

**AUSTRALIAN PIPELINE TRUST
CHIEF EXECUTIVE OFFICER'S ANNUAL MEETING
PRESENTATION 2005**

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Introduction

Thank you for your introduction Chairman, and for the support of the Board over the past few months as I have settled into my new role.

Good morning ladies and gentlemen.

It is my pleasure to address this 2005 Annual Meeting as Chief Executive Officer of Australian Pipeline Trust.

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I would like to start by giving an overview of Australian Pipeline Trust's operations, followed by a brief summary of some of the regulatory issues we have been dealing with this year.

I also want to elaborate on some of our Chairman's comments about this transition period we are now in, and the important role natural gas can play in strengthening Australia's energy mix.

Finally, I will provide some further comments on APA's strategic direction and outlook.

I will always remember 2005 as an exciting and interesting year. Not only does it mark a changing of the guard at APA with significant changes in both the senior management team and Board of Directors, it also represents the fifth consecutive year of increased profit for unitholders.

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Speaking of our senior management team, I would like to introduce to you Rick Francis our CFO, Stephen Ohl our GM Operations, Sandra Dureau, General Counsel, and Austin James, who has already been introduced by the Chairman.

The philosophy that has underpinned and driven this business to its current successful position continues. Our core business is natural gas transmission pipelines and we are world class in owning, operating and managing them.

We have some challenges ahead of us, both in terms of developing our business and the regulatory environment, and I believe we are well placed to deliver the right results for our unitholders.

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Financial Review

Our Chairman spoke about APA's financials and I am fortunate to start my tenure as CEO with a strong financial result. As I mentioned, APA's results have returned an annual compound average growth rate in net profit after tax and minorities, in excess of 13.5% over the last 5 years. This result underscores the strength of the business but also sets a challenging benchmark for future performance.

Performance

The strong growth in profit in the 2005 financial year reflects the consolidation of our acquisition of a further 40% interest in Goldfields Gas Transmission Pipeline, 100% of the Parmelia Gas Pipeline and the Dongara and Mondarra gas assets, and the acquisition of the remaining 30% interest in the Carpentaria Gas Pipeline.

Slide 5 – Review of Operations

APA has again increased the utilisation of its existing assets. In Queensland, through new long-term contracts on the Roma to Brisbane Pipeline and in Western Australia through contracts on the Parmelia Gas Pipeline, APA has been able to increase the volume of gas carried through its pipelines. On the Moomba to Sydney Pipeline, new third party revenues have been contracted.

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Operational Review

Turning to the operational review, APA has delivered on a number of fronts this year. On the Roma to Brisbane Pipeline in Queensland,

APA has entered into several contracts, which improve the utilisation of the pipeline.

In April, APA signed a 10-year gas transportation agreement to deliver six petajoules of gas per year to the new Braemar power station in Queensland. This agreement, which commences in 2006, offers a firm service with a fixed revenue component. In addition, there is also an interruptible service with a variable revenue component.

APA also entered into a ten year transportation agreement to haul up to 16 Petajoules per year of gas to Incitec Pivot's fertiliser plant at Gibson Island. The agreement will commence in 2007.

We also entered into a variation agreement with CS Energy to increase transportation volumes to over 15 Petajoules per year, to deliver to CS Energy's Swanbank E power station. The agreement is for a period of 12.5 years and commenced in the first quarter of 2005, contributing to this year's results.

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On the Parmelia Gas Pipeline, APA has signed a four-year contract with Western Power to transport gas for supply to Austral Bricks in Western Australia. The contract is estimated to deliver between \$2 and \$5 million in revenue.

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On the Moomba to Sydney Pipeline, the contractual wind-down under the Gas Transportation Deed with AGL continues to reduce revenues, and will do so until the GTD expires in December 2006, after which it will be replaced by a long term haulage contract at prevailing tariffs.

APA did gain additional revenue from third parties during the financial year, and it is anticipated that as full retail contestability increases, both existing and new customers will increase utilisation of the pipeline.

It is also worth noting that the demand for gas in the markets served by the MSP is expected to increase in the foreseeable future, so we are confident that existing utilisation of the Moomba to Sydney Pipeline will continue well past expiry of the GTD.

Importantly, the introduction of gas from PNG into south-east Australia

via the MSP should ensure the long term prospects for the MSP remain very sound.

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As previously reported, APA has carried out extensive investigation and analysis of the incidence and impact of stress corrosion cracking on the MSP. That work has concentrated on the first 160 kilometres of the pipeline, in remote areas of South Australia and New South Wales, where the conditions under which Stress Corrosion Cracking can develop are most likely to be found. The analysis, which included running two “intelligent pigs” through the gas stream in the pipeline and recording irregularities in the steel wall of the pipe, has now been completed and comprehensive data obtained.

Six sites were identified requiring immediate action and work was successfully carried out in May 2005. These repairs allowed the MSP to continue to operate at a sufficient pressure to meet load requirements for winter 2005.

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We have identified a program of work to be carried out over the next few years based on the final inspection data report. This work will ensure the continued safe and reliable operation of the MSP, enabling APA to both meet its contractual obligations in the short term and also confirm the MSP’s continued integrity to transport gas into south eastern Australian markets from Northern sources.

As the Chairman has noted, APA has provided some \$20 million for the program of repairs and additional pigging if required. This provision represents our best estimate of total expenditure necessary to manage the Stress Corrosion Cracking issue in the medium term.

I have been asked on a number of occasions recently, whether if we knew Stress Corrosion Cracking was a problem, why we didn’t take action sooner. The answer is that we, and the pipeline’s former owners, have known about Stress Corrosion Cracking since 1982 when some 30 kms of pipeline were replaced following the discovery of Stress Corrosion Cracking.

Since that time a programmed maintenance effort has continued, looking at sites along the pipeline that may indicate the presence of

Stress Corrosion Cracking, with investigations carried out accordingly. Over the past couple of years this effort has been considerably enhanced by the successful development of a specialised intelligent pig. This advance in technology, has enabled us to accurately locate and identify even the most minute Stress Corrosion Cracking feature.

As a consequence, our future remediation efforts can be very effective because they target specific Stress Corrosion Cracking features.

So all up, the development of new technology has allowed us to now know what we didn't know just six months ago, and so get on with ensuring the pipeline is safe, secure and prepared for future opportunities such as the PNG Gas Project.

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APA has also now acquired a 5.3% stake in GasNet Australia Group. This acquisition fits our strategy of investing in pipeline assets at the right price. APA is considering its options and is prepared to be a long-term, investor in GasNet.

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Regulatory Matters

I would like to briefly add to the comments made earlier by our Chairman on regulation. During the financial year, market reform and the regulation of essential infrastructure, including gas pipelines, have been on the national policy agenda. APA has been active in demonstrating that the current pipeline regulation needs reform.

Other infrastructure owners have also expressed concern that further investment in their facilities is hampered because of unreasonable levels of returns set by Regulators.

It has been observed that Australia has too many regulators, who seek to impose the lowest possible prices, rather than outcomes which deliver business efficiency and balance community interests.

Our regulators need clearer goals, and a revised regulatory framework. Where regulation is necessary, I believe that there should only be one layer, encouraging investment and balancing all stakeholder interests.

Last year, the Productivity Commission released its report into the National Gas Access Regime, recommending less intrusive regulation and a streamlining of regulatory processes.

The recommendations are widely accepted as a sensible and practical approach to regulation. APA and the Australian Pipeline Industry Association, actively support the full and timely implementation of the Productivity Commission's recommendations.

At the same time, Governments are implementing the Australian Energy Market Agreement. APA broadly supports the establishment of a single national regulator. However, the potential benefits of this Agreement are at risk because of the desire to make regulation of gas and electricity markets the same. They are not, and APA is working to ensure that this is recognised.

I look forward to the Federal and State Governments' response to these two important developments, and to reforms which reduce intrusive regulation and remove disincentives to pipeline development.

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Strategic Direction

Many of you may be wondering what sort of strategic direction, I have in mind as the new Chief Executive of Australian Pipeline Trust.

May I say from the outset that APA will continue to pursue ways to increase the utilisation of our asset portfolio through incremental growth. As mentioned earlier, there have been some exciting developments during the past financial year and I believe the coming financial year will reveal more opportunities.

There are limited opportunities within existing natural gas pipelines, and we are actively monitoring those of which we are aware.

Diversification of our asset portfolio through acquisition also remains a strategy. Diversification of assets reduces APA's existing reliance on the Moomba Sydney Pipeline and allows for APA to focus its skills on complementary assets which enhance the utilisation of natural gas.

We believe there is still some potential for further aggregation and re-aggregation in the industry, although the time frame may be longer than one year.

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There are also a number of complementary assets – such as coal seam methane processing systems and power stations situated on our pipelines which APA would consider. However, we maintain our policy of looking for value propositions and will only purchase assets at the right price, not any price.

As an example of the type of complementary assets APA is pursuing, in August, APA signed agreements with CS Energy to build, own and operate a \$13 million coal-seam gas processing facility at Kogan, west of Brisbane.

The facility will process four petajoules of gas a year, which will be transported on our Roma to Brisbane Pipeline to CS Energy's Swanbank E Power Station.

The facility will operate for 15 years and generate cash flows of approximately \$2.5 million a year. Commissioning will occur during the current financial year.

The Kogan North project is another step in the APA strategy of pursuing opportunities which are complementary to our existing assets and skills, and which meet our investment criteria.

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Greenfields natural gas projects remain a major plank of our strategic plan. As the Chairman has stated, the developments for both the Papua New Guinea Gas Project and the PNG to Australia natural gas pipeline are encouraging. The challenges for these projects are immense, however, APA continues to believe that the PNG Gas Project offers a real option to ensure continuity of supply of natural gas to the eastern coast of Australia over the coming decades.

Potentially, the cost of building the PNG natural gas pipeline could be several billion dollars and the pipeline is scheduled for completion by the end of the decade. A green light for this project will be a major opportunity for APA.

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Natural Gas and the Environment

Highly efficient transportation of gas is environmentally friendly. In Australia, like most of the Western world, environmental concerns are firming and the weight of scientific evidence is mounting that there may be climate change occurring as a consequence of the impact of carbon dioxide emissions on our environment.

APA believes that, regardless of whether there is indisputable proof, a socially responsible position for all industries is to take action to reduce this impact on the environment as far as possible.

Natural gas will have an increasingly important role in reducing carbon dioxide emissions as Australia embarks on the difficult process of moving away from reliance on black and brown coal for power generation to a cleaner energy future.

As a fuel of transition, natural gas provides an immediate opportunity to assist in reducing carbon dioxide emissions while an economically efficient and environmentally sustainable solution is developed over the next generation.

We believe that natural gas should play a major part in the energy mix of Australia and encourage both customers and governments to recognise the benefits of natural gas.

Karen Schneider, acting director, of The Australian Bureau of Agriculture and Resource Economics recently stated that “while the nation would still rely on oil and coal, natural gas consumption was set to more than double to about 2100 petajoules by 2030.”

As our Chairman mentioned, it is on issues such as these in particular, that I believe there exists a need for a natural gas peak body to promote understanding and awareness of the role natural gas can play in developing responsible energy policies in Australia.

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Summary

As I've said, natural gas and its associated industries are currently in a transition phase. The aim for APA is to recognise both the challenges and opportunities currently available to us. I believe we are doing that and I believe we have the Board, management and people to adapt to the changes and to put us in an even stronger position going forward.

The strategy of the past five years since listing, has built a solid foundation and our pipelines are well positioned in the markets they supply into. Today APA is a strong company in a very sound financial position.

I have only been in the role of Chief Executive officer since March this year, but I am pleased to report that the first few months of the financial year have been strong and indicate that APA is on track to, at least, maintain its current level of profitability for the next financial year.

My objective over the next few years is to build our business and increase your returns as owners, through superior execution of APA's business model based on practical, hands on experience, expertise and industry skills.

In conclusion, I thank the Board for their trust in me, and my colleagues for their commitment to the business and for their performance.

While each year presents its own challenges, I am very positive about APA's opportunities for future growth and expansion.

I cannot imagine a more exciting time to be involved in this industry and I look forward to sharing the journey with you.

Thank you and now back to the Chairman.