribution cheque/s please contact Link on (02) 8280 7132 to arrange replacement/s.

We encourage all investors to receive distributions by direct credit as a way of ensuring receipt of your distribution, enhancing the security of payment and lowering our costs which benefit all of us.

You can notify Link of the Australian bank account, building society or credit union into which you would like your payments to be made by visiting the Link website www.linkmarketservices.com.au, downloading a form and mailing it to Link at Locked Bag A14, SYDNEY SOUTH NSW 1235.

HELP TO REDUCE PAPER USAGE AND SAVE THE ENVIRONMENT

Did you know you can now receive Annual Reports, "In the Pipeline" newsletters and subscribe for notice of major APA announcements electronically? How? Simply go to www.linkmarketservices.com.au, enter your SRN/HIN, surname or company name and postcode, then click on "Communication Options" in the left hand menu bar. Alternatively, call the APA registry on 02 8280 7132 between 8:30 am and 5:30 pm Monday to Friday.

YEAR END TIMETABLE

Event	Date
Annual Meeting	30 Oct 2007
Interim Distribution payment – period ended 30 June 2007	28 Sep 2007
Record date of interim distribution period ended 30 June 2007	7 Sep 2007
Full year results announced in Sydney (also Webcast and Podcast)	29 Aug 2007
Interim distribution payment – period ended 31 March 2007	29 Jun 2007

FROM THE MANAGING DIRECTOR

It has been an exciting past few months at APA and looking ahead, the fundamentals of the business remain solid. As previously advised, our guidance for full-year net profit after tax (excluding significant items) remains in the range of A\$58 million-A\$61 million together with a full year distribution of 28 cents.

While we have seized many opportunities over the past year to grow the business through acquisitions, we will continue to look for opportunities in complementary businesses and only those that meet our strict investment guidelines. We are particularly pleased that the Federal Government has recognised the growing concern over climate change issues by proposing the implementation of a carbon trading regime. APA is well placed to reduce carbon emissions by delivering cleaner burning natural gas to the Australian community.

We look forward to updating you on our performance at our full-year results, which are due to be announced on August 29, 2007.

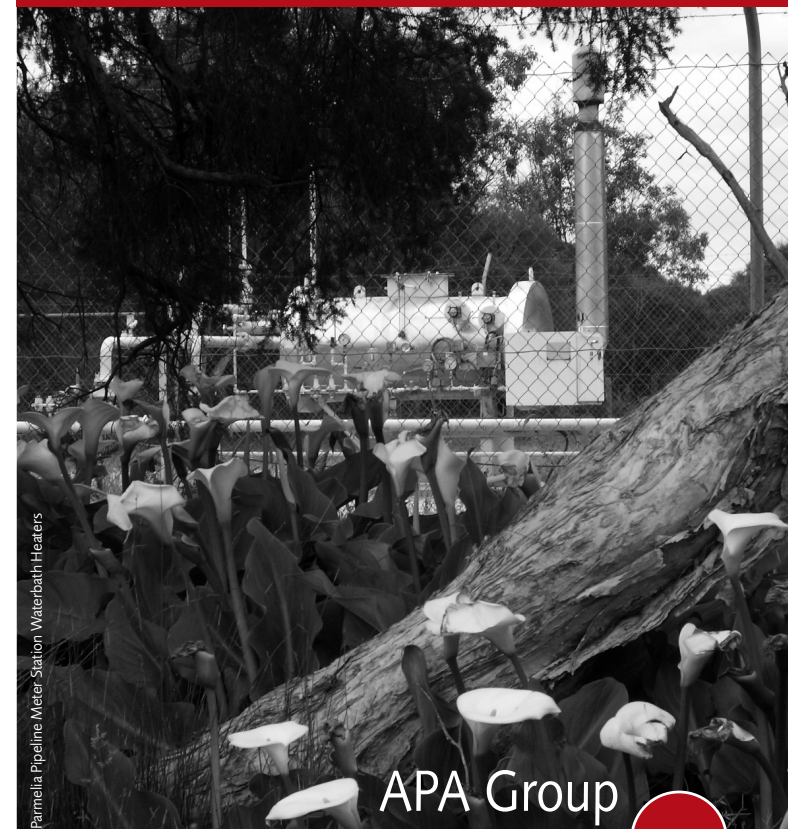
Whatever opportunities arise, APA and Management remains committed to enhancing and growing your investment over the long term.



Mick McCormack
Managing Director
18 June 2007

In the Pipeline

ISSUE 2 | 2007



Parmelia Pipeline Meter Station Waterbath Heaters

APA Group

APA Group comprises of
AUSTRALIAN PIPELINE LTD ACN 091 344 704
AUSTRALIAN PIPELINE TRUST ARSN 091 678 778
APT INVESTMENT TRUST ARSN 115 585 441

In the Pipeline

Welcome to the second issue of "In the Pipeline" for 2007.

It has been another busy quarter for APA Group (APA), including a move to a new head office in Sydney's CBD, signing several new gas transportation agreements in Western Australia and New South Wales, completing the largest private placement in the United States by an Australian utility and entering into an agreement for the acquisition of Origin Energy Networks assets.

These achievements are significant and show our commitment to grow and expand the business and, in a broader sense, our commitment to help support a sustainable energy industry in the long term.

In striving to meet our broader strategic goals, we have not lost sight of delivering on our commitment to securityholders to increase distributions by at least CPI annually. APA recently declared a third interim dividend of 7 cents per security, taking interim cash distributions for the year to date to 21 cents – up 16.7% from the previous corresponding period.

In this issue of "In the Pipeline", we will summarise the key milestones since our last issue in mid March. I hope you find the newsletter interesting and informative. If you would like more detailed information, please visit our website – www.pipelinetrust.com.au

OPERATIONAL HIGHLIGHTS

ACQUISITIONS

A key operational highlight for the quarter was APA's successful bid for Origin Energy Networks (OEN) for \$556.5 million. OEN is a strong strategic fit for APA because its assets and businesses primarily involve the distribution or transmission of gas which is fundamental to our core business of energy transmission.

OEN assets are widely placed across Australia and notably expands APA's footprint in South Australia.

OEN comprises:

- Origin Energy Asset Management (OEM) which provides management and operations services to gas distribution and transmission company Envestra Ltd.;
- A 17 percent stake in Envestra; and
- A one-third interest in the SEA Gas pipeline.

OEN offers APA many strategic benefits and key among them are:

- OEM strengthens APA's internal management model;
- SEA Gas provides APA with access to the South Australian gas market; and
- It positions APA as a cornerstone investor and largest in Envestra.

Among the benefits that the acquisition will deliver to APA securityholders is that it will increase our cash flow, which in turn further supports our ability to increase distributions to you by at least CPI annually.

INTEGRATION

The integration of any asset APA acquires is just as important as the acquisition itself, so it is worth taking a moment to update you on the integration of OEN.

The transfer of approximately 500 OEN employees is scheduled for 2 July and APA has developed a number of employee initiatives to help make the transition for the workforce as smooth as possible. Some of these include:

- an employee assistance program offering confidential counseling and advice for employees who need additional support;
- Communication Contact Points (CCPs) will be appointed in each state to allow information to be communicated swiftly and efficiently;
- Consultative committees will be established nationally to offer employees the opportunity to provide input and feedback about the changes; and
- establishing an email address for comments or feedback about the changes.

Dedicated workstreams have been established for IT, finance and operational considerations to ensure a smooth transition for non-employee related arrangements.

GAS AGREEMENTS

APA signed three gas transportation agreements over the quarter. The agreements cover:

- I. APA's wholly owned Parmelia Gas Pipeline and associated Mondarra Storage Facility in the Mid West region of Western Australia. Under this agreement, gas will be supplied to publicly listed Eneabba Gas Limited's 168-megawatt Centauri 1 power station. The agreement is for five years and can be extended for another five.
- II. APA's jointly owned MidWest Pipeline, also in Western Australia, which will transport gas to Precious Metals Australia Ltd's Windimurra vanadium mine for 15 years.

- III. APA's Moomba-to-Sydney Pipeline. The suite of agreements with AGL Wholesale Gas Limited includes an agreement to amend the conditions of an existing 10-year agreement through to 31 December 2016, and also provides for the provision of additional quantities of gas for a two year period from January 2007. The term provides consistency in a changing dynamic for contracting gas transportation in eastern Australia.

FINANCIAL HIGHLIGHTS

During the quarter, APA raised US\$624 million (A\$811 million) for maturities at 10, 12 and 15 years through a private placement to U.S. and Canadian investors to refinance existing debt and general corporate purposes.

This is the second such placement by APA in the U.S. the first being in 2003. It is significant for several reasons:

- It is the largest private placement by an Australian utility in the U.S. and largest by an unrated entity;
- It reflects the strong appetite for infrastructure assets by U.S. and Canadian investors; and importantly
- Signals a strong show of support for APA's strategy over the past 12 months.

CORPORATE ACTIVITY UPDATE

FEDERAL COURT DECISION

APA has been in dispute with energy company Alinta Limited for some time in relation to Alinta's acquisition of APA securities last year. These acquisitions occurred through Alinta's merger with AGL and also through Alinta's acquisition of securities on the market during August 2006.

In April, the Full Federal Court found Alinta had acted illegally when it acquired approximately 10% of APA securities on market in August 2006 as well in acquiring more than 20% of APA through the merger with AGL. Both APA and Alinta have made submissions to the trial judge as to what orders should be made as a consequence of the finding of illegality, with APA submitting that Alinta should have to divest all of the units affected by their illegal conduct, being approximately 10% acquired in August and approximately 5% from the AGL merger. As of 18 June, the trial judge has not yet handed down his decision.

APA has been granted leave to appeal to the High Court against various aspects of the Full Federal Court's decision. That appeal is expected to be heard during the new few months. Alinta has sought leave to appeal to the High Court and Alinta's application for leave will be heard when APA appeal is heard. If Alinta is successful in its application for leave, the High Court will also hear Alinta's appeal at the same time.